

ATTACHMENT B - PARKING FINANCIAL MODEL

Parking Financial Model

INTRODUCTION

This Chapter presents the anticipated impact of future parking demand growth and construction of the Alternative 2 parking structure on the financial performance of MFR's parking system. Given the anticipated growth in enplanements at MFR over the next twenty years, from half a million enplanements in 2018 to one million enplanements in 2040, it was determined that MFR will require additional parking capacity around the year 2030, with more additional capacity necessary in 2040. The Alternative Two parking structure provides this additional capacity – 380 rental car spaces and 1,745 long-term public spaces – in a single, two-phased structure built on a portion of the existing long-term parking lot, as shown in the below figure.

Figure 6-6: Alternative Two Site Plan 2040

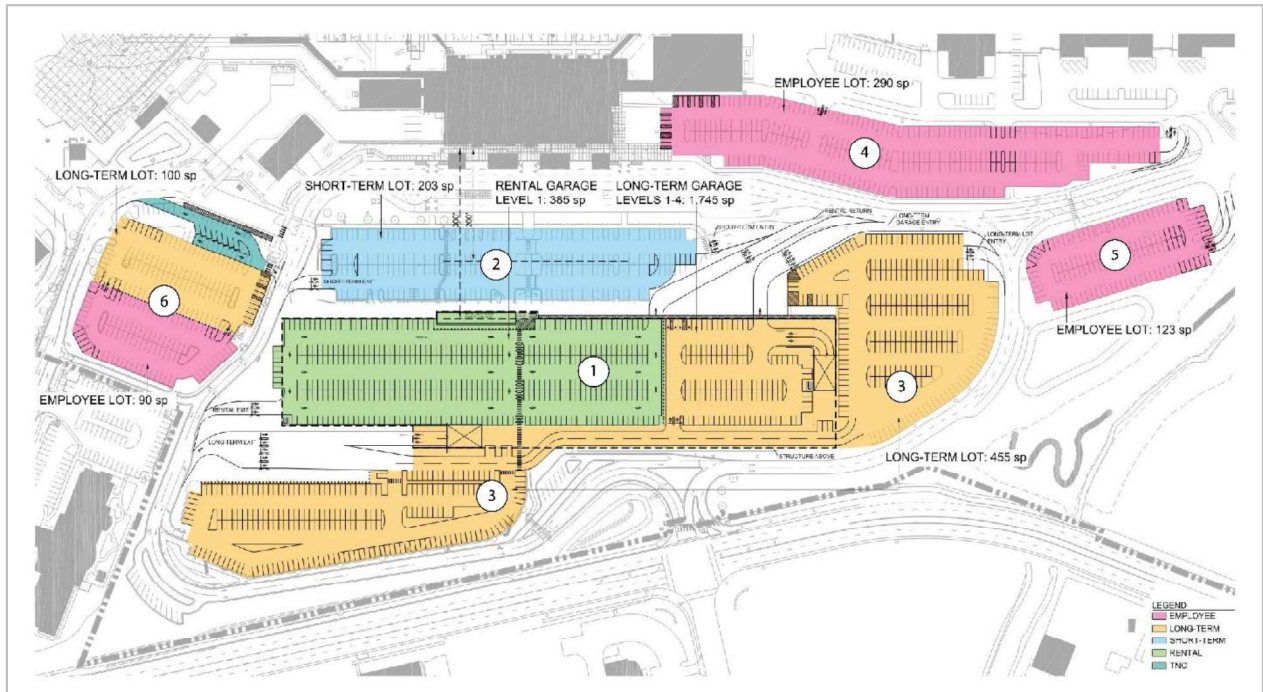


Figure Source: Walker Consultants. Data Source: Jackson County Airport Authority.

