



## CITY COUNCIL AGENDA REPORT

DATE: 9/6/18

AGENDA OF: September 11, 2018

DEPARTMENT: Library, Public Works, Economic Development

SUBJECT: Recommendation to Proceed with the Library Mixed-Use Project  
(LB/PW/ED)

### RECOMMENDATIONS:

1. Accept the Downtown Library Advisory Committee recommendations for a new library space program and mixed-use Library Project and direct staff to move forward with the design and development of the project including affordable housing, commercial, and parking uses on the City-owned surface parking lot between Lincoln, Cedar and Cathcart streets (lot 4);
2. Authorization to proceed with selection of an owner's representative to manage overall project implementation and a competitive RFP/RFQ process for selection of a Design-Build project team;
3. Introduce an ordinance of the City of Santa Cruz amending Chapter 10.52 regarding parking meter rates;
4. Resolution amending parking and permit rates for Downtown parking lots and structures;
5. Direct staff to work with the Downtown Commission to update the current parking resolution for a five-year phase out of deficiency fees;
6. Direct staff to work with selected owner's representative and Design-Build team to initiate a community outreach process on project design and to return to Council with preliminary project design options for consideration;
7. Direct the City Manager to initiate an analysis with a land planning organization of needs, options, costs and opportunities for reuse of the existing City library site and nearby City facilities in the context of the broader downtown vision.

**BACKGROUND:** Our downtown is changing. After more than a decade of stalled downtown development impacted by the recession, new residential projects are coming on line, under construction, or poised to break ground in the next few years. In fact, more than 600 market rate and affordable units are in various stages of development with another 100-200 units in the planning stages. This housing is critically needed in our community, but with this opportunity comes the challenge and City responsibility of planning for the related infrastructure downtown to ensure that our downtown not only survives, but thrives and remains a vibrant community hub for shoppers, visitors, workers and the broader community.

Part of our aging infrastructure is our Downtown Library branch. In 2013, the Santa Cruz Public Libraries engaged in a comprehensive facilities master planning process resulting in the voter

approved Measure S bond measure in 2016 slated to address library facility needs across the system. Funding for the Downtown Library was identified as an urgent need and the City Council directed the formation of a Downtown Library Advisory Committee (DLAC) to comprehensively examine the current facility and the feasibility, options and costs for developing a Downtown Library branch that meets the needs of the community and voters (Attachment 1).

Another part of our downtown infrastructure that is the responsibility of the City is parking management. The City's parking division in Public Works manages the Downtown Parking District and overall downtown public parking supply. Since the origin of the District in 1956, the City has been planning for proposed projects in the pipeline, balancing current and projected needs while implementing best practices in transportation demand management. Santa Cruzans are among the top communities in the region and across the country in choosing alternative means other than the auto for traveling downtown. Despite our community's commitment to bicycling, walking, carpooling and other modes of travel, we still have a large number of downtown visitors, workers and shoppers who drive and need parking. While many of the proposed developments in the pipeline include parking for residential needs, providing new retail or commercial parking in a private development is a much less efficient use of land and a consolidated public structure as part of the shared parking model is more practical and viable for the overall downtown.

An additional challenge that the City's transportation planners are grappling with is the anticipated loss of 10% of the current existing public parking supply as both publicly-owned surface parking lots and privately-owned lots leased to the City are developed for mixed-use housing projects. Over 230 parking spaces have or will be removed from the current public parking supply over the next five years. These collective challenges are part of our changing downtown and, while daunting, provide a number of opportunities and options for discussion and consideration.

**DISCUSSION:** One of the top goals of the City is to provide long-term sustainability for our vibrant downtown. A mix of housing, both market rate and affordable, along with new retail, office and community spaces including a proposed 21<sup>st</sup> century library and a permanent downtown Farmers' Market are elements that could go a long way towards successfully planning for the future. A critical element that goes hand in hand with planning for our future downtown must also include a plan for our overall transportation and parking needs.

