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AL FRENCH, COMMISSIONER – DISTRICT 5



November 21, 2025

Mayor Lisa Brown
Council President Betsy Wilkerson
Spokane City Hall
808 W Spokane Falls
Spokane WA 99201

Re: Proposed Parking Tax Increase, Ordinance No. C36801

I write to you today to share my observations and thoughts about the proposed Parking Tax increase that is under consideration by the Spokane City Council. Among the current City Council or staff, my experience and success in real estate development, job creation and recruitment is unparalleled. I offer my insights gained from 48 years in the real estate industry, a member of the City Planning Commission, Chair of the City's Community Development Committee and eight years on the Spokane City Council. I hope to provide understanding of several issues with the proposed ordinance and the potential unintended consequences of this action.

As the senior county commissioner, I have demonstrated my commitment to seeing that the entire county grow and prosper, including the downtown core. The ordinance, subject of your hearing on Monday night, November 17, 2025, causes me great concern. The proposed ordinance ignores critical factors about downtown Spokane and demonstrates a lack of knowledge regarding how the real estate industry functions and what motivates investors to put their resources at risk to develop a parcel of land.

The current official office vacancy rate downtown is 34%. The real vacancy rate is closer to 44%. With many offices allowing their employees to continue to work remotely, they find themselves with more space than they need. Such offices are waiting for their current leases to hit their renewal dates so that they can adjust their office size accordingly. That will put more vacant office space on the market, increasing the vacancy rate to reflect the true level, which will be the highest in recent history.

If a landowner wanted to build a new office building, the first requirement to secure financing from a lender would be conducting a market and feasibility study identifying the need, rent, and absorption rate for new office space. A vibrant office market would have a vacancy rate of 8-10%, not 44%. A feasibility study will reveal that a depressed rental rate because of high

vacancy, coupled with an expensive construction market, will not yield a project that could be financed on its own. As a result, growth of downtown business is inhibited.

For present owners of an office building with a high vacancy rate to combat this issue, they can either try to wait out the market, with the hope that time will spur new demand and fill the vacant space, or the owner could decide to repurpose the space going from office to housing. While there are a couple of developers that are pursuing the latter path for older buildings, it is at a very high cost and comes with a high degree of risk. The demand for this kind of space is very limited.

Some landowners are using surface parking revenue to carry a property until a more favorable development climate returns to downtown. Such owners are not going to be motivated to take on new risk when they can pass the carrying cost on to the consumer, which is what the proposed ordinance permits. While managers and executives can absorb the cost with little inconvenience, blue collar workers will feel the increase as it compresses their disposable incomes. Shoppers will factor in the cost of parking downtown and look for retail opportunities elsewhere. There are very few retailers' downtown that have a single location in this market and fewer yet, that don't offer internet purchases. As a result, the success of downtown business is inhibited.

Additionally, the Spokane Public Facilities District and Spokane International Airport, both of which are located within the City of Spokane, will be impacted. As the City cannot act in the same capacity because of its Charter, Spokane County serves as the fiduciary for these entities and guarantors of issued debt. Generally speaking, the Parking Tax ordinance jeopardizes the County's collateral.

Parking revenue is the largest revenue source for Spokane International Airport. The CEO testified Monday that this ordinance will cost the airport \$2.5M annually. Putting aside the fact that amount of revenue could finance \$35M worth of improvements to our jointly owned asset, that revenue also serves as part of the collateral for the debt the County is guaranteeing on behalf of the airport and the City of Spokane. The same condition also exists for the Public Facilities District ("PFD") and its outstanding debt. Parking revenue is a significant part of the PFD's available sources to service this debt. Again, the proposed ordinance jeopardizes the County's collateral.

With this, it begs the questions: Is the City of Spokane willing to take revenue from its regional partners in order to solve their operating budget problems? If this is to be the new paradigm of this partnership, then that will factor into my support of future debt for properties located within the City of Spokane. Moreover, consider those that will actually be paying for this: citizens needing to utilize the courthouse for services or attend jury duty, and patrons of our regional hospitals dealing with personal health challenges or caring for loved ones.

This tax will not spur new growth, but to the contrary it will prevent new investment in the City's core. This tax might work if the market did not offer alternatives to downtown Spokane, but it does. Businesses can choose to locate up North, in Spokane Valley or Liberty Lake; even choosing our neighboring state and going to Post Falls or Coeur d'Alene. Most importantly, it is our constituents that will bear the increased cost, if they continue to go downtown at all. The

unintended outcome of flawed policy is that the City of Spokane becomes the hole in the middle of the doughnut, nothing there but air. Please don't let that happen to Spokane.

Sincerely,



Al French

Spokane County Commissioner

Cc: Jonathan Bingle
Michael Cathcart
Paul Dillon
Shelby Lambdin
Zack Zappone
Kitty Klitzke