



# Memo

City Manager's Office

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**TO:** MAYOR AND AMES CITY COUNCIL

**FROM:** Steven L. Schainker, City Manager

**DATE:** August 5, 2009

**SUBJECT:** Financing Options for Proposed Parking Ramp

At a previous workshop, the Council received a report from our consulting firm, OPN, outlining four alternatives for a parking structure in located Lots X and Y in the Central Business District.

A summary of these options is listed below:

<b>Ramp Option</b>	<b>Estimated Cost</b>	<b>Annual Required Debt Service</b>	<b>Number of Net New Parking Spaces</b>
Concept B-Phase 1 (One Deck on Lot X)	\$4,575,107	\$487,490	89
Concept C (Two Decks on Lot X)	\$7,567,050	\$806,285	223
Concept A (One Deck on Lots X & Y built at same time)	\$9,224,768	\$982,920	182
Concept B-Complete (One Deck on Lots X and Y built in two phases)	\$9,792,113	\$1,043,370	182

At the conclusion of the workshop, Council requested that I offer possible funding options should a decision be made to pursue any one of the four parking ramp options. It would appear that there are at least five options for funding a parking ramp in the Downtown Business District.

## OPTION I

The City Council could issue **Revenue Bonds** to finance a parking ramp project. Under this approach, the debt service from the sale of these bonds would be paid back from revenue generated from parking system revenues (meter fees, fines, rental revenue, ramp user fees).

This does not appear to be a viable option because it would not be possible to prove to prospective purchasers of these bonds that the Parking Fund will generate sufficient revenue to cover the annual parking operational costs nor debt service on the capital improvement.

#### OPTION II

The City Council could accumulate sufficient funds from the **available balances** in the various funds operated by the City to finance the cost of constructing a parking ramp. Given the magnitude of the amount that will be required, it would be necessary to concentrate on the major utility fund balances (Water, Sewer, and Electric).

While legally possible, I would strongly urge that this strategy is inappropriate because we have rightfully earmarked utility fund balances to benefit the users from whom the revenues were generated.

#### OPTION III

The City Council could issue **General Obligation (G.O.) Bonds** to finance a parking ramp in conjunction with an Urban Renewal Plan. The debt service from the sale of these bonds would be paid back by annual property tax revenues generated from our **Debt Service Levy**. It is important to note that, under this option, the issuance of these bonds is subject to a reverse referendum that could require a vote of our citizens if a petition is received by the City requesting such a vote.

This appears to be the most viable option should the Council choose to proceed with the construction of a parking ramp.

#### OPTION IV

The City Council can establish a **Tax Increment Financing (TIF) District** in conjunction with an Urban Renewal Plan. Under this approach, the G.O. Bonds that are sold to pay for the construction of a parking ramp would be paid back from the incremental property tax revenue generated from improvements to private properties in the TIF District.

In order for this strategy to generate sufficient revenue to cover the annual debt service on the bonds sold, the TIF district must include new projects that will generate an incremental taxable value of \$18,649,197 for Concept B Phase I; \$30,844,874 for Concept C; \$37,602,142 for Concept A; or \$39,914,690 for Concept B Complete.

#### OPTION V

The City Council could proceed with the issuance of **G. O. Bonds** to finance a parking ramp in conjunction with an Urban Renewal Plan (Option III). However, in an effort to reduce the amount of debt that must be incurred as well as the corresponding tax burden on our citizens, the City Council could use a portion of the **available balances** in the General, Local Option Sales Tax, and/or the Hotel/Motel Tax Funds. In addition, if a new project is identified that will generate incremental tax revenue of any significant amount (but less than needed to cover the total debt service), a **TIF District** could be created to help partially offset the annual debt service obligation for the parking ramp.

## OTHER ISSUES TO CONSIDER

It should be remembered that the cost of maintenance for a parking ramp will be significantly higher than the cost for a surface lot. Snow removal, ice control, and cleaning will all require specialized and smaller equipment than for surface lots. The parking ramp must generate enough revenue to fund maintenance costs, or fees will need to be raised in other areas of the parking system.

If a strategy is selected that utilizes tax exempt G. O. Bond financing, the issue will be subject to private activity G.O. Bond regulations. This means that most of the parking ramp must be made available for use by the general public for rental or free use. If the parking ramp is reserved primarily for the benefit of certain businesses, the bonds will be taxable which will significantly increase the cost of debt service.