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MEMORANDUM

TO: Ryan Sass
FROM: Rick Williams, RWC
Owen Ronchelli, RWC
DATE: April 16, 2009

RE: Everett, WA: Analysis of Opportunities – Downtown Parking Garage

I. BACKGROUND

The City of Everett recently completed an evaluation and analysis of its downtown parking system. This analysis documented capacity and utilization for 4,548 on- and off-street parking stalls within a 54 block area of the downtown (see **Figure A** for Study Zone).¹ A corollary task associated with the capacity and utilization analysis was development of a comprehensive outline of policy and strategy recommendations for on-going parking management in the downtown. A key strategy recommendation was to “Identify and complete planning for possible development of new public visitor parking supply in the downtown, ideally located to serve the Colby/Oakes and Everett/Wall high occupancy node.”²

The purpose of this memorandum is to provide input and information regarding the possible siting of a new public parking garage in the downtown using a “best practices” approach. To facilitate this, the analysis will be presented in two sections:

1. Developing evaluative criteria for garage siting that can assist the City in identifying sites that have the highest probability for operational and financial success.

Figure A



¹ *Parking Inventory and Utilization Analysis*, Rick Williams Consulting, December 2007.

² *City of Everett, Washington – Recommended Downtown Parking Management Strategies*, Barney & Worth, Inc. and Rick Williams Consulting, November 2008.

2. Estimating development and operating costs, financing assumptions and overall debt service of a “prototype” garage that could be located within the study area.

It should be noted that no new public parking garage is proposed at this time. For this analysis, specific blocks or sites within the downtown are not called out as potential development sites. Information contained in this memorandum will help narrow the area within the downtown that would have the highest probability to support a new parking garage.

The information provided is intended to assist the City in future efforts to site a public garage in the downtown in a manner that maximizes access, serves multiple user groups, contributes to the urban form of downtown and enhances financial feasibility.

II. EVALUATIVE CRITERIA – SUCCESS FACTORS

Construction of parking garages is expensive. In the Pacific Northwest, parking garages in urban settings (i.e., downtowns) can range from \$25,000 - \$35,000 per stall or more (hard cost) for an above grade facility. Costs can be reduced somewhat by design, but too much value engineering of a garage’s design can hamper its utility or appearance, undercutting its value as an asset to the downtown. Similarly, the way parking is managed in the area surrounding a potential site is extremely important as a means to direct and encourage traffic into an off-street location. This is particularly important for publicly owned parking garages. Also, sites that benefit from proximity to multiple uses are likely to be more financially successful than facilities serving single user groups. These “rules of thumb” may be common sense, but it is important to recognize and consider them carefully when assessing the financial risk/feasibility of one site over others.

In short, there are a number of factors that can contribute to the success of a parking facility, both in terms of its attractiveness to users as well as to its financial feasibility. These factors should be taken into consideration as potential sites are evaluated, as discussed below.

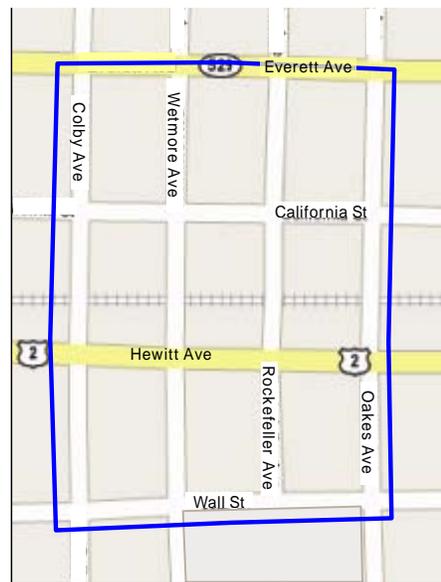
a. Constrained parking environment

Parking garages are most successful when they are located in an environment where parking is already constrained. This is particularly important if it is assumed/expected that revenues from garage operations are to play a significant financial role in covering a high percentage of garage operating expenses and debt coverage. The parking industry uses the 85% occupancy standard as a general measure of constraint within a parking environment. Using the “85% Rule,” a parking area is considered constrained when peak hour occupancies routinely exceed 85 percent.

On-street

In Everett, on-street parking within an identified “downtown high occupancy node” reaches between 88% and 92% occupancy over a nearly 5 hour peak occupancy period. **Figure B** delineates the high

Figure B
Downtown High Occupancy Node



occupancy node from the downtown parking study. A facility located within this node would benefit from demand that already exceeds on-street supply.

On-street parking occupancies in the downtown outside this node peak in the range of 60% - 75%, meaning a garage would not be well suited to capturing demand. The on-street system has substantial capacity available to absorb growing demand.

Off-street

Off-street occupancies in downtown Everett peak at about 72%. This is consistent both within and outside the high occupancy node. The Port Gardner Garage, for instance, maintains a peak hour occupancy of 71%. For areas within and outside the high occupancy node, the preponderance of off-street parking is in surface lots – which are often opportunity sites for new development. This could quickly create constraints as surface lots are developed.

