

Solving the Hospital Parking Puzzle

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Hospitals are expanding their facilities at a feverish pace to ready for the aging baby boomers. Millions of dollars are being spent on new, more modern buildings. A necessary nuance of any building expansion is parking. City and county codes mandate a proportionate increase in available parking for the anticipated increase in employees, patients, and guests. Though an investment in parking is necessary and substantial, it is often viewed as a necessary evil. But these valuable parking assets can be leveraged for a building expansion project or for generating alternative sources of revenue for the hospital through a pay-to-park system.

Many hospitals balk at the thought of charging employees, patients, and guests for parking. The costs of parking are ultimately included in the overhead structure of the hospital. So who pays for parking? The patients do. **The fact is there is no such thing as free parking.** With most people unwilling to give up the pleasure and privilege of personal transportation, employees, guests, and even vendors are getting a parking free ride on the back of patients.

High density urban hospitals have felt and responded to the need for paid parking for decades. People expect to pay for parking when they enter high density areas like those common to downtown or high-rise areas. It won't be long before people will expect to pay to park wherever they go. This holds true for hospitals as well. The decision to charge for parking on a hospital campus is an important, complex, and often confusing process. Here are some of the key factors we consider as we help hospitals transition to and be successful in a pay-to-park model.

The Dollars

New and existing parking structures are assets that can be leveraged to fund themselves or other expansion projects. Not only can the physical structure be leveraged, but more importantly, the future pay-to-park revenues can be monetized and collateralized to increase the cash proceeds to the hospital. In order to avoid potential unfavorable tax treatment common to the sale of a real property asset, and in order to overcome any future control issues, a lease-lease back transaction is a popular route to take for many hospitals. In a lease-lease back transaction, the proceeds to the hospital can be optimized and the



ownership of the parking assets remains with the hospital. In exchange for proceeds collateralized by any parking asset equity and future cash flows of the pay-to-park system, the hospital will agree to pay off a 25 to 30-year lease on the new or existing parking structures. Throughout the term of the lease, the asset remains the property of the hospital, subject to a security interest in the property filed by the lessor. With parking rates likely to rise over a 25 to 30-year horizon, the revenue stream can be customized to simply cover the debt service on the parking lease or it can be designed to generate a windfall for the hospital.

There are capable and ready institution-specific private equity funds that are committed to funding a project just like yours!

The Build

The days of the bare-bones, simply concrete-gray, stale, and unimpressive parking structures are gone. Thanks to impressive, creative and affordable architectural features, parking structures are often fully integrated into the design and fashion of their surroundings. It is



helpful for a hospital to view parking as not only about cars, but about people. Signage, lighting, traffic patterns, adequate space, and other people-amenities can make a big difference in the experience of employees, patients, and guests. Engineers and architects specializing in parking can design and build a parking structure that will enhance the look and feel of your hospital campus. It's important to get them involved early in the parking assessment and building design process so that features can be optimized and rework minimized.

The Operations

Cars don't drive themselves. Ultimately, the people driving the cars are coming to your hospital for a reason, whether it be work, treatment, diagnosis, or simply to visit. The first and last thing people experience about your hospital is the parking. People expect access to be easy and secure so that their valuable vehicle is safe during their stay. They expect entrances and exits to the garage to be well marked and easy to get to. They expect the parking structure to be clean, free of debris, and safe. They expect their pay transaction to be simple and quick.

They don't expect someone to offer way-finding or to offer technical assistance with their pay

transaction. They don't expect a hospitality attendant to smile and warmly send them on their way upon their exit. They don't expect their child sitting in the back seat to get a lolly-pop as they exit the garage. These hospitality services, unique to Avascend, can add great value in this experience economy!

Avascend will work with the client to select the best access and revenue control system for their project and insure the hardware is installed well, the software is well tested, and revenue control, ticket control, and badge issuance processes are well documented, well trained, and implemented with compliance testing.

The Implementation

Avascend, the first and best healthcare hospitality company in the country, has developed industry-best partnerships to bring experts in all three of these key factors to hospitals as they determine how to best use their parking assets. The partners all specialize in a single key factor, but working together and with the executive team and Board of a hospital, can help engineer the best whole-campus solution possible. Working together from the beginning, the Avascend team of industry-best specialists can shorten the go-live window for a parking structure, insure a well-timed and organized implementation, and insure effective communications about changes to patrons and employees.

In addition to providing expert garage operations and hospitality services, Avascend can also provide brand new shuttles and drivers for any interim off-site parking needed during the construction phase of a new parking structure.

