



TO: Mayor and Town Council

January 8, 2019

SUBJECT: North Hartz Avenue - Parking Analysis and Next Steps

BACKGROUND

At the August 14, 2018 Study Session, the Town Council reviewed the North Hartz Avenue Real Estate Development Feasibility Assessment, which included a real estate review and pro form analysis of potential redevelopment in the North Hartz Avenue area.

The Assessment identified six key findings:

1. Retail, restaurant, office and residential real estate assets throughout Danville's greater Downtown Business District (DBD) exhibit low vacancy and values that are sufficient to support new development under current market conditions.
2. Downtown Danville retailers face challenges to compete successfully with retailers online and in nearby retail centers.
3. In the North Hartz Avenue area, the high value of existing property makes redevelopment financially infeasible under current DBD Area 4 standards.
4. Even with a hypothetical upzoning of the North Hartz Avenue area to higher density DBD Area 1 standards, redevelopment is unlikely under all but one scenario tested.
5. Denser zoning allowances, beyond what is allowed in DBD Area 1, additional flexibility in allowable ground floor land uses, such as non-retail or restaurant uses, and development incentives that reduce project costs may incentivize development in the North Hartz Avenue area.
6. While changes to land use policy have the potential to stimulate redevelopment in the North Hartz Avenue area, it will be important to consider secondary effects, most notably on public parking facilities.

To follow up on Finding 6, the Town Council directed staff to analyze potential parking impacts associated with rezoning the area to DBD Area 1 standards. That analysis is presented in this memorandum.

As presented in Findings 4 and 5, the Assessment found that redevelopment remains a challenge for the area. The second part of this memorandum explores options related to zoning considerations, development standards, and long-term economic vitality efforts for the area. Although the area lacks the character and charm associated with Old Town Danville, it remains an economically viable sub-unit of the downtown for landowners, tenants and consumers. Further, the types of development incentives that may be required to encourage owners to redevelop their properties may exceed even DBD Area 1 standards. With full scale redevelopment unlikely, this memorandum explores other potential options that could be pursued to facilitate upgrading and revitalizing the area.

DISCUSSION

Parking

Since 2015, the Town has invested \$14.5 million to construct the new Rose Street and Village Theater Municipal Parking Lots to meet current and future parking needs for the Downtown Core Area. Under the Town's current parking standards, rezoning the North Hartz Avenue area to DBD Area 1 standards would require construction of additional off-site parking in municipal lots.

To determine future parking demands, this analysis focused on the study area illustrated in Attachment A to this memorandum. The study area includes 18 properties totaling 4.01 acres or 174,675 square feet in size. An aggregate of 41,507 square feet of buildings are existing, representing a Floor Area Ratio (FAR) of 23.8%. Existing parking includes 174 private on-site spaces and 104 public spaces.

Existing and Future Zoning and Parking Standards

The study area is located within DBD Area 4 – Resident Serving Commercial, which allows for a FAR of up to 50% and requires 100% of required parking to be provided on-site. Rezoning the study area to DBD Area 1 – Old Town Retail, would increase the allowable FAR to 80%. Parking-wise, this would shift the burden off site, by requiring a minimum of 50% and a maximum of 100% of parking to be provided in off-site municipal parking lots.

Existing and Future Parking Demand

Future parking demand will depend upon whether and how the study area is rezoned, and the extent to which redevelopment occurs. In and of itself, rezoning property does not result in redevelopment. Estimating future parking demand necessitates forecasting how much redevelopment could occur.

While the current on-site parking supply falls short of fully meeting DBD Area 4 standards (174 spaces provided versus 219 spaces required), a significant amount of private on-site parking already exists. Rezoning the study area from DBD Area 4 to DBD Area 1 would require providing sufficient parking to: 1) offset additional building square footage; and; 2) offset loss of existing onsite parking (as a significant portion of the exiting 174 spaces could be shifted off site under DBD Area 1 standards).

