

April 1, 2011



Harrisburg Parking Authority Board  
P. O. Box 1142  
Harrisburg, Pennsylvania 17108-1142

**RE: Valuation of Property- Chestnut Street, Walnut Street, and Fifth Street Garages**

Dear Board Members:

Wilbur Smith Associates (WSA) is pleased to submit this letter report regarding valuation services for the property on which the Chestnut Street, Walnut Street, and Fifth Street Garages occupies. These properties are owned by the City of Harrisburg but leased to HPA through 2016. The City of Harrisburg would like to generate additional revenue and is therefore considering entering into a long term ground lease with HPA that would extend through December 31, 2040. It is assumed that the value of these properties is tied to the parking garage’s potential to generate revenue for HPA, thus our analysis will project net income through 2040 and translate that into a present value.

The new work performed to determine the value of these properties is a logical extension of the Business Valuation report we submitted in March 2011.

**Capital Expenditures**

The HPA Business Valuation report recommends that the Walnut Street and Chestnut Street garages be replaced in 2027 and 2033 at an estimated cost in 2011 dollars of \$26.5 million and 26.1 million, respectively.

The Fifth Street Garage will not have to be replaced within 30 years but some major repairs will be needed, especially in 2027 and 2029. **Tables 1 and 2** present capital expenditures for the three garages in 2011 dollars and adjusted for inflation.

**Table 1: Capital Expenditures Expressed in 2011 Dollars**

YEAR	Chestnut Street	Fifth Street	Walnut Street	YEAR	Chestnut Street	Fifth Street	Walnut Street
2011	\$202,724	\$38,185	\$148,304	2026	\$77,483	\$49,796	\$87,303
2012	\$218,708	\$38,959	\$1,774,238	2027	\$78,466	\$2,077,571	\$26,500,000
2013	\$64,692	\$39,733	\$75,171	2028	\$79,450	\$51,345	\$19,742
2014	\$65,676	\$40,507	\$350,104	2029	\$305,434	\$3,552,119	\$20,675
2015	\$66,660	\$41,282	\$77,037	2030	\$81,418	\$52,893	\$21,609
2016	\$67,644	\$42,056	\$77,971	2031	\$82,402	\$53,667	\$22,542
2017	\$68,628	\$42,830	\$1,578,904	2032	\$83,386	\$54,441	\$23,475
2018	\$69,612	\$43,604	\$220,837	2033	\$26,112,000	\$55,215	\$24,408
2019	\$295,595	\$44,378	\$305,770	2034	\$20,813	\$55,989	\$25,342
2020	\$71,579	\$146,152	\$81,704	2035	\$21,797	\$56,763	\$26,275
2021	\$72,563	\$45,926	\$82,637	2036	\$22,781	\$57,537	\$27,208
2022	\$2,694,547	\$46,700	\$83,570	2037	\$23,765	\$58,311	\$28,141
2023	\$74,531	\$47,474	\$84,503	2038	\$24,749	\$59,085	\$29,075
2024	\$75,515	\$198,248	\$85,436	2039	\$25,733	\$59,860	\$30,008
2025	\$365,499	\$49,022	\$86,370	2040	\$26,717	\$161,634	\$30,941
<b>Total - 30 Yr Cost</b>					<b>\$31,540,569</b>	<b>\$7,361,283</b>	<b>\$32,029,299</b>

**Table 2: Capital Expenditures Adjusted for Inflation**

YEAR	Chestnut Street	Fifth Street	Walnut Street	YEAR	Chestnut Street	Fifth Street	Walnut Street
2011	\$202,724	\$38,185	\$148,304	2026	\$117,777	\$75,693	\$132,705
2012	\$221,989	\$39,544	\$1,800,851	2027	\$123,447	\$3,268,540	\$41,691,157
2013	\$66,648	\$40,934	\$77,443	2028	\$129,370	\$83,605	\$32,146
2014	\$69,353	\$42,775	\$369,703	2029	\$514,750	\$5,986,407	\$34,844
2015	\$72,151	\$44,682	\$83,384	2030	\$142,017	\$92,260	\$37,692
2016	\$75,047	\$46,658	\$86,504	2031	\$148,764	\$96,887	\$40,696
2017	\$78,042	\$48,705	\$1,795,491	2032	\$155,809	\$101,724	\$43,864
2018	\$81,140	\$50,825	\$257,409	2033	\$50,498,713	\$106,782	\$47,204
2019	\$353,161	\$53,020	\$365,318	2034	\$41,660	\$112,069	\$50,724
2020	\$88,512	\$180,726	\$101,031	2035	\$45,157	\$117,595	\$54,433
2021	\$92,869	\$58,778	\$105,762	2036	\$48,847	\$123,370	\$58,339
2022	\$3,569,292	\$61,861	\$110,700	2037	\$52,740	\$129,406	\$62,452
2023	\$102,182	\$65,087	\$115,854	2038	\$56,846	\$135,713	\$66,781
2024	\$107,154	\$281,311	\$121,233	2039	\$61,174	\$142,303	\$71,337
2025	\$536,789	\$71,997	\$126,847	2040	\$65,736	\$397,699	\$76,130
<b>Total - 30 Yr Cost</b>					\$57,919,862	\$12,095,143	\$48,166,337

**Future Parking Demand**

Adjusted parking supply and parking demand were projected to 2060 using the same methodology used in the 30-year lease valuation work. Increases in parking demand were based on a one-half percent employment increase. The results of the yearly parking supply and demand comparison are shown in **Table 3**.