The City's vision for downtown is informed by planning documents, studies, and reports, including the original Downtown Plan and 2017 Plan amendments and the Santa Cruz Market and Retail Leakage Study, as well as recommendations and actions taken by numerous advisory committees, commissions, and the City Council over recent years. Moving forward with a library project was a focus area specifically called out as a main City infrastructure goal in the City Council's Two-Year Strategic Work Plan, and the DLAC unanimously recommended a new library facility as part of a larger mixed-use project on the City-owned surface parking lot No. 4. The Downtown Commission approved consolidating parking on the existing City-owned surface parking lots as a long-term Downtown strategy which was further approved as a long term Downtown Strategy by the City Council in the recently adopted Housing Blueprint Subcommittee Recommendations. Housing is another strategic goal in the City Council Two-Year Work Plan, and the plan calls for the update of Downtown zoning amendments and entitlements of 500-600 housing units in our Downtown core.

### Council Actions to Date

On December 6, 2016, the City Council discussed the feasibility of a new parking supply project as part of a mixed-use Library, commercial, office, and/or housing project at Lot No. 4. The Council directed staff to develop a work plan, outreach plan, and funding plan to move the project forward, and then return to City Council (Attachment 2). Council further directed staff to focus on three main areas: the Downtown Library and a public process for determining the best path forward; developing a permanent home for the Downtown Farmers' Market; and developing a parking rates matrix for funding the parking portion of the potential project.

At the June 12, 2018 meeting, the City Council received a presentation from staff on the overall downtown vision, challenges and opportunities from proposed and new housing development in the pipeline, an overview and analysis of downtown parking, city practices and efforts to support alternative transportation methods downtown and recommendations for a permanent downtown Farmers' Market. The City Council directed staff to work with the Farmers' Market board to develop a permanent home for the Downtown Farmers' market on the City-owned parking lot facing Front and Cathcart streets (City Lot No. 7).

At the June 19, 2018 study session, the City Council received a report and presentation on Downtown Parking Rates Strategy (Attachment 3) and the Downtown Library Advisory Committee (DLAC) recommendations for the Downtown Branch. The DLAC recommended that the City Council approve a new Downtown Library combined with other uses including commercial retail, parking and affordable housing.

### Community Outreach and Engagement

In addition to the public outreach included as part of the overall DLAC process, detailed in the DLAC report (Attachment 1), Council directed staff at the June 19<sup>th</sup> City Council Study Session to conduct additional outreach before returning again to Council for further discussion and action. Throughout the months of July and August, there have been more than 1000 contacts of community outreach across meetings with community groups and organizations, one-on-one and small group meetings, views of the project pages on the City website, and attendance at the August 6<sup>th</sup> Open House. Attachment 4 provides further detail on the community outreach and feedback on this project.

### Community Concerns, Project Constraints and Timing Considerations

While the community outreach, DLAC process and recommendations to date along with the City goals of long-term sustainability support the recommendation to move forward with a mixed-use Library project in the downtown, there are a number of community concerns and project constraints and alternatives to consider.

Major concerns heard about the library component of the mixed-use proposal included:

1. aesthetic issues including adequate natural light, vibrations from vehicles, air quality, ceiling heights and noise issues that might be associated with being on the first story of a multi-use building that contains parking;
2. appreciation for the Library's current location as part of the broader City plaza;
3. affection for and memories of the current building/love of the old building's architecture;
4. appreciation of the current service model - quiet space focused on books - would not like to see computers, digital content, learning spaces, teen spaces, etc;
5. belief that the Library is a legacy for future generations and want to pay more to have an architecturally significant, stand-alone building surrounded by green space and a public plaza;
6. loss of control of the design process if the Library is only a subset of a larger whole.

Additional Library Considerations include the timing of Measure S Funds and viable Library alternatives.

1. Timing of Measure S funds: The voters approved Measure S in 2016, and each jurisdiction has eight years to use their funding. With only 6 years remaining to use Measure S funds, the City will need to move quickly to begin the project recognizing that the design, permitting, EIR, and construction phases of the project are likely to take 3-5 years. As the City has ownership and control of the identified project site and the funding secured for the majority of the project components, the tight timeline is doable, but considerable delays in site location or project compatibility could significantly impact committed project funding.

