Section V: Development of New Parking Supply

The PSC envisions development of a parking garage in the Core or Convention Center Zone as a long-term strategic priority within the parking management plan for downtown. The decision to create new parking supply in structures is an important element in Spokane's *Plan for a New Downtown* in its effort to continue to accommodate customer/visitor access and economic growth.

The cost of structured parking is significant. Planning for the timely development and successful financing of such projects requires combined efforts on the part of the public and private sectors. In this regard, the PSC recognizes the need for all downtown stakeholders to understand the realities of parking development and the impact such a decision can have on parking policy, financing and partnerships.

This section provides a summary of a hypothetical parking development in Downtown Spokane.

A. CURRENT PARKING ENVIRONMENT

Information from the parking and utilization study indicates that, within the entire study area, there is an adequate supply of available parking during the peak hours. The weekday average peak occupancy for the study area is approximately 62%. In the Core Zone, peak hour occupancies for the combined supply is approximately 67%, though on street occupancies approach 90% in the evening. In a status quo environment, it would be several years before "constraints" in the public supply were realized. However, the great majority of available parking supply is now located on surface parking lots. As successful implementation of *The Plan for a New Downtown* occurs, the loss of surface supply to new development could hasten the loss of available parking.

B. GARAGE DEVELOPMENT SCENARIO

Downtown Spokane's growing downtown area will ultimately require development of new parking supply. The timing for additional supply is contingent on a number of factors, which may include:

- New development and its associated parking demand.
- Losses of existing parking supply through redevelopment (particularly surface parking lots).
- Normal growth in customer, visitor, residential and employee parking demand.
- Successful and timely implementation of recommended parking management strategies.
- Implementation of Transportation Demand Management (TDM) strategies.

To facilitate Spokane's ability to move forward in planning for and financing future parking supply, Task 5 of the scope of work calls for development of a cursory pro forma analysis of parking development and operational costs. This report provides a review and evaluation of possible structured parking scenarios and cost/funding implications of such a development.

1. Background

It is important to recognize that any development pro forma is only as good as the assumptions that are input into it. In the context of this work task, two garage scenarios were prepared. "Scenario A" represents a "mid-range" garage design and "Scenario B" represents a higher end garage design based on urban models developed in other Pacific Northwest cities. The models selected for evaluation were facilities that would meet with Guiding Principle standards for design and compatibility and consistency with the architectural integrity of the downtown.

All assumptions for construction costs/financing, design, demand, revenue generation and parking operation expenses were based on information from comparable parking projects recently developed in the Pacific Northwest. It is essential for purposes of future parking planning that stakeholders reach consensus on the design assumptions for parking structures to assure a clear understanding of the realities associated with development and costs of structured parking.[1] Changes to the assumptions will result in changes to the outputs of the consensus development scenario.

2. Parking Development – Scenario A

This pro forma scenario calls for development of a 323-stall garage constructed on a 40,000 square foot development pad. The facility would be a freestanding parking facility with parking on three levels.[2] The design would be cast concrete, treated to provide an "urban feel." Revenue estimates for the facility assume paid parking for customers and visitors as well as employees in an attempt to maximize revenue. The operating format of the garage is assumed to favor short-term visitor parking in an attempt to maintain consistency with Guiding Principle priorities for future development of parking facilities.[3]

Example Garage Design – Scenario A

[1] The Downtown Plan includes design requirements for parking structures in the downtown.
[2] Retail was not included in this pro forma analysis to provide an understanding g of the degree to which parking could stand alone in "pencilling" the project.
[3] Increasing the number of monthly passes sold at the facility would change revenue projections, though not significantly.

Detailed pro forma work sheets for the PWG parking development scenario are attached to this report (**see Appendix D)**. **Table 1** provides a summary of this scenario and the basic data input elements contained within it.

Table 1
PSC Parking Development Scenario
Pro Forma Assumptions[4]

	Free-Standing Downtown Parking Garage
Site size (square footage)	40,000 SF
Number of total parking stalls	323
Retail square footage	0
Front end equity contribution(s)	0
Construction cost per stall (direct hard costs only)	$13,300
Cost of land to project[5]	$1,200,000
Development costs (indirect soft costs)	$2,188,100
Total cost of garage development	$8,432,640
Rate of finance/term	5%/20 years
Initial monthly parking rate	$80 per month
Hourly and daily rates	$1.00 per hour $5.00 per day $2.00 eves. /$2.00 wknds.
Necessary rate of annual revenue growth[6]	3.0%
Annual *Net* Income before debt service @ 20 years annualized	$416,960
Average annual cash flow +/<-> @ 20 years annualized	<$250,412>
Estimated gross revenue per stall (monthly)	$125
Revenue per stall necessary to break even (monthly)	$211

[4] The pro forma scenario is not intended to be representative of final construction costs for a specific parking project or a final operating format (i.e., mix of monthly, hourly and daily users). This exercise represents a best-case estimate of costs associated with a possible parking development. These costs are based on financing and operating assumptions derived from comparable projects in other jurisdictions in the Pacific Northwest. Overall, the purpose of the pro forma analyses was to test various options and to develop a solid foundation for the planning and financing of future parking supply. New assumptions and additional information can be input into the draft pro forma models as necessary.

[5] Assumes land cost of $30 per square foot.

[6] Revenue growth can be generated through increased traffic into the facility, through increased rates or a combination of traffic growth and rate increases.

