



## City Council Staff Report

DATE: April 5, 2017 NEW BUSINESS

SUBJECT: DISCUSSION OF PUBLIC PARKING OPTIONS FOR THE DREAM HOTEL LOCATED AT THE NORTHEAST CORNER OF CALLE ALVARADO AND AMADO ROAD

FROM: David H. Ready, City Manager

BY: Community & Economic Development Department

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### SUMMARY

On August 3, 2016, the City Council approved escrow instructions related to the conveyance of the 7.8 acre City property located at the northeast corner of Calle Alvarado and Amado Road to Selene Palm Springs, LLC, (the "Developer") for redevelopment of the existing public parking lots to a luxury resort hotel and condominium development, identified as the Dream Hotel, a 4+ star boutique hotel. Included with the escrow instructions was an obligation of the Developer to submit a plan for replacement of the public parking spaces (350 to 500 parking spaces inclusive of on-site parking spaces required for the Dream Hotel), to be used as the basis of a City Council decision on partnering on development of a public/private parking facility as part of the Dream Hotel.

This action allows the City Council to determine whether to partner with the Developer on construction of a public/private parking facility.

Selene Palm Springs, LLC, a California limited liability company, is managed by CDI Ventures, LLC, a California limited liability company, and Qaiser Capital, LLC, a California limited liability company. The principle officers/members are Lauri Kibby and Abdul Lalani.

### RECOMMENDATION:

Provide direction to staff as appropriate.

### STAFF ANALYSIS:

On August 26, 2016, the City completed the conveyance of public parking lots used by the Convention Center to the Developer, as part of an approved development of the site

ITEM NO. 5.C.

into a luxury boutique hotel and condominium development located on Amado Road between Calle Alvarado and Avenida Caballeros, as shown in Figure 1 (the "Project"). The proposed site plan for the Project is shown as follows.