Siting a facility within a constrained environment increases its chances of capturing parkers seeking open stalls. An area that exceeds 85% occupancy is also an indicator of a vibrant and growing area generating demand for parking. On the other hand, locating new parking facilities in low occupancy areas creates challenges for attracting parkers and making garage pro forma numbers feasible.³

b. Paid parking environment

Off-street parking facilities benefit when the on-street parking that surrounds them is metered. Free on-street parking creates an incentive for users to avoid a garage that charges for parking. Also, once a garage is built, on-street long-term parking within three to four blocks of the site needs to be re-designated as short-term parking, or priced in a manner that an all-day stay at an on-street meter would exceed the daily maximum rate charged at the garage. This is particularly important with publicly owned garages where the priorities that control/allocate on-street parking (for customers and shorter-term visits) and off-street parking (for longer-term visits and employee parking) can be managed as an integrated system.

At present, all on-street parking in downtown Everett is free. As garage sites are identified, the issue of timing for, and possible implementation of, paid on-street parking will need to be evaluated.

c. Land already in public control

How land is allocated can significantly impact financing and debt coverage once a garage is built and operating. For example, land in public ownership/control can be held off of a pro forma; or it can be financed at a lower rate. Similarly, the value of land in private ownership can be translated into a commitment to the owner for specific access privileges in a “public/private partnership” project rather than cash payment that would be carried in a pro forma. The ability to manipulate land costs can significantly improve revenue performance and expense-to-debt coverage.

³ This is not to say that garages cannot be located in low occupancy areas, for instance, to support planned development targeted for an area or to serve as a “catalyst” for future business growth. However, garages that have been constructed under these assumptions generally require much higher public subsidies.

Land costs in the core of downtown Everett are estimated to be in the range of \$70 - \$80 per square foot. At this level, the full carrying costs of land for a 400-stall garage would be in the range of \$7,500 per stall.⁴

d. Proximity to multiple uses

It is important to recognize there are several “markets” that parking serves in a downtown area. The most successful garages are located to capture a percentage of as many of these markets as possible. Five major markets for parking include:

- *Weekday-commuter parking.* Parking for employees of an area, generally between the hours of 6:00 a.m. and 6:00 p.m.

Initially (and ideally) 50% - 60% of stalls within a new public garage would be allocated to monthly passes (i.e., commuter/employee parking).⁵ Therefore, when sizing a garage it is important to understand whether the “demand” for monthly passes can be expected to total up to half or more of the total stalls. Some cities have built very large garages then realized there was not enough demand/commitment of ‘monthlies’ to maximize the spaces built. This is especially important in the early operating years of a facility (i.e., years 1-6) as monthly passes provide a “guaranteed” year-round base revenue stream. This is in contrast to short-term visitor parking demand that experiences substantial seasonal fluctuations.

As a garage (and the area adjacent to it) matures, this may become less of an issue, but a committed monthly pass revenue stream contributes greatly to a successful pro forma and financing. As such, it is important at the outset to consider the proximity of a garage to *existing* employment uses. Generally, a garage best serves commuter uses within 700 to 900 feet of a site.⁶

- *Weekday-customer/visitor parking.* Parking for users accessing businesses in the area near the garage.

Customers/visitors generally have stays of less than four hours and seek parking that is within 600 to 700 feet of their destination. Proximity to dense retail/commercial businesses with higher patron activity is ideal. Weekday customer/visitor parking is generally most active between 10:00 a.m. and 4:00 p.m.

Based on the most recent City of Everett parking occupancy study conducted within the downtown high occupancy node, an average of 2,775 vehicles park each day on-street within this node for a duration of 1.65 hours (or 1 hour and 39 minutes). That means an average visitor stall in this node will turn over approximately 6.10 times over the course of a typical “visitor day” (i.e., 10 hours of enforcement/1.65 hours = 6.1 turns per stall). From this perspective, 100 net new parking stalls could serve 610 new customer trips per weekday within a constrained parking area.

⁴ For purposes of illustration, this number assumes a 40,000 square foot development pad. At \$75 per foot, the pad would cost \$3,000,000. Allocating this land cost to 400 parking stalls would result in a carry cost of \$7,500 per stall.

⁵ As a garage matures, a greater percentage of stalls can be dedicated to other, more short-term, uses. However, even very high volume short-term, visitor garages (e.g., Portland, Oregon’s SmartPark system) typically maintain at least 15%-25% of stalls in long-term, commuter uses.

⁶ This distance can be extended in areas that have access to very good and frequent shuttle/circulator systems.

As stated earlier, for purposes of successfully siting a garage, it will be most beneficial to locate a new facility as close to on-street parking that is currently operating in excess of 85% occupancy and turning over at the highest rate possible. In Everett, the node of high occupancy provides this level of activity. On-street areas outside the high occupancy node do not meet these thresholds.

- *Evening parking.* Evening parking generally begins attracting trips beginning at 6:00 p.m. and extending to midnight or later (depending on the day). The most successful evening parking facilities are generally located in areas with high restaurant/bar activity and/or proximity to event venues (theaters, concert halls, auditoriums, arenas, etc.).

