

apportioned to the VPD from the City's share of property tax revenues, the multiple new developments that have constructed their own on-site parking, and the continued underutilization of the existing VPD parking lots. Despite the reduced need for the VPD in the community, the City has continued to incur various costs, such as administration costs, associated with the existence of the VPD and operation of the City-owned public parking lots within the boundaries of the VPD.

One of the primary factors limiting the functionality of the VPD began in 1978 with the California voter approval of Proposition 13, and thereafter other initiatives and laws limiting the amount and method of taxation, levy, and assessment of real property. The VPD was originally created as a district that imposed assessments pursuant to S&H Division 18, Part 1, with its primary objective of providing public parking. Until Proposition 13 in 1978 revenues were assessed and collected generally through a special assessment levied on the value of property. Proposition 13 limited the total tax rate that any one parcel of property could be taxed to one percent (1%) of assessed value and thereby required all taxing entities (i.e. the County, the City, special districts, school districts, and other local taxing agencies) to share the revenues generated by the general levy. Prior to Proposition 13 in administration of the VPD, under Section 31823 of S&H Division 18, Part 1, the City Council could approve a levy up to \$0.15 (15¢) and \$0.25 (25¢) per \$100 of assessed value earmarked for acquisition and operation, respectively. A sample tax bill from a property located within the VPD is attached (Attachment 2)

When the County implemented Proposition 13, it had to distribute the general 1% levy among all taxing entities pursuant to a formula and legislation carrying out Proposition 13 (and other subsequent initiatives and laws), including the City of Garden Grove, i.e., the cumulative total of general levy among all local taxing entities could not exceed 1% (or \$1 per \$100 of assessed value). Per the County and the City's Finance Department as to the City, the County distributes to the City for its general levy (General Fund) 0.11223% (of 1%), for the VPD operation fund 0.02432, and for the VPD acquisition fund 0.01202 (for a total to the City from the 1% general levy of 0.14855% of 1%) (Attachment 3). Therefore, it can be understood how Proposition 13 and the other tax initiatives and legislation have, in effect, caused the provisions pertaining to special assessments in S&H Division 18, Part 1 to be obsolete and inapplicable to how revenues are assessed and collected for the VPD for the past 30 years and presently.

Applying the percentages and tax apportionment explained in the above paragraph to the revenues that the City actually receives from the County for the VPD equates to approximately \$1360 per year for all properties within the boundaries of the VPD for which revenues are assessed and collected. The City's current fund balances for the VPD operation fund and acquisition fund are relatively higher than the modest \$1360 per year would reflect in straight arithmetic. These fund balances are the result of the best practices and prudent investment policies of the City through its Finance Department because interest income manually booked just to the VPD

operation fund was approximately \$7400 last year, more than five times the actual revenue collected through the general levy. As a result of these sound investment practices and because many of the actual direct and indirect costs to operate, administer, and maintain the VPD have not been paid for out of the VPD accounts, the fund balance of the acquisition account is approximately \$28,000 and the operation account is approximately \$148,000.

For context and as an example of the infeasibility of the acquisition fund, the balance of \$28,000 equates to and approximates the cost to acquire the land only for one parking space, which evidences the inadequacy of that fund to carry out its acquisition function. Without an election to authorize imposing a new special tax or without forming a new assessment district pursuant to the 1911, 1913 or 1915 Improvement Acts to assess and collect additional taxes for acquisition purposes, there are very limited revenues accruing for acquisition and improvement of additional parking spaces/lots. Furthermore, circumstances for the City through its VPD to perform its acquisition function have changed and declined as a result of the developments that have designed and constructed their own, designated parking located on-site, such as the Home Depot, Costco, Office Depot, and the Garden Grove Educational Center. In addition, there continues to be an underutilization of the four (4) existing parking lots located within the VPD.

