

AUG 31 2010

by City Manager's Office
Memorandum


TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Hans F. Larsen

**SUBJECT: UPDATE ON NEW PARKING
INCENTIVE PROGRAMS**

DATE: 08-30-10

Approved



Date

8/30/10

INFORMATION

BACKGROUND

On April 6, 2010, the City Council adopted resolution No. 75331 to include the following additional Parking Incentive Programs in the Master Parking Rate Schedule for businesses that enter into a new or extended lease for a downtown office or commercial retail building, on or after January 1, 2010:

1. Provide up to two years of free parking for businesses new to the Downtown.
2. Provide up to two years of free parking for existing Downtown businesses that extend their current building lease or sign a lease in a new location, and relocate their parking from a private parking facility to a City parking facility.
3. Provide up to two years of 50% discounted parking to existing Downtown businesses currently purchasing permits to park in a City parking facility who extend their current building lease or sign a lease in a new location.

The City Council approved these new parking incentive programs to spur the growth and retention of businesses in the Downtown. The Department of Transportation (DOT) was authorized to negotiate and execute the parking lease agreements with each business eligible to receive up to 50 free or discounted parking permits. Additionally, the maximum period for the free or discounted parking would be one-half the length of the new or extended building lease, up to a maximum of two years.

ANALYSIS

Operating at the *speed of business*, DOT processed the first parking lease agreement under the new Parking Incentive Programs on April 10, 2010. Through the end of July, lease agreements have been signed with 20 businesses for about 230 parking permits, occupying a combined office space in excess of 120,000 square feet. A majority of the parking leases were executed with

businesses either new to the Downtown or relocating all or a portion of their employees to a City parking facility. The following table provides a summary of lease activity to date:

Type of Business	Parking Leases	Parking Permits	Businesses
New to Downtown – receiving free parking	9	89	BCA Architects, Burnham Energy, Integri-Staff, Irish Innovation Center, Kurosawa Piano, Mexican Heritage, SiVest Group, Teatro Vision, Umbra Data
Currently Downtown, relocated parking to public facilities – receiving free parking	8	74	ACFN Franchised, Cirtas Systems, Capital Cord Associates, Hexagon, Lautze & Lautze, Lincoln Law School, NuGate Group, Quest America
Currently Downtown in City facility – receiving 50% discounted parking	5	65	ACFN Franchised, Hexagon, Pendata Solutions, Pure Matter, SunWize
Total	22	228	

Parking lease terms have ranged from four (4) months up to four (4) years. Structuring the parking leases to provide half of the parking at a free or 50% reduced rate is having the desired impact of encouraging businesses to extend their stay in Downtown, as the majority of businesses are opting for a three (3) or four (4) year parking lease term. Two (2) businesses elected to execute multiple leases, one for their employees currently parking in a City facility, and another for employees that were relocated to a City facility to maximize the company's overall parking discount.

In addition to these completed leases, DOT staff is working with three additional businesses, with a combined total of almost 60 employees, who are interested in participating in the parking incentive program.

As a majority of the parking incentive leases have been with businesses that are either new to the Downtown, or new to parking in a City facility, the financial impact to the Parking Fund has been limited. The combined foregone revenue to the Parking Fund associated with these new parkers will be about \$300,000 during the free portion of the leases. The lost revenue associated with businesses already parking in a City facility that are now receiving a 50% discount will be about \$70,000 over the reduced portion of the leases.

Current Outreach Efforts

Communication with existing and prospective Downtown businesses, property owners and downtown real estate firms about the new parking incentive programs has utilized a number of platforms and forums, including:

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- Information highlighted on the home page of the downtown parking website, www.sjdowntownparking.com/
- Development of a 1-page brochure (copy attached), www.sjdowntownparking.com/assets/files/PDFs/Incentives_Brochure.pdf
- Article published in the San José Downtown Association's (SJDA) "Downtown Dimension" newsletter, April 2010. (copy attached)
- Full page program description in the Building Owners and Managers Association Silicon Valley (BOMA) "Byline" newsletter, May 2010
- SJDA and DOT staff conducted outreach to property owners, property managers and downtown real estate firms
- "Free Monthly Parking" is displayed as one of the messages on many of the City's Parking Guidance Signs located throughout the Downtown.

Commercial real estate firms have provided feedback that the new parking incentive programs offer a very tangible incentive for promoting Downtown, with many tenants entering into longer lease terms to maximize the parking discount. Mark Ritchie, president of Ritchie Commercial, recently commented, "The parking incentive program is a very effective marketing tool. It provides a real economic benefit for long term lease commitments. I am very encouraged by the number of businesses which have entered into 3 and 4 year lease terms. It is very good news in this economy." Favorable input has also been received from businesses participating in the program, with Henry Cord, of Cord Associates, reinforcing Mark Ritchie's observation, "The parking program was a consideration in our firm renewing our lease for an additional four years. We like it downtown."

Ongoing Outreach Efforts

DOT will continue its outreach with property managers, building owners, and real estate firms to market the incentive programs; and to gain strategic alignment with expiring downtown leases. DOT is also coordinating additional newsletter articles with the SJDA, BOMA Silicon Valley, and the Chamber of Commerce emphasizing the program progress and highlights; and including testimonials from program participants.

/s/

HANS F. LARSEN
Acting Director of Transportation

For questions please contact Joe Garcia, Division Manager of Transportation at 535-3833.

