

PARKING TAX DISCUSSION

April 23, 2020



PRESENTATION OVERVIEW

PURPOSE OF PRESENTATION

To review the City's parking tax structure, provide an update of parking tax revenue and discuss the impacts associated with anticipated revenue shortfalls and possible mitigation

WHY IS THIS ISSUE IMPORTANT?

1. Parking tax revenue is responsible for supporting approximately 90% of the City's transportation capital and operational costs.
2. The COVID-19 Pandemic is expected to significantly impact parking tax revenue over the next several years.
3. Costs to construct capital infrastructure have increased faster than consumer based CPI-w.
4. Council has expressed an interest in accelerating the City's sidewalk/complete streets program.
5. Council supports utility undergrounding as part of our complete streets program which significantly increases project costs



PARKING TAX OVERVIEW

- Parking tax is imposed at a rate of \$3.25 per transaction, regardless of duration.
- The parking tax rate is adjusted annually by the Seattle-Tacoma-Bremerton CPI-w.
- Revenue collected thru the parking tax can only be used in support of transportation related activities.
- The City last made changes to the parking tax structure in 2017, through Ordinance 16-1028.
- Ideally, the parking tax rate should be set to ensure full funding of the City's capital and operational expenditures associated with transportation network.
- Maintaining a per transaction based parking tax aligns well with the trip based impacts to SeaTac infrastructure that this revenue stream is used to mitigate. The length of time a car is parked in a parking lot does not affect the transportation infrastructure, therefore taxing based on the trip aligns better with the impacts than by taxing a percentage of the overall cost of the parking fee.

