

## **Section VI: Development of New Parking Supply**

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The PWG recommends development of a parking garage in Zone A as a strategic priority within the parking management plan for downtown. The decision to create new parking supply in structures is an important element in Kirkland's Downtown Strategic Plan (DSP) and in its effort to continue to accommodate customer/visitor access and economic growth.

The cost of structured parking is significant. Planning for the timely development and successful financing of such projects requires combined efforts on the part of the public and private sectors. In this regard, the PWG recognizes the need for all downtown stakeholders to understand the realities of parking development and the impact such a decision can have on parking policy, public financing and public/private partnerships.

This section provides a summary of the PWG's review of a hypothetical parking development in Downtown Kirkland.

### **1. CURRENT PARKING ENVIRONMENT**

Information from the parking and utilization study (Section I) indicates that, within the study area, absorption of peak hour parking supply is occurring at a rate of approximately 23 – 40 stalls each year. In a status quo environment, it is estimated the entire study area will begin to exceed 85 percent peak hour utilization by the year 2004/2005.

Parking in Zone A is currently deficient of approximately 53 public parking stalls during the peak hour, with much of the zone completely maximized during the day and evening. Growth in peak hour parking demand is occurring at a rate of approximately 12 – 21 stalls annually. This would lead to deficits of 115 to 159 parking stalls *in this zone* if other measures (recommended in Section 4) are not initiated.

Parking in Zones B, C and D is not yet fully maximized, but unused space in the peak hour is being consistently absorbed each year. Finally, the parking utilization study was able to quantify parking demand associated with new development at approximately 1.61 (combined study area) to 2.28 stalls (Zone A) per 1,000 gross square feet of commercial space.

### **2. PWG PROCESS – GARAGE DEVELOPMENT SCENARIO**

Downtown Kirkland's growing core area will ultimately require development of new parking supply. The timing for additional supply is contingent on a number of factors, which may include:

- New development and its associated parking demand.
- Losses of existing parking supply through redevelopment.
- Normal growth in customer, visitor, residential and employee parking demand.
- Successful and timely implementation of recommended parking management strategies.
- Implementation of Transportation Demand Management (TDM) strategies.

To facilitate Kirkland's ability to move forward in planning for and financing future parking supply, the PWG initiated a process to review and evaluate possible structured parking scenarios and cost/funding implications of such a development.

## **A. Background**

A number of work sessions on parking development were held with the PWG and the Kirkland City staff. These work sessions led to creation of a sub-committee on parking development that spent two additional sessions detailing and refining assumptions and revenue/expense information for incorporation into a draft parking development pro forma.

The PWG and the sub-committee created a number of pro forma drafts detailing a range of garage options by design, size, and above or below grade construction. The most important result of these sessions was creation of a set of consensus assumptions on garage development and the subsequent financial and parking management policy decisions a garage development would pose for the City.

For purposes of this discussion, the PWG reached consensus on a single pro forma scenario. The PWG felt that this scenario represented a best case model that could be reasonably developed in the downtown. To facilitate future discussion, the pro forma template was structured to allow for quick revision and modification as new or more current information is developed.

In the course of this process, the PWG also identified a number of potential sites for future garage development. The PWG prioritized these sites based on their assessment of these sites having:

- a. The greatest likelihood for compatibility with the Guiding Principles.
- b. Proximity/location in Zone A.
- c. High potential to accommodate customer/visitor demand.
- d. High potential to enhance and support the Kirkland Downtown Strategic Plan (DSP).

These sites included:

### ***Priority Sites***

- Properties south of Kirkland Avenue (private ownership)
- Antique Mall (private ownership)

### ***Secondary Sites***

- Lake & Central properties (public/private ownership)<sup>40</sup>
- Lakeshore Plaza (public/private ownership)<sup>41</sup>
- City Hall (public ownership)

The range of potential sites are illustrated on Figure 12.

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<sup>40</sup> The PWG also saw the Lake & Central site (at the southeast corner of Lake Street and Central Way) as potentially a part of a redevelopment with adjoining privately owned properties.

<sup>41</sup> This would be in conjunction with the Lakeshore Plaza at Marina Park project that would "cap" the existing Marina Lot and be incorporated into a redevelopment of the Lakeshore property.

