DOWNTOWN MOUNT VERNON PARKING GARAGE FEASIBILITY STUDY

(2008 Update)

Final Draft

Prepared for:
City of Mount Vernon

In Cooperation with:
Skagit County
Public Works

August 2008

E. D. HOVEE & COMPANY, LLC
ECONOMIC & DEVELOPMENT SERVICES

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AT-A-GLANCE SUMMARY

This report provides an updated assessment of the feasibility of a new parking garage planned for downtown Mount Vernon, Washington. Major findings of this study are summarized as follows.

2006 Parking Study Review. This study builds on the results of a prior downtown parking assessment. As of 2006, downtown Mount Vernon had an existing inventory of 1,840 on- and off-street parking space – with overall average utilization of 66% of available spaces. Major changes anticipated to the inventory include removal of the 355-space revetment as downtown flood control improvements are initiated.

Downtown Redevelopment Potential. The *Mount Vernon Waterfront and Downtown Flood Control and Master Plan* points toward development of additional downtown retail, office, residential and lodging. Over 20 years, this could result in need for an added 1,725 parking spaces – of which an estimated 410 spaces (and 185 in 10 years) would most likely need to be accommodated by the existing supply of on- and off-street parking *and* potential utilization of a centrally located public parking garage.

Location Evaluation. A centrally located parking garage is planned for the downtown block bounded by 2nd, 3rd, Gates and Myrtle Streets. Parking is an allowed use on this full block with ground floor retail (in a garage) limited to the half-block fronting on 2nd Street.

Parking Garage Funding Options. A wide range of resources may be available to fund construction and operation of a downtown parking garage. Currently proposed is lead funding through the State of Washington Local Infrastructure Financing Tool (LIFT) program – to implement the downtown flood control and master plan. Other sources of funding have been considered – including net parking revenues and capital contributions from the City of Mount Vernon and, as applicable, Skagit County (if the County develops a new administrative building at this site).

Parking Garage Financial Feasibility. A four-level, 452-space public parking garage with 7,500 square feet of ground floor retail space is proposed on a preliminary basis. About 383 spaces could be allocated for revetment replacement (including 50 spaces for hourly and 333 spaces for monthly parking) plus 69 existing at-grade spaces used by Skagit County spaces at the proposed site. As an option, another 150 spaces could be added to serve a prospective new Skagit County administrative building – if constructed at this site.

For preliminary planning purposes, capital cost for the 452 space structure is estimated at $18.4 million (in 2007-08 dollars) – including private site purchase and demolition, construction and indirect/soft costs. Capital cost for the larger 569 space garage alternative is estimated at $22.1 million. Two operating revenue scenarios are identified – Option A (all pay) and Option B (with public monthly parking to be fee paid and short-term public and County parking provided free of charge but with operating cost recovery as applicable).

The majority of capital cost is proposed to be paid through the state's LIFT program with either size garage. Remaining capital contributions would be needed from the City of Mount Vernon and, in the event 150 spaces are added for Skagit County administrative facilities, from the County on a pro-rata (per stall) basis. With plan implementation, overall downtown parking utilization is forecast to increase from 66% of the space inventory in 2006 to 75-78% in 10 years and to between 87-89% of available inventory over about 20 years.

Parking Structure & System Recommendations. Outlined is a policy framework for garage development addressing topics ranging from fee structure to cost-effective management. An approach to managing the entire array of public and private parking resources to support downtown revitalization and financial feasibility for parking garage development is also recommended for consideration.

Feasibility Study Conclusion. Recommended next steps include review of this *final draft* report with the City and project partners, obtaining required funding commitments, and then completing architectural and engineering plans together with financial underwriting services as needed to proceed to construction.

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I. INTRODUCTION TO PARKING GARAGE FEASIBILITY

This report is intended to provide an *updated assessment* of the feasibility for successfully funding, constructing and operating a new parking garage being considered for downtown Mount Vernon, Washington. When developed, the structure is planned for the downtown block bounded by 2nd, 3rd, Gates and Myrtle Streets.

BACKGROUND

Like many cities located in increasingly close proximity to major metro areas of the Pacific Northwest, Mount Vernon and others in Skagit County have been experiencing substantial population growth. This has been accompanied by substantial employment expansion and by growing development and redevelopment interest in downtown Mount Vernon.

A key barometer of downtown's economic vitality can be found in the *demand and supply* for parking. If there is too much parking, the downtown appears vacant and an important land resource is underutilized. If there is too little parking available compared to the need, customers become frustrated and avoid downtown; businesses may seek other locations.

For downtown Mount Vernon, the impetus to develop added parking has taken on increased importance over the last few years:

- Retail storefront customer activity combined with downtown service sector job growth has increased parking need, creating space shortages at high demand locations.
- Major public and private reinvestment in recent years has included both private development of facilities such as the Skagit Valley Food Co-Op, Skagit River Brewing and renovated Old Town Grainery to a new downtown Amtrak station also offering local bus connections via Skagit Transit (SKAT).
- A 2006 parking feasibility study documented the growing need together with business support for added parking in downtown Mount Vernon.
- Skagit County may impact both the demand and supply for downtown parking if it decides to proceed with new administrative facilities downtown – but with little impact from the planned jail project now anticipated to be developed outside the downtown area.[1]
- Downtown's parking need has become more pressing with the *Mount Vernon Waterfront and Downtown Flood Control and Master Plan* – identifying the prospective loss of 355 existing revetment parking spaces (or just under 20% of downtown's existing parking inventory) possibly by as early as 2010 once flood control work gets actively underway.
- The downtown master plan also identifies potential for substantial new retail, office, residential and hotel development over the next 20 years – further increasing the demand for available parking.
- Finally, as downtown transitions toward a more urban, compact and vibrant mixed use district, there is growing interest in reducing the amount of land devoted to parking lots by beginning to develop multi-level parking garage facilities.

PURPOSE OF FEASIBILITY STUDY

In response to these needs, the City of Mount Vernon and Skagit County have joined together to authorize preparation of this updated parking feasibility study. This study builds from preliminary results of an earlier 2006 parking assessment – specifically focused on the question of whether and under what conditions it may be feasible to develop and operate a parking garage as a means to better serve existing and anticipated future downtown parking needs.

This updated study is specifically tailored to address parking needs associated with prospective loss of revetment parking, new demand anticipated with added downtown development (envisioned through the downtown master planning process), and accommodation of specific parking needs from Skagit County and, if requested, potentially from Skagit Transit (SKAT).

APPROACH TO ANALYSIS

A multi-step approach has been taken to conduct this parking garage feasibility study. Key work-steps have included:

- *Background Orientation* – with City and County personnel regarding parking needs to address, site identification, potential funding sources and project contacts together with review of pertinent findings from the 2006 parking study (as per the Assumptions Matrix outlined with Appendix B).
- *Downtown Redevelopment Potential* – incorporating information as appropriate from the downtown master planning process and association projections of parking need.
- *Location Evaluation* – for a preferred site location as determined in consultation with the City and County.
- *Parking Structure Funding Options* – addressing sources of funds potentially available for capital construction and ongoing operations.
- *Parking Garage Financial Feasibility* – focused on anticipated capital cost and operating requirements.
- *Parking Structure & System Recommendations* – addressing the policy, planning and financial framework pivotal to successful garage implementation and operations.
- *Draft & Final Report Documentation* – including identification of pivotal “next steps” together with availability to meet with City and County representatives to review the draft report, with revisions made based on comments received.

Four appendices are attached to this report. *Appendix A* provides a brief profile of E. D. Hovee & Company, LLC as project consultant. *Appendix B* provides a detailed assumptions matrix comparing the 2006 assessment with this updated 2008 feasibility study. *Appendix C* serves as a detailed review of public parking funding options in the State of Washington. *Appendix D* contains baseline parking structure financial pro forma projection worksheets.

This final draft report is intended for review and discussion with primary project participants including the City of Mount Vernon and Skagit County. Revisions will be made based on review and comments received.

II. 2006 PARKING STUDY REVIEW

As noted, this current 2008 assessment represents an update to an earlier *Mount Vernon Parking Garage Feasibility Study* conducted in 2006 for Skagit County in cooperation with the City of Mount Vernon. Key findings of the 2006 parking study are reviewed in more detail with Appendix B to this report. Summary findings most pertinent to this 2008 update include the following:

- Downtown Mount Vernon has an existing inventory of approximately 1,840 on- and off-street parking spaces. This supply has not substantially changed in the last two years but will change with removal of the 355-space revetment as downtown flood control improvements are initiated.
- Parking usage has been assessed based on six utilization counts – with two counts conducted in late September 2005 and four added utilization counts in February 2006. The six counts resulted in an overall utilization averaging 66% of all available spaces, which equates to 627 open spaces (on average).
- On most days, utilization was highest for non-restricted public lots (averaging 79%), followed by public access County lots and then on-street spaces (at 63%). Overall space utilization was lowest for County restricted (primarily employee) and business lots, both averaging 56% occupancy over the dates surveyed.
- General industry standards for utilization identify "trigger points" that would suggest more aggressive parking management, adjustment to rates and fees, and/or development of additional parking supply. *For short-term (customer) parking,* 85% is an often used standard – as the existing inventory of parking appears more constrained to a shopper or visitor when 85% is exceeded. *For long-term (employee) parking,* many jurisdictions adjust the 85% short-term threshold upward to a 90-95% range.
- Overall, the majority of those responding to a 2005 downtown business survey expressed some level of dissatisfaction with the current parking system. Survey respondents indicate that selected improvements could lead to a wide variety of benefits – including increased patronage and additional downtown investment through the development of new business.
- Because downtown Mount Vernon is already relatively built-out, future redevelopment potential is essentially linked to any or some combination of: private redevelopment of major parcels at the edge of downtown, public redevelopment of existing facilities (primarily focused on anticipated loss of revetment parking), reuse of existing vacant or underutilized building spaces, infill development of smaller vacant properties, and improvements resulting from implementation of a flood control program (with planning now completed and implementation ready to begin).

These findings from the earlier study serve as *building blocks* for the current 2008 feasibility update. The impetus for developing Mount Vernon's first major public parking garage has increased considerably since 2006 with flood control and downtown master planning together with anticipated loss of parking associated with the revetment.

III. DOWNTOWN REDEVELOPMENT POTENTIAL

The potential for substantial added new development in downtown Mount Vernon has been addressed by the *Mount Vernon Waterfront and Downtown Flood Control and Master Plan.*[2] The goal of the planning effort is to "guide the investment of public and private resources in the downtown area over the next 20 years."

More specific objectives of the master plan are to achieve:

- More density downtown
- More housing downtown
- A mixture of land uses downtown

Market analysis conducted as part of the planning process concludes that residential development provides the best opportunity as an *initial catalyst for development.* Retail development is expected to accompany residential, supported by purchases from downtown residents, employees and visitors.

Also anticipated is that downtown Mount Vernon will continue to serve as an office center for Skagit County, including opportunity for a new signature office building. New lodging development should be expected to better serve commercial travelers and the tourist/visitor market – at highway sites or in conjunction with mixed use development on the Skagit River.

FORECAST DOWNTOWN DEVELOPMENT

As illustrated by the following chart, up to 280,000 square feet of retail development is anticipated with completion of flood control over the next 20 years – accompanied by 120,000 square feet of added office space, 450 residential units and an additional 200 hotel/motel rooms.

Figure 1. Forecast Downtown Development Potential (20 Years)

Type of Development	Next 10 Years	Subsequent 10 Years	20 Year Total
Anticipated Development:			
Retail (Square Feet)	125,000	155,000	280,000
Office (Square Feet)	55,000	65,000	120,000
Residential (Units)	200	250	450
Lodging (Rooms)	100	100	200

Source: Property Counselors.

All of these development activities are anticipated to generate need for additional parking in the downtown. In fact, provision of parking is integral to realization of these objectives for a more vibrant, mixed use commercial city core.

PARKING DEMAND WITH NEW DOWNTOWN DEVELOPMENT

The City of Mount Vernon exempts uses in the downtown from providing on-site parking. However, with the potential for new development and redevelopment as envisioned by the downtown master plan, the City may move to consider on-site parking requirements (especially for residential), but at lower ratios than required elsewhere in the City.

From the perspective of a real estate developer or lender, providing some level of on-site parking typically is critical to successful lease or sale of downtown residential and commercial space. It is possible to estimate parking demand associated with this projected new downtown development by:

- Utilizing parking ratios consistent with the typical urban experience – including opportunities for shared parking.
- Focusing on that portion of parking least likely to be met by added on-site spaces – notably retail and the portion of added office use most associated with renovation of existing structures rather than new construction.

As is illustrated by the following chart, added parking demand generated by new development resulting from the downtown master plan process is estimated at approximately 1,725 spaces over 20 years. Of this total, the largest single component of demand is associated with residential use, followed by retail, and then office and hotel (lodging) development.

As noted, most of this added parking need should be expected to be accommodated with added on-site parking provided by the developer of a new project. This is particularly the case with residential and lodging development. For marketability and financial underwriting, these uses most likely will need to be provided on the same site as the new development.

Similarly, much but not all of parking for added office space use in downtown should be expected to be accommodated by development of added on-site spaces, whether with adjoining parking lots or in parking garages constructed together with the new office development.

However, a portion of the added office space parking need is not always provided with each building project. This is often the case when rehabilitation of an existing building – without its own on-site parking – is involved. In these instances, parking would need to be accommodated by the existing system of public and private lots and/or by a new public parking garage.

The other type of development most likely to increase utilization of the *existing parking supply* – especially for on-street utilization – is retail. This feasibility assessment assumes that up to 50% of the parking demand associated with added retail space might be accommodated by the existing supply of on- and off-street spaces plus potential utilization of a centrally located public parking garage.

Based on these assumptions, about 410 added spaces (or between 20-25%) of the total 20-year demand of 2,520 added parking spaces might need to be accommodated by the existing supply of downtown parking plus construction of new public parking facilities. Approximately 185 spaces of this demand would need to be accommodated over the more immediate 10-year time horizon.

