



# Salinas Downtown

## *Preliminary Parking Structure Funding and Financing Analysis*

*June 2021*

**Prepared by:  
Kosmont Companies**



# Background

- Improving the availability of parking for both public and private uses has been a focus of the Salinas Downtown Vibrancy Plan and related analyses focused on the downtown area:
  - City, County, and State government uses
  - 10+ potentially underutilized, publicly-owned “opportunity” sites currently serving as surface parking amenities and other public uses, poised for new blended-use residential and commercial development
- Significant investment in parking infrastructure is needed. Memorandum of Understanding (MOU) dated February 2016 between City of Salinas and County of Monterey outlines intent to cooperate and provide resources for government center “campus” improvements.
- Kosmont Companies received direction and has worked closely with City staff and a third-party general contractor on evaluation of potentially relevant funding sources and financing mechanisms

# Objectives

- A feasible parking funding strategy will likely need to include a mix of sources and mechanisms, including:
  - **Value capture districts** such as Enhanced Infrastructure Financing Districts (EIFDs) and Mello-Roos Community Facilities Districts (CFDs)
  - **Proceeds from sale of publicly-owned land** for blended/mixed-use development in downtown
  - **Parking revenue** generated within the parking structure
  - **Parking-in-lieu fees** in order to finance infrastructure while minimizing burden on City, local residents and businesses
  - **Lease-Revenue financing**
  - **Other tools**
- This presentation summarizes the preliminary evaluation of potentially relevant funding sources and financing mechanisms

# Estimation of Parking Structure Costs

- At the direction of City staff, Kosmont performed third-party research / general contractor outreach for a rough order-of-magnitude (ROM) estimate of costs to construct a parking structure of approximately 600 spaces at the northeast corner of Church Street and Gabilan Street (County-owned parcel)
- Alternatives evaluated included a smaller-footprint / taller structure (e.g., 4-5 stories) as well as a larger-footprint / shorter structure (e.g., 2-3 stories)
- Costs estimates are based on a range, due to lack of architectural / concept designs at this stage, and were based on recent parking structure designs of similar scope in the Northern CA region
- A collaborative architectural design-contractor build delivery process would likely be appropriate in the future

# Estimation of Downtown Parking Needs

Parking User Category	Estimated # Spaces Needed
City of Salinas Employees	Up to 120 spaces
County of Monterey Employees	200 spaces
Court-related / Juror	100 spaces
General Public	180 spaces
<b>Estimated Total Spaces Needed</b>	<b>600 spaces</b>
Estimated Range in Cost to Build Per Space	\$35,000 to \$45,000 / space (+10% contingency to achieve high end of range)
<b>Total Estimated Cost to Build (Hard + Soft Costs)</b>	<b>\$21,000,000 to \$29,700,000</b>

Source: City of Salinas Public Works staff, consultations with general contractor Reeve-Knight Construction, Inc., Watry Design, Inc. (2021)



