



WALKER
CONSULTANTS



Ocean City Downtown Fee In Lieu Program Study

December 6, 2022

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Introduction

Introduction

- Downtown Ocean City is undergoing revitalization spurred by efforts of Ocean City Development Corporation (“OCDC”).
- Small infill lots may not support allowed densities due to difficulty accommodating required parking on site.
- Town has historically provided parking exceptions that waived some or all parking requirements.
- The Inlet Lot, the largest downtown parking facility, is increasingly used for special events, in part or whole.
- Collective exacerbation of parking issues have led to the assessment of a parking fee in lieu program as a possible solution.



What is a Fee in Lieu Program

- Since the 1980's, many communities across the US have codified fee in lieu of parking ("FILOP") programs; however, they are most common in Florida, California, Oregon, and Washington State.
- Gives developers an alternative path to meeting the minimum parking requirement for an individual project.
 - Rather than provide the private parking required by zoning on site, the developer pays a per space fee to the municipality. These fees can be case-specific or uniform for all projects.
 - The funds support public parking facilities and often also support pedestrian and bicycle infrastructure that service an entire district.
 - These programs are typically limited to a defined area within a city in order to maximize the "shared" resources.
- While a fee-in-lieu rate should be set at a level less than the cost for a developer to provide parking, it also needs to be substantial enough for meaningful investment in public infrastructure, otherwise significant parking deficits can occur.
- Consolidating parking in centralized locations encourages infill development and land use intensification, increases walkability, and reduces the overall number of spaces built through shared parking, with secondary environmental benefits due to reduced traffic and reduction of impervious surfaces.



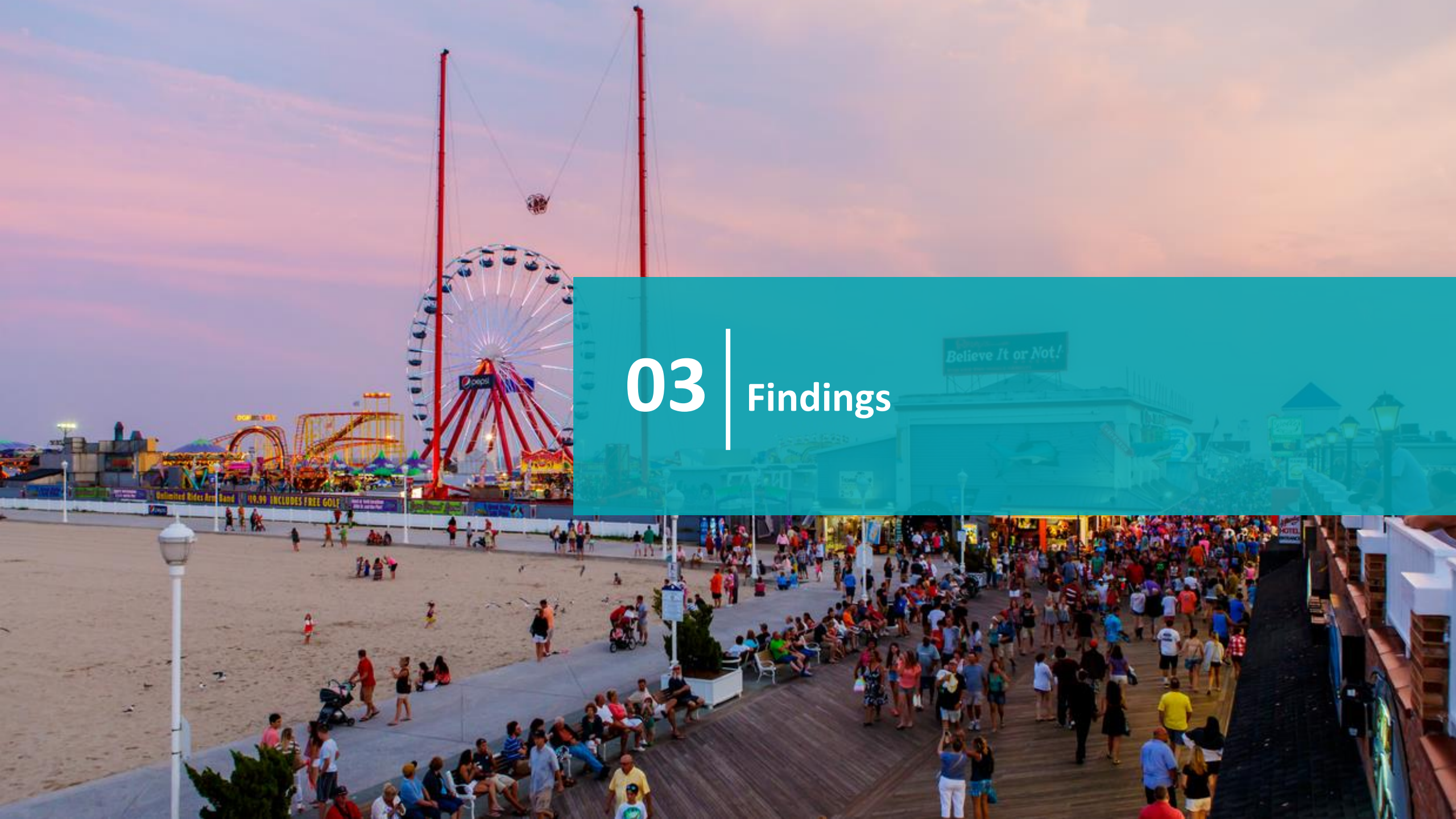
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Methodology

Believe It or Not!

Methodology

- Reviewed municipal fee in lieu programs at peer beach/tourist-driven municipalities
 - Coconut Grove (Miami), FL
 - Delray Beach, FL
 - Pompano Beach, FL
 - Dania Beach, FL
 - Telluride, CO
- Estimated costs to build and operate parking to set an upper limit on potential in-lieu fee
 - Above-grade structured parking
 - Above-grade structured parking with support for a rooftop amenity level
- Developed recommendations for Ocean City's unique situation
 - Fee recommendations
 - FILOP program details



03

Findings

Believe It or Not!

