



DATE: August 9, 2019

TO: Mayor and City Council

FROM: Mitzi A. Baker, AICP Community Development

RE: 5th & Washington Redevelopment – Potential Public Parking Component

The 5th and Washington Redevelopment project has a potential to include 35 interior parking spaces that would be under the lease ownership and management of the City. Initial consideration of this redevelopment project did not include public spaces. The developer added this component as a result of conversations with Community Development staff who expressed interest in knowing whether the project design could accommodate public parking and what the potential costs may be.

Before September, there is a need to give the developers an indication of the City's interest in collaborating to construct public spaces within the project. They are approaching a timeline that requires decisions to advance architectural and site engineering plans. Advancing design could proceed without a public parking component if needed, but the City has the opportunity to pursue inclusion of these spaces if there is strong interest to do so.

Gaps exist between the total project and construction costs and feasible rent revenues to pay down debt on the project. This challenge is not unique to Northfield and one that has hindered development of even market rate residential development. To complicate matters further, there has been a divergence in housing costs and incomes that accelerated after 1980, as demonstrated in the graph below from a Harvard University housing study. Home prices have risen as well, affecting the for-purchase market and contributing to further limiting housing options that are affordable.





Real Home Prices Have Risen in Most Markets Since 2000, But Especially in Highest-Cost Metros



JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

https://www.huffpost.com/entry/housing-crisis-inequality-harvard-report_n_5b27c1f1e4b056b2263c621e

Another complicating factor is the slow rebound in construction that has not kept pace with household growth.

To help offset these gaps and make housing available where supply is not meeting demand (like Northfield), developers and cities often partner to offset financial gaps and incentivize completing projects. Tax Increment Financing (TIF) is one tool that the State of Minnesota grants community's use for this type of redevelopment project, and is one the Council will consider for this project at a future date. TIF for this project would be an essential element to completing the redevelopment without a public parking component. There is not sufficient TIF to use that as a mechanism to pay for a public parking component.

Costs Associated with Public Parking Option:

If the City has interest in the public parking, fee revenue combined with other revenue sources will be needed to pay down debt associated with public parking. The up-front construction cost for the public spaces is estimated at \$805,000, or \$23,000 per stall. This estimate is well within the range of costs associated with structured parking.



The project proposal includes annual payments from the City of \$92,000 over ten years for the 35 spaces, with an end cost estimated at \$26,286 per stall. This total accounts for interest and contribution to annual maintenance.

What does it cost to construct structured parking?

In "The High Cost of Free Parking", Donald Shoup cites a Quarterly Construction Cost Report from 2012 that shows the construction cost for a number of cities that ranges from 26,000-48,000 for underground parking spaces, and between 17,000-29,000 for above ground ramp spaces

Another source cites the median cost for a new parking structure in 2019 is \$21,500 per stall (<https://wginc.com/parking-outlook/>).

The Victoria Transport Policy Institute released a study in March of this year that includes average construction costs in twelve US cities. This report showed a range of \$26,000-48,000 per stall for underground spaces and \$17,000-29,000 per stall for above ground spaces.

City Management, Control and Fare Collection:

The City would have long-term control and management over the spaces, which would likely include automated entry controls and fare collection. Fare collection would contribute to the annual payments over the first ten years and off-set the amount the City would need to secure from other sources. After ten years, a parking revenue fund would grow and may provide a source to offset public costs associated with parking management, operations and maintenance here and throughout the downtown area.

Long term maintenance of the structure would be by the developer, and annual payment for the public parking stalls is anticipated to include some contribution to a maintenance fund for long term structure maintenance.

A formal parking study has not been completed to estimate annual revenue from a City operated parking structure. It could be as little as 25% of the annual payment, or could be more than 50% of the of payment. Consideration of managed parking in the downtown area, and fee collection, could be one source to assist with providing and maintaining public parking. Another potential source is to explore other mixed-use redevelopment opportunities that would create new investment and tax base in downtown area locations that are currently underutilized or occupied by surface parking. In some cases, public parking could be integrated into a project, which is especially attractive if vertical construction integrates structured parking and still creates new investment and tax revenue. Publicly owned parcels do not contribute to the tax base.



NOTE: Detailed terms of a structured parking agreement will be defined further if the public parking spaces are included in the project. Staff and attorneys would need to work closely to ensure public interests are addressed.

Options:

- (a) If interested in including the public parking component in the 5th/Washington 79-unit residential project, the project finances will include annual payments from the City of \$92,000 per year over ten years. Staff would work to define terms and structure fare capture as part of the project.
- (b) If there is interest in exploring partnerships like this, but the City is not ready to commit to this project, decline the present opportunity and continue to explore others that may evolve.