Attachments

Parking incentives approved

City Council members approved new incentives for attracting and retaining businesses on March 16, including free and discounted downtown parking.

"This is a great message about San Jose's pro-business attitude," said Mark Ritchie, owner of Ritchie Commercial.

A majority of the council supported temporarily suspending business license taxes for the first 1,000 businesses in San Jose with 35 or fewer employees that renew or sign a lease between Jan. 1 and June 30. The council will decide whether to extend the incentives into next fiscal year when it reviews the city budget in June. Businesses that ink new leases downtown will receive free parking, while current businesses extending leases will get half-price parking for a maximum of two years. Details include:

- FREE parking in city garages and lots for new businesses that enter into a lease in a downtown office or commercial retail building, for up to two years.
- FREE parking for downtown businesses that are extending leases and planning to relocate cars from a privately owned garage or lot into a city parking facility.
- 50 percent discount for businesses located downtown parking in city facilities and extending their existing leases. Normal \$100 rate discounted to \$50 per month.
- FREE and discounted parking will be provided for half the term of a new lease or half the extended period of a new lease. A maximum of 50 parking permits per business.

In passing the incentives, the City Council placed a 500-space total on existing businesses wanting to take advantage of the parking deal, with no limitation to the total number for new businesses and leases.

Applications for the parking incentives and more information are available on SJDowntownParking.com. Interested businesses can also contact Elias Khoury with the city's Department of Transportation at elias.khoury@sanjoseca.gov or 975-3707.

Downtown property and business owners said the parking incentives would make

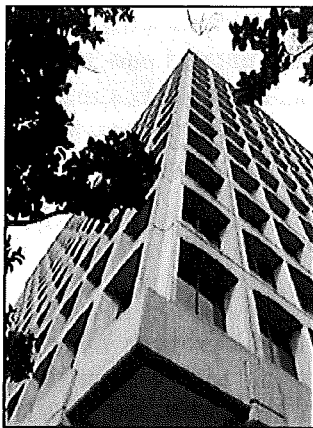
downtown

dimension

Free spaces for new leases

a difference. "Several of the potential tenants we are talking to indicated the cost of parking would play a factor in their decision to locate downtown or look for office space elsewhere," said Kevin Fitzpatrick of Legacy Partners.

Downtown-based software company deCarta, Inc., and its 60-plus employees decided to stay put after hearing about the incentives, said Mike Seifert, CFO. "Other sites outside downtown have lower occupancy costs, but none of them offer the amenities, vibrancy, and public transportation advantages found in downtown San Jose," he said.

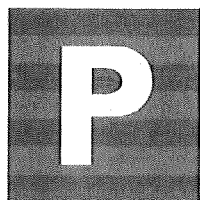


Free parking offer could help offset leasing.

"Waiving public parking fees is icing on the cake." Spearheaded by Mayor Chuck Reed and Councilmembers Sam Liccardo, Rose Herrera and Nancy Pyle, the proposal passed 6-3 on March 16. Though Pyle was absent, Councilmembers Pierluigi Oliverio, Madison Nguyen and Judy Chirco joined the authors voting for the proposal. Councilmember Pete Constant was also absent.

Councilmembers Nora Campos, Kansen Chu and Ashi Kalra voted against the incentives, stating concerns about the city's \$116 million budget deficit in 2010-11. But downtown real estate experts suggested paying heed to long-term benefits. "On a macro basis, the city should do anything it can to recruit and maintain businesses," said Sal Saglimbeni, associate vice president at Marcus & Millichap. "While short-term income would be potentially beneficial, losing any new or existing business eliminates the income completely. At minimum, free parking for new leases in downtown is a no-brainer." Downtown landlords were especially appreciative of the incentives. "It will take time in the current market for a program like this to build momentum and make a difference in relation to downtown office vacancy," said Jasmine Kaiser, who leases Community Towers for the Feece Real Estate Group. "It would be short-sighted to do anything less in this desperate market."

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SAN JOSE
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DOWNTOWN BUSINESS PARKING INCENTIVES



New Incentives! *(approved April 6, 2010)*

FREE PARKING * *(with parking lease)*

Eligible Businesses	New to Downtown, <i>or</i> Currently Downtown & relocating parking to City facility Building leases signed after Jan. 1, 2010
Free Terms:	½ length of new/extended building lease Maximum 2 years free, maximum 50 employees

50% DISCOUNTED PARKING * *(with parking lease)*

Eligible Businesses	Currently Downtown & parking in City facility Building leases signed after Jan. 1, 2010
Discount Terms:	½ length of new/extended building lease Maximum 2 years 50% discount, maximum 50 employees

* *Regular Monthly Parking Rate: \$100 per employee*

Prior Incentives still offered

50% DISCOUNTED PARKING * *(no lease req'd)*

Eligible Businesses	Software & Environmental Businesses
Discount Terms	Maximum 2 years
Eligible Start-Ups	Incubators located in SJ Innovation Center (SJIC)
Discount Terms	Minimum 2 years <i>or</i> for length of stay at SJIC

25% DISCOUNTED PARKING * *(with parking lease)*

Eligible Businesses	New to Downtown in Class B or C building
Discount Terms:	Minimum 6 months - Maximum 2 years 5 - 300 employees

Contact Elias Khoury at 408-975-3707 or elias.khoury@sanjoseca.gov with the City of San José Department of Transportation, or visit sjdowntownparking.com for more information.