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The Price of Parking on Great Streets

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CHAPTER 2.2

THE PRICE OF PARKING ON GREAT STREETS

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Practical policies can mean big benefits for the streets on which they are enacted. With performance-based parking prices, local revenue return, and parking increment finance, everybody wins. This chapter was adapted from a speech delivered at the Urban Land Institute's Great Streets Symposium in Washington, D.C., January 17–20, 2006.

How can curb parking contribute to a great street? To help create great streets, a city should (1) charge performance-based prices for curb parking and (2) return the revenue to the metered districts to pay for added public services. With these two policies, curb parking will help to create great streets, improve transportation, and increase the economic vitality of cities.

Performance-Based Parking Prices

Performance-based prices will balance the varying demand for parking with the fixed supply of spaces. We can call this balance between demand and supply the "Goldilocks principle" of parking prices: the price is too high if many spaces are vacant, and too low if no spaces are vacant. When a few vacant spaces are available everywhere, the prices are just right. If prices are adjusted to yield one or two vacant spaces in every block (about 85 percent occupancy), everyone will see that curb parking is readily available. In addition, no one can say that performance-based parking prices will drive customers away if most curb spaces are occupied all the time.

Prices that produce an occupancy rate of about 85 percent can be called "performance-based" for three reasons. First, curb parking will perform efficiently. Most spaces will be occupied, but drivers will always be able to find a vacant space. Second, the transportation system will perform efficiently. Cruising for curb parking will not congest traffic, waste fuel, and pollute the air. Third, the economy will perform efficiently. The price of parking will be higher when demand is

higher, and this higher price will encourage rapid parking turnover. Drivers will park, buy something, and leave quickly so that other drivers can use the spaces. For parking, transportation, and economic efficiency, cities should set prices to yield about an 85 percent occupancy rate.

Local Revenue Return

Performance-based prices for curb parking can yield ample public revenue. If the city returns this revenue to pay for added public spending on the metered streets, residents and local merchants will support the performance-based prices. The added funds can pay to clean and maintain the sidewalks, plant trees, improve lighting, bury overhead utility wires, remove graffiti, and provide other public improvements.

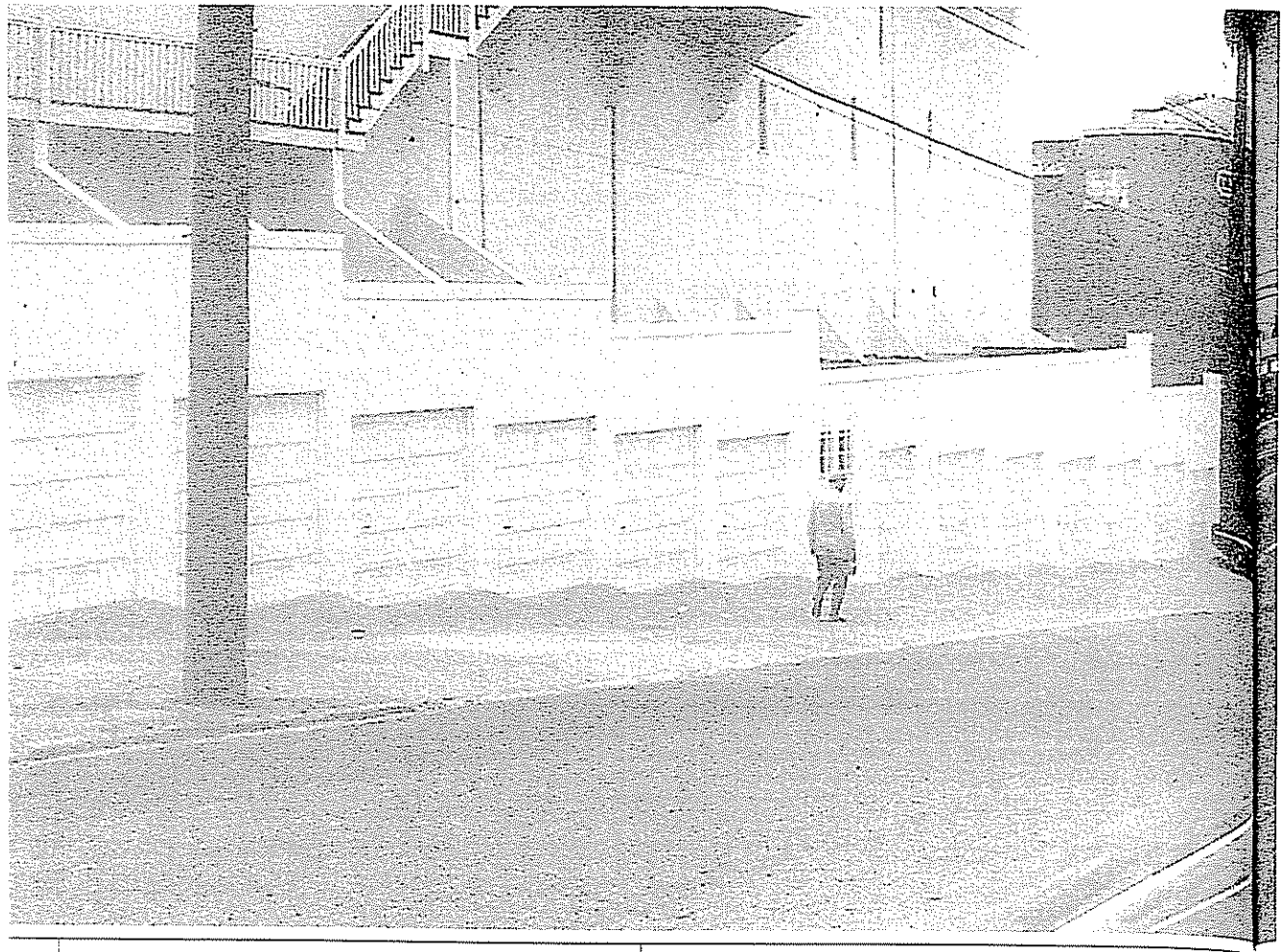
Put yourself in the shoes of a merchant in an older business district where curb parking is free and customers complain about a parking shortage. Suppose the city installs meters and charges prices that produce a few vacancies. Everyone who wants to shop in the district can park quickly, and the meter money is spent to clean the sidewalks and provide security. These added public services make the business district a place where people want to be, rather than merely a place where anyone can park free if they can find a space. Returning the meter revenue generated by the district to the district for its own use can convince merchants and property owners to support the idea of performance-based prices for curb parking.

