Downtown Los Altos

PUBLIC PARKING PLAZAS OPPORTUNITY STUDY

FINAL DRAFT JULY 2009

MIG
in association with
WATRY DESIGN, INC.
and
KEYSER MARSTON ASSOCIATES

Letter from the Committee Chair

Mayor Satterlee, Members of the City Council and Members of the Community:

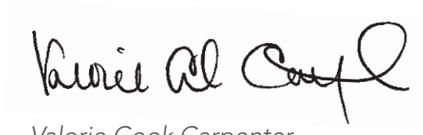
This Opportunity Study of the Los Altos Public Parking Plazas has been developed by the Downtown Development Committee over the last seventeen months. The Committee focused on possibilities to create a stronger economy in Downtown Los Altos, with the benefits of more customers to increase sales and 200 additional public parking spaces, while maintaining the village's character. The Committee believes these public benefits are seriously, perhaps critically, needed for the economic well-being of our Downtown, and all stakeholders with interests in its success. The public benefits are the reason to seriously consider this study and the opportunities for action it presents.

The Committee reviewed four test cases for development. The four test cases propose using one, three or four Parking Plazas to create something as simple as a City-financed public parking structure on one Plaza, to more complex public-private partnerships that could achieve appropriate office development and/or public parking on up to four of the existing Parking Plazas. All test cases will help bring more customers Downtown, and they illustrate a range of options and costs. It is time to bring these ideas to the Council and the Community for discussion and examination, to identify support or rejection.

One reason for this study is the widespread awareness that Downtown lacks a strong customer base, lacks vitality, and that other downtown retail areas are gaining market share while Los Altos remains uncompetitive. In the 2009-10 Provisional City Budget, the City announced that retail sales in Downtown have been nearly flat for the last 13 years in real dollars, and declined if adjusted for inflation. Compared with other nearby downtown retail areas, Los Altos is underperforming. The Committee believes the situation is compelling, that action is needed.

The Committee found that strategically-located surface parking in the North and South Parking Plazas (Plazas 1, 2, 3, 7 and 8) offers Los Altos a rare opportunity to use or to leverage City-owned real estate as an alternative to raising cash for all development costs. Public / private partnerships have been attempted before, but never resulted in a contract for new development. However, times are different today. In a period where limited City funds are already earmarked for important projects, such as the Community Center Master Plan and the First Street Streetscape project, Los Altos' ability to use or leverage City property is a significant asset. In a time when our Downtown is growing steadily less competitive as a retail destination, the Committee's study lays out feasible opportunities we can realistically pursue. The current market conditions are stalled, providing us ample time for public discussion and careful planning. It may be that members of the Council and the Community will see a window of opportunity for a new strategic initiative that supports a stronger Downtown economy.

I wish to thank the Committee members, listed here, for their service and time, and for their determination to find realistic and workable solutions. I particularly want to thank Ted Kokernak for the many hours of research and analysis he volunteered to determine the potential scale and vision that can truly support Downtown Los Altos. Thanks also to the other interested individuals who attended Committee meetings and contributed; their time and support is also greatly appreciated.



Valorie Cook Carpenter
Chair

MEMBERS OF DOWNTOWN DEVELOPMENT COMMITTEE
FEBRUARY 2008 – SEPTEMBER 2009

Val Carpenter, Councilmember and Committee Chair
Lou Becker, Councilmember and Committee Vice Chair
Abby Ahrens, Residential Developer
Jon Baer, Planning Commissioner
Phoebe Bressack, Planning Commissioner and Architect
Dan Brunello, Business Owner
Ted Kokernak, Investment Real Estate Broker
Ron Labetich, Real Estate Broker
Bill Maston, Architect
Bart Nelson, Property and Business Owner
Doug Schmitz, City Manager
James Walgren, Assistant City Manager and Director of Community Development

Downtown Los Altos

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I. Introduction

SUMMARY: DOWNTOWN DEVELOPMENT COMMITTEE PROCESS

The current Downtown Development Committee (Committee) began as the Downtown Zoning III Committee (DZ3) appointed by Council in early 2008. The charter of the DZ3 Committee was threefold: (1) to review the zoning regulations for the CRS/OAD district; (2) to develop Downtown Los Altos Commercial Design Guidelines similar to the City's existing Residential Design Guidelines; and (3) to explore ways to increase Downtown parking so property owners in the Downtown Core could develop second floor space which requires the 'purchase' of an in-lieu parking space. All of these issues were addressed to improve the economic vitality of Downtown.

This report addresses the last of these economic vitality goals. The Committee considered which of the 10 City-owned Downtown parking plazas were most suitable for a development project that would create at least 200 net new public parking spaces. However, the cost of multi-level structured parking is high, and the Committee concluded that a City-funded parking structure is impractical due to its cost. A simpler approach would be to provide a single parking deck over one or more plazas, but that ignores the value of the Downtown land and limits the use of the site for many years into the future.

At that point, one of the Committee members, Ted Kokernak, presented an alternative approach. Using a public-private partnership, the City could contribute Plazas 1, 2 and 3 and possibly a fourth parking plaza to a development project. While much larger in scope than the Committee's original concept, this approach has several major advantages. It brings more private development and employees Downtown, providing a direct benefit to the Downtown economy and the tax base. It would retain existing public parking and add at least 200 net new spaces at a lower initial cost affordable to the City. It provides a large quantity of shared parking on nights and weekends. And it leverages an existing public resource, a portion of the Downtown parking plazas. Together, these are significant public benefits.

In January 2009, the Council authorized funding to explore the feasibility of public private partnerships for private development with a component of public parking. As a result, this document is entitled an "Opportunity Study" based on feasibility tests of public-private development concepts to strengthen the Downtown Los Altos retail district.

The Committee discussed at some length specifying the type of use for this project, such as office, retail, housing and/or hotel, but recommends that potential developers be given the flexibility to propose the best use given marketplace realities at the time of a Request for Proposal. For purposes of expediency, this study tests the feasibility of office development designed to attract a high-quality tenant, such as a law or venture capital firm, and specifies that the ground floor have ceiling heights desirable to retail tenants should the market support that. The Committee noted that hundreds of incremental Downtown office employees and their clients, are likely to purchase food and beverages Downtown as well as to shop there during the workweek.

The Committee recommends building a minimum of 200 net new public parking spaces as part of any proposed project on the Plazas. The spaces could replace existing on-street parking expected to be lost through new streetscape construction and the development of the City-owned property at First and Main. It would also provide a pool of spaces that could be designated in-lieu for existing buildings in the retail core where owners wish to add a 2nd floor. Finally, it would add needed spaces for peak noon-time periods when 95% of the spaces can be occupied. All the spaces would be in the parking district, and would support the economic vitality by increasing the supply of drive-in customer parking.

LOS ALTOS IN A REGIONAL CONTEXT

Los Altos is a premier South Bay community located 40 miles south of San Francisco and 15 miles north of San Jose. The seven-square mile city includes beautiful neighborhoods, tree-lined streets, highly-respected schools, quality parks and convenient access to scenic regional open space, as well as world-class universities nearby. Los Altos offers strong demographics, with high incomes and education.

TABLE 1.1: REGIONAL DEMOGRAPHICS

1st Street at Shasta	1 Mile Ring	2 Mile Ring	3 Mile Ring
Population	9,899	110,054	232,452
Households	4,024	47,943	97,798
Income			
Average Household	$227,901	$147,718	$146,108
Per Capita	$92,643	$64,351	$61,471
College Degree +	73%	63%	65%
2007 Median Home Value	$1,215,705	$870,542	$795,212

Source: Pitney Bowes MapInfo

Los Altos is located within Silicon Valley, and surrounded by the cities of Palo Alto, Mountain View, Sunnyvale and Cupertino (see Figure 1). Surrounding cities have strong retail districts in their downtowns. Palo Alto's University Avenue, and Mountain View's Castro Street have shops, restaurants and increasingly strong office tenants. Regional retail destinations include the Stanford Shopping Center,

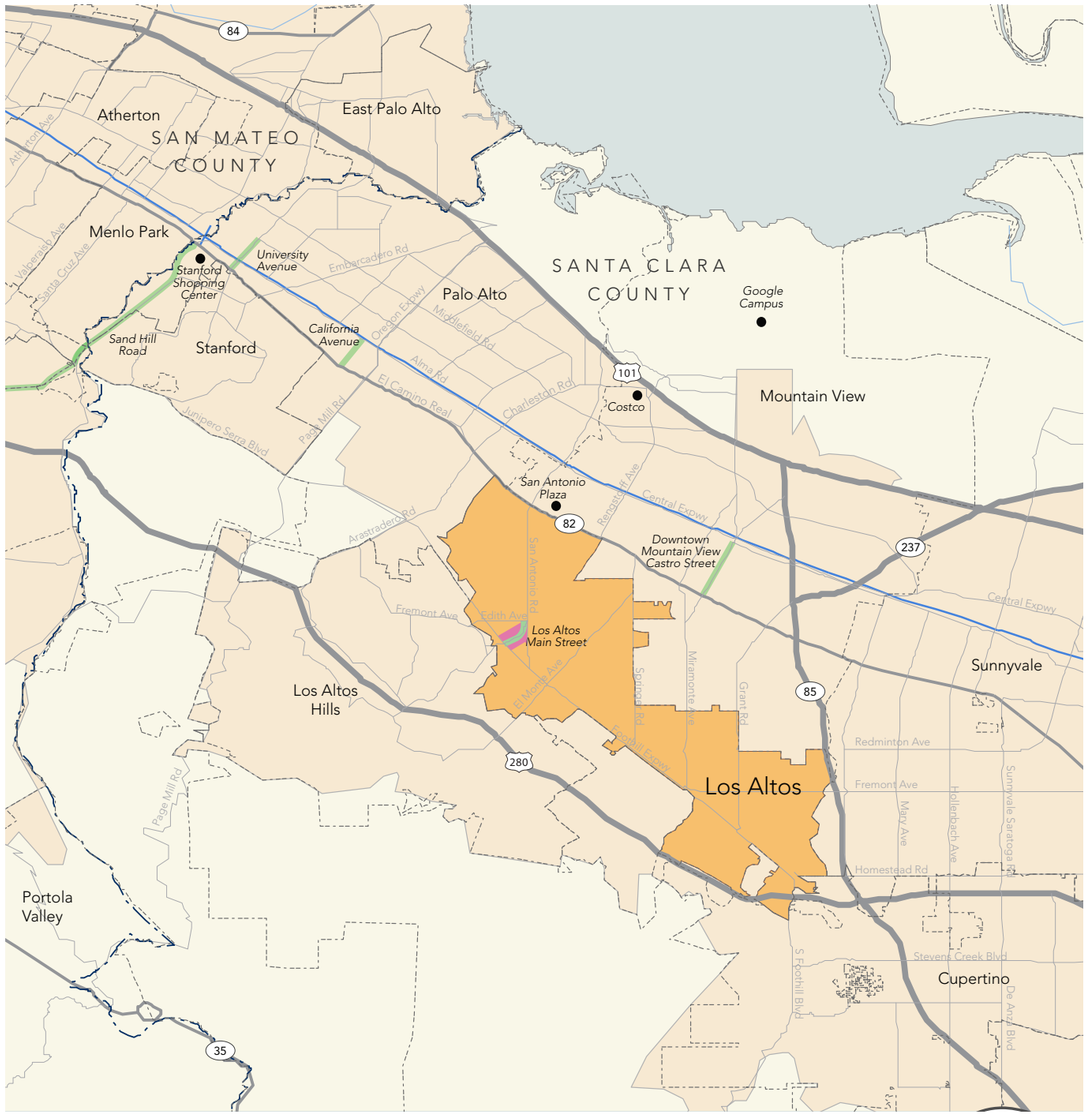

Figure 1: Regional Context - Downtown's proximity to prominent local and regional retail

as well as big box retailers such as Costco and Target in Mountain View. The San Antonio Plaza shopping center is located on El Camino Real just a few miles from Downtown Los Altos. High-tech offices are located nearby, such as the Google campus in Mountain View, and numerous firms in the Stanford Research Park and along Sand Hill Road. Los Altos must take this competitive market into consideration and find opportunities to build a customer base that can support Downtown. This Opportunity Study sets forth the public benefits and recommendations that can help rebuild Downtown Los Altos while maintaining its village character.

PROJECT AREA

The project area is located in the Downtown core (see Figure 2). It is characterized by shops and restaurants that are predominantly independently owned, as well as some small offices. The adjacent South Triangle is a low-intensity commercial mix with several offices and banks. Office complexes are also located east of San Antonio Road, with the Civic Center northeast of the Downtown core. Higher-density residential complexes are located north of the project area. All of these act as a buffer for the lower-density residential neighborhoods surrounding Downtown. The major retail streets are Main Street, which connects Foothill Expressway and San Antonio Road, and State Street, which is parallel to it (see Figure 3).

The Downtown core is a very important destination for the community, and the location of long-standing community festivals and events. Summers are especially active with Los Altos Village Association-sponsored farmers' markets every Thursday, outdoor movie nights on Main Street, and the Arts and Wine Festival in July. Other annual Downtown festivities include the Kiwanis Club Pet Parade on the Saturday following Mother's Day, and the Festival of Lights Parade during the winter holiday season. The character of Downtown is defined by attractive shops and enhanced by its expansive greenery—streets are lined with Chinese Pistache trees and potted blooming flowers, creating a distinctively Los Altos character.

DOWNTOWN PARKING PLAZAS

Downtown's parking needs are currently served by on-street parking as well as 10 surface plazas distributed throughout the project area (see Figure 2). The parking plazas are located conveniently behind stores, restaurants and offices. The plazas are accessed from Main and State Streets by the numbered side streets: 1st, 2nd, 3rd and 4th Streets. Parking Plazas 1, 2, and 3 form the South Plazas; Plazas 4, 5 and 6 form the Central Plazas, and Plazas 7, 8, 9 and 10 form the North Plazas. These parking plazas were created in the late 1950's, and are City-owned. Plazas 1, 2, 3 alone represent 4.24 acres of city-owned land. As stated earlier, the Committee recommends building a minimum of 200 net new spaces in addition to the existing public parking supply.