Figure 1

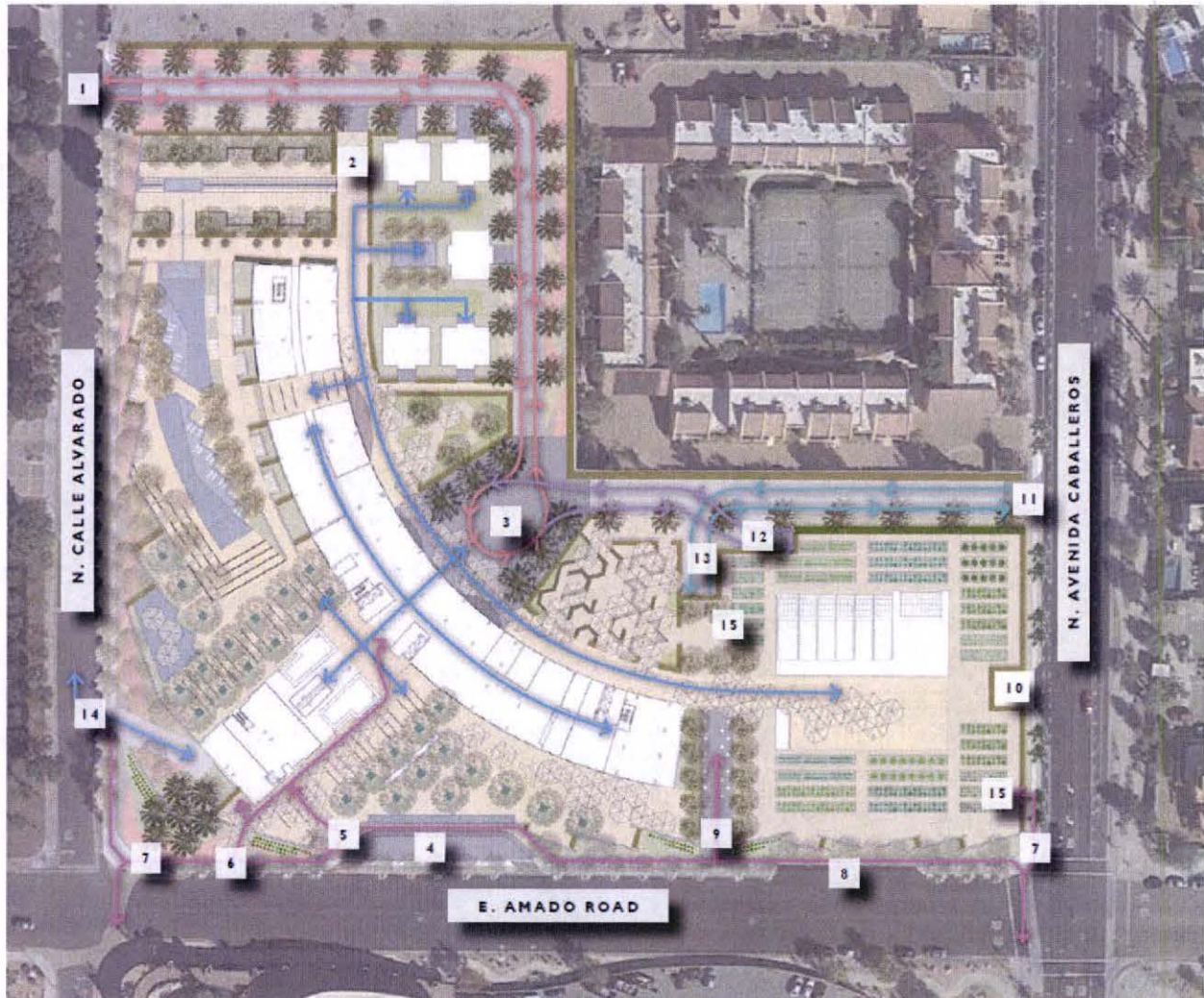


Figure 2

Pursuant to the escrow instructions approved by the City Council on August 3, 2016, a Grant Deed was recorded on August 26, 2016, which included the following obligation:

*The Grantee and Grantor (City) agree that notwithstanding any provision to the contrary in Amendment Number 1 to the Services Agreement between the Grantee and the Grantor (the date of such Amendment No. 1 is November 19, 2015) and prior to commencement of construction on the Property, Grantee shall submit to Grantor's City Council a plan for the construction of 350 to 500 parking spaces in the Parking Facilities (as defined in the Services Agreement as amended). This plan for parking will describe the manner in which Grantee's parking requirements for all private improvements there on shall be accommodated, the number and location of public parking spaces available within the Parking Facilities in excess of the Grantee's parking requirements, and the manner in which such Parking Facilities will be financed and maintained. In the event the City Council accepts the Grantee's plan for parking or a modified*

*plan accepted by the City Council and the Grantee, the Grantee, prior to issuance of a building permit, shall deposit the \$2,675,000 (the "Payment") as described in Section 3 of the Services Agreement, as amended, into an escrow account designated and approved by the City to be held by the City until such time as the funds are required to fund all or a portion of the contributions necessary for the SCIP and the construction of the Parking Facilities. In the event the City Council does not accept the Grantee's plan for parking for any reason, Grantee shall pay the Payment in one lump sum to the City prior to issuance of any building permit on the Property, which the City may use for any city purpose, and Grantee shall be relieved of any obligation to construct parking in excess of parking as may be required for all private improvements on the Property..."*

The Developer has evaluated the on-site parking requirements associated with the Project, and has proposed two optional plans (included as **Attachment 1**) for the City Council's consideration:

- Option 1 provides a total of 366 parking spaces, with 206 private valet spaces for use by the Project on one level of a combined public/private parking structure, and 160 public parking spaces located on another level of a combined public/private parking structure. Option 1 proposed the use of mechanically stacked parking stalls for the private valet parking spaces, and is estimated to cost \$14 Million. ( $\pm$ \$38,250 per space)
- Option 2 provides a total of 370 parking spaces, with 186 private valet spaces for use by the Project on one level of a combined public/private parking structure, and 164 public parking spaces and 20 reserved private valet spaces for use by the Project located on another level of a combined public/private parking structure. Option 2 does not propose the use of mechanically stacked parking stalls for the private valet parking spaces, and is estimated to cost \$15.2 Million. ( $\pm$ \$41,100 per space)

The Developer prefers the Option 1 structure layout due to cost and size. There is also the added benefit of being able to separate the operations of the hotel parking from the operation of the public parking by distinct levels, instead of having the spillover spaces in Option 2. Staff has evaluated the Developer's proposed parking plan, and has the following concerns:

### ***Financing Issues***

The Developer intends to finance certain development impact fees and public improvements through the California Statewide Community Development Authority (CSCDA) Community Facilities District (CFD) financing program. Under the Services Agreement entered into as part of the property sale, the Developer is obligated to pay the City \$2,675,000 for parking improvements necessary or desirable for the construction of at least 350 public and private parking spaces to replace existing public

parking lost as a result of the property sale. The Services Agreement contemplated that the \$2,675,000 payment would be used for the public contribution towards financing of a dual-purpose parking structure through one of the CSCDA's infrastructure financing programs.