2. Viable Library Alternatives: The DLAC considered multiple options for addressing future library needs including partial renovation on the existing library site, full renovation on site and new construction on site. The set aside Measure S funds for the Downtown branch could be used to partially renovate the existing site, but most if not all of the funding would be used for replacement and upgrades of library infrastructure (plumbing, HVAC, asbestos abatement, ADA upgrades, etc.) and wouldn't improve the library layout or user experience. Full renovation on the existing site was estimated by the architects to exceed the project budget and funding by over \$10 million and new construction on the existing site was estimated to exceed the project budget and funding by more than \$20 million. Another alternative suggested within the project budget would be to construct a new library approximately half the size of the recommended square footage, which would result in a significant reduction in services that the library would no longer be able to provide.

Each of the options considered by the DLAC, other than the recommended options, were determined not to meet the needs of the community due to inadequate space, excessive cost or both. The proposed Library mixed-use project met all the project needs including cost parameters. By sharing infrastructure costs with the other project mixes, each use pays its own share, but the overall project costs per use are significantly lower than stand-alone projects. With the proposed Library mixed-use project there is the greatest potential to meet all the identified future needs of the Library within the specified budget and funding. Attachment 1 more fully lays out the Library options, considerations, costs and final recommendations supporting the proposed Library mixed-use project.

### Parking concerns and considerations

Major concerns heard during the outreach process around the parking component of the project included environmental concerns about climate change, concerns about the overall height and design of a parking structure as part of a mixed-use project and concerns around the future need for additional parking with autonomous vehicles and increased alternative modes of transportation.

Over 230 existing parking spaces in our downtown surface lots, approximately 10% of our current parking supply, will come offline in the next seven years as those lots are developed for current or planned development underway. Most of those projects are providing much needed housing for our community and will also be providing a mix of supporting commercial retail on the ground floor. While the residential parking needs will largely be met for the private development within the projects as they are built, the future commercial retail parking needs as well as the parking needs for the proposed publicly funded affordable housing projects for the

downtown remain largely unmet. Without the addition of a new parking supply project, the downtown is projected to be deficient by over 600 parking spaces by 2026 and potentially over 1,200 parking spaces by 2036.

These projections do not take into consideration future policy considerations to encourage affordable housing development in our downtown which may include reducing or eliminating parking requirements or providing a public parking supply to offset the costs of developing affordable housing. While the City will continue to invest in transportation demand management programs to encourage alternative modes of transportation, the City must still plan and provide an adequate number of spaces for future parking needs. Finding the right balance of parking to meet the diverse needs of our current and future downtown parking users will ensure the long term sustainability of our downtown core as a vibrant and healthy commercial, retail and urban residential hub of our community.

### Affordable Housing

In response to our severe housing crisis, our community has become increasingly engaged in finding local and regional housing solutions, particularly in the area of affordable housing creation. Numerous regional, City and community led efforts over the last 18 months have resulted in initiatives, measures and policy decisions that encourage and enable future housing creation in our community. The City Council, through the work of the Housing Blueprint Council Subcommittee, recently adopted specific recommendations for the Downtown around parking and land use to encourage affordable housing creation. Several of the recommendations include surface parking lot consolidation to enable downtown affordable housing creation.

Another recommendation involves the consideration of providing parking spaces for the City-funded Pacific Station affordable housing project within the proposed Library mixed-use project. Including consolidated parking for both projects in the proposed Library mixed-use project would be a significantly lower cost to develop parking and it would additionally enable more affordable units to be included in the Pacific Station project. While overall new parking supply in the proposed Library mixed-use project is limited, the creation of new parking supply as part of the project provides the flexibility and future opportunity of encouraging additional affordable housing development downtown. Offsetting or reducing the related parking costs which can be prohibitive for affordable housing projects which are more challenging to finance may make the difference in the creation of future affordable units in our downtown.

### City Council Recommendations:

1. Accept the Downtown Library Advisory Committee recommendations for a new library space program and mixed-use Library Project and direct to move forward with the design and development of the project including affordable housing, commercial, and parking uses on the City-owned surface parking lot between Lincoln, Cedar and Cathcart streets (lot 4).

Following a 6 month extensive process, the DLAC committee unanimously recommended a mixed use project on lot 4. Their recommendation also includes a 44,000 square foot layout and additional space requirements as shown in Attachment 1.

