

MEMO

TO: Parking Advisory Commission
FROM: Lee Nellis, FAICP, Deputy Director, PCD
DATE: April 17, 2014

Here is a revised version of the parking revenue strategy that we discussed on March 31. I would like to reach consensus on this on Monday, if possible, so we can prepare to present it to the Commission.

RE: Proposed Parking System Revenue Strategy

The purpose of this memo is to propose a series of measures that will generate adequate revenue for the management and maintenance of Great Falls' parking system. This strategy is rooted in the following realities.

- In four years, at most, the revenues coming into the parking system will consistently fail to cover its basic operating costs. This would already be the reality if parking fines had not been dedicated to the parking system in 2012.
- Even with the approximately \$270,000 worth of repairs and improvements that will be made this year, decades of deferred maintenance will continue to result in a regular need for emergency repairs and operational failures. After minor emergency repairs to staunch a leak through the electrical room at the North Parking Garage and keep the elevators working in cold weather, we are now facing a major emergency repair that is a direct result of deferred maintenance. One of the elevators in the North Parking Garage has failed. It will take about \$70,000 to put that elevator back into operation. That will be taken from the Parking Fund reserve now. Further work on this elevator and its companion will also be necessary in FY 15. Out files include estimates for the necessary maintenance from a few years ago, when the costs would have been \$20,000 less.
- The short and mid-term maintenance, repair, and reconstruction needs of the parking system total almost \$1.8 million (\$515,000 surface lots, mostly on Lot 4; \$470,000 South Parking Garage; \$780,000, North Parking Garage). The revenues generated by the system must support these expenditures or the city will, at some point, be compelled to ask the taxpayers to support the parking system.
- Great Falls' parking system should, as it does in many cities, play a positive role in the redevelopment of downtown. With adequate revenues, the parking system could contribute to way-finding efforts (so that, among other things, visitors can find the parking structures and lots), improve the appearance of the surface lots and North Parking Garage, and contribute to maintenance of the streetscape adjacent to the parking structures and lots. These are all activities that would, in turn, help generate higher revenues for the parking system.

This proposed strategy runs over four fiscal years. It begins with revenue measures that do not require the City to raise meter rates or rates for parking in the garages in FY 2015. Gradual increases in the cost of parking in the garages and on the surface lots are proposed for the following three years, along with increases in some minor fees the parking system collects. The meter rate would change in the fourth

year. This gradual approach will allow the City to monitor the results and either advance or postpone a measure in response to revenue trends. It also allows the public to anticipate changes in the system.

FY 2015

The Parking Advisory Commission (PAC) and staff recommend that the following actions be taken immediately and in FY 2015.

Increase the Rate for Parking in Lot 7. The lease rate for Surface Lot 7 was reduced some years ago to encourage people to use what was then an underutilized facility. Redevelopment of the Arvon Block has completely changed parking patterns along First Avenue South, however, and the Parking Advisory Commission and staff ask that the City Manager immediately increase the monthly lease rate for this lot back to \$25 per month. The Celtic Cowboy has not been open long enough for us to make a reasonable projection of the additional revenue this will yield, but there is no longer a reason to treat Surface Lot 7 as an underutilized facility.

Replace Courtesy Parking with Parking Tokens. This measure will generate revenue by replacing courtesy parking signs with meters and through the sale of parking tokens. A cautious estimate of the net increase in revenue to the parking system is \$11,300 to \$13,500, after the first year.

Background of Courtesy Parking. The city currently allows a business owner to request that meters adjacent to his/her business be removed and replaced with courtesy parking signs. See 10.48.291 of the Official Code of the City of Great Falls (OCCGF). The owner pays the city \$240 per year, per meter for this privilege. There are currently about 40 courtesy parking spaces in downtown Great Falls.

Liabilities of Courtesy Parking. There are three reasons why the PAC and staff recommend ending this program.

First, courtesy parking spaces are still public. There is no guarantee that a person who parks there will patronize the merchant who is paying for the space. The alternative we propose, parking tokens, leads to a direct interaction between merchant and customer.

Second, the courtesy parking program requires monthly billing (at an internal cost of about \$1,400 a year) to collect just \$20 a month and a total of only about \$10,000 per year.