Figure 2. Anticipated Added Parking Need with New Development (20 Years)

Type of Development	Next 10 Years	Subsequent 10 Years	20 Year Total
Anticipated Development:			
Retail (Square Feet)	125,000	155,000	280,000
Office (Square Feet)	55,000	65,000	120,000
Residential (Units)	200	250	450
Lodging (Rooms)	100	100	200

Type of Development	Next 10 Years	Subsequent 10 Years	20 Year Total
Anticipated Added Downtown Parking Need (# of Spaces):			
Retail	240	300	540
Office	125	145	270
Residential	300	375	675
Lodging	120	120	240
Total Added Need	785	940	1,725
Parking Need Met by Existing Inventory + Public Garage (# of Spaces):			
Retail	120	150	270
Office	65	75	140
Residential	0	0	0
Lodging	0	0	0
Total Added Need	185	225	410

Parking Ratios:

Retail	3.5	spaces per 1,000 square feet
Office	3.0	spaces per 1,000 square feet
Residential	1.5	spaces per unit
Lodging	1.2	spaces per room

% of Parking In Use @ Normalized Occupancy:

Retail	55%
Office	75%
Residential	100%
Lodging	100%

New Parking Served by Existing Inventory & Public Garage:

Retail	50%	for sites closest to garage
Office	50%	primarily for space rehab
Residential	0%	w/ need met on-site
Lodging	0%	w/ need met on-site

Source: E. D. Hovee & Company, LLC.

IV. LOCATION EVALUATION

The Mount Vernon Waterfront and Downtown Flood Control and Master Plan calls for the development of a centrally located multi-level parking structure to accommodate displaced parking along the waterfront, parking County employee parking, and parking to support new development.[3] The EIS for the flood control project assumes "no loss of parking at any point."

The City of Mount Vernon's preference for its first public parking garage is the downtown block bounded by 2nd, 3rd, Gates and Myrtle Streets. Centrally located, this site is convenient to planned parking users – including downtown employees and retail customers, and potential the Skagit County administrative facilities. However, other blocks north of this site may also be suitable for structured parking.

Figure 3. Proposed Downtown Parking Garage Site

Source: City of Mount Vernon

About three-quarters of the approximately 40,000 square foot block is owned by Skagit County with the remainder in private ownership. The property is currently used primarily for surface lot parking, with an existing 8,100 square foot building in the northwest corner of the block.

A detailed assessment of planning context and access requirements pertinent to development of a structured parking facility at this location was also included with the initial 2006 parking garage feasibility study by the planning firm Jones & Stokes. Key elements of this earlier planning and transportation access analysis are still pertinent as summarized below.

PLANNING CONTEXT

A detailed assessment of regulatory requirements pertinent to downtown Mount Vernon was completed by the planning firm Jones & Stokes with the initial 2006 parking garage feasibility study. Key elements of this earlier analysis are still pertinent as follows:

Figure 4. Block Proposed for Garage

Block proposed by City of Mount Vernon and Skagit County for a new parking structure.

Land Use Designation. The 2nd, 3rd, Gates and Myrtle Streets block proposed for the parking garage is affected by two land use designations:

- The western side of the block (fronting 2nd Street) is designated by the Comprehensive Plan as Downtown Retail (DT) – with a zoning designation of Central Business District (C-1). The C-1 area is intended to provide a wide range of commercial uses with an emphasis on pedestrian-oriented retail on the ground floor – as well as other pedestrian amenities.
- The east side of the block (fronting 3rd Street) is designated for Comp Plan purposes as Government Center (GC) and zoned Public District (P). The Public District is intended to provide areas within Mount Vernon for public uses including government buildings.

Uses Allowed & Approval Process. Parking is an allowed use in both the C-1 and P districts (albeit with some modification to the P district possibly required).[4] Non-parking uses allowed vary between the two zoning districts:

- The C-1 zone allows ground floor retail as well as upper level office and/or residential uses. Multi-family residential developments of 15 units or less are permitted primary uses; projects of more than 15 units require approval of a Conditional Use permit by a Hearing Examiner. There is no building height limitation, except for fire safety considerations.
- The P district does not allow for ground floor retail or upper level non-governmental office and/or residential use. Building height is limited to 4 stories, not to exceed 50 feet.

The practical effect of these stipulations is that any mixed use development as with ground floor retail (other than the parking portion of the structure) will be limited to the 2nd Street side of the project to a point on Gates and Myrtle mid-way between 2nd and 3rd Streets.

Dimensional & Landscaping Requirements. Because the P district is adjacent to a C-1 district, a parking garage constructed at the subject site would have no minimum setback, lot coverage or building height requirements. Landscaping is required on 10% of the gross site area

– with a 10-foot planting strip along the street frontage except for driveways.[5] The City is planning to amend the code to remove the landscape requirement – which presently applies only for surface parking.

As part of more detailed project design, dimensional requirements will be important to consider in minimizing constraints that might affect an efficient parking lay-out – which should be possible on an approximate 200 x 200 foot (or 40,000 square foot) site.[6] Also noted is that design of the parking garage and site layout will need to take into account the surrounding neighborhood to ensure compatibility of scale and design.

PARKING GARAGE ACCESS

An assessment was also conducted in 2006 of driveway regulatory requirements for a parking structure at the proposed downtown Mount Vernon site. This assessment included a review of existing conditions, future improvements, driveway requirements, and recommendation for access.

Existing Conditions. South 2nd and 3rd Streets are both two-way streets running north and south, both designated as principal arterials. East Gates Street is one-way with traffic on two travel lanes moving east to west; East Myrtle Street is one-way in the opposite west to east direction and narrower with only one traffic lane.

Traffic analysis is available at two nearby intersections – at 2nd and Montgomery and at 3rd and Kincaid. Level of Service (LOS) is at LOS B for 2nd and Montgomery and LOS C at 3rd and Kincaid. As the City of Mount Vernon uses LOS D as the lower limit of acceptable service for principal arterials, both intersections have adequate capacity to accept added trips and remain at an acceptable LOS C.

South 3rd Street also functions as a state highway (SR 536). As of 2004, SR 536 had average daily traffic counts of 11,000 vehicles at Division Street and 18,000 vehicles at Kincaid. Traffic on this state route has been increasing by approximately 1.5% per year.

Future Improvements. Mount Vernon's Comprehensive Plan identified intersections and segments of roadway that may be deficient as of 2002. Within the downtown area, deficiencies were listed at:

- Division Street between Freeway Drive and Wall Street – no improvements suggested.
- South 2nd Street between Montgomery and Fulton – widen to four lanes.
- South 3rd Street (SR 536) between Kincaid and Montgomery Streets.

Of these deficiencies, only issues associated with 3rd Street might directly affect the project site, especially if future widening were to be involved.

Driveway Requirements. A review of City standards and State requirements on SR 536 that affect driveway placement indicates that the State of Washington may not allow direct access to a state highway for properties that have side street access. Also noted is that the capacity of vehicles to exit a parking garage is dependent on the type of gate control and whether vehicles would be required to make a sharp turn within 100 feet of either side of the driveway.

In effect, the design capacity of an existing driveway is anticipated to be about 250 vehicles per hour. A garage with a mix of long-term (employee) and short-term (retail customer) parking can be expected to have 40-70% of users exiting the garage in a peak hour. The extent to which this could constrain operations should be further assessed as part of project design.[7]

Access Recommendations. Based on this access analysis and the earlier 2006 study, it has been recommended that:

- Driveway accesses to the parking garage site be placed on Gates and Myrtle Streets.
- Exiting of the garage onto these two streets will yield more capacity, as there is less volume than on 2nd and 3rd Streets with more gaps to accept vehicles plus additional room to store vehicles on the street system before they enter the principal arterials.
- To improve the capacity on Myrtle Street, on-street parking extending from the parking garage driveway may need to be restricted to allow a two-lane approach to 3rd Street.

V. PARKING GARAGE FUNDING OPTIONS

Integral to the assessment of parking garage feasibility is consideration of potential funding options. This is a matter of particular importance if structured parking development is to be seriously considered. This review of potential options is followed by recommendation of what currently appear to be most viable options.

FUNDING OPTIONS CONSIDERED

This parking garage feasibility study focuses on parking options commonly used and therefore likely to be of primary interest to the City of Mount Vernon and its funding partners. Also identified are other potential sources that have been used by some jurisdictions in Washington but represent what may be of lesser priority. More detailed information for each source is provided by an Appendix C to this updated feasibility report.

Priority Options Considered:

- **CERB/LIFT –** a 2006 Local Infrastructure Financing Tool (LIFT) authorized by the state legislature to provide a new way to support economic development by taking advantage of tax revenue generated by private investment in a Revenue Development Area (RDA) to make payments on bonds used to finance public infrastructure improvements.
- **Public Agency Use Funding –** involving direct outlays from public agencies with a need for added parking in the downtown area, most likely including Skagit County and/or Skagit Transit (SKAT).
- **Parking Structure User Revenues –** typically represents a vital *building block* for any parking facility's revenue structure, albeit with important questions regarding the degree to which parking fees should be discounted to support other downtown business, public agency use and revitalization activity.
- **Downtown Area Parking System Revenues –** which may include application of net revenues generated from publicly managed on- and off-street spaces as well as fine revenues to also support development of new structured parking facilities (often through creation of a separate, dedicated enterprise or parking fund).
- **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).
- **Parking & Business Improvement Area (PBIA) –** assessment of businesses rather than property owners, most often used to pay for costs of operations and marketing rather than capital costs.
- **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.
- **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.

- **Sales & Use Tax For Public Facilities** – a State of Washington mechanism providing for up to a 0.09% deduction from the state portion of sales tax purchases in rural counties, with funding of up to $500,000 per project potentially available in Skagit County.

Other Potential Options:

- **Public-Private Development Partnerships –** occurring in mixed use projects where public parking is used to reduce costs of jointly developed private office, retail or residential and/or the private development defrays some of the public cost in developing parking.
- **63-20 Financing –** identified as a potential alternative to traditional GO, revenue and LID bond financing in the post I-695 era.
- **Community Renewal –** updating the state's urban renewal laws (via SHB 2357 passed by the Legislature in 2002) including authorization for public improvement financing from multiple revenue sources including tax-exempt, non-recourse revenue bonds.
- **Downtown & Neighborhood Commercial Districts –** also authorized by the 2002 Legislature allowing use of incremental increases in local sales and use tax revenue to finance community revitalization projects including "publicly owned or leased facilities," a source that can be used in conjunction with Community Renewal.
- **Event Surcharges –** encompassed within the SSB 5514 public facilities district legislation providing for automobile parking charges as part of an up to 5% charge on event admissions prices.

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

Not directly considered with this updated analysis are options for other state and federal grant funds beyond the CERB/LIFT mechanism. In the past, a variety of state and federal grant programs have been applied to funding downtown parking structures. However, in the current environment of more constrained state/federal funding, there are fewer readily identifiable programs immediately suitable for parking facility development.[8]

Also possible is the provision for City General Fund contribution – as with either a one-time capital or ongoing operating contributions to a downtown parking program.

Mount Vernon Parking Garage – Funding Evaluation Matrix

Funding Source	Capital Funding	Annual Funding	Advantages	Disadvantages	Application to Mount Vernon Parking Garage
Priority Funding Options Considered:					
CERB/LIFT	●	○	New funding source most similar to tax increment financing (used in other states)	Competitive process statewide; repayment depends on increase in downtown tax base	City application targeting $14.5 million to parking as part of revitalization strategy
Public Agency Use Funding	●	●	Direct funding from entities with downtown parking requirements	Depends on funding availability & support from elected officials	Possible basis for pro-rata funding w/County & SKAT
Parking Structure User Revenues	○	●	Flexibility for operating & capital cost repayment	Revenues dependent on parking fees that users will support	Recommend user fees at least adequate to pay for operating costs
Parking System Revenues	○	●	Can apply on-street meter & fine receipts to garage operations	Limited applicability unless on-street parking is metered	Key policy choice is whether to transition to fee on-street parking
Local Improvement District (LID)	●	⌖	Assesses property owners who benefit most from new parking	Can be difficult to secure owner support; subject to remonstrance	Not recommended to fund initial downtown parking garage
Parking & Business Improvement Area (PBIA)	⌖	●	Flexible formula to assess businesses rather than properties	Not readily suitable for capital funding (due to limited recourse w/default)	Not recommended to fund initial downtown parking garage
Revenue Bonds	●	⌖	Can be used to pay debt from revenues in excess of operating cost	Difficult to underwrite without debt coverage and/or GO backing	Unlikely source unless *top-of-market* parking fees are charged
General Obligation (GO) Bonds	●	⌖	Can be funded with voted or non-voted debt	Major policy issue, requires balancing of other City priorities	Possible back-up source in event of capital funding shortfall
Sales & Use Tax for Public Facilities	●	○	0.09% state sales tax portion for economic development facilities	Requires submittal and funding allocation from Skagit County	Available for up to $500,000 per project
Other Potential Funding Options:					
Public-Private Development Partnerships	●	●	Can support land and/or parking cost and offer mixed use opportunity	Increases complexity of funding and requires interested developer	Not recommended unless clear private interest demonstrated
63-20 Financing	●	●	Non-traditional funding via a non-profit issuer	Complexity limits use to very large projects	Not recommended
Community Renewal	●	○	Authorized in 2002 w/modest tax increment	Limited track record across state to date	Not recommended for initial parking garage
Event Surcharges	●	●	Admissions charges to fund public parking	Requires downtown event generators	Not recommended

Legend: ● = Definite ○ = Possible ⌖ = Challenging or Not Likely

Note: Intended for illustrative purposes; subject to change as project concepts are refined.

Source: E. D. Hovee & Company, LLC, April 2008. See Appendix C for added detail.

THE MOUNT VERNON LIFT OPPORTUNITY

As part of its comprehensive redevelopment plan for the historic downtown area, the City of Mount Vernon is submitting an updated 2008 application to the State of Washington Department of Community, Trade and Economic Development (CTED) through the Community Economic Revitalization Board (CERB) for funding via the Local Infrastructure Financing Tool (LIFT) competitive application process.

If approved, the City of Mount Vernon will qualify for a state contribution of approximately $500,000 per year. This funding will be used to finance eligible public improvements within a downtown Revenue Development Area (RDA).

The City will also contribute an equivalent amount annually to fund LIFT-eligible improvements. The primary City funding resources anticipated as applicable to finance improvements within the RDA area are expected to include City General Fund property and sales taxes. Other potentially available sources include real estate excise tax funds, federal and state appropriated funds, federal and state grant programs, and other sources as they are secured.

LIFT is intended to serve as a *core funding source* for development of a centrally located downtown parking garage. With the 2007 initial application, an estimated $22 million of public improvements were proposed to be funded in conjunction with the LIFT program, of which $11.2 million is tentatively allocated for parking garage construction.

Figure 5. Downtown Mount Vernon Public Infrastructure Investment Planned

Waterfront Promenade and Street Improvements	$7,100,000
Structured Parking Facility (2007 estimate)	$14,500,000
Non-Motorized Path and Other Park Facilities	$400,000
Total	$22,000,000
Debt Amount Financed Through LIFT (All Uses)	$14,000,000
Parking Structure Share of LIFT	*$11,200,000*

Note: Excluded from the infrastructure investment is flood control which is not eligible for LIFT funding.