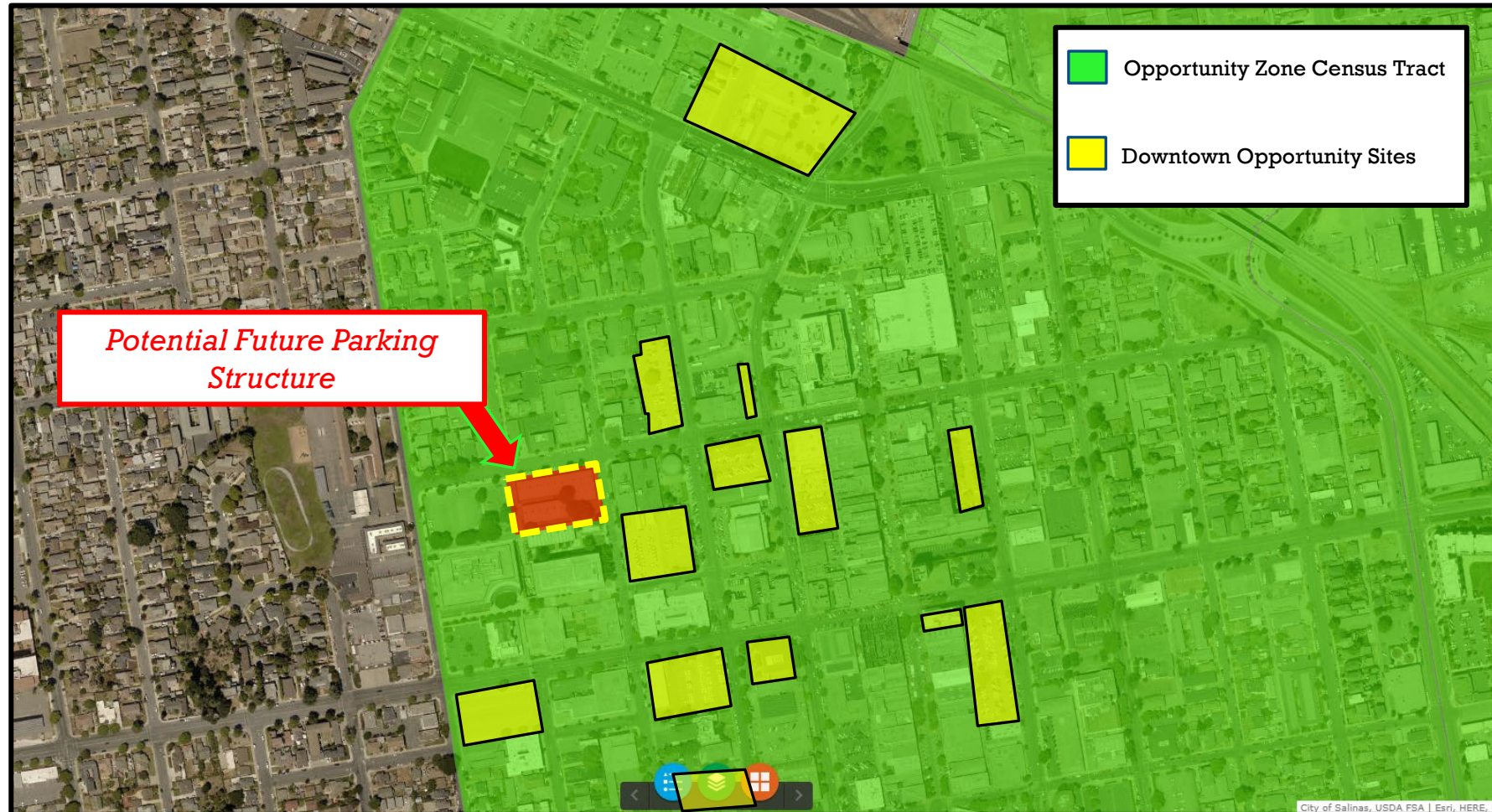
# Targeted Downtown Development Opportunity Sites



Source: EPS Downtown Housing Target Assessment (2017)



# Opportunity Zone Census Tract Designation *Will Accelerate Private Sector Investment in Downtown Opportunity Sites*



Source: California Department of Finance (2021)

# Potential Development Projections

## For Purpose of Estimating Value Capture Funding Capacity

- ✓ Kosmont ran a baseline tax increment analysis to determine district revenue potential based on planned / proposed projects and future development potential

Development Type / Phase	SF / Units / Keys	Assessed Value (AV) Factor	Estimated AV at Buildout
<b>Primary / Near-Term Opportunities</b>			
Lot 12	49 DU	\$250,000 per unit	\$12.3 million
Lot 1 & Greyhound	50 DU	\$250,000 per unit	\$12.5 million
Lot 1 & Greyhound	7,500 SF	\$250 PSF	\$1.9 million
Lot 8	37 DU	\$250,000 per unit	\$9.3 million
65 W. Alisal Permit Center	25,100 SF	\$250 PSF	\$4.6 million
Lot 10	8 DU	\$250,000 per unit	\$2.0 million
<b>Secondary / Long-Term Opportunities</b>			
Lot GG	51 DU	\$250,000 per unit	\$12.8 million
Lot 17 & NN	65 DU	\$250,000 per unit	\$16.3 million
Lot 17 & NN	5,000 SF	\$250 PSF	\$1.3 million
Lot 5	49 DU	\$250,000 per unit	\$12.3 million
<b>Tertiary / Long-Term Opportunities</b>			
Lot 3	28 DU	\$250,000 per unit	\$7.0 million
Police Station	57 DU	\$250,000 per unit	\$14.3 million
Library	59 DU	\$250,000 per unit	\$14.8 million
<b>Estimated Total AV</b>			<b>\$121.0 million</b>

