

## FINANCIAL SECTION

### INTRODUCTION

The Capital City Development Corporation (CCDC) of Boise has commissioned Carl Walker, Inc. (CWI) and its team firms to assist with the development of a parking system mission and vision, and help answer several key financial questions. The key financial concerns of the CCDC are as follows:

- ***Existing Parking Rate Policy/Structure.*** The CCDC has adopted a rate policy designed to cover the full operational cost of providing parking to its patrons (with the use of TIF funds for facility debt repayment). Regrettably, when rate increases were proposed in the past year, the Board was under extreme pressure not to support them, lessen the amounts proposed, or delay rate increase implementation. The CCDC seeks a strategy from CWI that will result in support for proposed rate increases. The CCDC has also sought the input of CWI regarding the magnitude and timing of rate increases.
- ***Evaluation of facility private use restrictions.*** The CCDC has financed a number of their parking structures using tax-exempt securities, as a means of lowering financing costs. A condition for the use of these securities was compliance with federal tax law. The CCDC sought input from CWI regarding potential alternatives to the private use restrictions of the federal tax code.
- ***Alternatives to the existing validation program.*** There is a concern in the community that the current validation program is skewed to the benefit of only a few downtown businesses and that the costs of the program far outweigh the benefits to the general public. The International Downtown Association panel shared this view. The CCDC has requested CWI propose parking validation program alternatives.

The following sections discuss CWI's and associated team member's general observations and responses to the above key financial challenges.

This report contains revenue projections for possible alternatives to the existing parking validation program. The revenue projections were generated using information received from and prepared by the CCDC, Republic Parking, the City of Boise, and/or outside consultants employed by the CCDC, Republic Parking, or the City of Boise. CWI cannot guarantee that the revenue projections contained in this report will be realized, as actual performance will be determined by price and demand fluctuations in the market, development project timetables and occupancies, managerial decisions made by the CCDC and Republic Parking, and other political decisions made by the CCDC and/or Boise officials.

### **GENERAL OBSERVATIONS**

As a general observation we concur with the International Downtown Association's assessment that the CCDC has an exemplary record of accomplishment, competent and respected professional staff, and is a dynamic organization. It is against this backdrop that we believe our recommendations can be successfully implemented. The policies and practices that have enabled the organization to be an outstanding development corporation are the same that can enable it to become an outstanding manager of public parking.

### **Management Tools**

During the course of CWI's review of the CCDC's current parking operation it became apparent that the necessary pieces were in place for a systematic approach to parking management. The organization has many components in place including an annual budget, parking rate policies, annual strategic planning meetings, and the beginnings of a capital improvement program. To be truly successful CWI recommends the CCDC take their management practices to the next level through the development and integration of the following management tools:

- ***Mission/Vision Statement.*** There is presently no guiding force that permeates the decision-making structure of the parking system and/or provides a benchmark for the public to evaluate the organization's decision-making process. Mission/vision

statements focus energy and direct resources. To the organization's credit it is clear that they recognized this issue, and incorporated the development of a mission/vision as a key element in the scope of services for this study. The absence of parking specific mission/vision statements was one of the overall issues addressed by the CWI/International Downtown Association team.

- ***Strategic Plan.*** This document will provide high-level direction to the organization. The document will express the mission of the CCDC's downtown parking system (some of which was outlined by the International Downtown Association) and clarify the expectations of its stakeholders and customers. There are a variety of techniques the CCDC can employ to ascertain the expectations of the various constituencies it serves. Of critical importance is the analysis of system needs, creating an action plan and timeframe for achieving designated action items, developing a means to monitor progress and communicate results, and the establishment of a process to periodically revise or update direction and strategies. Another key facet of the parking strategic plan will be that it is multi-year in design. This is a process the CCDC currently undertakes for the development side of the organization. We recommend it be expanded to the downtown parking system, and that the completed parking system strategic plan be integrated with and complimentary to the larger organizational strategic plan.
- ***Capital Improvement Program.*** We understand that the CCDC is in the process of developing a five-year capital improvement plan with the assistance of Keyser Marston Associates, Inc. This will be a key component in the creation of a holistic approach to promoting downtown development. Completed parking system capital program elements (as defined by the CCDC) should be integrated in this process.
- ***Long-Range Financial Plan.*** This provides a long-range view of the financial challenges and opportunities facing the downtown parking system. It provides a more comprehensive context for evaluating the annual budget and the system's ability to support proposed capital improvement projects. It also provides a guide

