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	AGENCY NAME & ADDRESS	Department of Finance Room 454, City Hall (396-4940)
	SUBJECT	14-0425 Sale of Properties – Parking Structures- 11 South Eutaw Street, 22 South Gay Street, 101 South Paca Street and 210 Saint Paul Place

CITY of
BALTIMORE
MEMO
Eutaw Street, 22 South Gay



TO The Honorable President & Members
of the City Council
Room 409, City Hall

DATE: September 15, 2014

Council Bill 14-0425 Sale of Properties – Parking Structures- 11 South Eutaw Street, 22 South Gay Street, 101 South Paca Street and 210 Saint Paul Place requests the authorization of Council for the sale of four City-owned parking garages.

Discussion

For over a year, the City, as part of the Mayor’s Ten-Year Financial Plan, analyzed the opportunity for a sale of four of the City’s seventeen parking garages. The process of selecting the four garages listed in the bill and determining the appropriate course of action was deliberative and involved both internal and external analysis. An outside consulting firm that performs both financial advisory work and has experience in large public asset sales around the country conducted the analysis.

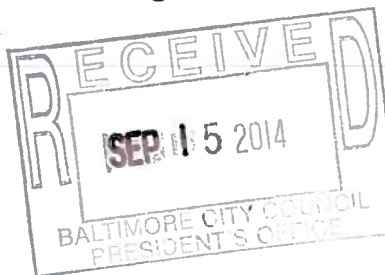
The net proceeds from this sale will be used to help close the \$1.1 billion infrastructure gap identified in the Ten-Year Plan. The parking assets under consideration for sale benefit visitors and commuters more than residents. By selling these garages, the City will free up funding for one-time needs that have a more direct impact on Baltimore City residents.

The four garages in the bill were selected because they have fulfilled the Parking Authority’s mission and are no longer needed for that purpose. Several criteria were used to evaluate attainment of the mission. These criteria are explained in the next paragraph of this report.

The garages achieved full potential by incentivizing economic development in areas that are now dense and by realizing market rates. The facilities are not needed to support City operations, City employee parking or residential parking in an area where neighborhood parking needs are not met. The sale of the parking garages should provide a significant positive return for the City. There is no significant upside for the City to maintain control of these four facilities.

By selling the garages in this bill, the City will eliminate future risk, including budget risk to the General Fund of lessened revenues due to changes in parking demand. The City will shed all capital risk for these facilities presented through a need for major replacements or other capital repairs. The City will eliminate risk to the City’s Risk Management funds related to the potential for future accidents and liabilities.

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The sale will reduce the City's debt burden associated with existing parking garages and free up operational resources currently dedicated to these four garages. Under private operation, service delivery associated with these four facilities should continue at a competitive level. This will allow the Parking Authority to have a greater focus on other assets that are not currently performing at market rates. Sale of these garages should have no significant municipal workforce impact because the facilities are already under private management.

Fiscal Impact

An analysis completed by the City shows that the net present value of the sale of the garages exceeds the expected net cash flow to the City from continued ownership. This analysis includes the capital cost of owning the garages, debt service payments on the garages and anticipated property tax revenue from private ownership over a twenty-five year period.

The net present value of the sale, based on a twenty-five year analysis is \$24.4 million. This means that the expected value of the sale exceeds the maintenance of these facilities by the City by \$24.4 million. This transaction should produce a positive return for the City. Net proceeds are anticipated to be in the range of \$40-\$60 million.

The positive net present value of the sale does not include anticipated replacement income from additional Parking Authority initiatives. The Parking Authority is implementing ProjectSpace, expanding single-space EZ Park meters, improving surface lots, and planning a pay by license plate program. These initiatives are expected to increase City revenue by \$2.5 million annually. The sale of these garages will allow the Parking Authority to continue focusing on other revenue generating initiatives.

The Finance Department recommends the sale of these garages as a financially sound decision to maximize the value of these assets.

Conclusion

The Finance Department recommends the approval of the sale of 11 South Eutaw Street, 22 South Gay Street, 101 South Paca Street and 210 Saint Paul Place. Further, we urge the Council to move with expediency so that the City may maximize opportunity in the current market. Low interest rates and low cost of capital will allow the City to achieve the highest return on the sale. These conditions could change at any time and may be less favorable if the City does not act quickly.