

New Hope Parking Garage Analysis

August 15, 2023

- The \$28 million cost number calculated by the 2nd Ad Hoc Garage Committee is a gross exaggeration that is not supported by the facts.
- Indeed, the Committee’s “analysis” of the project’s likely cost does not bear scrutiny

False Construction Costs Estimates

- The 2nd Ad Hoc Committee's Report Engages in Double Counting Regarding the Cost of Construction:
 - New Hope's parking garage consultant, THA, estimated total construction costs of **\$12,892,745** for a 333-stall garage (07-10-23 costs estimate)
 - The 2nd Ad Hoc Committee seemingly chose to disregard THA's work and instead came up with its own estimate of \$16,113,153 – or a full **\$3.2 million MORE** than THA
 - How did the Committee do that?
 - It double counted professional services, site preparation work, and contingencies (all of which were covered in THA's estimate of \$12,892,745).
 - It also included a 3-year delay in construction, without any explanation as to why – unless, of course, it is a self-fulfilling prophesy – at an inflation-adjusted cost of 12% (more on why that rate is an exaggeration a bit later).

False O&M Cost Estimate

- The 2nd Ad Hoc Committee's Report Grossly Exaggerates the Cost of Operation and Maintenance (O&M) once the Garage is Built:
 - The 2nd Ad Hoc Committee estimates that O&M costs will start at a whopping \$250,000 in year one, with an annual 4% inflation rate thereafter (again, more on that in a bit).
 - In doing so, it claims that its number is based on THA's O&M estimate, but has somehow been "adjusted" without any explanation as to how.
 - For its part, THA estimates O&M costs starting at \$189,460 in year one. THA does not get to \$250,000 in annual O&M costs until year 9 of operation.
 - Importantly, both the 2nd Ad Hoc Committee and THA assume staffing costs, which is not how most area public parking garages are operated. Bucks County operates two public parking garages in Doylestown. Neither is staffed.
 - For these reasons, the 2nd Ad Hoc Committee's estimate of **\$7,544,000** in O&M costs over 20 years amounts to a gross exaggeration.

False Inflation Assumptions

- Inflation:
 - Average inflation over the **last 10 years** has been **2.4% per year**, even taking into the account the steep spike in inflation as a result of the pandemic and resulting supply chain issues and government stimulus.
 - The **current** rate of inflation is **3.2%**.
 - **The Congressional Budget Office predicts inflation rates to remain below 3% through 2033.**
 - Despite these facts, the 2nd Ad Hoc Committee chose to apply a **4% rate** of inflation to its construction cost calculation and to its calculation of annual O&M costs.
 - That higher rate, once again, exaggerates the long-term cost of this project.

Getting Real on the Numbers

- So what are the real, likely costs of building and maintaining a public parking garage in New Hope?
- Let's start with the size of the garage.
- All of the estimates – whether by consultants or the 2nd Ad Hoc Committee – assume a **333-stall** garage.
- But that number is not written in stone, and the Council should feel free to consider alternatives if they might prove more cost effective.
- So, we will consider, for the purposes of this discussion – but again, not by way of limiting other approaches – three alternatives: a 333-stall structure and a 250-stall building, as well as a 153-stall structure, similar to the County's newest garage in Doylestown Borough.

333 Stall Garage per THA Estimates

- The 333-stall Garage Per THA, \$38,717 per stall (This is a worst case scenario.)
 - Using the consultant THA's construction estimates, minus the **state grant of \$1,750,000**, and assuming a 20-year bond at a 3.5% interest rate, as well as a 3% inflation rate – which is more in-keeping with history and forecasts, as noted – applied to O&M costs based on THA's forecast minus staffing costs, the cost of the project would be:

\$18,912,214

- Using the consultant THA's construction estimates minus the **state grant of \$1,750,000**, and assuming a 20-year bond at a 3.5% interest rate, as well as a 3% inflation rate applied to O&M costs based on the costs reported by Bucks County for one of its two Doylestown parking garages per year, the cost of the project would be:

\$17,380,602

333 Stall Garage per Harmon Group Estimates

- The 333-stall Garage Per The Harmon Group **\$27,254** per stall
 - Using the estimate provided by the Harmon Group, but again using THA's O&M estimates minus staffing at an inflation rate of 3% over 20 years, the cost of the project would be:
\$13,510,434
 - Using the same construction costs but O&M costs based on the Bucks County experience:
\$11,978,822

333 Stall Garage per PFM & RVE Estimates

- The 333-stall Garage Per PFM and RVE Estimates, \$25,000 per stall
 - Using a common cost in our area of \$25,000 per stall, but again using THA's O&M estimates minus staffing at an inflation rate of 3% over 20 years, the cost of the project would be:
\$12,448,254
 - Using the same construction costs but O&M costs based on the Bucks County experience:
\$10,916,642