Note: AV at buildout values in 2021 dollars. Primary opportunities projected 1-5 years out. Secondary opportunities projected 6-10 years out. Tertiary opportunities projected 10+ years out. Source: EPS Downtown Housing Target Assessment (2017), discussions with City Staff, assessed value factors additionally validated by CoStar Property, REIS market data (2021)



# EIFD Tax Increment Projections

## *Downtown Opportunity Sites Only*

### Financing scenario and assumptions:

- Property tax increment generated from potential new blended-use development downtown (district boundary is relegated to downtown opportunity sites – value increases as property is developed over time)
- City of Salinas contributes all of its **14.9 cents** (net of ERAF) of property tax increment, but does **not** dedicate any of its **11.1 cents** incremental property tax in lieu of MVLF
- County of Monterey contributes all of its **14.07 cents** (net of ERAF) of tax property increment, but does **not** dedicate any of its **8.1 cents** incremental property tax in lieu of MVLF – **County must consent**

	Annual City Prop. Tax	Annual County Prop. Tax	Total Annual Revenue	Cumulative Revenue	Bonding Capacity (Net Proceeds)*
Year 5	\$122,000	\$115,000	\$237,000	\$585,000	\$1,710,000
Year 10	\$224,000	\$212,000	\$436,000	\$2,448,000	\$3,694,000
Year 15	\$248,000	\$234,000	\$481,000	\$4,763,000	\$4,148,000
Year 20	\$273,000	\$258,000	\$532,000	\$7,318,000	\$4,648,000
Year 50	\$495,000	\$468,000	\$963,000	\$29,311,000	
<b>50-Year Present-Value of EIFD Funding (3% Discount Rate) = \$12,700,000</b>					

Note: 50-year present value reflects the total funding capacity of the EIFD revenue stream, whether bonded against or otherwise (e.g. used on pay-as-you-go basis or dedicated as reimbursement mechanism). Primary opportunities projected 1-5 years out. Secondary opportunities projected 6-10 years out. Tertiary opportunities projected 10+ years out.

\*Assuming \$25,000 admin charge; 125% debt service coverage; 6.0% interest rate; 30-year term; proceeds net of 2% underwriter's discount and estimated reserve fund (maximum annual debt service); costs of issuance estimated at \$350,000; level debt service. Bonds NOT shown in serial format. \$2021. Source: Kosmont Transactions Services (KTS); registered Municipal Advisor

# EIFD Tax Increment Projections

## *Downtown Boundary Similar to Downtown CBD*

### Financing scenario and assumptions:

- District boundary is assumed consistent with existing Downtown Community Benefit District
- City of Salinas contributes all of its **14.9 cents** (net of ERAF) of property tax increment, but does **not** dedicate any of its **11.1 cents** incremental property tax in lieu of MVLF
- County of Monterey contributes all of its **14.07 cents** (net of ERAF) of tax property increment, but does **not** dedicate any of its **8.1 cents** incremental property tax in lieu of MVLF – **County must consent**

	Annual City Prop. Tax	Annual County Prop. Tax	Total Annual Revenue	Cumulative Revenue	Bonding Capacity (Net Proceeds)*
Year 5	\$143,000	\$135,000	\$277,000	\$703,000	\$2,107,000
Year 10	\$267,000	\$252,000	\$520,000	\$2,894,000	\$4,529,000
Year 15	\$315,000	\$298,000	\$613,000	\$5,769,000	\$5,466,000
Year 20	\$369,000	\$348,000	\$717,000	\$9,142,000	\$6,500,000
Year 50	\$827,000	\$781,000	\$1,608,000	\$43,145,000	
<b>50-Year Present-Value of EIFD Funding (3% Discount Rate) = \$17,900,000</b>					

Note: 50-year present value reflects the total funding capacity of the EIFD revenue stream, whether bonded against or otherwise (e.g. used on pay-as-you-go basis or dedicated as reimbursement mechanism). Primary opportunities projected 1-5 years out. Secondary opportunities projected 6-10 years out. Tertiary opportunities projected 10+ years out.