Evening garage operations are also facilitated in areas where on-street parking enforcement extends beyond 6:00 p.m. This tends to encourage evening employees to avoid the on-street system and instead opt for reasonably priced off-street facilities (or use public transit). In areas with event venues, extended enforcement hours encourage event goers (generally with time stay needs in excess of 90-120 minutes) to find parking in off-street facilities.

The downtown Everett occupancy study reveals very high evening parking demand in the node of high occupancy. Occupancy in this node reaches the highest level between 6:00 and 7:00 p.m., when 92% of stalls are occupied. This is in contrast to other areas in the downtown that reach only 61% occupancy at that hour.

- *Weekend parking.* Parking that accommodates uses on Saturday and Sunday.

Garages too focused on commuter parking may lose opportunities associated with weekend visitor activities; they locate closer to employee demand generators rather than visitor demand generators.⁷ Maintaining proximity to both employment and visitor demand generators is very important.

The recently completed parking study for downtown Everett did not collect data for weekend uses in the downtown.

- *Residential parking.* Parking that accommodates residents who live in a specific area.

Parking for residential users presents both an opportunity and a challenge. Owners of downtown condominiums prefer segregated and secure parking. This parking is generally sold directly to the condo owner along with the purchase of their residential unit. Debt coverage on the stall is assured, but the use of the stall is limited to that residence and not available to serve other uses when the stall is unoccupied.

In situations where residential parking is incorporated into the general supply of a garage (e.g., apartment units/non-ownership residential) conflicts may occur between commercial parking demand and residents. For instance, residents parking in a garage during weekdays compete with employee monthly parking and visitor access. Also, the market for monthly rates for residential parking (particularly non-ownership units) is

⁷ Many successful multi-use garages are able to attract employees up to 1,000 feet away from a facility through bulk supply agreements with tenants for employee parking and integration into shuttle circulator systems. This provides for a better balance in capturing multiple users and providing convenience to commuters.

generally less than for employee commuter parking, making this type of parking less desirable in mixed use garages.

A parking garage located in proximity to multiple uses that are in operation weekdays, weekends and evenings enhances the ability of a garage to broaden its user base. Similarly, locating a facility close enough to attract daily commuter traffic provides a consistent revenue base upon which to grow a parking operation. In short, parking too focused on commuter demand can leave a garage significantly underutilized evenings and weekends. Relying too heavily on visitor demand can put a garage at higher risk given the volatility and seasonality associated with visitor demand.

e. “Separation” from other garages

When siting public garages, it is important to consider the location of other off-street facilities in the area. Locating too close to another facility, particularly when off-street occupancies are less than 85% can create competition for users and reduce the amount of “coverage” a garage can provide to an area. As stated earlier, *customers/visitors* generally seek parking between 600 and 700 feet of their intended destination; *employees* can be accommodated within a “capture area” of 700-900 feet.

Within the node of high occupancy it will be important to consider sites that create separation between the private Port Gardner Garage at California and Wetmore and the City-owned EverPark Garage that borders the western edge of the node at California and Hoyt (just outside the high occupancy node).

f. Ground floor opportunity

Use of the parking garage’s ground floor for active commercial activity (particularly retail) provides an opportunity to: generate interest/trips to the facility; contribute to street level activity and urban form; and create a revenue stream that can augment parking revenues.

Ground floor retail space currently leases at \$9-\$14 per square foot within the retail core. Garage siting should consider the feasibility and desirability of ground floor space and the market for ground floor space in the area.



Urban Garage with Ground Floor Retail

g. Ability to act as a catalyst

Additional off-street parking is worth considering anytime it can serve future development in an area or be a catalyst for development. Like residential parking, siting a garage to serve future growth is both an opportunity and a challenge. When the provision of parking precedes demand, revenue generation is minimized. As such, facilities sited and sized to serve a future demand generally need significant public subsidy to remain viable until such time as expected new development occurs. The cities of Portland, Oregon and Vancouver, Washington have located garages in advance of development (i.e., Station Place in Portland and VancouverCenter in Vancouver). Both facilities were sited in areas that were targeted for significant new growth in future years. The expectation was that the garages would (1)

serve to attract new development to an area where growth was desired and (2) minimize the need for parking in expected new developments. Both cities ran pro formas that showed significant subsidies would be needed through at least the first six years of garage operations. Portland used urban renewal dollars and parking revenues from other garages in its system to cover the operating cost and debt service deficit of the garage. Vancouver provided general fund dollars to cover debt at VancouverCenter.

These “catalyst” garages can be very beneficial to areas in which they are constructed. But they generally rely on other sources of revenue. Strategic decision-making regarding the use of subsidies and timing of new development would be critical before moving forward with this type of project, particularly in contrast with a site located in a more developed and active area.

III. REVIEWING SUCCESS FACTORS – DOWNTOWN EVERETT

It is clear the most successful site for a future public garage in downtown Everett will be located within the high occupancy node, given its demonstrated levels of parking activity and mix of land uses.

