

# Cashout

## Car Parking Policy Change to Reduce Congestion & Increase Choice

**Car Parking Cashout:** when employers pay employees an extra amount each time that they get to work *without driving*

# Best Example of a Company Cashout

Case (#1), Reference Patrick Siegman's article in Bicycle Pedestrian Federation

- Company: CH2M Hill
  - » Location: Bellevue, Wa (Seattle suburb)
  - » Size of (Engineering) Firm: 430 employees
- Action: \$40/month (in 1995), *to not drive*

## CH2M Hill Work Trips

<i>Mode</i>	<i>Before</i>	<i>After</i>
<b>Drive Alone</b>	<b>89%</b>	<b>54%</b>
<b>Carpool</b>	<b>9%</b>	<b>12%</b>
<b>Bus</b>	<b>1%</b>	<b>17%</b>
<b>Bike, Walk</b>	<b>1%</b>	<b>17%</b>
	<b>100%</b>	<b>100%</b>

# Cashout Results

Financial Incentives, Impact on Parking Demand*					
Location	Scope	Employees, Assumed No.	Financial Incentive per mo. (1995 \$'s)	Parking Decrease	
<b>Group A: Areas with little or no public transportation</b>					
Century City District, West Los Angeles	3500 employees surveyed at 100+ firms	3500	\$81	15%	
Cornell University Ithaca, NY	9000 faculty & staff	9000	\$34	26%	
San Fernando Valley, Los Angeles	1 large employer ( 850 employees)	850	\$37	30%	
Bellevue, WA	1 medium-sized firm (480 employees)	430	\$54	39%	
Weighted Average of Group		Sum	13780	\$46.75	23.9%
<b>Group B: Areas with fair public transportation</b>					
Los Angeles Civic Center	10000+ employees at several organizations	10000	\$125	36%	
Mid-Wilshire Blvd., Los Angeles	1 mid-size firm	430	\$89	38%	
Washington DC Suburbs	5500 employees at 3 worksites	5500	\$68	26%	
Downtown Los Angeles	5000 employees surveyed at 118 firms	5000	\$126	25%	
Weighted Average of Group		Sum	20930	\$109.52	30.8%
<b>Group C: Areas with good public transportation</b>					
University of Washington, Seattle	50,000 faculty, staff & students	50000	\$18	24%	
Downtown Ottawa, Canada	3500+ government staff	3500	\$72	18%	
Weighted Average of Group		Sum	53500	\$21.53	23.6%
Weighted Average Over 3 Groups			\$46.35	25.3%	

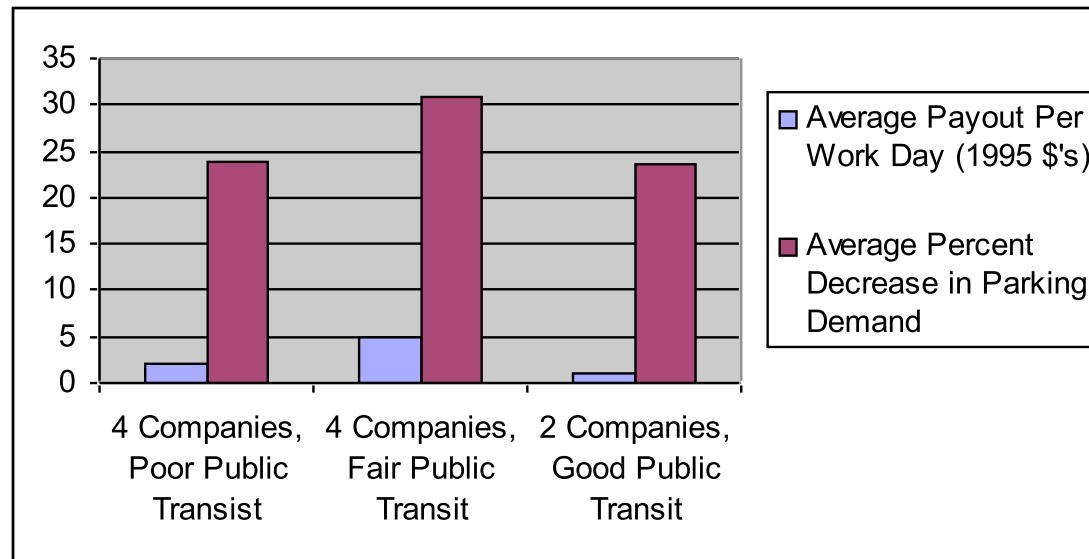
- Reference: *How to Get Paid to Bike to Work: A Guide to Low-traffic, High-profit Development.* Published in *Bicycle Pedestrian Federation of America*, 1995.

