A Resource on Financing a Public Parking Structure

in the City of Folsom's Historic District

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INTRODUCTION

The City of Folsom has long recognized that public parking is an essential element of the Historic District's economic vitality. In 2008, on the heels of the completion of the Historic Folsom Light Rail Transit station and adjacent Railroad Block parking structure, there was an upward trend in building occupancy, new development, and parking demand in the District. These trends, supported by surveys and parking demand projections, led the City to update their parking implementation plan[1]. Largely based on the economic conditions at the time, the 2009 update of the *Parking Implementation Plan Update (Plan Update)* projected development activity and timelines to determine how much public parking is needed to accommodate growth, to identify where a new public parking garage would best serve future needs, and to estimate when the parking should be built.

Shortly after the completion of the *Plan Update*, the ramifications of the dramatic shift in the local, regional, and national economies, quickly followed by a downturn in the global economy, became apparent on new development in the District. Furthermore, along with approximately 400 other California municipalities, the City of Folsom lost its Redevelopment Agency in 2012, compounding the effects of the economic downtown by eliminating one of the City's most effective public facility financing tools. Many communities had used their Redevelopment Agency funds and incremental tax financing to fund planning, engineering, and project development services to revitalize blighted and underutilized properties, to acquire land for public facilities, and to redevelop city-owned parking lots into public parking structures or other types of catalyst development projects.

Like many communities throughout California dealing with the loss of Redevelopment Agency funding, the City of Folsom is exploring alternative ways to plan, design, and finance public parking facilities as a key strategy for the continued economic development of the Historic District.

This paper describes several ways Folsom can fund a new downtown parking structure. In particular this paper focuses on methods that have been reliably financing public facilities for decades, even without supplemental redevelopment funds. These well-established methods can be combined or varied in ways that work best for the unique circumstances of Folsom's Historic District.

This paper is intended to serve as a resource for Folsom's decision-makers as they consider their options for financing a Historic District parking structure, it is not intended to replace the detailed financial analysis which is required to make a final determination on the most appropriate approach for the City. To that end, this paper contains the following:

1. Brief overview of financing options commonly used to finance public facilities;
2. Model fiscal analyses using combinations of common financing methods to illustrate how decisions affect the bottom line;
3. Case studies highlighting how municipalities similar to Folsom funded downtown parking structures; and
4. Recommendations for moving forward.

The financing instruments discussed in this paper supplement the strategies that are summarized in the *Plan Update*.

[1] *Historic District Parking Implementation Plan Update*, Kimley-Horn and Associates, Inc., January 16, 2009.

CURRENT AND PROJECTED PARKING NEEDS

As described in the 2009 *Plan Update* the Historic District includes 232 on-street parking spaces, and a total of six off-street parking lots. These off-street lots comprise about 645 spaces, of which 330 spaces are included in the Railroad Block parking structure. Public parking in the Historic District is provided and managed by the City, free-of-charge, with various time-limit restrictions.

Over the 10-year span from 2008 to 2018, the 2009 Plan Update projected that existing parking demand plus the demand generated by new development requires an additional 425 spaces[2]. In response, the *Plan Update* evaluated alternative sites and recommended a parking garage on the City-owned Trader Lane parking lot. Given a height limitation of 50-feet, preliminary design concepts indicate that a parking structure on the Trader Lane Lot is envisioned to accommodate about 442 spaces as well as nearly 20,000 square feet of ground floor uses.

CURRENT HISTORIC DISTRICT REVENUE SOURCES

In 2008, the Folsom Historic District Business Improvement District (FHBID) was formed. The FHBID is narrowly focused on programs that benefit the property owners and entities that are paying the assessment. The FHBID generates annual revenues of approximately $126,000 which, according to the District's recent request to extend its term scheduled to expire in June 2013, is allocated to the following programs/uses:

- Image enhancement
- Enhanced maintenance
- Advocacy coordination
- Contingency and renewal costs

As FHBID funds can only be used for the above stated purposes as set forth in the District's Resolutions and the Management District Plan, it cannot be used as a source for funding a parking structure. The FHBID assessment is, however, relevant when considering the total assessed burden of the District's property owners if the City chooses to use a Parking Assessment District as a funding instrument.