Figure 2: Project Area and Existing City-Owned Surface Parking Plazas

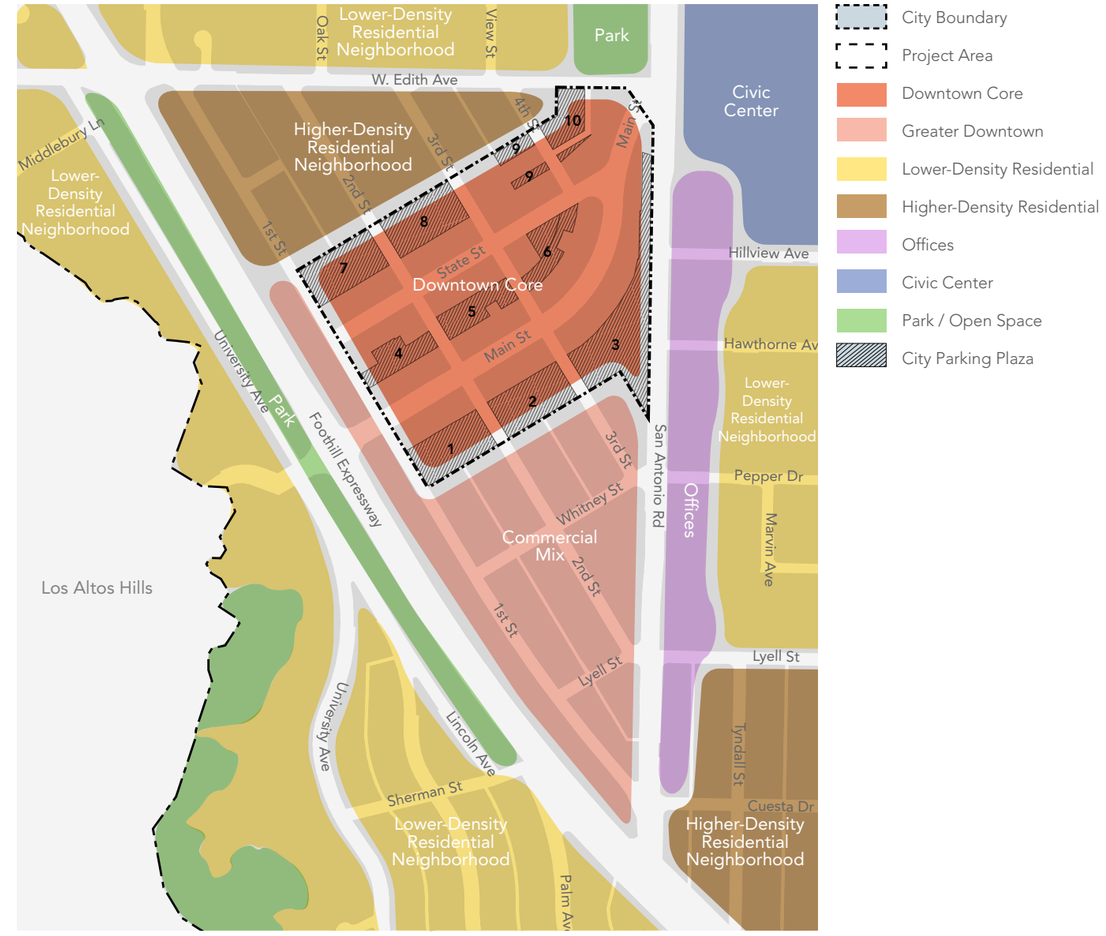

Figure 3: Neighborhood Context

PLANNING PROCESS

In July 2008, the City of Los Altos assembled a planning team to examine a framework for future development that would accommodate additional Downtown public parking, while also enhancing Downtown as a vibrant and attractive place. The planning team included: the City of Los Altos Community Development Department; the Downtown Development Committee; urban planning consultants MIG, Inc.; parking specialists, Watry Designs, Inc.; and economic consultants, Keyser Marston Associates (KMA). The Downtown Development Committee provided overall direction in the three-phased planning, design and feasibility effort.

Phase I: Analysis of Existing Conditions and Site Selection

The first phase of the planning process consisted of analyzing existing conditions and establishing a planning framework. The analysis of Downtown's existing conditions included studies of: previously completed Downtown plans; land use and zoning designations; existing building uses and heights; environmental conditions; infrastructure; circulation; parking supply; open space and community amenities; building footprints; urban form; and current development projects. In addition, this first phase examined best parking practices from across the country. Drawing on Los Altos' unique context and recognizing that parking structures are new to Los Altos, the planning team developed overarching design principles to ensure the well-conceived and context-sensitive design of future Downtown parking structures and related buildings (see Chapter 2).

Based on the existing conditions analysis and design principles, the Committee then began a site selection process to identify the most appropriate City-owned parking plaza(s) for exploration as a future parking structure. Plazas 4, 5 and 6 were the first to be removed from consideration due to their smaller, irregular sizes. These conditions result in an inefficient parking structure that yields the same or fewer number of parking spaces as currently provided. Plaza 9 was also eliminated since its development viability relies on the City's acquisition of additional property to complete the parcel.

Figure 4: Recommended Parking Plazas for Future Development

While Parking Plazas 7, 8 and 10 were deemed viable and efficient sites in terms of lot size and shape, proximity to large, intact and relatively dense residential neighborhoods makes them attractive for future housing development. Parking Plazas 1, 2 and 3 present promising opportunities to create a stronger pedestrian link with the businesses farther south in the Downtown Triangle and improve the streetscape on 1st, 2nd and 3rd streets. Moreover, an elegant site design on Parking Plaza 3, with an attractive building, landscaping and small plaza could serve as an inviting, highly visible Downtown landmark along San Antonio Road. As a result of planning and design objectives, the existing conditions analysis, and local area context, the Committee concluded that Plazas 1, 2 and 3 warranted further study as potential development sites for additional public parking spaces.

Phase II: Development of Site-Specific Parking Scenarios

In the second phase, the planning team studied multiple site-specific structured parking development scenarios. These scenarios were developed and analyzed in terms of their development costs and number of public parking spaces gained. The planning team developed several stand-alone structured parking scenarios on Parking Plaza 2 and 3 with the knowledge that Parking Plaza 2 designs can be replicated on several Plazas (1, 7, 8 and 9). The intention at this early point in the process was that the City would be responsible for funding the parking structure. However, the structures were cost prohibitive for the City. As a more feasible option, the Committee pursued additional analyses of several public-private developments with public parking. These scenarios are detailed in Chapter IV, Five Feasibility Studies.

Phase III: Public Review

The third phase involves public review. In includes presentation of the Opportunity Study to the City Council in a Study Session, to Downtown property owners and merchants, and to community members at large in a city-wide Community Forum. Following the public outreach, the Opportunity Study will again go to the City Council for its determination of next steps.

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II. Downtown Development Committee Recommendations

Throughout the planning process, the Committee engaged in a robust, multi-faceted discussion about the need and steps to create a more vibrant and economically viable downtown retail core. The Committee documented its work and recommendations in the following paragraphs.

PREMISE

Downtown Los Altos is an important community asset.

Downtown Los Altos could support a larger customer base that would provide significant benefits to the City, community, and business and property owners:

- Increased foot traffic and higher revenues for business owners
- A greater variety of businesses and fewer vacancies for the community
- Higher rents and increased density for property owners
- Increased sales tax revenues to the City

GOAL

To bring additional customers to Downtown Los Altos, thereby creating a vibrant commercial center with more people, activities and revenues, while maintaining the village character and enhancing the retail environment.

PUBLIC BENEFITS

1. *A significant increase in the customer base that patronizes Downtown Los Altos businesses. For example:*
    - 500 to 800 additional weekday office employees
    - Residents living in additional housing units
    - 80 to 90 hotel guests per night
    - 15% more employees of existing businesses
    - 50% more customers from Los Altos and nearby communities for retail stores, restaurants and other businesses
    - A twofold increase in retail and restaurant revenues

2. *A significant increase in the number of net new public parking spaces serving Downtown Los Altos.*
    - Add at least 200 net new public parking spaces via this project alone to facilitate redevelopment of Downtown properties
    - Seek additional opportunities for net new public parking spaces
    - Preserve the total number of existing public parking spaces even if partially relocated

3. *Maintaining the village character of Downtown Los Altos.*
    - Focus on quality and scale
    - Manage density, traffic and circulation so as to maintain the village character

RECOMMENDATIONS

1. *Use City-owned North and South Parking Plazas more productively and leverage their real estate value to gain benefits for the public.*
   - Site of initial development is Plazas 1, 2 and 3 and potentially one other Plaza
   - Initial development could be phased
   - Other development sites where ideas from this study are applicable include:
     - City-owned First and Main property
     - Plazas 7 and 8

2. *Consider a public-private partnership to develop the Parking Plazas while providing replacement and new public parking.*
   - Minimize city cost of public parking through a public-private partnership
     - Developer would provide public parking in lieu of land purchase/land lease payments for private development rights
     - Select developer based on ability to deliver public benefits
   - Define and maintain the roles of the City, Community, and Developer
     - The City and Community define and ensure the public benefits are achieved
     - The City and Community define the development parameters typically addressed by zoning
   - The Committee unanimously recommends extending the CD Zoning District in the Downtown to include Plazas 1, 2 and 3 and 5 adjacent parcels (see map, Appendix D) as follows:
     - Allowed uses: Office or hotel, ground floor retail, and residential above the ground floor
     - 45' height limit (current CD Zone height limit is 40')
     - Limit buildings in the CD Zone to 3 floors except in the case of hotel and/or residential use
   - Building height is critical to meet market/tenant requirements for Class A office and retail uses
   - Class A office is critical to bring office tenants with high disposable income to Downtown Los Altos
   - Core retail area (CRS Zone) retains 30' height limit, with offices or residences encouraged above existing retail
   - All developments are subject to the City's standard design review process
   - The Developer defines and executes the project with responsibility for financing, market strategy, design and construction, leasing and ongoing asset and property management
   - The City and Community encourage the Developer to develop a plan that is feasible and financeable and delivers the public benefits. The five feasibility studies (See Section IV) are therefore preliminary tests, not guidelines for a final development plan. It is expected that the land uses and location of land uses on the Plazas will likely change as the Developer(s) formulates the project that can be successful in the marketplace and also deliver public benefits to the City and Community.

3. *Recognize that different land uses for this project provide different benefits.*
   - Office brings the most people and activity
   - Residential development is desirable, but it typically requires a land sale rather than a ground lease
   - A hotel is highly desirable due to its lower parking requirements and the transit occupancy tax revenues it generates for the City
   - Retail is desirable on high-traffic frontages like Plaza 3 on San Antonio Road if the economics (rent and cost of parking) work
   - Traffic circulation is important to retail customers and must allow easy access to retail parking

4. *Create and maintain public parking that appeals to and satisfies retail customers.*
   - Well-distributed and as close as possible to retail stores and restaurants
   - Some surface parking adjacent to stores and restaurants
   - Public parking within a structure at or above grade or no lower than the first level below grade; designed to allow daylight into public parking areas
   - Require replacement public parking to be built in the first phase of this project
   - Separate employee and business-owner parking from customer parking and enforce availability of public spaces for customers
   - Develop user-friendly customer parking policies, with adequate parking time and appropriate enforcement
   - Provide short-, mid- and long-term parking in appropriate locations

5. *Review current parking requirements.*
   - Current parking ratios are 4 spaces/1,000 square feet for office, and 5 spaces /1000 square feet for retail. The Committee unanimously recommends office parking be reduced to 3.3 spaces/1000 square feet (the recommendation was based on an analysis by a parking consultant. See Appendix D.)
   - Respect market realities, tenant lease requirements, limited public transit
   - Allow valet parking and encourage shared parking
   - Increase incentives to owners for offering private parking to public customers, and for paying in-lieu parking fees for public spaces
   - Keep ratios commensurate with surrounding jurisdictions, while allowing for unique Downtown Los Altos conditions

6. *State a preference for a ground lease rather than sale of City land due to the long-term benefits of land ownership.*
   - There is strong local precedent for ground leases (Stanford, City of Mountain View)

7. *Plan for needed utility undergrounding and upgrades in the Downtown triangle.*
   - Make development lead time easier and faster by planning utility needs in advance
   - Ensure up-to-date, competitive utility service to Downtown buildings and sites
   - Minimize City costs through advance planning and financing mechanisms such as a community facilities district

NEXT STEPS

1. *Present recommendations and study to the:*
   - Downtown Business and Property Owners via LAVA and the Chamber of Commerce, July 2009
   - City Council in a Study Session, August 2009
   - Public in a Community Forum, September 2009

2. *Seek Council deliberation on the plan, TBD 2009*

3. *Process EIR and zoning amendment for initial development site, i.e., Plazas 1, 2, 3*

4. *Seek Developer through City selection process in 2010 or later, depending on economic conditions*

5. *Investigate best practices for management of customer versus employee and business owner parking*

6. *Consider paseos on the long block adjacent to Plaza 3 for improved access to retail stores and restaurants*

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III. Urban Design Concepts

The development test cases analyzed in this study include above-ground parking structures. Since there are no existing above-ground parking structures in Downtown Los Altos, Chapter II highlights the design principles that are relevant to developing a parking structure that fits Downtown's context.

The design principles discussed on the following pages stem from an analysis of existing conditions, public benefits and recommendations for Downtown Los Altos. Throughout the planning process, they provided an important foundation from which the planning team explored more site-specific scenarios. Their intent is to guide further parking site assessment and, ultimately, future development. The design principles illustrate the latest trends in parking structure design and should lead to implementation of a parking structure that is both community-supported and financially feasible. Design should not only be efficient and feasible in its construction and development, but should also contribute to a stronger Downtown vitality through pedestrian-oriented design features.

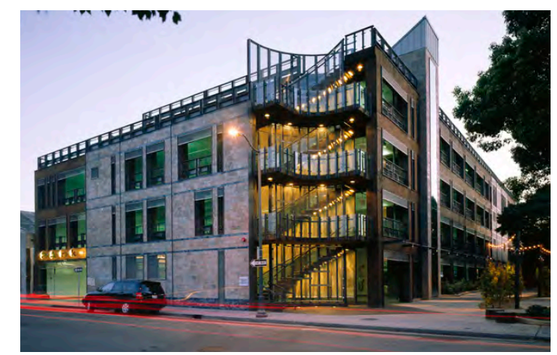
DESIGN PRINCIPLES

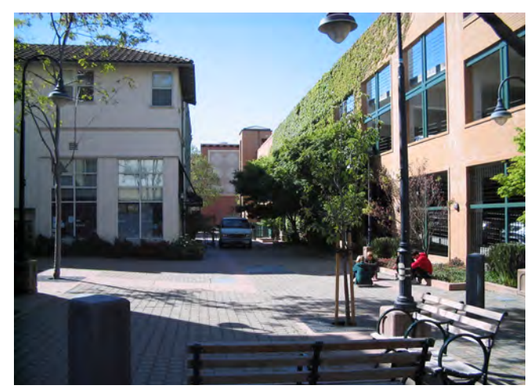
The following 10 design principles should guide future development of Downtown parking structures in Los Altos. The ultimate design should enhance Downtown's village-like character. The City's forthcoming Commercial Design Guidelines should also be applied to the approval of the proposed parking structures to ensure high-quality architecture.

1 Contextual and Pedestrian-Scale Architecture

Parking structures can be a showcase for future Downtown architecture. Structures should set a standard for higher-intensity, pedestrian-oriented development that complements Downtown's walkability.

Fine-grain building details, such as window awnings and building openings, contribute to a pedestrian-friendly environment.

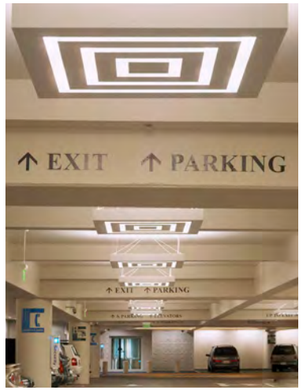




2 Design Elegance

Vertical and horizontal articulation should create a fine-grain character at the pedestrian level. Frontage treatments—such vertical articulation, upper story setbacks, and multiple faux-facades—can break down building mass to create an illusion of several small buildings. Where possible, building design detail and material choices should echo Downtown's architectural patterns. Many stores, particularly on Main and State Streets, display lovely tiled entries both in building entries as well as along storefront sidewalks. New development should integrate this type of design detailing in building entries, foyers and sidewalks for a more varied and attractive ambiance.

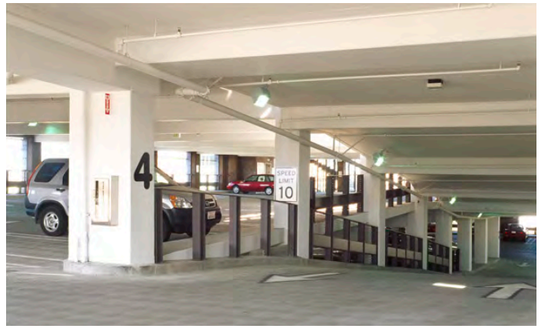
Attractive building materials and architectural design details can transform a massive structure to a work of art.

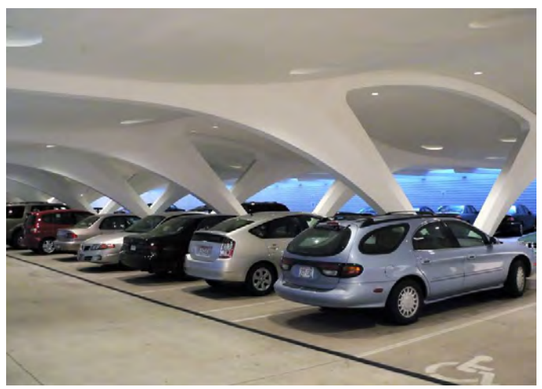


3 State-of-the-Art

The buildings should adhere to best-practices standards for parking structures to ensure a pleasant Downtown experience. User-friendly dimensions such as wide parking stalls and driving aisles, and fewer columns should ease the parking experience.

