



Steve Leonardis, Vice Mayor  
Barbara Spector, Council Member

**TOWN OF LOS GATOS  
PARKING AND INFRASTRUCTURE  
AD HOC COMMITTEE  
AGENDA  
TUESDAY, JANUARY 30, 2018  
TOWN COUNCIL CHAMBERS  
110 E. MAIN STREET  
LOS GATOS, CA  
4:00 P.M. – 5:30 P.M.**

**MEETING CALLED TO ORDER**

**ROLL CALL**

**COMMITTEE REPORTS**

**CONSENT ITEMS (TO BE ACTED UPON BY A SINGLE MOTION)** *(Items appearing on the Consent Calendar are considered routine and may be approved by one motion. Unless there are separate discussions and/or actions requested by the Ad hoc Committee, staff, or a member of the public, it is requested that these items under the Consent Calendar be acted on simultaneously. Any member of the Ad Hoc Committee or public may request to have an item removed from the Consent Calendar for comment and action.)*

1. Approve Minutes of the Committee Meeting December 18, 2017.

**VERBAL COMMUNICATIONS** *(Members of the public may address the Committee on any matter that is not listed on the agenda. Unless additional time is authorized by the Committee, remarks shall be limited to three minutes.)*

**OTHER BUSINESS**

2. Nominations/Appointment of Ad Hoc Committee Chair and Vice-Chair.
3. Receive and Discuss the Financial and Design Options for a Downtown Parking Garage.
4. Set Meeting Schedule (Verbal Report)

**ADJOURNMENT**

**IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT THE CLERK DEPARTMENT AT (408) 354-6834. NOTIFICATION 48 HOURS BEFORE THE MEETING WILL ENABLE THE TOWN TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING [28 CFR §35.102-35.104]**



**TOWN OF LOS GATOS  
TOWN COUNCIL  
PARKING AND INFRASTRUCTURE  
AD HOC COMMITTEE**

MEETING DATE: 01/30/18

ITEM NO: 1

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**DRAFT**

**MINUTES OF THE TOWN COUNCIL PARKING AND INFRASTRUCTURE  
AD HOC COMMITTEE SPECIAL MEETING  
DECEMBER 18, 2017**

The Town Council Parking and Infrastructure Ad Hoc Committee of the Town of Los Gatos conducted a Special Meeting on Monday, December 18, 2017, at 6:00 p.m.

**MEETING CALLED TO ORDER AT 6:00 p.m.**

**ROLL CALL**

Members Present: Chair Rob Rennie and Council Member Barbara Spector

Staff Present: Laurel Prevetti, Arn Andrews, Joel Paulson and Matt Morley

**VERBAL COMMUNICATIONS**

None.

**CONSENT ITEMS**

**1. Approval of the November 16, 2017 Parking and Infrastructure Ad Hoc Committee Draft Minutes**

Approved.

**OTHER BUSINESS**

**2. Receive and discuss the financial pro forma for a downtown parking garage**

Matt Morley, Director of Parks and Public Works, presented the staff report.

The Committee, staff, and Mark Conroe, from Presidio Development, discussed the financial pro forma and the following areas will be researched by staff and brought back to the Committee:

SUBJECT: DRAFT MINUTES OF THE TOWN COUNCIL PARKING AND INFRASTRUCTURE AD  
HOC COMMITTEE SPECIAL MEETING OF DECEMBER 18, 2017  
JANUARY 23, 2018

- Reviewing the costs of a project in three different structures:
  - A garage by itself;
  - A garage with six BMPs; and
  - The current design, but with financed with Town dollars; not private equity dollars.
- Determining the viability of tax options, in terms of sales tax, parcel tax, and other sources, such as eliminating Town fees.
- Exploring a Parking Assessment District.
- Selling spaces to downtown businesses.
- Selling employee parking permits.
- Identifying other creative ways to reduce the cost or increasing income or financing.

**Public Comment Opened:**

- Ray Triplett commented on the public outreach schedule.
- Maria Ristow expressed concerns on the possible option of the structure as a garage by itself.

**Public Comment Closed.**

**3. Set Meeting Schedule**

The next meeting will be scheduled within six weeks.