COMMON FINANCING TOOLS FOR PARKING FACILITIES

The financing of parking facilities by public agencies in the absence of redevelopment agency funding can be challenging, but this can be surmounted using traditional financing methods available to municipalities. These more traditional approaches to public financing options often require a more strategic approach for implementation, and in some cases, a more lengthy process to successfully use a particular financing instrument than under the Redevelopment Agency model.

Table 1 is a summary of options available to the City for financing parking facilities. The table organizes the methods by their principal source of revenue. The list of funding instruments is not all-inclusive; however it is a good representation of commonly used approaches.

[2] The projected future parking needs reflect the loss of about 120 spaces on the recommended site for a structure (the Trader Lane surface parking lot).

Table 1: Common Sources of Revenue by Payer and Financing Instrument

Local Taxpayers / General Public	Developers	Businesses / Land Owners	Customers / Visitors	State / Federal Government
General Obligation Bonds (GO)	In-Lieu Fees	Parking Assessment Districts (BID)	Parking Rates	Grant Programs (Rarely Available For Parking)
Revenue Bonds	Public-Private Partnerships	Local Or Business Improvement Districts (Bid)	Parking Violation Fines	Federal Section 108 Loan / Community Development Block Grants
Refinancing GO Bonds	Joint Development	Community Facilities Districts (Mello-Roos)	Event Surcharges	
Certificates Of Participation (COP)	Development Exactions (Impact Fees)	Parking Tax District		
Public Facilities Districts (PFD)	Development Agreements			
IRS Ruling 63-20 Tax Exempt Bonds Thru Qualified Non-Profit Corporation				
General Funds				

SELECT DESCRIPTIONS OF COMMON FINANCING TOOLS

This section describes a select sub-group of the financing instruments listed in **Table 1**. The authors of this paper used their professional judgment and experience as the basis for determining this list, which is intended to be representative of the financing mechanisms that may likely be considered by the City of Folsom.

Revenue from Taxpayers / General Public

- **General Obligation (GO) Bonds**. Often provide the lowest possible interest rate for borrowing for a municipality pledging its full faith and credit. While GO bonds are the most secure type of municipal debt, their issuance is limited in California by Proposition 13 which requires approval by two-thirds of voters.

- **Revenue Bonds.** Debt is secured by a dedicated revenue stream rather than by the taxing power of the municipality. Because revenue streams are less secure than a municipality's taxing authority, revenue bonds have higher interest costs than GO Bonds. Revenue bonding is typically not a preferred method for municipalities nearing their overall debt limit or when revenues are inadequate to cover the debt service.

- **General Fund.** A City's General Fund is typically the most flexible and accessible source of funding for public facilities and infrastructure improvements. General Fund revenue is typically derived primarily from property tax, transient occupancy tax, and sales tax, and is used to pay for basic municipal services such as police, fire, and public works. As General Fund revenue is used for many dedicated purposes, it is often not sufficient or is of limited value for the financing of significant public facilities.

- **Certificate of Participation.** A Certificate of Participation allows the public to purchase a share of the lease revenues paid by a municipal entity for the acquisition or construction of specific equipment, land, or facilities. Certificate of Participation proceeds are then used to fund the project or acquisition. This technique provides long-term financing that does not constitute indebtedness under the State constitutional debt limit and does not require voter approval. Under this approach, repayment of a Certificate of Participation can come from a variety of sources, including General Fund revenues or earmarked funds such as special tax proceeds or fees.

Revenue from Businesses or Property Owners

- **Parking Assessment District**. An Assessment District levies taxes on properties within the district in order to issue bonds that fund public facilities and improvements that directly benefit property owners in the district. The formation of an assessment district requires a majority vote of property owners. It should be noted that the passage of California Proposition 218 requires that assessments follow strict guidelines in defining who benefits from the assessment, and requires that all benefited properties be assessed. Hence, in the context of a parking district with a large number of properties, including publicly owned parcels, it can be challenging to establish "benefit" and define the District's boundaries. Districts need to be carefully formed to ensure compliance with Proposition 218.

- **Local or Business Improvement District (BID)**. This type of assessment district can be used to assess property owners or businesses. When assessing businesses within the district, there is a wide range of indices to determine proportionate assessments such as gross sales receipts, square footage of floor area, or number of employees, as examples. A BID usually requires 60 percent of merchants within the district to agree to the assessment.