New technologies and updated parking layout dimensions provide ease of driving.





4 Ground Floor Activation

Commercial uses on the ground floor should be explored as part of parking structures to activate the pedestrian realm and enliven the building. Maximizing ground floor transparency provides a stronger visual connection between the public and private realms.

A transparent storefront provides the pedestrian with an engaging sidewalk experience.

5 Green Design

New parking structures should meet sustainability design criteria, such as those outlined by the Leadership in Energy and Environmental Design (LEED) certification. Downtown Los Altos incorporates distinctive landscaping and natural character, from the redwood-lined approach to Downtown on San Antonio Road to the "groves" of Chinese Pistache trees in the parking plazas and throughout Downtown, and colorful potted plants along storefronts. Emphasis on green design and attractive landscape features should continue to play an integral role in new development.

Solar panels and drought-tolerant landscaping bring sustainable design features to parking structure design.

6 Active Public Space

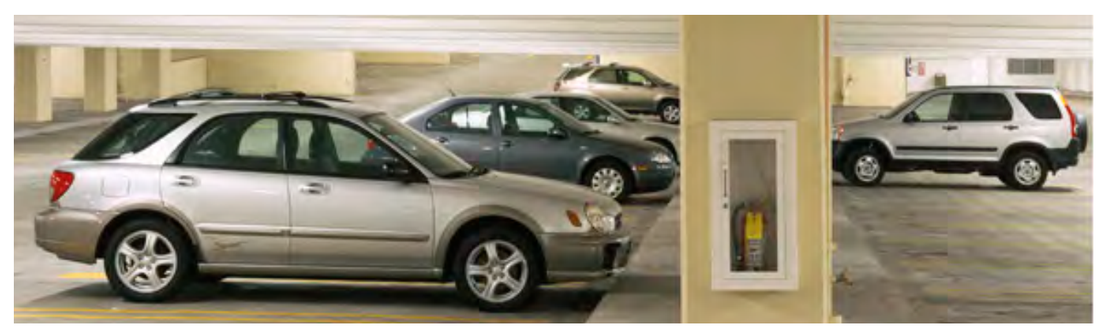
By planning for the provision of adjacent public spaces in the development of structured parking, the development can include community gathering areas such as pocket parks or urban plazas.

Public art and outdoor seating in Downtown public spaces provides opportunities for social interaction.

7 Additional Public Parking Supply

New structures should provide sufficient amounts of net new public parking spaces for Downtown.

Efficient parking structure layout plans result in lower costs.



8 Pedestrian-Oriented Design

Locating pedestrian amenities such as sidewalk landscaping, street furniture and seating areas on the sites of parking structures can strengthen the pedestrian realm and improve linkages to other areas of Downtown. In addition, by creating paseos and intimate open space between buildings, new parking structures can maintain the small-grain scale and form of Downtown.

Pedestrian alleyways and additional landscaping on sidewalks strengthen the Downtown pedestrian network.

9 Ease of Vehicle Circulation and Minimization of Circulation Impacts

New parking structures should not impede circulation flows in Downtown. In the site selection process, consider the greater locational impacts of parking structures on vehicular circulation. Ensure that new parking structures are easily found close to arterials and highly visible with well-designed signage that can enhance the image of Downtown. Surface retail parking in new parking configurations should be located facing stores. This allows easier customer access to stores and better serves retailers. Existing service and delivery access can be maintained by creating loading zones.

Clear parking structure entry signage and "teaser" surface parking spaces can draw drivers to Downtown Los Altos.

10 Maintenance

Regular maintenance of structured parking keeps spaces clean, attractive and safe for users; contributes positively to the perception of Downtown; and ensures the success of the building as a long-term asset.

Ongoing care of lighting, trash receptacles and signage can create comfortable parking structure environments.

PUBLIC REALM RECOMMENDATIONS

Building on the planning and design principles, this section illustrates recommendations for design enhancements of the public realm—or areas not including private buildings and properties—that pedestrians experience. The following diagram shows one of the development test cases, and recommends building setbacks, abundant landscaping and well-articulated building edges to make the public realm pleasant and inviting for pedestrians. Improvements should extend the vitality and unique sense of place from Main Street to possible new development sites, creating stronger connections between Main Street and the offices farther south in the Downtown Triangle.

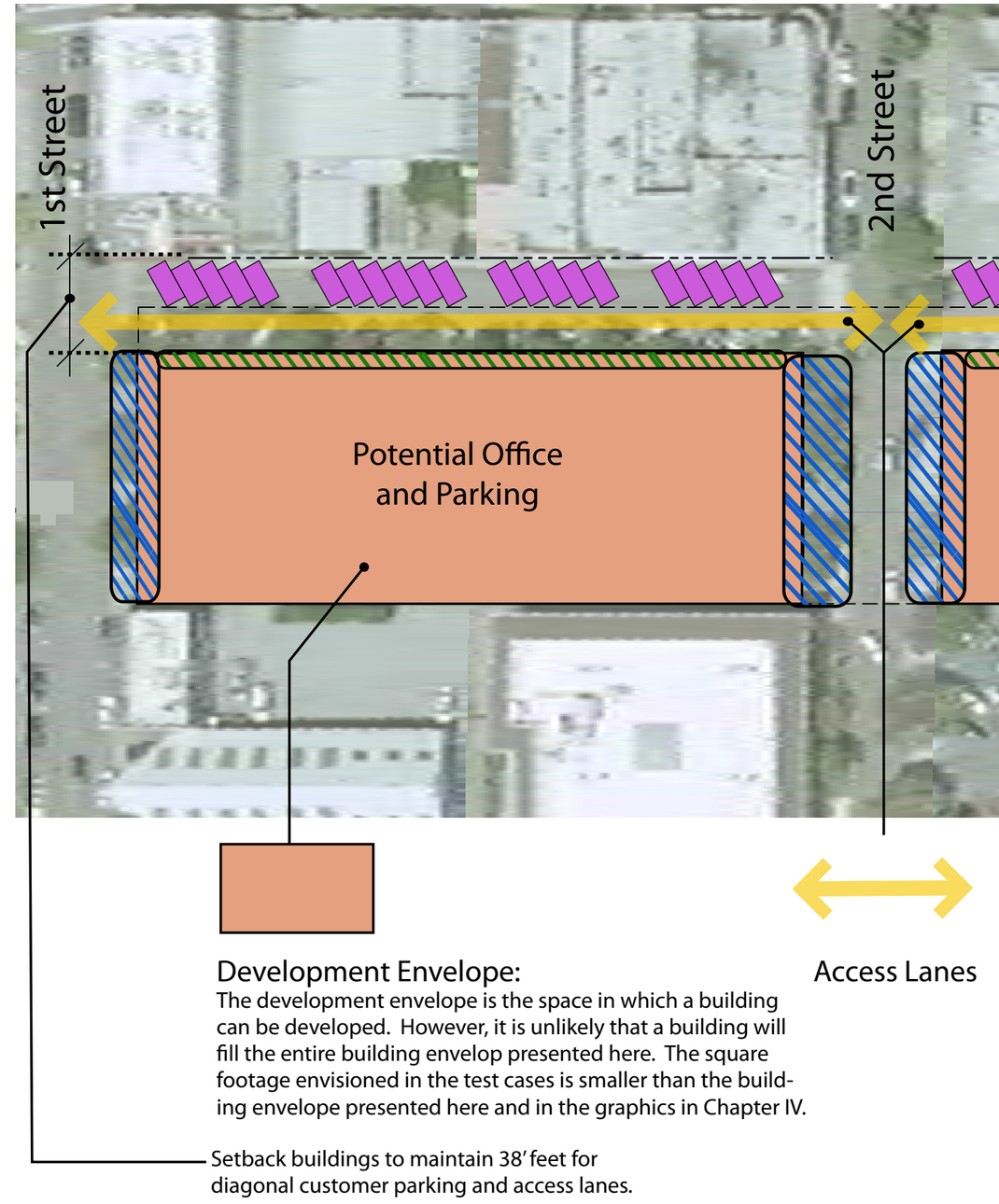
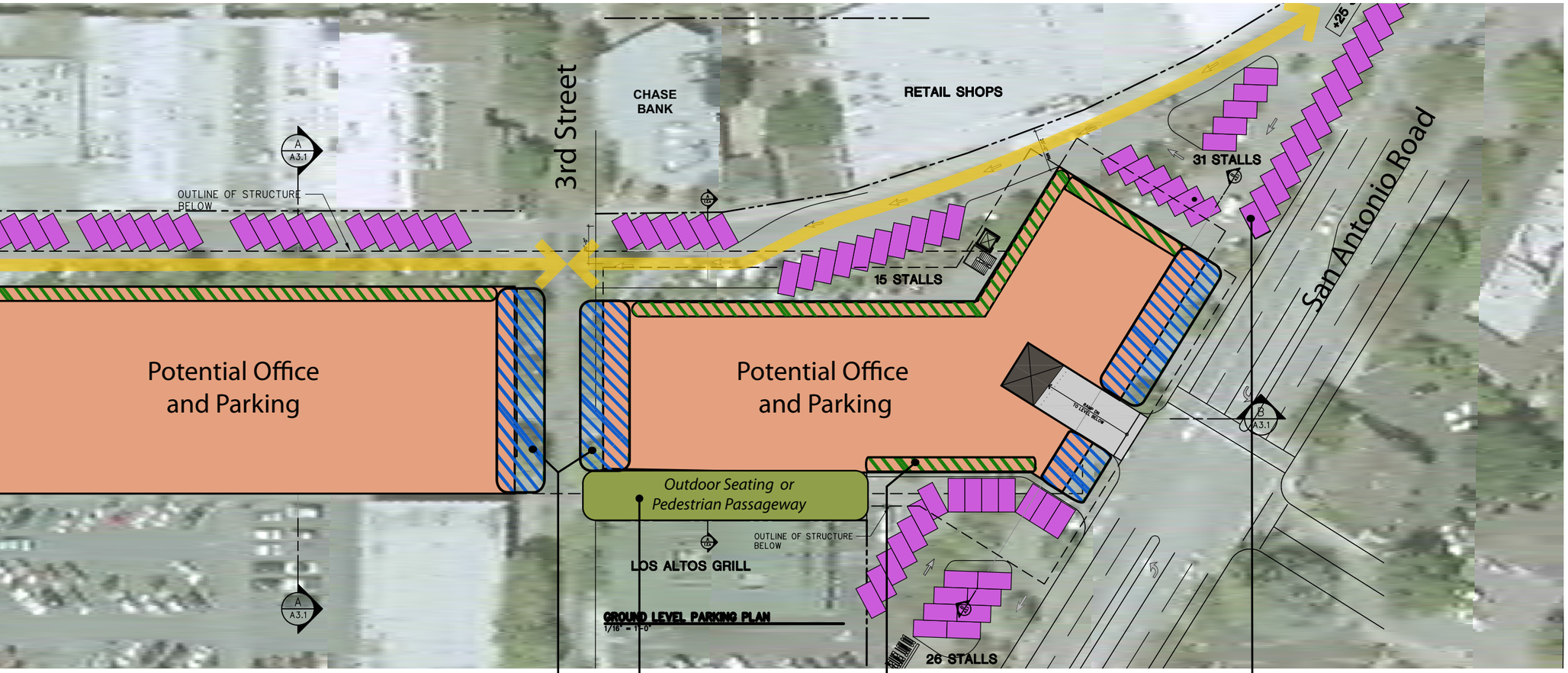


Figure 5: Public Realm Recommendations



Street-Engaging Site Design:

Encourage ground floor setbacks on east and west sides of the potential mixed-use commercial buildings to allow space for landscaping, additional sidewalk paving and/or public art. Street-engaging site design on 1st, 2nd, 3rd and San Antonio Road will increase pedestrian connectivty throughout the Downtown Triangle.

Minimize new building impacts on Los Altos Grill with a 20' setback to allow for outdoor seating or a pedestrian passageway.

Landscape Buffer:

Encourage groundfloor setbacks on the north side of buildings facing access lanes to create more attractive building edges

Surface Parking

IV. Five Conceptual Feasibility Studies

In addition to creating high-quality buildings with strong pedestrian-oriented design features, a development plan for selected parking plazas needs to be financially feasible and meet the initial goal of 200 net new public parking spaces. As described in the Planning Process section in Chapter I, the planning team evaluated five development test cases in order to confirm feasibility.

The feasibility analysis on the following pages illustrates these development test cases. The test cases are divided into two categories: 1) a City-funded parking structure on either Parking Plaza 2 or 3, and 2) a public-private development with office and parking on multiple plazas.

The feasibility study concludes that the City-funded parking structure is infeasible because it requires a prohibitively high cost to the City, which is also unrealistic given other municipal needs. Alternatively, the study shows that larger public-private developments with public parking are feasible.

The Committee expanded the number of potential development sites to include Parking Plazas 1, 2 and 3, and possibly a fourth parking plaza to allow for above-ground office buildings, and below and above-ground parking structures. These are detailed as "public-private" test cases A, B and C (page 21-27).

Test cases A, B and C all include the same land use program of offices located above below-grade parking, with a combination of public and private parking spaces. Test cases A and C both include three three-story office buildings over below-grade parking. In test case A, the below-grade parking structure is completely continuous and connects beneath 2nd and 3rd streets. In test case B, there are two three-story office buildings and one stand-alone parking structure, each with its own below-grade parking. Test case C is composed of three office buildings and three below-grade parking structures on Parking Plazas 1, 2 and 3, and a public parking structure on Parking Plaza 7.

The test cases vary in the land and development costs to the developer. The feasibility analysis on the following pages illustrates trade-offs for each test case. The test cases are conceptual rather than prescriptive, and future developers are expected to present a creative vision that reconciles market realities, financial and development feasibility and required public benefits.

The feasibility study is in two parts, each testing a different development constraint. One is an illustration of the number and configuration of parking spaces to confirm that the needed parking supply is achievable, and to estimate its cost. The illustrations are on pages 19 – 27. The second, distinct study shows that the test cases yield enough return to be potentially attractive to a developer, and what cash the City might need to contribute (pages 28 - 36). The studies are test cases, not yet directed to a specific project. The consultants worked together to verify basic data, but did not attempt to match exact parking numbers for test cases.

City-Funded Test Cases

Stand-Alone Parking Structure on Parking Plaza 2 or 3

The planning team's initial development approach was a City-funded parking structure located on Parking Plaza 3. Three development programs were initially formulated and evaluated: 1) a six-level (four above and 2 below) stand-alone parking structure with two small retail stores at the corners of the structure (shown here); 2) a three-story mixed-use commercial development with public and private parking below-grade; and 3) a subterranean parking structure with a park on top. Plaza 2 has efficient site dimensions, and can be replicated on several plazas: 1, 7, 8 or 9 (see test case 2, Figures 9 and 10). As noted earlier in this section, the City has no ability to fund these parking structures given competing priorities.