Attachment A illustrates that if all eighteen properties were to redevelop under DBD Area 1 standards, a total of up to 139,740 square feet of development could result in a net increase of 98,233 square feet. Based upon the Town’s parking standards, which factor in a 20% reduction for shared parking in municipal lots, the total parking demand could range from 180 to 500 parking spaces (the variation is dependent upon a wide range of land uses with varying parking generation demands). Since the likelihood of all eighteen properties redeveloping is low, as is the likelihood that all uses developed would be at the high end of the parking demand spectrum, this analysis assumed the need to construct 300 new spaces.

Additional offsite parking can be provided either by acquiring land and constructing surface parking lots or, by building parking structures on existing Town sites. To estimate the costs associated with land acquisition and construction of additional parking, this analysis relies upon the Town’s actual costs for the recently completed Rose Street and Village Theatre Municipal Parking Lots.

Surface Parking Lots

An efficient parking design can yield approximately 130 surface parking spaces per acre or 1 space per 335 square feet. Therefore, a total of 100,500 square feet or 2.3 acres of land are required to construct 300 parking spaces.

Development costs total \$65,300 per space including land acquisition costs of \$45,700 and construction costs of \$19,600. Operating and maintenance costs (bumpers, striping, sweeping, repairs, lighting and utility costs) associated with existing Town lots amount to approximately \$360 per space annually.

Table 1
Surface Parking – Estimated Cost

<u># of Spaces</u>	<u>Site Required</u>	<u>Cost per Space</u>	<u>Total Cost</u>	<u>O&M Cost per Space</u>	<u>Annual O&M Cost</u>
150	50,250 s.f.	\$65,300	\$9,795,000	\$360	\$54,000
300	100,500 s.f.	\$65,300	\$19,590,000	\$360	\$108,000

Acquiring and assembling sufficient land area to develop 150 parking spaces within or proximate to the study area would be a challenge. In all likelihood, this would need to occur in the form of several smaller lots, which would increase the overall cost.

Parking Structures

Both the Rose Street (78 spaces) and the Clocktower (232 spaces) Municipal Parking Lots are of sufficient size to accommodate parking structures, and both locations have previously been studied and considered for this purpose. In both instances, concerns regarding efficiency, cost, scale, character and land use compatibility dissuaded the Town Council from moving forward.

While land acquisition is not required, the per space cost of structured parking is extremely high. This is because surface parking already exists at both the Rose Street and Clocktower sites. Therefore, constructing three level parking structures (with a maximum height of 35 feet) would effectively yield only two additional levels of parking.

The 2015 Rose Street Parking Feasibility Study illustrated how to develop a 230 space parking structure for a total estimated cost of \$11.75 million. With a parking lot now existing at Rose Street, constructing a parking structure would yield an additional 150 spaces. This results in a net per space cost of approximately \$78,333 (say \$78,000). Since only 150 spaces can be constructed at Rose Street, it would be necessary to construct another 150 spaces at the Clocktower site.

Estimated annual operating and maintenance costs total \$750 per space (based upon the City of Walnut Creek’s costs for the Broadway, South Locust and North Locust garages). This includes operations, custodial, repairs to railings, bumpers, striping, lighting, equipment, and utility costs.

Table 2
Structured Parking – Estimated Cost

<u># of Spaces</u>	<u>Cost per Space</u>	<u>Total Cost</u>	<u>O&M Cost per Space</u>	<u>Annual O&M Cost</u>
150	\$78,000	\$11,700,000	\$750	\$112,500
300	\$78,000	\$23,400,000	\$750	\$225,000

Funding and Financing

Under the Town’s current Parking In-Lieu Fee Ordinance, a maximum of \$15,250 per space could be collected for the additional 300 parking spaces, generating a maximum of

\$4.575 million. This represents 19.6% to 23.4% of the funding required to construct the parking. Collecting an in-lieu fee presumes that one or more other funding sources would be available to fund the remaining development and operating costs. As this is not the case, this analysis assumes that debt financing would be required to fund the full development cost under either scenario.

Table 3 estimates total and annual costs associated with 30-year debt financing under either option, assuming that parking could be built either in a single phase, or in two phases, each with 150 parking spaces.

