



August 8, 2016

Mr. Maurice Jones
City Manager, City of Charlottesville

Mr. George Benford
Chairman, Downtown Business Association of Charlottesville

Dear Maurice and George,

Our community has been engaged in an extended discussion of late about parking in downtown Charlottesville. Appearances to the contrary, there is actually much more that the community agrees on than it disagrees on. First and foremost, there is broad agreement that we need more parking downtown. Our current supply is maxed out, and the problem is only getting worse. There is broad agreement that the economic vitality of downtown has always depended upon, and will continue to require, an abundant supply of affordable parking. There is broad agreement that our long-running and successful parking validation program needs to remain in place, if not be enhanced. There is broad agreement that our existing parking garages, which are showing their age and rely on antiquated technology, need to be upgraded and modernized. There is broad agreement that we need a viable strategy for accommodating the parking needs of our hourly workers downtown. When it comes to downtown parking, there is more that unites us than divides us. In recognizing everything the community agrees on, we must also acknowledge that the City of Charlottesville, CPC, and the DBAC all have the exact same goal, which is a successful and vibrant downtown.

Management and ownership of the Water Street Garage is the only issue that continues to prove divisive. Lawsuits and countersuits and settlement proposals and counterproposals have flown back and forth, and the only parties who are benefiting from this prolonged dispute are the attorneys on both sides. Recent FOIA requests revealed that the City has already incurred attorneys' fees of over \$66,000 alone and those costs have the potential to rise exponentially should the continuance of litigation prove necessary. Several attempts have been made to resolve the dispute over the Water Street Garage so that we can get on with the business of modernizing our parking infrastructure and expanding our parking supply. For various reasons, these attempts have all met with failure, and the resulting paralysis is hindering our ability to act on the many areas in which we actually enjoy broad agreement. The dispute has also created an environment of uncertainty for downtown, which is harmful property values and new investment. Litigation as complex as that involved at the Water Street Garage could conceivably continue for several years which would not benefit the community in any way.

It's time to resolve the question of the Water Street Garage once and for all. Kicking the can down the road yet again should not be an option. Given my unique experience in having served both the City and CPC, I am well aware of how long the decisions surrounding the garage have been put off to the future. The City and CPC discussed the City's purchase of CPC in 1998, 2004, 2008, 2012, 2013, 2014 and now once again in 2016. The City commissioned formal outside studies of purchasing CPC in 2008 and 2013 by the Williams Mullen law firm. The City also commissioned comprehensive parking studies in 2008 and 2015. These studies, discussions, and now lawsuits have been time consuming and cost the taxpayers large sums of their hard earned money. Yet today, despite the large expenditures of taxpayer funds, the Water Street Garage faces more uncertainty than ever. Merchants worry about parking access for their customers, important downtown employers are opening new offices in other cities due to our lack of parking, new development projects have stalled for want of parking, and the continuance of litigation for years will only increase these problems. Additionally this dispute hampers the ability of both the City

and CPC to move forward with independent plans for the construction of new parking. Failing to find a way to promptly resolve this dispute is harmful to the main goal of the City, CPC and DBAC, which is a successful and vibrant downtown.

I am writing today to propose three scenarios for your consideration. Each scenario would end the garage dispute, each has benefits and costs to be weighed by the community. The permanent resolution of the garage dispute will put the community on a path toward resolving some of the bigger challenges we face downtown. All of these scenarios address concerns that have been raised in the business community or elsewhere about previous settlement offers. Any of these scenarios would be acceptable to CPC, and I hope that at least one if not all of these scenarios would be acceptable to the City of Charlottesville and the DBAC as well.

Under scenario #1, CPC would agree to sell all of our parking and office spaces in the Water Street Garage to the City, at the same exact price that the City would be required by law to offer if it were to proceed in its threatened eminent domain action against CPC. In other words, we would agree to cut to the chase and save the taxpayers a tremendous legal bill for a protracted eminent domain court battle. All legal actions on both sides would be dismissed, the City would write a check to CPC, and then the City would own 100% of the parking spaces in the Water Street Garage outright. The City could then set whatever rates it wants in the garage and otherwise manage the garage as it alone sees fit. The City would also acquire the right, under the terms of the ground lease, to purchase the land under the garage in the future at its market value. This outcome would give the City full control of the property. The City and CPC would then be free to move forward independently as they see fit.