Summary of Fee in Lieu Programs

- While every municipality codifies the permissible uses of their parking improvement fund differently, some of the general uses include:
 - Acquisition of land or other property for parking purposes
 - Engineering and legal services to determine the feasibility of construction
 - Parking-related studies or evaluations
 - Construction, maintenance, operation, leasing, management, or provision of public off-street parking
 - Marketing, education, signage, or other informational purposes
 - Investment in pedestrian or bicycle infrastructure
 - Provide accessibility to off-street parking through public transportation
- In-lieu fee program examples:
 - Coconut Grove (Miami), FL has used in-lieu fees to construct a new parking structure, paid for a downtown circulator study, and a parking mitigation project that included lighting and traffic control devices.
 - Delray Beach, FL has used their in-lieu fees for various studies, to improve street lighting, and develop surface parking.
- Generally, in-lieu programs can only be used for commercial development. Residential development and/or the residential component of a mixed-use project are not eligible to participate.



Summary of Fee in Lieu Programs

- Fees vary substantially across the US, and even within a community. Several different zones may be designated, each with a different per space fee, as shown in the figure below.

Community	Capital Contribution	Payment Plan
Coconut Grove, FL	\$10,000 per space	Lump sum or in installments over 15 years with interest
Delray Beach, FL	\$4,600 to \$23,660, depending on the zone	Lump sum or in installments over 3 years without interest
Pompano Beach, FL	\$14,010 per space	Lump sum before occupancy or interest in land trade
Dania Beach, FL	\$30,000 per space	Two lump sum installments before occupancy
Telluride, CO	\$20,000 to \$38,750, depending on the land use	Two payments before occupancy; Also charge an annual maintenance/operations fee of \$1,478.88 for 15 years

- Some communities make provisions within the ordinance for periodic increases to the in-lieu fee, either annually or every set number of years. In other communities, it is not specified in the code, but regular reviews are performed, as evidenced by the historic increases.
 - The increase may be based on the Consumer Price Index (CPI), or
 - An estimation of the actual cost of providing a parking space

Coconut Grove Fee in Lieu Program

- Miami Florida Code of Ordinances
 - Chapter 35, Article V, Sec. 35-220 to 224 - Payment in lieu of required off-street parking
- Funds can be used to:
 - Acquire property for parking purposes;
 - Construct, maintain, operate, lease, manage, or provide off-street parking facilities for public use;
 - Fund publicity campaigns, graphics and signage, and other informational devices;
 - Coordinate plans for parking facility improvements and expansion with public transportation plans and operations in the vicinity;
 - Provide a public shuttle, tram or trolley service and related physical improvements such as bus shelters and right-of-way modifications; and
 - Pay for other parking related costs.
- While the per space in lieu fee to obtain a permanent parking waiver is \$10,000, it can be paid in installments with interest over a 15-year period
 - Base parking space waivers are grandfathered into the program by allowing participants to pay an annual fee of \$540 per space, subject to inflation every five years or convert to a permanent certificate of waiver
 - The Business Improvement District also implements a sidewalk café rental fee of \$600 per space per year for restaurants who require supplemental parking
 - The in-lieu fee is increased once every five years, starting in 2007, based on the CPI for urban consumers.