- **Mello-Roos Community Facilities District**. Cities may establish a Community Facilities District to levy taxes and issue bonds that fund public facilities and infrastructure within the district. Formation of a Community Facilities District requires approval by a minimum two-thirds vote of registered voters in the district. Unlike Assessment Districts, Mello-Roos Districts do not require demonstration of a nexus, so the tax levies can be used to fund projects that generally benefit the entire district. The debt of these bonds is secured by taxes levied on property within the Community Facilities District and the bonds are not fiscal obligations of the city in which the District is located.

- **Parking Tax District.** A municipality may collect a parking tax within a specified area in cases where the municipality is the sole provider of public parking. Parking taxes are levied on business owners or tenants who require parking as part of their zoning required parking and business licensing requirements. Taxes are based either on an assessed value or as a fee per space. Often municipalities will give a partial exemption for businesses that provide on-site parking spaces above an established threshold.

Revenue from Developers

- **Developer Financed Public Improvements**. There are several common methods for obtaining funds for parking facilities during the development process. Developer revenue often comes in the form of a one-time payment of formal exactions (e.g., impact fees) or through negotiated agreements. In some types of agreements, developers may agree to construct a large parking facility (though they only need a portion of the spaces) and the City agrees to reimburse the developer for the portion of the facility over and above the developments requirements. Reimbursement, for these types of agreements, may come from the City's General Fund but typically reimbursement comes from in-lieu fees paid by subsequent development. Below is a summary of some common developer related funding mechanisms:

    - **In-lieu fees**. A developer payment to the local jurisdiction of a fee in "in-lieu" of providing some or all of the code required on-site parking. This mechanism is often a necessary option in downtowns with very narrow or small parcels where it is impractical or cost-prohibitive to provide structured or below grade parking and where surface parking is prohibited or the entire parcel is needed to achieve the minimum building lot coverage or FAR (Floor Area Ratio). The fees are deposited into an account and, when combined with other revenue sources, are used to fund a future parking facility. In-lieu fees can range from a fraction of the actual cost to construct a structured parking space to the full cost of parking construction.
    - **Public / Private Partnerships or joint development**. A negotiated agreement between the municipality and a developer to construct a desirable project that includes public parking. Often, the municipality leases City property to a developer at a very low rate and for a very long term. The developer constructs the project with a parking structure that accommodates more than needed by the project itself, allowing the excess parking to be used by the general public. Sometimes the municipality uses its reserve within an enterprise fund (described in the next section) to subsidize the construction of the structure's excess parking. An alternate partnership arrangement entails the municipality bonding for the construction of the parking structure and servicing the debt through a long-term lease with the developer.
    - **Development exaction or impact fees.** As long as a municipality can establish a nexus between the impacts of development and the need to construct public parking, the municipality can exact impact fees from new development. These fees may be used to pay the debt service on bonds used to construct the parking structure or be incorporated into an enterprise fund for the purpose of constructing a parking facility in the future.
    - **Development agreements.** Finally, many municipalities simply negotiate some form of agreement with new development to construct outright, or share in the construction of, public parking facilities. Often, a municipality will offset this cost to the developer through such options as a density or FAR bonus, a partial reimbursement of funds when other development occurs, or allow construction of parking as credit towards mitigation of off-site impacts.

Revenue from Customers and Visitors

- **Customer / Visitor User Fees**. Many municipalities utilize user fees such as parking charges, meter revenues, and violation fines to offset some of the annual costs of public parking structures. Often, user fees can contribute only a fraction to the repayment of debt service, but can partially or wholly fund operations and maintenance costs. The decision to initiate parking charges is strongly influenced by merchant concerns (real or perceived) that charging for parking may impact the desire of potential customers to park (and therefore shop) in the area.

Revenue from Federal and State Sources

- **Section 108 Loan Guarantee Program.** This Housing and Urban Development (HUD) program provides financing for economic development purposes specifically, such as large capital projects like parking structures. Municipalities can transform a portion of their Community Development Block Grant (CDBG) funds into a federally guaranteed loan large enough to finance a public facility. The municipality commits its current and future CDBG allocations as security for the loan guaranteed by the Section 108 Loan Guarantee Program. Generally, HUD allows this funding instrument for the benefit of low- to moderate-income neighborhoods, to help prevent blight and dis-investment, and to spur investment in distressed areas.