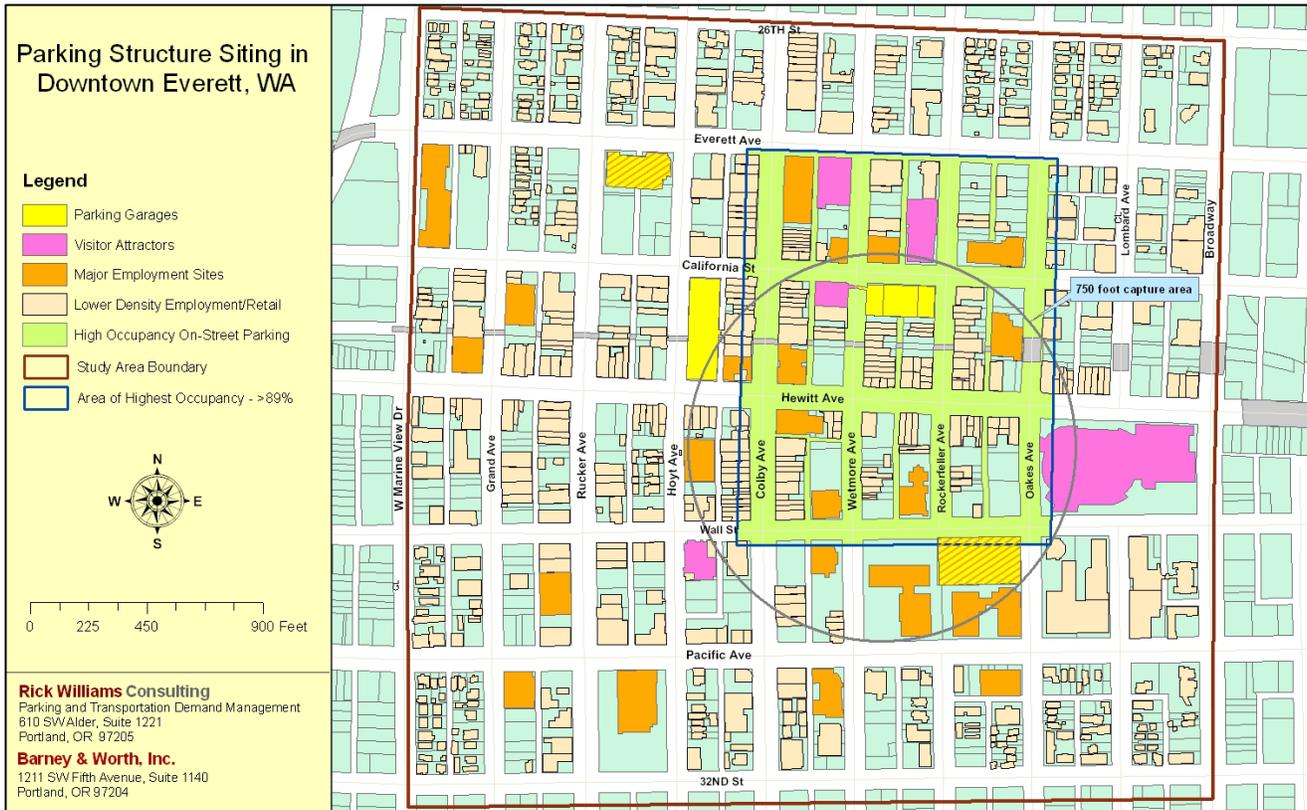
Figure C below shows the high occupancy node with a 750’ “coverage circle” added to provide a sense of proximity and distance to the area of peak parking demand, along with other land uses and other structured parking facilities. 750’ was selected to represent a reasonable walking distance for both employees and visitors.

As **Figure C** illustrates, the high occupancy node not only contains that area with the highest parking occupancies, but also holds some of the highest employment and visitor densities.

The 750’ capture area circle is overlaid in a manner that attempts to capture a relationship to densities and multiple uses, while creating separation from the Port Gardner and EverPark garages. This causes the capture area circle to be somewhat off-center toward the southern end of the node of highest occupancy.

Table 1 provides a summary of success factors discussed above as they are in place (or not) in Everett.