- 3 Largest Responses
  - » 36%, 38%, 39%

- 3 Smallest Responses
  - » **15%** , 18%, 24%

- Responses are the **change**
  - » Car vacancy rates would be larger

# Cashout Results Summary



- Of the 10 Cases
  - » 3 Largest Responses: 36%, 38%, 39%
  - » 3 Smallest Responses: **15%** , 18%, 24%
  - » **These are changes; vacancy rates would be larger**

# Cashout Recommendation

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- Passed By Planning Commission 6/28/05

**Strategy 2: TSM Programs. Encourage TSM programs for employees in both the public and private sectors by including preferred parking for carpools, providing bus passes, encouraging compressed workweeks and offering parking cashouts.**

# Better Cashout Recommendation

- Amend Off-street Parking Ordinance, 3 Items:
  - » 1.) Definition of Car Parking Cashout
  - » 2.) Schedule of Parking Lot Size Reductions, as a function of amount paid (reductions apply only after City verification of expected reductions in driving), such as . . .
    - \$4/day allows a parking lot size reduction of 9%
    - \$6/day allows a parking lot size reduction of 12%
    - \$9/day allows a parking lot size reduction of 18%
    - If the percentage of employees getting cashout exceeds 1.5 times the parking lot size reduction, then the amount paid can be reduced by the factor of 1.5 times the parking lot size reduction divided by the percent of employees getting cashout. “Payment Adjustment”
  - » 3.) Legal protections so that in all cases the City can protect neighborhoods from the intrusion of parked cars.

# Better Strategy 2 Recommendation

**Strategy 2: TSM Programs.** Encourage TSM programs for employees in both the public and private sectors by including preferred parking for carpools, providing bus passes, and encouraging compressed workweeks.

**Encourage Employee Cashout Programs by amending the Parking Ordinance (within 1 year) with 1.) a definition of employee cashout, 2.) a schedule of parking lot size reductions as a function of amount paid, to be applied after City verification of expected reductions in driving and with a suitable payment adjustment applied to protect the companies and 3.) legal protections to ensure sufficient parking in all cases. Note that Cashout will increase walking, biking, carpools, and transit use.**

# Need for Payment Adjustment

- Assume 1.5 times the Percent Parking Lot Size Reduction is the expected Percent of Employees that won't drive after cashout (Parking lot vacancy rate = 1.5 x Parking Reduction)
  - » This is a 50% safety factor, to ensure enough parking
- “Nominal Payment” must be adjusted to solve 2 problems
  - » If too few employees drive, the company would have to pay more than anticipated or needed
    - Need to pay less than the “Nominal Payment”
  - » If too many employees drive, the 50% safety factor is reduced
    - Need to pay more than the “Nominal Payment”
- Solution: the nominal amount paid must adjusted as follows:



# Payment Adjustment from Nominal

$$\frac{\text{Amount paid to each employee for not driving} = (\text{Nominal Payment}) (1.5) (\% \text{Parking Lot Size Reduction})}{\text{Percent of Employees that Don't Drive}}$$