Under scenario #2, the City would agree to sell all of its parking spaces in the Water Street Garage to CPC under the same terms and conditions previously agreed to in May. CPC would pay the City the higher of the appraisal value range plus a 20% premium and honor our previous written commitments not to sell the garage prior to 2024, to honor the discounted monthly rates for various parties, and to continue the validation program as is. The City would agree to use the proceeds from this sale toward the construction of replacement spaces elsewhere downtown, in a new garage that the City would own outright and manage as it alone sees fit. During the 2-3 years that it would presumably take the City to build its new garage, CPC would agree to manage the Water Street Garage essentially on a status quo basis. During this 2-3 year time period, parking rates at the Water Street Garage would never exceed the rates charged at the City-owned Market Street Garage. Once the City's replacement spaces are online, the market will once again be saturated with supply and this will inevitably put downward pressure on rates at all downtown parking facilities.

Under scenario #3, CPC would purchase the City's spaces under the same terms proposed in scenario #2, and CPC would build a new state-of-the-art parking garage of approximately 300 spaces at Market & 7th St., on the site of the publicly-owned flat lot adjacent to the SNL building. CPC would buy the lot at its assessed value, and then construct the new garage entirely at our own expense. The City would agree to expedite regulatory approvals for the new structure. CPC would commit in writing to have the new garage open within one year of the sale of the City's spaces at Water Street, provided the City would expedite the permitting process.

Upon completion of the new garage, CPC would guarantee 100 spaces in the new garage or the Water Street Garage to Albemarle County, at no charge for thirty years, for the exclusive use of its court employees and clients during the courts' operating hours. Other anticipated weekday users of the new garage would include SNL employees, City staff, downtown visitors, etc. On evenings and weekends, all spaces in the garage would be available to the general public. The garage's immediate proximity to the

Pavilion would make it an ideal location for concert parking in particular.

There is a scenario #4, in which the City of Charlottesville elects to go forward with litigation rather than resolve the dispute promptly. Under this scenario, the City may win the litigation or the City may lose the litigation; either way, the expenses incurred the taxpayers in both direct legal fees, and reduced investment downtown due to the uncertainty over parking, will be very costly. It is also easy to imagine the City and CPC will each be hampered in their quests to independently build new parking downtown while simultaneously engaged in complex litigation against each other. Further, the contesting of the litigation, even if the City should prevail, will be at best a very expensive means of delaying the inevitable, which will come when the ground lease resets in 2024, less than 8 years away.

In an October of 2015 deposition, the City's former Chief Financial Officer, Aubrey Watts, testified extensively on the consequences of the ground lease reset. Mr. Watts testified that a ground lease of \$933,000 per year would for the City make "the operation of a parking deck under these circumstances difficult to keep it." He further testified that with a ground rent number of \$933,000 the City would have to consider ending validation, raising rates or laying off staff at the Water Street Garage so as to help "keep the parking solvent" or the City would face "really difficult impacts on our budget." Both the City and CPC are aware that the fair market ground rent will greatly exceed \$933,000 in 2024. Both the City and CPC are aware of another ground lease downtown near the garage which will be netting \$900,000 per year for 1 acre of land in 2024, while the Water Street Garage ground lease is for 2 acres or double the amount of land. This sales comp alone, as the recent appraisal of the City's spaces also noted, insures that in 2024 the ground rent will far exceed what the garage as presently operated will be able to pay. At that time, the City will be confronted by the severe choices as to the operation of the Water Street Garage that Mr. Watts recently testified about.

In addition to the ground lease reset in 2024, the Market Street Garage will turn 50 years old. When built in 1974, it was estimated that the garage would be structurally sound for 50 years. Whether the Market Street Garage can last past 2024 structurally remains to be seen, but it is another major issue the City will face in 2024 concerning parking downtown. A scenario in which the ground lease increase is simultaneous to the structurally required replacement of the Market Street Garage, would create financial difficulties that would be far more onerous than those Mr. Watts anticipated in his 2015 testimony. The replacement of the Market Street Garage whether required in 2024 or 2034 is a known temporary drain on the parking supply in the future and a cost the City will have to bear, which makes it all the more imperative that the dispute at Water Street is resolved promptly.

Taking all of the above into consideration, it is time for the City to make a decision. Kicking the can down the road yet again is not good for our downtown businesses, not good for future development, not good for property values, and not good for the taxpayer. Any resolution outlined above other than Scenario #4 will enable both parties to move on and address the expansion of the parking supply now. Inaction is contrary to the interests of everybody and may prove to be disastrous for the downtown stakeholders in 2024. I hope that you will give this proposal and the options spelled out herein your close and careful consideration. We would appreciate a reply to this letter by September 7, 2016. Please do not hesitate to contact me with any questions.

Thanks and best wishes,



Dave Norris
General Manager