Suppose also that curb parking remains underpriced in other business districts. Everyone complains about the shortage of parking in these districts, and cars searching for curb parking congest traffic. No meter revenue is available to clean the sidewalks and provide other amenities. In which district would you want to have a business?

Performance-based prices will improve curb parking by creating a few vacancies, the added meter revenue will pay to improve public services, and these added public services will create political support for performance-based prices.

Parking Increment Finance

Most cities put their parking meter revenue into the city's general fund. How can a city return performance-based meter revenue to business districts without shortchanging the general fund? The city can return only the subsequent increment in meter revenue—the amount above and beyond the existing meter revenue—that arises after the city begins to charge performance-based prices. We can call this arrangement *parking increment finance*.

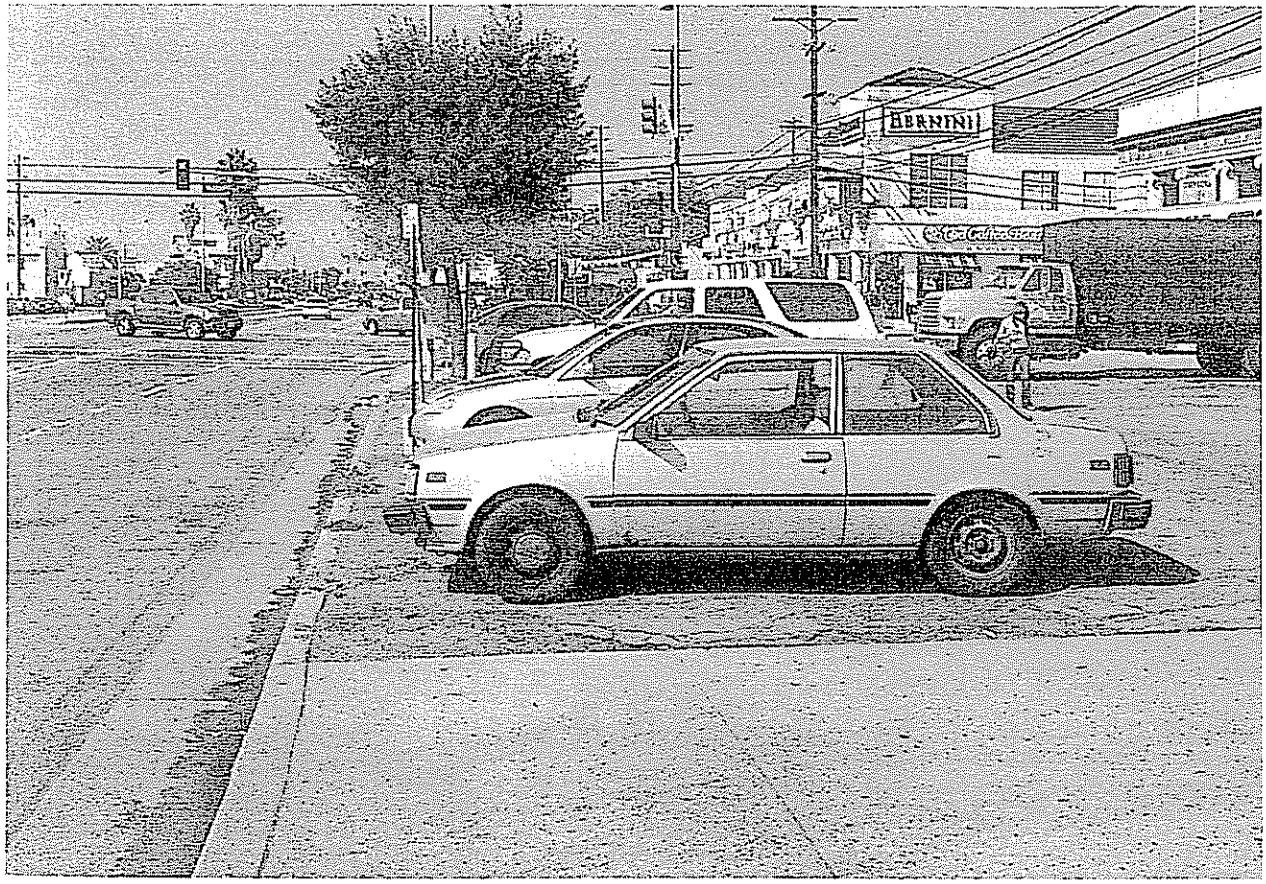


Garages tucked under apartments line a San Francisco street. | Photo by Donald Shoup

Parking increment finance closely resembles tax increment finance, a popular way to pay for public investment in districts in need of revitalization. Local redevelopment agencies receive the increment in property tax revenue that results from the increased property values in the redevelopment districts. Similarly, business districts can receive the increment in parking meter revenue that results from performance-based parking prices. More meters, higher rates, and longer hours of operation will provide money to pay for added public services. These added public services will promote business activity in the district, and the increased demand for parking will further increase meter revenue.

Citation Revenue Sharing

