

Memo

To: Mayor and City Council

From: Downtown Advisory Board

Date: May 27, 2021

Re: Fiscal Year 2021-22 Parking Fund recommendations

Each year during the budget process, the Downtown Advisory Board discusses the challenges of not having sufficient revenue in the Parking Fund to cover all of the items necessary to meet the goals of downtown promotion/beautification, as well as, funding operational costs including a reserve to cover capital costs in the parking structures. The adoption in 2013 of the 2% cap on the parking tax has impacted the amount of revenue available each year, to cover increased parking operation costs. In addition, the fund has experienced a decrease in revenue due to the loss of parking tax revenue as a result of the closures of Nordstrom, Penny's, TJ Max and increased vacancy in other large buildings in downtown. COVID-19 restrictions for retail and restaurant businesses and more employees working remotely has also impacted the revenue generated from parking permits and parking tax. Cleaning and maintenance costs of the three downtown parking garages also resides in the Parking Fund and it has increased substantially due to the impacts of homelessness in downtown. The goal has always been to put aside reserves each year through the budget process to cover capital projects going forward. Based on revenue projections capital projects will have to be deferred in FY 2021-22 until such time as there is enough revenue to cover costs.

Initial projections for FY 20-21 indicated a deficit of over (\$200,000) for the Parking Fund, and FY 21-22 was indicating over (\$300,000). The American Relief Act Funds have been targeted to fill these shortfalls, but that is not a sustainable option for operating three parking garages and promoting downtown.

An economically vibrant and aesthetically pleasing downtown plays a key role when recruiting new businesses to Salem. When new business is interested in locating in Salem, they explore the recreational/cultural opportunities and livability of a downtown. Downtown Salem has been suffering for many years due to the Downtown Parking District model, where the businesses are taxed annually in order to provide free customer parking both on-street and in parking garages, which is often used by employees or downtown residents for free instead of the intended customer/visitor.

This year the Downtown Advisory Board is asking City Council to begin a conversation with the Advisory Board on transitioning away from a Parking Tax Model where the cost of operating a parking system is the burden of downtown businesses, to a paid parking system, where the user of a parking space pays for that space and early indicators reflect that this model would be sustainable.

Thank you for the opportunity of sharing this information as part of the budget review process.