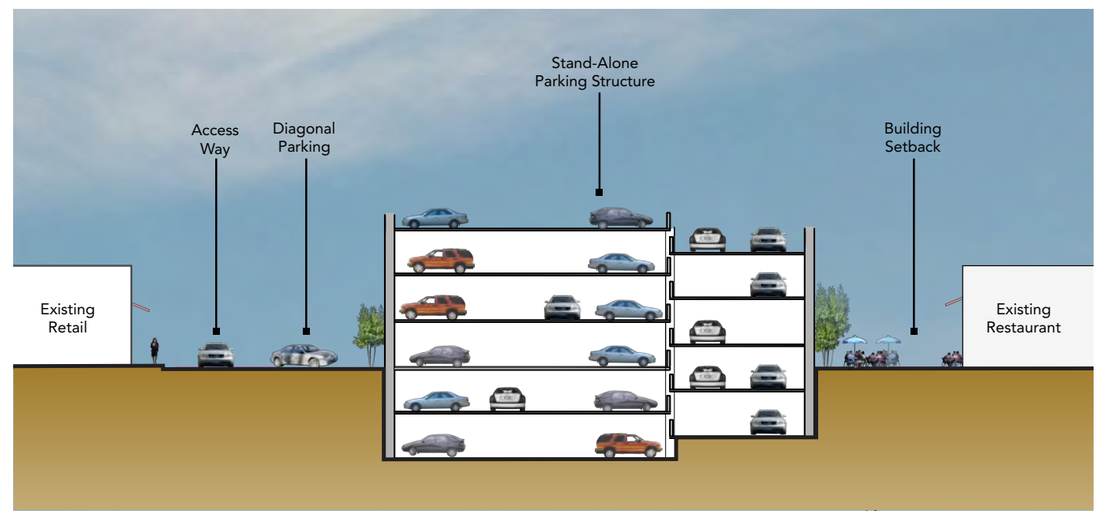


Figure 6: City-Funded Test Case 1—Cross Section of Stand-Alone Parking Structure, Plaza 3

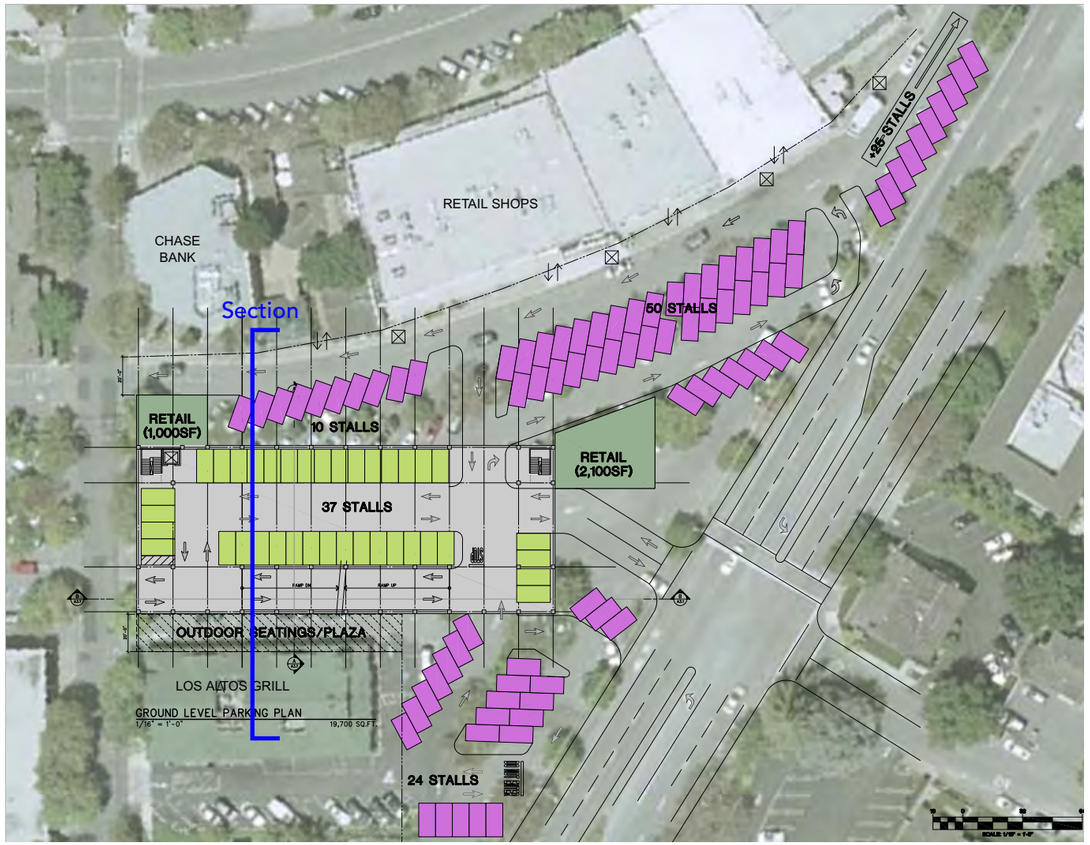


Figure 7: City-Funded Test Case 1—Plan of Stand-Alone Parking Structure, Plaza 3

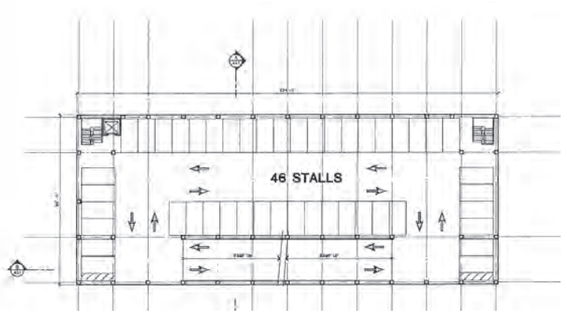


Figure 8: City-Funded Test Case 1—Parking Layout, Plaza 3

Figure 9: City-Funded Test Case 2—Plan of Stand-Alone Parking Structure, Plaza 2

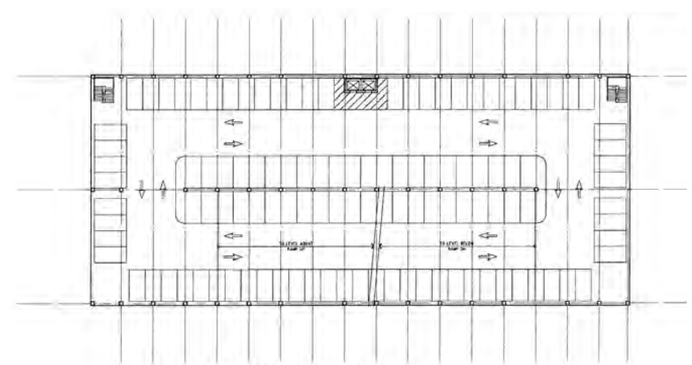


Figure 10: City-Funded Test Case 2—Parking Layout, Plaza 2

Public-Private Test Case A

Three Office Buildings with Continuous Below-Grade Garage

Configuration

Three three-story office buildings with 4 continuous levels of parking below-grade on Parking Plazas 1, 2 and 3.

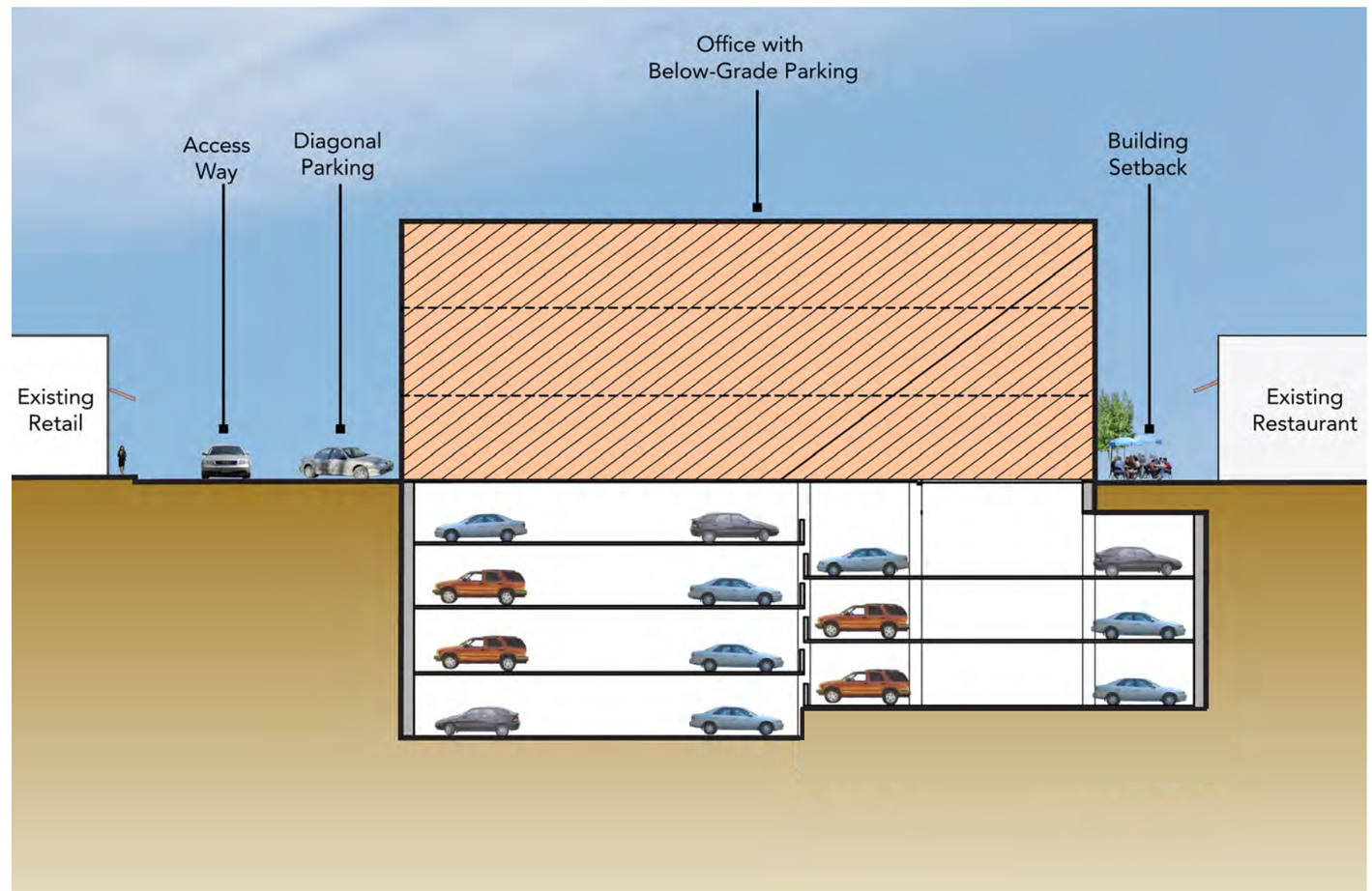


Figure 11: Public-Private Test Case A—Cross Section of Office Building with Below-Grade Parking, Plaza 3 Shown

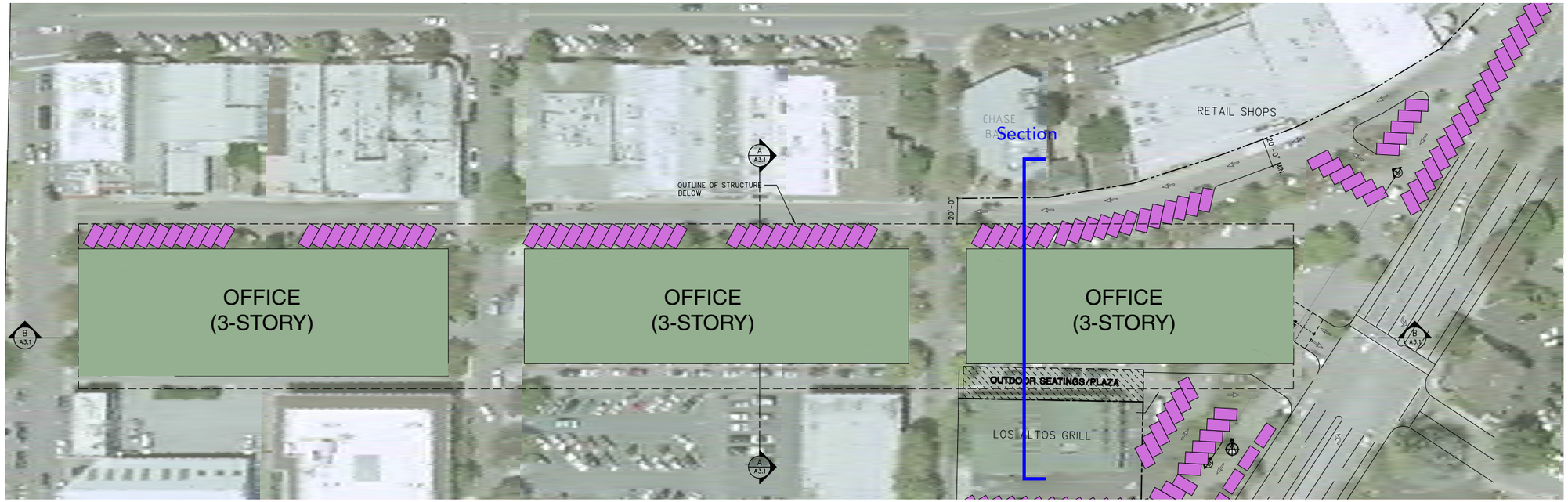


Figure 12: Public-Private Test Case A—Plan of Three Office Buildings, Plazas 1, 2 and 3

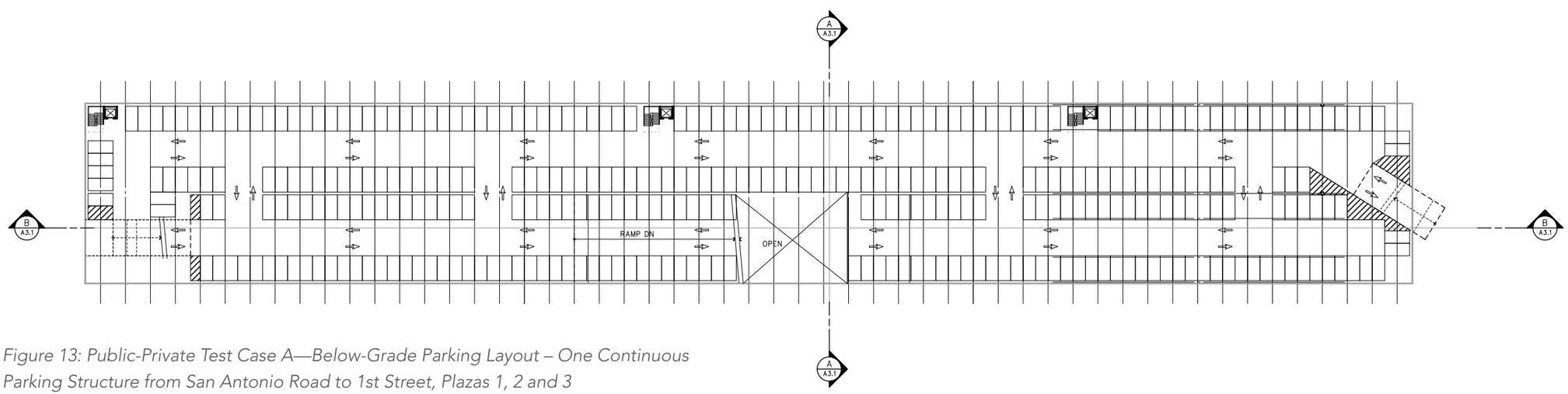


Figure 13: Public-Private Test Case A—Below-Grade Parking Layout – One Continuous Parking Structure from San Antonio Road to 1st Street, Plazas 1, 2 and 3

Public-Private Test Case B

Two Office Buildings with Below-Grade Parking and One Stand-Alone Parking Structure

Configuration

Two three-story office buildings with 2 levels of below-grade parking located on Parking Plazas 1 and 3. One parking structure with 4 levels above-grade and 2 below, located on Parking Plaza 2. The parking structure could be on Parking Plaza 1, 2 or 3, depending on further study and decisions.