**ADJOURNMENT**

The meeting adjourned at 7:30 p.m.

Prepared by:

Matt Morley, Director of Parks and Public Works



**TOWN OF LOS GATOS**  
**COUNCIL PARKING AND INFRASTRUCTURE**  
**AD HOC COMMITTEE REPORT**

MEETING DATE: 1/30/2018

ITEM NO: 3

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DATE: JANUARY 25, 2018

TO: COUNCIL PARKING AND INFRASTRUCTURE AD HOC COMMITTEE

FROM: LAUREL PREVETTI, TOWN MANAGER

SUBJECT: RECEIVE AND DISCUSS FINANCIAL AND DESIGN OPTIONS FOR A  
DOWNTOWN PARKING GARAGE

**RECOMMENDATION:**

Receive and discuss the financial and design options for a downtown parking garage.

**BACKGROUND:**

The Town Council has authorized exclusive negotiations with Presidio Development Partners, LLC (Presidio) as well as the hiring of a consultant to assist the Town with the goal of constructing a mixed-use parking structure, market rate, and below market housing project.

The direction on project scope includes achieving at least 300 total parking spaces, six below market price (BMP) residential units, and up to 18 market rate residential units. The project should be designed to be compatible with other downtown buildings in mass and scale.

The Ad Hoc Committee received a second set of conceptual design documents and provided input on the design. While the project design is preliminary, the current stage of design is such that identifying project costs and funding options is the logical next step. At the last meeting the Ad Hoc Committee reviewed the projects financial pro forma that identified a funding gap of approximately \$8.5 million to construct the project as currently scoped.

As a result of the financial pro forma review the Ad Hoc Committee asked that staff further review several items. These included cost reduction efforts through review of equity financing and Town permitting costs. In addition, the Ad Hoc Committee asked for costs summaries for several scenarios, including a garage only and a garage plus six BMP units (no market rate housing). Finally, the Ad Hoc Committee asked for options for funding the project.

**PREPARED BY:** MATT MORLEY  
PARKS AND PUBLIC WORKS DIRECTOR

JANUARY 25, 2018

DISCUSSION:

**Project Scenarios**

The project scope continues to be an early version of the project and as with all projects changes or additional scope during design will add to the costs. The sections below outline some aspects of the design and funding as requested by the Ad Hoc Committee. Each are supported by worksheets (Attachment 1). The basic concept and project components outlined above remain the starting point, with design revisions as noted. The concept revolves around a public project that results in the construction of a garage with private construction of residential (market and BMP) units.

*Garage Only - Cost: \$13.9M*

This project assumes a three story garage built completely above grade. The advantage to this project is the reduction of costs due to below grade construction and the elimination of residential components. The disadvantages include a boxy design without setbacks in the upper levels as envisioned in the full design option and the inability to use Town funds set aside for BMP construction.

*Garage plus six BMP – Cost: \$17.3M*

This project assumes one below grade level of garage with two garage levels above grade and six BMP units on the third level above grade. This project reduces the residential footprint and makes use of the BMP funds available to the Town. Costs increase on this version as the market rate residential units are no longer included to subsidize project costs. However, the inclusion of BMP units does allow for the use existing Town BMP funds.

*Town Financing Model – Cost \$5.4M*

This model assumes the Town finances the entire project as originally conceived, including the garage, BMP, and market rate residential. The costs come down significantly under this assumption, due to the financing costs being calculated at an assumed rate of four percent versus private equity rates of twenty percent. This shifts the risk associated with the project from a shared risk scenario to a full Town risk. It is important to note that the full project costs in excess of \$25M will still need to be funded in some way – the cost identified in this option is the assumed balance owed by the Town once the project is complete and the sale of residential units partially offsets the project costs. Additionally, this structure may be overly optimistic in that public financing of the private activity (market rate residential) may not be as affordable as assumed or even viable. Further review of the legal and cost elements will be necessary.

