

## Section VI: Funding Options for New Parking Supply and System Management

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The fiscal challenges of parking, transportation, and economic development in a downtown are common to many communities across the country. This study recognizes the financial constraints currently facing the City of Spokane. New programs and strategies for managing and, possibly, developing parking supply may be difficult to consider in the near term if public funds are necessary to carry forward priority parking programs and strategies.

Nonetheless, rapid changes in development patterns over the past thirty years have resulted in significant changes to the urban landscape and many downtowns have had to re-examine services they provide and the revenue sources used to fund them. In most instances, communities use a combination of funding sources to cover transportation capacity needs. Per the scope of work and at the direction of the Parking Steering Committee, the Consultant Team reviewed several models to provide a basis for future discussions of funding options for the public parking system. It is believed that some combination of the revenue sources described below will be necessary to assure the feasibility of some parking management strategies called for in this plan and for future structured parking in the downtown envisioned in *The Plan for a New Downtown*.<sup>1</sup> A single revenue source is unlikely to cover the cost of parking management and development.

### A. POTENTIAL REVENUE SOURCES

This review focuses on a range of parking options that might be available to the City of Spokane. Several of the outlined options may already be in place in the City of Spokane. The options outlined attempt to represent *options most commonly used in other jurisdictions* as well as options that are allowable under Washington State statute. This review borrows heavily from the work of E.D. Hovee and Associates, an economic and development services consultant based in Vancouver, Washington.

#### 1. Most Frequently Used Options

##### A. *Options Affecting Customers*

**User Revenues** – Represent the foundation of 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 and revitalization activity. Where the City does have user fees (meters), the average monthly revenue generated is approximately \$53 per metered parking stall per month.<sup>2</sup> Recently published information on the River Park Square garage estimated revenue of approximately \$135 per month, per stall.<sup>3</sup>

**Event Surcharges** – Encompassed within the SSB 5514 public facilities district legislation providing for automobile parking charges in conjunction with regional center facilities. Fees are generally buried in the cost of event ticketing.

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<sup>1</sup> This list of funding options is not intended to be all-inclusive, but rather a sampling of mechanisms in use in other jurisdictions for the purpose of developing public parking supplies.

<sup>2</sup> Data provided by the City of Spokane

<sup>3</sup> See The Spokesman-Review, Sunday, April 4, 2004, pages A1, A10-A11.

**On-Street Parking Fees** – Many cities elect to collect on-street revenues through parking meters and/or sale of permits. *The Spokane parking meter revenue is encumbered and not available to the parking system for the foreseeable future.*

**Parking Fine Revenues** – Collected for violations related to overtime and improper parking, and illegal parking in handicapped spaces. *Parking fine revenues are currently encumbered from Municipal Court operations and General Fund obligations.*

*B. Options Affecting Businesses*

**Parking & Business Improvement District (BID)** – An assessment of businesses rather than property owners. The assessment formula can be based on a number of measurable factors such as assessed values, gross sales, square footage, number of employees, or other factors established by the local legislative authority. In Washington, a BID requires 60% of merchants to agree to the assessment.

*C. Options Affecting Property Owners*

**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). An LID is a property tax assessment that requires "buy-in" by property owners within a specifically identified boundary. LIDs usually result as a consequence of a petition process requiring a majority of owners to agree to an assessment for a specific purpose.

*D. Options Affecting Developers*

**Fee-in-Lieu** – Usually an option given to developers to pay the local jurisdiction an "in-lieu" fee as a way to opt-out of providing parking with a new development (usually the fee-in-lieu option is associated with minimum parking standards). Fees-in-lieu can range from a fee assessed at less than the actual cost of construction, to the full cost of parking construction. The City of Spokane does not have a fee-in-lieu provision for development because parking in the downtown is not a requirement of new development.

**Public / Private Development Partnerships** – Public parking can be an effective tool to facilitate downtown development. This is particularly the case in the state of Washington due to fairly stringent constitutional prohibitions against lending of the state's credit and limited applicability of tax increment financing.

*E. Options Affecting the General Public*

**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.

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.

**Refinancing GO Bonds** - Involves refinancing existing debt and pushing the savings from the general fund to debt coverage for a new parking facility.

**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.

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.

**63-20 Financing** – Identified as a potential alternative to traditional GO, revenue bond and LID bond financing in the post Initiative 695 era. 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.

**Public Facilities Districts (PFD)** – As authorized by SSB 5514 in the 2002 Legislature to fund "regional centers" and "related parking facilities." A PFD is defined as an independent taxing authority and district under Washington statute. Currently, PFD legislation also allows for what amounts to a sales and use tax rebate of 0.033% from the State of Washington for regional center projects commencing construction by January 1, 2004. This sales tax revenue may serve as the source of repayment for bonding over up to a 25-year period – with matching funds equal to at least 33% of the sales tax revenue coming from other public or private sources.

**Downtown & Neighborhood Commercial Districts** – Also authorized by the 2002 Legislature with SHB 2437 allowing use of incremental increases in local sales and use tax revenue to finance community revitalization projects including "publicly owned or lease facilities."

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.

**Community Renewal** – As enacted with SHB 2357 by the 2002 Legislature to update the state's urban renewal laws including authorization for public improvement financing from multiple revenue sources including tax-exempt, non-recourse revenue bonds. Requires determination of blight, which may render this option unusable in Spokane.

**Parking Fund** – State of Washington statute enables local municipalities to establish parking commissions and funding mechanisms for parking. The parking fund may encompass all pertinent revenue and expense items, and therefore offers a convenient mechanism for management of parking operations and budgeting.

**State & Federal Grants** – In the past, a variety of state and federal grant programs have been applied to funding downtown parking structures. In the current environment of more limited state/federal funding, there are no longer any readily identifiable programs as suitable for parking facility development.

This listing of potential sources is not necessarily exhaustive, as other communities have used yet additional sources – which may or may not be applicable to Spokane’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.

## **B. SUMMARY**

It is apparent that as Downtown Spokane grows, so too will demand for parking. New development, a faster pace of trip growth, losses of current parking supply on surface lots, parking and transportation demand management programs and/or other events can work to accelerate or moderate the need for new parking supply.

The current parking market in downtown Spokane suggests the feasibility of a new parking structure will require additional sources of revenue beyond anticipated parking revenue generated by a facility. To this end, the process for considering how a new parking facility will eventually be developed in the downtown needs to be initiated if the downtown is to be prepared to meet future demand and support existing business’ continued growth. Similarly, a “package” of funding options will need to be developed and implemented. This process is recommended as a near to mid-term strategy in the overall parking management plan for the downtown to be implemented by a new Parking Steering Committee.