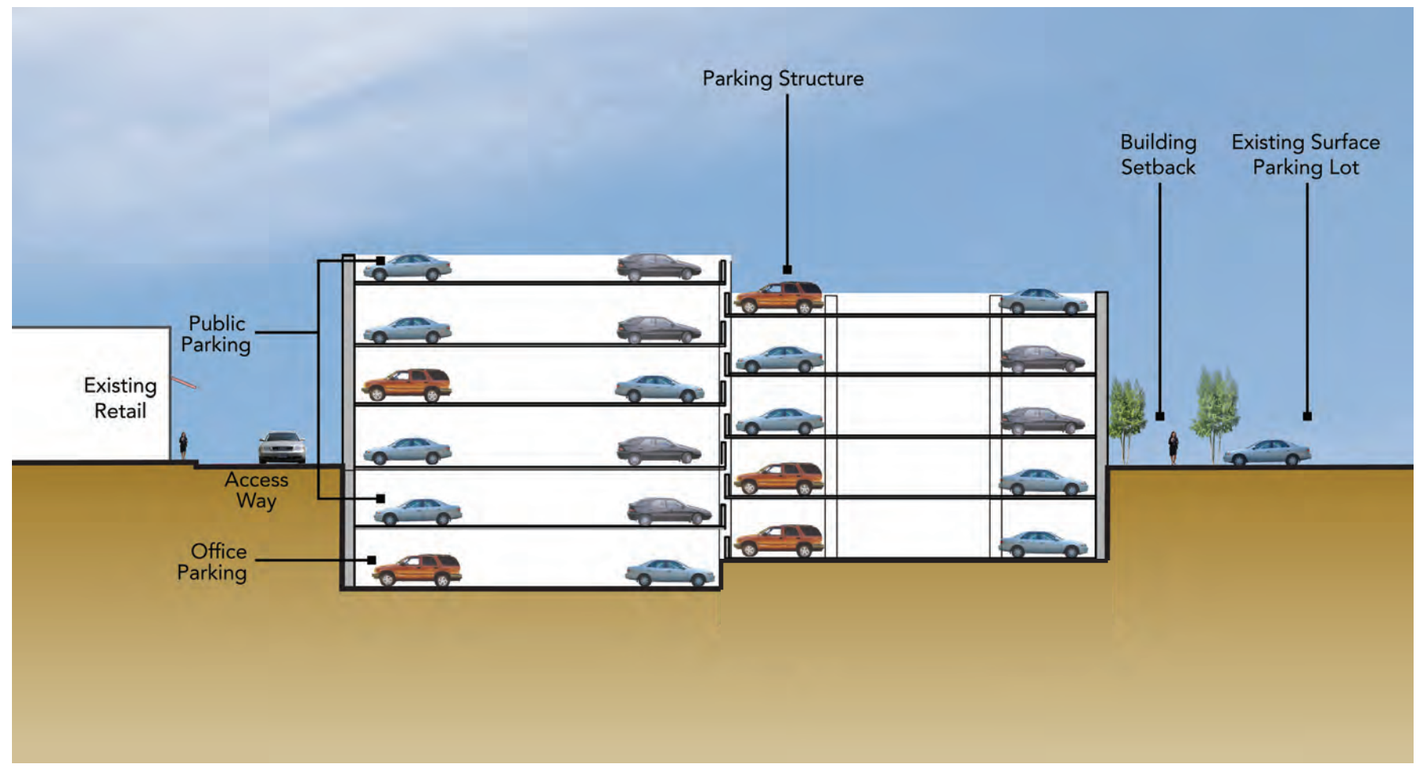
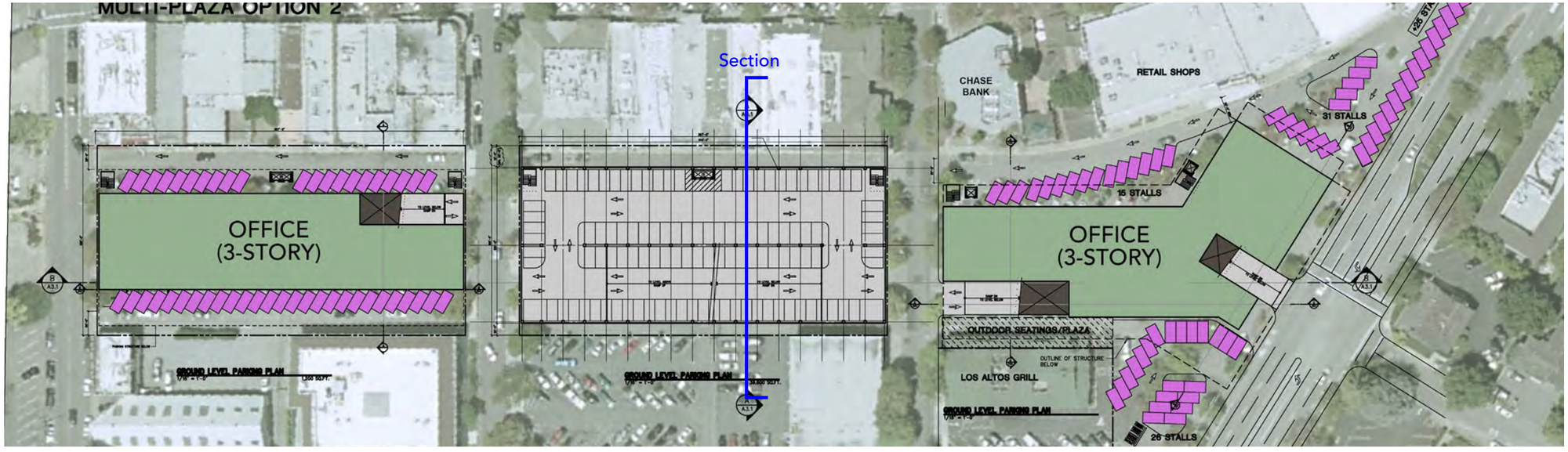


Figure 14: Public-Private Test Case B—Cross-Section of Stand-Alone Parking Structure, Parking Plaza 2 Shown

Figure 15: Public-Private Test Case B—Plan of Two Office Buildings and a Stand-Alone Parking Structure, Plazas 1, 2 and 3



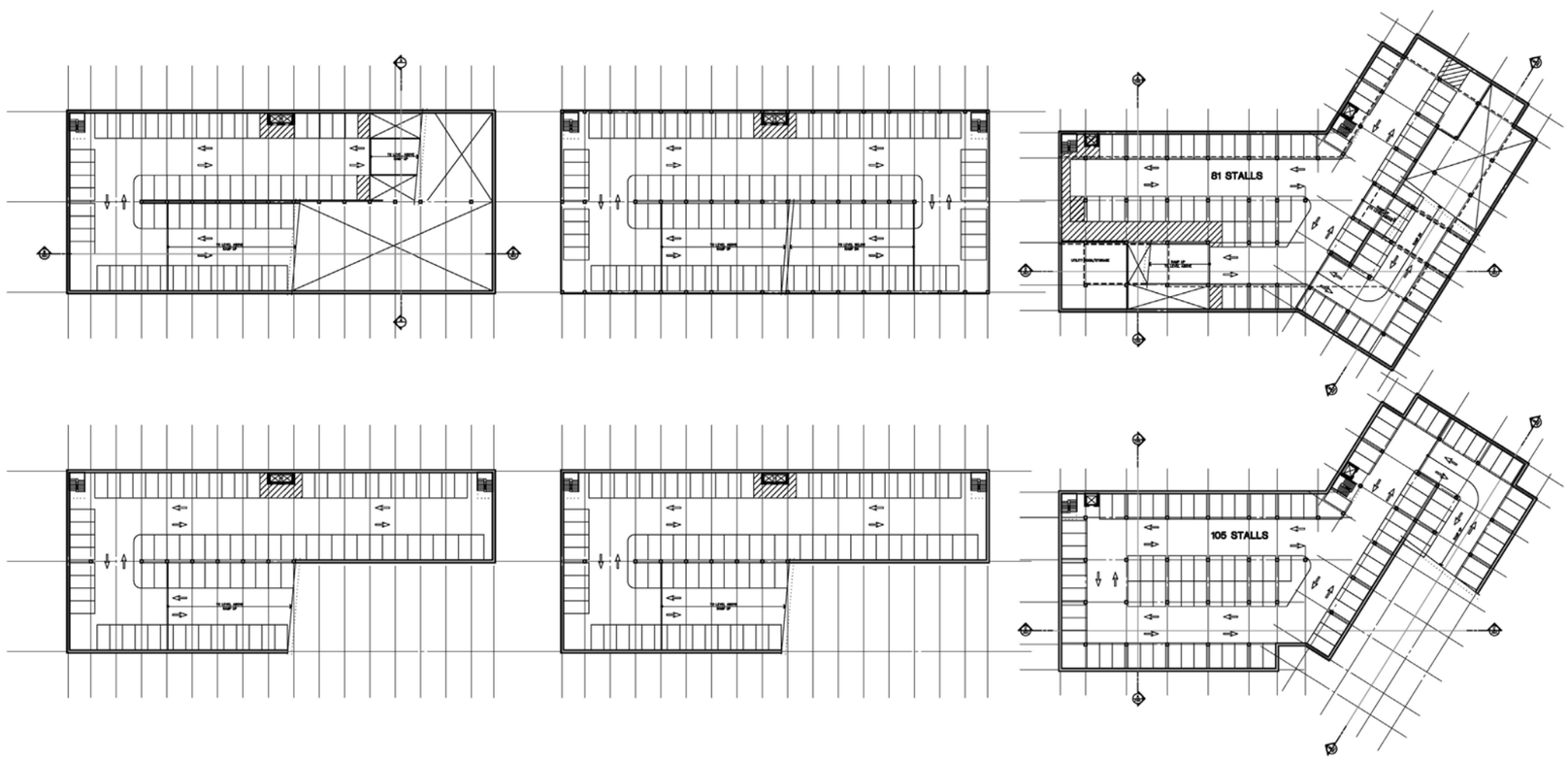


Figure 16: Public Private Test Case B—Below-Grade Parking Layout – Three Separate Parking Structures, Plazas 1, 2 and 3

Public-Private Test Case C

Three Office Buildings with Below-Grade Parking

Configuration

Three three-story office buildings with below-grade parking. One stand-alone parking structure off-site, proposed for Parking Plaza 7, which is 4 levels above and 2 below-grade. The stand-alone parking structure could be on other Plazas, depending on further study and decisions.

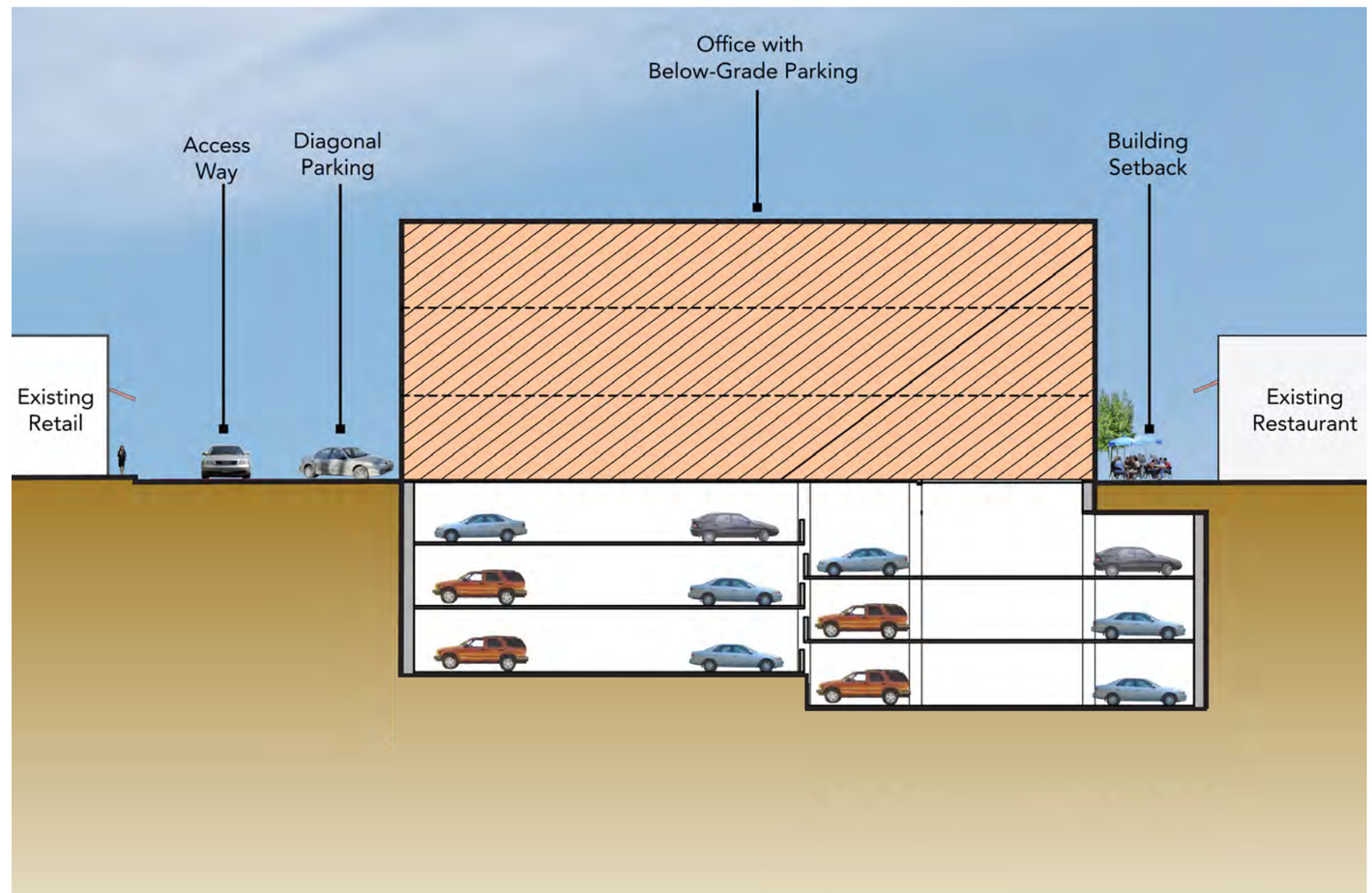


Figure 17: Public-Private Test Case C—Cross-Section of Office Building with Below-Grade Parking, Plaza 3 Shown

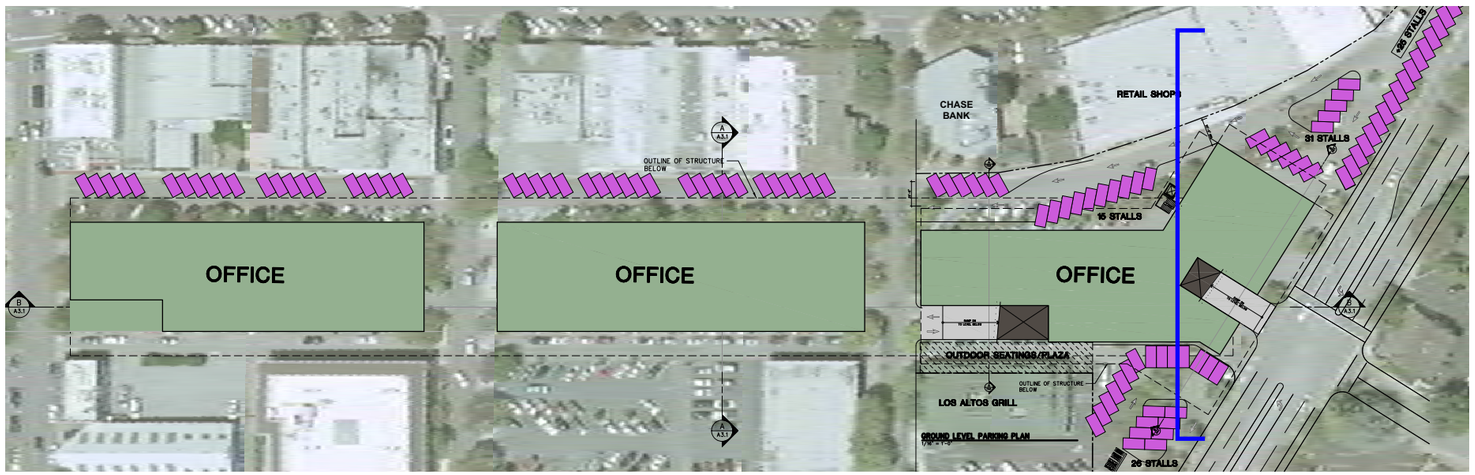


Figure 18: Public-Private Test Case C—Plan of Three Office Buildings on Parking Plazas 1, 2 and 3

