

Staff Report

Downtown Employee Parking Hang Tag Pilot Program

October 9, 2012

BACKGROUND

In a letter to Mayor and City Council dated January 29, 2012, the Main Street Cultural District (MSCD) outlined a proposal to improve the parking situation for employees who work in Downtown Ames by instituting an employee hang tag pilot program. Currently, employees in Downtown have generally three options for parking during the workday; in Metered Spaces, 2-Hour or 4-hour Spaces (in City Lots), or 24-Hour Reserved Spaces (~\$35/month). **Their proposal is to add an Employee Hang Tag option that would allow employees to park for a period of 9 hours in the 4-hour spaces only of CBD Lot X, Y, and Z, for the annual cost of \$144 (equates to \$12/month). It is anticipated that the pilot program would be evaluated after one year.**

This proposal is a follow-up to a 2011 survey conducted by the MSCD in which they asked Downtown employees whether they would support an Employee Hang Tag program. It should be noted that at the time the survey was given, employees taking the survey based their responses upon a proposed annual fee of \$120 (\$10/month). One of the more important questions to be answered is what impact this pilot program would potentially have in the City's Parking Fund; a brief revenue analysis has been provided below.

The MSCD survey of Downtown Businesses found that approximately 62% of employees who currently rent a 24-hour Reserved Space said they would keep their parking space; this left 28% that said they would switch to the 9-Hour Hang Tag and 10% were undecided. City Staff then took those results to perform a revenue cost analysis. This analysis took into account the potential lost revenue by employees terminating their 24-Hour rental spaces and switching to the lower cost hang tag option, as well as the potential revenue gain by new hang tag users who are not currently paying for parking (those employees who are utilizing the free time-limited parking areas).

The most conservative case would estimate that approximately 38% (by adding the 28% of "yes" and 10% of "maybe" respondents) of Downtown employees could choose to terminate their rental contract and participate in the pilot program. Currently, there are 65 of 95 total spaces rented in the Downtown CBD Lots, therefore Staff used the following calculation to determine the minimum number of hang tags that need to be sold at the \$144/year rate in order to recover the potential lost rental revenue:

Breakeven Participation:

- 38% of 65 Total Rented Spaces = **25 Spaces**

- 25 spaces at \$35/month = \$875/month or **\$10,500/year**
- \$10,500/year divided by \$144/year/hang-tag = **73 hang tags (minimum)**

Therefore, the City would need to sell at least 73 hang tags at an annual cost of \$144 for the Parking Fund to break even. However, as indicated by the MSCD survey, only 42 people said that they would purchase a hang tag, while 19 more indicated that they *may* purchase a hang tag (42 to 61 potential participants). Therefore, if only 42 employees ultimately purchase a hang tag, the annual cost of the tag would have to be \$250 (approximately \$21/month) in order to generate enough revenue to break even.

A map has been attached showing where the areas of the CBD Lot in which the proposed Downtown Employee Hang Tag Pilot Program would apply.

POTENTIAL OPTIONS:

It should be noted that any potential Hang Tag system approved by City Council would be sold by Customer Service Division of the Finance Department on an annual basis only (12 Full Months). This is necessary to minimize the administrative costs borne by the City, which may ultimately help in the success of the proposed pilot program.

Option 1: Approve a 1-Year Pilot Employee Hang Tag Program at the annual cost of \$144/year (\$12/month).

This is the preferred option of the Main Street Cultural District representing the desire of the Downtown Businesses to have an all-day parking option for their employees.

However, based upon the survey this option could potentially result in a net loss in revenue for the Parking Fund. If the Hang Tag program continues at the estimated rate in the future, Parking Fees may need to be adjusted to offset the loss.

Option 2: Approve a 1-Year Pilot Employee Hang Tag Program at the annual cost of \$144/year (\$12/month) – Requiring Minimum Presale.

This option uses the same conditions as in Option 1 but adds the requirement of the Main Street Cultural District to pre-sell a minimum number of Hang Tags needed to ensure that the Parking Fund breaks even. Under this option, prior to the start of the pilot year and issuance of any hang tags, at least 73 people must commit to participating in the Hang Tag Program. Payments of cash or by check would be held by the City until the start of the program. Those payments would be fully refunded if the minimum sold threshold was not met.

This option would provide for a hang tag cost in line with what is preferred by the MSCD yet eliminate the financial risk to the City’s Parking Fund.