The Developer proposes using the CSCDA CFD financing program to fund the parking structure. The CFD program is similar to the CSCDA's Statewide Community Infrastructure Program (SCIP) financing program, but includes a broader range of improvements that may be financed. Using either the CSCDA CFD or the SCIP program requires active participation by the City. If public facilities such as a parking garage are to be financed, the City must acquire the structure with the proceeds of the CFD bonds, and therefore, would own the structure and ultimately be responsible for its maintenance. If impact fees are being paid to the City from proceeds of the bonds, the City is required to spend those proceeds within 3 years on facilities for which the fee is paid. If the City cannot determine that the amounts can be spent within 3 years, the fees cannot be financed. This distinction will be important later in the discussion of alternatives to participating in the parking garage.

Due to the complexity in financing the valet level and associated operational issues, it was determined that the private parking level (lower level) of the garage was best financed without SCIP funding, and only the public parking level (top level) would be financed using SCIP. This is possible by "condominium-izing" the two levels so the City can acquire the top level as a separate legal parcel, making it possible for the private parking level to use the mechanical stacking feature, without the City having responsibility for the cost to maintain or operate that specialized equipment.

There are two challenges in using public financing for a dual-purpose parking facility. The first is meeting the requirements of federal tax law for financing the structure on a tax-exempt basis. The portion of the garage that is restricted to hotel/condo use is not considered a public purpose and, without significant changes in proposed operation of that level of the structure, would not be able to be financed on a tax-exempt basis. That makes inclusion of the hotel/condo level of the parking structure not cost effective. After discussing the various drawbacks and complications with the Developer, the Developer concluded it would be better to limit the public parking level costs in the financing and use equity or private financing for the hotel/condo level. This bifurcation of the levels also makes the operational issues less complex.

Participating in the CSCDA CFD financing program to fund the public parking level of the parking structure will require the levy of a special tax on the property, including both the hotel commercial uses and the privately owned residential condominium units. The Developer has not yet estimated what that amount is, since there is uncertainty which parking plan option might be acceptable to the City Council, or if the City Council opts to be paid the replacement parking fee of \$2,675,000. The Developer is working on this analysis with the consultants from CSCDA.

### ***Operational***

As noted, under State law, to finance the parking structure with CFD bonds, the City will be required to own the public parking level. The City can operate the public level at their discretion, and they may charge for parking. There are relatively few restrictions on the operation, mostly how any third party contractor can be paid for managing the facility. The one critical operational issue is going to be the joint maintenance and insurance of the facility. While the City doesn't need to be concerned about how the mechanical stacking equipment is working, it does need to make certain that the facility is kept in good repair and condition, and that liability and property damage is appropriately addressed. Those details will need to be worked through with the Developer, in consultation with bond counsel, city attorney and staff, to make certain that the City is adequately protected.

Currently, the City's operator of the Convention Center (SMG) manages the use of the City's public parking lots around the Convention Center, including the parking lots that are the site of the Project. SMG has reviewed the Developer's proposed parking plan, and offered the following comments:

#### **Current Condition:**

Currently, the Convention Center has 1,085 dedicated spaces for its use, with 435 spaces in the Amado Lot (Dream Hotel Site) and 650 in the newly built East Lot. There are an additional 533 temporary spaces in the Prairie Schooner lot that is shared with the Renaissance and Hilton Hotels. Primary parking for the Convention Center is in the Amado Lot, with the East Lot as overflow. The Prairie Schooner Lot is used occasionally for overflow parking, but is the primary lot for valet parking for gala events such as Steve Chase and the Palm Springs International Film Festival. Moreover, the Prairie Schooner lot is no longer owned by the City, and a development project is proposed for the site by the new owner. In the meantime, according to the land transfer escrow instructions, the City has the right to use parking free of charge until such time a development occurs. Once the Dream Hotel begins construction, the Convention Center's primary parking will shift to the East Lot with overflow in the Prairie Schooner Lot.