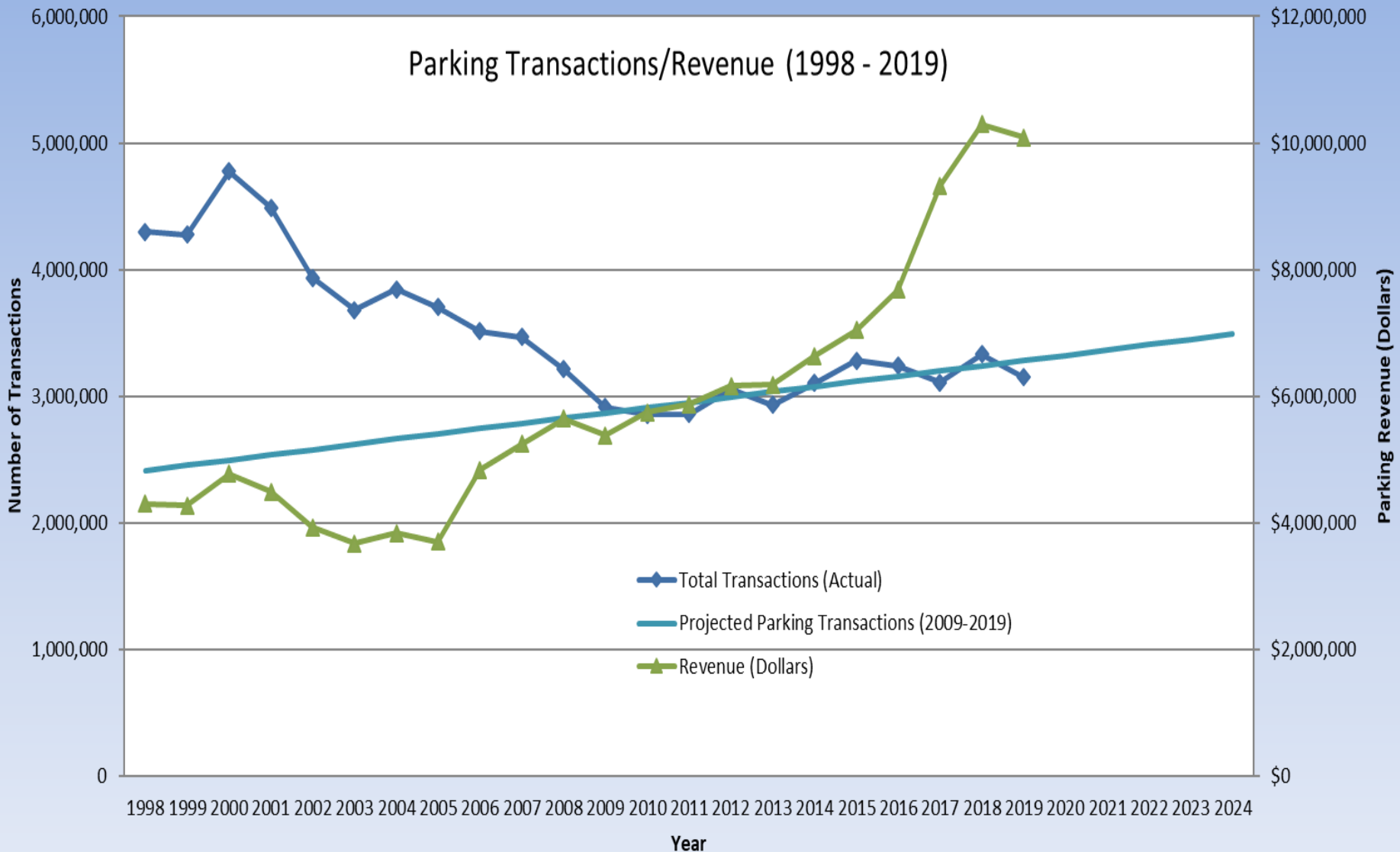


HOW PARKING TAX WORKS

- The vast majority of parking transactions are long term, therefore;
 - any increase to parking tax remains a small percentage.
 - any increase to parking tax is unlikely to change demand as demand varies with parking price which is controlled by the businesses.
- It is not a tax on residents. It is a user pays tax, in that it is only paid by those using commercial parking facilities within the City.
- Other potential impacts that will likely reduce demand (especially short term demand) and thus parking tax revenues include:
 - Transportation Network Companies (TNC): UBER, Lyft etc,
 - light rail.