To account for the uncertainty around future enplanement growth and parking demand, a phased approach has been assumed for the Alternative Two parking structure. To meet 2040 projected parking needs, the following phasing has been assumed in the formulation of the financial projections:

► By 2030

- Build phase one of the parking structure, add 1,385 long-term parking spaces.
- Move rental cars into the structure, 380 spaces.
- Re-stripe long-term surface lot adjacent to the structure, 455 spaces.
- Move north employees into the former rental car lot.
- Divide the north employee lot to include long-term parking, 100 spaces.

► By 2040

- Build phase two of the parking structure, add 360 long-term parking spaces.

Based on the above phasing of additional parking supply, projections of enplanement growth, and historical parking demand, revenue, and expense data provided by MFR and its parking operator, projections were developed to demonstrate the potential long-term financial performance of MFR's parking system through 2040. The financial model anticipates that parking revenue will grow from the approximately \$4MM generated in 2019 to more than \$10MM by 2040, with net operating income growing from \$3.6MM to almost \$8.3MM over the same period. Financing the construction of the Alternative 2 parking structure in 2030, as well as the expansion in 2040, is expected to significantly reduce the net income generated by the parking system. However, despite these costs, the financial model predicts that the net income generated by the MFR parking system will range from approximately \$2.1MM to \$6.2MM annually through 2040.

Parking System Financial Projections

In order to determine the financial impact of building and operating a structured parking facility at MFR, a financial model of the parking system was developed using historical parking demand, revenue, and expense data as a baseline. From there, several assumptions were made related to future demand growth, changes in parking rates, anticipated operating expenses, and the cost to construct the garage, among others. The following sections detail the specific historical data provided by MFR and its parking operator, the revenue and expense assumptions used in the financial model and estimates of the cost to construct and finance the proposed parking structure. Finally, a summary of the parking system financial projection model is presented.

Historical Revenue, Expense, and Transaction Data

Since it is not anticipated that additional parking capacity will be needed at MFR until about 2030, between now and then, it is likely that the parking system will continue to operate in a similar fashion to how it has operated historically. For that reason, the financial model uses the historical financial performance of the system as a baseline for future performance, with some assumptions about future demand and expense growth factored in.

Data provided by MFR and its parking operator, SP+, indicated that, from 2017-2019, the parking system generated between \$2.2MM and \$2.7MM in net income on \$3.35MM and \$3.96MM in revenue. The following table provides a detailed breakdown of revenue by parking facility and type of parking, along with operating and capital expenses associated with the parking facilities.

Table 6-33: Historical Parking System Financials, 2017-2019

	2017	2018	2019
Revenue			
Short-Term Parking	\$627,485	\$649,144	\$702,499
Long-Term Parking	\$2,729,311	\$3,097,112	\$3,270,306
Tenant Permit Parking ¹	\$10,000	\$10,000	\$10,000
Discounts/Shorts	(\$14,342)	(\$11,254)	(\$18,259)
Total Net Parking Revenue	\$3,352,455	\$3,745,002	\$3,964,547
Expenses			
Fixed Management Fee	\$198,764	\$213,456	\$227,494
Percent Management Fee	\$30,708	\$16,426	-
Credit Card Processing Fees ²	\$80,459	\$89,880	\$95,149
Total Operating Expenses	\$309,931	\$319,762	\$322,643
Net Operating Income	\$3,042,524	\$3,425,240	\$3,641,903
Capital Projects ³	\$858,267	\$932,469	\$932,469
Parking System Net Income	\$2,184,257	\$2,492,771	\$2,709,435

1) Tenant Permit parking revenue assumed – no data provided.

2) Assumed amounts based on historical transaction volumes and typical fees on credit card transactions – no historical data provided.

3) Costs of multi-year capital projects divided evenly over the years in which projects were underway.

Table Source: Walker Consultants. Data Source: Jackson County Airport Authority; SP+.

