

ITEM B.1.
TPC 03.14.12

March 14, 2012

To: City of Madison Transportation & Parking Commissioners

From: Susan Springman

Re: March 14, 2012 TPC Public Hearing and TPC vote on Parking Rate Modifications

DISTRIBUTED AT
THE MEETING
PLEASE NOTE:
SPRINGMAN IS THE
SECRETARY OF
DMI, AND A REALTOR

I am sorry that I cannot make tonight's public hearing. I would however like to offer some thoughts regarding the proposed parking rate modifications before you tonight.

I would like to ask that the TPC not act on these increases tonight but allow for more time to study the impact these increases will have on the economic health of the downtown office market.

My thoughts reflect my experience in Madison's downtown as both a longtime downtown employee, both in the public and private sector, someone who has developed numerous downtown office buildings for both the public and private sector, and a commercial broker who leases office space in downtown Madison. This involvement dates back to the mid 1970's.

Decades ago, when there was a need to provide public parking in downtown Madison, the city stepped up to the plate to create a Parking Utility as its vehicle to provide this commodity to downtown businesses. And it has worked well over the years. But unfortunately, times have changed with competition and the economy and it may be time for a relook at how public parking is provided in downtown Madison.

Parking is critical to the success of Downtown Madison. Not just its supply, but its cost. Nowhere but in Downtown Madison (I include Atwood Avenue and Monroe Street in this definition of downtown) is there a cost to park if you want to visit, or work. This is a reality that I know will continue to exist. But this cost puts the downtown at a competitive disadvantage because businesses, employees, shoppers and visitors have many other locational options with free parking today...and those options continue to increase.

Employees and the public (consumers of parking) have all suffered through a long protracted recession which is not yet over. Most employees' public and private have taken reductions in pay and benefits. Businesses have also suffered. Building owners have suffered. Rental rates have decreased as have vacancies in certain buildings. Our office tenants are looking at their operating expenses much differently than they did 10 years ago. Rent, employee pay and benefits are a majority component in operating costs. Office tenants either have to pay for their employee parking to retain them (which adds to their operating costs by over \$3 psf in rent) or employees are on their own and this costs comes direct from their pocket book. A location with free parking reduces operating expenses to a business and increases take home pay for an employee. These are important locational considerations for businesses and employees. So the cost of downtown parking not only affects a business's decision to locate downtown or not, it affects an employee's decision to work downtown or not. It also affects the city tax base as when rental rates decrease in buildings with vacancies and reduced rental rates to accommodate for increases in cost for parking, building assessments decrease. This hurts all taxpayers.

Parking has a clear impact on downtown's economy.

If you analyze what parking costs a full time downtown employee who works 8 hours a day (assuming 8.5 hours of parking /five days week/50 week's year) it is painfully expensive. ..even more painful today with the economy and pay cuts.

The Government East ramp costs a full time employee downtown \$240/month or over \$3000 per year. If you are at the State Street ramp it is \$220/month or over \$2600 per year. If you are Capitol North, the rate is \$141/month or \$1700.00 per year. Yes it is less but still a lot of money. Most of the private ramps downtown charge around \$140/month. This is a lot of money out of ones paycheck or a lot of overhead added to a business located downtown.

The current proposal is to raise the Capitol North over \$600/year. Not insignificant to an employee. The idea is to have those parkers go to I believe a lower cost ramp. The only one would be Overture Center which would cost that employee \$1593/year or \$132/month. Still a lot of money. And much less convenient for those forced to walk to save a little over \$100 year. (Math might be slightly off, but cost still there).

Parking cost is the single most important factor in our office building occupancy and leasing success or failure.

We need to ask ourselves if raising rates is actually going to increase revenues enough to offset the damage it can do to the economic vitality of downtown Madison.

Why is there such a vacancy in downtown ramps today...I remember not so many years ago when DMI and downtown businesses were clamoring for a new ramp to be built. What happened? I believe it is because of a reduced employment base downtown.

We have lost I would say possibly 1500 or more employees downtown over the last decade. During this time we have lost to the suburbs with free parking approximately 500 employees from Alliant, 200 employees minimum from Great Wolf, 300 plus employees from Physicians Plus Insurance Corporation (PPIC), and hundreds of other government jobs that are being left vacant. Government is not growing, but contracting. The current state administration does not have the same interest in keeping its state offices downtown. These same public employees wish to move to a location where there is no parking cost to help them make up for lost wages. Yes, there is a welcome increase in bus ridership and bicyclists...and more people living downtown. That is good and we hope that grows, but that will not help the Utility.

We need time to explore these and other questions:

1. Is the Parking Utility the right structure to build/fund parking given bond holder restrictions and its impact on rates? Is there another structure we should use to build/fund parking? TIF/CDA?
2. Do we have to rebuild these 3 ramps or could we renovate at a lesser cost? I understand it would cost approximately \$2M to renovate Government East and it would potentially last another 10

years? That is much less than the estimated \$20M to replace existing stalls. Should we renovate or rebuild and when?

3. Is there a projection that shows in which year these three ramps would be replaced and how much higher rates have to go if all three are replaced? Is this the only increase or are more needed every 3 years. Given current parking costs, are we going to price ourselves out of the market? Madison is not Chicago...Visitors/employees/shoppers will not pay what you pay in Chicago...what is the plan?
4. What is the tolerance of the consumer for parking cost downtown and what is the impact of increases on downtown offices/employees/visitors, etc...
5. What will happen to downtown offices if the Capital East District(CED) is redeveloped with TIF funded ramps that offer very reduced rates (which is the only way it can be redeveloped)...will our businesses downtown flee to the CED? Who will replace them?
6. Why does the parking Utility have to pay so much of its revenue to other city agencies? Why does it have to make one of the higher payments in lieu of taxes to the city? Has it become source of needed cash for the city budget at the expense of the downtown and its employees? Why are labor costs so high? Is there a way to control these expenses?

The parking utility structure is such that it has a fiduciary obligation to bond holders. I understand the reasons given by the Utility Manager for asking for this increase.

But I believe that there are many questions that need to be answered before any action is taken.