- Company always pays:  
 $(\text{Nominal Payment})(1.5)(\% \text{Parking Lot Size Reduction})(\text{Total Work Force})$
- If the Percent of Employees That Don't Drive Takes on the following values, the amount paid is . . .
  - »  $(1.5)(\% \text{Parking Lot Size Reduction})$  results in the Nominal Payment
  - » 2 Times expected  $(3 \times \% \text{Parking Lot Size Reduction})$  results in one-half of the Nominal Payment
  - » 3 Times expected  $(4.5 \times \% \text{Parking Lot Size Reduction})$  results in one-third of the Nominal Payment
  - » Zero safety factor (Percent that don't drive = Parking lot size reduction) results in 1.5 times the nominal being paid
    - This should never happen

**Note: “Costs” are a new type of compensation for employees, aiding in employee retention**

- Parking space rental
  - » Employees or general public for boats, RVs, extra cars (Lockheed does this), other storage
- Leased, to providers of services for employees
  - » Laundry pick-up, fitness center, **child care**
- Larger sites could group excess parking for additional offices (within General Plan guidelines)
- If corporate land backed up to residential **or parking lot fronted an appropriate arterial**, housing units could be provided

**Our City will become cleaner, safer, more beautiful, and generally more functional.**

**Note: “Cost” is a new type of compensation for certain employees, aiding in employee retention**

- Assumptions (Hypothetical Cupertino company)
  - » 5000 Employees
  - » 120 cars per acre (no parking garage)
  - » City allows a 12% reduction (but expects a parking lot vacancy rate of  $1.5 \times 12\% = 18\%$ )
  - » 20% of employees don't drive after cashout
  - » \$5/Day paid (except that per-cent of drivers exceeds 18%, so only  $\$5 \times (18/20) = \$4.50$  paid)
  - » Land sold for \$3 million per acre
  - » Money obtained from sale earns 10%
  - » 250 work days per year
- Cost per year =  $\$5 \times (18\%/20\%) \times (20\%) \times 5000 \times 250 = \mathbf{\$1.125 \text{ million/year}}$
- Pay off from investment of sold land =  $(10\%)(12\%) [ (5000/120) \text{ (total initial acres)} ] \$3 \times 10^6 / \text{acre} = \mathbf{\$1.5 \text{ million/year}}$

**Company gives its employees a new choice, becomes an environmental leader, and earns money.**

**Note that no known group is asking that cashout be required.**

- Possible Outcomes if the 3 Parking Ordinance Amendments are Enacted
  - » No Companies adopt cashout
    - Shows no companies see an economic advantage
    - Argues against a requirement
    - Who would want to force an economic disadvantage?
  - » A few companies try cashout but have limited success
    - Argues against a requirement
  - » Some companies try cashout & have success
    - More will probably follow
    - Argues against a requirement

**Enactment of the 3 proposed ordinance amendments is very unlikely to result in cashout being required.**

# Fear of Cashout Enforcement Issues

- An Explicit feature of the current proposal: **no parking size reduction until after City verification**
  - » As soon as Companies adopt cashout, serious money is being paid
  - » However, Company cannot start getting the benefit of reduced parking (leasing parking to others, redevelopment for their own purposes, or sell off of excess land) until verification
  - » Companies will be VERY motivated to achieve verification ASAP
  - » City will randomly ask workers (telecon), “How do you like cashout?”
  - » City will randomly count cars to determine parking vacancy rates
  - » If cashout is not real, verification will fail, the company will lose serious money, and gain no benefit

**Only companies that are confident in their own ability to implement cashout will try cashout.**

## **Concern # 1: New tenant company fails to do cashout**

- At the time any redevelopment or sell off occurs, the property owner must enter into a use agreement (Item 3, “Protections” of proposal)
  - » All future tenants must pay cashout at the rate which enabled the change
- Comparable to a use agreement a restaurant may enter into that says they must close at 10 PM, for example
  - » Enforcement and legal dispute issues may arise
  - » Still, these agreements are not uncommon
  - » They show flexibility on the part of both parties, to achieve a desired result
- New tenants can expect City “spot checks” to ensure compliance
- Tennant companies will be enjoying less rent due to fewer parking spaces
- Tennant companies will be spending (most of?) their savings on cashout