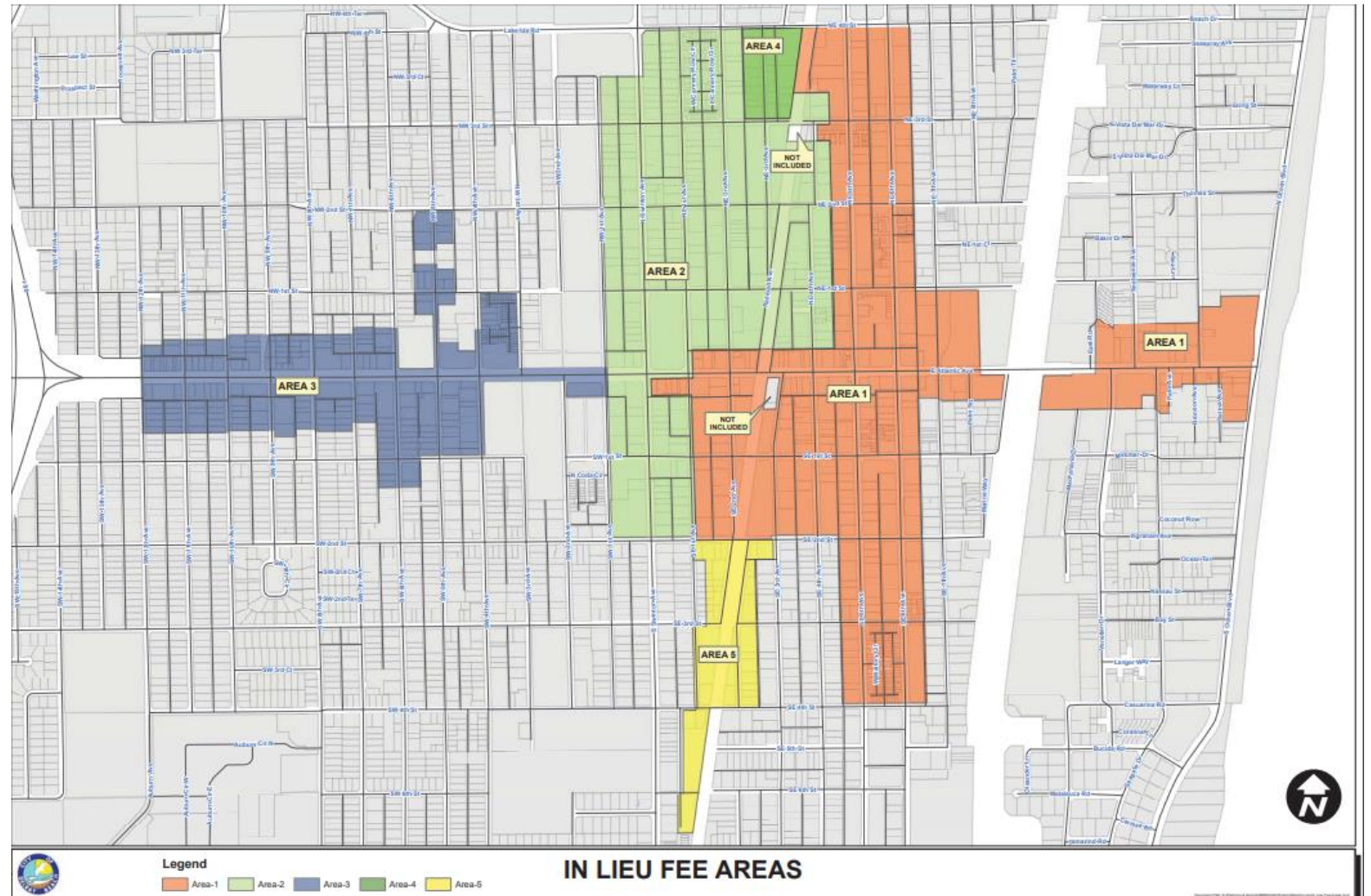
Coconut Grove Fee in Lieu Program

- The program cannot be used for projects with exclusively residential development nor for the residential component of a mixed-used development.
- The provision also specifies that when parking is provided via in lieu spaces, the amount of parking required for food service establishments should be increased by 1 space per 150 SF compared to the listed requirement in the Miami 21 Zoning Code.
- Applicants are approved by the Planning Director.
- To date, the program has been used to construct a 416-space garage, produce a downtown circulator study and fund a parking mitigation project that included installation of traffic control devices and landscaping improvements.
- Through participation in the program, developers have opted out of constructing more than 900 spaces since 1993, creating a denser and more walkable community.



City of Delray Beach Fee in Lieu Program

- Delray Beach Land Development Regulations
 - Section 4.6.9 (E) – Off-Street Parking Regulations, Location of Parking Spaces, In-Lieu Fee
- Since implementation in 1998, the program has evolved from a flat fee of \$567 per space regardless of location to a more nuanced program with five different zones in the downtown, each with an associated per space fee
 - Area 1: \$23,660
 - Area 2: \$10,140
 - Area 3: \$4,600
 - Area 4: \$4,600
 - Area 5: \$4,600



City of Delray Beach Fee in Lieu Program

- The in-lieu fee may be paid in full before the building permit is issued or over three years. If paid in installments, the In-Lieu of Parking Fee Agreement specifies:
 - 50% of the total is paid before issuance of the building permit
 - 25% at the start of the second year
 - 25% at the start of the third year
 - No interest is charged.
- New development, as well as land use conversion projects (retail to restaurant) and building addition or renovation projects, that result in the requirement to provide parking on-site, are eligible for the program.
 - A maximum limit of 30% of eligible required parking can be provided under this option for new development and addition/renovation projects.
 - There is no maximum for land use conversion projects.
- Unlike other ordinances, Delray Beach only specifies that the funds be used for parking purposes or pedestrian/bicycle infrastructure.
- Before granting such approvals, the City Commission must find that adequate public parking options are available and that the request is consistent with the Land Development Regulations, City Comprehensive Plan, and all currently adopted City policies and/or studies.
- Most fees into the program were paid in the 2001 to 2009 period with two developments utilizing in-lieu fees approved in 2017.



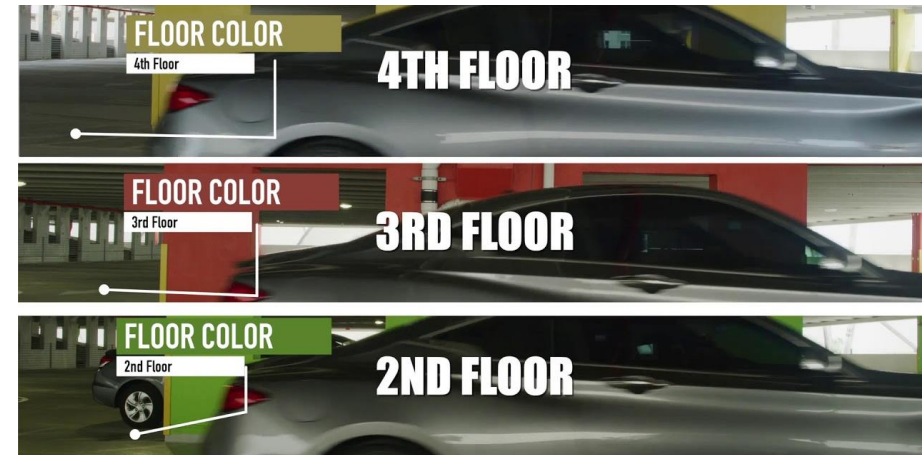
City of Pompano Beach Fee in Lieu Program

- City of Pompano Beach Zoning Ordinance
 - Chapter 15, Article 5 – Development Standards
 - Section 155.5102 (J) Off-Street Parking Alternatives - Payment of Fee to Master Parking Program in Lieu of Providing Required Parking
- City costs for which in-lieu fees may be spent include:
 - Cost of land, leases, rights, easements and franchises;
 - Financing charges;
 - Interest paid before and during construction;
 - Cost of plans and specifications;
 - Cost of engineering and legal services and other expenses necessary or incidental for determining the feasibility or practicability of construction, reconstruction or use;
 - Cost of all labor and materials; and
 - Administrative expenses and such other expenses as may be necessary or incidental to the provision of public parking spaces.
- The per space in-lieu fee in Pompano Beach is currently \$14,040, which was increased in 2014, based on CPI in preceding years. It was originally set at \$6,000 per space in 1997, increasing to \$12,000 per space in 2007.