In addition to the above revenue, expense and capital project data, MFR and the parking operator provided month-by-month breakdowns of the number of revenue tickets collected in 2017, 2018, and 2019. Revenue tickets, as the name implies, are those tickets that are associated with paid parking transactions; these differ from voided tickets or those associated with vehicles that left the parking facilities within the free parking grace period. The table below summarizes the monthly revenue ticket information by facility and year.

Table 6-34: Historical Revenue Tickets Collected, 2017-2019

	2017	2018	2019
Short-Term Lot	107,649	107,737	116,938
Long-Term Lot	59,596	69,794	75,943
Total Revenue Tickets Collected	167,245	177,531	192,881

Table Source: Walker Consultants. Data Source: SP+.

This historical data was used as the basis for the financial projection model for the MFR parking system, including when determining the historical average ticket price (i.e. revenue per transaction) in both facilities and the average length of stay for paid parkers. These factors were used in the financial model to project revenues assuming future growth in enplanements and parking transaction volumes.

Revenue Assumptions

In addition to using historical data as a baseline, several assumptions were made in order to project future parking revenues at MFR. These assumptions are as follows:

- ▶ The volume of both short- and long-term paid parking transactions will grow at the same rate as the annual projected growth in enplanements: 4.92% from 2020-2025; 3.47% from 2026-2030; 2.80% from 2031-2035, and; 1.79% from 2036-2040.
- ▶ Patrons will continue to park in the short- and long-term parking facilities in the same proportions in the future as they have historically – there will not be a shift to more short-term or more long-term parking in the future.
- ▶ The volume of tenant permit parkers will grow at the same rate as the annual projected growth in enplanements.
- ▶ The average length of stay patterns that exist today for paid parkers will remain unchanged in the future; in the short-term lot, the average stay is just over 1 hour, while the average stay in the long-term lot is approximately 3.6 days.
- ▶ Parking rates will increase by 5% in 2023 and every 5 years thereafter.
- ▶ Parking discounts/shorts will amount to 0.4% of customer parking revenues annually, matching the historical pattern of discounts/shorts.

Operating Expense Assumptions

Future operating expense assumptions for the MFR parking system were derived largely from the historical per space costs paid to the current parking operator, as well as industry benchmarks for the cost to operate structured parking. The operating expense assumptions used to create the MFR parking system financial projections are as follows:

- ▶ Each surface parking space was assumed to cost ~\$115 to operate in 2021, based on the 2019 Fixed Management Fee paid to the parking operator, escalated by 2.50% annually to account for inflation.
- ▶ The cost to operate each structured parking space was assumed to be ~\$360 in 2020 dollars, escalated by 2.50% annually to account for inflation; this figure was based on industry standards for operating structured parking and could vary dramatically based on the actual method of operation, design of the facility, services offered, etc.
- ▶ No “Percent Management Fee” based on the performance of the facility has been assumed in the future, matching the actual results from 2019.
- ▶ In 2030, 1,765 spaces of the parking garage will be constructed, reducing the total number of surface parking spaces at MFR from 2,080 to 1,261; in 2040, phase 2 of the parking garage will add 360 spaces without any further reduction in the number of surface parking spaces.
- ▶ It was assumed that 80% of parking fees will be paid for via credit card in the future, matching the historical proportion of parking fees paid for via this payment method; it was further assumed that MFR will pay a 3% fee on the value of all credit card transactions.

Construction Cost and Financing Assumptions

The cost of constructing a structured parking facility can vary significantly based on several factors including the size of the facility, its design and architectural finishes, selected mechanical systems, the type and quantity of parking equipment installed, project phasing, among others. Additionally, the cost of financing is highly variable. For the purposes of the financial model, conservative assumptions were made related to construction and financing costs for the future parking garage. Those assumptions are as follows:

- ▶ The cost of designing and constructing the proposed Alternative 2 parking garage will be approximately \$26,000 per space in 2020 dollars; this includes \$22,000 per space for construction plus 18% for soft costs including design, engineering and testing fees, construction contingencies, etc.
- ▶ Assuming 2.50% annual inflation, in 2030, the cost per space for the garage will be approximately \$33,300; by 2040, the cost will be more than \$42,600 per space.
- ▶ These estimates are on the high end of the range of costs due to the uncertainty about the actual design, architectural finishes and technology that may be used in the future garage.
- ▶ Construction of the garage was assumed to be financed with 4%, 30-year, semi-annual coupon bonds.