for resource acquisition, allocation, and utilization planning, which are critical elements of recommended rate setting methodologies. It is the only means by which decision-makers can evaluate the financial consequences of implementing the strategic plan. There is a symbiotic relationship between the strategic and long-range financial plans necessitating an iterative process in their development, adoption, and implementation.

- ***Annual Budget.*** This document should be based on and reflective of the strategic plan and long-range financial plan. It is a financial depiction of the downtown parking system's priorities.
- ***Financial Policies.*** The CCDC has an important responsibility to its constituencies to carefully account for public funds, to manage its resources efficiently and effectively, and to maintain the downtown parking infrastructure through proactive maintenance of public parking facilities. Planning for additional and/or replacement parking facilities is another important responsibility of the CCDC to ensure the continued health and vitality of the downtown. Financial policy statements are designed to serve as guidelines to reflect the financial goals of the organization. The CCDC's current guidelines only relate to parking rate setting and therefore are too narrow. Furthermore, they do not always reflect the downtown parking system's mission/vision.

### **PLANNING FOR FUTURE RATE INCREASES**

A major challenge to implementing parking rate increases is that Board members and constituents may lack a context for understanding the need for the proposed rate changes. Utilizing the aforementioned management tools will provide that context. By providing the vision and the strategic and financial context for parking system improvements, in concert with developing responsive management and programmatic elements that are truly meeting constituent needs, the prospects for gaining support for parking rate increases will be improved.

We recommend that the CCDC plan for annual parking rate increases in three to five-year increments. Looking at future funding needs over a three to five year period, the CCDC should set parking rates to meet well-defined and communicated parking system needs and approved action items. CWI believes there are several advantages to this approach. First, it will reduce the number of times the CCDC will have to approve rate increases. Instead of each year, the CCDC can approve a package of rate increases once every three to five years. Secondly, the CCDC will be better positioned to plan for future system needs. Looking at needs over a three to five year period, the CCDC will be able to determine which projects it will have the funds to support. Finally, fewer rate increase approvals will reduce the yearly exposure of the CCDC to media, customer, and local business rate complaints. The critical element is the ability to craft a strategic vision that will be supported by the Board and the stakeholders. To achieve support, the vision and supporting financial plans must be developed on the foundations of sound planning, fiscal responsibility, and responsiveness to community needs and concerns.

### **Annual Rate Reviews**

While this approach will help the CCDC plan for future expenditures, it will still require annual rate reviews to ensure adequate funds exist to satisfy system needs. Parking system revenues and expenses should be reviewed by staff on a regular basis to help the CCDC determine if further rate changes are necessary or if system priorities need to change. Once an annual parking rate increase plan has been developed, there may be a need to make adjustments periodically. Changes in the market could result in the need for either positive or negative parking rate adjustments. The following circumstances could result in a need to adjust parking rates after an annual plan is in effect:

- A decrease in parking demand due to a general increase in lease vacancies could result in rate and/or expense changes.
- A major employer moves out of the downtown, thereby reducing the level of parking demand. This could result in rate and/or expense changes.

- A lawsuit or other unanticipated expense such as major maintenance issues could force the system to increase rates or reduce anticipated expenses.
- Increase in parking demand due to new construction, increased building occupancies, or a new major employer could result in a need to increase rates to secure additional parking resources.
- A substantial reduction in a major expense could reduce the amount of an anticipated parking rate increase.