#### **Proposed Underground Parking at Dream Hotel:**

The proposed public parking under the Dream Hotel will be located on the east side of the hotel on Avenida Caballeros with one main entry/exit point located approximately the same distance away from the front entrance to the Convention Center as the East Lot, and further away from the east entrance to the Convention Center than the East Lot. Because it will be located in the hotel building it may be difficult for attendees to find, and will require distinct signage on the building and additional directional signage around the facility. With 160 spaces, the proposed underground parking will only accommodate the parking needs of about 15%-20% of the events, with the majority of

the event parking using the East Lot which will be required to accommodate the parking needs of approximately 80%-85% of the events. In order to manage traffic most efficiently, it would be recommended to operate the proposed public parking level at the Dream Hotel as overflow parking only after the East Lot is full.

The Convention Center (funded by the City) would be required to fund the operation and maintenance of the underground public parking, and based on the number of proposed parking spaces, it is unlikely that sufficient revenue would be generated to offset anticipated operating costs of the facility, thereby increasing the Convention Center operating costs.

### ***Alternatives***

The alternative to the City participating in the ownership and operation of the proposed public/private parking structure at the Dream Hotel is to opt for the lump sum payment of \$2,675,000 and use all or a portion of these funds toward construction of additional parking. If that is the preferred alternative, the Developer will request that the lump sum parking fee be authorized to be financed using the SCIP program. However, they are restricted in their ability to finance such amount if the City cannot determine that they can spend the money on a capital parking improvement within 3 years. Some of the alternatives for replacing the parking spaces on the Dream Hotel site are:

- Complete East Lot

The first phase of the East Lot construction included the build-out of 650 spaces at a cost of approximately \$1.2 million or \$1,850 per space. There is space for an additional 264 spaces as part of a future phase, which has already been graded and electrical/lighting improvements installed as part of the first phase. The East Lot is directly across from the east entrance to the Convention Center with a controlled crosswalk and provides the best access from the East Lot to the Convention Center and the Renaissance Hotel. Construction of the future phase to build-out the East Lot is estimated at \$500,000. Additional operating costs for the Convention Center would be minimal and there would be no impact on the Convention Center budget.

- Modify Street Parking in Convention Center Area

There has been discussion about modifying the street configuration around the Convention Center to allow more on-street parking through the development of diagonal parking along the street. This option may allow for additional parking in the Convention Center area, and may have an incremental effect on Convention Center parking revenues depending on the number of spaces built if attendees choose free street parking over the other parking lots. The estimated cost varies depending upon the extent of revised street configuration and added diagonal spaces.

### ***Recommendation***

Based on the above identified financial and operational issues, staff recommends that the City Council opt for the lump sum payment of \$2,675,000 and allocate at least \$500,000 of these funds toward construction of 264 additional parking spaces to fully build-out the East Lot. This cost is equivalent to \$1,900 per space, a much reduced cost when compared to the cost of \$38,250 per space in a public/private parking garage. The balance of the funds, as anticipated in the purchase and sale agreement with the developer, can be used by the City for any purpose.

### **ENVIRONMENTAL IMPACT:**

The requested City Council action is not a "Project" as defined by the California Environmental Quality Act (CEQA). Pursuant to Section 15378(a), a "Project" means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. The requested action is to provide direction to staff on participating in the construction and financing of a public/private parking garage, and is exempt from CEQA pursuant to Section 15378(b), in that a "Project" does not include: (5) Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

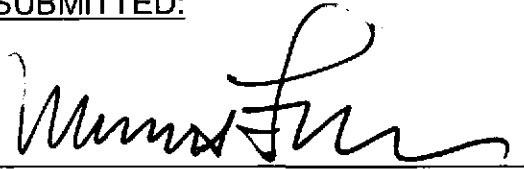
### **FISCAL IMPACT:**

If the City Council prefers to proceed with Option 1 of the parking plan proposed by the Developer, the City will be required to acquire and own, and provide for the continued operation and maintenance of the public parking level in the parking structure financed through the CSCDA CFD financing program, which could be funded by a charge for parking, if desired. This requirement will extend past the term of the bonds. Operational and maintenance costs at start up are not yet determined, however are estimated between \$50,000 and \$70,000 annually.

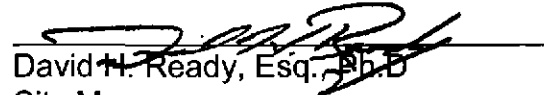
If the City Council prefers the lump sum payment of \$2,675,000 and allocates \$500,000 of these funds toward construction of 264 additional parking spaces on the East Lot, the City would receive a direct payment of \$2,175,000 from the Developer for its use for any purpose – with the \$500,000 allocated for construction of parking to be financed by the Developer through the SCIP.