JANUARY 25, 2018

DISCUSSION (cont'd):

**Cost Reduction**

The Ad Hoc Committee also asked staff to review the reduction of project costs, especially costs associated with permits fees, in addition to reducing costs with financing alternatives. Staff reviewed the associated fees and to this point those fees remain in the calculation. The reasons are several. Primarily, there will be significant plan review and inspection costs with the project. These costs would fall mostly within the Community Development Department, which operates on a cost recovery basis. By not charging the fees, the costs would by definition then be absorbed by other developers through a shift in fees, an inappropriate method for paying for these costs.

In addition, there will be other internal costs for project management necessary to complete this project. Staff anticipates a full time project manager for up to two years. These additional costs are not yet factored into the project.

Because the project costs are still high level estimates with much refinement required to get to contract level pro forma numbers, staff left the internal costs at the current level.

**Funding Options**

As all of the scenarios include a funding need, the Ad Hoc Committee may want to review the following funding options, with the starting point that there are not Town funds immediately available to allow for construction of this project in any of the above scenarios.

*Bonds – funding mechanism*

The Town may ultimately wish to issue bonds as a means of financing a project. Because bonds are a mechanism for funding a project and not a source of funds, the Town would need to either identify a revenue stream with which to pay back the bonds or adopt a long-term annual budgetary commitment to pay down the bonds.

*Construction Loan – funding mechanism*

Similar to bonds, the Town may pursue other debt, such as a construction loan, to fund the project. A loan would also need a source of funds to pay off the loan.

JANUARY 25, 2018

DISCUSSION (cont'd):

*Sales Tax – source of funds*

The Town could opt to float a special sales tax measure, as has been discussed in other forums, utilizing/pledging the revenue from that sales tax to pay for the project. The use of the sales tax funds for a garage should be weighed against other Town budgetary needs.

*Downtown Assessment District – source of funds*

There are two types of assessment districts available for the Downtown with slightly nuanced spending authority. Both would likely result in a property tax assessment. One type would be put together by the Town with impacted property owners voting for or against the assessment. A 50% plus one vote would establish the assessment. Funds for this assessment could be used for a number of improvements, including parking facilities and is renewed annually.

The second type of assessment is put together by the property owners through submission of a petition to the Town. A similar vote would occur as with the other alternative. Funds for this assessment can be used for somewhat broader uses, including parking facilities and is renewed every five years.

*Paid Parking – source of funds*

The use of paid parking may provide a dedicated source of funds through revenue associated with the parking. At a recent Board meeting of the Chamber of Commerce, the Board expressed interest in this concept as a potential parking management strategy. Associated revenue may serve to pay for additional Town services or facilities, like a garage.

*Year End Fund Balance – source of funds*

Each year the Town Council programs the previous year's fund balance for future use. By Council policy, the priorities are for capital projects and to ensure reserves are fully funded. The year end fund balance could serve as a potential partial source of funds for this project. The year end excess does equal the gap of funding needed for the current garage proposal and other Council priorities would determine how much funding is available. Staff would anticipate this could contribute to the project in a small way, but fully funding the project through fund balance would likely take many years.

JANUARY 25, 2018

NEXT STEPS:

Staff believes that identifying the viability of a project is an essential next step. Staff recommends that the Ad Hoc answer the following questions:

- Given the budget numbers for the cost of a project as provided, is there a project the Ad Hoc Committee would recommend to the Town Council?

If the answer to the above question is yes and a project is identified, staff recommends that the Committee then discuss potential funding options by discussing the following questions.

- Which of the funding options are non-starters and which would the Ad Hoc Committee like staff to pursue further?
- What outreach would the Ad Hoc like to see on the project and project funding?
- What additional information is required?

If no project is identified as viable, the questions below do not need to be discussed at this time.

Depending upon the Committee's decisions at this meeting, a status report to the Town Council might be a reasonable next step to determine if the full Council agrees with the direction of the Ad Hoc Committee.