MANAGING THE PARKING SYSTEM WITH AN ENTERPRISE FUND

An increasing number of municipalities manage their public parking systems through the establishment of an enterprise fund. Functionally, an enterprise fund creates a financial arrangement under which the parking system operates like its own standalone business. An enterprise fund can help track and preserve parking revenues, establish and project future operating budgets, and segregate the parking system's expenses for analysis An enterprise fund is separate from the municipality's General Fund and can be managed by the municipality's Parking Department, as a separate entity by the Finance Department, or the municipality can contract the management of the fund to an outside firm.

Parking system operating budgets usually reflect revenues and expenses from a variety of sources. Examples of common revenue streams and expenses are shown in **Table 2.**

Table 2: Typical Sources of Revenue and Expenses for Parking Facilities

Sources of Revenue	Expenses
Monthly leases or permit fees	Facility maintenance
Transient fee revenue	Insurance
Parking meter revenue	Utilities
Parking violation fines	Security and enforcement
Reserved parking space fees	Debt service on financing
Valet parking concession fees	Management of services
Funds transferred into and out of the enterprise fund	Contribution to a reserve fund
Parking in-lieu fees	Taxes
Assessment District proceeds	Labor and associated personnel costs
Leases of commercial space in parking facilities	Marketing and promotion

Ideally, an enterprise fund should be self-sustaining; the fund should generate a revenue stream that is sufficient to cover ongoing operating and maintenance expenses and outstanding debt service obligations to ensure the solvency of the enterprise. The fund, therefore, should not run a deficit.

The reality is that self-supportive financing based solely on the revenue sources from a parking enterprise fund is very uncommon among suburban California communities where parking charges often range from negligible to nominal. Self-supportive parking enterprise funds are found in highly urbanized, dense central cities where parking is at a premium. In communities where public parking is provided as a public service or to promote downtown economic development, rarely does the economics of parking result in self-reliant financing. Still, many municipalities feel there are tangible and indirect benefits to employing a parking enterprise fund as a management tool.

As part of a broad strategy for revitalizing and promoting a downtown district, an enterprise fund does not have to be used exclusively for managing parking revenues and expenses. The fund may also be used to manage revenues and expenses of Business Improvement Districts (BIDs), Downtown Associations, and other programs for the promotion and improvement of the downtown or district as long as the funds from the various entities are accounted for separately.

ILLUSTRATIVE FINANCIAL ANALYSIS FOR FOLSOM'S HISTORIC DISTRICT

This section provides a preliminary analysis of one possible approach for financing the 442-space parking structure recommended in the *Plan Update*. This example is provided for discussion purposes only and is not provided in lieu of investigating a broader set of options or seeking professional financial advice. In spite of these caveats, it is still believed that this example is useful for understanding the order of magnitude costs as they compare to order of magnitude revenue for the sources considered for this example. This analysis is also helpful to understand the possible challenges related to addressing the anticipated imbalance between forecasted costs and revenue. This example illustrates the use of bonds, an established conventional financing instrument, to fund the construction of the facility and illustrates the use of multiple funding sources to repay the cost of the capital investment. The example also identifies operations and maintenance costs, and gives an example of how these expenses can be funded.

Example Description

As described in the *Plan Update*, the 442-space parking structure was developed based on the maximum anticipated parking supply necessary to accommodate forecasted future land use under which parking is the limiting factor, rather than using land use forecasts to determine parking requirements. The *Plan Update* recommended a 442-space parking structure on the City-owned Trader Lane surface parking lot. This structure, as envisioned, is planned to include about 20,000 square feet of commercial space in the structure's ground floor. After accounting for the parking demand generated by known and planned development in the District (including the structure's commercial space), the excess or unused parking spaces in the Trader Lane structure was used to estimate the mix of office, retail, and restaurant that represents land use capacity within the District.

The *Plan Update* assumptions described above and the example financial analysis presented in this section are based on the following key assumptions:

- For the foreseeable future, the City of Folsom plans to build only one parking structure serving the Historic District (the 442-space Trader Lane parking structure).
- The projected future development (based on the available parking in the Trader Lane structure[3]) will obtain 100 percent of code-required parking supply using off-site public facilities, and pay for these spaces using in-lieu fees.
- The City will not charge user fees (parking charges) to customers and visitors to the District as a policy for the promotion of local businesses.
- The City of Folsom will issue General Obligation Bonds to finance the construction of the parking structure. Note that this is not intended to suggest that the City should not, or could not use an alternative basis for financing the parking structure.
- Other assumptions, related to the financial example presented in this section, are specified in the line items provided within the example illustrated in **Table 3**.