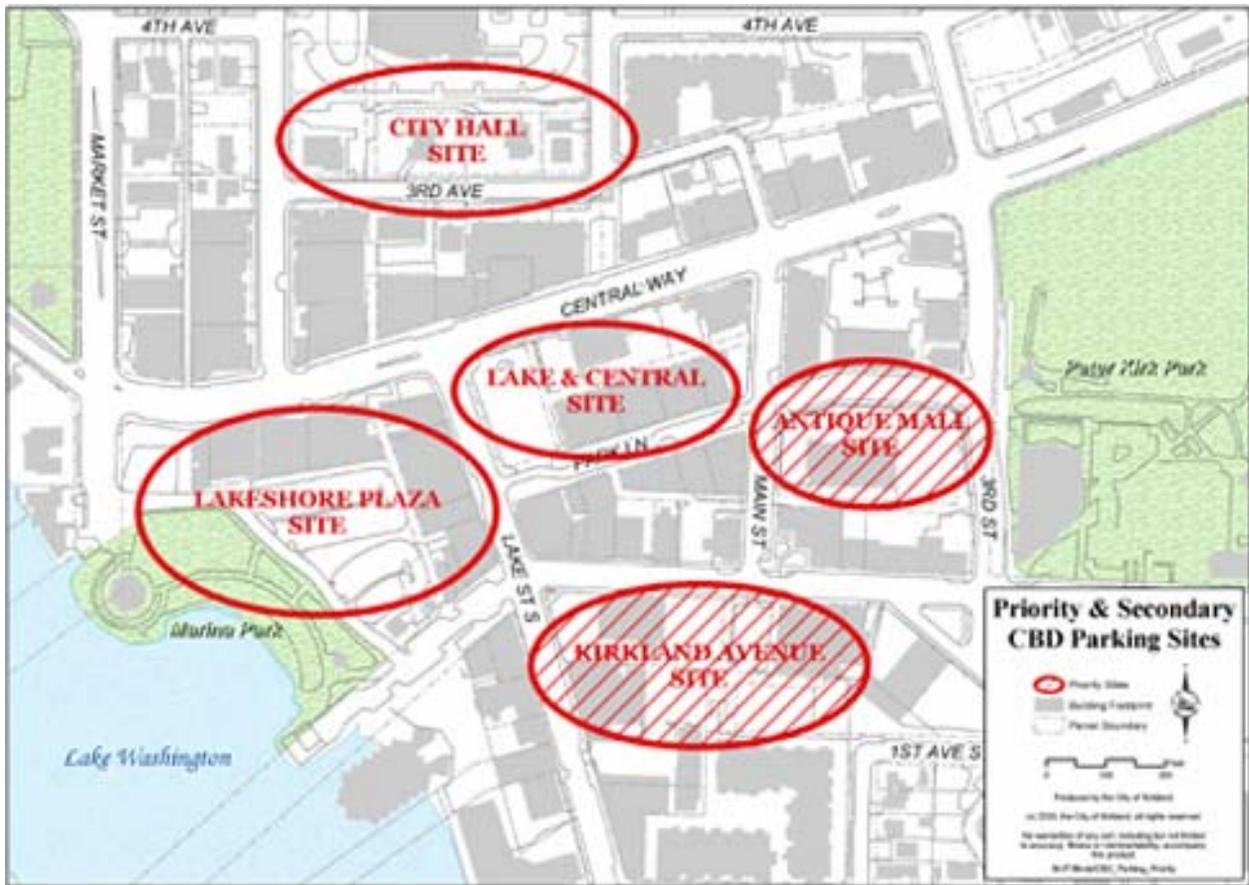


Figure 12. Potential parking structure sites.

All assumptions for construction costs/financing, equity, demand, revenue generation and parking operation expenses were based on information from comparable parking projects recently developed in the Pacific Northwest and consensus input from the PWG. It was essential for purposes of this study the PWG reach consensus on the data input assumptions for the pro forma spreadsheets to assure a clear understanding of the realities associated with development of structured parking. Changes to the assumptions will result in changes to the outputs of the consensus development scenario.