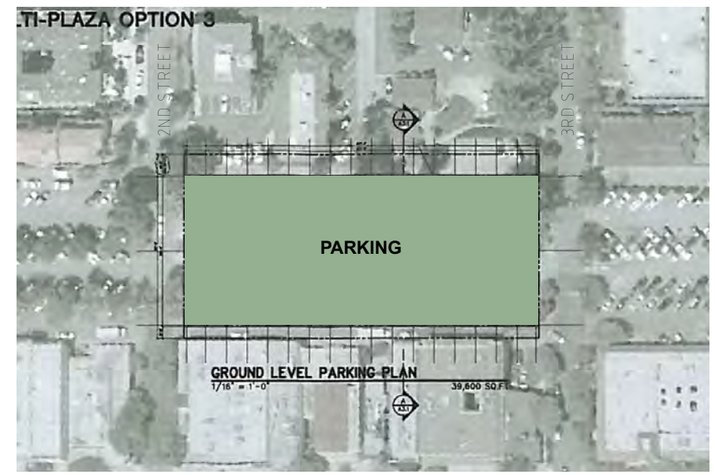


Figure 20: Public-Private Test Case C—Plan of Public Parking Structure on Plaza 7

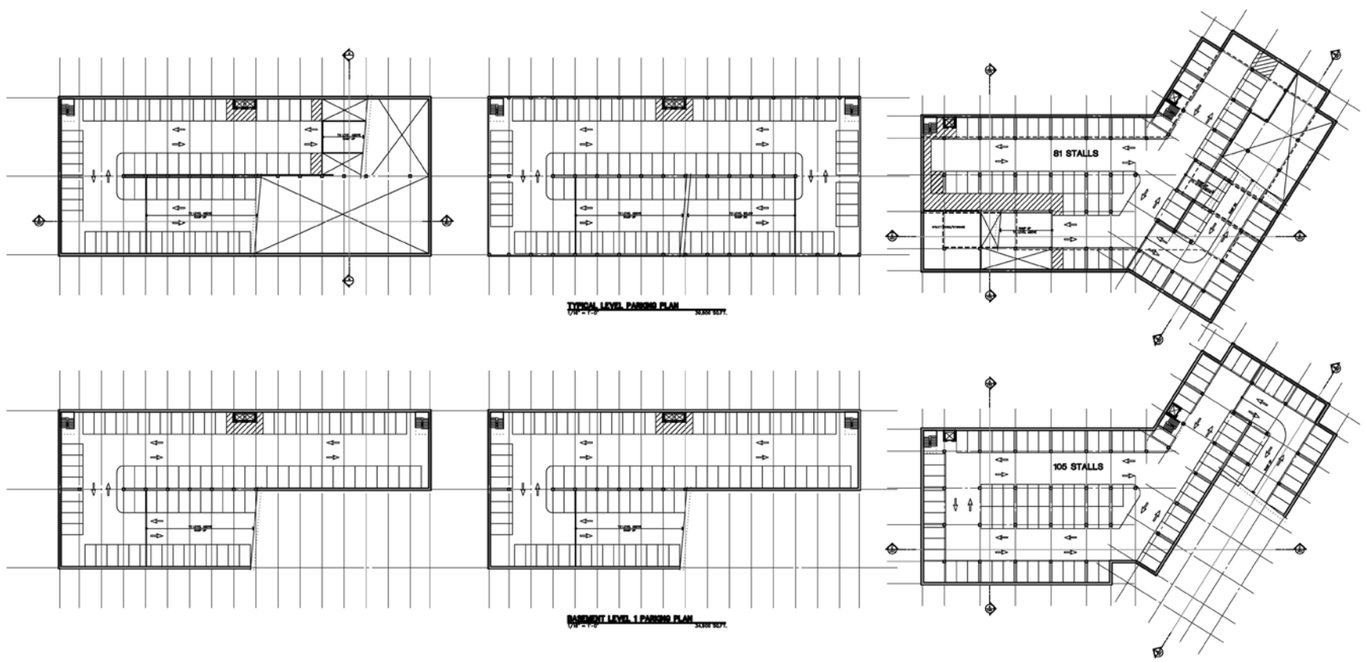


Figure 19:
Public Private Test Case C—Below-Grade Parking Layout – Three Separate Parking Structures on Plazas 1, 2 and 3

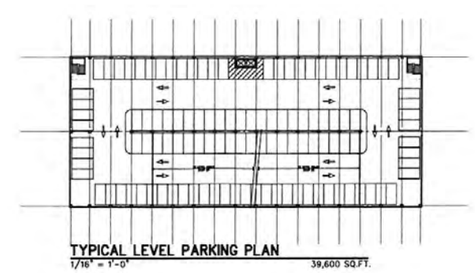


Figure 21:
Public Private Test Case C—Typical Level Parking Layout –Parking Structure on Plaza 7

Comparing Test Cases

	CITY-FUNDED, STAND-ALONE		PRIVATE / PUBLIC PARTNERSHIP		
	Test Case 1	Test Case 2	Test Case A	Test Case B	Test Case C
Added Office* Population	0	0	800	500	750
Public Garage	359 spaces (168 net new on Plaza 3)	595 (479 net new on Plaza 2)	619 spaces (200 net new)	619 spaces (200 net new)	731 spaces (200 net new)
Garage Location	Plaza 3 2 levels below grade 4 levels above grade	Plaza 2 2 levels below grade 4 levels above grade	Plaza 1/2/3 4 levels below grade	Plaza 2 2 levels below grade	Plaza 1/2/3 & 7 3 levels below grade on Plazas; 4 levels above and 2 below grade on Plaza 7
Estimated Cost	$13.9 M	$23.8 M	$27 M	$18.9 M	$23.6 M
Private Funding	0	0	$20.7 M	$12. 6	$18.9 M
Public Funding	$13.9 M	$23.8 M	$6.3 M	$6.3 M	$4.7 M
Office Area	0	0	200,000 sf 3 3-level bldgs	124,000 sf 2 3-level bldgs	188,000 sf 3 3-level bldgs

4 April 2009; rev. 3 July 2009
** 4 occupants/1000 sq.ft.*

Financial and Development Feasibility Analysis

Keyser Marston Associates

CONCEPTUAL FINANCIAL FEASIBILITY OF PUBLIC-PRIVATE DEVELOPMENT TEST CASES

The following memoranda are conceptual financial feasibility analyses of the public-private development test cases. They show whether the concept of public-private development is realistic financially, and potentially attractive to developers. These analyses address structured parking only, since it is a major cost and space constraint on development. The conceptual test cases have surface parking, but its cost is a less critical factor by comparison.

The first memo, dated March 2, 2009, assumes the existing parking requirement of 4 parking spaces for every 1000 square feet of office area. The Committee's unanimous recommendation (see item 5, pages 8 and 9) is 3.3 parking spaces for every 1000 square feet of office area. The second memo, dated June 30, 2009 (pages 33 – 36), addresses the financial advantages of the recommended (lower) parking requirement, in the event it is approved by the City.

The public parking the Committee recommends is not affected by the parking requirement for office uses.

TO: Anne Stedler, City of Los Altos

FROM: Tim Kelly, Keyser Marston Associates

DATE: March 2, 2009

SUBJECT: Downtown Retail District
Downtown Los Altos Opportunity Study (4/1000)

Pursuant to your request, we have prepared the following conceptual financial analysis with respect to the ability of the private sector to fund the cost of public parking spaces. Watry has provided conceptual estimates of the number of parking spaces that can be constructed in each Test Case and the approximate cost per space used to estimate the parking garage costs. We have evaluated three Test Case scenarios (all costs are in 2009 dollars).

1. Test Case A: 600 space public garage spaces under Plazas 1/2/3. This public garage would be part of a single phased real estate project with approximately 200,000 sq.ft. of office space and 800 private parking spaces. The public and private parking would be in contained in a 1,400 space, four level underground garage constructed beneath Plazas 1/2/3. The cost of the 600 public spaces would be approximately $27 million plus financing. The private real estate project would be approximately $138.7 million at completion.

2. Test Case B: 600 space public garage within one stand alone garage on one of the plazas. For the purpose of this analysis, Plaza 2 is designated. The private real estate would be a multi phase project on Plazas 1 and 3 and would contain approximately 124,000 sq.ft. of office space. The cost of the stand alone public garage would be $18.9 million plus financing. The private real estate project would be approximately $83.2 million at completion.

3. Test Case C: 712 space public garage in two locations: public garage (4 levels up and 2 levels down) in a stand alone garage on Plaza 7 and a public garage on Plazas 1/2/3. Cost of the public garage would be approximately $23.6 million plus financing. The private development would be a multi phased project with approximately 188,000 sq.ft. on Plazas 1/2/3. The private real estate project would be approximately $126 million at completion.

Downtown Los Altos Opportunity Study (4/1000)

Private Development Funds Public Parking

1. Land payment to the City for the existing parking lots (Plazas 1/2/3) would be in the form of funding the cost of the public parking garage. Construction of the public garage would be a condition for receiving development entitlements and would be completed in advance or as part of the initial private development. Due to the high cost of the public garage, no additional upfront land payment to the City is anticipated.

2. City could ground lease the plazas for private development. Given the preference for fee ownership of land by the development community, a ground lease form of land conveyance would reduce the pool of available developers. The private sector upfront funding of the public garage would represent a prepayment of the ground lease rent. There would be no meaningful ground lease payments for a substantial period of time.

3. The long term intrinsic real estate value of property in Los Altos is looked upon favorably by the real estate industry. In this analysis, office land use is the focus and is compatible with current zoning. Ted Kokernak has researched the office market and the achievable rent and reports that the average rent could be in the range of $5.50 per month, net, for new Class A office space that is well designed and adequately parked to achieve strong tenants. To meet City zoning requirements, office parking would be at 4/1000.

Summary of Findings

As explained below, private dollars will fund a significant portion of the 600 public parking spaces. However, public dollars are expected to be needed to underwrite a portion of the cost. The amount of public dollars is estimated to be in the order of magnitude of $4.7 to $6.3 million. To this amount, the cost of financing needs to be added. Key variables are the cost of the public spaces, the location of the spaces (above or below grade), and amount of private development allowed on Plazas 1/2/3. If a portion of the public parking can be located in a stand alone garage on another City-owned site and not all on Plazas 1/2/3, then funding of public dollars would be at the lower end of the cost range ($4.7 million plus the cost of financing).

	TEST CASE A	TEST CASE B	TEST CASE C
Public Garage	600 spaces	600 spaces	712 spaces
Public Land	Plaza 1/2/3	Plaza 2	Plaza 7 + Plaza 1/2/3
Estimated Cost	$27,000,00	$18,900,000	$23,600,000
Private Funding	$20,700,000	$12,600,000	$18,900,000
Public Funding	$6,300,000	$6,300,000	$4,700,000

PRIVATE DEVELOPMENT	PLAZAS 1/2/3	PLAZA 1/3	PLAZA 1/2/3
Office	200,000	124,000	188,000
Parking	800	496	752
	OPTION 1	OPTION 2	OPTION 3
PRIVATE FUNDING	Single Phase	Multi Phased	Multi Phased
Public Garage	$20,700,000	$12,600,000	$18,900,000
Improvements	$118,000,000	$70,680,000	$107,160,000
Total Private Funding	$138,700,000	$83,280,000	$126,060,000
Net Income	$11,894,000	$7,374,400	$11,179,800
Annual Return on Cost	8.6%	8.9%	8.9%

Downtown Los Altos Opportunity Study (4/1000)

Test Case A envisions a 600 space subterranean garage as part of a single phase project with 200,000 sq.ft. of development rights. This project is dependent upon on the forward commitment by a strong credit tenant in order to obtain financing. The private investment is on the order of $138.7 million. While possible, Test Case A is not recommended as the primary approach to fund the public garages given the size, complexity, and the need to construct as a single phased project. Additionally, there would need to be an interim replacement parking strategy due to the loss of all public parking on Plazas 1/2/3 during an extended construction period.

Test Case B allows for a stand alone 600 space public garage on Plaza 2. The development rights are estimated to be approximately 124,000 sq.ft. This Test Case allows for phasing of the private real estate with individual developments on Plazas 1 and 3. Constructing 600 space public garage on Plaza 2 is estimated to cost approximately $18.9 million plus cost of financing. In our judgment, the City would need to invest approximately $6.3 million of public funds in the public garage and the balance, $12.6 million, of the cost would be funded by the private sector.

Test Case C allows for a stand alone garage to be constructed on Plaza 7 plus public parking on Plazas 1/2/3 as a component of the private development also on Plazas 1/2/3. Total public spaces would be 712 (200 net new). Test Case C allows for phasing of the private development with 188,000 sq.ft. of office. The stand alone garage would need to be constructed in the initial phase. With development of the plazas, the remaining public spaces would be constructed. In our judgment, the City would need to invest approximately $4.7 million of public funds and the private sector would fund $18.9 million for public parking.

Real Estate Development Opportunity

Prior to the private sector committing substantial resources to pursue tenants and financing, the development team would seek an exclusive right to the development opportunity, City approval of entitlements, and an agreement on how the purchase and sale agreement or ground lease would be structured. During this process, the project definition and financial feasibility would be refined. The attached tables are presented to assess the initial feasibility of the conceptual private sector options presented in this analysis. In all cases, it is assumed that private sector would fund the agreed upon public garage upfront.

The investment analysis is based on the private sector seeking an annual return on its investment of approximately 9% per year. We believe that this level of return is sufficient to attract financing and creates sufficient spread between the value supported by the capitalization rate and project cost. A key factor in the financial analysis is the conclusion that strength of the Los Altos location can attract office tenants paying rents averaging $5.50 (net) per sq.ft. per month. The strong rent projection enables the private sector to support an investment in the office and construct public parking garages.

This analysis focuses on office development as the primary land use (there could also be a limited ground floor retail component, too). Local real estate professionals also indicate that there should be good opportunity to develop a mixed use configuration with office, retail and residential at this location. Going forward, residential condominiums should also be evaluated. Despite the current economic downtown, we believe that with the return of more normal market conditions in the future, residential could be an attractive option.