**Figure C
Garage Siting – Potential Capture Area**



**Table 1
Success Factors – Summary**

Success Factors	Outside High Occupancy Node	Inside High Occupancy Node	Comments
Constrained Parking Environment – On-street	No (60% - 70%)	Yes (85% - 92%)	On-street occupancies within high occupancy zone are above 85% for nearly five hours on a typical weekday
Constrained Parking Environment – Off-street	No (72% average)	No (72% average)	Moderate occupancies, high reliance on surface parking lots.
Paid Parking Environment	No	No	Garage financing would carry less risk if on-street system was metered. Without paid on-street, there would likely be need for higher front end subsidy.
Land already in public control	Yes	Yes	The City does own surface parking sites, but they are not necessarily well located or of sufficient size to construct an efficient garage. The City will likely need to purchase a site or look to some form of public/private partnership to move a public garage forward.
Proximity to multiple uses - General	Low - Moderate	Moderate - High	The high occupancy node also contains employment, retail and event activities.
Proximity to: Weekday - Commuters	Moderate Generally lower density buildings	High More proximate to larger buildings w/ higher employment	Employment is distributed throughout downtown, but highest concentration appears to be within 750' circle.
Proximity to: Weekday - Visitors	Low	High	On-street system is 85%+ occupied at peak hour inside high occupancy node. 750' circle touches visitor concentrations along Hewitt and Colby as well as Event Center.
Proximity to: Evening Uses	No	Yes	Parking study demonstrated highest parking peak between 6:00-7:00 p.m. in high occupancy node (92%). Area outside high occupancy node at 61%.
Proximity to: Weekend Uses	N/A	N/A	Weekends were not surveyed.
Proximity to: Residential Uses	Yes	Yes	Potential for serving residential uses with a future garage will need to be explored.
Separation from other garages	Depends on location	Depends on location	When narrowing to a specific site, it will be important to evaluate the relationship of a new garage to existing off-street facilities. Creating separation allows for a more dispersed system of access.
Ground floor opportunity	Low - Moderate	Moderate - high	It appears that ground floor rents in Everett are highest at sites located within the high occupancy node.
Ability to act as a catalyst	Yes Would likely require significant subsidy	Yes Location in high occupancy node could stimulate redevelopment of adjacent surface lots	A garage can serve as a catalyst to development. Regardless, other success factors would need to be in place to lower financial subsidies.

Siting a parking garage that can be successful financially and in attracting users is always a challenge. This is particularly true in downtowns that are evolving to higher and denser land uses. Everett is moving toward a new level of urban form. Minimizing risk in locating a parking garage is essential as the downtown grows. Sensitivity to the success criteria described above will help point to the most prudent direction to pursue.

IV. DEVELOPMENT COSTS – PROTOTYPE GARAGE

If development of a public garage is pursued in downtown Everett, it is clear that siting a garage within the high occupancy node will increase its success, both financially and in terms of serving a diverse mix of users. At this time, there are many locations within the high occupancy node that could serve as future garage sites. As the discussion above infers, locations in the southern portion of the node would be more attractive if “creating separation” from existing public garages is a goal.

This section provides a preliminary discussion regarding the sizing and costing of a future parking garage that would be developed to serve the downtown. The data and assumptions underlying the pro forma model developed for this task have been derived from several sources. This initial model run is intended to raise questions and stimulate discussion by stakeholders, which in turn can be used to refine and enhance the model.

Two pro forma summaries are provided at this time:

- Prototype A. A garage that would be located on a privately owned development site, requiring the City to account for land costs in the model.
- Prototype B. A similarly sized garage on a site that would be in City ownership, assuming land costs would not be carried in the pro forma model.

Both prototypes assume a 343-stall garage with ground floor retail. The garage size has been selected primarily as a means to promote discussion about an appropriate size for Downtown Everett. At 343 stalls on a 30,000 SF pad, the facility would be 5 stories high (1 level of retail plus 4 levels of parking). Additional pro forma models can be run at different garage sizes after review and input by the City and stakeholders.

A. ASSUMPTIONS (Initial Costing)

This analysis assumes a “prototype garage” that could be located on any available parcel within the high occupancy node.

The cost scenario provided here is not intended to be representative of final construction costs for a specific parking project or a final operating format (i.e., mix of monthly, hourly and daily users). As stated above, these represent best case estimates representing costs associated with a possible parking development. Cost estimates are based on financing and operating assumptions derived from comparable projects in other jurisdictions and active input from the City and stakeholders. Revenue generation numbers are based on conservative assumptions for Everett. Turnover and duration of stay estimates (used to build the revenue model) were taken from parking demand and turnover estimates derived from the 2008 Downtown Everett Parking Study.

Overall, the purpose of this costing analysis was to test assumptions and to develop a solid foundation for the planning and financing of future parking supply. New assumptions, design

considerations and additional information and timing of projects can have significant effects on final cost. Basic assumptions underlying costing/revenue estimates include:

- a. Hard costs and fully loaded construction costs are derived from recent Pacific Northwest garage projects.
- b. Indirect (soft) costs are figured at 25% of hard cost. Indirect costs include design, engineering, permits, etc.
- c. Land costs, for Prototype A, are carried in the pro forma model at \$75 per square foot based on the average for land costs in this area provided by the City. Prototype B carries no land costs, assuming an existing City owned site would be developed.
- d. A development “pad” of 30,000 square feet is assumed. It appears that a pad of 150’ X 200’ could be easily accommodated on numerous sites within the high occupancy node. This assumption can be refined as candidate sites and more specific site dimensions are identified in the future.
- e. Public financing is assumed at 5.5% over 25 years.
- f. The model does not assume any equity contribution at this time (except land contributed in Prototype B).
- g. The garage prototypes were sized at 343 stalls based on an assumption that this number of new stalls in the downtown is reasonable and most feasible from the point of view of massing and financing. More or fewer stalls could be developed on specifically identified sites but it is assumed that very large garages in the area of downtown would “oversupply” parking to a degree that makes garage feasibility in Everett unlikely.
- h. Pro forma modeling assumes that paid on-street parking would be in place before the opening of a new off-street garage.
- i. Monthly parking rates are estimated at \$75 (2008\$) and escalated by 3.0% annually. Hourly rates are assumed to be \$1.00 and all day parking is modeled at \$7.00 per day. Average weekday duration of stay for short-term trips is assumed to be 1.95 hours, based on on-street parking data derived from the 2008 Downtown Parking Study.
- j. Annual retail lease rates are assumed at \$12 per gross square foot, which is an average of the high (\$14) and low (\$9) estimates of current ground floor rents provided by the City and stakeholders. This rate can be adjusted as more detailed information regarding ground floor lease rates in this sector of the downtown are identified.
- k. Garage operating costs are drawn from Rick Williams Consulting’s experience with similar facilities in the region. Given the volume of use, the garage is assumed to operate in an “attended garage” format. Use of pay stations can be discussed as an option to reduce labor costs associated with garage operations.