Capital Repair and Maintenance Assumptions

Parking facilities – whether surface lots or parking garages – require periodic ongoing maintenance in order to keep the facilities in good working condition and to maximize their useful lives. Deferring or foregoing this maintenance can significantly impact the performance these facilities and lead to more costly repairs in the future. For this reason, the financial model assumes that funds will be set aside each year to be put towards these periodic and significant structural, architectural, and mechanical repair and maintenance projects.

Based on industry best practices for parking facilities in similar climates to Medford, it has been assumed that \$50 per surface lot space, per year is set aside for future repair and replacement of these facilities. Additionally, after the garage is constructed, it has been assumed that \$125 per space, per year is set aside for future capital projects related to this facility. While these figures are presented in 2020 dollars, the amounts have been escalated annually over the projection period to account for the 2.50% historical rate of inflation.

MFR Parking System Financial Projections Summary

Based on the assumed phasing of additional parking supply, projections of enplanement growth, historical parking demand, revenue, and expense data provided by MFR and its parking operator, as well as the above assumptions, financial projections were developed to demonstrate the potential long-term financial performance of MFR's parking system through 2040. The financial model anticipates that parking revenue will grow from the approximately \$4MM generated in 2019 to more than \$10MM by 2040, with net operating income growing from \$3.6MM to almost \$8.3MM over the same period. Financing the construction of the Alternative 2 parking structure in 2030, as well as the expansion in 2040, is expected to significantly reduce the net income generated by the parking system. However, despite these costs, the financial model predicts that the net income generated by the MFR parking system will range from approximately \$2.1MM to \$6.2MM annually through 2040.

The following table presents the detailed financial projections for the MFR parking system for selected years through 2040. It is important to note that these projections will change if any of the above assumptions are altered or if the timing is different than anticipated.



Table 6-35: MFR Parking System Financial Model thru 2040, Selected Years

	2021	2022	2023	2024	2025	2030	2035	2040
Revenue								
Short-Term Parking	\$741,600	\$778,056	\$884,327	\$927,797	\$973,405	\$1,243,276	\$1,529,303	\$1,782,793
Long-Term Parking	\$3,431,059	\$3,599,725	\$4,091,397	\$4,292,514	\$4,503,523	\$5,752,095	\$7,075,418	\$8,248,210
Tenant Permit Parking	\$10,492	\$11,007	\$12,126	\$12,722	\$13,347	\$16,659	\$20,164	\$23,172
Discounts/Shorts	\$(16,521)	\$(17,333)	\$(19,701)	\$(20,669)	\$(21,685)	\$(27,697)	\$(34,069)	\$(39,717)
Total Net Parking Revenue	\$4,166,630	\$4,371,455	\$4,968,149	\$5,212,364	\$5,468,590	\$6,984,333	\$8,590,815	\$10,014,459
Expenses								
Fixed Management Fee	\$238,198	\$244,153	\$250,256	\$256,513	\$262,926	\$180,345	\$204,044	\$230,857
New Garage Expenses	\$-	\$-	\$-	\$-	\$-	\$817,263	\$924,658	\$1,259,548
Credit Card Processing Fees	\$99,999	\$104,915	\$119,236	\$125,097	\$131,246	\$167,624	\$206,180	\$240,347
Total Operating Expenses	\$338,197	\$349,068	\$369,492	\$381,610	\$394,172	\$1,165,232	\$1,334,882	\$1,730,752
Net Operating Income	\$3,828,433	\$4,022,387	\$4,598,657	\$4,830,754	\$5,074,418	\$5,819,101	\$7,255,933	\$8,283,707
Annual Debt Service	\$-	\$-	\$-	\$-	\$-	\$3,379,838	\$3,379,838	\$4,262,292
Capital Project Set Asides	\$106,600	\$109,265	\$111,997	\$114,797	\$117,666	\$363,128	\$410,846	\$538,572
Parking System Net Income	\$3,721,833	\$3,913,122	\$4,486,660	\$4,715,958	\$4,956,752	\$2,076,135	\$3,465,250	\$3,482,843

