

Hello Fellow Residents:

The comments below are that of fellow resident and fiscal watchdog John Thomas. Please take your time to read them and the attached ten-page summary Mr. Thomas has written. Thank You Mr. Thomas.

At the June 13th City Council Meeting the report mentioned below will be discussed as will the Lease for the Presbyterian Church Parking Structure. I am skeptical that the proper procedures are being followed as the Church project was not previously incorporated into the fabric of the report. It was a standalone project and should be approved or denied on its own merits.

Parking, traffic, congestion and the noise vehicles create are important quality of life issues for residents. Important too is the cost to residents of building the **14** or so parking structures which could cost **hundreds of millions of dollars**. Resident will be burdened with most of those costs.

Please take this opportunity to review the entire report which is available at this URL:
<https://www.lagunabeachcity.net/home/showpublisheddocument/14912/638194226128700000>

There is also an appendix at:
<https://www.lagunabeachcity.net/home/showpublisheddocument/14910/638194226120900000>

Consider making your views known at the meeting, or by writing to the City Council with your comments and tell your friends. Please email the City Council at: citycouncil@lagunabeachcity.net

Thanks, George

Comments on Parking and Transportation Demand Management Report as revised after the May 10, 2023, Workshop

What are we trying to accomplish? Though the Subcommittee prominently states a key goal is to reduce the impact of visitor and employee parking in residential neighborhoods and improve the quality of life for residents, and that is an admirable goal, there is **no guarantee** that adding to the supply of parking will prevent visitors and employees from parking in the neighborhoods.

What is the actual demand? Where is that data? *The report never specifies a target for the number of parking spaces that would meet demand.* Are we trying to park everyone who wants to park in Laguna? If, not, how many more spaces do we need?

Without good data, how do we know what we need? The report lists the number of spaces that could be added, but without clear data on what we need, how do we know if any of this will solve the problem? And if we add any or all these spaces, will the **quality of life** of the residents be improved? Will we even notice a difference or will the impacts be negative?

Do we really need more parking spaces? Do we really need any more parking spaces? The **IBI study sponsored by the City says we have more than enough parking in the downtown**, and based on that, the City Council adopted a downtown specific plan that enshrined a dramatically reduced amount of parking that commercial building owners and developers must provide. If we really have too much parking downtown, then why are we looking for more?

First Steps in adding to supply If we think we need to add supply, shouldn't the very first step be to ***reverse the reduction*** in the amount of parking required of commercial building owners granted by the adopted Downtown Specific Plan? Next would be to ***eliminate many of the current city permit programs*** that subsidize parking for landlords and businesses, which removed public parking of more than **300** existing spaces from the **749** total in City downtown public lots. Rather than spend millions to build more spaces, why not simply free up restricted spaces we already have so they can be used by the public?

Why not try to reduce demand First: If there are too many commercial vacancies, as we often hear, why not ***encourage conversion*** of the most marginal commercial properties to residential uses which require less parking than commercial uses and might even free up some actual spaces.

Clustering increases demand. While concentrating infrastructure in strategic locations may aid in coordinating with transit, the unfortunate side effect is that clustering increases demand in these areas which can increase traffic and congestion.

Better data and understanding of employee demand is needed. While there are **3,345** public and private parking spaces downtown, Census data indicates there are nearly **14,000** workers working in Laguna Beach. While not all employees work at one time, employees absorb a lot of parking. An employee parking management plan is needed.

Grandfathering Through various concessions given by the City over time, the number of parking spaces provided by private development has fallen far below what is required by City codes. Grandfathering perpetuates this. Addressing grandfathering should be a key element in any plan.

Who is Responsible for Parking? Commercial building owners – not the tenants – are responsible for providing parking for a business. Providing parking for a business is the responsibility of the commercial building owner because the commercial building owner “owns” the parking requirement – and the parking requirement concessions granted by the City – and both remain with the building when a tenant leaves. Too often, in public hearings, the case is presented as a small business having to meet the parking required for the proposed use and sympathies lie with the small business. This disparity needs to be better recognized by both the public and elected official granting discretionary approvals and concessions.

A Better Approach to Parking - In Lieu Fees. The City's parking-in-lieu fee is ***far below*** the actual cost to create a new parking place. And yet, virtually no one has purchased an in-lieu space in years because the City provides workarounds that end up costing the commercial building owner nothing. It is important to understand that the obligation of the commercial building owner to provide parking, not the business leasing building space.

