

**PISMO BEACH PARKING DISTRICT STUDY  
WORKING PAPER NUMBER ONE  
EXPERIENCE OF OTHER CALIFORNIA CITIES  
A CASE STUDY BY P&D TECHNOLOGIES**

**Prepared For:**

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The purpose of this report is to evaluate the experiences of three selected cities that have used parking districts to meet parking needs similar to those of Pismo Beach. As such, the experience of these cities will provide insight into the various options and methods that should be considered by the City of Pismo Beach.

**I. SELECTED CITIES**

The three cities and parking districts selected for evaluation are: (1) the City of Newport Beach Parking Meter Revenue District; (2) the City of Manhattan Beach Vehicle Parking District No. 4; and (3) the City of Ontario Downtown Parking District. These cities were selected as case studies because of certain similarities with Pismo Beach and/or to identify issues that should be considered.

For instance, both Newport Beach and Manhattan Beach are located in coastal communities which, similar to Pismo Beach, are impacted by heavy seasonal tourist traffic. The Newport Beach district is in a predominantly tourist-serving commercial area which has heavy summer usage, while the Manhattan Beach district is a commercial area serving both local residents and non-local beach visitors. The third district (Ontario) is located in an older downtown commercial core that serves both local residents and businesses. Although not impacted by heavy seasonal use, this district was selected because of some unique problems that warranted investigation.

**II. MANHATTAN BEACH VEHICLE PARKING DISTRICT NO. 4**

This parking district is in a commercial area that serves both local residents and non-local beach visitors. It is heavily used in the summer months.

A. Purpose of the District

The District was formed to finance the acquisition and improvement of an off-street public parking facility. The Phase I improvements, completed in 1976, consisted of 32 off-street parking spaces on 0.28 acres of land. The Phase II improvements, completed in 1980, added 49 spaces (81 total) through expansion and double-decking of the parking lot.

B. Cost

Cost of the facilities is as follows:

Phase I: \$137,746

Phase II: \$512,000

C. Funding

The Phase I improvements were financed through Special Assessment Bonds (6% per year, 25 years). The cost of Phase II improvements was paid from City funds.

D. Repayment Method

The Phase I bonds are secured by a lien on the properties within the parking district. Bond repayment sources include: 1) revenues from meters in the parking lot, on-street meters, and monthly parking permits; 2) a business license surcharge; 3) previous business license surcharges paid by businesses within the District that were used to finance parking improvements in other parts of the City. The individual property assessments and General Fund revenues will be used only to offset any revenue shortfalls from the first three sources identified above; 4) individual property assessments; and 5), the City's General Fund.

Currently, the City is applying previous business license surcharges paid by businesses within the District that were used to finance parking improvements in other parts of the City, to repayment of these bonds. This

repayment source is being used in lieu of individual property assessments or General Fund monies. The individual property assessments and General Fund revenues will be used only to offset any revenue shortfalls from the first three sources identified above.

It may be observed that City staff believed this combination of repayment sources would more equitably charge the three benefited parties: landowners (through the property assessment), who benefit from increased property values; commercial area tenants (through the business license surcharge), who benefit from increased business activity; and, parking lot users (through meter and permit charges), who benefit from increased parking opportunities.

E. Spreading of Assessments

Individual property assessments are made according to the level of benefit received, using a two-part formula. The level of benefit is based upon the degree of accessibility of the property to the parking facility, with the District being divided into six zones. The first part of the assessment formula charges owners from \$0.50 to \$1.00 per square foot of land area, depending on the zone. The second part assesses owners from 15 percent to 50 percent of the assessed value of the property and improvements, again depending on the zone. The two amounts were then added to arrive at the total assessment which was then recorded as a lien against the property.

The business license surcharge is 80 percent of the business license fee, with a \$500 maximum. For example, a \$100 business license would pay an additional \$80 surcharge, for a total fee of \$180.

F. Statutory Authority

Manhattan Beach used a combination of the Vehicle Parking District (VPD) Act of 1943 and the Parking and Business Improvement Area Law of 1965. The 1943 Act allows the assessment of property owners within defined improvement areas to finance parking facilities. The 1965 Act allows the imposition of a business license surcharge to finance parking facilities.

### III. NEWPORT BEACH PARKING METER REVENUE DISTRICT

The District is located in a tourist-serving commercial area with restaurants and shops, known as Cannery Village. The area is located adjacent to Newport Bay and close to the beach.

#### A. Purpose of District

The District was formed to finance the acquisition and improvement of 0.36 acres of land with 47 off-street parking spaces with meters. The project was completed in 1987.

#### B. Cost

Cost of the land and improvements was \$1.2 million.

#### C. Funding

The project was financed through the issuance of Certificates of Participation (COP's) in the amount of \$700,000, plus \$500,000 from the City's Parking Meter Revenue Fund.