Source: City of Mount Vernon Ordinance No. 3364, Attachment G-1, June 20, 2007, and E. D. Hovee & Company, LLC. Cost estimates are preliminary, subject to revision, and in 2006-07 dollars. Debt estimates are adjusted to reflect anticipated 2008 LIFT request submittal by City of Mount Vernon.

Of this $22 million in total public infrastructure investment, an estimated $14 million of debt would be issued, to be repaid over 25 years from state and local government LIFT contributions. With approximately 80% of LIFT debt targeted to the downtown parking garage proportion, the LIFT amount allocated for parking garage use is estimated at $11.2 million.

The 2007 LIFT application indicated that this new construction is estimated to generate approximately 1,865 permanent jobs and added housing for 1,120 downtown residents. LIFT is viewed as a viable investment for the State of Washington as it will return nearly $74 million in net added state revenue over a 25-year time period. The value of private investment anticipated for downtown Mount Vernon is estimated (in 2006 dollars) at over $229 million.

MOST VIABLE OPTIONS

From this review of potential parking funding options, five concluding observations are offered as a basis for selecting what currently appear to be the most viable options for parking facilities considered by the City of Mount Vernon and its funding partners:[9]

1. *Look first to resources potentially available through implementation of the Mount Vernon Waterfront and Downtown Flood Control and Master Plan.* In particular, the availability of state-authorized CERB/LIFT funding as a means to repay parking infrastructure needed for flood improvements and supported by added state and local tax benefits represents the most significant funding resource on the horizon for Mount Vernon. This resource is potentially available to cover the majority (50-60%+) of parking garage capital development cost (depending on whether 452 or 569 spaces are constructed).

2. *With the alternative of an added 150 spaces to serve potential new Skagit County administrative facilities, provide this added parking space capacity within the parking garage to Skagit County based on recovery of capital and operating cost funding to cover the number of spaces desired.* This report provides the *option* for adding 150 spaces dedicated to Skagit County (at its option). In addition to these spaces, the City is proposing to fund the cost of replacing the 69 existing at-grade spaces utilized by Skagit County. Benefits of County participation in added spaces include location of new County administrative facilities in downtown, close proximity to existing County facilities and potential opportunity to reduce per space parking costs with a larger centralized facility.

3. *Consider other grant or local funding sources to the extent that they appear to be clearly applicable for parking garage development and supportable locally.* The relatively rapid schedule anticipated for funding will place emphasis on funding sources that can be most readily secured and subject to state/local authority. As an example, the Local Improvement District (LID) assessment mechanism represents a tested process in Washington State for funding of public parking. However, achieving the property owner support necessary for successful implementation can be challenging and time consuming. Asking property owners to fund replacement of existing revetment and some portion of County parking needs represents an even more challenging proposition. Future LIDs may be more viable with subsequent structures developed after this initial facility that can be primarily aimed at developing added downtown parking capacity.

4. *Allocate of parking revenues in excess of expenses required from garage operations to repay a portion of facility costs and make other City capital contributions to the extent that funds are available and is required to support project capital costs.* Best case, parking garage rates and resulting revenues supportable in Mount Vernon could be expected to cover only a portion of the project's cost of construction. If parking revenues are used as a repayment source for revenue or general obligation bonding, achieving strong and predictable parking garage utilization will be of critical importance to project funding. Particular focus would be on revenue that could be generated from monthly public parkers, which can be bolstered via establishing supportive parking rate and management policies for other public on- and off-street facilities.

VI. PARKING GARAGE FINANCIAL FEASIBILITY

Based on the information generated through the review of existing and future needs, and resulting alternatives assessment, this section of the report proceeds with a description of a *prototype structure* that could be considered for the block bounded by 2nd, 3rd, Gates and Myrtle Streets. This review includes a description of a suggested facility program, preliminary financial pro forma evaluation, and effects on parking utilization.

It is emphasized that this prototype structure presentation is *preliminary and intended for discussion purposes only*. This presentation should not be construed as representing a decision as to whether to proceed with a downtown parking structure or as to the program and funding components of such a facility. Further refinements to this analysis can be expected based on continuing discussions with the City of Mount Vernon and Skagit County.

FACILITY PROGRAM

For purposes of initial financial feasibility analysis, this *review draft* report assumes a 452 or 569-space public parking garage with approximately 7,500 square feet of ground floor retail space. Parking allocation is tentatively planned to be approximately as follows:

- 350-383 spaces – for revetment parking replacement assuming designation of approximately 50 spaces for short-term and 300-333 spaces as long-term daily or monthly parking (with the extra 33 spaces most feasible with the four parking floor plates anticipated for a 452 space garage).
- 69 spaces – for replacement of existing at-grade spaces owned and utilized by Skagit County.
- *Alternative for an added 150 spaces* – Skagit County parking alternative to serve a potential new administrative facility if built in downtown (a preliminary planning target subject to refinement at the option of Skagit County).
- *Added alternative for another 100+/- spaces* – potentially to serve the needs of Skagit Transit (SKAT). Detailed evaluation of this option is not included with this updated report but could be considered as part of a supplemental evaluation.

With location on a 40,000 square foot whole block site, the resulting structure would be approximately 4 floors in height with the 452 space option or 5 floors at 569 spaces (including the roof level of the parking garage).

With the earlier 2006 parking garage study, mixed use office or residential development on floors above the parking was also considered as a potential development option. With this updated assessment, development of residential or office space above the parking garage is no longer considered as an active option.[10]

FINANCIAL PRO FORMA EVALUATION

This financial evaluation involves consideration of capital costs, operating costs and revenues, and resulting pro forma financial feasibility.

Capital Costs. Costs of development for a 452 space parking garage alternative are as detailed in a prototype financial *pro forma* attached as Appendix D. Costs are based on industry standard per square foot averages for the current market for key project components, as follows:

- Demolition is estimated for an existing 8,300 square foot building in the NW corner of the block (to be acquired) at a demolition cost of approximately $15.00 per square foot.
- Parking construction (for an above ground structure) is estimated at a 2008 mid-range figure for the Seattle/Puget Sound metro area of $75 per square feet – equating to hard construction cost of just under $21,740 per space (assuming required building utilization of approximately 335 square feet per parking space including drive aisles).[11] *Note:* This mid-range cost estimate is anticipated to cover reasonable quality finishes, extra ground floor height for retail, and typical foundation cost but may is not adequate to cover extraordinary foundation requirements associated with poor soils conditions.[12]
- An added $2 million is allocated on a preliminary basis for extraordinary foundation and soils-related costs (based on Skagit County experience with downtown area construction projects).
- Retail space construction cost is estimated at approximately $90 per square foot for *vanilla shell* space – with tenant improvements to be made separately by the lessee.
- Equipment costs cover items including a multi-space meter/pay station lane drive camera system, lag time readers, entry/exit barrier gates, proximity readers, loop detectors, intercom/voice announcement and associated electrical plus labor.
- Indirect (soft) costs are estimated at 25% of direct construction expense – including architectural/engineering permits/fees, bond and/or other finance-related costs, interest during construction, and initial marketing of both retail tenant space and short-term/long-term downtown parking.
- For preliminary planning purposes, site acquisition of the northwest one-quarter block currently in private ownership is assumed to be in the range of $1 million, a figure subject to future appraisal and property negotiations.[13] The remaining three-quarters of the block is owned by Skagit County and assumed to be provided at no direct cost for parking garage development, subject to City replacement of existing at-grade surface parking at no added cost to Skagit County.

For preliminary planning purposes, projected capital cost for a 452 space parking garage with 7,500 square feet of ground floor retail is estimated at $18.4 million (in 2007-08 dollars). This figure includes allocation for site purchase and demolition, construction, and indirect/soft costs.

If Skagit County were to opt to have 150 added spaces dedicated for its use included in conjunction with a County administrative building, the cost of a 569 space (with 117 net added spaces overall) is estimated at $22.1 million.

Operating Costs. As part of the initial 2006 evaluation, parking analyst Rick Williams Consulting (RWC) provided a detailed review of typical annual costs associated with parking garage operations. Operating costs typically cover such items as management, on-site labor (if required as for fee collection), security and janitorial services, supplies, maintenance, utilities, insurance and capital reserves (as for major repairs and equipment replacement).

With some parking garage operations, there may also be expenses for such items as marketing and credit card fee processing. For Mount Vernon, it is assumed that there will be no tax expense as the facility will be publicly owned.

Annual operating expenses vary substantially by type of garage user and operation. Based on the 2006 report, expenses are estimated for the following types of parking structure operations:

- A 100% employee parking garage serving County and downtown business users – is projected at an annual operating cost of about $220 per space per year.
- A garage with 100% retail/short-term customer parking – estimated to cost in the range of $655-$660 per space per year assuming a combination of a single attended (staffed) exit lane combined with customer pay stations (for an assumed 80% of transactions). These costs can be reduced to about $400 per space annually if all payment is covered via an automated pay station with no need for a staffed on-site payment attendant.[14]
- Combined annual operating cost for all spaces – is projected to average between $235-$240 per space (in 2008 dollars). This estimate reflect a cost-effective management system with no dedicated on-site staffing.

These cost ranges reflect inflation of prior 2006 estimates to 2008 dollars (using assumed recent cost inflation in the range of 4% per year).[15] Further refinement of operating costs is expected to occur subsequent to determination of garage sizing and more detailed design.

Operating Revenues. Ongoing on-site revenues will be generated from parking user fees and ground floor retail space rentals. Two revenue scenarios are assumed with this initial analysis:

- *Option A* – an all-pay scenario where user fees are charged for all persons parking in public short-term, public monthly, and Skagit County parking spaces. All operating costs would be covered by the user fees generated.
- *Option B* – a public monthly parking fee only with parking provided free of charge to short-term public and Skagit County. In lieu of providing free parking to users, Skagit County would agree to pay operating costs for any spaces it uses preliminarily estimated at about $220 per space annually for long-term (daily/monthly) parkers

Parking rates applied on an illustrative basis with these projections are:

Both Options A and B: $30 per month – downtown employee and business tenant parking.

All Pay Option A Only: $30 per month for net added County allocated spaces (as well as downtown employee/business tenants) but no charge for 69 replacement spaces and $0.25 per hour for short-term customer parking.[16]

A rental rate of $15 per square foot per year is applied to the ground floor retail space.[17]

With both Options A and B, parking garage revenue is expected to more than offset operating expenses. Net operating income (NOI) is greater from the retail than from the parking portion of the operation – from the first year of operations forward.[18]

Financial Pro Forma Analysis. A pro forma involves a detailed projection and analysis of a project's financial feasibility covering:

- *Annual operating projection* – provided for operating revenues, expenses, and resulting net operating income (NOI).
- *Sources and uses of capital funds* – with sources including debt financed from CERB/LIFT plus per space based capital cost contributions the City of Mount Vernon (including committed excess revenues) and, if applicable for an added 150 dedicated spaces, from Skagit County.

The charts on the following pages chart summarize results for annual operations and capital budget sources and uses – with a comparison of Option A and Option B results. Results are provided first for the 452 space garage alternative, then separately for the 569 space alternative. *Note:* Appendix D provides detailed pro forma worksheets for the 452 space, Option A baseline scenario.

452 Space Alternative. A 452 space parking garage is planned as a 4-level structure. Based on a preliminary concept plan prepared by KPFF, an estimated 89 spaces could be provided at ground level (after allocation of 7,500 square feet plus common area for ground floor retail use), with 117 spaces on each of the second and third levels and 129 spaces on the top level.

For this preliminary pro forma analysis, sources of capital funds are allocated with both Option A and B scenarios as follows:

- An estimated $11.2 million in capital cost (or more than 60% of the projected $18.4 million facility cost) is outlined as an estimated 80% portion of downtown improvements from debt supported by the state's LIFT program – contingent on receipt of funding as is being proposed by the City of Mount Vernon.
- Approximately $7.2 million would need to be funded from other sources. This could include an estimated $1.2-$1.5 million based on debt funded from net parking garage revenues and the remaining balance of $5.7-$6.0 million as a City of Mount Vernon capital contribution (including other grant sources that the City might secure).[19]

In effect, the policy and management choices that the City makes regarding parking rates on-site (and elsewhere in downtown Mount Vernon) can be expected to materially affect the remaining balance to be funding as a City of Mount Vernon capital contribution. Moving toward implementation of parking management recommendations (consistent with Section VII of this report) in advance of or no later than completion of the proposed parking garage can be expected to play a significant role in the overall funding program of this and future downtown parking structures.

Figure 6. 452 Space Parking Garage Illustrative Financial Pro Forma Summary

	OPTION A: Parking Fee w/All Spaces	OPTION B: Monthly Fee *plus* Cost Recovery
ANNUAL OPERATING PROJECTION*		
Gross Annual Revenue	$236,000	$214,400
Operating Expenses	($119,700)	($119,700)
Net Operating Income (NOI before debt service)**	$116,300	$94,700
SOURCES & USES OF CAPITAL FUNDS		
Sources of Funds:		
Debt Financed Thru CERB/LIFT (Garage Share)	$11,200,000	$11,200,000
Debt Funded From Parking Garage Revenues	$1,490,000	$1,211,000
City of Mount Vernon Capital Contribution	$5,711,000	$5,990,000
Skagit County Capital Contribution***		
- Lot Replacement (69 Spaces)	$0	$0
- New Spaces (County Admin Building)	$0	$0
Total Sources of Funds	$18,401,000	$18,401,000
Uses of Funds:		
Private Site Acquisition (Tax Assessed Valuation)	$1,000,000	$1,000,000
Construction	$12,321,000	$12,321,000
Indirect (Soft) Cost	$3,080,000	$3,080,000
Foundation/Piling Add-On Allocation	$2,000,000	$2,000,000
Project Cost	$18,401,000	$18,401,000
Remaining Contingency	$0	$0
Total Uses of Funds	$18,401,000	$18,401,000

Notes: * As of first year of stabilized occupancy (in 2008 dollars).

** NOI represents income potentially available to support debt service or to provide project reserves as a contingency or for other future downtown parking improvements.

*** Assumed is that Skagit County replacement parking (69 spaces) will be provided at no cost to Skagit County.

Source: E. D. Hovee & Company, LLC. Pro forma projections are preliminary and subject to change.

569 Space Alternative. With this alternative, parking would be provided on five levels. An estimated 150 spaces would be allocated to Skagit County (above and beyond the 69 replacement spaces) to serve a potential new downtown County administrative building. The result is a *net addition* of 117 spaces – equivalent to an added floor of structured parking.