City of Pompano Beach Fee in Lieu Program

- Only projects in non-residential zoning districts are eligible for the program.
- Applications are submitted to the Development Services Director who forwards them to the Planning and Zoning Board for review and approval.
- Approval may be granted if:
 - Sufficient public parking exists or is expected to exist within 1,320 feet of the development.
 - The unavailability of off-street parking spaces will not result in traffic congestion and will be compatible with the character of the surrounding properties.
- If the number of in-lieu parking spaces requested exceeds 25 spaces or 50% of the minimum requirement, the developer is required to produce a traffic study showing that the unavailability of off-street spaces as part of the development will not result in traffic congestion.
- Additionally, in lieu of payment for the spaces, the City Commission has the option to accept an interest in the land, assuming the land would be used for public parking.
- Because there are many options to reduce parking in the City code, the in-lieu fee option is rarely utilized, if ever.



City of Dania Beach Fee in Lieu Program

- Implemented in 2010 in the Dania Beach Code of Ordinances
 - Chapter 28 – Land Development Code, Part 2 – Site Development Regulations
 - Section 265-92 Parking in-lieu of providing off-street parking
- The per space in-lieu fee is currently set at \$30,000, which is paid in two installments.
 - If the project is new construction, both installments must be received before the Certificate of Occupancy is issued.
 - If the project entails renovation or expansion of an existing structure, only one of the \$15,000 installments needs to be received before the Certificate of Occupancy or Use is issued. Payment of the second installment can be paid at a later date, the details of which are outlined in an In-Lieu Parking Fee Agreement.
 - The \$30,000 fee is mostly comprised of land costs with no consideration of potential parking revenue.
- In coordination with the Public Services Director and Community Development Director, the per space in-lieu fee is determined by the average cost to the city for construction of a space in a garage on a program wide basis. The cost calculation accounts for actual costs and fees covering:
 - Land acquisition;
 - Design and planning;
 - Legal;
 - Engineering;
 - Actual construction; and
 - Permit review and inspection.
- The in-lieu fee is reviewed annually by the Community Development Department and may be further adjusted by the City Commission based on estimates of the actual cost of providing parking spaces.

City of Dania Beach Fee in Lieu Program

- Per the code, the in-lieu funds collected can be used to:
 - Acquire, construct or develop off-street and on-street parking and related facilities;
 - Fund the capital costs associated with new, upgraded or expanded off-street parking area serving land uses within the priority parking districts;
 - Acquire land for present and future garage construction or interim parking uses; or
 - Reimburse capital costs or advances, or related financing costs, for spaces in existing facilities or to be constructed which are designated or set aside for the program.
- Dania Beach limits the number of in lieu spaces a developer or property owner can seek through the in-lieu program to 50% of the minimum off-street requirement
- Application approval is a joint decision made by the Director of Finance, Public Services Director and the Community Development Director.
- The in-lieu fee option has never been utilized in Dania Beach as the City encourages improvements to other modes before developers pursue the in-lieu fee option and likely due to the high cost.



Town of Telluride Fee in Lieu Program

- Telluride Land Use Code
 - Section 6-114 Review Standards for Payment-in-Lieu of Parking
 - Article 3, Division 2, Section 3 – Zone District Purposes and Standards
- Telluride stipulates both a capital expense fee and a yearly operation/maintenance fee that must be paid for 15 years. The funds are held in the Parking Facilities Maintenance Fund to be used within 7 years or returned with interest.
 - Capital Expense
 - Accommodations & Short-Term Dwelling Units: \$20,000
 - Commercial Use: \$38,750
 - Residential Use: \$30,000
 - Yearly Fee - \$1,478.88
- While some communities limit use of the program to a percentage of total spaces, Telluride imposes stricter limits. Language in the Zone District Purpose and Standards section of the ordinance limits use to one or two spaces, based on the district.
 - One space in the Accommodations One and Gondola Corridor Overlay Districts
 - Two spaces in the Commercial Zone and Historic Commercial Zone Districts for commercial or accommodations use.
- Telluride does not limit use of the ordinance to commercial uses only.

EFFECTIVE:
JANUARY 1, 2022

DEVELOPMENT FEES

HARC Applications	
Worksession	\$500.00
Insubstantial	\$100.00
Minor	\$300.00
Small Scale	\$2,000.00
Preliminary Large Scale	\$2,000.00
Final Large Scale	\$1,500.00
Designation of a Landmark	\$100.00
Significant Landmark Interior	\$100.00
Change of Designation	\$500.00
Extension of a CA	\$500.00
Extension of a CA with Vested Property Rights	\$1,200.00
Certificate of Appropriateness Amendment 1	\$100.00
Certificate of Appropriateness Amendment 2	\$200.00
Certificate of Appropriateness Amendment 3	\$300.00
Certificate of Appropriateness Amendment 4	CAAM X \$100.00
Sign Permit	\$50.00
Appeal	\$1,200.00
Research and Retrieval Fee	**

P&Z Applications	
Worksession	\$500.00
Address Change	\$100.00
Affordable Housing Mitigation Payment-in-Lieu	\$502.00*
Appeal of Correction Notice & Order	\$1,200.00
Appeals	\$1,200.00
Board of Adjustment (major)	\$800.00
Board of Adjustment (minor)	\$100.00
Certificate of Zoning and Compliance	**
Conceptual PUD	\$1,200.00
Condominium Subdivision / Condo Map Amendment	\$500.00
Conversion to Condo-hotels (if no PUD Amend Req'd)	\$1,200.00
Employee unit deed restriction transfer	\$800.00
Extension of a Prelim. Subdivision or PUD Approval	\$1,800.00
Final Large Scale PUD	\$800.00
Final Small Scale PUD	\$800.00
Independent Calc. for Employment Generation	\$600.00



