

MEMO

TO: Great Falls Parking Fans

FROM: Lee Nellis, Deputy Director of Planning and Community Development; Craig Raymond, Director of Planning and Community Development

DATE: June 9, 2015

RE: The GF Parking Puzzle

The announcement that Asurion is leaving downtown Great Falls leaves the City with a parking system that is not financially sustainable, even with the planned increases in revenue that went into effect in January, and even with a willingness to continue deferring maintenance of the facilities. Asurion's departure is expected to reduce revenues to the parking system by approximately \$10,000 per month. That is 21% of the total.

How can the City respond to this situation? Basically there are two ways: increase revenues or reduce costs. Since the parking system is a public entity, it is not quite that simple, but let's begin with these options.

Increase Rates?

I am assuming that the increases in parking rates for the City's garages and surface parking rates that went into effect on January 2, 2015 are the most that can be tolerated without beginning to adversely impact revenues and, also, have an adverse impact on downtown. Likewise, it does not appear that increasing fines would be productive.

Raising the metered parking rate by a quarter, to 75¢ per hour, would raise almost enough revenue to counter the loss of the Asurion revenues. People pay for approximately 37,940 hours of parking during the average month right now. Adding a quarter per hour would raise approximately \$9,475 per month, IF the increase did not decrease parking utilization. Allowing for some decline in parking demand at the higher price, it seems reasonable to project that revenues would still fall somewhere around \$1,000 per month short of the current level. That would be a substantial cut, but it would not be catastrophic.

Cutting Costs?

The parking system has two types of day-to-day costs: the operation of the system by SP+ (which includes routine maintenance of parking facilities) and the administration and maintenance of the system by the City. The largest part of the cost in both cases is personnel. In thinking about cutting SP+ costs, it is important to understand that having fewer personnel on the street will result in a further loss of revenues. In thinking about cutting the City's costs, it is important to understand that no single City employee is paid 100% from the parking fund. The personnel involved all have other responsibilities, but cannot easily, if at all, be supported full-time from other funds. Building, licensing, and planning will all be adversely affected if employees who are partially supported by the parking system are cut.

Beyond personnel, the only costs that can be cut enough to result in significant savings are maintenance and the parking system's power bill. The total of both is a little less than the revenues being lost. I think by now that everyone is aware of the multi-million dollar backlog of maintenance needed in the parking system. Cutting routine maintenance, will only add to that backlog. The power bill, on the other hand

could be cut substantially without a loss of function, if LED lighting could be installed in the garages. Doing so would also improve the quality of illumination in the garages, reduce the leakage of light to the night sky, and reduce maintenance (changing light bulbs). The lighting switch might save as much as \$15,000 per year, the problem is in finding the capital to install the LED lights.

Solutions

We have reviewed the possibilities for cutting costs and increasing revenues, specifically considering the following options.

Reduce Patrol Hours? At present, meter collections are made in the morning before enforcement begins. This usually takes seven hours a week. Effective immediately, collections will be made during enforcement hours. This will reduce personnel costs. It will also reduce the hours devoted to enforcement. The result will be somewhat less effective enforcement and a loss of revenue that is difficult to estimate. It will be easy to return to the current practice if the loss of revenue appears to be larger than the cost savings.

End Residential Parking Program? Enforcement of the time limits in the residential area north of downtown takes such little patrol and administrative time that there is no potential cost savings from eliminating residential parking permits. There is a small savings on equipment. Operation of the parking system currently requires two vehicles. Eliminating enforcement in the residential area would make it possible (not ideal, but possible) to eliminate the need for one very low-mileage vehicle. This will save maybe \$600 per year in operating costs.

Politics of Eliminating Residential Parking Permits. *Any change in residential parking policy should be discussed with the neighborhood council at a well-advertised meeting. People generally are not happy about having to pay for residential parking permits (\$25 since January 2, they were formerly free), but even before the new fee was imposed, there was disagreement about the value of the program. Staff's opinion is that it does not completely address the real parking issue in the area, which is that most of the apartment buildings do not have off-street parking sufficient for their residents. We know that some residents of the area share staff's opinion, but no decisions should be made without public discussion.*

Remove Nonproductive Meters? Meters along 2nd Avenue South and some parts of other streets generally do not yield much revenue. Staff has considered pulling nonproductive meters, partly to avoid the cost of replacement meters, which are occasionally needed, and partly to save time in collecting from the meters. That can be done, but as long as time limits must be enforced, there is no savings from this move.

Change Time Limits? Staff has been preparing to change a few time limits in response to our observations and the experience of the downtown community, but such specific changes will not have a noticeable impact on costs. The question is whether overall changes in the time limits would result in cost savings.

Staff does not believe that the time limits in the residential area north of downtown are effective, anyway, and their elimination would result in a small cost savings, as explained above.

Changing the overall time limit downtown from two hours to three is possible, but would result in more issues with parking turnover, while making no difference in the need for patrol personnel.

