



## MEMORANDUM

TO: Mayor Burch and City Council Members

FROM: Gregg Guetschow, City Manager

SUBJECT: Downtown Parking Lot Reconstruction Project

DATE: April 24, 2015

I reported during the April 13 Council meeting that the proposed budget for the 2015-16 fiscal year includes a major parking lot reconstruction project. You will find at the end of this memorandum a map showing the parking lots to which I will be referring.

Council has previously supported an initiative through which parking lots in the central business district would be rebuilt on a pay-as-you-go basis. We were accumulating funds at the rate of \$100,000 annually to finance this approach. The only project completed through this approach to date was Lot 2. Our approach to this project included selecting design elements that would then be replicated in other parking lots as we completed them so as to have a readily identifiable design for all public lots.

We had begun planning for a second project to focus on Lots 4 and 10, an area that includes the former Corral building site. This building was purchased by the Downtown Development Authority several years ago. Funds from the annual allocation were used to pay for the demolition of the building. Work on this project has been delayed because some accumulated funds were used in the purchase of a portion of Lot 1 from the company that had acquired the former Bank of America building.

The Downtown Revitalization Strategy that was presented to Council in 2014 refers to the need for parking lot improvements. One of its objectives is to “extend the recent parking lot improvements to all public lots downtown and, if possible, speed the process with supplemental funding

from state or other sources.” This objective is one part of a larger strategy that includes encouraging building owners to upgrade the rear entrances to businesses.

Accelerating its investment in parking lots would be a strong signal to downtown building and business owners and the community of the Council’s support for the downtown revitalization strategy. It can be expected to encourage other investments in adjacent private properties.

The project included in the proposed budget would focus resources on Lots 1, 4, 10, 3 and 8. These are the primary customer lots adjacent to buildings that face Cochran Avenue. The intent of the project would be to rebuild these lots during the 2016 construction season although it is possible that some work might also fall into the 2017 season.

The budget is based on preliminary estimates of \$1.2 million in construction costs and an additional \$180,000 in engineering costs. It is proposed that engineering costs be paid through an appropriation from the General Fund to a parking lot capital improvement fund. The construction costs would be paid through the issuance of bonds.

There are two different types of bond financing available to the City: unlimited tax obligation bonds and limited tax obligation bonds. The former requires a vote by residents and could result in the levy of additional property taxes to retire the debt. This is the form of financing used to finance the construction of the West Side Fire Station.

Limited tax obligation bonds, in contrast, do not require a vote by residents although I believe a referendum can be petitioned for. Repayment of the debt must be financed from existing tax levies and other revenue sources. It is usually the case that limited tax obligation bonds carry a slightly higher interest rate depending upon the general credit-worthiness of the issuing organization.

The lower interest rate associated with unlimited tax obligation bonds is offset, in my opinion, by the political costs of pursuing voter approval. Even if Council’s intent would be never to levy an additional tax to pay for the

bonds, it would be impossible to deny the potential for that to take place in the future. My expectation is that voters would not approve the bond issue for that reason, regardless of their opinions on the merits of the project. That would make it more difficult to pursue an alternative course of action in the future. Further, it could be expected to delay the start of construction.

If we assume an interest rate of 4% with a repayment schedule over 15 years, annual payments would be approximately \$108,000. Total interest over the life of the loan is estimated to be about \$400,000. We have been allocating \$100,000 annually for parking lots which is close to the proposed debt service. Further, the City will be retiring a building authority bond in 2016 for which a \$46,000 general fund appropriation is required in the proposed budget. In short, assuming the City's fiscal condition continues to remain stable, we would anticipate no unusual difficulty in meeting debt service requirements.

It is possible that additional sources of funding might be available as well. The inclusion of farmers market infrastructure in a parking lot design has been discussed. We are aware that grants are available for such infrastructure and could extend to some of the related parking lot improvement costs. City staff has also been discussing with the Lions Club their efforts to improve Beach Market. It is possible that that effort could be linked to the upgrades in the adjacent parking and leverage additional sources of revenue.

The project completed in Lot 2 included contributions from the Downtown Development Authority for some of the amenities. The current budget outlook for the DDA is not strong, however, and we do not anticipate their financial participation in the reconstruction of the parking lots included in this project.