HISTORIC PRESERVATION and PLANNING

P&Z Applications Continued	
Insub. Amend to an Activity/Use Permitted on Review	\$100.00
Large Scale Final Subdivision Plat	\$1,200.00
Large Scale Preliminary Subdivision Plan	\$2,000.00
Master Plan & LUC Amendments	\$2,000.00
Matters of Local Interest Geohazard Review	\$500.00
Minor PUD Amendment	\$1,800.00
Minor PUD Modification	\$800.00
Minor Subdivision / Amendment (e.g. minor lot line vacation)	\$500.00
Mobile Home Park License	\$2,400.00
Non-conforming Use or Lot Review	**
Parking Operation/Maint. Fee (Yearly cost for 15 yrs.)	\$1,478.88
Parking Payment in Lieu (Application Fee)	\$1,800.00
Parking Rate – Accommodations & STDU	\$20,000.00
Parking Rate – Commercial Use	\$38,750.00
Parking Rate – Residential Use	\$30,000.00
Payment in Lieu of Dedication – Accommodations	\$400.00
Payment in Lieu of Dedication – Commercial	\$400.00
Payment in Lieu of Dedication – Residential	\$400.00
Planning Director Code Interpretation	**
Pre-Annexation Review	\$2,400.00
Final Annexation Review	\$1,800.00
Preliminary Large-Scale PUD	\$2,000.00
Preliminary Small-Scale PUD	\$2,000.00
Request for Extension of Vested Rights	\$1,200.00
Request for Right-of-Way Abandonment	\$800.00
Rezoning (amendments to Zoning Map)	\$2,000.00
Small Scale Final Subdivision Plat	\$800.00
Small Scale Preliminary Subdivision Plan	\$2,000.00
Temporary Uses Approval by Town Council	\$500.00
Timeshare Conversion (if no PUD Amend Req'd)	\$1,200.00
Tree removal permit	\$100.00
Use and Activity Permitted on Review	\$800.00
Use and Activity Permitted on Review with easement	\$1,800.00
Vacation of Easements, Right-of-Way, Plats	\$800.00
Variance	\$2,000.00
Wildland Regulation Review	\$500.00
Research and Retrieval Fee	**

*Housing Mitigation Payment in Lieu fee Subject to Periodic Review and Update pursuant to LUC 3-140(A.3)(a)
**\$38.58 PER HOUR AFTER FIRST HOUR

Town of Telluride Fee in Lieu Program

- Funds can be used for the following purposes:
 - Parking-related studies or evaluations;
 - Acquisition and construction of parking facilities;
 - Bonding with respect to the acquisition or construction of parking facilities; and
 - Transit improvements and other expenses.
- Should the City of Telluride not use the funds collected within 7 years of the date the fees were paid, the fees are returned to the property owner, with interest earned. The time period before funds are returned can be extended by up to 3 years if Council has earmarked the funds for a specific project.
- Approval of an applicant to make a payment in lieu of providing parking spaces on a lot or parcel is decided by the Planning and Zoning Commission.



Municipal Parking Rate Comparison

- Parking rates at peer municipalities may inform in-lieu fee levels that have been established as parking revenues may be used to help fund new parking facilities.
- Low parking rates in Ocean City are generally below peers due to free parking November 1st through March 31st and Monday through Thursday April 1st to Memorial Day and October 1st to 31st. The other five peers charge for parking year-round.

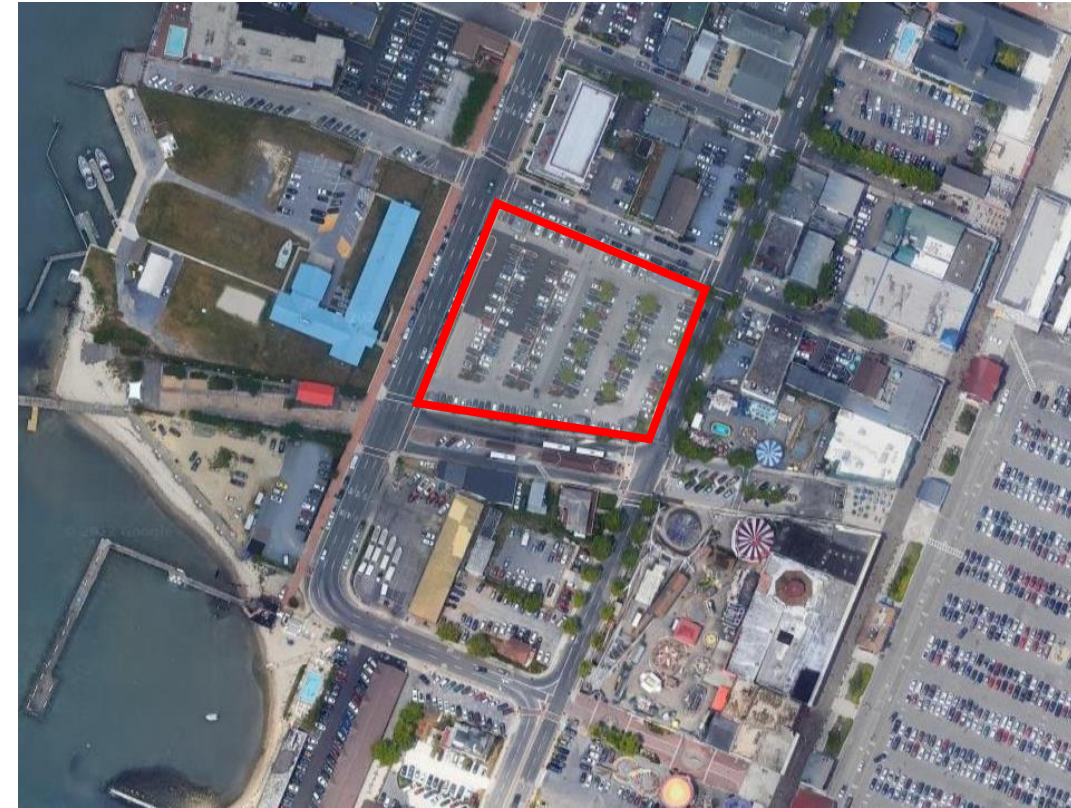
Community	Low Parking Rates	High Parking Rates
Coconut Grove, FL	On-Street: \$3.00/hour	On-Street: same as low
Delray Beach, FL	On-Street: \$1.50/hour Off-Street: Free	On-Street: same as low Off-Street: \$1.50/hour
Pompano Beach, FL	On-Street: \$1.50/hour Off-Street: \$1.50/hour	On-Street: \$4.00/hour Off-Street: \$4.00/hour
Dania Beach, FL	On-Street \$2.00/hour Off-Street: \$3.00/hour	On-Street: same as low Off-Street: same as low
Telluride, CO	On-Street: \$1.50/hour Off-Street: free	On-Street: same as low Off-Street: \$1.50/hour
Ocean City, MD	On-Street: free Off-Street: free	On-Street: \$3.00/hour Off-Street: \$3.00 or \$3.50/hour

