

COUNCIL ACTION FORM

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

BACKGROUND:

On January 22, 2002, City Council approved a 10-year extension of a lease with the owner of Pizza Pit for the Welch Lot T (209 Welch Avenue) parking lot property. This private property, which is located along the west side of Welch Avenue (south of Pizza Pit), is being utilized as a public parking lot. The lot contains 29 spaces including 10 rented and 19 metered spaces. The City funded the construction of this new lot in 1992 for \$74,000 after a lease was obtained for the property.

The initial 10-year lease agreement in 1992 called for a fee of \$12,600 per year, plus reimbursement of the property taxes for the portion used by the City of Ames, which is calculated to be 44.9% of the land. The second extension in 2002 followed those provisions with the addition of a 15% increase over the life of the lease (1.5% / year) to try and offset the cost of inflation. Currently, the annual lease and City's share of the property tax expenses are \$14,490 and \$10,829 (\$24,188 total taxes) respectively, or a total of \$25,319.

The current lease agreement expires at the end of May 30, 2012, and does not have another option to renew. The proposed new lease provides for a 15% increased fee over the current fee for a term to be determined by City Council. As part of the new lease, the City will continue to pay its portion of the property taxes for the lot. With a new 10 year lease, the expense will increase to \$16,663.50, and therefore the total costs will increase to \$27,492.50 per year. In addition, the annual maintenance costs on this lot are approximately \$2,500.

It should be noted that the operating revenue from the rental and metered spaces is approximately \$8,600 per year and, therefore, does not cover this cost. In the past years, several measures have been implemented to enhance revenue for this lot including lowering meter rates from \$.35 to \$.25 to promote usage and increasing the number of monthly rental spaces. These measures increased revenues by approximately \$1,500 per year since the time the lease was last renewed; however, was not enough to offset operational losses for the lot.

The current owner of the Pizza Pit property, Tom Northrop, has provided the Mayor and City Council a letter of support from members of the Campustown Action Association and other affected Campustown business owners voicing their support of a new lease. In their letter they expressed the continued need for Lot T as a public parking lot as it relates to the success of their businesses.

Considering this lease will expire before the opening of the new Ames Intermodal Facility, which will add 384 new parking stalls to the Campustown area, Staff approached Mr. Northrop about the possibility of a 3 or 5 year lease to allow the City to be responsive to potential affects this new facility may have on Campustown parking. A shorter term also gives Staff time to finically evaluate its affect on the Parking Fund. Mr. Northrop indicated a short lease period would be acceptable, and expressed his preference for a 5 year term.

ALTERNATIVES:

1. Approve a **3-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.
2. Approve a **5-year** lease extension for the Welch Parking Lot T at the rate of **\$15,576.75** per year, and for 44.9% of the annual property taxes
3. Approve a **10-year** lease extension for the Welch Parking Lot T at the rate of **\$16,663.50** per year, and for 44.9% of the annual property taxes.
4. **Do not approve a lease extension.** With the additional parking that will be available in the new intermodal facility, these additional spaces might no longer be justified, given that expenditures currently are estimated to exceed revenues by almost \$21,500 per year.

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. Therefore, from a business perspective this arrangement has not directly benefited the City's Parking Fund balance.

However, regardless of the financial situation, parking throughout Campustown has been an important issue for the City Council and business owners alike. Over the years a consistent theme in both Campustown and Downtown Districts has been the need for affordable parking adjacent or near to businesses providing access for their customers. For this reason, the staff supports the renewal of the lease for these parking spaces at this time. However, because of the significant subsidy for this lot and the fact that there will be a substantial number of new parking spaced provided at the intermodal facility, it is the recommendation of the City Manager that the City Council support Alternative #1 and approve a shorter term lease (3 years) for Municipal Lot T.