CONCEPTUAL PRO FORMA: TEST CASE A

PUBLIC GARAGE	600 spaces		Subterranean Garage on Plaza 1/2/3	
PRIVATE DEVELOPMENT				
Rentable Area	200,000 sq.ft.		On Plazas 1/2/3	
Parking Subterranean	800 spaces		4/1000	
I. PUBLIC GARAGE/ PRIVATELY FUNDED			Est. Cost	PSF Rentable
Construction Costs	600	$45,000	$27,000, 000	$135
(Less) City Funding	(140)	$45,000	($6,300,000)	
Private Funding of Public Garage	460		$20,700, 000	$104
II. CONSTRUCTION COSTS / PRIVATE				
Construction				
Shell	200,000		$40,000,000	$200
Private Parking - Subterranean	800		$36,000,000	$180
Private Parking - Garage				
Tenant Improvement	200,000		$88,000,000	$40
Contingency	200,000		$4,000,000	$20
Indirect Costs			$88,000,000	$440
Design, Prof Fees, Gov't Fees, Leasing, etc	200,000		$18,000,000	$90
Construction Lender	200,000		$12,000,000	$60
Total Private Funding			$138,700,000	$694
III. NET INCOME				
Rent - Office Space	200,000	$5.50	$13,200,000	
(Less) Vacancy		5%	($660,000)	
			$12,540,000	
(Less) Management		3%	($376,000)	
(Less) Reserves		$0.15	($30,000)	
(Less) TI & Leasing Commissions		$1.20	($240,000)	
(Less) O&M Public Garage			$0	
Total Expenses			($646,000)	
Net Income			$11,894,000	
IV. ANNUAL RETURN ON COST				
(NOI / Total Private Cost)			8.6%	

CONCEPTUAL PRO FORMA: TEST CASE B

PUBLIC GARAGE	600 spaces		Stand-Alone Garage on Plaza 3	
PRIVATE DEVELOPMENT				
Rentable Area	124,000 sq.ft.		On Plazas 1/2	
Parking Subterranean	496 spaces		4/1000	
I. PUBLIC GARAGE/ PRIVATELY FUNDED			Est. Cost	PSF Rentable
Construction Costs	600	$31,500	$18,900,000	$152
(Less) City Funding	(200)	$31,500	($6,300,000)	
Private Funding of Public Garage	400		$12,600,000	$102
II. CONSTRUCTION COSTS / PRIVATE				
Construction				
Shell	124,000		$24,800,000	$200
Private Parking - Subterranean	496	$45,000	$22,320,000	$180
Private Parking - Garage				
Tenant Improvement	124,000		$4,960,000	$40
Contingency	124,000		$2,480,000	$20
Indirect Costs			$54,560,000	$440
Design, Prof Fees, Gov't Fees, Leasing, etc	124,000		$11,160,000	$90
Construction Lender	124,000		$4,960,000	$40
Total Private Funding			$83,280,000	$672
III. NET INCOME				
Rent - Office Space	124,000	$5.50	$8,184,000	
(Less) Vacancy		5%	($409,200)	
			$7,774,800	
(Less) Management		3%	($233,000)	
(Less) Reserves		$0.15	($18,600)	
(Less) TI & Leasing Commissions		$1.20	($148,800)	
(Less) O&M Public Garage			$0	
Total Expenses			($400,400)	
Net Income			$7,374,400	
IV. ANNUAL RETURN ON COST				
(NOI / Total Private Cost)			8.9%	

CONCEPTUAL PRO FORMA: TEST CASE C

PUBLIC GARAGE	712 spaces		Stand-Alone garage on Plaza 7; Garage on Plaza 1/2/3	
PRIVATE DEVELOPMENT				
Rentable Area	188,000 sq.ft.		On Plazas 1/2/3	
Parking Subterranean	752 spaces		4/1000	
I. PUBLIC GARAGE/ PRIVATELY FUNDED			Est. Cost	PSF Rentable
Construction Costs	712	$33,146	$23,600,000	$126
(Less) City Funding			($4,700,000)	
Private Funding of Public Garage			$18,900, 000	$101
II. CONSTRUCTION COSTS / PRIVATE				
Construction				
Shell	188,000		$37,600,000	$200
Private Parking - Subterranean	752	$45,000	$33,840,000	$180
Private Parking - Garage				
Tenant Improvement	188,000		$7,520,000	$40
Contingency	188,000		$3,760,000	$20
Indirect Costs			$82,720,000	$440
Design, Prof Fees, Gov't Fees, Leasing, etc	188,000		$16,920,000	$90
Construction Lender	188,000		$7,520,000	$40
Total Private Funding			$138,700,000	$671
III. NET INCOME				
Rent - Office Space	188,000	$5.50	$12,408,000	
(Less) Vacancy		5%	($620,400)	
			$11,787,600	
(Less) Management		3%	($354,000)	
(Less) Reserves		$0.15	($28,200)	
(Less) TI & Leasing Commissions		$1.20	($225,600)	
(Less) O&M Public Garage			$0	
Total Expenses			($607,800)	
Net Income			$11,179,800	
IV. ANNUAL RETURN ON COST				
(NOI / Total Private Cost)			8.9%	

TO: Anne Stedler, City of Los Altos

FROM: Tim Kelly, Keyser Marston Associates

DATE: June 30, 2009

SUBJECT: Downtown Retail District
Downtown Los Altos Opportunity Study (3.3/1000)

Pursuant to your request, we have prepared the following conceptual financial analysis with respect to the ability of the private sector to fund the cost of public parking spaces. Watry has provided conceptual estimates of the number of parking spaces that can be constructed in each Test Case and the approximate cost per space used to estimate the parking garage costs. We have evaluated three Test Case scenarios (all costs are in 2009 dollars).

1. Test Case A: 600 space public garage (200 net new) under Plazas 1/2/3. This public garage would be part of a single phased real estate project with approximately 200,000 sq.ft. of office space and 660 private parking spaces. The public and private parking would be in contained in a 1,260 space underground garage constructed beneath Plazas 1/2/3. The cost of the 600 public spaces would be approximately $27 million plus the cost of financing. The private real estate project would be approximately $132.4 million at completion.

2. Test Case B: 600 space public garage (200 net new) within one stand alone garage on one of the plazas. For the purpose of this analysis, Plaza 2 is designated. The private real estate would be a multi phase project on Plazas 1 and 3 and would contain approximately 124,000 sq.ft. of office space. The cost of the stand alone public garage would be $18.9 million plus the cost of financing. The private real estate project would be approximately $79.4 million at completion.

3. Test Case C: 600 spaces plus 112 replacement spaces in two locations (200 net new): a stand alone public garage on Plaza 7 (4 levels up and 1 level down) and public spaces on Plazas 1/2/3 as a component of private development on Plazas 1/2/3. Cost of the 712 public spaces would be approximately $23.6 million plus the cost of financing. The private development would be a multi phased project with approximately 188,000 sq.ft. on Plazas 1/2/3. The private real estate project would be approximately $120.1 million at completion.

Private Development Funds Public Parking

1. Land payment to the City for the existing parking lots (Plazas 1/2/3) would be in the form of funding the cost of the public parking garage. Construction of the public garage would be a condition for receiving development entitlements and would be completed in advance or as part of the initial private development. Due to the high cost of the public garage, no additional upfront land payment to the City is anticipated.

2. City could ground lease the plazas for private development. Given the preference for fee ownership of land by the development community, a ground lease form of land conveyance would reduce the pool of available development teams. The private sector upfront funding of the public garage would represent a prepayment of the ground lease rent. There would be no meaningful ground lease payments for a substantial period of time.

3. The long term intrinsic real estate value of property in Los Altos is looked upon favorably by the real estate industry. In this analysis, office land use is the primary land use (there could be a limited ground floor retail component, too). Ted Kokernak has researched the office market and the achievable rent and reports that the average rent could be in the range of $5.50 per month, net, for new Class A office space development that is well designed and adequately parked to attract strong tenants. Office parking would be at 3.3 spaces per 1,000 sq.ft. of office space (3.3/1000).

Summary of Findings

As explained below, private dollars will fund a significant portion of the new public parking garages. However, public dollars are expected to be needed to underwrite a portion of the cost. The amount of public dollars is estimated to be in the order of magnitude of $4.7 million to $6.3 million. To this amount, the cost of financing needs to be added. Key variables are the cost of the public spaces, the location of the spaces (above or below grade), and amount of private development allowed on Plazas 1/2/3. If a portion of the public parking can in part be located in a stand alone garage on another city owned site (Plaza 7 in this analysis as compared to all the public parking on Plazas 1/2/3), then funding of public dollars would be at the lower end of the cost range stated above ($4.7 million plus the cost of financing).

Downtown Los Altos Opportunity Study (3.3/1000)

	TEST CASE A	TEST CASE B	TEST CASE C
Public Garage	600 spaces	600 spaces	712 spaces
Public Land	Plaza 1/2/3	Plaza 2	Plaza 7 + Plaza 1/2/3
Estimated Cost	$27,000,00	$18,900,000	$23,600,000
Private Funding	$20,700,000	$12,600,000	$18,900,000
Public Funding	$6,300,000	$6,300,000	$4,700,000

PRIVATE DEVELOPMENT	PLAZAS 1/2/3	PLAZA 1/3	PLAZA 1/2/3
Office	200,000	124,000	188,000
Parking	660	409	620
	OPTION 1	OPTION 2	OPTION 3
PRIVATE FUNDING	Single Phase	Multi Phased	Multi Phased
Public Garage	$20,700,000	$12,600,000	$18,900,000
Improvements	$111,700,000	$66,774,000	$101,238,000
Total Private Funding	$132,400,000	$79,374,000	$120,138,000
Net Income	$11,894,000	$7,374,400	$11,179,800
Annual Return on Cost	9.0%	9.3%	9.3%

Test Case A envisions a 600 space subterranean public garage (200 net new spaces) as part of a single phase project with 200,000 sq.ft. of development rights. This project is dependent upon on the forward commitment by a strong credit tenant in order to obtain financing. The private investment is on the order of $132.4 million. While possible, Test Case A is not recommended as the primary approach to fund the public garages given the size, complexity, and the need to construct as a single phased project. Additionally, there would need to be an interim replacement parking strategy due to the loss of all public parking on Plazas 1/2/3 during an extended construction period.

Test Case B allows for a stand alone 600 space public garage on Plaza 2 (200 net new spaces). The development rights are estimated to be approximately 124,000 sq.ft. This Test Case allows for phasing of the private real estate with individual developments on Plazas 1 and 3. At completion, the private investment is estimated to be $79.4 million. Constructing the 600 space public garage on Plaza 2 is estimated to cost approximately $18.9 million plus cost of financing. In our judgment, the City would need to invest approximately $6.3 million of public funds in the public garage and the balance, $12.6 million, of the cost would be funded by the private sector for public parking.

Test Case C allows for a stand alone garage to be constructed on Plaza 7 plus public parking spaces on Plazas 1/2/3 as a component of the private development also on Plazas 1/2/3. Total public spaces are 712 (200 net new). Test Case C allows for phasing of the private development on Plazas 1/2/3 with 188,000 sq.ft. At completion, the private investment is estimated to be $120.1 million. The stand alone garage on Plaza 7 would be constructed in the initial phase. In our judgment, the City would need to invest approximately $4.7 million of public funds and the private sector would fund $18.9 million.

Real Estate Development Opportunity

Prior to the private sector committing substantial resources to pursue tenants and financing, the development team would seek an exclusive right to the development opportunity, City approval of entitlements, and an agreement on how the purchase and sale agreement or ground lease would be structured. During this process, the project definition and financial feasibility would be refined. The attached tables are presented to assess the initial feasibility on a conceptual level of the private sector Test Cases presented in this analysis. In all cases, it is assumed that private sector would fund the agreed upon public garage upfront.

This investment analysis focuses on office development as the primary land use (there could also be a limited ground floor retail component, too). A key input in the financial analysis is the conclusion that strength of the Los Altos location can attract office tenants paying rents averaging $5.50 (net) per sq.ft. per month. The strong rent projection enables the private sector to support an investment in the office

and construct public parking garages. As stated above, the rent projection reflects the long term intrinsic real estate value of property in Los Altos and independent research by Ted Kokernak that new Class A office space development that is well designed and adequately parked to attract strong tenants could achieve an average rent in downtown Los Altos in the range of $5.50 per month, net.

The analysis is based on the private sector seeking an annual return on its investment of approximately 9% per year. We believe that this level of return is sufficient to attract financing and creates sufficient spread between the value supported by the capitalization rate and project cost.

Local real estate professionals also indicate that there could be a good opportunity to develop a mixed use configuration with office, retail and residential at this location. Going forward, residential condominiums should also be evaluated. Despite the current economic downtown, we believe that with the return of more normal market conditions in the future, residential could be an attractive test case.

CONCEPTUAL PRO FORMA: TEST CASE A

PUBLIC GARAGE	600 spaces		Subterranean Garage on Plaza 1/2/3	
PRIVATE DEVELOPMENT				
Rentable Area	200,000 sq.ft.		On Plazas 1/2/3	
Parking Subterranean	660 spaces		3.3/1000	
I. PUBLIC GARAGE/ PRIVATELY FUNDED			Est. Cost	PSF Rentable
Construction Costs	600	$45,000	$27,000, 000	$135
(Less) City Funding	(140)	$45,000	($6,300,000)	
Private Funding of Public Garage	460		$20,700, 000	$104
II. CONSTRUCTION COSTS / PRIVATE				
Construction				
Shell	200,000		$40,000,000	$200
Private Parking - Subterranean	660	$45,000	$29,700,000	$149
Private Parking - Garage				
Tenant Improvement	200,000		$8,000,000	$40
Contingency	200,000		$4,000,000	$20
Indirect Costs			$81,700,000	$409
Design, Prof Fees, Gov't Fees, Leasing, etc	200,000		$18,000,000	$90
Construction Lender	200,000		$12,000,000	$60
Total Private Funding			$132,400,000	$662
III. NET INCOME				
Rent - Office Space	200,000	$5.50	$13,200,000	
(Less) Vacancy		5%	($660,000)	
			$12,540,000	
(Less) Management		3%	($376,000)	
(Less) Reserves		$0.15	($30,000)	
(Less) TI & Leasing Commissions		$1.20	($240,000)	
(Less) O&M Public Garage			$0	
Total Expenses			($646,000)	
Net Income			$11,894,000	
IV. ANNUAL RETURN ON COST				
(NOI / Total Private Cost)			9.0%	

CONCEPTUAL PRO FORMA: TEST CASE B

PUBLIC GARAGE	600 spaces		Stand-Alone Garage on Plaza 2	
PRIVATE DEVELOPMENT				
Rentable Area	124,000 sq.ft.		On Plazas 1/3	
Parking Subterranean	409 spaces		3.3/1000	
I. PUBLIC GARAGE/ PRIVATELY FUNDED			Est. Cost	PSF Rentable
Construction Costs	600	$31,500	$18,900,000	$152
(Less) City Funding	(200)	$31,500	($6,300,000)	
Private Funding of Public Garage	400		$12,600,000	$102
II. CONSTRUCTION COSTS / PRIVATE				
Construction				
Shell	124,000		$24,800,000	$200
Private Parking - Subterranean	409	$45,000	$18,414,000	$149
Private Parking - Garage				
Tenant Improvement	124,000		$4,960,000	$40
Contingency	124,000		$2,480,000	$20
Indirect Costs			$50,654,000	$409
Design, Prof Fees, Gov't Fees, Leasing, etc	124,000		$11,160,000	$90
Construction Lender	124,000		$4,960,000	$40
Total Private Funding			$79,374,000	$640
III. NET INCOME				
Rent - Office Space	124,000	$5.50	$8,184,000	
(Less) Vacancy		5%	($409,200)	
			$7,774,800	
(Less) Management		3%	($233,000)	
(Less) Reserves		$0.15	($18,600)	
(Less) TI & Leasing Commissions		$1.20	($148,800)	
(Less) O&M Public Garage			$0	
Total Expenses			($400,400)	
Net Income			$7,374,400	
IV. ANNUAL RETURN ON COST				
(NOI / Total Private Cost)			9.3%	

CONCEPTUAL PRO FORMA: TEST CASE C

PUBLIC GARAGE	712 spaces		Stand-Alone garage on Plaza 7; and Parking on Plaza 1/2/3	
PRIVATE DEVELOPMENT				
Rentable Area	188,000 sq.ft.		On Plazas 1/2/3	
Parking Subterranean	620 spaces		3.3/1000	
I. PUBLIC GARAGE/ PRIVATELY FUNDED			Est. Cost	PSF Rentable
Construction Costs	712	$33,146	$23,600,000	$126
(Less) City Funding			($4,700,000)	
Private Funding of Public Garage			$18,900, 000	$101
II. CONSTRUCTION COSTS / PRIVATE				
Construction				
Shell	188,000		$37,600,000	$200
Private Parking - Subterranean	620	$45,000	$27,918,000	$149
Private Parking - Garage				
Tenant Improvement	188,000		$7,520,000	$40
Contingency	188,000		$3,760,000	$20
Indirect Costs			$76,798,000	$409
Design, Prof Fees, Gov't Fees, Leasing, etc	188,000		$16,920,000	$90
Construction Lender	188,000		$7,520,000	$40
Total Private Funding			$120,138,000	$639
III. NET INCOME				
Rent - Office Space	188,000	$5.50	$12,408,000	
(Less) Vacancy		5%	($620,400)	
			$11,787,600	
(Less) Management		3%	($354,000)	
(Less) Reserves		$0.15	($28,200)	
(Less) TI & Leasing Commissions		$1.20	($225,600)	
(Less) O&M Public Garage			$0	
Total Expenses			($607,800)	
Net Income			$11,179,800	
IV. ANNUAL RETURN ON COST				
(NOI / Total Private Cost)			9.3%	

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Appendices

Appendix A

THE CASE FOR ACTION

Downtown Los Altos is an underperforming asset at risk of further decline.