Summary of FILOP Program Fees and Parking Rates

Community	FILOP Capital Contribution (per Space)	Annual Fee	High Parking Rates
Coconut Grove, FL	\$10,000	N/A	\$3.00/hour
Delray Beach, FL	\$4,600 to \$23,660, depending on the zone	N/A	\$1.50/hour
Pompano Beach, FL	\$14,010	N/A	\$4.00/hour
Dania Beach, FL	\$30,000	N/A	\$3.00/hour
Telluride, CO	\$20,000 to \$38,750, depending on the land use	\$1,478.88	\$1.50/hour
Ocean City, MD	N/A	N/A	\$3.00 or \$3.50/hour

Parking Cost Estimates

- Estimated costs to build and operate parking to set an upper limit on potential in-lieu fee
 - Two configurations
 - Above-grade structured parking – multi-level municipal parking garage
 - Above-grade structured parking with support for rooftop amenity level – multi-level municipal parking garage with a rooftop that can support special events and gatherings
 - Utilized Town’s Worcester St. Lot (bounded by Worcester, S. Baltimore, S. Division, and S. Philadelphia) to develop estimates.
- Estimated costs to build and operate off-site surface parking
 - Developer may pursue this approach instead of providing additional parking on site.
 - Serves as a reference point against which to compare above-grade structured parking options.



Note that parking cost estimates are illustrative and based on conditions at the time of this report.

Cost Estimate for Above-Grade Parking Structure

Approach

- Utilize Worcester St. parking lot, which is 80,250 square feet¹ and currently has ~205 spaces
- Apply costs of a plain pre-cast five-story parking structure with ~1,000 spaces

Key Assumptions

- \$42,500 per space to construct
- Land cost of \$100 per square foot
- \$7,800 per space for land
- Water lines will need to be relocated, but at additional cost
- \$890 per year for operating expenses, maintenance, and capital reserve
- Simple façade design

Summary

- \$50,300 in upfront costs per space, including allocation of land value
- \$890 per space in annual costs

1) Per <https://data.imap.maryland.gov/datasets/maryland::maryland-property-data-parcel-points/explore?location=38.327118%2C-75.089151%2C18.14>

Cost Estimate for Above-Grade Parking Structure with Support for Rooftop Amenity Level

Approach

- Utilize Worcester St. parking lot, which is 80,250 square feet¹ and currently has ~205 spaces
- Apply costs of a plain pre-cast five-story parking structure with ~1,000 spaces and considerations for additional load on rooftop

Key Assumptions

- \$51,000 per space to construct
- Land cost of \$100 per square foot
- \$7,800 per space for land
- Water lines will need to be relocated, but at additional cost
- Rooftop amenity space build-out cost is excluded (shell space only)
- Depending on size and use of the roof amenity space, additional stairs will likely be required due to increased egress requirements
- \$920 per year for operating expenses, maintenance, and capital reserve
- Simple façade design

Summary

- \$58,800 in upfront costs per space, including allocation of land value
- \$920 per space in annual costs; \$30 difference compared to without rooftop amenity level due to higher annual capital reserve due to higher construction cost

1) Per <https://data.imap.maryland.gov/datasets/maryland::maryland-property-data-parcel-points/explore?location=38.327118%2C-75.089151%2C18.14>

Cost Estimate for Surface Parking

Approach

- Review of recent downtown land sales
- Utilize 50' x 100' lot with street access on 50' side to estimate total number of parking spaces
- Apply cost to convert a dirt lot to surface parking
- Apply annual costs

Key Assumptions

- \$115 per square foot for land (midpoint value of recent sales)
- \$20 per square foot to convert dirt lot to a parking lot, which does not include costs of stormwater retention/treatment
- Average parking space size of 500 square feet
- \$150 per space per year for operating expenses, maintenance, and capital reserve

Summary

- \$67,500 in upfront costs per space
- \$150 per space in annual costs to operate and maintain surface parking

Summary of Parking Cost Estimates

Parking Type	Cost to Construct per Space	Cost of Land per Space	Total Cost per Space	Annual Costs per Space
Above-Grade Parking Structure	\$42,500	\$7,800	\$50,300	\$890
Above-Grade Parking Structure with Support for Rooftop Amenity Level	\$51,000	\$7,800	\$58,800	\$920
Surface Parking	\$10,000	\$57,500	\$67,500	\$150

Note that parking cost estimates are illustrative and based on conditions at the time of this report. Above-grade parking structure costs to construct may be higher depending on other factors including more elaborate façade design and needs to support a rooftop amenity level.



04

Recommendations

Summary of Recommendations

- Fund purpose – to build and fund parking in a specific geographic area
- Fee options
 - Reserved space – parking space(s) for exclusive use
 - Shared space – parking space(s) to be shared with general public
- Illustrative fee ranges
 - Reserved space – \$43,000 to \$59,000 or more upfront, \$900 per year
 - Shared space – \$17,000 to \$29,000 or more upfront, no annual fee
- Program specifics
 - FILOP funds to be used for constructing and operating parking, including land
 - Lump sum payment of upfront fee, annual payment of annual fee (for reserved)
 - Annual fee adjustments to match inflation
 - Parking exceptions should no longer be granted

FILOP Fund Purpose

- To build and maintain off-site parking, which provides real estate developers another option for meeting project parking requirements, as stipulated in Town ordinances.
- Given Ocean City's history of parking exceptions, we assume that FILOP funds will be used solely to provide parking and will not fund other mobility/access options.
- There may be multiple FILOP funds.
 - Each fund should be focused on a specific area in Ocean City because parkers are generally only willing to take a short walk to/from their destination.
 - We recommend limiting a parker's walk to 5 minutes or roughly one-quarter mile, which equates to a pedestrian level of service C.