### **Determining Future Rates**

Determining future rate increases is generally a four-step process. First, expenses should be projected over the selected parking rate planning horizon, with adjustments made to account for associated changes in revenues and expenses. For example, the purchase of a new revenue control system could result in higher revenues and/or reduced maintenance expenses. Second, parking rates are set to meet all anticipated expenses. The third step is analyzing market conditions to determine if the market can bear the projected parking rates. Finally, depending on the outcome of the market condition analysis, projected expenses are modified to fit into a rate plan that the market can support. For example, a projected equipment purchase may need to be postponed, as the market will not bear a rate increase that can support the purchase. As recommended in the Operational Improvement Action Plan, market rate surveys should be conducted on a regular basis to assist in this process.

Another dimension to “what the market will bear” is the degree to which the public understands and supports the objectives that are driving the proposed rate increases. For example, if security is a major concern and there is a perception that facility lighting is inadequate, support for capital funds to improve lighting levels is much greater. Conversely, a requested rate increase to fund upgraded access and revenue control equipment may be harder to justify if there is no significant benefit experienced by the community at large. Gaining support for this type of rate increase must be preceded by an educational effort to

communicate the benefits of the proposed program (e.g. improved management information, increased efficiency, increased revenue, etc.)

Many organizations will stop their financial analysis at this point. Those that do so are financially vulnerable. CWI recommends the CCDC test changes to its underlying assumptions to assess the order of magnitude such changes will have on the parking system's expected financial performance. This undertaking will help the CCDC evaluate the adequacy of a proposed rate structure and its vulnerabilities.

In planning for future parking rate increases, assuming the CCDC will set rates to met all necessary expenses, CWI recommends the following expenses be reviewed and projected:

- ***Increases in Existing Expenses.*** This can include projected increases in the costs of supplies, staff payroll, insurance etc. One way to project existing expense increases is to review past costs and look at how they have changed over time. The CCDC could also review expenses with the appropriate vendors to determine if price increases are likely in the future. Finally, the CCDC could use a standard inflation adjustment, and apply the adjustment to the appropriate expenses.
- ***Anticipated Future Equipment Needs.*** Future equipment needs can include parking access and revenue control system upgrades, networking needs, new or replacement control equipment (gates, barriers, ticket spitters, etc.), and any necessary equipment maintenance needs. For example, the networking of the individual parking facilities' access and revenue control systems can be a future equipment need factored into future rate increases. See the Operational Improvement Action Plan for more anticipated equipment needs.
- ***Anticipated Facility Improvements.*** Future costs that can be included in this section could include the painting of parking structure interiors, new/improved identification and directional signage, "lot full" signs, facility identification signage, etc.

- ***Projected Facility Maintenance Needs.*** The CCDC could utilize a facility condition appraisal to determine what structural system elements need repair, replacement, or restoration. Items that could be included in facility maintenance needs are structural restoration, reapplication of weatherproofing sealants, expansion joint replacement, etc. Other facility maintenance could include major elevator repairs. Adequate maintenance reserves should be set to cover projected maintenance issues, and potentially unknown issues. Generally, it is recommended that a parking system annually set aside \$50 to \$100 per space for maintenance reserves. The amount of the maintenance reserve would depend on the age of the facility, climate, etc. A facility condition appraisal can help determine an appropriate reserve level.
- ***Operational Improvements.*** As previously detailed in the Operational Improvement Action Plan, operational improvements could include customer survey costs, the creation of a parker assistance program, additional employee training, signage systems, etc. Changes in the hours of operations, staffing strategies, and policies and procedures could also affect system expenses (positively or negatively).
- ***Parking Marketing Initiatives.*** Several marketing initiatives were recommended in the Operational Improvement Action Plan including web site improvements, an improved public relations program, additional staffing, etc. The refinement of marketing strategies will help determine projected costs. Marketing plans should be projected for each successive rate-planning year, and any anomalies (e.g. increased marketing efforts to support a specific future project or event) should be defined and quantified.
- ***Future Parking Construction Projects.*** While there is currently a surplus of parking in downtown Boise, additional parking will be needed in the future to support continued development. With respect to future parking rate increases, generally only project development related costs, operation/maintenance expenses,

and projected bond debt are included. Project development costs could include internal staff time, design/development expenses, and other costs not covered by the bond. When a parking construction project is anticipated, all costs should be estimated including bond debt and financing costs projections.