Attachment:

1. Pro Forma Documents



# Downtown Parking Garage

## Budget and Cost Structure

### CONFIDENTIAL

### Option 1 - Base Project

### Los Gatos parking lot proposed project

1/21/2018

### Capital Budget and Capitalization Structure

(numbers in *italics* to be verified)

Line #	<u>Capital Budget</u>		Residential	
	<u>Soft Costs</u>	<u>Total</u>	<u>(MRUs, BMPs)</u>	<u>Garage</u>
1	A&E, consultants	\$ 1,200,000	\$ 800,000	\$ 400,000
2	Town entitlement fees	\$ 75,000	\$ 37,500	\$ 37,500
3	Town building permits and impact fees	\$ 900,000	\$ 900,000	\$ -
4	Utility fees and costs	\$ 200,000	\$ 150,000	\$ 50,000
5	Testing and inspections	\$ 100,000	\$ 75,000	\$ 25,000
6	Project mgmt and Dev fee, staffing and overhead	\$ 1,110,000	\$ 555,000	\$ 555,000
7	Legal, taxes and accounting	\$ 150,000	\$ 75,000	\$ 75,000
8	Subdivision map and condo fees	\$ 75,000	\$ 56,250	\$ 18,750
9	Environmental testing	\$ 30,000	\$ 15,000	\$ 15,000
10	Marketing	\$ 250,000	\$ 250,000	\$ -
11	Insurance	\$ 600,000	\$ 300,000	\$ 300,000
12	Property taxes	\$ 50,000	\$ 25,000	\$ 25,000
13	Bank/financing fees and costs	\$ 360,000	\$ 240,000	\$ 414,000
14	Interest reserve	\$ 1,440,000	\$ 960,000	\$ 414,000
15	Misc costs	\$ 100,000	\$ 50,000	\$ 50,000
16	Soft cost contingency	\$ 350,000	\$ 210,000	\$ 140,000
17	Total Soft Costs	\$ 6,990,000	\$ 4,698,750	\$ 2,519,250
18	<u>Hard Costs</u>			
19	Garage building costs	\$ 14,031,450	\$ -	\$ 14,031,450
20	Residential BMP building costs	\$ 3,150,000	\$ 3,150,000	\$ -
21	Residential Market rate unit building costs	\$ 10,382,400	\$ 10,382,400	\$ -
22	Demo	\$ 100,000	\$ 50,000	\$ 50,000
23	Site work, on-site utilities	\$ 1,250,000	\$ 750,000	\$ 500,000
24	Environmental remediation	\$ -	\$ -	\$ -
25	Dewatering	\$ 100,000	\$ -	\$ 100,000
26	Hard cost contingency	\$ 1,250,000	\$ 625,000	\$ 625,000
27	Total Hard Costs	\$ 30,263,850	\$ 14,957,400	\$ 15,306,450
28				
29	Land Costs (air rights payment to the Town)		\$ 5,000,000	\$ -
30				
31	<b>Total Capital Costs</b>	<b>\$ 37,253,850</b>	<b>\$ 24,656,150</b>	<b>\$ 17,825,700</b>
39				
40	<u>Public/Private Financing Capitalization Structure</u>			
41	<u>Garage</u>			
42	Garage cost	\$ 17,825,700		
43	Less: Town Funds Available	\$ (4,000,000)		
44	Less: Potential value of residential air rights	\$ (5,000,000)	To be at Fair Market Value assuming BMPs provided by	
45	Net Garage cost to finance over time	\$ 8,825,700	If air rights sold at completion of the garage, then <b>\$13.8M</b>	
46				
47	<u>Residential</u>			
48	Residential cost	\$ 24,656,150		
49	Private equity	\$ 8,629,653	35%	
50	Private construction loan	\$ 16,026,498	65%	

# Downtown Parking Garage

## Budget and Cost Structure

### **CONFIDENTIAL**

### **Option 2 - Garage Only**

**Los Gatos parking lot proposed project** (assuming 3 level garage above grade)

1/22/2018

### Capital Budget and Capitalization Structure

(numbers in *italics* to be verified)

