

Staff Report

LEASE AGREEMENT FOR WELCH LOT T IN CAMPUSTOWN

April 22, 2025

BACKGROUND:

The City leases property at 207 Welch Avenue in Campustown to serve as a municipal parking lot, known as Welch Lot T. **The current lease with the property owner, approved in 2022 ([Resolution No. 22-221](#)), runs through May 31, 2025, with a fixed annual rent of \$16,950. Under this agreement, the City is also responsible for reimbursing the property owner for two-thirds of the property taxes assessed to the land, estimated at \$14,700 based on the 2023 valuation.** The lot includes 28 spaces, with four reserved for Pizza Pit at a reduced rate of \$39.18 per space per month (typically \$50 per space per month). ([see location map](#))

It should be noted that the lot has operated at a deficit in all but the first year of the lease arrangement (FY 1993/94), with a total net loss of approximately \$418,000. ([see attached financial history](#))

If the City of Ames wants to continue leasing Welch Lot T, notification must be given to the lessor, Green Book LLC, at least 30 days before the lease expiration if it intends to renew; otherwise, the lease will terminate. **With this deadline approaching, staff is seeking direction from the City Council regarding whether to renegotiate, terminate, or continue the agreement.**

SUMMARY OF CURRENT AGREEMENT:

- Lease Term: 3 years, starting June 1, 2019, with a 3-year extension option (this option was exercised on May 10, 2022; see [2019 Lease Document](#)).
- Annual Rent: \$15,900 (2019-2022), increasing 6.6% during the extension, **which is \$16,950 (2023-2025).**
- Expiration Date: May 31, 2025.
- Termination Clause: Either party may terminate with 90 days' written notice.
- Tax Responsibility: The City reimburses 2/3 of the real estate taxes on the leased land.
- To extend the lease under current terms, the City must provide written notice at least 30 days before expiration.

SUMMARY OF REVENUES AND EXPENSES:

The financial analysis of Welch Lot T over the available full fiscal years shows the following (this does not include any City operational costs e.g., staff, meters, lot maintenance, etc.):

- Total Revenue 1994-2024: \$262,061.06
- Total Expenses 1994-2024: \$679,747.84
- Net Cash Flow: (\$417,686.78 deficit to the Parking Fund)

Annual revenues, except for the first year, have never fully covered expenses, resulting in a significant and ongoing deficit to the Parking Fund. While revenues have increased slightly in recent years, they remain insufficient to offset rising costs for rent and property tax reimbursement. (See attached annual data for details.)

FEEDBACK FROM CAMPUSTOWN BUSINESSES:

City staff collaborated with the Ames Alliance to gather input from local businesses regarding the future of Welch Lot T. A survey was distributed to assess the importance of the lot for business patrons and explore potential alternatives.

The survey asked businesses:

- Whether Welch Lot T is a primary parking area for their customers or if they rely on other parking options in Campustown (answer options: YES /NO).
- The name of the business responding to ensure a representative sample of perspectives (answer option: blank to type name).

The results of question 1 of the survey (from two responses) was split evenly YES (50%) and NO (50%).

ISU INTERMODAL FACILITY AND METERED PARKING AVAILABILITY:

Separately, the City evaluated metered parking availability in the ISU Intermodal Facility, which includes 44 standard metered stalls and 6 medical stalls—a total of 50 metered spaces. Based on 2025 rate of \$1.50/hour rate, and assuming 10 hours per day, and 6 days per week, these stalls have a maximum annual revenue potential of approximately \$234,000.

Through March of the current fiscal year, actual revenue totaled \$15,901.75, resulting in an estimated average utilization rate of 9.1%. **This suggests that ample metered capacity currently exists within the Intermodal Facility to absorb some or all of the parking demand if Welch Lot T is removed from the public inventory.** However, demand does spike significantly during evenings, weekends, and special events, such as ISU football games and Parents Weekend.

While this facility could potentially serve as a partial replacement if Welch Lot T is no longer leased, it is located outside the core Campustown area and, therefore, probably will not be perceived as satisfactory alternative to Lot T.

DISCUSSION WITH PROPERTY OWNER:

Staff spoke with the owner of Green Book LLC, who is the property owner where Welch Lot T is located. The owner expressed a willingness to enter into a short-term, two-year lease extension under the same terms. This approach would allow the City time to complete a broader evaluation of the City-wide parking system and rates.