SUBMITTED:



Marcus L. Fuller, MPA, PE, PLS  
Assistant City Manager/City Engineer

  
David H. Ready, Esq., Ph.D.  
City Manager

Attachments:1.      Parking Plan

# **ATTACHMENT 1**

**Parking Narrative  
Dream Hotel Project  
Palm Springs, CA**

The purpose of this parking garage narrative is to present two possible scenarios for the construction of public parking for the Palm Springs Convention Center within the new Dream Hotel and Resort project at Amado Road and Calle Alvarado in Palm Springs, California.

It is anticipated that the parking garage will be funded by the submitting of an application to the State of California Infrastructure Program (SCIP) prior or during the start of construction of the new Dream Hotel and Resort by Selene Palm Springs, LLC.

The attached exhibits have been developed under the guidance of the Selene Design team and Penta Construction. Penta Construction will serve as the general contractor and will build the parking garage as a part of their contract with Selene Palm Springs, LLC.

The two options are as follows:

**Option 1:**

**Estimated Costs: \$14,020,464.00**

**General**

Option 1 proposes the construction of a two level underground structure composing of 366 stalls, 160 public parking stalls would be completed for convention center use and 206 valet parking stalls would be completed for use for the new Dream Hotel at an estimated cost of \$14,020,464.00. The P1 Level (1st floor level) consists of a vehicular entry and exit ramp from Calle Caballeros. Public use stairs and an elevator for pedestrians using the garage level would be provided. At the western end of the parking garage, adjacent to the hotel, there would be an additional exit stair and elevator core to allow public access to the hotel property, with access to Amado Road thru a pedestrian walk on the hotel property.

Option 1 also includes a Second Level P2 (located under the P1 level). This level provides valet parking for use by the hotel resort and condominium owners. Vehicle access to Level P2 comes via a separate ramp located along the service road that will be provided at the hotel site. This proposed P2 level is separate from the Convention Center P1 level above it, and would be served by exit stairs and an elevator to allow direct pedestrian and hotel employee access to the hotel property above.

Under Option 1, construction provides for two parking levels, with each addressing the specific needs of the Convention Center and the hotel.

**Parking Level 1: Size/Square Footage**

The proposed P1 level is approximately 242 ft. by 236 ft. (57,110 sf). This provides 150 parking stalls with an optional 10 additional stalls allocated for extended buildout, if necessary. This level also would contain rooms for mechanical equipment and air ventilation. The drawings do not yet reflect the area needed, however, cost allocation has been provided. Further definition will be provided during design development.

**Parking Level 2: Size/Square Footage**

The proposed P2 level is approximately 158 ft. by 236 ft. (37,890 sf). This provides 206 mechanically stacked and non-stacked parking stalls for hotel valet parking as illustrated within the attached exhibits.

**Parking Levels 1 and 2**

Levels P1 and P2, combined square feet totals 95,000 sf (57,110 for level 1 and 37,890 for level 2).

**Option 2:**

**Estimated Cost: \$15,222,596.00**

**General**

Option 2 proposes the construction of 184 parking stalls on Level P1 (1<sup>st</sup> level) and 186 parking stalls on Level P2 (2<sup>nd</sup> level), at an estimated cost of \$15,222,596.00. Similar to what is proposed under the Option 1; Option 2 provides stairs and elevator to allow the public to exit out of Level P1 to Calle Caballeros and to Amado Road, similar to what would be proposed under the Option 1 scenario.

Option 2 includes Level P2 built under Level P1 that provides valet parking for the hotel resort and condominium owners. Level P2 is proposed for Dream Hotel valet operations and is accessible from a separate parking garage ramp from the service road as described in the Option 1 scenario. Level P2 would include exit stairs and an elevator for use by hotel parking operations as illustrated per the attached Exhibits.

**Parking Garage Sizes and Square Footage**

Under Option 2, both the P1 and P2 levels would be 242 ft. by 266 ft. equating 64,370 sf at each floor level, equating to 128,740 total sf.

With Level P1 being constructed directly over Level P2, Level P1 would contain 184 parking stalls and Level P2 would contain 186 parking stalls, for a total of 370 parking stalls. Unlike Option 1, Option 2 does not require a mechanical car stacking system.

Option 2 requires approximately 20 parking stalls are reserved on Level P1 for the completion of its required hotel and condominium parking requirements.

The current design does not yet reflect areas for mechanical equipment for air ventilation but it is reasonable to assume that such areas can be provided for in isolated corners or surplus clearance areas however, cost allocation has been provided..

### Attachments

See exhibits and cost estimates attached.