Finally, the revenues received for courtesy parking spaces do not match the revenue that would be earned by meters had they been left in place. The average meter on Central earns \$411.99 per year and, while we don't know (we'd have to replace the courtesy parking signs with meters and monitor the result), it seems likely that merchants request courtesy parking at busy locations, where meters would yield more than average. Staff estimates that, based on an analysis of receipts from meters in similar locations, the parking system is losing more than \$13,000 each year to the courtesy parking program.

Parking Tokens Instead. There is an alternative to the courtesy parking program that limits benefits to the merchant's customers, has minimal administrative costs after start-up, and generates more revenue. That alternative is the parking token. It is an alternative that Great Falls technically already has, although we do not promote it. The use of parking tokens is already authorized by 10.48.050 of the OCCGF. The small supply of tokens that remain have a value of only five cents. They are inconvenient and generic.

The PAC and staff believe that if we offer tokens to merchants at a small discount over their face value and generate a little community buzz over their design, we can accomplish the goal of the courtesy parking program in a better way.

Implementing the Change. Three steps are necessary to make parking tokens work for the City.

First, unlike some, this change involves minimal paperwork. The use of parking tokens is already authorized. The Commission would only need to repeal 10.48.291 of the OCCGF, which establishes the courtesy parking program.

Second, we need to actively promote use of the tokens. To make it fun for customers to use tokens, they must be attractive. We propose that the City sponsor a design competition in cooperation with Paris Gibson Square (we have a preliminary agreement with the museum) and allow the public to select one or more designs. Having an attractive local design may also allow us to market tokens to collectors, resulting in a bit of additional revenue for the parking system. We propose to promote the use of tokens by merchants by offering them at a small discount off face value. Staff estimates that offering tokens to merchants at 80% of face value will reduce the annual savings from something over \$13,000 to something over \$11,000.

Third, we need to acquire tokens and recalibrate the meters to accept them. This process will cost about \$10,000, but pay for itself by eliminating the loss of more than \$13,000 in the first year. The ongoing costs of administration will be negligible.

Increase Parking Fines. There are two types of parking fines: \$5 violations and \$10 violations. This revenue stream also includes some fees for the late payment of fines. Together, the two types of fines are generating more than \$70,000 per year in revenue for the parking system. The Parking Advisory Commission and staff recommend that parking fines be increased as follows.

Courtesy Ticket. First, because we recommend increasing fines, the PAC and staff recommend that a “Woops. Welcome to Downtown Great Falls” ticket that carries no fine, just a reminder of the rules, be issued for the first violation associated with a particular license plate each year. This will not result in a significant decrease in revenue because it is our policy to void first violations anyway.

\$5 Violations. The overtime parking fine is currently \$5 and, while we all hear complaints about parking fines, the number of repeat violators makes it clear that this is not enough to change peoples’ behavior. The PAC and staff recommend that the overtime fine be increased to \$10 for the first offense, \$15 for the second, and \$20 for all subsequent offenses. It is difficult to estimate the impact of higher fines. In theory, higher fines should reduce the number of violations. We cautiously estimate that this measure will generate more than \$30,000 a year in additional revenue.

\$10 Violations. Ten dollar violations happen when someone parks in a way that reduces the number of spaces available or interferes with other people parking or the safe passage of vehicles or pedestrians. These violations cannot happen inadvertently, except in cases when snow covers the striping (and we void citations issued under those conditions). The PAC and staff recommend doubling these fines to \$20.00. Again, it is difficult to estimate the impact of higher fines. In theory, higher fines will reduce the number of violations. We cautiously estimate that this measure will generate more than \$30,000 a year in additional revenue for the parking system.

Taken together, the proposed increases in fines should generate \$60,000 or more in additional revenues for the parking system each year.

FY 2016

The Parking Advisory Commission and staff recommend that the following actions be taken in FY 2016.

Increase the Fee for Delivery Permits. The City issues permits that allow delivery trucks to park where others are not permitted to. These currently cost \$50 per year. The PAC and staff recommend that the rate be increased to \$100 in FY 2016. This will generate only about \$1,000 in additional revenue, but all users of the parking system should share in its continuing support.