2. Authorization to proceed with selection of an owner's representative to manage overall project implementation and a competitive RFP/RFQ process for selection of a Design-Build project team.

Retaining an owner agent with a specialization in Design-Build contracting will allow a specialized consultant to represent the City's interests at each stage of the process. The owner agent will draft the Request for Qualifications/Proposals (RFQ/RFP), assist with selection of a Design-Build firm, and will oversee the contract scope, budget, and execution. The City has successfully used this model for other highly specialized and large scale projects. A Design-Build contract will allow for continuity throughout the project phases, minimize costs, and enable a quicker delivery of the overall project

3. Introduce an Ordinance of the City of Santa Cruz amending chapters 10.52 regarding parking meter rates.

4. Adopt a Resolution amending parking and permit rates for Downtown parking lots and structures.

5. Direct staff to work with the Downtown Commission to update the current parking resolution for a five-year phase out of parking deficiency fees.

Adjusting the downtown parking fee structure to be more in line with area benchmarked cities and providing for the parking user to pay for the actual cost of providing parking is a parking industry best management practice. Phasing out the collection of parking deficiency fees over five years as parking rates gradually rise will provide time for adjustment to the new rates while at the same time allowing for the creation or modification of downtown parking programs for employees and residents. Downtown parking fees from meters, lots, garages and monthly permit passes will fund both the parking portion of the proposed mixed-use project as well as a \$300,000 annual fund for programs and transportation management to encourage alternative modes of transportation to the Downtown.

6. Direct staff to work with selected owner's representative and Design-Build team to initiate a community outreach process on project design and to return to Council with preliminary project design options for consideration.

Significant feedback from the community was received on overall project design. Concerns on overall height, massing, setbacks, articulation and architectural style were expressed and general sentiment that stand alone parking structures are not acceptable. An important part of the design build process for a mixed-use project of this public scale is considerable community engagement. Similar to the process for the initial new Library master planning process and the earlier Pacific Station proposed mixed-use project, community engagement and overall design options for Council consideration will be critical to overall project development

7. Direct the City Manager to initiate an analysis with a land planning organization of needs, options, costs and opportunities for reuse of the existing City library site and nearby City facilities in the context of the broader downtown vision for future Council consideration.

Another area of community feedback involved reuse of the existing City Library site. Land planning organizations like Urban Land Institute and SPUR based in the Bay Area are well equipped to assist the City and community in planning and weighing future options and considerations for future land use of the existing Library site in the context of the broader vision for downtown.

### Next Steps and Timeline

With approval by the City Council, staff will begin implementing next steps for the design phase of the project including hiring an owner's representative to manage overall project implementation and issuing a RFQ for a Design-Build project team. Staff would then return to Council for approval of the Design-Build contract by December 2018. During the same period, staff would begin working with the owner's representative and Design-Build team to initiate a community outreach process on overall project design starting in January of 2019. Staff would return to Council with preliminary project options for consideration in the spring of 2019.

FISCAL IMPACT: Project staff will work with Finance to review all of the following funds that may be available to finance the Library Mixed Use projects. Project financing will be provided by available Measure S funding for library infrastructure and Parking District funds. Additional funding for affordable housing development and other 2<sup>nd</sup> and 3<sup>rd</sup> floor uses will be required and could potentially be offset by future private contributions and affordable housing contributions. With the recent creation of the Downtown Opportunity Zone, staff are pursuing this new promising funding mechanism to leverage overall project costs. A detailed financing proposal reviewed and approved by the Finance Director and highlighting all specific fund impacts will be brought back to Council.

Submitted by:	Submitted by:	Submitted by:	Approved by:
Susan Nemitz Director of Libraries	Mark R. Dettle Director of Public Works	Bonnie Lipscomb Director of Economic Development	Martin Bernal City Manager

ATTACHMENTS:

Resolution Downtown Parking Fee Increases  
Ordinance Regarding Parking Meter Rates  
Downtown Library Advisory Committee (DLAC) Report  
December 6, 2016 City Council agenda report  
Downtown Commission Parking Rates Strategy Staff Report  
Library Mixed Use Project Outreach Summary