Over the past two decades in connection with new development and redevelopment within the boundaries of the VPD, the City Council has undertaken various proceedings pursuant to S&H Division 18, Part 1 for change of use of land within the VPD and for substitution of parking spaces within the VPD. Evaluations of on-site parking needs and parking studies conducted in connection with the redevelopment and reuse of properties within the boundaries of the VPD evidence the underutilization of parking lots located within the VPD, such as the studies performed by IBI Group in 2001 (Attachment 4) and DKS Associates in 2006 (Attachment 5). Both studies concluded there was an underutilization of parking spaces within the VPD. Related to this documented underutilization and in follow-up to the Resolution of Intention adopted May 26, 2009, over the past eight (8) weeks City staff has performed a survey of the four (4) parking lots located within the VPD (Attachment 6). Staff conducted site visits to the parking lots within the VPD on weekdays at varying hours between 7:00 am to 7:00 pm, which survey further supports the determinations made in the 2001 and 2006 professional parking studies that concluded that many of the parking lots located in the VPD and immediate proximity are underutilized. Of the eleven (11) lots surveyed, the peak occupancy for the overall study area occurred on a Friday evening between 5:00 pm and 6:00 pm and represents occupancy of 67%. It is noted that currently there are two vacant parcels located at and 12885 and 12891 Main Street, vacant buildings located at 12951, 12952 and 12965 Main Street, and a restaurant located at 12941 that is currently closed while undergoing tenant improvements. In order to estimate the parking demand that these parcels will generate when development occurs on the vacant lots, the buildings become

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occupied, and the restaurant opens to the public, staff added parking generation rates from the Institute of Traffic Engineers for the sites as referenced in the 2001 parking study prepared by IBI to the occupancy rate to equal an occupancy of 75%.

The financial infeasibility of the VPD is another factor that supports the obsolescence of the VPD as an extra layer of government administration for the City. In addition to the underutilization of parking lots located within the VPD and near proximity, the City has continued to incur various costs associated with the administration of the VPD, which costs, both direct and indirect, are itemized in Attachment 7. Finance Department staff expends an estimated 60 hours a year and Public Works Department staff expends an estimated 114 hours a year on VPD administration. Based upon the hourly rates for Finance Department positions that most frequently perform the tasks this amounts to approximately \$2,890 in personnel costs for that department. In the event that the VPD is dissolved, the separate accounting required for the board of parking place commissioners under S&H Division 18, Part 1 would be eliminated and would reduce the Finance Department's administrative costs by \$2,319 as outlined in Attachment 8, which describes the reduction of staff time if the VPD is dissolved. Currently, Public Works staff expends 114 hours on VPD related task equating to approximately \$11,320 in personnel costs for that department. Some of the administrative tasks performed by Public Works overlap with the tasks performed as a result of the Main Street Assessment District that also functions under the Parking and Main Street Commission and therefore some of the administrative costs will remain after dissolution. However, the dissolution of the VPD would eliminate the need for the reports and preparation for items directly related functions of the board of parking place commissioners and would reduce Public Works staff time by 75 hours or approximately \$6,728. In addition, legal expenses incurred for the City Attorney and Agency Counsel related to change of use proceedings, substitution proceedings, and other legal issues related to the VPD are expected to be eliminated.

Further, the California Legislature recognizes the need for efficient and cost-effective delivery of community services and declares in State law a policy and objective to reorganize or remove non-essential layers of local government. For example, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, California Government Code Section 56000, *et seq.*, provides that it is the policy of the State that the determination of "whether governmental services are proposed to be provided by a single-purpose agency, several agencies, or a multipurpose agency, responsibility should be given to the agency or agencies that can best provide government services" and the policy that "community service priorities are required to reflect local circumstances, conditions, and limited financial resources." The elimination of the VPD would further these legislative policies.

In addition and consistent with those policies, the proposed dissolution would provide for a more cost-effective delivery of public services and allow City staff to maintain the VPD public parking lots in the same way that other public parking lots (Attachment 9) are owned and maintained in the City. Budgeting for operation and administration of public parking lots would continue through the City budget process, with the remaining fund balances in the two VPD accounts earmarked for priority expenditure on the former VPD parking lots. Public Works staff would oversee the operations of the former VPD lots by conducting surveys of the parking lots at the same time that they conduct surveys of other lots and streets and in the area and providing maintenance as needed under the same maintenance contracts as the other public lots.

Based on the underutilization and reduced need for the VPD, along with the unnecessary costs associated with the administration of the VPD, the City Council adopted a Resolution of Intention (No 8892-09) that initiated these proceedings to consider dissolving, discontinuing and disestablishing the VPD. The Resolution of Intention and a transcript from the May 26, 2009 City Council meeting pertaining to that item is attached (Attachment 10). In implementation of that Resolution, staff caused to be prepared the attached Ordinance of Dissolution, Discontinuance and Disestablishment and has conducted the following due process proceedings leading up to this public hearing and the consideration and action by the City Council of the Ordinance (and the companion Ordinance amending GGMC Title 2, Chapter 32).