**Table 3: Parking Supply and Demand Comparison**

YEAR	ADJUSTED SUPPLY	PROJECTED DEMAND	SURPLUS (DEFICIT)	YEAR	ADJUSTED SUPPLY	PROJECTED DEMAND	SURPLUS (DEFICIT)
2011	19,980	18,572	1,408	2026	21,293	20,191	1,102
2012	20,111	18,646	1,465	2027	21,306	20,267	1,039
2013	20,241	18,721	1,520	2028	21,308	20,343	965
2014	20,388	18,795	1,593	2029	21,316	20,420	896
2015	20,522	18,870	1,652	2030	21,328	20,496	832
2016	20,677	18,944	1,733	2031	21,331	20,572	759
2017	20,809	19,018	1,791	2032	21,338	20,649	689
2018	20,967	19,093	1,874	2033	21,344	20,725	619
2019	21,104	19,167	1,937	2034	21,353	20,801	552
2020	21,247	19,733	1,514	2035	21,367	20,878	489
2021	21,252	19,809	1,443	2036	21,373	20,954	419
2022	21,262	19,886	1,376	2037	21,376	21,030	346
2023	21,272	19,962	1,310	2038	21,385	21,107	278
2024	21,277	20,038	1,239	2039	21,391	21,183	208
2025	21,287	20,114	1,173	2040	21,400	21,259	141

**Revenue Projections**

The HPA Parking System Business Valuation report prepared by WSA and submitted in March 2011 provides revenue and operating expense projection details for the Walnut Street, Chestnut Street, and Fifth Street Garage. These details are found in the appendix in Tables RM- 4, RM-5, and RM- 6 (Walnut Street Garage); RM-7, RM-8, and RM-9 (Chestnut Street Garage), and RM-10, RM-11, and RM-12 (Fifth Street Garage).

Net revenue, operating expenses, and net income projections shown in Tables RM-4 through RM-12 were based on the anticipated rate increases shown below in **Tables 4** and **5** for monthly and daily parkers, respectively.

**Table 4: Anticipated Monthly Parking Rate Schedule**

YEAR	UNRESERVED	RESERVED	YEAR	UNRESERVED	RESERVED
2011	\$145	\$190	2026	\$250	\$345
2012	\$145	\$200	2027	\$290	\$395
2013	\$145	\$200	2028	\$290	\$395
2014	\$145	\$200	2029	\$290	\$395
2015	\$170	\$230	2030	\$335	\$450
2016	\$170	\$230	2031	\$335	\$450
2017	\$170	\$230	2032	\$335	\$450
2018	\$190	\$260	2033	\$385	\$520
2019	\$190	\$260	2034	\$385	\$520
2020	\$190	\$260	2035	\$385	\$520
2021	\$220	\$300	2036	\$440	\$600
2022	\$220	\$300	2037	\$440	\$600
2023	\$220	\$300	2038	\$440	\$600
2024	\$250	\$345	2039	\$505	\$690
2025	\$250	\$345	2040	\$505	\$690

**Table 5: Anticipated Daily Parking Rate Schedule**

TIME LIMIT	2011	2013	2017	2021	2025	2029	2033	2037
> 2 Hours	\$5.00	\$5.00	\$6.00	\$7.00	\$8.00	\$9.00	\$10.00	\$11.00
2-3 Hours	\$7.00	\$7.00	\$8.00	\$9.00	\$10.00	\$11.00	\$12.00	\$13.00
3-4 Hours	\$8.00	\$8.00	\$9.00	\$10.00	\$11.00	\$12.00	\$13.00	\$14.00
4-5 Hours	\$9.00	\$9.00	\$10.00	\$11.00	\$12.00	\$13.00	\$14.00	\$15.00
5-11 Hours	\$16.00	\$17.00	\$19.00	\$21.00	\$23.00	\$26.00	\$28.00	\$30.00
11-24 Hours	\$20.00	\$21.00	\$23.00	\$25.00	\$27.00	\$30.00	\$32.00	\$34.00

The net income values in Tables RM-4 through RM-12 include estimates of regular maintenance as well as the projected capital expenditures shown in Tables 1 and 2. By 2040 the Walnut Street Garage should earn approximately \$5.6 million in net income, the Chestnut Street Garage should earn approximately \$7.7 million in net income, and the Fifth Street Garage approximately \$5.4 million in net income.