This preliminary pro forma assumes that sources of capital funds are allocated with both Option A and B scenarios as follows:

- As with the 452 space alternative, an estimated $11.2 million in capital cost (or just over 50% of the projected $22.1 million facility cost) is outlined as an estimated 80% portion of downtown improvements from debt supported by the state's LIFT program (of up to

$14 million) – contingent on receipt of funding as is being proposed by the City of Mount Vernon.

- Approximately $5.5 million would be contributed by Skagit County for the 150 spaces (based on a pro rata share of project capital cost excluding retail area estimated at $36,625 per space).
- Approximately $5.4 million would need to be funded from other sources. This could include an estimated $1.2-$1.8 million based on debt funded from net parking garage revenues and the remaining balance of $3.6-$4.2 million as a City of Mount Vernon capital contribution (including other grant sources that the City might secure).

Figure 7. 569 Space Parking Garage Illustrative Financial Pro Forma Summary

	OPTION A: Parking Fee w/All Spaces	OPTION B: Monthly Fee *plus* Cost Recovery
ANNUAL OPERATING PROJECTION*		
Gross Annual Revenue	$283,900	$241,300
Operating Expenses	($145,400)	($145,400)
Net Operating Income (NOI before debt service)**	$138,500	$95,900
SOURCES & USES OF CAPITAL FUNDS		
Sources of Funds:		
Debt Financed Thru CERB/LIFT (Garage Share)	$11,200,000	$11,200,000
Debt Funded From Parking Garage Revenues	$1,770,000	$1,226,000
City of Mount Vernon Capital Contribution	$3,611,200	$4,155,200
Skagit County Capital Contribution***		
- Lot Replacement (69 Spaces)	$0	$0
- New Spaces (County Admin Building)	$5,493,800	$5,493,800
Total Sources of Funds	$22,075,000	$22,075,000
Uses of Funds:		
Private Site Acquisition (Tax Assessed Valuation)	$1,000,000	$1,000,000
Construction	$15,260,000	$15,260,000
Indirect (Soft) Cost	$3,815,000	$3,815,000
Foundation/Piling Add-On Allocation	$2,000,000	$2,000,000
Project Cost	$22,075,000	$22,075,000
Remaining Contingency	$0	$0
Total Uses of Funds	$22,075,000	$22,075,000

Notes: * As of first year of stabilized occupancy (in 2008 dollars).

** NOI represents income potentially available to support debt service or to provide project reserves as a contingency or for other future downtown parking improvements.

*** Assumed is that Skagit County replacement parking (69 spaces) will be provided at no cost to Skagit County.

Source: E. D. Hovee & Company, LLC. Pro forma projections are preliminary and subject to change.

As with the 452 space garage alternative, the form of the City of Mount Vernon capital contribution with a 569 space garage can be materially affected by parking structure and system management – as outlined by Section VII to this report.

EFFECT ON DOWNTOWN PARKING AVAILABILITY

The construction of a downtown garage can meet identified parking needs in a way that supports the financial feasibility of a new facility – maintaining a healthy balance of demand with supply.

Figure 8. Current & 10-Year Forecast Downtown Parking Inventory (452 Spaces)

	Parking Supply	Parking Need	% Use
Parking Inventory (2006)	1,840	1,212	66%
Parking Inventory (10 Year Projection w/Garage)	1,868	1,397	75%
Net Change	28	185	

Source: E. D. Hovee & Company, LLC

With construction of a *452-space garage*, utilization of the entire downtown on- and off-street system is projected to increase from an average of 66% utilization in 2006 to a projected 75% post-construction of a central downtown parking garage. This will come about as the result of anticipated changes both to parking supply and demand (or need):

- The *supply* of downtown parking will increase from about 1,840 spaces currently to 1,868 with parking garage construction. This will occur as the combined result of losing 424 spaces (355 with the revetment and a preliminary estimate of 69 existing at-grade spaces on the subject site), more than offset by construction of 452 public garage spaces – for a *net gain* of 28 downtown area spaces.[20]
- The *demand* (or need) for downtown parking is projected to increase by an estimated 185 spaces over about 10 years with successful realization of the downtown master plan resulting in the increase in overall downtown space utilization as noted.

Utilization will increase in a somewhat similar fashion with a *569-space garage* – but to a somewhat higher rate of 78% after 10 years. This is because the net addition to the parking garage of 117 spaces (or 569 *less* 452 spaces) is somewhat less than the net added demand of 150 spaces (as assumed to serve a new county administrative in the range of 60,000 square feet.

The addition of this centrally located public parking facility also provides *added cushion* to serve downtown growth over a longer term 20-year time horizon. If development occurs as anticipated by the downtown master plan, utilization of the entire on- and off-street system can be expected to increase to between 87%-89% in 20 years. As utilization moves into the 85-90% range, the need to begin planning for yet more downtown public parking capacity – beyond this first parking garage for downtown Mount Vernon – will likely materialize.

VII. PARKING STRUCTURE & SYSTEM RECOMMENDATIONS

The last step in this update report is to offer recommendations for parking garage management, overall funding strategy, and related actions pertinent to the downtown parking system.

PARKING STRUCTURE DEVELOPMENT & MANAGEMENT

As in 2006, this feasibility study suggests the importance of creating a policy framework for parking garage funding and ongoing management – potential contents of which are noted below.

Figure 9. Parking Structure Development & Management Goal & Objectives

Goal: **Develop a parking structure consistent with demonstrated public-private use needs and financial resources for multiple users in a manner that is financially sustainable and facilitates opportunities for joint or adjoining new public-private development.**

Objectives:

Parking Structure Development –

- Identify whether there is prospective interest in joint public-private development.
- Similarly identify prospective interest in project participation or parking space reservation from other public agencies such as Skagit County and SKAT.
- Authorize project architectural and engineering services – covering site planning, parking floor plans and associated on-site development (including ground-floor retail and/or upper floor residential/office).
- Provide for ground floor retail on 2nd Street and associated portions of Gates and Myrtle Streets as compatible with needs for parking floor layout and ramping.
- Consider turnkey (private) construction of this or other future structures if there is interest in office/residential above the parking garage – in a manner consistent with state statute and experience elsewhere in Washington State.

Parking Garage Fees –

- Establish monthly fees for downtown employees consistent with *top of market* rates for the downtown area.
- Establish user fees (e.g. meters, automated pay stations) for short-term customer parking comparable to downtown on-street rates.
- As agreed to by project participants, charge back to public agency users in amounts necessary to cover operating expenses and any pro-rata portion of capital costs not generated from non-user (outside funding) sources.
- As appropriate, establish a fee structure for residential or office users allocated either to the developer or individual residents consistent with bond covenants.

Management –

- Seek low-cost alternatives for management and operation functions consistent with safety and cleanliness standards.
- Operate the garage through the City’s facility management process with an advisory role from other participants and downtown businesses, as through a Parking Commission.

FUNDING STRATEGY

Creating a funding strategy to build and operate a parking garage will require efforts on both the ongoing income and capital funding sides of the equation:

- Determining *parking garage fees* that are supportable in the local market vis-à-vis other existing parking alternatives and that meet downtown revitalization plan objectives – for both long- and short-term parkers. In effect, this requires answering three separate questions of whether and what levels of fees are appropriate for: a) downtown business employees, b) regular downtown customers plus visitors, and c) County employees and/or departments.
- Setting fees and parking regulations for the rest of the publicly-owned *on- and off-street parking system* that complement what is planned for a parking structure.
- Identifying other realistically available *non-revenue sources of capital funding* – as necessary to fill the gap between project cost and funding supported by project user fees/revenues.

A successful funding program will address these three parts of the funding equation in tandem. As is apparent from this discussion of downtown parking alternatives, there is not necessarily any one single solution that is inherently better than the other alternatives. What is important is to *tailor a strategy* that best fits local objectives and available resources – as an investment with an economic life extending over the next 30-50+ years.

PARKING SYSTEM MANAGEMENT

As planning proceeds to design, fund and construct a parking garage on the proposed 2nd, 3rd, Gates and Myrtle Streets block, it is appropriate to consider a more formalized approach to managing the entire downtown parking system. Because parking is critical to the viability of business and public functions, an *explicit parking strategy* can serve as a building block integral to a broader downtown revitalization program.

Public parking is particularly important for downtown revitalization in the state of Washington due to the comparative lack of redevelopment tools that are commonly used in other states. These limitations include strict prohibition against lending of credit from public to private entities and lack to date of significant financial incentives such as tax increment financing.

In contrast, Washington State law grants broad authority for funding, development, management and operation of *public parking* facilities – both on- and off-street.

How parking is managed also will prove pivotal to the funding and ongoing financial sustainability of a downtown parking garage, when and if constructed. In effect, the economics of the entire downtown parking system needs to work *hand-in-hand* with the economics of the parking garage – as well as with future development of other public and private parking facilities.

Parking Management Goal & Objectives. Suggested for consideration is an overall parking system management goal together with more detailed supporting objectives.

Figure 10. Parking System Management Goal & Objectives (Draft Recommendations)

Goal: **Manage public and private parking resources to support full utilization of the downtown as a commercial and civic center, including facilitation of downtown reinvestment and revitalization.**

Objectives:

- Prioritize on-street parking spaces for short-term customer and visitor use as demand is demonstrated.
- Locate employee parking away from high-demand customer areas with priority for off-street lots and parking garage facilities within a reasonable 2-3 block walking distance of employer locations.
- Encourage location of off-street spaces for existing or new residential units in close proximity to the housing being served.
- Provide for special need parking, including juror and transit/park-and-ride functions in a manner appropriate to serve the needs of each parking interest.
- Create an economic system of payment for parking that will improve the financial feasibility of developing off-street lots and structures as demand or need warrants.
- Prioritize establishment of a user fee system for longer-term employee parking as a means to encourage consideration of alternative transportation modes as well as development of additional off-street facilities.
- Manage public and private parking in a manner that encourages new public and private development in downtown Mount Vernon.
- Dedicate funding from public on- and off-street parking use to pay for operating costs including enforcement plus new facility development.

Implementation. Key steps important to early phase implementation of a downtown parking management system are suggested to include (but are not limited to) the following:

1. Move toward reinstatement of monthly fee parking for long-term (all day) public parking spaces both on- and off-street.
2. Consider whether to convert short-term (i.e. 2-hour or less) parking spaces to parking meters/other fee paid system or maintain free parking as a downtown shopping incentive (but with more vigorous enforcement of posted time limits).[21]
3. Create a parking (or enterprise) fund and consider creating a Parking Commission or other advisory group to focus on management of public downtown parking resources as authorized by state statute.
4. Establish a mechanism for rapid review and approval of individual business requests for short-term parking (and signage) as warranted by demand and supported by adjoining business and property owners.

VIII. FEASIBILITY STUDY CONCLUSION

As with the initial 2006 Mount Vernon Parking Garage Feasibility Study, this feasibility study update demonstrates the opportunity available to Mount Vernon with development of its first downtown public parking garage. However, the impetus to move more expeditiously toward development is much greater than two years ago due to:

- Imminence of flood control improvements that would involve removal of 355 spaces (or 19%) of downtown Mount Vernon's existing parking inventory.
- Completion of a downtown master plan and anticipated added parking demand resulting from downtown revitalization with substantial new development over the next 20 years.

This feasibility study concludes by summarizing anticipated benefits of parking garage development and next steps recommended for consideration by the City, County and SKAT.

DOWNTOWN PARKING GARAGE BENEFITS

The transition of parking from surface lots to multi-level garages can yield a number of critical long-term benefits for downtown. At this conceptual stage, it is difficult to quantitatively assess prospective benefits – especially since a parking garage is not explicitly tied to any specific redevelopment with the possible exception of Skagit County's law and justice facility plans.

From a broader perspective, the ability to develop and operate a financially sustainable parking garage serving downtown parking needs offers several benefits that prospectively include:

- Replacing parking expected to be removed on the revetment for flood control.
- Offering more options for retail customers including tourists – at a typical retail business revenue value of $50,000 per parking space per year.[22]
- Ability to better serve downtown employees – opening up needed on-street and close-by parking lots for short-term customer and visitor parking critical to local business vitality.
- Providing replacement parking for existing at-grade parking available to Skagit County on the proposed parking garage site – at no cost to Skagit County.
- Providing a covered, well-lighted, safe environment for both customer and employee parking.
- Creating an economic value to parking – that over time supports more intensive use of scarce downtown land resources.
- Encouraging additional building investment – both in new construction and rehabilitation/tenanting of existing underutilized space.
- Generating added tax revenues to the City of Mount Vernon and Skagit County – from property and sales tax revenues consistent with the downtown master plan and proposed LIFT funding.
- Continued transformation of downtown Mount Vernon – with the potential to become the most vibrant mixed use urban center on the I-5 corridor between Seattle and Bellingham.

NEXT STEPS

This final draft report concludes with suggested *next steps* – covering items including the following:

1. Discuss questions and comments with the City and project partners on this draft report – with particular focus on such items as facility sizing, use allocation, rate structure and funding.
2. Make revisions based on comments received – leading to submittal of a final draft and then final report documentation.
3. Obtain funding commitments from project partners including the CERB/LIFT application submitted to the state of Washington.
4. Proceed with more detailed architectural engineering assessments including a site-specific design concept and refined cost estimates; also secure outside professional resources as needed – as for bond counsel and financial underwriting.

E. D. Hovee & Company, LLC appreciates the opportunity to conduct this feasibility study. We would be happy to respond to questions and suggestions regarding any aspect of this *review draft* document.

APPENDIX A. CONSULTANT PROFILE

Both the initial 2006 *Mount Vernon Parking Garage Feasibility Study* and this 2008 update have been prepared by the economic and development consulting firm E. D. Hovee & Company, LLC.[23]

Established in 1984, E. D. Hovee & Company, LLC provides consulting ranging from the planning to the completion of strategic public, business, and real estate investments. Clients include public agencies and non-profits, private firms, and individual investors. Economic and development services provided include economic research, market and feasibility assessments, development planning and strategic services, and development packaging and marketing**.**

E. D. Hovee & Company, LLC has conducted extensive work throughout the Pacific Northwest to assess parking structure development and broader parking system management. The firm has prepared market and financial pro forma analysis for parking projects, identified future requirements for downtown parking, circulation and transportation, and assessed parking inventories. Assignments also have included profiling funding sources specific to parking structures developed in the state of Washington.

