CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA

Agenda Date:	August 5, 2024
Action Required:	Approve resolution
Presenter:	Chris Engel, Director of Economic Development
Staff Contacts:	Chris Engel, Director of Economic Development Robinson Hubbard, Deputy City Attorney Samuel Sanders, Jr., City Manager
Title:	**Resolution to Appropriate funding to the Parking Fund - $1,400,000 (1 of 2 readings)**

Background

The City, by virtue of its membership in the Water Street Parking Garage Condominium Association (WSPGCA) entered into a 99-year ground lease for the land under the Water Street Parking Garage in 1991. At the time, this enabled new structured parking to be built at a key location in an effort to support the growing downtown mall area. The ground rent during the early years of the lease was favorable to the WSPGCA and below market value. As of 2014, and every ten years thereafter, the rent resets based on the appraised value of the land as if unimproved. In 2014, the rent reset triggered litigation involving the property owner, the association, the City, and others. In 2018, the City entered into an agreement to lease the remaining 317 parking spaces so that the facility could be uniformly managed.

Discussion

In early 2024, the property owner presented an appraisal indicating a significant increase in the ground lease rent. In an effort to avoid litigation and make this increase more gradual, the association and tenant sought to negotiate an alternative solution. The parties have reached agreement on a solution that includes the following elements:

1. An amendment to the ground lease that sets the annual rent to be paid for the period from July 1, 2024, to June 30, 2044.

2. An amendment to the parking space lease that extends the term to June 30, 2044, and sets the annual rent to be paid for the period from July 1, 2024, to June 30, 2044.

3. An option for the City to purchase the land (subject to the ground lease mentioned above) and the parking spaces (subject to the above-mentioned lease) effective July 1, 2044. If the City does not exercise this option, then Charlottesville Parking Center will purchase the City’s parking spaces.

The amendments remove the opportunity for future appraisal disputes, provide known costs and allow current parking operations to continue uninterrupted.

The option agreement provides the City a twenty-year timeframe to assess the need for and desirability of municipally owned and operated parking facilities and determine if ownership is appropriate at that time. It also ends the City's rent obligation to the WSPGCA as of 2044.

Alignment with City Council's Vision and Strategic Plan

The item supports City Council's Strategic Plan Framework Areas of Transportation and Economic Prosperity.

Community Engagement

No engagement specific to this application

Budgetary Impact

There will be no impact on the general fund in FY25. The source for the additional appropriation is from previously appropriated funds in the Capital Projects Contingency fund. Future budgets and parking rates will need to be adjusted to accommodate these obligations on an annual basis.

Recommendation

Staff recommends approval of the resolution and appropriation of the funds.

Alternatives

N/A

Attachments

1. RES_WSPGCA Resolution to Approve Appropriation 08.05.24