Increase Parking Garage Rates. The published rate for monthly parking in the City's two garages is currently \$41. Many users do not pay that rate because their use of the garages is covered by a lease that has lower negotiated rates. The daily rate is currently \$3 and the hourly rate is the same as meter parking, 50¢ per hour. These rates do not cover the costs of operating the garages and providing the necessary long-term maintenance. Staff calculates the "break even" rate at roughly \$55 per month. The PAC and staff recommend that garage parking rates be gradually increased to cover costs over a span of three years, with a \$5 per month increase in the lease rate each year in FY 2106, FY 2017, and FY 2018.

Increase Surface Parking Lot Rates. The published rate for monthly parking in the City's surface lots varies by lot, as noted above, but most spaces lease for \$25 per month. The daily and hourly rates for the surface parking lots are the same as for the garages. These rates would come reasonably close to covering the costs of routine maintenance and improvements if ALL spaces in the surface lots were leased or occupied and the rates on Lots 3 and 7 were increased to match the other lots. Given that 100% occupancy is unlikely, the PAC and staff recommend that the cost of parking in the surface lots gradually rise to \$35 per month, with \$5 per month increases in the lease rate in FY 2016 and FY 2017.

Increase the Rate for Parking in Lot 3. The PAC and staff recommend that the cost of parking in Surface Parking Lot 3 be increased to match the rate charged at the other lots.

Consider Expanding Enforcement Hours. Some additional revenue could be generated by expanding enforcement until 6:00 PM. Additional revenue could also be generated by requiring that people pay to park on Saturdays. The additional costs of enforcement for an extra hour five days a week and on Saturdays are small because attendants already work Saturdays to enforce the two-hour limit. The sticker on the meters would have to be changed, but this requires a one-time expense of only a few hundred dollars. The PAC and staff will further explore this possibility during FY 2015 and be prepared to make a recommendation before the beginning of FY 2016.

FY 2017

The only revenue measures recommended for FY 2017 are the continuing incremental increases in rates for the parking garages and lots proposed above. By the end of this fiscal year, however, the City will have a good idea of how the revenue measures taken in FY 2015 and FY 2016 are performing.

Assess the Results of These Recommendations. The PAC and staff will review the parking system's FY 2015-FY2017 revenues toward the end of this fiscal year. This will provide a more current factual basis for the rate increases that are proposed for 2018.

FY 2018

The PAC and staff currently do not believe that the parking system can be maintained or play the role in downtown development that it should if daily and hourly parking rates are not increased by FY 2018. That conclusion is subject to revision; however, if the measures proposed above raise more revenue than estimated.

Make the Final Increase in Garage Lease Rates. As explained above, we are recommending that the lease rates for the parking garages be gradually increased to a “break even” amount. The final \$5 per month increase would be added in FY 2018.

Increase the Daily and Hourly Rates in the Garages. The daily rate for garage parking should be increased to \$5.00. The hourly rate should be increased to \$1 for the first two hours, with the daily rate then applying.

Increase the Daily and Hourly Rates for Surface Parking. The daily rate for surface parking should be increased to \$5.00. The hourly rate should be increased to \$1 for the first two hours, with the daily rate then applying.

Increase the Meter Rate. The meter rate should be increased to \$1 per hour.

The Parking System as Part of Downtown Revitalization

The PAC and staff believe that the measures recommended here will provide adequate support for the management and maintenance of Great Falls’ parking system. Our definition of adequate includes three objectives: 1) routinely meeting the operating expenses of the system, 2) supporting the required maintenance of the system’s assets, and 3) enabling the parking system to help support downtown revitalization and, thus, expand parking revenues.

Many cities apply parking revenues to revitalization projects that benefit the parking system by attracting more customers. We believe Great Falls should, too. Our proposal is that, if the revenue measures proposed here allow the City to accumulate a healthy parking reserve, which we would define as at least \$400,000, additional parking revenues should be split between the system and the Downtown Business Improvement District. This would not only raise revenue for downtown improvements and maintenance, it would make it clear that paying for parking is a positive thing, something that contributes to the community.