Option 3: Approve a 1-Year Pilot Employee Hang Tag Program at the annual cost of \$250/year (approximately \$21/month).

This option reflects a more conservative estimate of the number of employees (42) who will purchase the hang tags. As a result of this lower participation as compared to the first two options, the annual hang tag fee would have to be greater (\$250/month).

Option 4: Do Not Approve a 1-Year Pilot Employee Hang Tag Program.

Given the current parking options provided throughout the Downtown, City Council can choose to keep with existing conditions.

With the closure of the Innova office building on Main Street, the demand for employee parking in the area has decreased substantially to the point a change might no longer be needed.

Under Options 1, 2, and 3, the hang tag cost could be adjusted at the conclusion of the pilot program based on actual usage data.

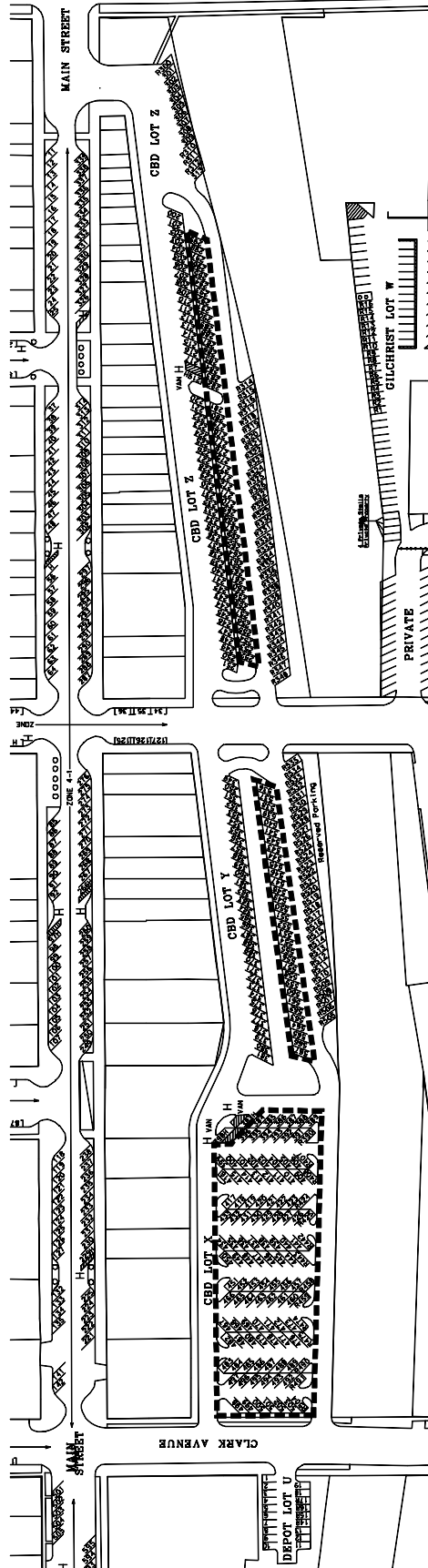
STAFF COMMENTS

The Main Street Cultural District staff and City Staff have worked extensively over the last year to create a potential solution to the ongoing challenge of accommodating employee parking in the Downtown. **Staff is generally in support of the District and its members to try a pilot program that provides all-day parking during business hours for employees, while trying to minimize the impact to customers and visitors of the Downtown.**

In order to minimize the risk to the Parking Fund, the City Council might want to pursue Option #2. While a bit more cumbersome than the other options, the advantage of this approach is that an annual hang tag fee can be established after it is determined how many hang tags will actually be sold.

It should be remembered that Peggy Baer, President of the Ames Historical Society, sent a letter to the City Council on September 28, 2011 voicing her opposition to a hang tag system that would offer parking for less than the market rate in the Downtown, which she perceives to be \$45 to \$55 per month. Apparently, the Ames Historical Society is renting the parking spaces for \$25/month on their property at 120 5th Street in order to generate additional funding. She is concerned that if the fee that the City establishes for the hang tags is lower than their rates, it could negatively impact their ability to generate enough revenue to pay their bank loan, snow removal, and property tax on their parking lot.

Downtown Employee Parking Hang Tag Pilot Program Areas



4-Hour Parking Areas (Stalls where Employee Hang Tags can be Used)