### **Financing Capacity Analysis**

For this study WSA conducted a conceptual-level financial analysis to estimate the value of the Walnut Street, Chestnut Street, and Fifth Street garages based on an extension of the existing lease between HPA and the City of Harrisburg for a period of thirty (30) years. The analysis was conducted using a partnership model, which assumes that, through a contract with the City of Harrisburg, HPA would operate and maintain the garages for a designated period of time in exchange for revenues generated by the garages during that time. The resulting value estimates the potential up-front lease payment that the City of Harrisburg could charge HPA in exchange for the concession.

The financial analysis assumes that an extension to the existing lease agreement would be executed in 2011, with a prepaid lease payment due from HPA at that time. Because HPA's current parking facility lease agreement with the City of Harrisburg extends through 2015, it was assumed that the new concession would begin in 2016 and extend for a 30-year term. The financial analysis utilizes the estimated revenue data and estimated expenditure data (operations, maintenance, and other associated costs) described previously in this report. Because HPA is a public agency associated with the City of Harrisburg, the financial analysis is based on the issuance of non-recourse tax-exempt revenue debt and has a debt service coverage ratio of 1.75. The interest rates for the model are consistent with the recent capital market financing of the Chicago Parking Meters by Morgan Stanley.

Financial models were developed for each of the three garages, as well as for a single, three-garage system. The results of the analysis are presented in tabular format in **Table 6**. **Figure 1** presents the results graphically. As shown, the expected value of the 2011 prepaid leases for the Walnut Street, Chestnut Street, and Fifth Street garages are respectively \$17.9 million, \$22.6 million, and \$17.1 million. When combined into a single, three-garage system, the prepaid lease value is \$56.7 million.

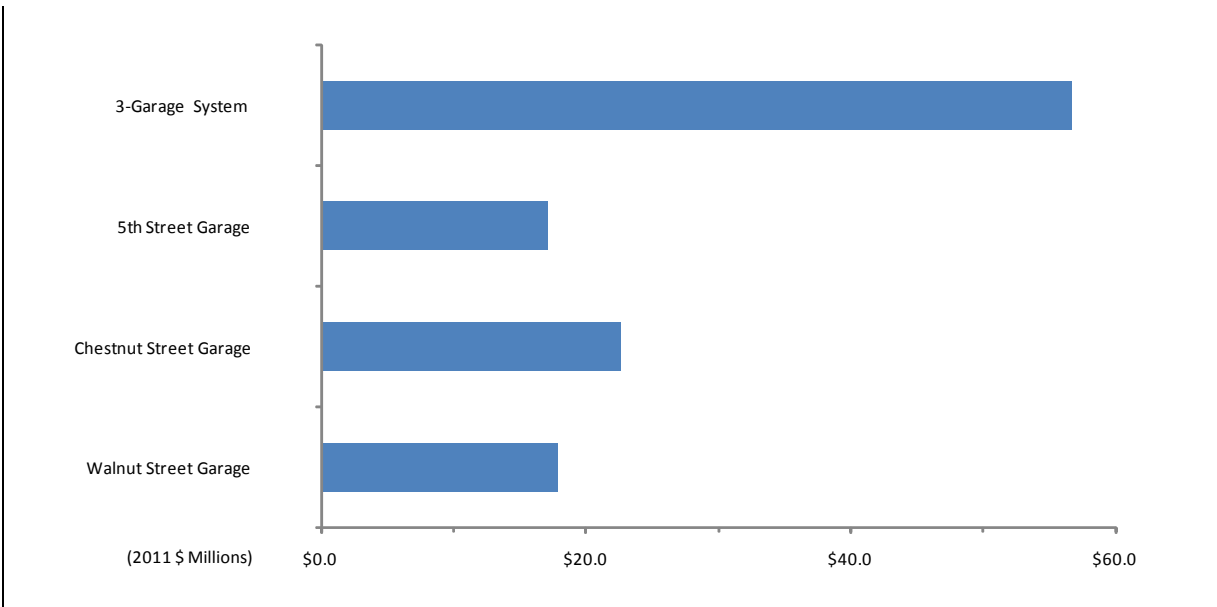
**Table 6: Valuation Results in 2011 Millions of Dollars**

<b>Facility</b>	<b>Valuation</b>
Walnut Street Garage	\$17.9
Chestnut Street Garage	\$22.6
5th Street Garage	\$17.1
3-Garage System	\$56.7

Over the 30-year term of the lease, these amounts equate to average annual leases of approximately \$570,000 for the Fifth Street garage, \$750,000 for the Chestnut Street garage, and \$597,000 for the Walnut Street garage. The average annual lease for the three-garage system is approximately \$1.89 million. These annual lease values are presented in 2011 dollars.

The financial analysis presented in this report is conceptual-level and is intended only for planning purposes. It is not intended to supplant the analysis that will be required by a financial advisor or underwriter as part of the financing process. Changes in project assumptions and parameters, changes in financial market conditions, and / or further refinements by a financial advisor could materially alter the results of these analyses.

**Figure 1: Valuation Results in 2011 Millions of Dollars**



Thank you for the opportunity to estimate the value of property on which the Fifth Street, Chestnut Street, and Walnut Street garages sit.

Sincerely,

**WILBUR SMITH ASSOCIATES**

W. Hollis Loveday, P.E.

WHL/whl