The CCDC has taken a leading role in providing the necessary funding to construct parking facilities through the use of TIF funds. The existing TIF arrangement will end in twelve years, and therefore those funds will not be available to cover bond debt after 2015. Most parking systems set parking rates to cover bond debt, or have some sort of alternative funding source in place. As the existing bond debt on all facilities will be retired at the end of TIF, the system may be able to generate sufficient revenue to cover the bond debt for one or two parking facilities after TIF expires. However, supplementary funds will probably be required to construct additional facilities. Options could include a business improvement district assessment, a special parking assessment, funding secured through the City, a dedicated sales or property tax, or more support from the individual project developers (e.g. in lieu fees).

- ***Funding Depreciation.*** While most parking systems set aside funds to cover necessary facility maintenance, CWI is not aware of any parking systems currently calculating and funding the depreciation of parking facilities in order to set aside funds for future parking facility replacement. As this practice could result in higher parking rates than the market could bear, it is not recommended by CWI.
- ***Other Development Issues.*** The CCDC has used surplus parking revenues in the past to help fund downtown area non-parking related development projects, and more recently created a policy to fund those projects through loan programs. As this is the CCDC's only source of discretionary funds, it is important to ensure adequate funds are available to help the organization fulfill other obligations and projects that are part of its primary mission. Many municipal parking systems use parking system profits for other projects. Typically, these projects include transit programs, street

maintenance, sidewalk/streetscape maintenance and improvements, marketing or special event initiatives, etc.

After interviewing several focus groups during the IDA panel portion of the study, most acknowledged that the CCDC's use of parking revenues to spur other development projects was appropriate. Most of the individuals interviewed stated that if the parking needs were met in their area, they would understand the CCDC using excess funds for other purposes.

Therefore, if the CCDC continues to make improvements in the parking system, and works with stakeholders to ensure the system meets the needs of the downtown, it is acceptable for the CCDC to continue the practice of using parking system revenues for other development projects. The CCDC should clearly communicate its intentions concerning the use of any excess parking revenues, and should work with stakeholders to achieve buy-in in advance. As recommended by the IDA panel, the new mission and vision statements for the parking system should include the point that the parking system works to support downtown vitality, as well as support CCDC goals and objectives. The CCDC should plan for critical development funding during the rate increase process.

### **FACILITY USE RESTRICTIONS**

The CCDC has financed a number of parking facilities with tax-exempt bonds. A key requirement to be eligible for tax-exempt financing is that 90%-95% (depending on the interpretation of the requirements by bond counsel) of the spaces in the facility must be available to the public on a first-come, first-serve basis. The CCDC currently uses the less restrictive interpretation of 90%. Regulations regarding the use of parking spaces covered by tax-exempt bonds are quite clear in this respect, and therefore parking cannot be reserved for private use above 10% of the total number of spaces.

This requirement is often inconsistent with the desires of downtown employers, who would like to ensure sufficient space for their employees. Prior to undertaking any financing, the

CCDC needs to communicate to the potential users of the facility the economic trade-off between tax-exempt and taxable financing alternatives. The CCDC must make sure that customers (specifically local employers) understand that the use restrictions on the facility can be lifted, but the monthly parking prices must be higher to offset the cost of taxable financing options. The CCDC might consider offering to refinance existing facilities on a taxable basis if the benefited employers are willing to enter into long-term contracts that fully recapture the cost of this alternative form of finance. However, even if it were decided to refinance facility debt using taxable bonds, certain public use restrictions must still be met under state law.

Interest rates are generally 1%-2% higher for taxable bonds than tax-exempt. Public taxable financing is still less expensive than private taxable financing since in general the CCDC is a better financial risk, can debt-finance 100% of a project, and does not have to earn a return on equity for investors.