As stated above, the model allows all assumptions to be refined in the future as discussions with the City and stakeholders evolve. Again, the purpose with this analysis is to establish an initial basis and framework for review of parking garage development in downtown.

B. FINDINGS (Initial Costing)

General Overview

As Table 2 indicates, the estimated cost of a prototype facility would be between \$15 and \$18 million. The hard cost for the development is estimated at \$30,100 per stall with fully loaded costs rising to between \$44,897 and \$53,651 (which includes the retail ground area). Annualized operating revenues total \$1.12 million on debt/operating expenses of \$1.4 to \$1.8 million. At this level, the garage moves to a positive cash flow somewhere between the 16th and 20th year of operation. Parking revenue alone (without retail) is generated at a rate of approximately \$194 per stall per month (annualized at 10 years).

Without significant subsidy, the prototype model could not sustain itself financially within the current Everett parking market.

Factors that could affect the model

- The model does not assume any equity contribution (except land in Prototype B) that might drive down the “front end” financing cost of the facility.
- The model does not, at this time, assume a “profit” or rate of return to the City. In other words, the model was run only to reflect actual costs (development, financing and operations) to estimated revenue. Using the assumptions stated the model does not take into consideration other contingencies or expected rate of return.
- The retail component of this model contributes positively to the revenue outputs. The model estimates that the retail component of the project would generate approximately \$420,000 a year (annualized) against retail operating expenses of \$34,000 per year. Without the retail, the pro forma would lose approximately \$80.00 per stall per month in revenue.

**Table 2
Summary of Parking Development Costs:
Prototype Downtown Parking Garage**

	With Land Cost	Land Already in City Ownership
Total Stalls	343	343
Est. Site Area	30,000 SF	30,000 SF
SF of Parking Area	120,000 SF	120,000 SF
SF of Retail Area	15,000 SF	15,000 SF
Est. Cost of Land (@ \$75 per SF)	\$2,250,000	\$0
Land cost per stall	\$6,560	\$0
Direct Costs Construction/ Parking Development	\$10,320,000	\$10,320,000
Hard Cost per Stall	\$30,100	\$30,100
Cost of Retail Development	\$1,219,050	\$1,219,050
Sales Taxes @ 8.4%	\$1,158,280	\$969,280
Indirect Costs @ 25%	\$3,447,263	\$2,884,763
Equity Contribution @ 0%	\$0	\$0
Total Financed	\$18,394,593	\$15,393,093
Full Cost per Stall <i>w/ Retail</i>	\$53,651	\$44,897
Annual Gross Revenue Parking (annualized est.)	\$798,560	\$798,560
Annual Gross Revenue Retail (annualized est.)	\$329,603	\$329,603
Combined Gross Revenue (annualized est.)	\$1,128,163	\$1,128,163
Annual Operating Costs (annualized est.)	<\$266,477>	<\$266,477>
Annual Debt Service @ 25 Yrs. @ 5.50%	<\$1,355,507>	<\$1,134,325>
Net Cash Flow (annualized @10 years)	<\$493,821>	<\$272,639>
First Year in positive cash flow	Year 20	Year 16
Monthly revenue per stall (parking only)	\$194.09	\$194.09
Monthly revenue per stall (w/ retail contribution)	\$274.21	\$274.21
Monthly per stall needed for expense & debt coverage	\$394.23	\$340.47
Monthly per stall gap between cash flow and break even	<\$120.02>	<\$66.26>

C. SUMMARY

The modeling analysis presented here is intended for purposes of initial discussion with the City of Everett and interested stakeholders. Review of all assumptions by the City of Everett is expected, resulting in refinements, revisions and additional iterations.

V. FUNDING OPTIONS FOR NEW PARKING SUPPLY AND SYSTEM MANAGEMENT

The fiscal challenges of parking, transportation, and economic development in a downtown are common to many communities across the country. This study recognizes the financial constraints currently facing the City of Everett. New programs and strategies for managing and, possibly, developing parking supply may be difficult to consider in the near term if public funds are necessary to carry forward other priority projects in the downtown. It is assumed that a single revenue source is unlikely to cover the cost of parking management and development.⁸

A. POTENTIAL REVENUE SOURCES

This review focuses on a range of parking options that might be available to the City of Everett. Several of the outlined options may already be in place in the City of Everett. The options outlined attempt to represent *options most commonly used in other jurisdictions* as well as options that are allowable under Washington State statute.