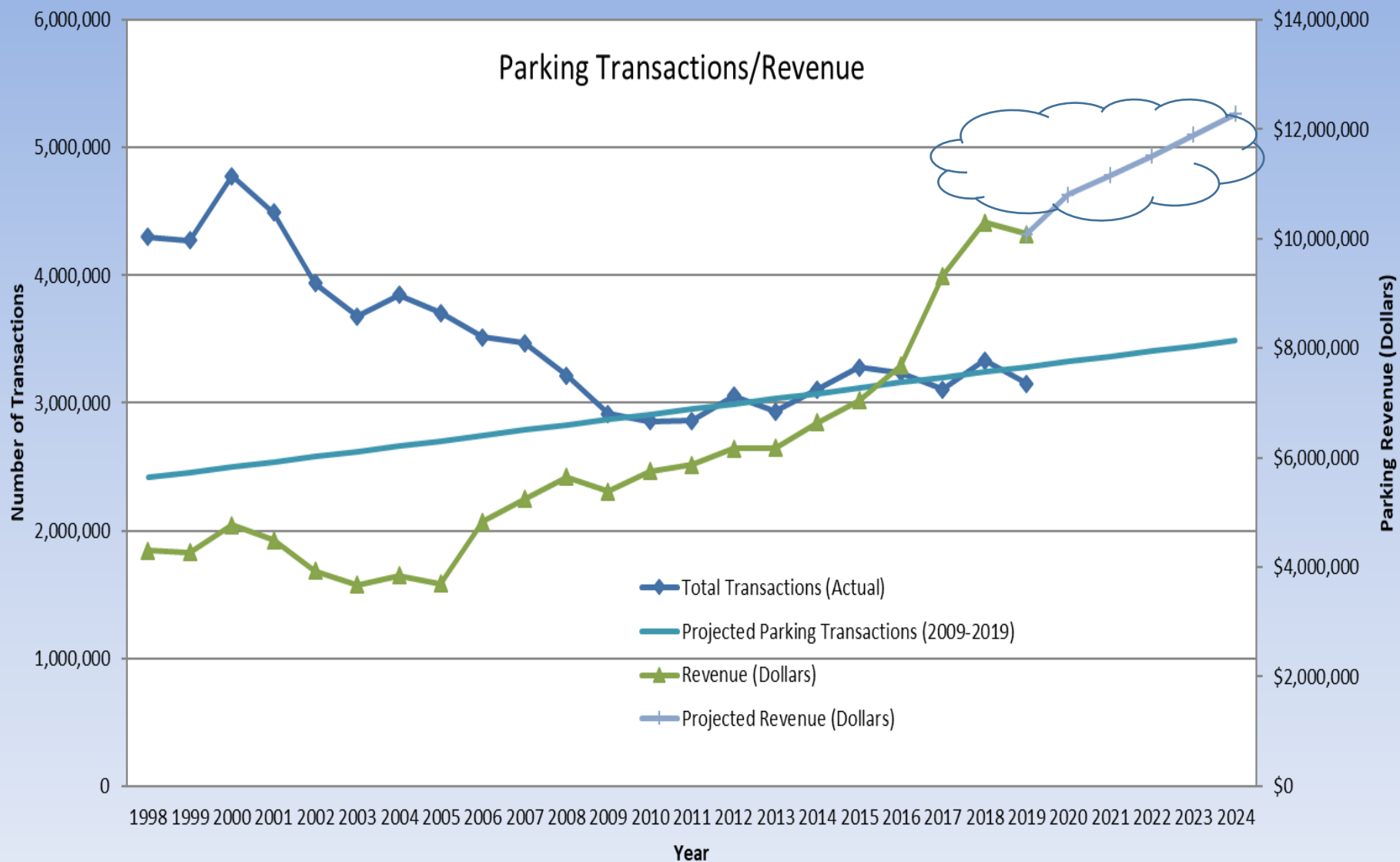


PAST PARKING TAX REVENUE & TRANSACTIONS



PROJECTED PARKING TAX REVENUE & TRANSACTIONS

** PRE COVID-19 PANDEMIC **



COVID-19 IMPACTS TO PARKING TAX REVENUE

COVID-19 Pandemic

Stay at Home Order

Massive Job Losses

Essential Services Only

Economy is in Stasis

Sales tax revenue down

Travel industry severely impacted

People are frightened

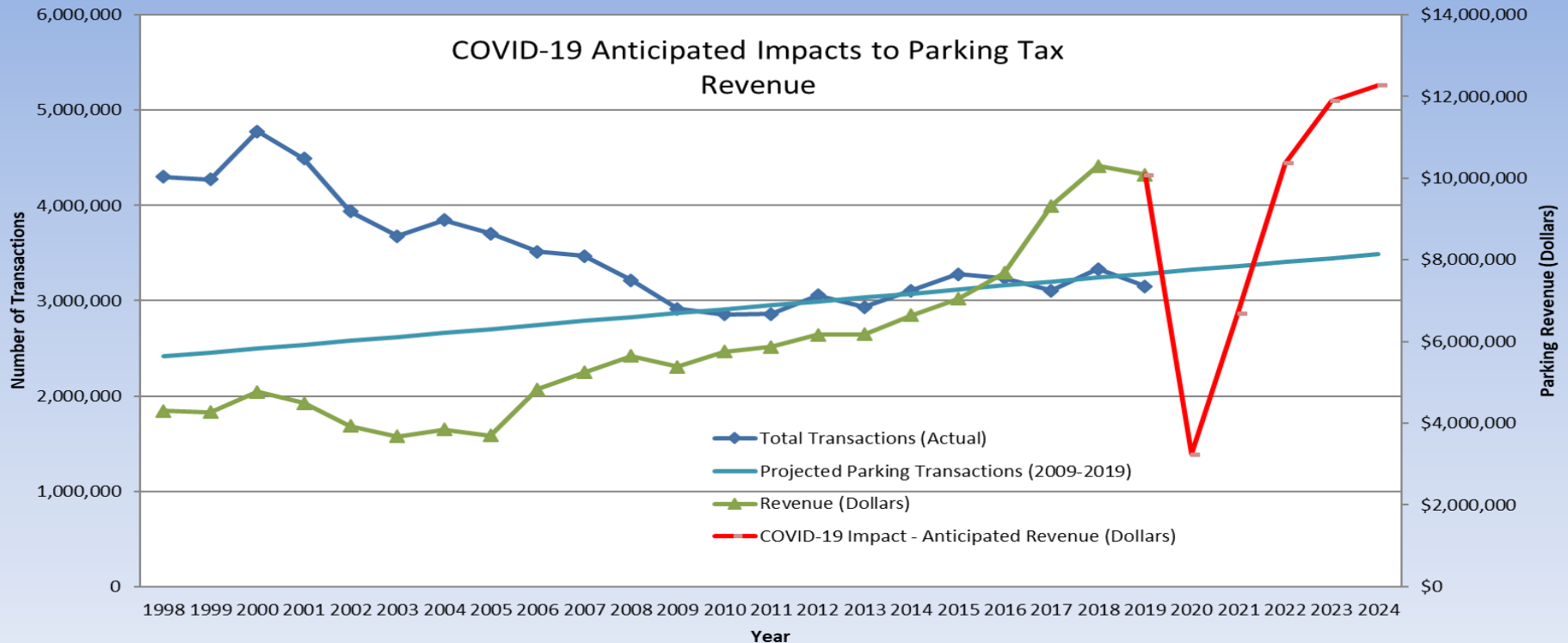
Impacts to Parking Tax Revenue

1. 60%-70% decrease in airline travel.
2. Airport related parking has fallen precipitously.
3. Hotel demand has fallen precipitously.
4. Parking Tax Revenues will be significantly reduced.



PROJECTED PARKING TAX REVENUE & TRANSACTIONS

** POST COVID-19 PANDEMIC**



Projected parking tax revenues conservatively adjusted as a result of COVID-19:

2020: reduced from \$10.8M to \$3.20M;

2021: reduced from \$11.15M to \$6.69M

2022: reduced from \$11.52M to \$10.36M

TOTAL REDUCTION: \$13.2M over the period from 2020 to 2022.



USE OF PARKING TAX REVENUE

What Does Parking Tax Revenue Fund:

- **Street Fund (102)**
- **Capital Fund (307)**



1. Public Works Administration
2. Streets Operations & Maintenance
3. Engineering Design and Project Management
4. Construction Inspection
5. Streets Capital Projects
6. Annual overlay
7. Asset Management
8. Permit Parking Program
9. Sidewalk Program
10. Engineering Review

MITIGATION OF PARKING TAX REVENUE SHORTFALL

Proposal 1 of 3: Reduce Expenditures

Adjust current capital and operational expenditures to ensure adequate reserves are maintained within the Streets Fund (102) and do not adjust the parking tax.

Modifications may include but not limited to:

- reduce service levels accordingly.
- construct only essential projects.
- reduce scope and scale of the annual overlay program.
- reduce number of Capital projects to be constructed within the next 6-years.
- reduce scope and scale of sidewalk projects accordingly.