- The retail sales tax over the 13-year period from 1995 – 2007 is flat in real numbers, and declining when adjusted for inflation. When compared with other downtowns on the peninsula, Downtown Los Altos is underperforming.
- Specifically, the Downtown has yet to regain the level of sales it experienced just before the World Trade Center attack and the dot bomb crisis in the last half of 2001. In that year, sales tax revenue was $565,784. In 2007, sales tax revenue eked above $500,000 for the first time since 2001. Downtown Burlingame's sales tax recovered immediately after 2001 with sales receipts in 2003 topping those of 2001. Los Gatos passed its 2001 threshold in 2005.
- Downtown Mountain View, Burlingame and Los Gatos have seen an upward trend in sales tax receipts during the 13-year period, at 60%, 128% and 103% respectively, while Los Altos gained 28%. From 1995 to 2007 Los Altos retail sales tax gained only $81,500, while Los Gatos gained nearly $767,000.
- Anecdotally, retail property owners have reported the need to reduce tenant rents in recent years, out of a preference to keep existing tenants. Los Altos residents have asked, why are there so few shoppers Downtown? Merchants have expressed concerns about store vacancies.
- There is risk in falling retail sales and falling rents: these factors can create a downward cycle that also reduces property values, and therefore property taxes
- Downtown's capacity to serve its customer base and to survive is diminished by vacancies and declining retail sales.
- Downtown Los Altos' strength is its attractive downtown area in an affluent community. The ability to attract strong retailers and strong office tenants is directly related to maintaining this asset.
- Retail thrives on visibility, foot and vehicle traffic counts, and strong anchor tenants. Los Altos has yet to maximize these three critical components.

The Downtown Development Committee has identified specific public benefits that result from better economic use of the City-owned downtown parking plazas through a public-private partnership. The benefits are stated briefly here (and listed fully on page 7 of this report):

- Increase customer base.
- Retain existing parking supply and add 200 net new public parking spaces in the initial phase of parking plaza development.
- Maintain the Village character of Downtown Los Altos.

In addition, the proposed public-private partnership would generate property tax, and contribute to an increase in retail sales tax.

Appendix B

PUBLIC PARKING SUPPLY BY TYPE OF SPACE AND BY PLAZA COMPARED WITH ADDED DAYTIME POPULATION

	CITY-FUNDED, STAND-ALONE PUBLIC PARKING								PUBLIC - PRIVATE DEVELOPMENT WITH PUBLIC PARKING													
	TEST CASE 1				TEST CASE 2				TEST CASE A				TEST CASE B				TEST CASE C					
A. ADDED OFFICE POPULATION	unchanged				unchanged				800 persons				500 persons				750 persons					
B. PARKING DESCRIPTION	Plaza 3 Garage				Plaza 2 Garage				Plazas 1, 2 & 3 (4 levels below grade)				Plaza 1 (2 levels below grade) Plaza 2 (2 levels below/4 above grade) Plaza 3 (2 levels below grade)				Plazas 1, 2 & 3 (3 levels below grade) Lot 7 (4 levels above grade, 2 below)					
C. PARKING SUMMARY	Plaza			TOTAL	Plaza			TOTAL	Plaza			TOTAL	Plaza			TOTAL	Plaza					TOTAL
	1	2	3		1	2	3		1	2	3		1	2	3		1	2	3	Subtotal	7	
Surface	112	116	109	337	112		191	303	21	21	95	137	48	0	97	145	21	21	95	137		137
Structured, at grade			34	34		103		103	0	0	0	0		103		103					103	103
Structured, above/below			216	216		492		492	161	160	161	482		371		371	83	83	119	285	206	491
TOTAL PUBLIC SPACES	112	116	359	**587**	112	595	191	**898**	182	181	256	**619**	48	474	97	**619**	104	104	214	**422**	309	**731**
D. PARKING ANALYSIS																						
Existing Parking Spaces	112	116	191	**419**	112	116	191	**419**	112	116	191	**419**	112	116	191	**419**	112	116	191	**419**	112	**531**
Net New Parking Spaces			168	**168**		479		**479**	70	65	65	**200**	-64	358	-94	**200**	-8	-12	23	**3**	197	**200**
Total Spaces at Grade	112	116	143	**371**	112	103	191	**406**	21	21	95	**137**	48	103	97	**248**	21	21	95	**137**	103	**240**
E. PARKING DETAIL																						
Surface	112	116	109	337	112		191	303	21	21	95	137	48	0	97	145	21	21	95	137		**137**
Structured Parking																						
4th level above			42	42		79		79						79		79						
3rd level above			44	44		110		110						110		110					96	96
2nd level above			44	44		110		110						110		110					110	110
Structured at grade			34	34		103		103						103		103					103	103
1st level below			44	44		110		110	101	101	101	303		72		72	83	83	100	266		266
2nd level below			42	42		83		83	60	59	60	179							19	19		19
3rd level below																						
4th level below																						
SUBTOTAL			250	**250**		595		**595**	161	160	161	**482**		474		**474**	83	83	119	**285**	309	**594**
TOTAL PUBLIC SPACES	112	116	359	**587**	112	595	191	**898**	182	181	256	**619**	48	474	97	**619**	104	104	214	**422**	309	**731**

NOTES:
Blue shows existing parking unchanged by Option
Dark red shows parking structure on a 4th Parking Plaza.
Parking space quantities shown here are reduced 5% from the gross quantity achieved in the plans by Watry Design to allow for oversize ADA spaces and inefficiencies of design.
Some parking levels may have both private and public spaces; in these cases the number listed per level on this chart will be less than the number per level on the parking plans.
SOURCES: Parking numbers are based on plans by Watry Design, Inc. and are available on request.

Appendix C

SUMMARY OF KEY ISSUES ADDRESSED BY THE COMMITTEE

The following issues have been discussed by the Committee at length, and are summarized briefly here for the benefit of all who were not at the Committee meetings.

1. *A significant increase in the customer base that patronizes Downtown Los Altos businesses.*
   - Q: Why list the potential components of the customer base rather than just specify an overall target?
   - A: The Committee felt it was useful to call attention to the many ways people become customers of Downtown Los Altos because it illustrates how closely development decisions are linked to bringing customers to Downtown on a daily basis. "Daytime Population" is a key statistic retailers study when selecting a location. Currently Los Altos' daytime population is 12,800 within 1 mile and 55,000 within 2 miles.

2. *Use City-owned North and South Parking Plazas more productively and leverage their real estate value to gain benefits for the public.*
   - Q: Why not specifically recommend the land use that would provide the greatest public benefits, such as a hotel that brings lots of customers to Downtown Los Altos, pays transit occupancy tax, and can share parking with adjacent existing offices and retail businesses?
   - A: The marketplace is the independent, changing factor that affects what land use is financially viable at any point in time. If the City narrowly defines the land use, development may have to wait through one or more market cycles before development occurs. The Committee purposely wants to encourage development that benefits Downtown Los Altos as soon as the market allows, and therefore is open to any of the proposed uses: office, retail, residential, and hotel.

3. *Define and maintain roles of City, Community and Developer.*
   - Q: The height limit only shows the number of feet (45'). How many levels is that?
   - A: The current height limit for the Commercial Downtown (CD) zone adjacent to Plazas 1, 2 and 3 is 3 levels and 40'. The Parking Plazas are currently zoned Commercial Retail Services (CRS), which limits development to 2 levels and 30'.

     The Committee recommends rezoning Plazas 1, 2 and 3 from CRS to CD and increasing the CD height limit to 45' without specifying the number of levels. Zoning would therefore control the height and the developer would determine the number of floors. This is because floor height requirements vary with retail, office, residential and parking uses for reasons of construction technique and market needs of tenants. The City reviews building height during its standard design review process, as it affects the overall aesthetic of the building and the pedestrian experience.

     The Committee's understanding is that no more than 3 levels of office, retail, residential or hotel development is feasible given a 45' height limit, and that the 3rd story would likely be required to be set back from the first 2 levels during the design review process. A 45' height limit allows high floor-to-floor dimensions, with space for ducts and conduits as well as ceiling heights that would be welcomed by Class A office tenants and retailers requiring high ceilings.

     An above-ground parking structure could possibly include 4 or even 5 levels within a 45' height limit.

- Q: The Committee recommends removing the requirement for ground floor retail on five somewhat scattered parcels along Third Street and Parking Plazas 1, 2, 3, 7, and 8, by allowing rather than requiring retail on these sites when they are proposed for new development.
- A: The Committee's primary goal is to bring additional customers to Downtown Los Altos. This goal can be achieved by building office, residential or hotel space, or by building destination retail that attracts customers. However, retail is a difficult development form because retailers are very sensitive about site selection, visibility, adjacent retailers, and design and service characteristics, and retail requires more parking (5 parking spaces/1,000 square feet of retail development versus 4 parking spaces/1,000 square feet of office development) making this a more costly development form. Furthermore, many office developers prefer not to build retail space. For these reasons, the Committee believes the developer should have the option rather than the obligation to build retail.

- Q: Isn't it important to add retail space to Downtown Los Altos?
- A: The Committee seeks strategic opportunities to add larger or otherwise specialized retail spaces to attract larger format retailers that cannot be accommodated in existing retail spaces. However, it is most important to bring new customers to Downtown Los Altos, and the Committee wants new development to proceed even if market or financial feasibility makes retail unreasonably difficult or infeasible. The Committee has recommended a building height that will allow a developer to build high floor-to-floor space on the ground floor that could become retail space when favorable market conditions return.

- Q: What about requiring a park or other open space as part of this development?
- A: The Committee understands that more open space is always desirable in Los Altos. However, they conclude that with the Community Plaza at the intersection of Main and State, Village Park at the corner of W. Edith and San Antonio Road, and Lincoln Park across Foothill Expressway, it is more important to bring new customers to Downtown Los Altos via new development that is unlikely to include a park or open space other than paseos or small plazas.

4. *Review current parking requirements.*

- Q: Explain Mixed Use Credits and Shared Use Parking.
- A: These programs capitalize on the fact that different land uses require parking at different times. For example, an office building may have dedicated (i.e., gate-controlled) parking during weekdays and make that parking available to the public during evenings and weekends.

- Q: What is meant by the statement that parking ratios should be "commensurate with surrounding jurisdictions while allowing for unique conditions in Los Altos" in Recommendation 5?
- A: Other nearby cities have lower parking ratios, such as 3.3 spaces/1,000 square feet of office development, which makes such projects more financially feasible.

- Q: How can the City ensure that public parking is reserved for customers and not used by business employees and owners in Downtown Los Altos?
- A: The Committee understands that to provide convenient customer parking in Downtown Los Altos, employees and owners of Downtown businesses need to park somewhere other than directly in front of or behind their places of business. One of the Committee's next steps is to research best practices regarding this issue and recommend a program to accomplish this goal.

Appendix D

COMMITTEE RECOMMENDATIONS ON ZONING, BUILDING HEIGHT AND THE OFFICE PARKING RATIO

The Committee studied the implications of zoning regulation on the vitality of prospective public-private development on the Parking Plazas. The investigation included review of industry standards, particularly as they apply to Los Altos and as they are being implemented in surrounding communities. Parking requirement were addressed by a report from the consultant, Fehr and Peers, who had done specific evaluation of conditions in Los Altos and industry standards set by several national industry organization.

At its meeting of June 12, 2009, the committee discussed each of the following topics and voted unanimously to recommend to City Council to:

A. Extend CD Zoning District in the Downtown to include Parking Plazas 1, 2 and 3 and the five adjacent parcels:

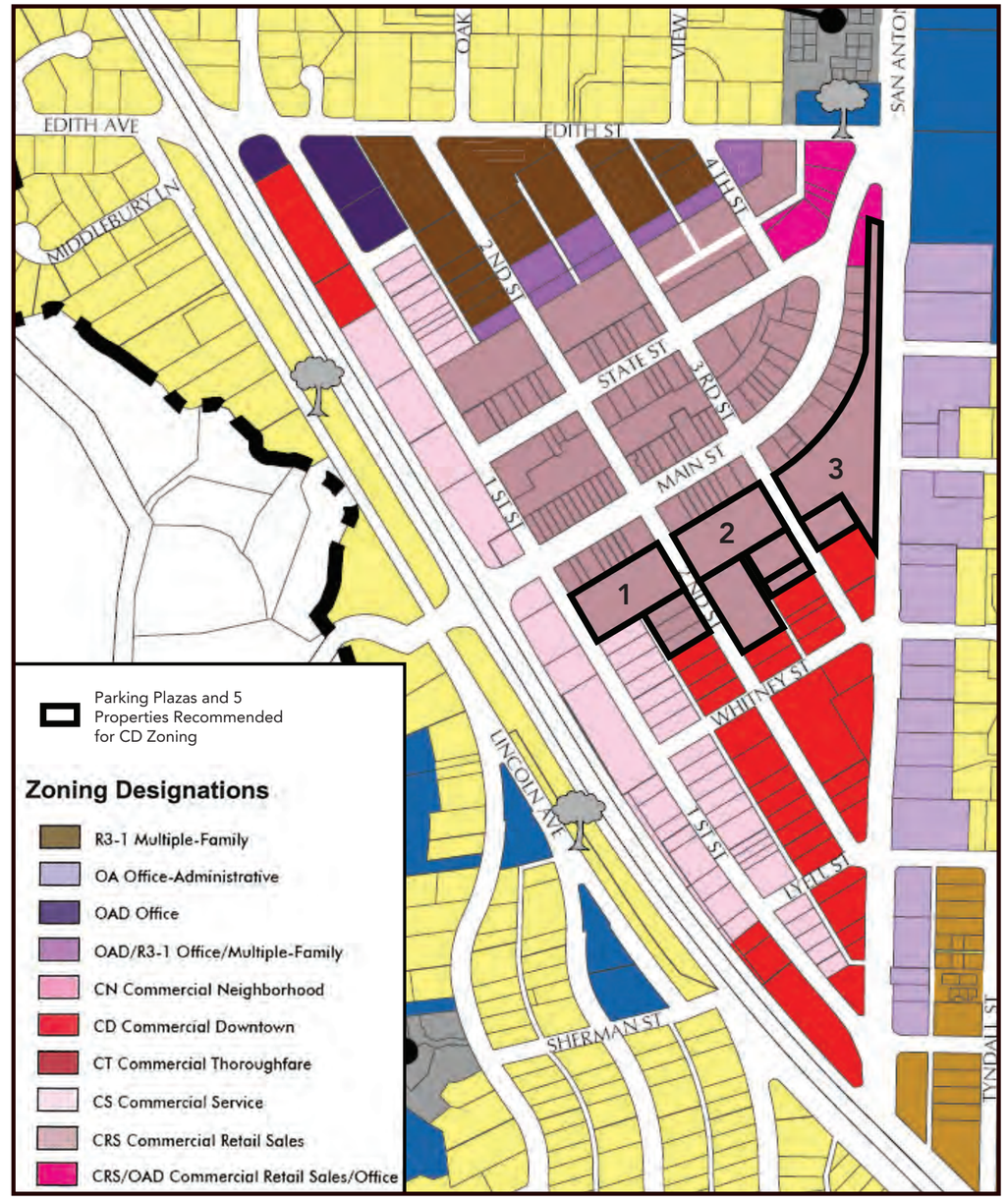
ADDRESS, DESCRIPTION	ASSESSOR PARCEL NUMBERS
280 Second Street, Office Building	167-40-041, 167-40-42, 167-40-073
301 Second Street, Walgreens	167-40-056
240 Third Street, former Bank of the West	167-40-019
250 Third Street, Akane Restaurant	167-40-020
233 Third Street, Los Altos Grill	167-38-005

B. Approve 45 foot height limit for buildings in the CD and CT Zoning Districts

C. Limit buildings in the CD Zoning District to 3 floors except in the case of hotel and/or residential

D. Change the parking requirement for office uses City-wide from 4/1000 to 3.33/1000

The Zoning Map shows Parking Plazas 1, 2, and 3, and the five adjacent properties mentioned in subparagraph A above.



Acknowledgements

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