Table Source: Walker Consultants. Data Source: Walker Consultants; Jackson County Airport Authority; SP+.

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PARKING MANAGEMENT DURING CONSTRUCTION

Constructing a new parking garage on the site of the existing long-term parking lot will require the displacement of several hundred existing parking spaces currently used by passengers; due to the proposed location of the garage, the displacement of existing parking spaces is unavoidable. Because of this, a key consideration for MFR, prior to beginning any garage construction, is how to manage parking demand during the period(s) when the garage is being built.

Ideally, the Airport will continue to have the ability to accommodate all paying, customer parkers on-site throughout the period of construction. Since parking is a significant source of revenue for the Airport, all efforts should be made to avoid turning away customer cars or severely impacting the customer experience. In order to accomplish this, a detailed plan to manage parking will have to be developed and implemented. Since the final design, location, and timing of the proposed garage is unknown, any specific plans for managing demand that are developed now will likely be of little use when it comes time to build the garage in 10 or more years. For that reason, the below points are offered as guidelines and key considerations for MFR when the time comes to develop a parking management plan for the period of construction.

- ▶ Begin formulating the management plan significantly in advance of the start of construction (1 year or more) and adapt the plan to current conditions as the start date approaches.
- ▶ As the construction start date approaches, be sure to broadcast the plan to internal stakeholders and the traveling public via direct contact, social media, local broadcast and print sources, etc.; depending on the timing of construction, consider rebroadcasting information about the ongoing construction and changes to parking in the lead up to busier travel seasons (e.g. spring break, summer, end of year holidays, etc.).
- ▶ Provide additional resources to answer questions about parking before and during the construction period; this could include a hotline, online information, fliers and signage posted in the terminal and around the parking facilities, etc.
- ▶ Involve all the Airport's stakeholders in the planning process including administrative staff, the parking operator, representatives of the rental car companies, any ground transportation providers, Airport police, etc.
- ▶ Use the existing employee and rental car parking lots for long-term parkers that are displaced during construction.
- ▶ Valet or valet-assist parking could be offered in the remaining on-site facilities in order to maximize the number of vehicles that can be parked on-site.
- ▶ If possible, relocate employee, tenant, contractor, and rental car vehicles off-site, before pushing any traveler vehicles to remote parking.
- ▶ If and when it is determined that additional off-site parking will be needed to accommodate Airport parkers, consider all options to accommodate these vehicles including leasing existing spaces from surrounding businesses, constructing temporary surface parking on existing Airport property, and purchasing land for temporary surface parking.

- ▶ If off-site parking is necessary to accommodate Airport employees, tenants, contractors, and/or rental cars and surface lots must be constructed on vacant land, gravel parking lots should be considered to reduce costs; if customer parkers are pushed to new surface lots off-site, these facilities should be paved, well-lit, and equipped with revenue control equipment.
- ▶ Plan for and procure a shuttle service to transport off-site parkers – whether customers or employees, tenants, and contractors – to the terminal.
- ▶ Consider where construction parking will take place and if additional surface parking will need to be used to stage construction materials for the garage.
- ▶ Beginning closing portions of the long-term lot that will be within the construction footprint of the garage several months in advance of construction; despite advanced planning, it may still become necessary to relocate some long-term customer vehicles to another nearby facility.