Table 3
Total and Annual Financing Costs

<u>Type of Parking</u>	<u># of Spaces</u>	<u>Total Cost</u>	<u>Annual Debt Service Cost</u>	<u>Annual O&M Cost</u>	<u>Total Annual Cost</u>
Surface	150	\$9,795,000	\$412,500	\$54,000	\$466,500
	300	\$19,590,000	\$825,000	\$108,000	\$933,000
Structured	150	\$11,700,000	\$550,000	\$112,500	\$662,500
	300	\$23,400,000	\$1,100,000	\$225,000	\$1,325,000

These are very preliminary estimates intended to illustrate order of magnitude costs. Cost would vary depending upon whether and how parking was phased, when construction occurred, and the length of time between potential phases.

NEXT STEPS

The North Hartz Avenue Real Estate Development Feasibility Assessment and an assessment of future parking needs and costs continue to underscore the challenges associated with incentivizing redevelopment of the area. Intensifying the zoning from DBD Area 4 to DBD Area 1 standards does not appear to provide sufficient incentive to spur redevelopment of properties within the area, and the cost of providing additional offsite parking would be cost prohibitive to both the Town and landowners. Furthermore, the properties appear to support economically viable operations that achieve acceptable net operating income and return on investment for the owners.

As a local government, the Town has pursued an approach that seeks to modify regulatory zoning standards as a means of encouraging redevelopment. A more feasible approach to encourage private reinvestment might be to identify how to best capitalize on the assets present within the area. These include businesses that meet certain local serving needs, structurally sound buildings, availability of adequate onsite parking, and recent public beautification improvements.

Following are several options that could be further evaluated to incentivize revitalization of the properties identified in the study area. These options could be evaluated and used to develop a potential menu of incentive options for property owners. Property owner engagement will be an important step to determine potential motivating factors.

Incentive-Based Zoning

An alternative to DBD Area 1 could involve a hybrid zoning approach that would retain required parking on site, while identifying ways to increase FARs, create additional value at a more realistic scale, while encouraging land use categories that are less parking intensive. With multiple properties and ownerships involved, consideration could be given to dividing the study area into smaller, logical sub-areas (Attachment B). This could provide an opportunity to meet with owners on a sub-area basis to understand their long-term plans and consider tailoring innovative solutions for each sub-area.

Façade Improvements and Fee Waivers

As an alternative to full scale redevelopment, undertaking selected façade improvements represents another approach to renewing and revitalizing existing buildings. Assuming that buildings are structurally sound, the Town could partner with owners to support a more affordable option that could involve developing grants for façade improvements that could have a long-term impact on buildings, even with changes in tenants. Other incentives could include fee waivers to offset costs associated with redevelopment or other building improvements. With the dissolution of redevelopment, a source for this incentive funding would need to be identified.

Parking

The Town's parking standards are derived from the Institute of Transportation Engineers (ITE), with specific land use categories assigned separate parking demand ratios. This methodology, which has historically been used to determine parking standards for stand-alone buildings, is conservative in that it does not account for customers who consolidate trips and shop at more than one business. Assuming the parking for the sub-area continues to be provided on-site, the Town should evaluate the methodology used to determine parking demand and consider a shared parking approach similar to that used in Downtown districts that depend on municipal parking.

Branding for North Hartz

The Danville Area Chamber of Commerce leadership has expressed support toward embracing the “throwback” character of the North Hartz Avenue commercial district while enhancing the area’s general aesthetics. With the completion of the North Hartz Avenue Improvements Project, with the brick-banded sidewalks, diagonal parking, new street trees, street lights, and other infrastructure, there is an opportunity to brand the North Hartz Avenue area as a distinct part of Downtown Danville that is separate from “Old Town” and the recently-branded “Front Street Arts District.” Branding could include signage, marketing materials, and unique street banners for North Hartz Avenue, which could complement the Town’s *Live Locally* branding.

RECOMMENDATION

Receive this memorandum and provide feedback and direction to Town staff on next steps.