Staff believes that time limits on most of Second Avenue South could be eliminated without creating significant problems, but there would be minimal cost savings because SP+ has limited enforcement in the area currently.

Close One Parking Garage? Would closing one of the two parking garages result in a significant cost savings? No. The South Parking Garage currently requires only minor maintenance expenditures and the cost of lighting. But closing it would have significant costs, only some of which are financial. The structure would have to be effectively secured against undesirable, unauthorized use. Given its open nature this would be an expensive task. “Boarding up” the South Parking Garage would also send a message about downtown that this community simply cannot afford.

Sell Reserved Parking Spaces? The parking system currently provides only a handful of reserved spaces, though we have requests for more. It may be possible to sell a few reserved parking spaces for a premium rate in certain locations. The parking rank at alley level on the south side of the North Parking Garage is one possible location and the Parking Advisory Commission has informally recommended offering some reserved parking spaces to the Celtic Cowboy. Whatever we choose to do about this, it will not generate significant revenue.

Provide Management to Private Lots? Staff has been asked if the City would manage a privately-owned parking lot. Doing so could, in theory, provide revenue in excess of costs. Given the abundance of parking that is currently available, however, initial calculations (this is a recent request that is still being analyzed) suggest that an unrealistic number of monthly leases would be required to yield a reasonable return to both the City and the owners.

Increase the Meter Rate? This possibility is discussed above. Increasing the meter rate would be painful, but if combined with the cost savings and revenue measures described above, it probably would allow the parking system to continue operating with a reasonable expectation – not a guarantee – of breaking even. Note that there will be several hundred dollars of calibration costs if the meter rate is increased.

Create a Downtown Parking Assessment District? Additional revenue could be raised during the creation of a Downtown Parking Assessment District. Following the model of the typical suburban mall parking system, tenants are charged for parking through their rents to the mall owners. What the public sees is that they don't have to pay for parking through a meter but what we know is that they pay for parking through the goods they purchase at the mall. The City could create an assessment district within a defined boundary and charge building owners an annual assessment through a proportionate calculation based on square footage of the structure or some other logical method. The only way to make this a workable solution is to eliminate the parking meters altogether. SP+ will still patrol the area enforcing the 2-hour time limit but downtown visitors will not have to feed the meters.

Where We're At

Every system has a threshold below which it is not sustainable, even if it is functioning at the present moment. Great Falls parking system was operating more or less at that threshold two years ago. Some progress has been made in addressing both the fiscal and physical health of the system. Unfortunately, the loss of the system's largest customer will drag the system back to and, actually, under the threshold.

It is staff's assessment that the City confronts three poor choices.

One choice is to end on-street parking enforcement (pull the meters, eliminate the time limits) while continuing to manage the garages and surface lots for the revenue they produce. This option preserves the assets of the parking system with the expectation that downtown will continue to re-develop and parking enforcement can eventually be restored as parking demand increases. At least some downtown merchants would be adversely affected by a lack of parking turnover.

The second choice is to raise the meter rate and institute at least some of the other cost savings and revenue measures listed above. This will be controversial, but it will allow the parking system to operate and probably, as garage and surface rates rise over the next three fiscal years, to undertake at least some of the necessary maintenance.

A third choice would be to provide a subsidy to the parking system from the general fund and/or the downtown tax increment fund, or, conceivably, from an increased assessment on the downtown business improvement district. The latter option would probably involve a discussion of tasking the BID to act as a parking commission.

Any of these options would work better if the City could find a one-time source of funding for LED lighting in the garages. It may be possible to finance the conversion to LED, but that would not address the immediate problem because the cost savings would not be realized until the loan is repaid.

Selling the parking system, or at least offering it for sale, is not listed as an option. Technically it is, but staff believes that a City decision to do this would have a chilling effect on downtown redevelopment.

Staff's Opinion

The timing of Asurion's departure from downtown Great Falls is unfortunate. On the other hand, the situation offers a lesson: If you expect corporate America to support your community, you should expect decisions like this one. Corporate patronage is history and habit in Great Falls, but perhaps the City should think about putting its economic development effort and dollars (Asurion/NEW was heavily subsidized) into fostering local enterprises?

Whatever impact this does or does not have on the City's long run behavior, the immediate reality is that the City is being challenged in a major way. If it chooses to cut back parking enforcement, closes a garage, or otherwise flinches, it will be sending a negative message about the importance of downtown that will not easily be retracted. The substantial investments the City has made in downtown are almost all essentially invisible to the public. The parking system is what the City does that's visible every day.

Staff recommends that this analysis be shared with the affected public, which will trigger a round of meetings and conversations that are even more interesting than last year's. Staff cannot predict the upshot of the community conversation, but staff believes that the only viable option is to maintain the parking system in anticipation of continuing downtown redevelopment. That means raising the meter rate or the creation of a downtown parking assessment district.

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