### **ALTERNATIVE VALIDATION PROGRAMS**

Currently, parking validations are provided to downtown businesses at a greatly reduced price. The price charged to the businesses for the parking validations is \$.28 per \$1.00 validation (offices pay a slightly higher rate). The validations are accepted in all CCDC operated facilities, as well as one privately owned parking garage.

Based on a review of validation sales, the current system benefits only a few businesses, and limits the parking system's ability to generate sufficient revenue to fund future parking needs (maintenance, enhanced customer service initiatives, etc.) The CCDC has estimated that the existing parking validation program results in an annual reduction of over \$600,000 in parking revenue. CWI agrees that the current validation program does not provide the most equitable benefit to best meet the needs of the majority of the downtown population. Ultimately, it is the goal of the CCDC to institute a parking validation program that supports the vitality of downtown, is more equitable to all users and local businesses, and minimizes program waste and abuse. Therefore, CWI was charged with the task of analyzing alternatives to the existing parking validation program.

The vast majority of municipal parking systems that offer some sort of reduced rate parking program for downtown visitors utilize parking validations. Parking validations are generally a simple means for the parking system to provide downtown businesses with a way to reduce the cost of parking for their customers. Sometimes parking validations are offered in conjunction with another parking discount, like a certain amount of free parking (e.g. one hour free for all parkers) and/or parking coupons from local businesses based on a minimum store purchase. Some parking systems do not restrict the number of parking validations that can be used at one time, while others restrict validations to as little as one per customer.

### **Validation Approaches**

There are many different approaches to parking validations currently used by parking systems. Approximately fifteen validation programs were reviewed, and some of the most popular characteristics are listed as follows:

- ***Validation Method.*** Most parking systems use parking stamps/stickers for validations. Some systems like those in downtown Spokane, Washington and Fort Collins, Colorado use validation coupons that provide an amount of time for free parking or are tied to a specific dollar amount of parking. The system in Salt Lake City, Utah uses metal tokens to offset one dollar of parking charges in participating facilities. These tokens can also be used in downtown parking meters or for a one-way fare on a City bus.

Some systems also offer a set amount of free parking to downtown visitors, regardless of whether a validation is used. For example, the parking systems in Eugene, Oregon (selected facilities) and Santa Monica, California provide one to two hours of free parking to all downtown visitors.

- ***Validation Requirements.*** Some parking systems require a certain purchase threshold be crossed before a customer can be given a validation. For example, the

cities of Portland, Oregon, Sacramento, California, and Spokane require downtown visitors to purchase \$20-\$25 worth of products or services from downtown businesses before they can be given a parking validation/discount.

- ***Validation Discounts for Businesses.*** The amount parking validations are discounted varies from location to location. The parking systems in Phoenix, Arizona, Des Moines, Iowa, and Spokane charge the full value of the validation (Spokane actually bills businesses on a monthly basis for validation usage, as opposed to pre-selling the validations). Other systems such as Norfolk, Virginia charge 50% of the face value of the validation. Finally, the parking systems in Durham, North Carolina, Eugene, Oregon, and Chapel Hill, North Carolina charge approximately 66%-75% of face value for validations.

Some parking systems provide a bulk discount for parking validations, and the amount charged decreases as the number purchased increases. For example, the City of Chapel Hill provides a 20% discount for up to 100 validations and a 25% discount for 200 validations or more.

- ***Subsidy to Help Cover Costs.*** Of the validation programs reviewed, no program reported that the validation program was directly subsidized by an outside organization. However, parking systems often receive support from other sources such as tax or general fund subsidized bond debt or using funds from TIF, special taxes, or other special assessment funds.
- ***Restrictions on the Number of Validations that can be Used.*** Most systems restrict the number of validations that can be used by a customer on each visit. All of the validation programs that offer validations to businesses at less than face value limit the number of validations that can be used at one time. For the most part, the programs that sell validations to businesses at full value do not limit the number of validations that can be used at one time.