**Use agreements are common.**

**Use agreements usually present no enforcement problems.**

## Concern # 2: Property value of cashout property will fall

- Owner has less than a normal amount of parking because either . . .
  - » Has more development (offices, child care, fitness center, or other) than before
  - » Has sold off extra land
- Compared to competing properties (assume identical development) . . . .
  - » Substantially less parking
  - » Substantially less lease needs to be charged (or can be obtained)
- Tenant will take the money gained from the reduced rent and use it to pay cashout
  - » Employees that get cashout money are more easily retained
  - » Many employees are proud to work for a cashout company
- Landlord is OK with reduced rent (compared to similar development with full parking) because either ...
  - » Extra development allowed a higher baseline

**Property owners will protect their own interests.**

**Cashout properties will be able to compete in the market place**

**“Property owners should be allowed to do anything they want with their property as long as it is not immoral” Councilmember James**

# Post Bicycle Pedestrian Commission Charts

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Post Bicycle Pedestrian  
Commission Charts and  
Backup Charts follow  
this chart



*Note: This goes before the Council on April 18<sup>th</sup>!*

**From Glenn Goepfert: Following a presentation on parking cash out by Mike Bullock of the Silicon Valley Bicycle Coalition (SVBC), the Cupertino Bicycle Pedestrian Commission, at its regular November 16, 2005, meeting approved the following motion by a vote of 4-1:**

**Whereas a central goal of the Bicycle Pedestrian Commission is to study and advise Council on topics that encourage bicycle and pedestrian travel in Cupertino: and whereas the Commission feels that parking cash out might be such a topic, the Bicycle Pedestrian Commission therefore requests that if Council wishes to explore the concept parking cash out further, that it direct the Bicycle Pedestrian Commission to explore the concept, and report back to Council at a time of Council's choosing.**

# Possible Council Cashout Motion

**This approach, taken in the near term, would avoid a wait for BPC conclusions. Instead, the staff could start their work while the BPC develops a strategy to ensure that Cupertino companies will be aware of their new options.**

**Whereas a goal of the City is to attract and retain employers to meet General Plan jobs projections, while creating more transportation choices, the Council requests staff to encourage companies to consider adopting cashout programs, possibly by amending the off-street parking ordinances, as documented in the recent General Plan discussion, while respecting all company's right to forego cashout.**

# Cupertino Office Conversion Task Force

- Conversion: obsolete offices to housing
  - » “Lost jobs” placed into pool
  - » Existing or new-development companies can then apply to get jobs from pool
- Maintains General-Plan, jobs-housing balance
- Sets up mechanism for on-site, office expansion
- Cashout option could reduce parking needs
  - » Currently, this would be illegal

# Comparison of Adding Parking to Paying Cashout

Parking Garage Assumption

- Additional parking space costs \$25,000
  - » For each space saved, money is invested in Mutual Fund at 8%, providing \$2,000 per year
- Cashout will be paid to 1.5 employees for each parking space saved
- Assume \$4/day, nominal
- Cost per year per parking place is  $\$4 \times 1.5 \times 250$  work days per year = \$1,500 per year

When the number of non-motorists exceeds 1.5 x reduction allowed, payment is scaled down

**For these assumptions, the company earns \$500 extra on each eliminated space**

# Note from the Director of Community Development

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**From:** Steve Piasecki [mailto:SteveP@cupertino.org]

**Sent:** Tuesday, January 24, 2006 3:55 PM

**To:** Bullock, Mike

**Subject:** RE: BullockCommentsOnTollBrotherPresentationToTheBPC  
Mike,

Tonight the Planning Commission will be discussing the proposed Marketplace expansion. They are short on parking and we are recommending that they incorporate parking cashout into a Transportation Demand Management program to compensate for the fewer spaces.

I thought you might be interested.

Steve