- Scheduled a public hearing for July 28, 2009 at 6:30 pm to accept any and all oral and written testimony, whether for, against or neutral, to the Ordinance, including written protests from owners of property within the boundaries of the VPD.
- Sent a courtesy letter and that enclosed a copy of the Notice of Public Hearing by first-class mail to owners of real property located within the VPD boundaries.
- Sent a courtesy letter and that enclosed a copy of the Notice of Public Hearing by first-class mail to businesses located within the VPD boundaries.
- Sent a courtesy letter and that enclosed a copy of the Notice of Public Hearing by first-class mail to the members of the Parking and Main Street Commission.
- Caused a Notice of Public Hearing to be published in the newspaper, *Garden Grove Journal*, once a week for two successive weeks, specifically publication on June 25, 2009 and July 2, 2009.

- Posted the Notice of Public Hearing in not less than four places within the VPD boundaries. Staff, in fact, posted a copy of the Notice in about forty-two (42) places within the boundaries of the VPD.

The courtesy letter enclosed with the Notice of Public Hearing that was sent to property owners, businesses, and members of the Parking and Main Street Commission as described above also notified each recipient of an Information Meeting on July 1, 2009 regarding the proposed dissolution of the VPD. The Information Meeting was held on July 1 and about twenty interested persons attended. During the Information Meeting, property owners, businesses and other interested persons were presented information (Attachment 11) and staff answered questions about the dissolution proceedings, the proposed Ordinance, and the related Ordinance that would amend GGMC Title 2, Chapter 32 to eliminate the board of parking place commissioners and rename the commission the Main Street Commission for its single role and purpose as commissioners for the Main Street Historical Retail Combining Zone and Main Street Assessment District Commission.

The proposed Ordinance prepared pursuant to the Resolution of Intention ordains and determines the following:

- It is in the public interest to dissolve, discontinue, and disestablish VPD and that these proceedings are necessary for the effective and efficient administration of the City and its public parking facilities.
- After the transmittal of the Ordinance to the County and to the State Board of Equalization, the City Manager and Finance Director are hereby directed to stop restricting the use of the City's share of the general tax revenue that was previously being earmarked and allocated for the VPD and shall deposit such funds into the City's general fund.
- The existing VPD fund balances shall be allocated towards the direct and indirect costs of the former VPD parking lots.
- In the event that a former VPD parking lot is sold that was originally purchased using proceeds from *ad valorem* assessments on real property that were paid prior to December 31, 1978, the City will refund the amount of those assessments used to acquire the real property after the property owner of any parcel located within the VPD provides reasonable evidence that the assessments were paid from the assessments levied on the parcel that they currently own as provided in the Ordinance.
- If proceeds from the sale of a VPD lot that was originally purchased using proceeds from pre-1978 *ad valorem* assessments remain after eligible refunds have been made to property owners, the remaining proceeds shall be deposited into the City's general fund.

FINANCIAL IMPACT

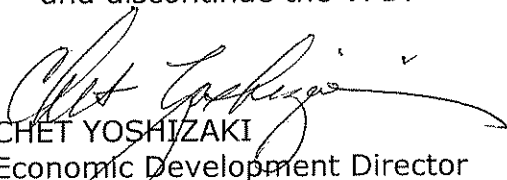
- The City will reduce annual administrative costs by an estimated \$9,047.

COMMUNITY VISION IMPLEMENTATION

None.

RECOMMENDATION

- Introduce and conduct first reading of the Ordinance to dissolve, disestablish and discontinue the VPD.


CHET YOSHIZAKI
Economic Development Director



By: Kathleen McCall
Economic Development Specialist

Approved for Agenda Listing


Matthew Fertal
City Manager

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| Attachment 1: | Ordinance Dissolving, Discontinuing and Disestablishing the VPD |
| Attachment 2: | Copy of a property tax bill for parcel within boundaries of VPD (redacted to omit names and identifying information) |
| Attachment 3: | Copy of County of Orange Distribution of General Levy of 1% |
| Attachment 4: | IBI Group Parking Study (2001) |
| Attachment 5: | DKS Associates Parking Study (2006) |
| Attachment 6: | City of Garden Grove Parking Survey (2009) |
| Attachment 7: | Administrative Costs |
| Attachment 8: | Estimated Reduction in Administrative Costs after Dissolution |
| Attachment 9: | Parking Lots Owned and Operated by the City |
| Attachment 10: | Copy of Resolution of Intention and transcript of City Council discussion of that agenda item on May 26, 2009 |
| Attachment 11: | PowerPoint Presentation from July 1, 2007 Public Meeting |