

# Ann Arbor DDA Parking Rate Study

## Executive Summary

The Ann Arbor Downtown Development Authority (DDA) operates the downtown parking system as part of their overall objective of promoting downtown vitality. The parking system provides nearly 8,000 parking spaces for downtown workers, residents and visitors. The spaces are spread throughout eight parking structures, fourteen surface parking lots and along the curb of many streets in downtown. The system charges for parking Monday through Saturday, with the parking structures charging 24 hours per day and metered parking enforced from 8:00 AM to 6:00 PM. Parking on Sunday is free and lightly regulated.

Parking rates support the operations and maintenance of the parking system. Professional parking management, modern equipment and a thorough capital maintenance plan are the vital pieces in a well-run system that helps downtown thrive. Permit parking rates have not been adjusted since July of 2022 when the last parking rate plan expired. Parking structure hourly parking rates have not been adjusted since 2012. As part of a comprehensive review of the entire parking system, the DDA undertook this study to set a multi-year parking rate plan, along with a Curbside Management Study and an update to the 20-year Capital Maintenance Plan.

The first task of the rate study was clarifying the goals of the system and the activity that rates need to support. Six primary goals were identified with two being recognized as the most important pertaining to the rate study. The goals established are:

- **Financially Sound Parking System**
- **Maintain the Parking Structures**
- Quality Customer Service
- Flexibility to Adjust
- Support Downtown Vitality
- Encourage a Range of Transportation Options

Focusing on a Financially Sound Parking System that Maintains the Parking Structures gave the rate study direction and sound footing for decision making. The team conducted a current conditions assessment that included a peer review of parking systems in East Lansing, MI, Bloomington, IN, Lansing, MI, Madison, WI and Grand Rapids, MI. The peer review revealed varying rate plans and goals in each community while reinforcing the understanding that each community is different, and the parking system must support the unique nature of the community they serve.

Parking operations across the country have changed due to COVID and other shifts in the market. Ann Arbor has seen similar movement and continues to align slowly but steadily away from daytime (downtown workers) parking occupancy to higher evening (dining and destination) parking occupancy. There has also been a decrease in on-street curb parking spaces due to an increase in other uses such as bicycle lanes, transit stops, and loading zones. Along with the reduction in on-street parking, the loss of parking lots for building development has caused a slow reduction in the overall number of parking spaces in the system. The reduction in total parking spaces makes the system more reliant upon the parking structures and emphasizes the need for proactive facility maintenance. This trend is likely to continue as many of the remaining parking lots in downtown have been identified as locations for redevelopment.

The Ann Arbor DDA operates the parking system on a contractual basis with the City of Ann Arbor. The City owns the land and buildings that make up the parking system. The DDA pays the City 20% of gross parking revenues annually. From the remaining revenue, DDA is responsible for the operations and maintenance of the parking

system. This includes staffing and management, technology and equipment, daily and capital maintenance, debt service, along with administrative needs. The DDA appropriately maintains contingency funds for the parking system to support operations, emergencies, and maintenance in case of an interruption in parking revenue. The targeted fund balance includes four months of operational expenses, emergency maintenance and legal contingencies, a year of debt service and a year of planned capital maintenance expenses. The successful navigation through the COVID pandemic illustrates the value of the fund balances.

The study team utilized specialized software from Muniworth to develop revenue estimates based on multiple rate scenarios. The expense side of the modeling is based on historical costs and approved Fiscal Year 2024 and 2025 parking system budgets. An important input is the planned capital maintenance. Due to reduced spending during COVID, a significant amount of facility maintenance was deferred. Those projects are now planned for 2024 and beyond. The rate study accounted for the necessary capital spending along with increases in operational costs due to inflation and increased labor costs.

The software utilized one year (FY 2023) of transaction data to build user profiles for each parking facility. Transactions for each transient and permit parker were entered into the system. Millions of vehicle entry and exit times, durations, and charges were analyzed to understand how the parking facilities were being used. This transactional data was used to build a model for projecting how changes in rates would impact the finances of the parking system over time. Each of the eight parking structures was modeled independently (revenue and expenses) along with the South Ashley lot. The remaining parking was modeled in groups including on-street parking, metered lots, and monthly parking lots. The individual models were rolled up to a system wide projection.

The study team initially modeled three scenarios, with a final rate recommendation based on discussions with the DDA Board. The final recommendations include rate increases for on-street parking, off-street parking lots and the parking structures. Hourly rates in the parking structures have not been changed since 2012, while permit parkers have seen regular increases over the years. The DDA sought to keep several lower cost options to serve all users. The Limited Overnight permit was retained at \$35 a month, an 85% discount from standard permits. The \$5 evening maximum fee is available at the Library Lane structure for those looking for a discount without the monthly permit commitment. Additionally, grant funding for the go!pass employee transit program will continue with planned expenditures of over \$700,000 annually.

The following rate adjustments are proposed:

	<b>2024</b>	<b>2025</b>	<b>2026</b>
Parking Structure Hourly Rate	\$1.50	\$1.65	\$1.80
Parking Structure Monthly Permit Rate	\$225	\$245	\$265
On-Street Meter Hourly Rate	\$2.40	\$2.50	\$2.60

The adjustments are projected to support operational and capital maintenance costs and fall just below Fund Balance targets. The Fund Balances are projected to edge back toward targets in 2028. The proposed rate adjustments are for a three-year period beginning in May of 2024 through the end of Fiscal Year 2027 (June 30, 2027).

The Ann Arbor Parking System has a long history of strong organizational structure, effective management and planning for the future. The Parking Rate Study was undertaken to sustain the Parking System in a stable financial position with a plan to maintain the parking structure assets as surface parking lots and on-street parking spaces are slowly removed from the system. This type of planning allows the DDA to protect against catastrophic decisions such as closing a parking structure due to structural failure or being unable to meet financial obligations.