### **Validation Program Alternatives**

After reviewing different validation programs from across the country, two preferred options were explored for alternatives to the current downtown Boise parking validation program including:

- Modify the existing “discounted validation program”. Change the amount of the discount given to businesses from 72% to a lower amount (50%, 25%, or no discount).
- Create a “time-limited free parking program” that allows for one or two hours of parking at no charge for all patrons, and selling full priced validations.

These options were explored for several reasons. First, increasing the price of parking validations charged to participating businesses would reduce abuses of the system, such as providing too many validations to customers or allowing employees to use validations for parking. Increasing the price of validations will increase their overall value, meaning more businesses should take a more active role in monitoring and tracking the use of validations within their respective businesses.

Secondly, providing a time-limited free parking program rate, while allowing full priced validations, will allow all downtown visitors to enjoy less expensive parking, not just those visiting businesses participating in the program. Also, businesses that have been unwilling or financially unable to participate in the current program would have time-limited free parking provided to their customers if all CCDC facilities offered one or two hours of parking at no charge.

Finally, providing a reduced parking rate (or free rate for a certain period) would make parking more inviting by making it even easier to use. Placing restrictions on validations based on the amount of money spent can be more difficult for customers to use and for the CCDC to monitor/enforce.

### Changing the Current Discounted Validation Program

If the CCDC chose to charge more for businesses to participate in the parking validation program, fewer businesses may choose to participate as the price increases. Unfortunately, there are no definitive studies that show the price elasticity of parking relative to either the end user or businesses participating in validation programs. If some businesses decide to stop offering parking validations, the parking customer will bear more of the parking costs. Therefore, while increasing the price of parking validations could likely lead to a reduction in the number of businesses using them (or a reduction in the amount of validations purchased), the loss of revenue will be offset by the fact that the parking customers will pay the difference. For example, using the current parking validation program, a customer of a restaurant that parks for two hours may receive enough validation stamps to cover the entire cost of parking. If the validation prices are increased, the business may only provide a parking validation for one hour, and the customer would have to pay for the additional hour.

While there are very few studies that attempt to determine the price elasticity of parking, our experience is that parking demand is fairly inelastic (meaning there is little change in demand when prices increase). Therefore, it is unlikely there will be a serious reduction in the number of customers parking downtown due to a decrease in validations issued (as a result of increased validation prices). Issues such as perceived safety/security, facility cleanliness, customer service, and availability/convenience of parking impact customer behavior more than prices.

Assuming parking demand remains relatively constant, any increase in parking validation prices will have a positive effect on parking system revenues. If demand remains the same, and the number of parking validations purchased remains at the current level, the CCDC could recoup the estimated \$600,000 in discounted validation revenue in increments proportional to the price increases. If parking demand remains constant, and the number of parking validations sold declines, the

CCDC could still reduce lost validation revenue in proportion to the increase by generating more cash tickets (more customers paying the parking fees).

To maximize revenues, the CCDC could decide to sell parking validations at full price while not offering any “free” parking to customers. This would most likely be an unpopular move, and is inconsistent with promoting downtown vitality.

Therefore a compromise strategy will likely be required.

Creating a Time-limited Free Parking Program

Some municipalities have found success in providing a certain amount of parking at no charge to all customers, while still providing parking validations to local businesses at full price. Generally, one or two hours of parking are provided at no charge to all downtown transient parkers. This concept was applied to downtown Boise, using parking utilization data from the various facilities.

In order to model the potential effects of providing parking at no charge to all downtown transient parkers, the first step is to generate a current utilization model. Parking utilization data was received from Republic Parking (the CCDC’s current parking operator) for seven CCDC parking facilities. While the amount of data was limited by the existing revenue control system, enough data was available to determine an average length of stay and number of tickets for each facility. Based on the data received from Republic Parking, the following average lengths of stay for each facility were computed (not including tickets over seven hours):

Facility	Avg. Length of Stay - Cash Tickets (hrs.)	Avg. Length of Stay - Validated Tickets (hrs.)
Eastman Garage	3.42	2.10
Capital Terrace Garage	2.78	2.02
Ninth Street Garage	2.17	1.70
Bannock Garage	3.36	2.07
City Centre Garage	3.17	2.03
Boulevard Garage	2.47	2.15
Civic Plaza (Short-term)	2.49	1.54

