

1515 Government Street Parking Garage Lease

Mayor, fellow Aldermen, and citizens,

Tonight, we are considering the lease agreement associated with the parking garage at 1515 Government Street.

Before casting my vote, I believe it is important that I explain the research I have conducted, the questions I have asked, and how I arrived at my decision.

Transparency is important, public discussion is healthy, and citizens deserve access to information when decisions of this magnitude are being made. Because of the significance of this issue, I believe the citizens of Ocean Springs deserve to understand the research I have conducted, the questions I have asked, and how I arrived at my decision.

As most of us know, the City of Ocean Springs and OHOS were awarded approximately \$8 million in grant funding through the Mississippi Development Authority, or MDA, to assist with the construction of 1515 Government Street development and the parking garage. This project has been a partnership between the City, OHOS, and MDA from the beginning.

According to information published by MDA, a final inspection of the project was completed on November 20, 2025. MDA records indicate the project was completed with the exception of the lease agreement, making the lease the final remaining requirement necessary to satisfy the grant obligations associated with this project.

Further supporting this information, the Mississippi Office of the State Auditor published a Gulf Coast Restoration Fund report in March 2026 that specifically referenced the 1515 Government Street parking garage project. According to that report, if the City does not enter into an agreement with OHOS, the City may be required to repay Gulf Coast Restoration Fund monies associated with the project to MDA. The report further states that, pursuant to the grant agreement dated July 1, 2024, the project must be closed out by June 30, 2026.

Because of the significance of this issue, I conducted additional research and spoke with representatives from both the State Auditor's Office and MDA.

From those conversations, I learned that the original concept contemplated City ownership of the parking garage. However, at some point during the process, the project transitioned to a lease structure, and I was informed that all parties involved agreed to that change.

On August 17, 2021, the City and OHOS executed a Memorandum of Understanding approved by the previous Board of Aldermen. That MOU established the framework for the lease arrangement before us today and served as the foundation upon which this project moved forward.

I contacted State Auditor Shad White's office to determine whether a separate audit had been conducted regarding this project. While I was advised there was no stand-alone audit of the parking garage, the project was included in the State Auditor's Gulf Coast Restoration Fund review.

With a follow-up conversation, I also asked whether the State would still have the ability to investigate any alleged wrongdoing associated with this project if a lease agreement is approved. I want the public to know that accountability and fulfilling our obligations are not mutually exclusive. If the State believes further review is warranted, I welcome that review.

I support accountability and transparency.

I have spent considerable time trying to understand both how we arrived at this point and what options are available to us moving forward. The decisions that were made in the past matter, and I believe they deserve scrutiny where appropriate. At the same time, as we sit here tonight, we must also determine what course of action best serves and protects the taxpayers of Ocean Springs going forward.

Recently, a Ward 1 resident told me that we should make a point and hold people accountable. I respect that opinion.

Many citizens want answers. Many citizens want accountability. So do I.

But accountability and moving forward are not mutually exclusive.

We can continue asking questions while also making decisions that are in the best interest of the taxpayers.

The decision before us is how to move forward in a manner that best protects the taxpayers of Ocean Springs. We should focus on the financial realities and obligations that exist today while continuing to support any investigation the State believes is necessary.

Under the lease structure outlined in the 2021 Memorandum of Understanding, the City would be responsible only for expenses associated with its allocated public parking spaces, including maintenance, security, electricity, and elevator operations. Those costs have been estimated at approximately 60,000 annually and could potentially be reduced further through available tax benefits.

If the City were to own the parking garage outright, taxpayers would become responsible for all insurance coverage, routine maintenance, major structural repairs, elevator replacement and upkeep, security systems, liability claims, and future capital improvements. As the facility ages, those costs would likely increase, creating long-term obligations that would ultimately be borne by the citizens of Ocean Springs.

There is also an important tax consideration that should not be overlooked. Under the lease arrangement, the parking garage remains privately owned and continues to generate property

tax revenue. OHOS is expected to pay approximately \$80,000 each year in property taxes on the parking garage alone.

Those tax dollars are distributed among the City of Ocean Springs, Jackson County, and the Ocean Springs School District, providing a continuing source of revenue that supports local government services and public education.

By leasing rather than owning the facility, the City not only avoids significant long-term ownership costs and liabilities, but also preserves an ongoing stream of tax revenue that directly benefits our community.

When evaluating ownership versus leasing, we must consider not only direct operating costs but also the value of preserving approximately \$80,000 annually in tax revenue while avoiding the long-term liabilities associated with ownership.

I also believe we should consider our relationship with MDA. Ocean Springs has benefited from MDA funding in the past, and future Boards may seek additional assistance for infrastructure, recreation, transportation, drainage, and public safety projects. While none of us can predict future funding decisions, it is important that Ocean Springs maintain its credibility with state funding partners and fulfill commitments associated with projects that have already received state support.

Additionally, if the City is unable to reach an agreement and satisfy the grant requirements associated with this project, there is a potential risk that the City could be required to repay up to approximately \$8 million in grant funds that helped construct the garage.

Any dispute over those funds could result in lengthy litigation with MDA in Hinds County, Mississippi, potentially costing taxpayers hundreds of thousands of dollars in legal fees and taking years to resolve.

At the same time, the City is actively pursuing an additional \$4 to \$5 million in grant funding for other projects in Ocean Springs. While there are no guarantees regarding future grants, I believe it is important that we carefully consider the financial risks of litigation and the importance of maintaining a productive working relationship with the agencies that help fund critical projects in our community.

Whether we personally agree with every decision made in the past is not the issue before us. The fact remains that a previous Board approved the Memorandum of Understanding in 2021, the City and OHOS proceeded under that understanding, and MDA awarded funding based upon that framework.

The parking garage has already been built. The grant funds have already been spent. The public parking spaces have already been created.

The question before us tonight is not whether we would have structured this project differently seven years ago. The question is what decision best protects the taxpayers of Ocean Springs today.

After reviewing the available information, speaking with state officials, and carefully weighing the financial implications, I believe leasing the public parking spaces is the most responsible option. It limits taxpayer exposure, preserves valuable tax revenue, fulfills our obligations associated with the grant, and avoids the long-term liabilities of ownership.

My responsibility is to protect the interests of the citizens of Ocean Springs and ensure taxpayer dollars are used wisely.

Reasonable people can disagree on this issue, and I respect those differing opinions. However, based on the facts before me, I believe supporting this lease agreement is the best course of action for the City moving forward.

For those reasons, I will vote in favor of this lease agreement.

I believe it protects taxpayers, preserves important tax revenues, fulfills our obligations, and serves the long-term interests of the citizens of Ocean Springs.

Thank you.

Steve Tillis
Alderman, Ward 1
City of Ocean Springs