If the City were to pursue this interim extension, the annual deficit from this leased lot would be approximately \$25,000. Therefore, the Council could consider adjusting the rates specifically for Welch Lot T to better align revenues with expenses. To achieve a break-even point for the lot, estimated adjustments would be:

- **Metered Parking Rate: Increase from \$0.50/hour to approximately \$1.50/hour**
- **Reserved Stall Rate: Increase from \$50/month to approximately \$80/month**

This strategy would provide time to evaluate the City's overall parking system while also addressing the immediate financial imbalance at Welch Lot T.

OPTIONS:

OPTION 1: ENTER INTO A TWO-YEAR LEASE AT EXISTING TERMS

The City could pursue a short-term lease extension with Green Book LLC using the same terms as the current agreement. This would provide time for a broader City-wide parking system and rate analysis.

It should be noted that the owner of Green Book LLC is agreeable to this option, and the City would continue to be responsible for reimbursing 2/3 of the property taxes on the land.

OPTION 2: ENTER INTO TWO-YEAR LEASE AT EXISTING TERMS WITH INCREASED RATES

The City could pursue a short-term lease extension with Green Book LLC using the same terms as the current agreement. This would provide time for a broader City-wide parking system and rate discussion. To reduce ongoing losses during this interim period, Council could also consider adjusting rates specifically for Welch Lot T to approximately \$1.50/hour for metered stalls and \$80/month for reserved stalls, which would bring the lot closer to a break-even condition.

OPTION 3: ALLOW THE LEASE TO EXPIRE AND PROMOTE THE USE OF THE INTERMODAL METERED SPACES

The City could allow the Welch Lot T lease to expire and remove the lot from the public parking inventory. In this case, users would be directed to available metered stalls at the Intermodal Facility, where the rate is also **\$1.50/hour**, as set by the ISU Parking Division. Current utilization of the Intermodal metered spaces suggests excess capacity exists to absorb demand during most periods. **However, it should be noted that these parking stalls cost three times the City's current rate of \$0.50/hour and may be perceived as less convenient than the Welch Lot T location.**

This is the only option that would eliminate the City's obligation to reimburse 2/3 of the property taxes.

OPTION 4: NEGOTIATE A STATUS QUO NEW LONG-TERM LEASE

The City could negotiate a longer-term lease with Green Book LLC, likely structured as a **three-year agreement with a three-year renewal option**, consistent with past practice. As part of this option, the lease rate would likely be subject to annual adjustment based on the **Consumer Price Index for All Urban Consumers (CPI-U)**. The most recent three-year average CPI-U increase (2022–2024) is approximately **4.4% per year**, reflecting recent inflation trends. **Unless the City concurrently adjusts parking rates to keep pace with rising lease and tax costs, this option would likely continue the historical financial deficit experienced by the Parking Fund.**

As with the current agreement, the City would remain responsible for reimbursing 2/3 of the property taxes on the land.

STAFF COMMENTS:

As staff has pointed out over the past few years, system-wide, the current rate structure for overtime and illegal parking fines as well as parking space rentals barely generate sufficient revenue to cover the costs associated with operating our parking system, let alone covering any needed improvements to the deteriorating surface parking lots. In the past the City Council has been hesitant to implement the necessary increases in rates to improve the long-term financial viability of the Parking Fund.

There continues to be an approximately \$25,000 deficit each year when comparing the cost of the Lot T lease and associated property taxes with the revenue generated on it. With the lease on Lot T in Campustown ending shortly it is an appropriate time to determine if the City should continue to extend the lease or not.

Of the four options listed above, the most conservative approach would be to proceed with a short-term (two year) lease extension under the current terms as highlighted in Option 1. This approach would: 1) avoid any immediate disruption to public parking in Campustown, 2) maintain continuity of service for businesses and visitors in the area, and 3) provide sufficient time for the City to reassess its long-term needs and financial strategies related to the parking system (This reassessment will not be popular, but should be done to assure the solvency of the Parking Fund).

ATTACHMENT(S):

[Welch_Lot_T_-_Financial_History.pdf](#)

[Welch_Lot_T_Lease_-_Location_Map.pdf](#)

[Res_No._22-221_Approving_3_year_Lease_for_Welch_Parking_Lot_T.pdf](#)

[Land_Lease_for_Welch_Avenue_Parking_Lot_dated_June_1__2019.pdf](#)