Examples of projects conducted for on- and off-street parking facilities include:

- Financial and business assessment services for the *Smart Park* system comprising 3,825 spaces in six garages serving the downtown and retail core in Portland, Oregon.
- Financial analysis, economic impact assessments and property transaction analyses for multiple parking garages (including public-private developments) representing more than 2,000 spaces in six facilities in Vancouver, Washington.
- Parking system management evaluation coupled with assessment of parking garage feasibility for the City of Longview, Washington.
- Review of public-private parking feasibility as part of a request for development proposal process on behalf of the City of SeaTac adjoining the Seattle-Tacoma International Airport.
- Similar parking assessments for communities including Olympia and Wenatchee in Washington and Ketchikan, Alaska.

E. D. Hovee & Company, LLC also has extensive working experience in Mount Vernon and Skagit County for clients including the City of Mount Vernon, Skagit Council of Governments, Economic Development Association of Skagit County, and the City of Anacortes.

This parking garage feasibility study update has been prepared for the City of Mount Vernon by Eric Hovee, Principal and Andrea Logue, Research Coordinator.

APPENDIX B. LINKAGE OF 2006 TO 2008 FEASIBILITY STUDY

This appendix provides an abbreviated review of parking inventory and utilization analysis conducted for Skagit County and the City of Mount Vernon in 2006. This information has served as a *springboard* for this current (2008) feasibility study update.

EXISTING CONDITIONS

Reviewed with the earlier 2006 study were the current parking inventory and associated utilization together with utilization thresholds – followed by consideration of the downtown Mount Vernon planning context and driveway access for a potential parking garage.

Parking Inventory. Downtown Mount Vernon has an existing inventory of approximately 1,840 on- and off-street parking spaces. The downtown area inventoried extends north of Division Street to the intersection of Freeway Drive with North 1st Street. The southern boundary is Broadway Street (one block south of Kincaid). On the east, the downtown parking study area is bounded by the I-5 freeway; and on the west by the Skagit River.

Public lots represent the largest source of parking with 28% of the total inventory. Public on-street parking provides another 23%. Business lots – reserved for either shoppers or employees of a specific business – represent about 25% of the total inventory. County-owned lots – can be distinguished as restricted (as for employees or jurors) or open to the public. Restricted County parking accounts for 17% of the inventory while public parking comprises the remaining 7%.

Parking Utilization. Parking usage was assessed based on six utilization counts – with two counts conducted in late September 2005 and four added utilization counts in February 2006. The six counts resulted in an overall utilization averaging 66% of all available spaces, which equates to 627 open spaces (on average). Of the six counts conducted, utilization ranged between 58% (a Monday afternoon in February) to 73% (a Thursday afternoon in September).

On most days, utilization was highest for non-restricted public lots (averaging 79%), followed by public access County lots and then on-street spaces (at 63%). Overall space utilization was lowest for County restricted (primarily employee) and business lots, both averaging 56% occupancy over the dates surveyed. Improved utilization of County restricted spaces and greater availability of spaces elsewhere in the downtown can be expected as a result of County transition from reserved to "first come, first serve" employee permit parking made subsequent to completion of the parking counts conducted for this feasibility study.

Overall, downtown Mount Vernon's on- and off-street parking inventory appears to be well utilized but with some remaining room to accommodate added demand. Despite this overall balance, there are more severe shortages of on- and off-street parking in two specific areas – the southern core area blocks of Main/1st/Kincaid/Myrtle together with the two northern area blocks of 1st/2nd/Division/Montgomery. The greatest concentrations of available vacant spaces appear to be at the edges of downtown – north of Division, south of Kincaid, and east of 3rd Street.

Utilization Thresholds. General industry standards for utilization identify "trigger points" that would suggest more aggressive parking management, adjustment to rates and fees, and/or development of additional parking supply. *For short-term (customer) parking*, 85% is an often used standard – as the existing inventory of parking appears more constrained to a shopper or visitor when 85% is exceeded. *For long-term (employee) parking*, many jurisdictions adjust the 85% short-term threshold upward to a 90-95% range.

Based on the two-day average utilization counts, none of the parking uses in downtown exceed the 85% threshold on a system-wide basis, let alone the higher 90-95% standard for long-term parking. Use of non-restricted public lots comes closest with utilization averaging 79%.

When considered on a *peak day* basis, the highest utilization counts recorded are for County public parking (87% on Friday afternoon, September) and for public lots (87% Tuesday morning, February). Also noted are definite locational issues with short-term utilization in excess of the 85% customer threshold – particularly on portions of 1st Street.

Planning Context. A review of regulatory requirements for a downtown parking garage begins with a review of current land use designation together with uses allowed and dimensional/landscaping requirements. The subject 2nd, 3rd, Gates and Myrtle Streets site is affected by two land use zoning designations – Central Business District (C-1) zoning for the western half and Public (P) zoning for the eastern half of the block.

Parking is an allowed use in both zoning districts. A Conditional Use Permit at a public hearing before the Hearing Examiner would be required for a full-block parking structure at this location. Any mixed use development (for non-parking uses such as ground floor retail and/or upper level office or residential) would be limited to the 2nd Street side of the project. Landscaping is required on 10% of the gross site area – with a 10-foot planting strip along the street frontage except for driveways.

Parking Garage Access. Recommended is that driveway accesses to the subject parking garage site be placed on Gates and Myrtle Streets. The exiting of the garage onto these two streets will provide more capacity. To improve the capacity on Myrtle Street, on-street parking from the parking garage driveway could be restricted to allow a two-lane approach to 3rd Street.

FUTURE NEEDS

Planning for a parking garage in Mount Vernon is intended respond to future needs and opportunities as well as current conditions of parking supply and demand.

Downtown Business Surveys. As an early step in the 2006 parking system feasibility study, Skagit County conducted a survey to solicit feedback from property owners, tenants and other key stakeholders regarding parking needs and preferences in Downtown Mount Vernon.

Approximately 50% of the 200 businesses contacted responded – indicating widespread business interest in downtown parking. Overall, the majority of respondents expressed some level of dissatisfaction with the current parking system and indicated that selected improvements could lead to a wide variety of benefits – including increased patronage and additional downtown investment through the development of new business. Other comments heard with the 2006 study included the following:

- Many respondents feel solutions, whatever they are, should be implemented soon to prevent further erosion of downtown business activity.
- The most popular features of the current parking system included 2-hour free on-street parking and the proximity of parking to businesses and services.
- Support for structured parking development is high. Ideas on garage location and purpose vary, though the most common recommendations were for either a centrally-located structure with low or no parking fees passed to customers and/or a County-financed facility located outside of central downtown to accommodate government employees.
- As in many communities, the willingness of downtown Mount Vernon businesses to pay for improvements is less apparent.
- Also noted is that many respondents suggest parking improvements are a top priority, but not necessarily the only initiative needed to stimulate growth and prosperity in the downtown area.

Stakeholder Contacts. In addition to a broad based survey, interviews were conducted for the initial feasibility study with a cross-section of downtown Mount Vernon business and property owner interests. Key observations at the time included the following:

- Trends noted as of 2005-06 included relative stability of the downtown area for both office and retail. A bright spot is that downtown Mount Vernon has become more of a night time destination.
- For the future, the most often cited new development opportunities appear to be at the edge rather than in the center of the downtown core. A significant anticipated core area change involves Skagit County's plans to expand law and justice (including jail) functions now planned for the area just south of downtown (across Kincaid), while shifting other functions to County facilities located at Continental Place, north of the downtown area.
- On-street parking use is reportedly heavy "all the time." On weekdays, it is often difficult to find a parking space after about 9:30a.m. Saturdays and evenings are active but less of a problem. Off-street parking utilization is also reportedly heavy.
- Skagit County owns approximately 520 parking spaces. As of the autumn of 2005, the County had a waiting list of 50-60 spaces for employees. Adequate accommodations for jurors are also reportedly problematic.
- Most downtown businesses and/or employees currently do not pay directly for parking. However, there is a definite minority of businesses and/or employees who find it necessary or more convenient to pay for proximate parking. The going rate for off-street leased parking has been in the range of $25-$40 per month. The opinion has been expressed that some professionals might pay in the range of up to $60 with a structured parking facility.
- As with the business survey, a wide variety of opinions were expressed as to the desirability and feasibility of a downtown parking garage. As planning proceeds, interest

is expressed in assuring that business owners receive information regarding the project proposal, uses and funding.

- Varied opinions were also heard about the potential for mixed use – including ground floor retail and possibly upper level housing or office space. Among those interviewed, there is general agreement that funding needs to come largely from sources that do not require any significant local taxpayer support.
- Parking facilities should be provided at rates that will not prove to be a disincentive to garage utilization. There is recognition that management of the on-street system (including spaces that have been provided by the revetment) may need to be changed to support a financially sustainable garage operation.

Redevelopment Potential. Because downtown Mount Vernon is already relatively built-out, future redevelopment potential is essentially linked to any or some combination of: private redevelopment of:

- Major parcels at the edge of downtown.
- Public redevelopment of existing facilities (primarily focused loss of existing revetment parking).
- Reuse of existing vacant or underutilized building spaces, infill development of smaller vacant properties.
- Possible improvements resulting from implementation of a flood control program (with preliminary planning with the Downtown and Waterfront Master Plan Project since completed).

Specifically noted has been that potential flood control improvements could require re-development of the revetment, causing at least a temporary reduction in the downtown parking inventory while construction is underway. During this time period and perhaps beyond, replacement parking at alternate downtown locations could be required.

None of the redevelopment potentials are expected to have a significant near-term (i.e. 3-5 year) impact on downtown core parking demand or supply. The economics for infill development or wholesale private redevelopment of whole blocks are not yet in place in Mount Vernon – as cost of development exceeds what current rents will support.

Soils and flood issues also serve to constrain new development – until the planned flood control program is in place removing downtown from the continued risk of recurrent flood damage. Consequently, with the possible exception of the County's facilities and/or future flood control work, changes in underlying parking demand over the next 3-5 years can be expected to occur in incremental rather than any dramatic fashion.

COMPARABLE COMMUNITY EXPERIENCE

To assist in the assessment of reasonable parking management and facility development options for downtown Mount Vernon, additional *case study* assessments have been made of approaches taken by other communities potentially comparable to Mount Vernon.

Paid Parking in Peer Communities. Potentially comparable cities surveyed in communities that, like Mount Vernon have experienced pressures of urban growth influencing the transition of their parking inventory from free to paid parking.[24] While the experience of each community differs, the decision to implement paid parking is generally seen as one means to better control parking in the downtown. Most cities have arrived at this decision after extensive work with well-represented stakeholder groups and with factual data on local parking utilization.

While each city has implemented paid parking systems unique to their downtown parking needs, several clearly view paid on-street parking as a necessary precursor to the viability of future structured parking. In particular, creation of dedicated parking funds appears essential to assure that parking fees are captured and targeted to future parking improvements. Each city also indicates that the move to price on- and/or off-street parking did not lead to decreases in parking demand for their downtowns.

Best Practices. Based on a more detailed review of parking fee and fine structures in other cities, it appears that Mount Vernon is nearing an important cross-road as it transitions toward a more densely developed urban core. Downtown parking inventories conducted in 2005 and early 2006 indicate that parking demand is still in a moderate range, suggesting that major modifications of parking rates may be premature and somewhat ahead of current demand.

However, preparing policies and strategies to track with growth over time will be essential if the City is to more effectively manage demand, provide added parking when needed, and obtain revenues needed to help fund future parking facility development. A coordinated approach to downtown on- and off-street parking management also will be essential when the City loses a significant share of its existing inventory when the revetment (with approximately 355 existing spaces) is redeveloped.

Coordinated management of on- and off-street parking is particularly important if financing and ongoing operations of a public parking facility are to be conducted in a manner that can be financially sustainable. The experience of case study communities underscores the need to develop clear and consensus based operating priorities for each facility *in advance of* its development. Similar experience elsewhere also serves to illustrate the likelihood that parking garage funding will require some combination of funding sources, in addition to the revenues generated by the facility itself.

LINKAGE OF 2006 TO 2008 FEASIBILITY STUDY UPDATE

As noted, the 2006 initial feasibility study provides the underpinning for this current update analysis. An initial step taken with this analysis has been to review conclusions of the prior study – assessing assumptions that remain valid and those subject to revision. The resulting assumptions matrix is provided on the following pages.

Downtown Mount Vernon Parking Structure – Assumptions Matrix

Topic	2006 Feasibility Study*	2008 Updated Approach**	Questions/Comments
Downtown Parking Situation:			
Current Space Inventory	• 1,840 on- and off-street spaces total • Skagit County approx 520 spaces	• Use prior inventory with City/County identification with no significant inventory changes since 2006	--
Current Parking Utilization	• 66% overall with 73% peak day • Peak use (@ 85%+) on part of 1st Street	• Utilize 2006 data (except as modified for inventory changes noted above)	--
Downtown Area Parking Fees	• On-street is signed/no charge • Business/public off-street often no cost • Off-street leased @ $25-$40 monthly	• No update (as parking fees remain similar to those of 2006 study)	--
Future Demand/ Supply Changes	Anticipated changes linked to: • Revetment removal (for flood control) • Jail expansion (with need to replace approximately 126 spaces if built downtown) • Building space reuse, infill & major private development (no space estimate)	Current priorities include: • Loss of revetment (~355 spaces) • Jail facility need (no longer need for a downtown facility, as is planned to be built south of Kincaid) • Skagit Transit (determined as not needed) • 10-year added parking demand estimated @ 185 public spaces	--
Siting for Parking Structure:			
Location & Parcel Size	• 2nd/3rd/Gates/Myrtle Streets Site • 40,000 square foot site	• County not yet committed to site • Currently assume same site as with '06 study	
Acquisition Cost	• Assumed @ $500,000	• Adjusted to pro forma $1 million estimate subject to appraisal and property negotiation	--
Property Zoning	• CBD (C-1) for western and Public (P) zoning for eastern half of site • Ground floor retail limited to 2nd Street	• No change noted	--
Parking Garage Space Need:			
Garage Size	Facility options identified for: • 250 spaces (sp) on three levels • 350 sp – on 4 levels (with 50 sp ground floor + 100 sp each of above levels)	Currently planned for: • ~452 spaces of public-private parking (or 569 with 150 spaces allocated to new County facility) • Would require approximately 4-5 levels (w/ retail)	--