A. Key Assumptions – Scenario A

- The 40,000 square foot pad size was assumed for its compatibility with downtown's urban scale. This pad size also allows other uses to be incorporated into the project (i.e. commercial, residential, etc.). A smaller pad would not significantly add to cost, but would add vertical size to the garage and minimize the ability to create a mix of uses.
- Cost of land is assumed at $30 per foot and no assumptions regarding equity contributions to the project were made.
- Rates modeled in the pro forma are comparable to current rates for parking in the downtown (for hourly, daily, monthly and evening/weekend rates).
- Assumptions for demand, turnover and occupancy are modeled on data provided from the recently completed parking inventory for the downtown (for time of day and day of week).
- Growth in usage of the facility, or increases in rates, occurs at an average of 3% annually.
- This scenario assumes financing at 5% over 20 years and does not model for property taxes based on an expectation of public participation/incentive in the project.

B. Key Findings – Scenario A

- Revenue generated would not be sufficient to cover operating and financing costs associated with the development.
- Cash flow averages <$250,412> annually through the first 20-years of operation. The garage does not show positive cash flow until Year 21.
- "Market" monthly revenue generation would need to be $211 per stall to break even.

3. Parking Development – Scenario B

This pro forma scenario calls for development of a 323-stall garage constructed on a 40,000 square foot development pad. The facility would be a freestanding parking facility with parking on three levels. A 20,000 square foot ground level retail component was incorporated into the pro formal in an effort to activate the street level environment. The design standard would be "high-end" utilizing a brick façade and design components that would assure the garage complements and contributes to the architectural integrity of the downtown.

As with Scenario A, the operating format of the garage is assumed to favor short-term visitor parking in an attempt to maintain consistency with Guiding Principle priorities for future development of parking facilities.

Example Garage Design – Scenario B

Detailed pro forma work sheets for this scenario are attached to this report (**see Appendix D)**. **Table 2** provides a summary of this scenario and the basic data input elements contained within it.

Table 2. PSC Parking Development Scenario
Pro Forma Assumptions[7]

	Free-Standing Downtown Parking Garage
Site size (square footage)	40,000 SF
Number of total parking stalls	323
Retail square footage	20,000
Front end equity contribution(s)	0
Construction cost per stall (direct hard costs only)	$14,700
Cost of land to project[8]	$1,200,000
Total cost of garage development	$5,040,000
Total cost of retail development	$1,400,000
Development costs (indirect soft costs)	$2,903,200
Total cost of development	$11,184,960
Rate of finance/term	5%/20 years
Retail rent	$15 per square foot (annual)
Initial monthly parking rate	$80 per month
Hourly and daily parking rates	$1.00 per hour / $5.00 per day $2.00 eves. / $2.00 wknds.
Necessary rate of annual revenue growth[9]	3.0%
Annual *Net* Income before debt service @ 20 years annualized	$755,970
Average annual cash flow +/<-> @ 20 years annualized	<$129,225>
Estimated gross revenue per stall (monthly)	$130 parking revenue $84 per stall retail users of garage $214 per stall per month (combined)
Revenue per stall necessary to break even (monthly)	$274

[7] The pro forma scenario is not intended to be representative of final construction costs for a specific parking project or a final operating format (i.e., mix of monthly, hourly and daily users). This exercise represents a best-case estimate of costs associated with a possible parking development. These costs are based on financing and operating assumptions derived from comparable projects in other jurisdictions in the Pacific Northwest. Overall, the purpose of the pro forma analyses was to test various options and to develop a solid foundation for the planning and financing of future parking supply. New assumptions and additional information can be input into the draft pro forma models as necessary.

[8] Assumes land cost of $30 per square foot.

[9] Revenue growth can be generated through increased traffic into the facility, through increased rates or a combination of traffic growth and rate increases.

A. Key Assumptions – Scenario B

- The 40,000 square foot pad size was assumed for its compatibility with downtown's urban scale. This is also an efficient pad size for the inclusion of retail into the ground floor.
- Cost of land is assumed at $30 per foot and no assumptions regarding equity contributions to the project were made.
- Rates modeled in the pro forma are comparable to current rates for parking in the downtown (for hourly, daily, monthly and evening/weekend rates).
- Assumptions for turnover and occupancy are modeled on data provided from the recently completed parking inventory for the downtown (for time of day and day of week).
- Assumptions for demand are augmented by 10% because of the retail component of the garage, which assumes an increased customer base accessing the retail through the garage.
- Growth in usage of the facility, or increases in rates, occurs at an average of 3% annually.
- The model assumes that retail rents would be used to cover costs associated with the parking garage component of the facility
- This scenario assumes financing at 5% over 20 years and does not model for property taxes based on an expectation of public participation/incentive in the project.

B. Key Findings – Scenario A

- Revenue generated would not be sufficient to cover operating and financing costs associated with the development.
- Cash flow averages <$129,225> annually through the first 20-years of operation. The garage does not show positive cash flow until Year 19.
- The retail component of the development improves the overall cash flow of the project.
- "Market" monthly revenue generation would need to be $274 per stall (combined retail rent and parking revenue) to break even.

C. SUMMARY

Given the negative cash flow identified in the pro forma analyses, it is clear that pursuit of a publicly initiated garage project will require additional revenue beyond the garage's ability to cover its own operating and financing costs. Assumed efficiencies in building design, operating format, financing and equity could be modeled to improve the pro forma outputs should the DSP and/or the PSC wish to engage in a more detailed evaluation of parking development scenarios.