\*Assuming \$25,000 admin charge; 125% debt service coverage; 6.0% interest rate; 30-year term; proceeds net of 2% underwriter's discount and estimated reserve fund (maximum annual debt service); costs of issuance estimated at \$350,000; level debt service. Bonds NOT shown in serial format. \$2021. Source: Kosmont Transactions Services (KTS); registered Municipal Advisor

# CFD Funding Capacity

## *Downtown Opportunity Sites Only*

### Assumptions:

- District boundary is relegated to downtown opportunity sites
- Annual special tax levy equivalent to **0.30%** of assessed value:

	<b>Total Annual Revenue</b>	<b>Cumulative Revenue</b>	<b>Bonding Capacity (Net Proceeds)*</b>
Year 3	\$138,000	\$177,000	\$1,064,000
Year 5	\$246,000	\$606,000	\$2,442,000
Year 10	\$451,000	\$2,535,000	\$5,070,000
Year 30	\$671,000	\$13,722,000	
<b>30-Year Present-Value of CFD Funding (3% Discount Rate) = \$8,100,000</b>			



*Note: 30-year present value reflects the total funding capacity of the CFD revenue stream, whether bonded against or otherwise (e.g. used on pay-as-you-go basis or dedicated as reimbursement mechanism). Primary opportunities projected 1-5 years out. Secondary opportunities projected 6-10 years out. Tertiary opportunities projected 10+ years out.*

*\*Assuming \$25,000 admin charge; 110% debt service coverage; 5.0% interest rate; 30-year term; proceeds net of 2% underwriter's discount and estimated reserve fund (maximum annual debt service); costs of issuance estimated at \$350,000; level debt service. Bonds NOT shown in serial format. \$2021. Source: Kosmont Transactions Services (KTS); registered Municipal Advisor*

# CFD Funding Capacity

## *Downtown Boundary Similar to Downtown CBD*

### Assumptions:

- District boundary is consistent with existing Downtown Community Benefit District
- Annual special tax levy equivalent to **0.30%** of assessed value:

	<b>Total Annual Revenue</b>	<b>Cumulative Revenue</b>	<b>Bonding Capacity (Net Proceeds)*</b>
Year 3	\$549,000	\$1,386,000	\$6,317,000
Year 5	\$673,000	\$2,661,000	\$7,907,000
Year 10	\$923,000	\$6,858,000	\$11,104,000
Year 30	\$1,372,000	\$29,741,000	
<b>30-Year Present-Value of CFD Funding (3% Discount Rate) = \$18,100,000</b>			



*Note: 30-year present value reflects the total funding capacity of the CFD revenue stream, whether bonded against or otherwise (e.g. used on pay-as-you-go basis or dedicated as reimbursement mechanism). Primary opportunities projected 1-5 years out. Secondary opportunities projected 6-10 years out. Tertiary opportunities projected 10+ years out.*

*\*Assuming \$25,000 admin charge; 110% debt service coverage; 5.0% interest rate; 30-year term; proceeds net of 2% underwriter's discount and estimated reserve fund (maximum annual debt service); costs of issuance estimated at \$350,000; level debt service. Bonds NOT shown in serial format. \$2021. Source: Kosmont Transactions Services (KTS); registered Municipal Advisor*



# Potential Proceeds from Sale of Publicly-Owned Sites For Blended-Use Development Downtown

Site	Lot Size (SF)	Lot Size (AC)	Estimated Potential Sale Proceeds
<b><u>Primary / Near-Term</u></b>			
Salinas and Gabilan Streets - Parking Lot 12	35,650	0.82	\$713,800
Salinas and Gabilan Streets - Parking Lot 1	20,000	0.46	\$400,000
Salinas Street – Lot 8	26,800	0.62	\$536,000
65 West Alisal Street Permit Ctr. (25,000 building SF for reuse)	24,000	0.55	\$4,600,000
Salinas Street – Lot 10	5,700	0.13	\$114,000
<b><u>Secondary / Long-Term</u></b>			
Government Center - Parking Lot GG (County property)	35,000	0.80	\$700,000
Government Center - Parking Lot 17 & NN (Combined)	47,500	1.09	\$950,000
Monterey Street – Lot 5	61,000	1.40	\$1,220,000
<b><u>Tertiary / Long-Term</u></b>			
Monterey Street – Lot 3	35,000	0.80	\$700,000
Police Station – likely requires demolition	53,000	1.22	TBD
John Steinbeck Library – likely requires demolition	55,000	1.26	TBD
<b>Total Selected Downtown Opportunity Sites</b>	<b>398,650</b>	<b>9.15</b>	<b>\$9,933,000</b>



Note: Estimated land cost at \$20 PSF based on Kosmont preliminary review of Monterey County comparable land sales in 2017 through 2021. 65 West Alisal based on current insured / book value.