### **Capital Budget**

Line #	<u>Soft Costs</u>	<u>Garage</u>	
1	A&E, consultants	\$	400,000
2	Town entitlement fees	\$	37,500
3	Town building permits and impact fees	\$	-
4	Utility fees and costs	\$	50,000
5	Testing and inspections	\$	25,000
6	Project mgmt and Dev fee, staffing and overhead	\$	400,000
7	Legal, taxes and accounting	\$	75,000
8	Subdivision map and condo fees	\$	18,750
9	Environmental testing	\$	15,000
10	Marketing	\$	-
11	Insurance	\$	200,000
12	Property taxes	\$	-
13	Bank/financing fees and costs	\$	420,000
14	Interest reserve	\$	462,000
15	Misc costs	\$	50,000
16	Soft cost contingency	\$	110,000
17	Total Soft Costs	\$	2,263,250
18	<u>Hard Costs</u>		
19	Garage building costs	\$	10,602,700 3 levels above grade
20	Residential BMP building costs	\$	-
21	Residential Market rate unit building costs	\$	-
22	Demo	\$	50,000
23	Site work, on-site utilities	\$	500,000
24	Environmental remediation	\$	-
25	Dewatering	\$	-
26	Hard cost contingency	\$	500,000
27	Total Hard Costs	\$	11,652,700
28			
29	Land Costs (air rights payment to the Town)	\$	-
30			
31	<b>Total Capital Costs</b>	<b>\$</b>	<b>13,915,950</b>
38	Total funds		

# Downtown Parking Garage Budget and Cap Structure

## CONFIDENTIAL

### Option 3 - Garage and BMP

**Los Gatos parking lot proposed project** (assuming 3 level garage [1 level down, 2 levels up] with 6 BMPs on top)

1/21/2018

### Capital Budget and Capitalization Structure

(numbers in *italics* to be verified)

Line #	<u>Capital Budget</u> <u>Soft Costs</u>	<u>Total</u>	Residential	
			<u>(6 BMPs)</u>	<u>Garage</u>
1	A&E, consultants	\$ 800,000	\$ 400,000	\$ 400,000
2	Town entitlement fees	\$ 55,500	\$ 18,000	\$ 37,500
3	Town building permits and impact fees	\$ 225,000	\$ 225,000	\$ -
4	Utility fees and costs	\$ 87,500	\$ 37,500	\$ 50,000
5	Testing and inspections	\$ 75,000	\$ 50,000	\$ 25,000
6	Project mgmt and Dev fee, staffing and overhead	\$ 550,000	\$ 150,000	\$ 400,000
7	Legal, taxes and accounting	\$ 125,000	\$ 50,000	\$ 75,000
8	Subdivision map and condo fees	\$ 43,750	\$ 25,000	\$ 18,750
9	Environmental testing	\$ 30,000	\$ 15,000	\$ 15,000
10	Marketing	\$ -	\$ -	\$ -
11	Insurance	\$ 300,000	\$ 100,000	\$ 200,000
12	Property taxes	\$ -	\$ -	\$ -
13	Bank/financing fees and costs	\$ 465,000	\$ 45,000	\$ 420,000
14	Interest reserve	\$ 642,000	\$ 180,000	\$ 462,000
15	Misc costs	\$ 100,000	\$ 50,000	\$ 50,000
16	Soft cost contingency	\$ 180,000	\$ 70,000	\$ 110,000
17	Total Soft Costs	\$ 3,678,750	\$ 1,415,500	\$ 2,263,250
18	<u>Hard Costs</u>			
19	Garage building costs	\$ 12,475,200	\$ -	\$ 12,475,200 1 level below, 2 above
20	Residential BMP building costs	\$ 3,150,000	\$ 3,150,000	\$ -
21	Residential Market rate unit building costs	\$ -	\$ -	\$ -
22	Demo	\$ 100,000	\$ 50,000	\$ 50,000
23	Site work, on-site utilities	\$ 950,000	\$ 450,000	\$ 500,000
24	Environmental remediation	\$ -	\$ -	\$ -
25	Dewatering	\$ 50,000	\$ -	\$ 50,000
26	Hard cost contingency	\$ 940,000	\$ 190,000	\$ 750,000
27	Total Hard Costs	\$ 17,665,200	\$ 3,840,000	\$ 13,825,200
28				
31	<b>Total Capital Costs</b>	<b>\$ 21,343,950</b>	<b>\$ 5,255,500</b>	<b>\$ 16,088,450</b>
32				
40	<u>Public/Private Financing Capitalization Structure</u>			
41	<u>Garage</u>			
42	Garage cost and 6 BMP cost	\$ 21,343,950		
43	Less: Town Funds Available	\$ (4,000,000)		
45	Net Garage and BMP cost to finance over time	\$ 17,343,950		