Prepared by:
Jill Bergman
Economic Development Manager

David Crompton
Principal Planner

Reviewed by:



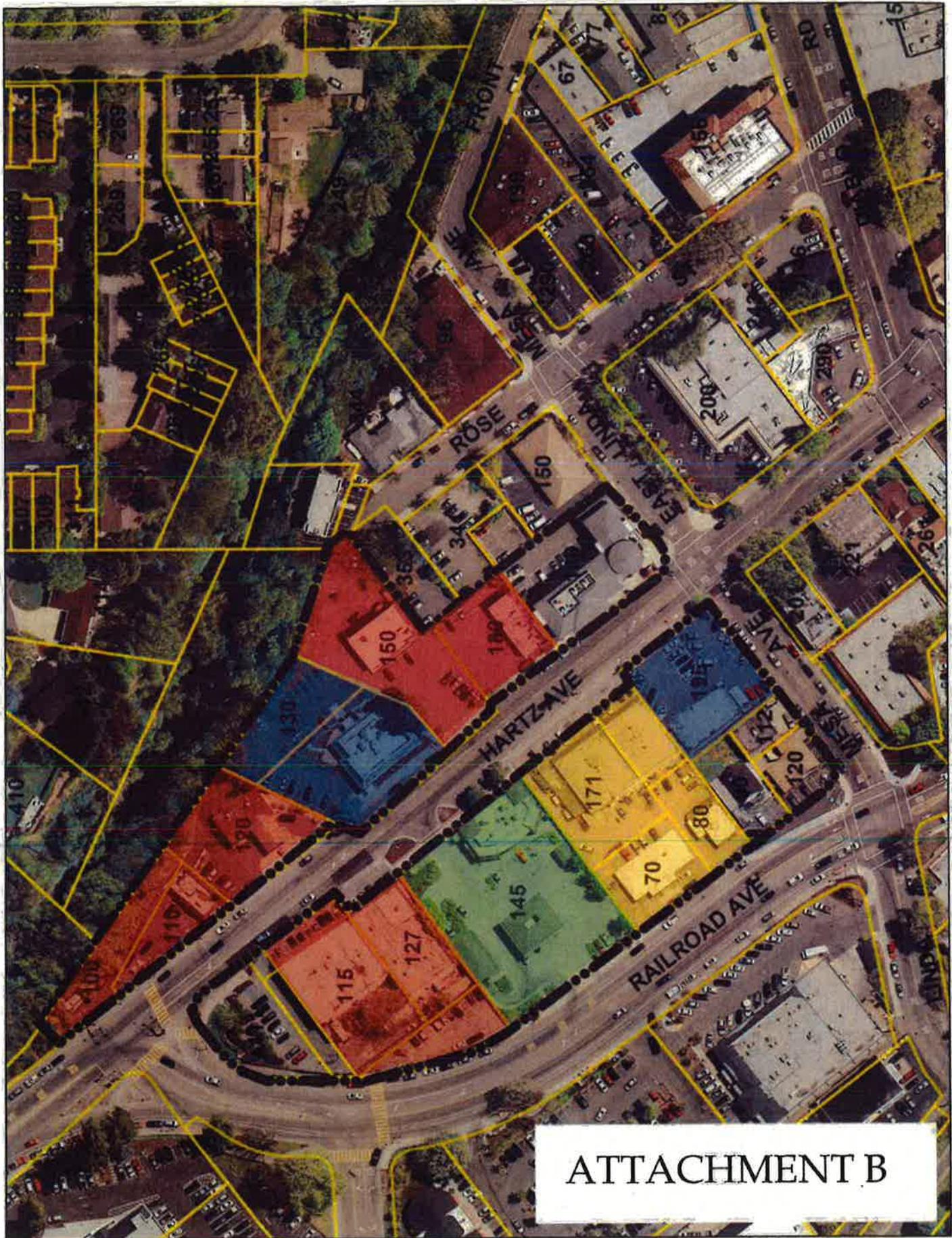
Nat Rojanasathira
Administrative Services Director