This review borrows heavily from the work of E.D. Hovee & Company, an economics and development services consultant.⁹

1. Most Frequently Used Options

a. *Options Affecting Customers*

User Revenues – Represent the foundation of any parking facility’s revenue structure, albeit with important questions regarding the degree to which parking fees should be implemented (on- and off-street) to support other downtown business and revitalization activity.

Event Surcharges – Encompassed within the SSB 5514 public facilities district legislation providing for automobile parking charges in conjunction with regional center facilities. Fees are generally included in the cost of event ticketing.

On-Street Parking Fees – Many cities elect to collect on-street revenues through parking meters and/or sale of permits. Everett does not currently collect on-street fees in the downtown. To support a success garage operation, the City may need to look at eliminate free on-street parking in the core area.

Parking Fine Revenues – Collected for violations related to overtime and improper parking, and illegal parking in handicapped spaces.

⁸ This list of funding options is not intended to be all-inclusive, but rather a sampling of mechanisms in use in other jurisdictions for the purpose of developing public parking supplies.

⁹ *Downtown Everett Development & Parking Profile*, E.D. Hovee & Company, December 2007.

Parking Taxes – A tax assessed to fees for parking. Such a tax is in place for parking in downtown Seattle, WA. Generally a parking tax is easier to assess against monthly permits than to all cash sales. The tax is generally passed through to the consumer.

b. Options Affecting Businesses

Parking & Business Improvement Area (BIA) – An assessment of businesses rather than property owners. The assessment formula can be based on a number of measurable factors such as assessed values, gross sales, square footage, number of employees, or other factors established by the local legislative authority. In Washington, a BIA requires 60% of merchants to agree to the assessment.

c. Options Affecting Property Owners

Local Improvement District (LID) – A well-established mechanism whereby benefiting property owners are assessed to pay the cost of a major public improvement (including parking). An LID is a property tax assessment that requires "buy-in" by property owners within a specifically identified boundary. LIDs usually result as a consequence of a petition process requiring a majority of owners to agree to an assessment for a specific purpose. This could be an option for Everett, with building owners within a specific proximity of the garage assessed the LID.

d. Options Affecting Developers

Fee-in-Lieu – Usually an option given to developers to pay the local jurisdiction an "in-lieu" fee as a way to opt-out of providing parking with a new development (usually the fee-in-lieu option is associated with minimum parking standards). Fees-in-lieu can range from a fee assessed at less than the actual cost of construction, to the full cost of parking construction. City's that have no parking minimums may want to consider imposing minimums if, strategically, fees-in-lieu provided developers an option to consolidate their demand into "district" garages well located to new and anticipated development.

Public/Private Development Partnerships – Public parking can be an effective tool to facilitate downtown development. This is particularly the case in the state of Washington due to fairly stringent constitutional prohibitions against lending of the state's credit and limited applicability of tax increment financing.

Development partnerships are most likely found with mixed-use projects where parking is used to reduce the costs of jointly developed private office; retail or residential use(s) and/or the private development can serve to defray some of the public cost in developing parking. Public/private development can occur through a variety of arrangements including:

- (1) Public acquisition of land and sale or lease of land/air rights not needed for parking to accommodate supporting private use.
- (2) Private development of integrated mixed-use development with sale or lease-back of the public parking portion upon completion – as a turn-key project.
- (3) Responsibility for public sector involvement directly by the City, through a public development authority (PDA), or other special purpose entity such as a public facility district created for the project or downtown area.

e. *Options Affecting the General Public*

General Obligation (GO) Bonds – Involving use of local jurisdiction issued non-voted or voted bonds to develop parking facilities, subject to overall debt limit requirements.

The legal limit for all voter-approved debt in a municipality is 7.5% of assessed value; the legal limit for non-voted debt is 1.5% of assessed value. With GO bonding, the municipality pledges its full faith and credit to repayment of the debt from general fund resources. In effect, general fund revenues would be reserved to repay debt that could not be supported by parking revenues alone.

Refinancing GO Bonds - Involves refinancing existing debt and pushing the savings from the general fund to debt coverage for a new parking facility.

Revenue Bonds – Pledging parking fee and other designated revenue sources to the repayment of bonds but without the need to pledge full faith and credit of the issuing authority.

Revenue bonding is not appropriate in situations where a local jurisdiction's overall debt limit is a factor and projected revenues are inadequate or not deemed of sufficient certainty to cover required debt service (plus a debt coverage factor). Interest rates also are typically higher for revenue than GO bond financing.

63-20 Financing – Identified as a potential alternative to traditional GO, revenue bond and LID bond financing in the post Initiative 695 era. 63-20 financing (after the IRS Revenue Ruling 63-20) which allows a qualified non-profit corporation to issue tax-exempt bonds on behalf of a government. Financed assets must be “capital” and must be turned over free and clear to the government by the time that bonded indebtedness is retired.