# Potential Revenue from Parking In-lieu Fees

## From Downtown Development Opportunity Sites

- Kimley Horn 2017 parking analysis proposes potential reductions in on-site parking requirements (i.e. one space per unit) as well as strategic use of **parking-in-lieu fees**:
  - As compensation for parking not built, encouraging reciprocal shared and unbundled parking
  - As compensation for public parking spaces displaced by private development as part of property acquisition (to the extent financially feasible for developer) – **not recommended by Kosmont**
- Estimations of potential in-lieu fee revenues:

Site	Potential Project Parking Not Built	Estimated In-Lieu Fees from Parking Not Built
<b>Primary / Near-Term</b>		
Salinas and Gabilan Streets - Parking Lot 12	39 spaces	\$429,000
Salinas and Gabilan Streets - Parking Lot 1 & Greyhound Station	50 spaces	\$550,000
Salinas Street – Lot 8	37 spaces	\$407,000
Salinas Street – Lot 10	8 spaces	\$88,000
<b>Secondary / Long-Term</b>		
Government Center - Parking Lot GG	51 spaces	\$561,000
Government Center - Parking Lot 17 & NN (Combined)	52 spaces	\$572,000
Monterey Street – Lot 5	49 spaces	\$539,000
<b>Secondary / Long-Term</b>		
Monterey Street – Lot 3	28 spaces	\$308,000
Police Station (Howard and Lincoln)	57 spaces	\$629,040
John Steinbeck Library	59 spaces	\$652,800
<b>Total Selected Sites</b>	<b>504 spaces</b>	<b>\$5,538,818</b>

Note: Parking in-lieu fee estimated at \$11,000 per space per Kimley Horn analysis (June 2017). Parking not built reflects Kimley Horn recommended reductions in parking requirements (i.e. one space per unit)

# Potential Parking Revenue from Ongoing Operation

- Assumes automated metering system with minimal operation and maintenance costs

Estimated # Spaces	600
Estimated Utilization	93%
Utilized Spaces	560
Est. Parking Revenue / Space / Month	\$50
Total Estimated Parking Revenue Annually	\$360,000
Estimated Revenue Bonding Capacity (Net Proceeds)	\$4,353,100

*\*Assuming 110% debt service coverage; 5.0% interest rate; 30 year term; proceeds net of 2% underwriter's discount and estimated reserve fund (maximum annual debt service); costs of issuance estimated at \$350,000; level debt service. Bonds NOT shown in serial format. \$2021.*

*Source: City of Salinas Public Works staff estimates (and current monthly pass costs), Kimley Horn (June 2017), Kosmont Transactions Services (KTS); registered Municipal Advisor*

# Financing Mechanisms

- Based on availability, timing, and amount of **funding sources** at the desired time of parking structure construction (e.g. from sale of land, CFD proceeds), the City/County may have multiple options regarding the **financing mechanism** utilized to generate sufficient proceeds to fund construction
- One common mechanism utilized by many agencies (including the City of Salinas in the recent past) is **lease revenue financing** (pursuant to IRS Code Section 63-20)
- These financings are typically secured by a lease-back agreement between the City/County and another public entity such as the Salinas Public Financing Authority and structured so that the transactions fall within the “lease exception” to the constitutional debt limit
- Kosmont evaluated several alternatives for lease revenue financing based on:
  - a) Two scenarios of parking structure costs (“low” at \$21.0M and “high” at \$29.7M)
  - b) Three different levels of potential up-front funding available from other sources evaluated (i.e. different levels of “down payment” from other sources)
    - i. 50% financing – other 50% of costs are available from other sources evaluated (e.g. land sales)
    - ii. 75% financing – other 25% of costs are available from other sources evaluated (e.g. land sales)
    - iii. 100% financing – full parking structure cost is financed (no up-front funding from other sources)