250 Stall Garage per THA Estimates

- The 250-stall Garage Per THA (i.e., \$38,717 per stall, despite the fact that THA's number would likely be **lower** for a smaller structure, since it's \$38K number seems to be driven in large part by the size of the building)
 - Again, using THA's O&M estimates minus staffing at an inflation rate of 3% over 20 years – which is likely an overestimate since the structure would be smaller – the cost of the project would be
\$14,364,694
 - Using the same construction costs but O&M costs based on the Bucks County experience:
\$12,833,082

250 Stall Garage per Harmon Group Estimates

- The 250-stall Garage Per The Harmon Group, \$27,254 per stall
 - Again using THA's O&M estimates minus staffing at an inflation rate of 3% over 20 years – which is likely an overestimate since the structure would be smaller – the cost of the project would be:
\$10,309,314
 - Using the same construction costs but O&M costs based on the Bucks County experience:
\$8,777,702

250 Stall Garage per PFM & RVE Estimates

- The 250-Stall Garage Per PFM and RVE Estimates, \$25,000 per stall
 - Again using THA's O&M estimates minus staffing at an inflation rate of 3% over 20 years – which is likely an overestimate since the structure would be smaller – the cost of the project would be:
\$8,505,214
 - Using the same construction costs but O&M costs based on the Bucks County experience:
\$6,973,602

153 Stall Garage per THA Estimates

- The 153-stall Garage Per THA (i.e., \$38,717 per stall, despite the fact that THA's number would likely be **lower** for a smaller structure, since it's \$38K number seems to be driven in large part by the size of the building)
 - Again, using THA's O&M estimates minus staffing at an inflation rate of 3% over 20 years – which is likely an overestimate since the structure would be smaller – the cost of the project would be:
\$9,050,134
 - Using the same construction costs but O&M costs based on the Bucks County experience:
\$7,518,522

153 Stall Garage per Harmon Group Estimates

- The 153-stall Garage Per The Harmon Group, \$27,254 per stall
 - Again using THA's O&M estimates minus staffing at an inflation rate of 3% over 20 years – which is likely an overestimate since the structure would be smaller – the cost of the project would be:
\$6,568,234
 - Using the same construction costs but O&M costs based on the Bucks County experience:
\$5,036,622

153 Stall Garage per PFM & RVE Estimates

- The 153-Stall Garage Per PFM and RVE Estimates, \$25,000 per stall
 - Again using THA's O&M estimates minus staffing at an inflation rate of 3% over 20 years – which is likely an overestimate since the structure would be smaller – the cost of the project would be:
\$6,080,214
 - Using the same construction costs but O&M costs based on the Bucks County experience:
\$4,548,602

Actual Cost Ranges

Spaces	Costs	THA - Worst Case	THA - Likely	Harmon	PFM/RVE
333	Cost to Build	\$11,142,761	\$11,142,761	\$7,325,582	\$6,575,000
	Cost to Finance	\$4,625,619	\$4,625,619	\$3,041,018	\$2,729,420
	O&M Cost	\$3,143,834	\$1,612,222	\$1,612,222	\$1,612,222
	Total Cost	\$18,912,214	\$17,380,602	\$11,978,822	\$10,916,642
250	Cost to Build	\$7,929,250	\$7,929,250	\$5,063,500	\$4,500,000
	Cost to Finance	\$3,291,610	\$3,291,610	\$2,101,980	\$861,380
	O&M Cost	\$3,143,834	\$1,612,222	\$1,612,222	\$1,612,222
	Total Cost	\$14,364,694	\$12,833,082	\$8,777,702	\$6,973,602
153	Cost to Build	\$4,173,701	\$4,173,701	\$2,419,862	\$2,075,000
	Cost to Finance	\$1,732,599	\$1,732,599	\$1,004,538	\$861,380
	O&M Cost	\$3,143,834	\$1,612,222	\$1,612,222	\$1,612,222
	Total Cost	\$9,050,134	\$7,518,522	\$5,036,622	\$4,548,602

Consideration of Revenue

- What About Revenue?
- At the southern end of Main Street, the American Legion charges \$20 to park in its lot.
- A public parking garage would likely have cars in it just about every day of the week. But there is no question that it would be busiest on Fridays, Saturdays and Sundays.
- In light of that, a conservative estimate of revenue using the \$20 charge as an example only, as well as 141 days per year (calculated as follows: a total of 3 busy days per week, times 52 weeks, minus 15 days to account for holidays and other slow periods) would generate for a 333-stall, 250-stall garage and 153-stall garage:
 - 333 spots: \$939,060
 - 250 spots: \$705,000
 - 153 spots: \$431,460

Additional Considerations

- All of this assumes that there will be no additional state grant money for this project.
- While I cannot guarantee additional money, I can pledge that I will make securing more money a priority if the Borough moves forward with this project.
- Why? Because it's needed. According to the Borough's 2018 survey 79% of residents and 83% of businesses say that parking is a problem in New Hope. It's self-evident to everyone who lives here and everyone who visits.