FILOP Fee Options

- We recommend that fee options be structured around whether the parking spaces will be reserved or shared with other parkers.
 - Reserved spaces will be for the exclusive use of individual parkers or a group of parkers.
 - For example, individual parkers may be apartment tenants or condo owners who have designated spaces for their exclusive use. A group of parkers may be a hotel's valet operation which has a group of spaces for its exclusive use.
 - The upfront and on-going costs of these spaces will be borne by the developer and the users of the spaces.
 - Shared spaces will be on a first-come first-serve basis when used by parkers.
 - These spaces will be shared with other nearby developments whose developers have paid in-lieu fees as well as the general public visiting the area.
 - As these spaces are public parking, we assume that fees will be charged for their use. These fees can offset the upfront costs thereby lowering the in-lieu fee charged. And on-going costs to operate and maintain can be shared.
- Developer may utilize the in-lieu fee to cover some or all their parking needs, per Town parking requirements, and may opt to pay the in-lieu fee for exclusively reserved spaces, exclusively shared spaces, or some combination thereof.

Illustrative Reserved Space Fee Recommendation

- Given that these parkers will have exclusive use of the spaces, charge the full upfront and on-going cost per space. Fees are subject to annual escalation.
 - Upfront fee
 - Without rooftop amenity level: \$43,000 or more without land, \$50,000 or more with land
 - With support for rooftop amenity level: \$51,000 or more without land, \$59,000 or more with land
 - On-going fee of \$900 per year
- Responsible party for in-lieu fee payment
 - Developer pays upfront fee and can decide how much of the upfront fee to pass on to owners/tenants.
 - On-going fees would need to be paid by future owner/user that utilizes the reserved space.
- If tax-exempt financing is utilized, IRS private use limitations of 10% may apply.
 - If so, the number of reserved spaces offered may need to be capped.
 - Legal counsel will need to provide an opinion on this.

Illustrative Shared Space Fee Recommendation

- Given that these parkers will be sharing spaces, charge an upfront fee that incorporates assumptions about debt service (assuming municipal financing), net operating income per space (revenue generated per space minus annual operating expenses, maintenance, and capital reserve) as well as reductions due to sharing by different users. Upfront fee is subject to annual escalation.
 - Without rooftop amenity level: \$17,000 or more without land, \$22,000 or more with land
 - With support for rooftop amenity level: \$23,000 or more without land, \$29,000 or more with land
- Key assumptions in developing shared space fee
 - Annual revenue per space: \$1,680 which assumes 80% of budgeted FY23 revenue at Inlet Lot¹
 - Annual operating expenses, maintenance, and capital reserve: \$900 per year
 - Annual revenue and expense escalation: 2.5%
 - Discount rate: 3.4% which reflects average municipal bond rate over past 10 years²
 - Number of years: 30 which reflects useful life of parking structure, with the first 20 years including debt service
 - Sharing factor reduces fee by 25%, based on typical reduction of parking need when parking is shared among different users
- Developer pays upfront fee and can decide how much of the upfront fee to pass on to owners/tenants.
- As these spaces are shared with the general public, IRS private use limitations are not expected to apply.

1) Per FY23 Council adopted budget, which assumed approx. \$2,100 per space per year at the Inlet Lot (<https://oceancitymd.gov/pdf/BudgetBook23.pdf>)

2) Average of average value in each year from the “20-Bond Index” chart, WM Financial Strategies (<https://www.munibondadvisor.com/market.htm>)

Summary of Illustrative Fee Recommendations

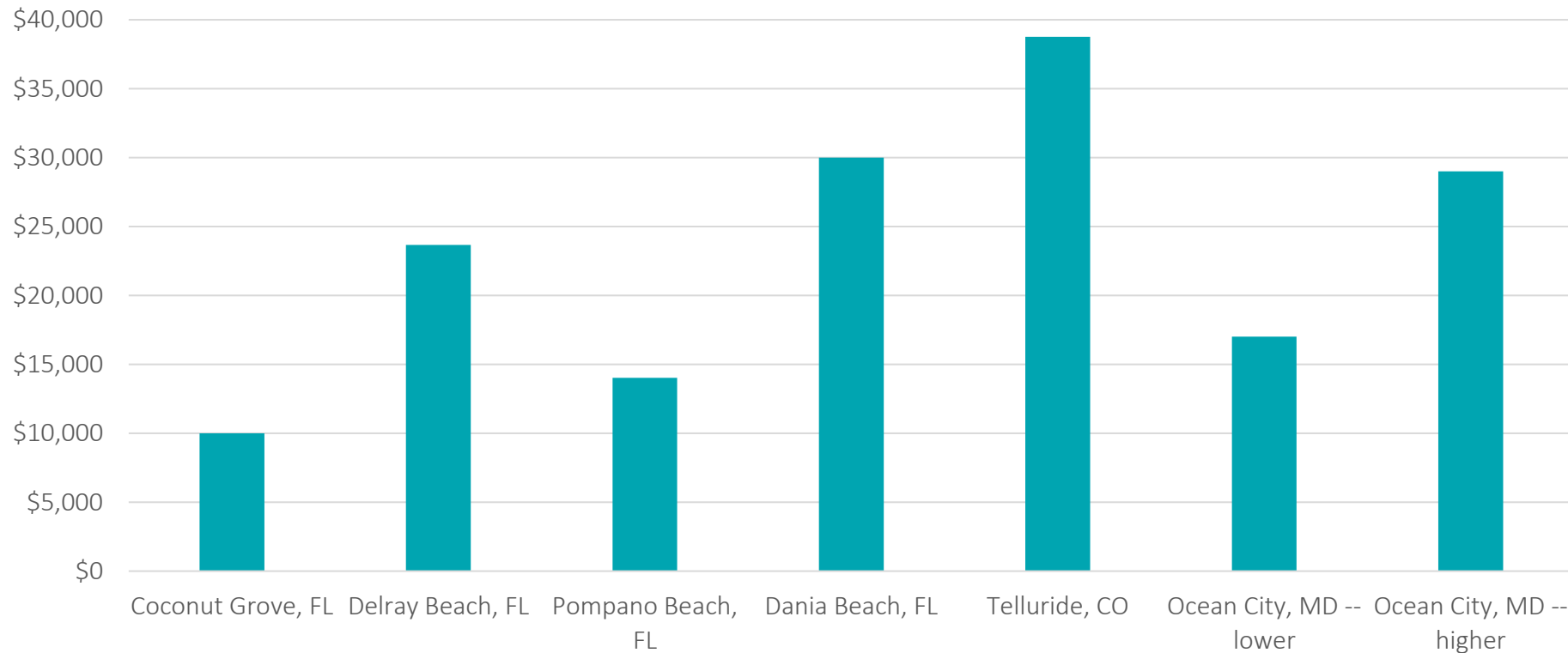
<i>Without Land</i>	Space Type	With Support for Rooftop Amenity Level		Without Rooftop Amenity Level	
		Upfront Cost	Annual Fee	Upfront Cost	Annual Fee
	Reserved Space	\$51,000+	\$900	\$43,000+	\$900
	Unreserved Space	\$23,000+	N/A	\$17,000+	N/A