Topic	2006 Feasibility Study*	2008 Updated Approach**	Questions/Comments
Mixed Use On-Site	• Both garage options include 20,000 sq ft ground level retail space • Option for private office/residential possible but only if privately developed and providing the ability to reduce public share of parking cost	• Reduce to 7,500 sq ft of ground floor retail if at least covers its own cost (and preferably offsets a portion of garage public parking cost) • Public-private partnership not contemplated with current plan	--
Space Allocation	• 50 (short-term/customer) • 100 (long-term/publicly available) • 100/200 (long-term/County)	• 355 spaces for revetment replacement, revised to 350/383 spaces for the 569/452 garage alternatives • Involves 69 space replacement of on-site parking • County space need TBD, but assumed at 150 spaces if new County admin offices are built • Skagit Transit (SKAT) use not included @ present • 452/569 space alternatives considered • Garage to include both long-term & short-term space allocation	Inclusion of short-term parking likely to increase capital/ operating cost (for pay mechanisms/staffing, enforcement, security). Could include SKAT use with supplemental analysis if requested.
Parking Utilization Effect	• Worst case of 5-7% reduction in utilization across downtown • Best case stimulus for added downtown business, investment & greater parking utilization (not quantified)	• Being recalculated based on planned facility sizing and downtown inventory adjustments since 2006	--
Parking Garage Construction:			
Development Cost (All-In)	• $8.2 million (250 sp) – $32,800/sp • $10.5 million (350 sp) – $30,000/sp	• Update based on typical parking construction costs (Seattle area)	--
Timing of Construction	• Not specifically identified (w/ 2006 plan)	• Aim for 2009 RFQ for A/E design • Flood control work underway by as early as 2010	--
Parking Garage Operating Revenue & Expense:			
Parking Rates/ Revenue	Projected for financial pro forma @: • $50/month – employees • $0.50/hour – customers (if charged) • Charge back to public agency users in amounts needed to cover operating expense and pro-rata portion of capital cost not covered from outside funding sources	• Maintain projected rate structure assumed in 2006; preferably provide reduced rate parking (in the range of $30 monthly and $0.25 per hour if shown to be financially feasible) • Question of possible charge for short-term parking (versus provision of free parking) will require further discussion with County.	--

Topic	2006 Feasibility Study*	2008 Updated Approach**	Questions/Comments
Annual Operating Cost	Projected at: • $82,500 (250 sp) • $102,500 (350 sp)	• Inflate operating costs forward	Adjust costs based on management system or independent check (as with R Williams, used in 2006 for estimation of operating costs).
Net Operating Income (NOI)	Annual $ before debt service projected @: • $202,500 - $335,300 (250 sp) • $182,500 - $375,000 (350 sp) • Low NOI $ with free customer parking	• Will revise based on current project size, rates and expenses	NOI is before debt service.
Facility Funding:			
Capital Funding	• Preferred approach to be debt free • Priority options include state/federal grants, on-/off-street public parking fees, fine revenues, LID, revenue/GO bonds, public-private partnerships, community renewal, public-private partnerships • Other potential options include PFD, 63-20, downtown/neighborhood commercial districts, community renewal, event surcharges, general fund contribution	• Current potential priority is CERB/LIFT funding with City application in process to State CTED • Provide opportunity for additional spaces to meet Skagit County based on capital and operating cost recovery (for the added spaces) • Re-evaluate other options previously considered plus any suggested added funding mechanisms for City/County review	Other City/County funding priorities?
Operating Funds	• Garage parking/retail space revenues, on- and off-street public parking fee revenues, PBIA assessment, City/County operating support	• Re-evaluate other options previously considered plus any suggested added funding mechanisms for City/County review	--
Parking Garage & System Management:			
Parking Garage Management	Overall goal to develop consistent with demonstrated public-private needs & resources for multiple use, financial sustainability & revitalization support. Objectives cover: • Development – w/ consideration of public-private development interest • Garage Fees – set to *top of market* + charge-back to public users • Management – for low cost option meeting safety/maintenance standards	• Assume public development and operation • Adjust management plan to preferred parking fee collection system	Parking fee collection system to use? Can be refined once parking garage sizing is determined and project design proceeds.

Topic	2006 Feasibility Study*	2008 Updated Approach**	Questions/Comments
Downtown Parking System Management	Overall goal to manage public-private parking to support full downtown utilization & revitalization. Implement to: • Reinstate public parking fees on- and off-street (to complement garage fees) • Consider 2-hour paid parking fees • Create parking fund/commission • Offer rapid response business-supported on-street use/time change requests	• Maintain 2006 recommendations for adoption & implementation with parking garage authorization	--

Sources: * E. D. Hovee & Company, LLC, *Mount Vernon Parking Garage Feasibility Study*, prepared for Skagit County Public Works in cooperation with City of Mount Vernon, March 2006.

** 2008 updated approach is from information provided to date by City of Mount Vernon and Skagit County and/or assumptions of E. D. Hovee & Company, LLC.

Prepared by: E. D. Hovee & Company, LLC. Updated as of July 2008. All information is preliminary and subject to revision.

APPENDIX C. PUBLIC PARKING FUNDING OPTIONS

This appendix provides an overview discussion of financial mechanisms that have been or could reasonably be considered as a basis for funding parking structures in the state of Washington.[25] This review has been excerpted and updated (as appropriate) from material provided initially with the previous 2006 parking garage feasibility study. The major new funding option described (not provided) with the earlier 2006 study is the CERB/LIFT program.

The following listing is organized by priority and other potential options considered:

Priority Options Considered:

- CERB Local Infrastructure Financing Tool (LIFT)
- Parking Structure User Revenues
- Downtown Area Parking System Revenues
- Local Improvement District (LID)
- Parking & Business Improvement Area (PBIA)
- General Obligation (GO) Bonds
- Revenue Bonds
- Sales & Use Tax For Public Facilities

Other Potential Options:

- Public-Private Development Partnerships
- 63-20 Financing
- Downtown & Neighborhood Commercial Districts
- Community Renewal
- Event Surcharges

The discussion of each funding mechanism provides a brief overview of statutory and application as has been experienced in other communities of Washington State, followed by description of advantages and disadvantages together with examples of where the mechanism has been used.

CERB/LIFT FUNDING

The Community Economic Revitalization Board/Local Infrastructure Financing Tool (CERB/LIFT) was authorized as a competitive funding program by the 2006 Legislature (as E@SHB 2673) to fund public infrastructure including roadway, utility, sidewalk, parking and public park/recreation facilities.

CERB/LIFT utilizes a form of *tax increment financing* by allocating up to $5 million per year statewide for up to 25 years to repay revenue or general obligation (GO) bonds as a state sales/use tax credit matched by increased local funds including local sales/use and property tax revenues within a locally defined Revenue Development Area (RDA). The sponsoring local government must obtain written agreement from other participating local governments to use each entity's respective dedicated tax revenue sources.

Advantages – CERB/LIFT provides the most comprehensive form of tax increment financing available to date in Washington State. It allows multi-jurisdictional (including City/County) cooperation and funding.

Cities, towns, counties and federally-recognized tribes may apply for the $2.5 million in annual LIFT authority awarded competitively by CERB. The maximum award for any one project is $1 million per year for up to 25 years.

CERB/LIFT tax allocations cease when bonds are repaid, with added revenues returning to the sponsoring and participating local government entities. A local government sponsor can agree to receive less than the full amount of added property tax revenue if not needed for debt repayment. This funding mechanism also authorized securitization of debt from non-pubic participants, such as a private developer with whom the sponsoring local government may contract for private improvements.

Disadvantages – Application of CERB/LIFT is limited to projects (or revenue areas) involving private development that also increases RDA sales and property taxes. The program is limited to one RDA per county, total assessed valuation of not more than $1 billion, and not more than 25% of sponsoring jurisdiction valuation. The application process can involve extensive public, property owner, business and community organization notice before approval, followed by annual reporting of outcomes.

Examples – The initial 2006 LIFT legislation targeted one-half of state funding to three demonstration projects in Bellingham, Spokane and Vancouver.

The City of Mount Vernon submitted a LIFT funding application to the State of Washington Community Economic Revitalization Board (CERB) on June 29, 2007.

USER REVENUES

Fees charged to persons parking represent the first possible source of revenues to be considered with most public parking facilities. The nature of the charge will vary with the type of parking patron encouraged.

Deciding whether a parking garage is intended to serve short-term customer, long-term employee and/or special event use is critical as a part of early stage facility planning. These decisions will affect management options, utilization (based on demand projections) and revenue generating capability of the project.

Public agencies around the Pacific Northwest employ a variety of policies to serve short-term customer parkers. In communities using parking primarily as a means to stimulate downtown retail, public parking may be provided either free of charge or at below market rates. In cities that have a strong retail base or for which retail revitalization is not a major objective, rates may be set closer to or at market levels.

As a final note, understanding prospective parking demand and resulting parking fee revenue potentials may be a critical element in projects involving revenue bonding (particularly if issued without GO backing). This item is elaborated further in discussion of these bond funding options.

Advantages – User fee revenues may be critical to pay for ongoing operations, particularly if non-user revenues are dedicated primarily to capital construction. If rates and utilization are high enough, a portion of user revenues may also be available to defray some of the parking garage's capital cost – as through bonded indebtedness.

Throughout the Northwest, market rates typically are more likely to be charged for employee than for customer parking in public facilities.

Disadvantages – Except in very high demand downtowns (e.g. Seattle, Portland), rates supported by the market are not likely to be high enough to cover 100% of both parking facility operations and debt service. Relying on user fees is least appropriate in situations where the purpose of a parking garage is to assist downtown retail by offering parking at no cost or below market rates.

Examples – Eugene, Oregon provides an example of a Pacific Northwest downtown with structures providing free short-term customer parking. Portland operates six downtown Smart Park garages that charge below market customer rates of $0.95 per hour. Seattle's public facilities typically charge substantially more – although rates still may be somewhat discounted for customer use compared to what a private operator charges.

A Washington State community which has focused its public parking garages primarily on employee parking is Vancouver. This development is consistent with a parking plan intended to free up on-street spaces as needed for short-term, customer parking.[26]

Downtown Area Parking System Revenues

In addition to revenues that may be directly created from a parking structure, many municipalities in the state of Washington and throughout the U.S. collect revenues from other publicly owned and/or operated portions of downtown area on- and off-street parking facilities. These can include:

- On and off-street public parking fees – as with application of parking meter revenues and/or sale of permits with net proceeds applied to help defray the cost of developing new off-street parking facilities including parking structures.
- Parking fine revenues – as collected for violations related to overtime and improper parking including illegal parking in handicapped spaces, with revenues in excess of enforcement costs potentially applied to funding of new parking facilities.

In many communities, these parking related funds may go into the City's General Fund, to be used for a wide range of governmental purposes. In some cities, system-wide revenues may be deposited into a restricted account intended for parking management and support of new parking facilities.

State of Washington statute specifically enables local municipalities to establish parking funds, parking commissions, and other related mechanisms to support on- and off-street parking development. As an enterprise fund, a parking fund may be established to encompass all pertinent revenue and expense items. It therefore offers a convenient mechanism for management of parking operations and budgeting.

Advantages – Allocation of all public parking related funds (including on-street and fine revenues) is often more popular with downtown businesses than having these funds diverted to other City (General Fund) purposes. In cities with substantial on-street (meter or other pay parking) revenues, there may also be substantial revenue in excess of system administration costs available to fund new off-street facility development. This approach is also especially viable in cities that are transitioning from free to fee-paid public parking, both due to the added revenue stream that can be captured and as a visible form of reinvesting user fees for expanded parking resources.

Disadvantages – Utilization of existing revenues may be difficult to re-allocate for facility development if revenues are currently pledged to other General Fund purposes. This mechanism is also not financially advantageous if net revenues from public on-/off-street spaces are not substantial related to existing cost of administration and enforcement (as in cities with substantial on-street free parking).

Examples – Vancouver, Washington is an example of a city that pools all on- and off-street parking plus fine revenues into a central enterprise fund. Proceeds are used to pay for parking administration and enforcement. Remaining funds have been dedicated to support the financial underwriting for new structured parking development – with specific emphasis on public-private development partnerships.

LOCAL IMPROVEMENT DISTRICTS (LID)

A Local Improvement District (LID) provides a means of assisting property owners in financing needed capital improvements through the formation of a special assessment district as authorized in Chapter 35.43 of the Revised Code of Washington (RCW). Special assessment districts consist only of property owners who will benefit from the proposed improvements.

LIDs allow proposed improvements to be financed by local government bonding and paid for over a period of time through assessments on the property owners within the district. LIDs can be initiated either by a municipality or by individual property owners who petition the City.

All assessed property owners within the LID as proposed are given a public notice of a hearing regarding proposed LID formation at least 15 days in advance. Following the hearing, the City drafts an LID formation ordinance to be reviewed by the City attorney and bond counsel. The ordinance is then presented to City Commission to permit the final action on the ordinance.

Following approval of the ordinance is a 30 day protest period within which affected property owners may submit written protests. If property owners representing sixty percent of the total assessed value within the assessment district submit written protests, the LID cannot be formed.

Advantages – LID funding is advantageous in that this is a funding source that is widely used for local public improvements for which property owner benefits can be readily identified. The legal procedure for LID formation and funding has been used throughout the state of Washington and the mechanisms to obtain eventual payment from delinquent property owners (via lien on the property) are readily enforceable. If a property owner decides not to make a payment, the municipality can ensure collection through placement of a lien or even pursue enclosure.

Payments can be structured to coincide with the level of benefits received using any of a variety of formulas – such as land area, assessed valuation, property frontage, and distance from improvement. Because assessment payments can be enforced, this funding source is readily coupled with bonding – which can also be amortized on a schedule consistent with property owner assessments.

Disadvantages – Because LID formation is subject to remonstrance if protested by property owners accounting for 60% of the proposed improvement, relatively strong consensus is required for successful implementation. Deciding on an appropriate (and possibly differential rate) assessment formula is also often problematic, particularly if the assessment area extends multiple blocks from the proposed parking facility.

Examples – Longview and Vancouver are both examples of Washington cities with long-standing use of LID funding for downtown parking – albeit with more success to date for parking lots than structured parking facilities.[27]

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PARKING & BUSINESS IMPROVEMENT AREA (PBIA)

The Parking and Business Improvement Area (PBIA) mechanism is similar to an LID – except that with the PBIA, business rather than property owners are assessed. The PBIA tool is more flexible as it can be used for promotion, management and planning activities as well as for property acquisition and construction.

PBIAs are permitted by Chapter 35.87A of the Revised Code of Washington (RCW) which states that PBIAs can be established for "the acquisition, construction or maintenance of parking facilities for the benefit of the area."[28]

PBIAs are formed following a process that is similar to that of LIDs. They may be initiated by the public by a petition to the City, or the City may pass an initiation resolution to create the PBIA. The formation of the PBIA can be blocked if a protest is made by businesses and residential owners in the PBIA district that would pay a majority (fifty percent or greater) of the proposed special assessments. If the PBIA proposal is not protested at the hearing, then the City would adopt an ordinance outlining the procedures for the administration of the PBIA district.