# Lease Revenue Financing Scenarios

Scenario	Par Amount of Bonds	Net Bond Proceeds	Assumed Contribution from Other Funding Sources	Approx. Average Annual Debt Service for Bonds
<b>Lower Cost - \$21.0M Parking Structure</b>				
50% Financing	\$11,670,000	\$10,500,000	\$10,500,000	\$680,000
75% Financing	\$17,405,000	\$15,750,000	\$5,250,000	\$1,015,000
100% Financing	\$23,145,000	\$21,000,000	\$0	\$1,350,000
<b>Higher Cost - \$29.7M Parking Structure</b>				
50% Financing	\$16,410,000	\$14,850,000	\$14,850,000	\$920,000
75% Financing	\$24,520,000	\$22,275,000	\$7,425,000	\$1,376,000
100% Financing	\$32,630,000	\$29,700,000	\$0	\$1,830,000

\*3.75% interest rate; 30-year term; proceeds net of 1% underwriter's discount and estimated reserve fund (maximum annual debt service); costs of issuance estimated at \$175,000; level debt service, 2 years of capitalized interest; \$2021.

Source: Kosmont Transactions Services (KTS); registered Municipal Advisor

# “Menu” of Cost Recovery Alternatives

Cost Recovery Alternatives	Estimated Funding Available	Timing
EIFD (Present-Value)	\$12.7M to \$17.9M	Mid-to-longer Term
CFD (Present-Value)	\$8.1M to \$18.1M	Near Term
Property Sale Proceeds	\$9.9M	Near Term
Parking In-Lieu from Parking Not Built	\$5.5M	Near Term
Parking Revenue Bonding	\$4.4M	Mid-to-longer Term
<b>Estimated Total of Alternatives</b>	<b>\$40.6M to \$55.8M</b>	

Reference: Funding Uses	Estimated Cost
Downtown Parking Structure (Hard and Soft Costs)	\$21.0M to \$29.7 M
Potential Financing Costs (e.g. Interest, Issuance Costs)	\$8.0M to \$20.0M
<b>Estimated Total Costs</b>	<b>\$29.0M to \$49.7M</b>

# Additional Complementary Funding Sources

- Salinas may consider the following additional potential complementary funding sources, which could reduce funding / financing requirements from other sources:
  1. **Grant funding**, e.g. Infill Infrastructure Grant (IIG), Affordable Housing and Sustainable Communities (AHSC) grant – focus on affordable housing and/or transit-oriented development (TOD) projects that are shovel-ready
  2. **New Market Tax Credit (NMTC)** funding – focus on revenue generating assets, less typical for infrastructure (subject to complex qualification / application / funding process)

# Alternatives for City/County Partnership

- Should the City of Salinas and County of Monterey determine that a financial partnership would be appropriate for the funding of the parking structure, there are multiple potential alternatives for City/County partnership, including, but not limited to:
  - a) EIFD partnership, whereby both City and County are contributing a portion of each entity's incremental property tax within an appropriate EIFD boundary
  - b) Lease agreement between the City and County, e.g. County commitment to lease a portion of total parking spaces for a defined term at an agreed-upon lease rate



# Next Steps

1. Determine whether to move forward with parking structure implementation
2. If so, determine footprint, design, delivery approach, related considerations
3. Conduct additional due diligence on potential funding sources and financing mechanisms
4. Commence environmental reviews / analysis as necessary
5. As appropriate, pursue reduced parking requirement and adoption of parking-in-lieu fee pursuant to Kimley Horn recommendations
6. As appropriate, initiate value capture district formation, with emphasis on establishment of base year for tax increment generation
7. As appropriate, convene financing team and initiate lease revenue or other financing structure
8. Marketing of downtown opportunity sites for blended-use development, including promotion of Opportunity Zone designation

THANK YOU

Questions?

**Kosmont Companies**

1601 N. Sepulveda Blvd. #382 Manhattan Beach, CA 90266

Ph: (424) 297-1070 | Fax: (424) 286-4632

[www.kosmont.com](http://www.kosmont.com)



# Disclaimer

The analyses, projections, assumptions, rates of return, and any examples presented herein are for illustrative purposes and are not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ from those expressed in this analysis.

Discussions or descriptions of potential financial tools that may be available to the City are included for informational purposes only and are not intended to be to be “advice” within the context of this Analysis.

Municipal Advisory activities are conducted through Kosmont Companies’ affiliate, Kosmont Transaction Services, which is Registered as a Municipal Advisor with the SEC and MSRB.