When a municipality uses this technique to finance a public facility, it can contract for the services of a non-profit corporation (as the “issuer”) and a builder. The issuer acts on behalf of the municipality, but has no real business interest in the asset being acquired.

Public Facilities Districts (PFD) – As authorized by SSB 5514 in the 2002 Legislature to fund “regional centers” and “related parking facilities.” A PFD is defined as an independent taxing authority and district under Washington statute. Currently, PFD legislation also allows for what amounts to a sales and use tax rebate of 0.033% from the State of Washington for regional center projects commencing construction by January 1, 2004. This sales tax revenue may serve as the source of repayment for bonding over up to a 25-year period – with matching funds equal to at least 33% of the sales tax revenue coming from other public or private sources.

Downtown & Neighborhood Commercial Districts – Also authorized by the 2002 Legislature with SHB 2437 allowing use of incremental increases in local sales and use tax revenue to finance community revitalization projects including “publicly owned or lease facilities.”

The amount of funding available is the incremental increase in local sales and use tax over the amount generated from within the boundaries of a geographically defined downtown or neighborhood commercial district – above and beyond the amount of revenues generated prior to the creation of the district.

Community Renewal – As enacted with SHB 2357 by the 2002 Legislature to update the state’s urban renewal laws including authorization for public improvement financing from multiple revenue sources including tax-exempt, non-recourse revenue bonds. Requires determination of blight, which may render this option unusable in Everett in some redevelopment areas.

Parking Fund – State of Washington statute enables local municipalities to establish parking commissions and funding mechanisms for parking. The parking fund may encompass all pertinent revenue and expense items, and therefore offers a convenient mechanism for management of parking operations and budgeting.

State & Federal Grants – In the past, a variety of state and federal grant programs have been applied to funding downtown parking structures. In the current environment of more limited state/federal funding, there are no longer any readily identifiable programs as suitable for parking facility development.

General Fund Contribution – Local jurisdictions may make either one-time capital or on-going operating contributions to a downtown-parking program.

This listing of potential sources is not necessarily exhaustive, as other communities have used yet additional sources – which may or may not be applicable to Everett’s situation. Nor are these sources intended to be mutually exclusive. Funding for public parking facilities most often requires application of multiple sources – for what might be considered as layered financing.

B. MOST VIABLE FUNDING OPTIONS FOR EVERETT

From this review of potential parking funding options, several observations are offered as a basis for selecting the *most viable options* for parking facilities that may be considered by the City of Everett:

1. Tailor the funding program to the downtown redevelopment and policy objectives to be served by the proposed public parking facility. In particular, address the question of whether and to what degree fees from parking revenues can or should be expected to cover operating and/or debt service expenses (this includes fees in the garage, on-street and through possible taxes or surcharges on monthly pass sales).
2. Of the two principal assessment methods available in the state of Washington, the LID mechanism is generally preferred for capital development with BIA useful to generate funding for operations and marketing. Local Improvement Districts (LIDs) offer improved marketability to investors with greater assurance of debt repayment. LID financing can be used as one component of a revenue bond without need for GO bond backing (and drawing down the available debt capacity of the city). Finally, LIDs offer the advantage of a more established precedent of successful application throughout the state of Washington.
3. If funding of capital costs requires bonding, revenue bonding is typically preferred by a public agency because the taxing jurisdiction’s debt limits are not affected. However, unless utilization and revenue projections (including sources such as LID) are strong and predictable enough to not only cover debt service and operations but also provide a coverage *cushion*, the reality is that GO backing may be required.

4. Look to public-private partnerships as a means to better use public parking to leverage downtown redevelopment, assure utilization of the parking facility being developed, and offer financial savings. However, public-private partnerships require clear understanding of the financial feasibility and risks associated with a particular project as well as the public costs and benefits that can be expected.
5. Recent legislative measures serve to strengthen the impetus for downtown redevelopment and create additional flexibility in implementation. However, they appear to offer little new in the way of additional revenue sources that can be dedicated to development and operation of public parking facilities. Because these mechanisms also are largely untested (legally and administratively), they should be considered as supplemental resources rather than the mainstay for securing financially feasible public parking developments – for at least the immediate future.

The City of Everett will need to review the list outlined above and evaluate those options most conducive to, and supportive of the development and access vision established for the downtown. It should be noted that, in developing public parking facilities, the use of multiple funding sources represents the rule rather than the exception.

VI. SUMMARY

As downtown Everett grows, so will demand for parking. New development, more trips, losses of current parking supply on surface lots, parking and transportation demand management programs and/or other events can work to accelerate or moderate the need for new parking supply. The City's recent counts of parking occupancy show a constrained supply within the central core. A well located facility within this constrained area could serve new trips, reduce constraints and serve as a catalyst for new development.

To this end, the current parking market in downtown Everett suggests the feasibility of a new parking structure will require additional sources of revenue beyond anticipated parking revenue generated by a facility. For instance, eliminating free on-street parking would be a key component necessary to support the feasibility of any parking garage development in the downtown. Similarly, LIDs (for capital), BIAs/BIDs (for operations/marketing) and other funding sources need to be discussed and assessed. A "package" of funding options will need to be developed and implemented.