Advantages – The primary advantages of PBIA funding relate to the ability to: a) assess business rather than property owners; and b) the flexibility of the PBIA mechanism. Unlike an LID, PBIA revenues can be used to pay for operating as well as capital expenses.

There is considerable flexibility in setting assessment rates – including different classes of rates for different types of businesses. The assessment formula can be based on measurable factors such as assessed values, gross sales, square footage, number of employees, or other factors established by the local legislative authority.

Disadvantages – Like the LID, successful funding via a PBIA requires considerable support from affected owners – in this case business owners. Protesting a PBIA requires a petition from business operators accounting for 50% or more of the cost of a proposed assessment.

Perhaps the biggest single drawback with PBIA funding is the difficulty of guaranteeing this as an assured source for debt repayment with bonded indebtedness. With a PBIA, assuring collection from recalcitrant business owners can be more problematic – particularly if the business declares bankruptcy. As a practical matter, this means that capital funding with PBIA as the primary source of funding likely could require General Obligation (GO) backing from the local taxing jurisdiction. Consequently, cities have often used PBIA as a source to fund maintenance or promotions rather than the primary source of debt repayment because of the underwriting issues noted.

Examples – While both PBIA and LID mechanisms have been used for public parking, we are not aware of any instances where PBIAs are used as a sole source for debt repayment. The more typical pattern is where LIDs and PBIAs have been applied in combination.

Longview and Yakima illustrate successful implementation for public parking; Shelton provides illustrates implementation without development of off-street public parking. Port Angeles represents a proposed use of LID/PBIA authority that was not implemented. In November, 2005, the City of Olympia approved creation of a PBIA covering a 70-block area of the downtown.[29]

General Obligation (GO) Bonds

General obligation (GO) bonding is available for public funding of parking facilities, just as GO bonding can be used to pay for other municipal infrastructure and facilities. Two types of GO bonding capability can be considered:

- Voted bonds subject to 60% favorable vote (with a validation requirement equal to at least 40% of voters from the preceding general election).
- Non-voted (or councilmanic) bonds which can be issued at the discretion of a Port District, City Council (or other taxing authority) without requirement for voter approval.

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.

Advantages – Non-voted bonds represent a viable option for projects that a local taxing authority believes to have priority, but for which there is not time available or likelihood of achieving necessary voter support.

Disadvantages – Use of GO debt financing typically represents a last resort for public funding of capital facilities. Voter approved bonds obviously require the presentation of a compelling case to the voters – as when a parking facility is ancillary to a major development project or public facility. In these situations, portraying the benefits that a downtown parking garage can provide to the downtown core and entire community is of critical importance.

Public agencies also typically are reluctant to issue non-voted debt without an identified source of repayment (other than general fund revenues). Many communities reserve a significant proportion of non-voted debt capacity for emergency situations – such as need for immediate repair of existing facilities.

Examples – Facilities like the Seattle City parking structures at Pacific Place and Pike Place used a form of GO type funding as it was less expensive and the City's overall debt limit was not viewed as a constraining factor. The City of Tacoma also has historically funded their parking structures using GO bonding.

The City of Vancouver has approved use of GO bonding for several of its downtown parking garages. In most cases, revenues are provided from non-general fund resources (albeit including mini-tax increment allocations). GO backing has proved important, however, due to the non-traditional nature of many of the repayment sources – as noted in the subsequent discussion of public-private partnerships.

REVENUE BONDS (RCW CHAPTER 35.41)

Revenue bonds are distinguished from GO bonds in that repayment is backed only by project revenues without recourse to the full faith and credit of the issuing agency. Consequently, revenue bonds do not tap a local taxing authority's debt limits. Revenue bonds are often teamed with local improvement district (LID) financing, wherein property owners within a defined assessment district serve as the partial or full source of repayment.

Revenue bonds can be repaid from multiple funding sources. With parking structures, a typical arrangement is for repayment to be made from a combination of:

- Revenues from the parking garage (after deducting expenses).
- LID assessments to benefiting property owners.

Advantages – Revenue bonds do not count against a local taxing authority's overall debt limit. If there are insufficient revenues to market the revenue bonds on their own, revenue bonding may be issued with GO backing. This offers advantages of improved marketability including a lower interest rate (due to the credit enhancement of GO backing). However, GO backing does count against a local taxing authority's overall debt limit, reducing debt capacity available to fund other municipal projects.

Disadvantages – 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.

To achieve successful bond underwriting (i.e. marketability to bond purchases), projected revenues typically need to exceed contractual bond repayment amounts by a cushion known as debt service coverage. In other words, projected revenues may need to be anywhere from 20% - 50% greater than debt service costs to be marketable to those who would invest in parking revenue bonds. This debt coverage factor means that revenue projections must be high enough to maintain reserves in the event of a future shortfall.

Examples – A number of Portland's Smart Park facilities have used revenue bond financing – due to strong demand and relative stability of revenues generated. However, as noted, the GO bond approach has generally been preferred for financing of public parking facilities in Tacoma and Seattle.

A recent exception is the parking structure associated with the new Greater Tacoma Convention Center. Interim construction financing for the parking structure attached to the convention center was with commercial paper. The City used a combination of financing methods which included non-voted general obligation bonds secured by lodging taxes and revenue bonds secured by parking system revenues and operating fees paid to the City by the Greater Tacoma Regional Convention and Trade Center Public Facilities District.[30] With about $36 million in revenue bonds related to these projects currently, the City may have as much as $25 million more when conversion of short-term construction to long-term bonds is complete.

SALES & USE TAX FOR PUBLIC FACILITIES

Pursuant to RCW 82.14.370, the legislative authority of a rural county may impose a sales and use tax of up to 0.09% against all taxable sales in the county. The tax imposed is *deducted* from the amount of tax otherwise required to be collected or paid over to the State of Washington Department of Revenue.

Advantages – Funding is directed to "finance public facilities serving economic development purposes in rural counties and finance personnel in economic development offices."

Disadvantages – Funding is subject to allocation from Skagit County through an application submittal process to the County. The public facility supported must be listed in the county's officially adopted economic development plan, the economic development section of the county's comprehensive plan, or the comprehensive plan of the city or town planning under growth management. Funding may not be used for justice system facilities.

Examples – As noted, Skagit County has implemented this program with funding potentially available for qualified projects of up to $500,000 per project.

PUBLIC-PRIVATE DEVELOPMENT PARTNERSHIPS

Public parking can be an effective tool to facilitate downtown development. This is particularly the case in Washington State 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 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:

- Public acquisition of land and sale or lease of land/air rights not needed for parking to accommodate supporting private use.
- Private development of integrated mixed use development with sale or lease-back of the public parking portion upon completion – as a turn-key project.
- 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.

Advantages – Private development cost can be reduced through means such as joint participation in land acquisition cost. Public parking may be provided to tenants and/or customers of the private use(s) at lower cost than would be the case if privately provided.

For the municipality, sharing of land cost and/or leasing/sale of development rights may allow the parking to be built at lower per space cost than if provided in a stand-alone public garage. The availability of a built-in stream of parking revenue from tenants and customers of the private uses may also serve to facilitate financial underwriting of the parking facility.

Disadvantages – Public-private developments can engender considerable public discussion and controversy, with attendant risk of not proceeding to implementation. The nature of the transaction(s) is often complex and time consuming, typically requiring use of outside financing and bond counsel expertise. Federal IRS rules, for example, limit the proportion of parking that can be dedicated to a single user versus what is made available to the general public.

Considerable attention also needs to be paid to minimize the financial risk to the local taxing jurisdiction – in the event of default or non-performance by the private partner. This type of venture typically is beneficial only for projects involving significant investment with substantial community benefits not likely to materialize otherwise.

- ***Examples*** – Projects in Seattle and Vancouver illustrate successful use of public-private development partnerships with significant public parking components. Spokane provides an example of a community where a proposed project was completed but has been the subject of continuing public controversy. Kent offers an example of a mid-tier Puget Sound city that has recently successfully completed a mixed use development with a substantial public parking component.

63-20 FINANCING

In light of the restrictions on bond financing created by voter approved Initiative 695 (passed in the Fall of 1999) municipal governments are looking to non-traditional financing techniques to fund their most critical capital needs. However, I-695 restricts some of governments' most commonly used bond financing methods:

- General obligation (GO) bonds may still be issued, although the debt service on them must be supported by allocations from existing revenues, not new taxes.
- Revenue bonds also can still be issued, but not with the same standing as bonds issued before I-695, and financial projections need to be healthy enough to support the debt service on the bonds with no rate increases.
- LID bonding capacity has also been curtailed.

As an alternative, municipalities may consider what is termed as 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.

Advantages – Considerable flexibility in structuring the debt is available, and the technique can result in significantly lower overall costs to the municipality. If financing for an asset would normally occur through LID bonds, 63-20 financing has proven in some cases to be a faster and cheaper option.

Disadvantages – Any promise to repay that is not contingent on or subject to future year appropriations is counted as general obligation debt, even though the municipality did not issue the bonds.

Also noted is that the State of Washington funds projects that have legislatively approved appropriations on a cash flow basis. GO bonds are issued on a semi annual time schedule to meet state funding needs. These semi annual issues enjoy economies of scale and do not incur the reserve requirements that may accompany an individual project with 63-20 financing.

Due to the complex legal and financial issues associated with this funding mechanism, consulting with qualified bond counsel and financial underwriting firms is recommended early in the financial planning for a specific public facility.

Examples – Governments or organizations that have considered or implemented 63-20 financing in the state of Washington include the State of Washington, University of Washington, and City of Spokane (for the completed but litigated River Park Square parking garage).

COMMUNITY RENEWAL

Concurrent with Downtown and Neighborhood Commercial Districts, the 2002 Legislature approved SHB 2357 – an act related to community renewal. This act essentially revised Washington's urban renewal law dating back to 1957 which was modeled on the federal urban renewal program.

With Community Renewal, municipalities are granted powers that include but are not limited to:

- Creating plans for redevelopment of areas of a community designated as "blighted"– and in conformance with the jurisdiction's growth management plan.
- Establishing a local improvement district to finance public improvements in the area – for a period of up to 20 years.
- Acquiring and transferring property – including through eminent domain and with sale to a redeveloper for adequate consideration rather than requiring fair market value.
- Selecting a public or private developer through a competitive bidding or direct negotiation process.
- Enter into agreements with public corporations, commissions, housing authorities, City/County public facilities districts, or port districts to carry out community renewal activities.
- Issuing tax-exempt, non-recourse revenue bonds backed by the revenues generated by the development to pay for the cost of public improvements in the area.
- Pledging any excess local excise taxes generated by business activities within the boundaries of the community renewal area to bonds.

These powers should apply to provision of public parking as a type of community renewal project.

Advantages – The Community Renewal legislation updates and clarifies the powers of a municipality to affect a variety of redevelopment activities – including parking – with a variety of eligible funding tools.

Disadvantages – There appears to be little in SHB 2357 that provides funding tools not previously available in some form. Rather, the legislation offers new organizational options as to how these funding mechanisms may be utilized and clarifies the mechanisms for creating public-private development partnerships.

Potential limitations in use of Community Renewal authority for parking facilities include the need for an overall plan – of which public parking would be an element – and the need for the plan to create/retain jobs and serve persons of low income.

Examples – Jurisdictions that are actively in the process of considering or moving forward with community renewal programs include Spokane County and the Cities of Seattle, Tacoma, Vancouver, Bremerton, Kent, and Tukwila.

DOWNTOWN & NEIGHBORHOOD COMMERCIAL DISTRICTS

By approving SHB 2437 in 2002, the Washington Legislature authorized cities and towns to use incremental increases in local sales and use tax revenue to finance community revitalization projects within a designated downtown or neighborhood commercial district. Included within the definition of community revitalization projects are publicly owned or leased facilities – including public parking.

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. This legislation can be used in conjunction with Community Renewal.

Advantages – This legislation has served as a first step toward a form of tax increment financing in the state of Washington, albeit based on incremental sales tax rather than property tax revenue. There is considerable flexibility in how the proceeds may be used including publicly owned or leased facilities, project related studies, professional management, and planning and/or promotion within the designated downtown or neighborhood commercial district. This source also can be dedicated to repayment of GO or revenue bonds used to finance downtown or neighborhood commercial district revitalization projects.

Disadvantages – Due to its recent authorization, there has been little track record of experience in Washington State on which to draw. While a number of cities have considered application of this program, no districts in the state were identified (as of 2006) that were fully in place and generating revenue.

In some communities, there may be an additional concern over the perceived loss of sales tax revenue diverted from a city's general fund. However, the countervailing argument is that the incremental revenue would not likely materialize in the absence of public investment requiring dedication of incremental sales tax for a defined period.

The intent of the legislation as approved was to avoid fiscal impacts on state government. However, because this option deals with defining geographic areas as a subset of a municipal jurisdiction, little to no available data is readily available on which to estimate potential sales tax revenues.

Examples – Tacoma may be the best known example of a city that is actively exploring implementation of a tax increment district pursuant to SHB 2437. A designated Tacoma neighborhood has been looked at by other cities around the state as a "test case" to see if the sales/use tax increment financing (TIF) mechanism proves successful.

Washington's previous governor introduced a new bill with the 2003 legislative session to expand use of tax increment financing in the state of Washington. With the moniker "EDGE" (Economic Development for a Growing Economy), a primary intent of this proposed legislation is to address some of the administrative problems that so far have restrained cities who are interested in using the TIF resource under the current legislation from proceeding to implementation.

EVENT SURCHARGES

The public facilities legislation of 2002 (SSB 5514) also provides authority for admissions charges of up to 5% of the event admissions price. Admissions charges may be applied to season tickets, cover charges, food and refreshment in connection with free entertainment, related equipment rental, and auto parking. With parking, the charge is to be determined according to the number of passengers in the vehicle.

Advantages – This admissions surcharge provides an additional potential revenue source that can be directly applied to the development or operation of public parking.

Disadvantages – Charging on the basis of number of passengers in a vehicle rather than on a per vehicle basis represents an unusual practice for most public parking facilities – except for parking directly linked to major recreation, sporting, convention or other regional center activities.

Examples – No examples of taxing event parking directly pursuant to this recent legislation have been found through preliminary research. However, acting under previous legislation [RCW 82.80.020] authorized in 1990, the Cities of SeaTac and Bainbridge Island currently collect a tax of $1 per parking transaction. SeaTac revenues realized from this tax are in excess of $1 million annually. Seattle considered imposing the tax also but refrained due to equity issues between areas in the city with fee-paid versus free parking.