Table 3 is divided into two sections; costs and revenues. In this example, the construction of the Trader Lane parking structure ($17,300,00) is funded through the City's issuance of General Obligation bonds at four percent interest over a 25-year term. The cost of repaying the principal and interest over the life of the term is $27,400,000. The expense of operating and maintaining the parking facility (approximately $155,000 annually) is assumed to escalate about 3% annually for a total of about $5,640,000 over the 25-year term.

The second part of **Table 3** illustrates revenues from three common sources available to the City of Folsom—in-lieu fees, assessments, and revenue from leasing the structure's commercial space. Revenue from these sources may be deposited into a Parking Enterprise Fund for repaying the bond debt service and funding the parking structure's ongoing operations and maintenance expenses. In this example, the one-time revenue of in-lieu fees from future development ($8,840,000) and the revenue from leasing the ground floor commercial space ($7,940,000 over a 25-year term) is applied toward repaying the bond debt service. The assessment on properties in the District is assumed to fund expenses with any remaining assessment revenue applied to repayment of the bond debt.

As shown in the **Table 3** summary, the City would need to supplement the revenue sources illustrated in this example by about $6,172,750 over the 25-year term. The supplemental funds would most likely come from the City's General Fund, or other sources that would not incur interest debt. Once the bond debt is repaid the parking structure's ongoing operations and maintenance expenses can be funded with a portion of the revenue from the structure's commercial space leases with the remaining portion funding a reserve in the Parking Enterprise Fund. Repayment of the bond debt could allow for the sun setting of the Parking Assessment District.

[3] The Trader Lane structure allows for 74,850 SF of District retail (including 19,850 SF of structure ground floor use), 27,000 SF of District restaurant, and 20,000 SF of District office space, which totals 121,850 SF of future District development capacity for the given mix of uses.

Table 3: Example Financing Analysis of a Parking Structure in Folsom's Historic District

Costs of Construction	**Units**
Number of Parking Spaces to be Constructed (#):	442
Finished Retail Space (Sq. Ft.):	19,850
Construction Cost Per Space ($):	20,000
Construction Cost per Square Foot of Retail Space ($):	225
Parking Element Construction Cost ($):	8,840,000
Retail Element Construction Cost ($):	4,466,250
Subtotal Estimated Construction Cost ($):	13,306,250
Soft Costs @ 30% ($):	3,991,875
Total Estimated Project Construction Cost ($):	**17,300,000**
Finance Costs of General Obligation Bonds and Other Expenses	
Assumed Interest Rate on Bond Repayment (%):	4%
Total Number of Payments/Year:	12
Term of Bonds (# Years):	25
Annual Debt Service on General Obligation Bonds ($):	(1,096,000)
Debt Service on General Obligation Bonds Over Life of Term ($ 25 Years):	**(27,400,000)**
Operations and Maintenance Costs	
Annual O&M Costs for Parking Structure (Assumes $350 /space):	(154,700)
Total Estimated Annual Cost Associated with New Parking Structure ($):	(1,251,000)
O&M Costs Over Life of Term (Incl. 3% annual inflation) ($):	**(5,640,250)**
Total Cost Associated with Parking Structure Over Life of Term ($):	**(33,040,000)**

Table 3: Example Financing Analysis of a Parking Structure in Folsom's Historic District (Continued)

Revenues	
1. Revenue from In-Lieu Fees	
Parking In-Lieu Fee ($ per space):	20,000
Total In-Lieu Fees Based on Future Development Estimates ($): [1]	**8,840,000**
2. Revenue from Retail Lease	
Assumed Lease Revenue from Retail Space ($ /Sq. Ft. /Year): [2]	16.00
Total Annual Retail Space Lease Revenue ($):	317,600
Total Retail Space Lease Revenue Over Life of Term ($): [3]	**7,940,000**
3. Revenue from Historic District Assessment District	
HD Business District Parking Assessment ($ /Sq. Ft. /Year):	1.50
Existing Land Uses (Sq. Ft.):	147,171
Future Land Uses (Sq. Ft.): [4]	121,850
Annual Assessment District Revenues From Exist & Proj Land Uses ($):	403,500
Total Assessment District Revenues Over Life of Term ($):[5]	10,087,500
Less O&M Costs Over the Life of the Term ($):	(5,640,250)
Assessment Revenue Available to Pay Debt Service Over Life of Term ($):	**4,447,250**
Summary	
Total Assessment, In-Lieu Fee and Retail Space Lease Revenues Available to Pay Debt Service Over Life of Term ($):	**21,227,250**
Funds Required from Other Sources Over Life of Term ($):	**(6,172,750)**

[1] The required parking for the development capacity created by the new parking structure is based on the *Plan Update's* recommended uniform parking ratio of 1 space per 305 SF, and equaling 442 spaces or $8,840,000 in in-lieu fees, assuming all of the development capacity is built.