## **B. PWG Consensus Parking Development Scenario**

The consensus pro forma scenario calls for development of a 280-stall garage constructed on a 48,885 square foot development pad. The facility would be a freestanding parking facility with parking on two levels. A ground level retail component was not incorporated into the pro forma, though the template allows for costing of retail should the final project include retail.<sup>42</sup> Revenue estimates for the facility assume paid parking for customers and visitors as well as employees in an attempt to maximize revenue.

<sup>42</sup> Retail was not included in the pro forma as the PWG was interested in analyzing and understanding the degree to which parking could stand alone in "pencilling" the project.

Detailed pro forma work sheets for the PWG parking development scenario are attached to this report (see Attachment A). Table 19, provides a summary of the PWG scenario and the basic data input elements contained within it.

**Table 19**  
**PWG Parking Development Scenario**  
**Pro Forma Assumptions<sup>43</sup>**

	<b>Free-Standing Downtown Parking Garage</b>
<b>Site size (square footage)</b>	48,885 SF
<b>Number of total parking stalls</b>	280
<b>Retail square footage</b>	0
<b>Front end equity contribution(s)</b>	0
<b>Total development cost</b>	\$5,127,059
<b>Cost of land to project<sup>44</sup></b>	\$0
<b>Total cost per stall to construct</b>	\$18,311
<b>Rate of finance/term</b>	5%/25 years
<b>Initial monthly parking rate</b>	\$25 per month
<b>Hourly and daily rates</b>	\$0.50 per hour \$2.00 per day \$1.00 eves. /\$0.50 wknds.
<b>Necessary rate of annual revenue growth<sup>45</sup></b>	3.0%
<b>Annual debt service</b>	\$359,381
<b>Annual <i>Net</i> Income before debt service @ 10 years annualized</b>	\$297,596
<b>Average annual cash flow +/- @ 10 years annualized</b>	<\$61,784>
<b>Revenue per stall necessary to break even (monthly)</b>	\$155

<sup>43</sup> The pro forma scenario is not intended to be representative of final construction costs for a specific parking project or a final operating format (i.e., mix of monthly, hourly and daily users). As stated earlier, this represents a best case estimate representing costs associated with a possible parking development. These costs are based on financing and operating assumptions derived from comparable projects in other jurisdictions and active input from the PWG. Overall, the purpose of the pro forma analyses was to test various options and to develop a solid foundation for the planning and financing of future parking supply. New assumptions and additional information can be input into the draft pro forma models as necessary.

<sup>44</sup> This pro forma assumes the value of the land would not be included in the development cost, thus reducing financing costs and overall debt service for the project.

<sup>45</sup> Revenue growth can be generated through increased traffic into the facility, through increased rates or a combination of traffic growth and rate increases.

A summary of the basic findings and operational expectations of the pro forma analysis are as follows:

- The major cost and revenue variables in the pro forma model were land, above or below grade structure, quality of design, geo-technical considerations and paid parking.
- The 48,885 square foot pad size was assumed for its compatibility with the PWG's prioritized site locations. This pad size also allows other uses to be incorporated into the project (i.e. commercial, residential, etc.). A smaller pad would not significantly add to cost, but would add vertical size to the garage and minimize the ability to create a mix of uses.
- The City will be able to coordinate/negotiate a project that absorbs land costs outside the financing for the garage. Total cost of the facility is approximately \$5,127,059. If the cost of land is added to the financing cost, cash flow will be adversely impacted.
- A new garage development must operate as a paid parking facility, assuming a combination of monthly pass sales and paid customer parking for hourly, daily, weekend and evening activity. Without user fees, significant sources of other revenue would need to be identified.
- Growth in usage of the facility or increases in rates occur at an average of 3% annually.
- Cash flow averages <\$61,784> annually through the first 10-years of operation. The garage does not show positive cash flow until Year 12.
- “Market” monthly revenue generation would need to be \$155 per stall to break even.
- This scenario assumes public financing at 5% over 25 years.

### **3. SUMMARY**

Given the negative cash flow identified in the pro forma analyses, the PWG recognizes that pursuit of a publicly initiated garage project will require additional revenue beyond the garage's ability to cover its own operating and financing costs. The PWG recommends a process begin immediately to identify those sources of revenue to ensure that development of new parking supply occurs in a timely manner.

Section 7 of this report outlines a range of funding options the City might consider as well as sample applications of both business and user-based fees.