

COUNCIL ACTION FORM

SUBJECT: **PARKING LEASE FOR WELCH LOT T**

BACKGROUND:

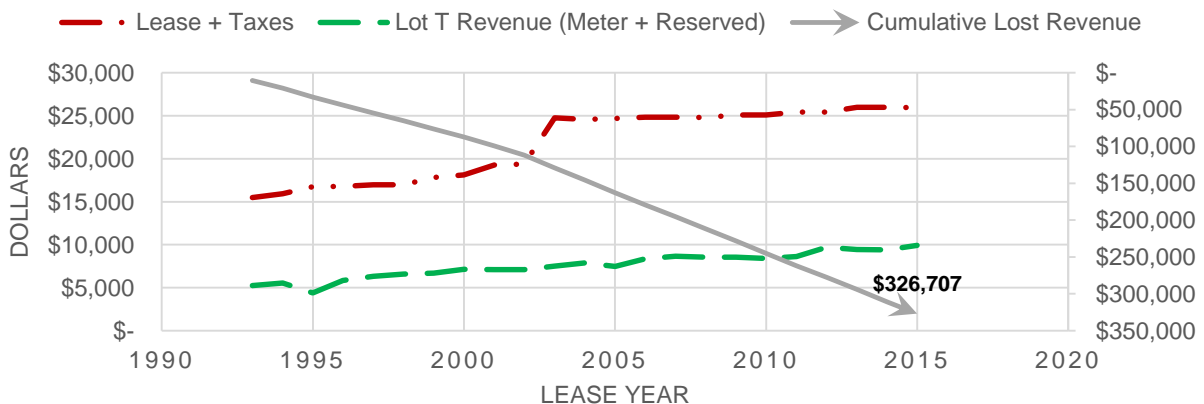
Welch Lot T (209 Welch Avenue, located along the west side of Welch Avenue and south of Pizza Pit) is owned by the Pizza Pit owner and is being leased by the City for use as a public parking lot. On May 22, 2012, City Council approved a 3-year extension of the lease with the owner. The lot contains 29 spaces including 10 rented and 19 metered spaces. The City receives revenue from this lot through 1) the leasing of the rental spaces and 2) from the coin revenue from the meters.

The original 10-year lease on Welch Lot T was established in 1992 for the annual amount of \$12,600 plus 44.9% of the annual property taxes. During that time the City had expenses of \$195,185 and revenues of \$61,949 (net loss = \$133,237).

The lease was renewed in 2002 for another 10-year period that followed the same lease terms with the addition of a 15% increase over the life of the lease (1.5% / year) to try and offset the cost of inflation. During this second lease period the City had expenses of \$273,520 and revenues of \$83,684 (net loss = \$189,837).

Most recently, during the current 3-year lease extension, the City has had estimated expenses totaling \$85,589 and revenues of \$28,781 (net loss = \$56,808). Over the total life of the leasing periods (23 years) the City has seen an estimated net operating loss of \$326,707, or \$14,205 annually. Below is a graph showing the revenues and expenses for the past three lease periods (1992-2015). As shown, the City has been operating Welch Lot T at a net loss in order make the lot and additional parking spaces available to Campustown visitors and businesses.

WELCH LOT T (CASH FLOW)



Tom Northrup, the owner of the property, has been in contact with staff regarding his desire to renew this lease on a year-to-year basis. **Mr. Northrup asked for a shorter-term (one year) extension** in order to see what further development takes place in Campustown, specifically any potential redevelopment of the Post Office property (and adjacent properties) along the east side of Welch Avenue. Typically, the lease renewal has come with a 1.5% increase in annual fees, however **Mr. Northrup proposed that the fee and all other terms of the lease remain unchanged for the one-year lease extension.**

Staff has spoken with Campustown Action Association (CAA) in order to see what their position is on a potential lease renewal. Welch Lot T is used annually for several special events sponsored by CAA. It is also one of the few public parking areas in Campustown even with the additional spaces provided by the Ames Intermodal Facility.

ALTERNATIVES:

1. Approve a **1-year** lease extension for the Welch Parking Lot T at the rate of **\$15,142.05** per year, and for 44.9% of the annual property taxes, with financing from the City's Parking Fund. The lease would expire in May 2016.
2. **Do not approve a lease extension.** With the additional parking that is available in the new intermodal facility, the lease of these additional spaces might no longer be justified. Under this arrangement, expenditures have consistently exceeded revenues.

MANAGER'S RECOMMENDED ACTION:

The leasing of Lot T has created an annual net loss to the Parking Fund given the cost to rent the spaces, maintain the lot, and reimburse the cost of the City's portion of the property taxes compared to the combined revenue generated by parking meters and reserved stalls. **From a strictly business perspective, this arrangement has had a negative impact on the City's Parking Fund balance.** However, the public is accustomed to the availability of these spaces and the lot has been used for several special events.

Also, staff will be working on an evaluation of the City's Parking Fund to bring back to City Council at a future date. This process is anticipated to take some time given the complexity of parking fund finances being shared across the Public Works, Police, and Customer Service departments. Once complete, staff will present a report to City Council with recommendations to the overall system that will support the long-term sustainability of the Parking Fund.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as noted above.



Campustown City Owned Parking



Scale:
Date Saved: 5/17/2012