[2] Current retail lease rate per SF per year in Folsom according to LoopNet.com.

[3] For simplicity, the lease rate is assumed to remain constant over the life of the term.

[4] Includes the Trader Lane structure's ground floor retail space.

[5] For simplicity, the assessment is assumed to remain constant over the life of the term.

Example without Commercial Space in the Parking Structure

The example financial analysis illustrated above shows that building leasable commercial space in the Trader Lane parking structure can produce a revenue stream that helps repay the debt service, funds the structure's O&M costs, and can help build a reserve in a Parking Enterprise Fund. Regardless of these benefits, the City should carefully evaluate the advantages and disadvantages of including leasable space in the parking structure for the following reasons:

- The commercial space adds approximately $5,800,000, or 34%, to the cost to construct the parking structure (see **Table 4**).
- The increase in the cost of construction increases the debt service by $9,200,000 over the life of the bond's 25-year term (see **Table 4**).
- The elimination of the ground level commercial space requires the City to secure additional funds (approximately $636,000). This effect results from a reduction in revenues associated with in-lieu fees for this retail space.
- The savings in debt service may reduce the magnitude or duration of the assessment on the properties and businesses in the District.
- Excluding the commercial space would eliminate competition with existing and future off-site retail and restaurant development.
- Excluding the commercial space would reduce the parking demand by 65 spaces (assuming a parking ratio of 1 space per 305 square feet) or increase the parking capacity of the structure by about 60 spaces.

Table 4: Financial Comparison of Parking Structure With and Without Leasable Commercial Space

Costs of Construction	With Leasable Retail Space	Without Leasable Retail Space
Total Estimated Project Cost ($):	17,300,000	11,490,000
Difference ($):		(5,810,000)
Difference (%):		(34%)
Finance Costs of GO Bonds		
Annual Debt Service on GO Bonds ($):	1,096,000	728,000
Debt Service on GO Bonds Over Life of Term ($):	27,400,000	18,200,000
Difference Over Life of Term ($):		(9,200,000)
Effect on Revenue Needs		
Revenues Available for Debt Service Over Life of Term ($):	$21,227,250	$11,391,000
Funds from Other Sources Over Life of Term ($):	($6,172,750)	($6,809,000)

CASE STUDIES IN FINANCING PARKING FACILITIES

Table 5 summarizes key parking policies and financing approaches for five Northern California cities that the authors of this paper believe are a useful comparison based on the approach Folsom is currently considering. Similar to Folsom, all of the case study cities have active and vibrant downtowns rich in retail, dining, and entertainment. The case study cities also have similar supplies of public parking. Following are other important characteristics of the selected case study sites:

- Each of the case study downtowns have older Central Business Districts (CBDs) with very small or narrow lots that make on-site parking impractical, thus introducing the need for in-lieu fees to "purchase" parking rights in the public parking system.
- Each of the case study cities have public parking systems (on-street and off-street city-managed lots and garages) supporting the businesses in the downtown area.
- All of the cities currently charge for parking except the City of Napa. Parking charges range from nominal to moderately high. At least one of the case study cities (Redwood City) is experimenting with variable hourly rates using Smart Meters in an attempt to retain vacant spaces and encourage turnover during peak periods. The City of Napa adopted a Downtown Specific Plan in 2012 that recommended implementing parking charges in the downtown.
- Four of the five case study cities employ Parking Assessment Districts, or similar instrument, to fund enterprise funds (for operations and maintenance) or fund future parking facilities.
- With the exception of San Rafael, all of the case study cities have instituted an in-lieu fee (or a Parking Impact Fee in the case of Napa) that allows developers of properties where it is infeasible or impractical to build parking to pay into the public parking system to meet zoning requirements.
- An analysis of the exact type of financing instrument used to finance the public parking facilities was not completed for the five case study cities as part of this paper.