This approach does not meet Council goals of bringing more/larger capital improvements to SeaTac faster, but does avoid raising the parking tax



MITIGATION OF PARKING TAX REVENUE SHORTFALL

Proposal 2 of 3: Increase Parking Tax, Maintain Programs

Maintain our capital and operational expenditures as planned prior to the COVID-19 Pandemic and adjust the parking tax beginning in 2021 by an amount needed (app. 50c) to offset the anticipated reductions in revenue over the next 5-years.

This approach will allow for the City to maintain its current capital and operational expenditures and thereby continue to meet Council goals of aggressively improving infrastructure within the City and building value in our community.



MITIGATION OF PARKING TAX REVENUE SHORTFALL

Proposal 3 of 3: Increase Parking Tax, Expand Programs

Maintain our planned operational expenditures and expand our capital program by adjusting the parking tax beginning in 2021 by an amount that would see revenues exceed the anticipated reductions over the next 5-years (in excess of 50c).

This approach would allow for the City to expand the capital program by increasing the scope of existing projects, thereby meeting the goals /desires expressed by multiple Council members prior to the COVID-19 Pandemic.



POTENTIAL COMMITTEE ACTION

COMMITTEE ACTION REQUESTED

Provide direction to staff which mitigative approach should be pursued to address the COVID-19 Pandemic related impacts to parking tax revenue:

OPTIONS

1. Modify planned expenditures (mostly capital) within the Streets Funds to ensure adequate reserves are maintained.
2. Increase parking tax by the amount necessary to offset the projected revenue shortfall caused by COVID-19 over a timeframe from 2021 to 2025.
3. Increase parking tax in 2021 by an amount in excess of what the projected impacts of COVID-19 are anticipated to be to mitigate shortfalls and expand capital program.
4. Other?

STAFF RECOMMENDATION: OPTION 2