Attachments: A - North Hartz Avenue Study Area
B - Proposed Sub-Areas



ATTACHMENT A

Address	APN	Size (Gross)	Size (Net)	Owners	Bldg. (S.F.)	Year Built	Business Name	Bldg. Uses (Aug. 2018)	FAR	Parking Standard	Parking Need	Parking Supplied	
110 Hartz	200-190-023	0.15	0.15	Adler TRE	1,164	1973	Gotta Etta Pitta	Rest. - Limited Service	18.4%	1/200 sf	5.8	10.0	
100 Hartz	200-190-024	0.21	0.04	Adler TRE	221	1974	The Flower Theory	Retail	12.1%	1/250 sf	0.9	2.0	
120 Hartz	200-190-028	0.30	0.25	Adler TRE	1,296	1958	B-Line Cleaners	Service Commercial	11.8%	1/250 sf	5.2	9.0	
130 Hartz	200-190-010	0.59	0.43	Forward Land Company	3,490	1980	Mountain Mike's Pizza	Rest. - Full Service	18.7%	1/100 sf	35.0	32.0	
	0				n/a	n/a		0.0					
150 Hartz	200-190-017	0.62	0.41	Finlayson & Jones	2,400	1967	Wonderland Restaurant	Rest. - Full Service	14.0%	1/100 sf	24.0	22.0	
180 Hartz	200-190-021			0.20	Finlayson & Jones	2,100	Unk.	Foster Freeze	Rest. - Food to Go	21.2%	1/250 sf	8.4	16.0
Municipal Parking	199-330-029			0.30	0.23	Town of Danville	0	n/a	n/a	Public parking	n/a	n/a	0.0
	199-330-051	0.06	8.0										
115-A Hartz	199-330-035	0.34	0.24	(Town of Danville) Successor Agency	1,398	1946	Lotus Thai	Rest. - Limited Service	48.2%	1/200 sf	7.0	9.0	
115-B Hartz	807				Go Team Spirit (vacant)		Retail	1/250 sf		3.2			
121 Hartz	997				Marine Recruiting		Office	1/225 sf		4.4			
123 Hartz	1,248				Pizza Guys		Rest. - Food to Go	1/250 sf		5.0			
125 Hartz	1,580				Kibo Sushi		Rest. - Full Service	1/100 sf		15.8			
127 Hartz	199-330-064				0.22		0.20	Reyes TRE		5,796	1955		Light Source
		Bulk Retail (1/3 rd)	1/500 sf	3.9									
Railroad	199-330-055	0.13	0.13	JKDSQ LLC	0	n/a	Danville Sq. Overflow	Private parking	n/a	n/a	0.0	12.0	
145 Hartz	199-330-058	0.72	0.72	145 Hartz LLC	2,804	2002	Chevron - Conv. Store	Retail	19.6%	1/250 sf	11.2	10.0	
					1,047	2002	Chevron - Car Wash	Service Commercial		Self-parked	0.0		
					2,288	2002	Chevron - Fuel Canopy	Service Commercial		Self-parked	0.0		
177 Hartz	199-330-063	0.28	0.28	SSN Investments	2,950	1953	Danville Wine (vacant)	Retail	70.0%	1/250 sf	11.8	7.0	
175 Hartz					2,846		Danville Bike	Retail		1/250 sf	11.4		
171 Hartz					912	11 th Tiger	Rest. - Full Service	1/200 sf		4.6			
70 Railroad					199-330-056	0.18	0.18	Bates TRE		2,432	1952		Jean Bates & Associates
181 Hartz	199-330-065	0.11	0.11	Annie Wong	1,050	1953	Total Threads	Service Commercial	76.2%	1/250 sf	4.2	0.0	
179 Hartz					1,050		Diablo Sports Nutrition	Retail		1/250 sf	4.2		
183 Hartz					1,450		Tana Nails	Personal Service (6)		1.5/workstation	12.0		
80 Railroad	199-330-009	0.13	0.13	Achf Kaplan, LP	816	1953	Hair by Ann/Dillon Hair	Personal Service (4)	14.6%	2/workstation	8.0	9.0	
195 Hartz	199-330-010	0.32	0.32	Hirsch TRE	1,653	1965	Auto Care of Danville	Service Commercial	13.7%	1/250 sf	6.6	26.0	
		4.66	4,014 - for 4.01 acres (174,675 sq. ft.)		43,795 - for 41,507 square feet without Chevron gas canopy				23.7%		218.8	278.0 (174.0 private)	



ATTACHMENT B