Table 5: Comparison of Parking Financing Policies and Methods in California Cities Comparable to Folsom

City	Population (2010 Census)	Central Business District Public Parking Spaces Provided	Charge for Parking	Parking Assessment District/ Enterprise Fund	In-Lieu Fees	Comments
Redwood City	76,936	Nearly 2,800 City-owned parking spaces in lots and garages and on streets in the Downtown core	Yes	No	Yes ($10,000 /req'd space)	Engineering Department manages parking system and oversees City's parking policies.
Mountain View	74,262	Nearly 2,800 City-owned parking spaces in lots and garages and on street in the Downtown core	Yes	Yes	Yes ($26,000 /req'd space)	Parking overseen by Parking Maintenance District. Average Assessment per property owner is $1,000. Daily, monthly and annual parking permits issued with parking for less than 2 hours being free.
Walnut Creek	64,390	Over 3,500 public parking spaces in the City's Pedestrian Retail Area (PRA).	Yes	Yes	Yes (approx. $27,000 per req'd space) Use graduated rate with higher cost as more spaces needed	City's Public Works department manages the parking system. City has an "informal" parking enterprise fund. It is a self-funded entity that covers parking system's operating and maintenance. Fund does not pay debt service for garage construction.
San Rafael	57,800	2,120 City-owned parking spaces in lots and garages and on streets in the Downtown core	Yes	Yes	No	Parking Services is an enterprise fund for the City of San Rafael. Revenues from parking meters and citations fund enterprise fund. The City does not have a downtown business parking assessment district.
Napa	77,150	3,300 City-owned parking spaces in lots and garages and on streets in Downtown core	No	Yes	Yes (Parking Impact Fee)	CBD Exempt Zone + Parking Benefit Zone to fund public parking. City employs a very low Parking Impact Fee in Downtown, but is increasing fee to match actual cost of parking space ($30,000). O&M funded with Business License tax.

RECOMMENDATIONS FOR MOVING FORWARD

The loss of redevelopment-based financing strategies has impacted many California cities, however there are a number of alternative financing strategies to fund parking facilities, many of which are well established and commonly employed by municipalities. The authors of this paper recommend that the City of Folsom consider the following next steps as it continues to develop an approach to addressing parking needs in the Historic District:

- Update the *Plan Update* to reflect the revised timeline for implementing the parking structure in recognition of the delay resulting from the economic downturn and changes resulting from the elimination of the Redevelopment Agency.

- Carefully consider the inclusion of leasable commercial space in the ground floor of the parking structure. Although it can generate revenue that may be used to pay for the structure's operations and maintenance costs, it has a noticeable effect on the debt service if bonding is used to finance the structure, and the space may compete with the existing and future businesses the City is attempting to promote. Furthermore, as demonstrated in a number of locales across the country, there is a risk that the space might remain vacant adding a burden onto the City or future assessment district. We recommend the City conduct a thorough comparative fiscal analysis and risk assessment of the commercial space.

- Consider having the design completed and ready well in advance in the event a grant or special funding opportunity arises for "shovel-ready" projects similar to American Recovery and Reinvestment Act of 2009 (ARRA) funds.

- Consider the use of a conventional financing instrument such as General Obligation bonds to finance the parking structure. This approach is favored by many jurisdictions and has some advantages in terms of it being a more commonly understood debt instrument and can provide for a clearer accounting of costs. This statement, however, does not suggest that the City not continue with its due diligence and explore the feasibility of the other financing instruments documented in this paper. Based on the experiences of similar jurisdictions, it is likely that City of Folsom may need to consider the use of a combination of financing strategies.

- Complete appropriate stakeholder outreach to property owners and businesses in the Historic District to gauge their interest in forming a Parking Assessment District to principally fund the operations and maintenance costs and as a potential source to help repay potential debt service. Given its relative cost the assessments principal purpose, funding operations and maintenance, may not be seen as a significant assessment burden to property owners.

- Consider engaging the services of a financial advisor specializing in municipal finance to assist in the refinement and detailed evaluation of available financing strategies. A financial advisor can provide more detailed guidance on debt structure and annualized debt payment amounts for the financing period of the proposed parking facility (assuming these costs cannot be identified and developed in-house).

- Following the implementation of a selected financing strategy, consider the accounting of revenues and expenses through an enterprise fund managed by the City's Public Works department or other City department.