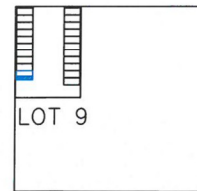
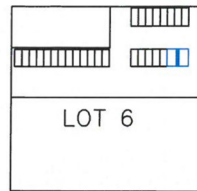
One final source of financing should also be mentioned. It would be possible for the City to loan itself the proceeds of the Owens-Brockway judgment. Whether that makes sense from a fiscal standpoint would require a comparison of the rate of return the City could expect to earn

from investing the judgment in other instruments with the rate the City would pay on a bond.

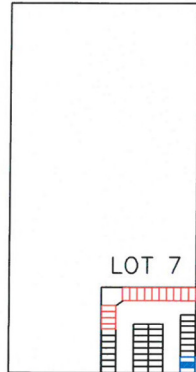
The principal consideration regarding this project as Council begins to debate the budget is whether to utilize available bonding capacity to meet this particular need. Undertaking this project, and utilizing general fund revenues to meet debt service requirements, limits the ability to undertake similarly financed projects in the future. The primary alternative need that we have identified in the past has been for street improvements. The County road millage can be expected to generate at least \$3.6 million for this purpose over the next 12 years. In addition, Michigan Transportation Fund bonds that currently consume about \$75,000 annually in available street fund revenues will be retired on July 1, 2016. No other major projects were identified in Council's discussions regarding use of the Owens-Brockway judgment.

If Council favors moving forward with the proposed parking lot project, there will be several points at which it can later bring the project to a halt. Council will be required to approve the selection of an engineering consultant, to approve the design, and to approve the issuance of debt.

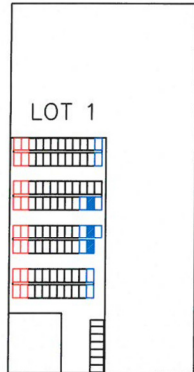
At this time, then, the primary policy considerations are whether to support the concept of parking lot reconstruction over other possible projects and whether to pursue debt financing as a way to finance it.



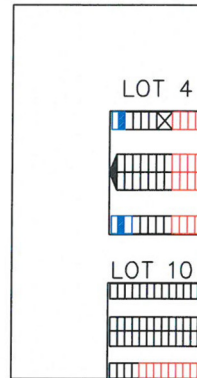
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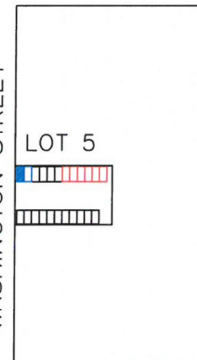
BOSTWICK STREET



COCHRAN AVE.

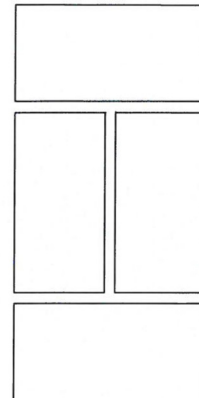
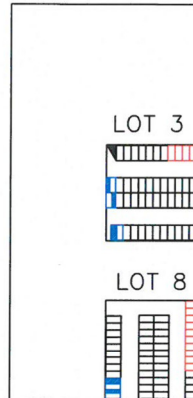
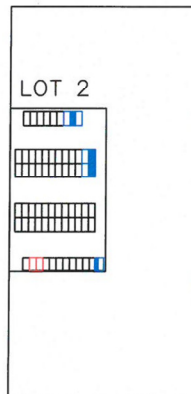
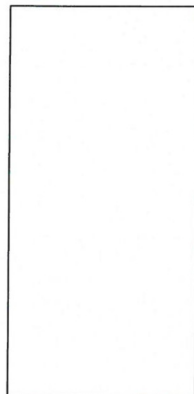


WASHINGTON STREET



OLIVER STREET

EAST LOVETT ST.



EAST SEMINARY ST.

	NO OVERNIGHT PARKING
	OVERNIGHT PARKING BY PERMIT
	ADA PARKING ONLY

## OVERNIGHT PARKING BY PERMIT

CITY OF CHARLOTTE  
111 E. LAWRENCE AVE.  
CHARLOTTE, MI 48813