It is understandable why there would be reluctance for a building owner to write a check for **\$100,000** or more for each parking space the applicant cannot otherwise provide. A better idea may be to charge in-lieu fees as a fee per square foot of building space leased on a monthly basis. A parking space might cost less than **25** cents per square per month which, and if rent paid to the landlord is **\$5.00** per square foot per month, the parking space is less than 5% of the rent. The fee should be paid by the commercial building owner and the rent charged the tenant determined by negotiation between the lessor and lessee.

How far will people walk? A report prepared by well-known consultants states that walking distance tolerances from parking to a primary destination are typically: **200 to 300** feet for shoppers; **500 to 800** feet for downtown employees; and **1,500 to 2,000** feet for special event

patrons and students. However, Laguna's topography and traffic/safety issues need to be considered as well as the age characteristics of Laguna residents.

While cycling is an important consideration for the plan, again topography and traffic safety are considerations. People who live up Park, Temple Hills, Nyes, Bluebird, and Diamond may be less inclined to walk or bicycle into the flatter, commercial areas of Laguna. Age is also a factor in the range of walking/cycling capability. And traffic/safety constraints. While walkability should be a consideration, the City needs to understand that not everyone who lives in Laguna lives in a relatively flat area walking distance to wherever they would like to walk to.

A key to Laguna going forward with implementing many of the concepts of the document rest with the Coastal Commission and its cooperation or lack of cooperation. The City has historically acted as though it is hostage of the Commission, yet in many instances, the Coastal Commission may be overstepping its actual charter. If the City makes a sincere effort and the Coastal Commission does not cooperate, the City needs to consider challenging the actual limits of authority of the Commission.

Does Item 6 of Table 3 of Section 10 Recommendations – Summary mean that if the City Council approves the Plan, the Church Parking structure is cleared to proceed? Does this item mean that, if the City Council accepts the report – or accepts the staff recommendation regarding the report – that the staff is approved to award the contract for the concept design and present the draft lease agreement to the City Council for the Presbyterian Church Parking Structure? Table 2 in the report indicates this location has one of the highest costs per space gained of those outlined on that table. ***Even if there is a decision to proceed further with a parking structure, considering the higher cost, why would this one jump ahead of other sites?***

Help the Church Build a Parking Structure on Their Property. The Church could accomplish its purpose of adding on-site parking by organizing the commercial building owners in the DSP area to form a parking assessment district – ***without direct*** involvement of the City in the ***“ownership”*** of the structure. The process would be much like a neighborhood that forms an assessment district to underground neighborhood utilities.

The City could assist with use of the city's tax-exempt borrowing power for the district to raise the funds through a revenue bond sale to pay the cost of building the structure. The church and district could negotiate any lease agreement for use of church ground that they could agree upon.

The parking district would be solely responsible for the debt payments but would receive revenue from parking in the facility to offset those debt and other operating cost payments. The church would get the parking structure it wants. The downtown merchants and building owners would get some parking. ***The city would have no direct involvement and no substantial exposure to financial risk.***

Induced Demand. While the report mentions ***“induced demand”*** there is no real explanation. Induced demand is simply the concept that If we add capacity, a supply of users will emerge to use up the capacity and we will be no better off with more capacity than with current capacity. People will still be parking in the neighborhoods, but the City will have spent a lot of taxpayer money without achieving the goal stated in the transmittal letter of “improving the quality of life for the residents.” ***This is a key reason why adding capacity may be ill-advised.***

Ride Hailing Reduces Demand for Parking but Increases Traffic and Congestion. While services like Uber and Lyft may reduce the need for parking, the trade-off is that use of ride-hailing doubles the number of trips. That is, what would be one trip in each direction becomes two as the Uber comes first to fetch the rider, then there is a second trip as Uber delivers the rider to the

destination. The same works on the reverse trip home. ***So, the price of reducing demand for parking spaces may be increased traffic and congestion.***

Flaws in the Logic of Shared Parking. While the arguments about shared parking are seductive, the reality is that ***shared parking only works in shopping centers with common ownership.*** The owner of the shopping center benefits if you linger and wander from shop-to-shop spending along the way. The shoe store owner in Laguna is not compensated if the person parked in his spot buys a watch down the street. And if the watch store does not have any parking, there is no opportunity for reciprocity. Most shops in Laguna cannot trade parking spaces with other shops.

Section 11 – Funding Strategies. Where funding is being considered, three concepts should be key: cost – benefit (***the beneficiary should bear the burden of the cost***); Sources should be matched to uses; and cost-efficiency - Is the proposed solution the most cost-efficient approach to addressing the perceived need?