The City entered into a lease-buyback arrangement whereby it sold the lot to the COP holders for \$700,000, with the COP holders subsequently leasing the lot back to the City. The City reports that all COP's were pre-sold prior to completion of the offering documents.

The City's monthly lease payments are for 10 years with interest at 6 percent per annum. At the end of 10 years, the City has the option to purchase the parking lot for \$1.00.

#### D. Method of Repayment

Lease payments are derived from parking meter revenues from the parking lot and on-street meters within the defined improvement district. Revenue shortfalls are supplied from the City General Fund.

It may be noted that the repayment plan called for all streets in the improvement area to be metered. To date, however, only one street has been metered, and the availability of free, on-street parking has drastically reduced expected revenues. Consequently, lease payments during the first year were made primarily from the General Fund. The City expects the streets to be fully metered in 1989.

E. Statutory Authority

Establishment of the Parking Meter Revenue District was allowed under the City's municipal code. The legal basis for using COP's is derived from the basic State law allowing public entities to enter into lease agreements.

It should be noted that the City considered using a traditional special assessment district to finance the project. Due to intense local resistance, however, the Parking Meter Revenue District was utilized.

IV. ONTARIO DOWNTOWN PARKING DISTRICT

The improvement district is an older commercial area in downtown Ontario that serves local residents. Due to the length of time it has been in existence, as well as changes in personnel in the City, complete information is not available. However, the experience of Ontario provides a useful insight that should be considered when implementing a parking district.

A. Purpose of the District

The District was formed to finance the acquisition and improvement of off-street parking facilities. Formed in 1958, the District has acquired and developed 13 parking lots.

B. Financing Repayment Method

The original financing and repayment methods are not available. Currently, local businesses pay a fee to the City based on parking generation estimates for the type and size of business.

C. Comments

The City reports that the parking lots have sufficient capacity to meet local parking requirements. However, local merchants state there is a parking problem downtown. City staff believes this may be caused by the inaccessibility and distance of the lot relative to the businesses they serve, with the result that the lots are not being used. Most of the lots (12 of the 13) are located along alleys behind the businesses and are not directly accessible from the main commercial thoroughfare. The City is currently redesigning its parking district plan in an attempt to eliminate these problems.

V. CONCLUSIONS

The experiences of the three cities as described above identified several issues that should be carefully considered by the City of Pismo Beach prior to implementing any parking improvement program. These are noted below.

A. Level of Parking Need

A thorough study of existing and potential parking needs should be undertaken prior to implementing any parking improvement program. Parking needs assessments were conducted in all three districts prior to their formation. However, in at least one case, Manhattan Beach VPD No. 4, the level of need was underestimated. Within four years of initial acquisition and construction, the City expanded the parking facility by 2.5 times at roughly four times the original cost.

B. Location for Best Satisfying Parking Needs

If a facility is poorly located, it will not be used. As noted above, the City of Ontario is in the process of redesigning its downtown parking district plan because most of the parking facilities already constructed are not easily accessible and are located too far from the commercial destinations. Thus, the lots are not being used to their capacity.

C. Methods of Financing Improvements

Public financing mechanisms used to finance parking improvements in the selected cities included city funds, facility revenues, special assessments, certificates of participation and/or some combination of the above. Choice of the appropriate financing tool(s) will depend on the level of funding required, the source and level of revenue available to repay the debt, and the statutory authority to use various financing methods.

D. Statutory Authority to Implement Parking Improvement Districts

Prior to implementing any parking improvement program, the City of Pismo Beach should be clear that the statutory authority is available to implement and finance the improvements.

Newport Beach used powers available to charter cities to adopt enabling legislation into the City municipal code. Manhattan Beach used a combination of two State acts to create and implement its parking assessment district: The Vehicle Parking District Act of 1943, and the Parking and Business Improvement Area Law of 1965. The 1943 Act allows the assessment of property owners within defined improvement areas to finance parking facilities. The 1965 Act allows the imposition of a business license surcharge to finance parking facilities.

E. Spreading of Benefits and Alternative Funding/Financing Methods

A critical factor to be considered in selecting a funding/financing method for parking facility construction/improvement is the burden versus the benefit to effected parties. For example, the lease payment relative to the COP financing used by Newport Beach is to be made from parking meter revenues derived from facility users. This payment structure places the primary burden on only one of several benefitted parties, the facility user. Although the parking facility users clearly gain from the provision of ample parking, the local landowners also benefit through increased property values, and the local businesses benefit through increased business traffic.

In Manhattan Beach, the City attempted to spread the cost of the improvements to a number of benefitted parties. Property owners, who benefit from increased property values, are charged in the form of a special assessment on their property. Local businesses, which benefit from increased commercial traffic, are charged via a business license surcharge. Parking facility users, who benefit from increased parking opportunities in close proximity to commercial and business opportunities, are charged in the form of parking fees (either meters or monthly permits).

All of these factors and methods should be considered by the City of Pismo Beach and will be addressed in a subsequent working paper that will be prepared by P&D Technologies.