The average length of stay varied somewhat between cash tickets (tickets that were paid by customers) and validated tickets. After the average lengths of stay were computed, the number of each ticket type were averaged by facility, as follows:

Facility	Number of Non-Cash Tickets per Day	Number of Cash Tickets per Day	Number of Validated Tickets per Day	Total Tickets per Day	% Non-Cash per Day	% Cash per Day	% Validated per Day
Eastman Garage	9	52	84	145	6.2%	35.9%	57.9%
Capital Terrace Garage	34	229	473	736	4.6%	31.1%	64.3%
Ninth Street Garage	14	23	68	105	13.3%	21.9%	64.8%
Bannock Garage	0	22	27	49	0.0%	44.9%	55.1%
City Centre Garage	4	95	30	129	3.1%	73.6%	23.3%
Boulevard Garage	29	57	20	106	27.4%	53.8%	18.9%
Civic Plaza (Short-term)	74	298	95	467	15.8%	63.8%	20.3%

The number of non-cash tickets refers to the average number of tickets from vehicles that parked less than ten minutes (and were therefore not charged for parking). After the number of each ticket type was determined, a baseline transient revenue projection was generated using the average length of stay at each facility, the current parking fee per hour, and the number of cash tickets. The baseline model is illustrated in the following tables.

Estimated Revenue for Cash Tickets Under Seven Hours

Facility	Avg. Length of Stay (hrs.)	Rounded Avg. Stay	Daily Avg. Tickets	Number of Days per Year	Parking Rate per Hour	Revenue per Day	Revenue per Year
Eastman Garage	3.42	4	52	313	\$1.00	\$208.00	\$65,104.00
Capital Terrace Garage	2.78	3	229	365	\$1.00	\$687.00	\$250,755.00
Ninth Street Garage	2.17	3	23	313	\$1.00	\$69.00	\$21,597.00
Bannock Garage	3.36	4	22	261	\$1.00	\$88.00	\$22,968.00
City Centre Garage	3.17	4	95	313	\$1.00	\$380.00	\$118,940.00
Boulevard Garage	2.47	3	57	365	\$1.00	\$171.00	\$62,415.00
Civic Plaza (Short-term)	2.49	3	298	261	\$1.00	\$894.00	\$233,334.00
<b>TOTALS</b>						<b>\$775,113.00</b>	

Estimated Revenue for Cash Tickets Over Seven Hours

Facility	# over 7 Hour Stays	Est. Dollar Amt. Per Ticket	Number of Days per Year	Revenue per Year
Eastman Garage	5	\$7.00	313	\$10,955.00
Capital Terrace Garage	15	\$7.00	365	\$38,325.00
Ninth Street Garage	7	\$7.00	313	\$15,337.00
Bannock Garage	1	\$7.00	261	\$1,827.00
City Centre Garage	29	\$7.00	313	\$63,539.00
Boulevard Garage	9	\$7.00	365	\$22,995.00
Civic Plaza (Short-term)	3	\$7.00	261	\$5,481.00
<b>TOTALS</b>				<b>\$158,459.00</b>

The number of fewer than seven hours tickets and the number of over seven hours tickets are computed separately. The rounded average stay column refers to the fact that parking charges are calculated in whole hours, not in portions of hours. The number of days per year noted in each table references the number of days in operation (without factoring holidays). The total revenue estimated in the model is \$933,572. This figure compares favorably to an estimated transient revenue figure for the previous fiscal year of \$940,468 (received from the CCDC – “Parking Rate Increase Analysis”).

Using this model, estimates were created for a one-hour and two-hour “no charge” parking program. When computing the potential revenue of these no charge options, it was assumed that parking validations would be available to businesses at full price and parking demand would remain fairly consistent. The appropriate number of hours (one or two) was deducted from the average length of stay for all ticket categories, and values were computed separately for each group (cash tickets under seven hours, cash tickets over seven hours, and validations). Validated tickets were included in the model, to account for potential increases in validation prices (based on utilization, not sales). Also, the validation group was computed separately due to the differences in length of stay.