If curb parking is priced to make spaces available, the meters must be enforced. To increase local support for enforcement, the city can share with neighborhoods the revenue from parking citations. Citation revenue can, for example, pay to repair and maintain the sidewalks on metered streets. Instead of opposing enforcement, merchants and residents will see illegally parked cars as citation



Surface parking lots along Venice Boulevard in Los Angeles. | Photo by Donald Shoup

opportunities and will begin to support enforcement. The city will manage parking more effectively, and the neighborhood will receive more revenue to make its streets clean and safe.

By extension, the city can share the revenue from red-light cameras with neighborhoods. Because the city wants to reduce vehicle accidents and increase pedestrian safety, it can offer to install red-light cameras at appropriate intersections and spend the citation revenue to repair and maintain the nearby sidewalks. The cameras will encourage motorists to drive more carefully, and the few who do run red lights will pay to improve pedestrian safety. Except for those who run red lights, everyone will win.

Pilot Program

Cities can use a pilot program to test Goldilocks parking prices for curb parking, combined with local return of the meter revenue. Any business district that wants a pilot program can request it. Because dirty and unsafe streets will never be great, the added parking meter revenue can initially pay for clean-and-safe

programs. Many communities may value clean and safe streets more highly than free but overcrowded curb parking. Parking may not be free, but it will be convenient and worth paying for.

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is professor of urban planning at the University of California, Los Angeles and has written many books and papers on parking, including *The High Cost of Free Parking* (Chicago, IL: Planners Press, 2005), a Planetizen Top Book for 2005, which explains the theory and practice of parking management.

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