APPENDIX D. PARKING STRUCTURE PRO FORMAS

On the following pages are provided sample financial pro forma worksheets for a 452 space parking garage with Option A – a stand-alone parking garage with 7,500 square feet of ground floor retail and assuming charge of parking fees for all short- and long-term spaces. Four worksheets are provided with this pro forma:

- *At-a-glance project summary* – including capital cost and funding assumptions.
- *Parking space allocation* – by anticipated use, utilization rate, fee structure and operating expense.
- *Retail assumptions* – including rental rate and anticipated operating expense.
- *Income and expense projections* – over a 30-year period.

Similar pro formas have been prepared for the other scenarios considered and are available on request. With this update to the prior 2006 feasibility assessment, items highlighted in yellow indicate changes made to key input variables.

Mount Vernon Parking Garage Financial ProForma

4 Floor Garage - 452 Spaces w/Parking Fee for All Spaces & 7,500 SF Retail

PROJECT AT-A-GLANCE

Summary Feature	**Quantity**
Development Program:	
Project Component:	
Total Land Area (square feet)	40,000
Retail:	
Leaseable Space	7,500
Residential:	
Total Units (developed separately)	0
Gross Square Feet (including lobby)	0
Parking:	
Total Spaces	452
Gross Square Feet	152,000
Total Building Area (GSF)	159,500
Floor Area Ratio	4.0
Income Valuation:	
Net Present Value (NPV - 25 Years):	
Public Component	$1,789,000
Private Component	$0
Combined Public & Private	$1,789,000

CAPITAL ASSUMPTIONS

Capital Item	**Amount**
Construction Costs:	
Demolition Cost	$124,000
Direct Construction Costs	
Parking Spaces:	
Number of Spaces	452
Parking Cost per Space	$25,125
Direct Parking Construction Cost	$11,353,000
Retail Space:	
Gross Square Feet (@ 85% efficient)	8,824
Cost per Square Foot	$90.00
Direct Retail Construction Cost	$794,000
Residential Units:	
Gross Square Feet	0
Cost per Square Foot	$0.00
Direct Residential Construction Cost	$0
Equipment Costs	$50,000
Total Direct Construction Costs	$12,321,000
Indirect Costs (25% of direct construction costs)	$3,080,000
Added Foundation Soils/Piling Cost (prelim)	$2,000,000
Site Acquisition (subject to appraisal)	$1,000,000
Total Development Cost	$18,401,000

Financing Potentially Supported from Garage Revenues:	
Amount Financed (Revenue Bond)	$1,486,700
Other Capital Funding Required	$16,914,300
Debt Coverage Ratio (Assumed GO Backed)	1.00
Interest Rate on Bonded Debt	6.0%
Term of Loan (Years)	25
Payment Periods per Year	1
Annual Debt Service (@ stabilized NOI)	$116,300

This financial pro forma is prepared for illustrative purposes only. Information is based on estimates which may vary from actual conditions and is therefore subject to change.

Prepared by: E. D. Hovee & Company, LLC	**Run #3a**

Mount Vernon Parking Garage Financial ProForma

4 Floor Garage - 452 Spaces w/Parking Fee for All Spaces & 7,500 SF Retail

PARKING ASSUMPTIONS

	Type of Parking				
	City Public Parking		Skagit County		Total
Operating Characteristics	**Hourly**	**Monthly**	**Lot Replace**	**New**	**Spaces**
Number of Spaces	50	333	69	0	452
Parking Rates:					
Parking Rate	$0.25	$30.00	$0.00	$0.00	
Unit of Measure	per hour	per month	per month	per month	
Average Annual Rate Increase	3.0%	3.0%	3.0%	3.0%	
Utilization Measure:					
Utilization Indicator	10.0	1.0	1.0	1.0	
Unit of Measure	hours/day	space/mo	space/mo	space/mo	
Occupancy/Utilization:					
Initial	40%	60%	52%	50%	
Normalized	81%	77%	56%	100%	
Years to Normal	5.00	1.00	1.00	1.00	
Annual Days per Year	364	364	364	364	
Operating Revenue (@ normalized occupancy):					
Per Space Average Annual Revenue	$736	$277	$0	$0	$286
Total Annual Revenue (by type of space)	$36,800	$92,300	$0	$0	$ 129,100
Percent of Total Annual Revenue	28.5%	71.5%	0.0%	0.0%	100.0%
Operating Expense:					
Per Space Average Annual Cost	$400	$220	$220	$220	$240
Total Annual Parking Expense	$20,000	$73,228	$15,180	$0	$108,408
Average Annual Cost Increase	3.0%	3.0%	3.0%	3.0%	3.0%

Mount Vernon Parking Garage Financial ProForma

4 Floor Garage - 452 Spaces w/Parking Fee for All Spaces & 7,500 SF Retail

RETAIL ASSUMPTIONS

Retail Operating Characteristics	Assumption
Retail Space:	
Leasable Area (square feet)	7,500
Initial Vacancy Rate	65.0%
Normalized Vacancy Rate	5.0%
Years to Normal	3.00
Operating Revenue:	
Initial Lease Rate (nnn per square foot per year)	$15.00
Average Annual Lease Rate Increase	3.0%
Operating Expense:	
Initial (Percent of Gross Operating Income)	10.0%
Average Annual Cost Increase	0.0%

Mount Vernon Parking Garage Financial ProForma

4 Floor Garage - 452 Spaces w/Parking Fee for All Spaces & 7,500 SF Retail

INCOME & EXPENSE PROJECTIONS — **Year of Operations**

Accounting Item	Normalized	1	2	3	4	5	10	15	20	25	30
Gross Revenue:											
Retail Space:											
Gross Scheduled Lease Income	$112,500	$112,500	$115,900	$119,400	$123,000	$126,700	$146,900	$170,300	$197,500	$229,000	$265,500
Less Vacancy	($5,600)	($73,100)	($52,200)	($29,900)	($6,200)	($6,300)	($7,300)	($8,500)	($9,900)	($11,500)	($13,300)
Gross Retail Operating Income	$106,900	$39,400	$63,700	$89,500	$116,800	$120,400	$139,600	$161,800	$187,600	$217,500	$252,200
Parking Spaces:											
Non-Residential:											
Hourly	$36,800	$18,200	$22,600	$27,200	$32,100	$37,300	$48,100	$55,700	$64,600	$74,900	$86,800
Monthly	$92,300	$71,900	$95,100	$98,000	$100,900	$103,900	$120,400	$139,500	$161,700	$187,500	$217,300
County Lot Replace (69 Spaces)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
County Added Parking (New Bldg)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross Parking Operating Income	$129,100	$90,100	$117,700	$125,200	$133,000	$141,200	$168,500	$195,200	$226,300	$262,400	$304,100
Total Gross Operating Income (GOI)	$236,000	$129,500	$181,400	$214,700	$249,800	$261,600	$308,100	$357,000	$413,900	$479,900	$556,300
Gross Operating Expenditures											
Retail	($11,300)	($11,300)	($11,600)	($11,900)	($12,300)	($12,700)	($14,700)	($17,000)	($19,800)	($22,900)	($26,600)
Parking	($108,400)	($108,400)	($111,700)	($115,100)	($118,600)	($122,200)	($141,700)	($164,300)	($190,400)	($220,700)	($255,700)
Total Gross Operating Expenditures	($119,700)	($119,700)	($123,300)	($127,000)	($130,900)	($134,900)	($156,400)	($181,300)	($210,200)	($243,600)	($282,300)
Net Operating Income											
Retail Space	$95,600	$28,100	$52,100	$77,600	$104,500	$107,700	$124,900	$144,800	$167,800	$194,600	$225,600
Parking Spaces	$20,700	($18,300)	$6,000	$10,100	$14,400	$19,000	$26,800	$30,900	$35,900	$41,700	$48,400
Total Net Operating Income (NOI)	$116,300	$9,800	$58,100	$87,700	$118,900	$126,700	$151,700	$175,700	$203,700	$236,300	$274,000

ENDNOTES

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[1] The New Skagit County jail and justice center is currently planned to be located south of Kincaid, requiring no added parking (or parking displacement) in the immediate downtown area.

[2] The *Mount Vernon Waterfront and Downtown Flood Control and Master Plan* was completed for City of Mount Vernon in 2007 by a consultant team lead by KPFF Consulting Engineers. The market feasibility assessment conducted as part of this master planning process was prepared by Property Counselors.

[3] Also considered have been parking needs for the Skagit Station (SKAT). However, it has been determined that these needs will be met separately and not as part of the proposed downtown parking structure.

[4] While some modification to the zoning code for the (P) district is anticipated, it can be expected that approval of a Conditional Use Permit at a public hearing before the Hearing Examiner would be required for a full-block parking structure at this location.

[5] It is noted that up to 25% of the on-site landscaping requirement can be satisfied by landscaping excess street right-of-way.

[6] The extent of impact and opportunities for mitigation of landscaping requirements could be better addressed during the design development process.

[7] For example, the 2006 Jones & Stokes traffic analysis indicated that, in the case of a 350-space garage, a worst case exiting condition should be less than 250 vehicles exiting at peak hour, effectively meeting the driveway capacity threshold. With a 452-space garage as currently proposed (or 569 spaces as with added spaces for the alternative of serving potential new downtown County administrative offices), additional peak hour evaluation may be appropriate, though peaking demands may be less substantial at least a portion of County facility parking.

[8] With the initial 2006 feasibility study report, the potential for state/federal funding support might be possible for a portion of a garage facility if WSDOT were to seek spaces in a structure tied to any future replacement of the existing park and ride lot by the I-5 freeway (adjoining Kincaid). However, this option is no longer actively considered.

[9] This listing of most viable options has been considerably modified from the 2006 report based on new financial options now available, notably the opportunity for CERB/LIFT funding support.

[10] The earlier 2006 garage feasibility study concluded that it is unlikely that office space construction would be financially feasible as current downtown rents are not adequate to support the cost of new Class A office construction. A similar conclusion could be reached for multifamily apartments – unless supported by substantial housing subsidy. A different conclusion might be possible for condominium development – though the market for owner housing in downtown Mount Vernon remains relatively untested.

[11] Concept planning by the engineering firm KPFF indicates potential to provide about 138 spaces per level (on each of the first three levels) of a downtown parking structure. Based on a block size of 40,000 square feet, this equates to an average of 290 square feet per parking space (including parking on ramps).

Construction costs are from Rider Levett Bucknall, *Quarterly Construction Cost Report,* 2007 Fourth Quarter Issue, for the Seattle area. At $75 per square foot, construction costs are fully 50% above the $50 per square foot figure used with the 2006 parking feasibility study, reflecting substantial construction cost inflation over the past two years. This cost figure also allows higher quality exterior finishes and extra floor height associated with retail use on the ground floor. Further construction cost refinement can be expected to occur in conjunction with architectural/ engineering design and project scheduling.

[12] The earlier 2006 Mount Vernon parking feasibility study indicated that as much as $2 million could be required as an additional construction budget item for added foundation cost. This question is subject to further verification/refinement with or subsequent to this updated 2008 study (based on more detailed engineering analysis yet to be conducted).

[13] Tax assessed valuation of the subject property is $700,000 as of 2008.

[14] However, without an on-site attendant, it may be appropriate to consider whether there is need for increased garage security – above what is otherwise projected.

[15] Operating costs for subsequent years (post-construction) are forecast at an assumed normalized inflation rate of 3% per year.

[16] These parking pricing assumptions are reduced from rates assumed with the 2006 parking feasibility study, reflecting greater availability of capital funding than was assumed in 2006. Reduced rates will also be beneficial to support greater parking utilization more quickly.

[17] Retail rents are triple net (nnn), meaning that the tenant pays all expenses in addition to rent.

[18] As with parking garages in other communities, annual NOI (or revenue in excess of expenses) could be applied to support some portion of the project's capital cost through debt financing – such as general obligation or revenue bond financing, with remaining portion of capital cost (not covered by debt) funded from other non-project revenue-related sources. With the proposed downtown Mount Vernon funding structure, this preliminary analysis indicates that non-revenue related sources may be adequate to support capital cost without the need to pledge garage revenues for bond repayment. This also provides greater flexibility to maintain lower parking rates.

[19] It is typically assumed that available NOI as of a stabilized (or normal) occupancy year could be applied to repay non-voted general obligation debt – repaid in equal principal plus interest installments over a 25-year period. If there is no general obligation backing, bond coverage also is required – reducing the financing capability offered by revenue bonding.

[20] Utilization estimates may vary from these initial plans as County jail and parking displacement plans become more clear. Post-2006 utilization may also be affected by recent changes in management of County restricted parking areas from reserved, assigned parking to parking on a first come, first serve basis.

[21] One feature of parking meters in some cities is to provide the first 15 minutes to ½ hour of parking fee of charge.

[22] This estimate is based on typical retail sales performance of $250 per square foot of store space and five spaces of parking per 1,000 square feet of store space.

[23] Subconsultants associated with the earlier 2006 feasibility study were Jones & Stokes – planning review, Barney & Worth, Inc. – business survey, and Rick Williams Consulting – parking operations.

[24] Cities reviewed by parking consultant Rick Williams Consulting with the 2006 study included Corvallis, Oregon; Hollywood, Florida; Hood River, Oregon; Kirkland, Washington; and Park City, Utah.

[25] This review of funding sources was initially prepared by E. D. Hovee & Company, LLC in 2003 and has been updated as part of the 2006/2008 Mount Vernon parking garage feasibility studies.

[26] In Vancouver, six garages have been developed for this purpose in public-private development partnerships. Long-term rates are intended to reflect market rates, though user fees do not recover adequate revenue to pay for both operating and capital costs.

[27] As an example, Longview established an LID in 1971 covering a 9-block area in its retail core whereby benefiting property owners could fund development of off-street parking. In exchange, the City exempted property owners from the zoning code that required owners to provide privately owned parking facilities. This assessment was formed together with a PBIA (described separately). The last LID assessment payment was due in 1993. In April of 1991, the City formed a second LID for a 1-block area to fund development of added off-street parking behind the Columbia Mercantile Building – as a key aid to the redevelopment of this former Bon Marche store. LID payments were programmed through 2002.

[28] RCW Section 35.87A.010 permits local jurisdictions: "To levy special assessments on all businesses and multifamily residential or mixed use projects within the area and specially benefited by a parking and business improvement area to pay in whole or in part the damages or costs incurred therein as provided in this chapter."

[29] When formed, the Olympia PBIA was expected to generate $114,000 per year with individual businesses paying $150-$750 annually over the next five years. Revenues were planned to be used to pay for safety, parking, marketing, and other downtown improvements.

[30] Tacoma has received funding used in part for parking garage development from a state sales tax credit dedicated to convention center construction.