If the CCDC decided to provide one hour of parking at no charge to all parking customers, CWI estimates that transient revenue will fall from the baseline of

approximately \$934,000 to \$669,815. However, since parking validations would be provided at full price, parking validations could generate an additional \$491,427 in ticket revenue. Therefore, the projected transient revenue would closely match the current amount of revenue generated by both transient and validation sales (approximately \$1.2 million). While this approach does not necessarily generate more revenue, it does create a more equitable discounted parking program.

If the CCDC elected to provide two hours of parking at no charge to all parking patrons, the transient revenue would be reduced from the baseline of approximately \$934,000 to \$406,058. The additional validation revenue could provide \$222,647, to generate a total of \$628,732. Therefore, this option results in a significant reduction in revenue versus the one-hour free program.

#### **Alternative Validation Programs - Conclusion**

In conclusion, increasing the price of parking validations will result in higher revenues for the parking system, whether the price increases are borne by the local businesses or the individual parking customers. However, the one hour time-limited free parking option could provide a more equitable and marketable system while providing a level of revenue consistent with existing transient and validation revenue. It is important to note again that price elasticity is not quantifiable in this situation. An increase in prices may negatively change the perception of downtown parking, as fewer validations are available. However, in CWI's experience, parking is fairly inelastic to price. Parking demand is driven more by the restaurants, retail shops, and office buildings than by the price of parking. Also, providing parking at no charge for a limited period of time may actually improve the perception of downtown parking, and therefore more people may choose to use off-street parking, and may stay longer. Finally, providing free parking for a limited amount of time will reduce the need for validations; therefore fewer validations will need to be issued by downtown businesses.

CWI recommends that the CCDC give serious consideration to instituting a one-hour free parking program, and to increasing the cost of parking validations to 100% of their face

value. This will provide a parking incentive program that everyone visiting downtown could use, that all downtown businesses could benefit from, and that is easier to use, manage, and track than validation stickers, minimum purchase coupons, or metal tokens. However, it is not recommended to provide additionally discounted parking validations in conjunction with a time-limited free parking program, as validation discounts will further limit the CCDC's ability to generate needed revenues.

### **RECOMMENDATION SUMMARY**

As mentioned in the introduction, there were three key financial concerns that CWI was asked to address and provide guidance and recommendations. The following list summarizes our recommendations relative to the areas of focus.

- ***Existing Parking Rate Policy/Structure.*** CWI recommends that the CCDC plan for annual rate increases in three to five year increments. The rate increases should reflect changes in CCDC expenses, parking project initiatives, and other CCDC project needs. CCDC staff should review parking system financial performance on a continual basis to determine if further parking rate adjustments are necessary.

With respect to depreciation, CWI is not aware of any parking systems currently setting parking rates to fund future parking facility replacement. While it is recommended that the CCDC set aside sufficient maintenance reserves, it is not recommended to plan for facility depreciation in parking rate increases.

- ***Evaluation of Facility Private Use Restrictions.*** Current tax-exempt bond regulations require that 90% of a facility's total parking supply be available to the public on a first-come, first-serve basis. Therefore, CWI recommends that the CCDC continue reserving only 10% of a facility's capacity for private use (local businesses, employees, etc.) The bonds could be converted to taxable status, which would allow more private use. However, bond debt costs will be higher and certain public use restrictions must still be met under state law.

- ***Alternatives to the Existing Validation Program.*** CWI recommends that the CCDC consider instituting a one-hour time-limited free parking program, and increasing the cost of parking validations to 100% of their face value. This will provide a more equitable parking incentive program that is easy to use and can benefit all downtown businesses. It is not recommended to provide additionally discounted parking validations in conjunction with a time-limited free parking program, as validation discounts will further limit the CCDC's ability to generate necessary revenues.