A.) Considering the demands of local businesses for more parking, the most appropriate funding mechanism is an assessment district comprised of the commercial building owners within the boundaries of a proposed parking district. Facilities could be funded by revenue bonds issued by the district with the assistance of the City. The commercial building owners in the district could organize to form a parking assessment district. The members of the district would underwrite the debt payments and would receive revenue from parking in the facility.

The City would have no more active role than it does with any utility undergrounding assessment district. The city has no direct involvement and no substantial exposure to financial risk. What seems to be overlooked is the surprisingly modest actual cost of this approach to the commercial building owners. The obligation of the district might amount to as little as **2%** of the total aggregate rental revenue being collected by the building owners.

B.) If the commercial building owners will not organize a district, there may be the possibility that business owners could form a district funded by a small increase in sales tax charged on retail sales within that district and not on all retail sales citywide.

C.) The report considers a business license fee or removal of the current cap on business license fees for funding. While Laguna's business license fees should be revisited, because of the large imbalance between revenue the City receives that is attributable to visitors and the added costs the City incurs due to those visitors, these fees should be used for general fund purposes, like police and paramedic services needed due to the high number of visitors to Laguna, and not to create more parking facilities.

D.) However, the City might consider a business license fee created that would be required of commercial building owners that lease commercial space to businesses.

E.) Another funding element that needs to be explored is funding from the State of California. Since the effect of the Coastal Act amounts to an unfunded mandate, which is not equitable, the State of Californian should recognize the costs being imposed on local communities and provide appropriate funding to help offset those costs,

F.) The comment is frequently made that parking revenue should be used for parking. But other than that sounding good, in the case of Laguna, it is not a good practice. Parking revenue is general fund revenue. It is not a separate ***“enterprise fund”*** which is the government term for a government activity where the costs of an activity should be strictly covered only by revenue charged for that activity and there is no rational reason why parking revenue should be used only for parking.

The Difference Between Gross Parking Revenue and Net Parking Revenue is About 37% The report includes estimated revenue Per Net Gain in Spaces of **\$4,400** and that number is used to calculate the amount of debt that could be serviced by **\$4,400**. However, the City Budget indicates that operating Expenses for Parking Enforcement, Traffic, Parking, and Sign Maintenance, and Parking Management and Operations aggregate about **37.35%** of gross parking revenue. Therefore, projections should be adjusted to consider the **lower net** revenue numbers.

Section 11 – Funding Strategies – Table 10 – Increasing Transient Occupancy tax as a Funding Strategies for Medium-Term Items is miss-use of the funds. Since **30%** of the hotel rooms in Orange County charge hotel guests **3%** more hotel tax than Laguna, there seems to be room to increase local hotel taxes. However, the more rational use of an increased hotel tax would be to address the overall imbalance between revenue collected by the City that is attributable to visitors and increased costs the City incurs due to those visitors. If the result of adding parking capacity is an increase in the number of visitors, the costs to the City simply increase faster than the revenue from visitors, and the losses incurred by the City, and consequently the residents, increase.

REMEMBER Visitor cost exceeds visitor revenue to the City – so adding visitors **increases losses** until the City corrects that. A study in **2017** illustrated that revenue attributable to visitors do not cover the additional costs the city incurs attributable to those visitors. At that time, the shortage was over **\$23** million per year when the budget was **\$94** million. Since then, the Budget has grown to over **\$137** million. Conceivably, the imbalance has also grown. If the Parking Plan leads to an increase in visitor volume, the costs to the City simply increase and the losses increase. ***In essence, the City government of Laguna Beach loses money on every visitor, so if the number of visitors increases, the subsidy by the residents of visitors gets worse.***

REALIZE THAT A parking structure at Act V or other remote locations generates **NO revenue** and has the added cost of a shuttle that could cost as much as the debt service on the structure. The cost of remote or peripheral parking may be much higher than most people understand. If remote or peripheral parking were free or very inexpensive to encourage use, there would be little or no revenue generated by the remote facility to cover operating or debt service costs. Plus, a remote parking facility will necessitate some sort of shuttle service as an added cost that could effectively double the cost of the facility.

One Closing comment about SAFETY and the Laguna Beach Emergency Evacuation Plan After the horrible fire that devastated Paradise, California the City had a consulting firm model the time it would take to evacuate Laguna in the event of a natural disaster. The answer was a bit over 4 hours if everything worked perfectly. If the end result of Laguna's efforts to improve parking and mobility is to accommodate more visitors, we should take into consideration those visitors as well as the residents when and if we all need to leave Laguna quickly. Parking and Transportation – and safety – are not unrelated.