# Downtown Parking Garage Budget and Cap Structure

## CONFIDENTIAL

### Option 4 - Base Project with Town Financing

Los Gatos parking lot proposed project

1/21/2018

### Capital Budget and Capitalization Structure

(numbers in *italics* to be verified)

Line #	<u>Capital Budget</u> <u>Soft Costs</u>	<u>Total</u>	Residential	
			(MRUs, BMPs)	Garage
1	A&E, consultants	\$ 1,200,000	\$ 800,000	\$ 400,000
2	Town entitlement fees	\$ 75,000	\$ 37,500	\$ 37,500
3	Town building permits and impact fees	\$ 900,000	\$ 900,000	\$ -
4	Utility fees and costs	\$ 200,000	\$ 150,000	\$ 50,000
5	Testing and inspections	\$ 100,000	\$ 75,000	\$ 25,000
6	Project mgmt and Dev fee, staffing and overhead	\$ 1,110,000	\$ 555,000	\$ 555,000
7	Legal, taxes and accounting	\$ 150,000	\$ 75,000	\$ 75,000
8	Subdivision map and condo fees	\$ 75,000	\$ 56,250	\$ 18,750
9	Environmental testing	\$ 30,000	\$ 15,000	\$ 15,000
10	Marketing	\$ 250,000	\$ 250,000	\$ -
11	Insurance	\$ 600,000	\$ 300,000	\$ 300,000
12	Property taxes	\$ 50,000	\$ 25,000	\$ 25,000
13	Bank/financing fees and costs	\$ 360,000	\$ 375,000	\$ 420,000
14	Interest reserve	\$ 1,440,000	\$ 1,500,000	\$ 420,000
15	Misc costs	\$ 100,000	\$ 50,000	\$ 50,000
16	Soft cost contingency	\$ 350,000	\$ 210,000	\$ 140,000
17	Total Soft Costs	\$ 6,990,000	\$ 5,373,750	\$ 2,531,250
18	<u>Hard Costs</u>			
19	Garage building costs	\$ 14,031,450	\$ -	\$ 14,031,450
20	Residential BMP building costs	\$ 3,150,000	\$ 3,150,000	\$ -
21	Residential Market rate unit building costs	\$ 10,382,400	\$ 10,382,400	\$ -
22	Demo	\$ 100,000	\$ 50,000	\$ 50,000
23	Site work, on-site utilities	\$ 1,250,000	\$ 750,000	\$ 500,000
24	Environmental remediation	\$ -	\$ -	\$ -
25	Dewatering	\$ 100,000	\$ -	\$ 100,000
26	Hard cost contingency	\$ 1,250,000	\$ 625,000	\$ 625,000
27	Total Hard Costs	\$ 30,263,850	\$ 14,957,400	\$ 15,306,450
28				
29	Land Costs (air rights payment to the Town)		\$ 5,000,000	\$ -
30				
31	<b>Total Capital Costs</b>	<b>\$ 37,253,850</b>	<b>\$ 25,331,150</b>	<b>\$ 17,837,700</b>
39				
40	<u>Public/Private Financing Capitalization Structure</u>			
41	<u>Garage</u>			
42	Garage cost	\$ 17,837,700		
43	Less: Town Funds Available	\$ (4,000,000)		
44	Less: Potential value of residential air rights	\$ (5,000,000)	To be at Fair Market Value assuming BMPs provided by Developer	
45	Net Garage cost to finance over time	\$ 8,837,700	If air rights sold at completion of the garage, then \$13.8M of funds	
46	Less financing savings due to public financing	\$ (3,444,857)		
47	Net cost to the Town (assuming 100% Town financing)	\$ 5,392,843		
48				
49	<u>Residential</u>			
50	Residential cost	\$ 25,331,150		
51	Town financing	\$ 25,331,150		