<i>With Land</i>	Space Type	With Support for Rooftop Amenity Level		Without Rooftop Amenity Level	
		Upfront Cost	Annual Fee	Upfront Cost	Annual Fee
	Reserved Space	\$59,000+	\$900	\$50,000+	\$900
	Unreserved Space	\$29,000+	N/A	\$22,000+	N/A

- Note, should the Town attempt to construct a municipal parking garage, independent of a FILOP program, utilizing the preceding construction cost assumptions for a parking garage with and without a rooftop amenity level, operating expenses of \$900 per year, annual revenue of \$1,680 per space, a 3.4% discount rate, and a 20-year term for bond financing, the project would be infeasible with negative cash flow during the 20-year bond term.

Illustrative Shared Space Fee Recommendations Compared to Other Municipalities

- As compared to in-lieu fees in peer municipalities for shared spaces, the illustrative fees in Ocean City are in the middle of the range. And well below the \$67,500 per space a developer would spend upfront to provide off-site surface parking.



FILOP Fee Example

- Developer ABC (“ABC”) is proposing to build a mixed-use project with 50 residential units and 5,000 square feet of commercial space. All the commercial space is planned to be occupied with restaurants.
- ABC intends to park all residential units on site but will utilize the FILOP program to satisfy the parking requirement for the commercial space.
- Per section 110-932 of the Town code, restaurants require 1 space per 100 square feet. Therefore, ABC is required to pay an in-lieu fee for 50 parking spaces.
- Shared use of the parking spaces to serve the restaurants is acceptable to ABC. The fee per space in the development’s FILOP fund district is \$20,000. Therefore, ABC must pay \$1,000,000 into the FILOP fund district prior to receiving a certificate of occupancy.

FILOP Program Specifics

- Funds to be used for the following purposes:
 - Land costs for parking facility
 - Hard costs of parking facility construction
 - Soft costs of parking facility construction including design, legal fees, and permit fees
 - On-going operation, maintenance, and repair of parking facility
- Timing of fee payments
 - Upfront fee – lump sum payment prior to occupancy
 - On-going fee (for reserved space) – a set date each year with proration in first year based on commencement of occupancy
- Fee adjustments
 - Apply inflation-based adjustments annually for both upfront and on-going fees.
 - Utilize Engineering News-Record's Building Cost Index, or similar, for annual adjustments to upfront fee.
 - Utilize local CPI for annual adjustments to on-going fee (for reserved space).

FILOP Program Specifics (cont.)

- Parking exceptions, that have been used to waive at least some required parking spaces in new developments, should no longer be granted.
- Current minimum parking requirements, as stated in code section 110-932, should be maintained.
- Current non-conforming uses will not be required to make up any parking shortfalls if replaced with the same uses at the same scale.
- Any change of use will be required to make up any parking shortfalls.

Additional Recommendations

- Consider commencing program using a surface lot that has parking availability, then build a garage when demand warrants.
- On-going monitoring
 - Perform annual occupancy analysis to assess parking availability at FILOP program parking facility during the peak period on the 85th percentile day.
 - Utilize preceding value to set available spaces that may be accommodated, accounting for the 25% sharing factor if spaces are be shared.
 - For example, in a 1,000-space garage, there are 600 spaces being used at peak on the 85th percentile day. Therefore 400 spaces are remaining and available for the in-lieu fee program. Assuming all these spaces are shared, then 533 spaces (400 spaces divided by 0.75 (which is 1.0 minus 0.25)) are remaining for use in that area's FILOP fund.

Additional Recommendations (cont.)

- Establish specific FILOP fund areas in which funds paid will support construction of parking in those areas. For example, the following:
 - Downtown between the Inlet and N. Division St.
 - Downtown between N. Division St. and 9th St.
 - 100th St. municipal parking lot for High Rise Row
 - FILOP fund areas should have a concentration of development projects that will pay in-lieu fees. A critical mass of fees in a FILOP fund area will be needed to commence efforts to construct a parking structure.
- The Town should consider establishment of a Parking Authority to manage existing on-street and off-street parking and any new parking that would be built.

Next Steps

- Consider approaches for the application of FILOP to residential uses.
- Determine whether in-lieu fee should include assumed land costs.
- Identify preferred parking structure approach.
 - Determine whether parking structure will need to support a rooftop amenity level.
 - If with support rooftop amenity level, determine if in-lieu fee should include the additional cost or be based on an estimated cost per space without the rooftop amenity level.
- Study transient parking demand in the area between the Inlet and N. Division St., to refine estimated revenue per space that may be generated. This may result in an adjustment to the illustrative in-lieu fees stated in this report.