Hey, Buddy, What Will You Pay for This Parking Spot?

A lot has happened since APA published *The High Cost of Free Parking*.
By Steffen Turoff, AICP, *and* Carolyn H. Krasnow

DONALD SHOUP, FAICP, WAS A YOUNG ECONOMICS AND PUBLIC POL-icy professor in 1975 when he read about a research paper called "The Effects of the Subsidization of Employee Parking on Human Behavior," by Bill Francis and Curt Groninga, who were then graduate students in public administration at the University of Southern California. Intrigued by this groundbreaking study of the intersection between parking economics, planning, and psychology, Shoup began to research and publish on this largely ignored field. Thirty years later, his book, *The High Cost of Free Parking*, consolidated his many years of work and rapidly created a paradigm shift in the way many people think about parking.

Because he sought to overturn many long-held assumptions about parking, Shoup's findings and recommendations were met with skepticism, and occasionally hostility, in the emotionally charged world of planning. It defied common sense, many said, that charging for parking would bring more people to a commercial district. How could requiring less parking make a desti-nation more attractive to the public? And wasn't any increase in parking rates simply a money grab by city officials or greedy pri-vate developers?

To his critics, Shoup's theories seemed counterintuitive. After all, how could you encourage shoppers and employees of local businesses to travel downtown if they had to pay for parking? Wasn't free parking part of what had given suburban malls an advan-tage over downtowns in the first place?

While the book's in-depth economic analysis might have seemed theoretical and impractical to many lay readers, in fact Shoup's work was, at base, a return to the laws of supply and demand that govern the allocation of most goods people consume throughout society. Is parking really so wor-thy of exception? Shoup's "three command-ments" follow traditional market rules:

Charge the lowest price for on-street parking that will leave one or two open spaces per block at all times; this may require adjust-ing rates up or down, with rates that vary by location and the time of day.

Reinvest some portion of parking revenue in the area where it is generated to pay for local improvements and services.

Remove minimum parking requirements and let owners determine how much parking they need to support their customers and tenants.

There has been much progress since 2005, when APA first published *The High Cost of Free Parking*, but also some chal-lenges on all three fronts.

Charging market rates

On-street parking spaces are a popular—and finite—resource. The only way they can serve more people is through frequent turn-over. On-street parking provides the "face" of an area's parking supply and availability. When on-street parking is full, parking is perceived to be unavailable and inconve-nient. If on-street parking is free, employees arrive first and the customers who arrive later cannot find parking. When on-street parking is priced appropriately, employees will park farther away or in cheaper loca-tions, freeing up spaces for customers.

Research by Shoup and others in cities around the world has shown that under-priced parking—and the subsequent lack of on-street parking availability—not only drives away potential customers (literally), it generates a shockingly high percentage of traffic. The most effective way to miti-gate these problems is to aim for one or two open spaces per block. This is achieved by pricing parking high enough to discourage unnecessary long-term parking. Shoup rec-ommends adjusting rates as needed—even over the course of a day—to achieve the needed balance. For those who call this a major effort in social engineering, Shoup points out, "we don't need to change every-one's behavior; we want to move just one car off blocks where parking spaces are fully oc-cupied."

Over the past eight years Shoup's pricing policy recommendation has been imple-mented in varying degrees in both large and small cities, beginning with Redwood City, California. A similar parking pric-ing plan for on- and off-street parking was implemented in Santa Monica, California,

in 2012, with lower parking rates established in underused locations and higher rates in locations that suffered from a lack of availability. In both cities, the policy has succeeded in increasing employees' use of previously underutilized parking facilities peripheral to popular commercial districts, thereby opening up parking spaces near businesses. Santa Monica saved tens of millions of dollars by using rates to balance utilization; the city had previously contemplated building new parking structures to solve perceived shortages.

Most recently Shoup's ideas have been used as the basis for Houston's Washington Avenue Parking Benefit District, which commenced operation this year. According to Don Pagel, Houston's deputy director of parking management, "much of the thinking behind the new parking benefit district is driven by advances in technology in the parking industry in the past few years, as well as concepts in . . . *The High Cost of Free Parking*." The book was also recently cited as the inspiration for a new—and extremely popular—on-street parking pricing program for the notoriously traffic-strangled streets of Mexico City, demonstrating its relevance to the parking issues of rapidly urbanizing countries and growing markets abroad.

The most high profile of these programs, San Francisco's SFpark, was implemented with the help of a $20 million grant from the Federal Highway Administration. Many call the program successful, and Shoup notes

that SFpark's policies have so far resulted in an overall reduction in parking rates of one percent. In some locations, on-street parking spaces in this notoriously expensive city have dropped to 25 cents per hour, although in others hourly parking rates have climbed to $6 per hour.

Some high-priced blocks still suffer from a lack of available on-street spaces, which has led some people, including park-

ing industry veteran and the editor of *Parking Today*, John Van Horn, to criticize SFpark. "Theoretically, Shoup's basic premise is a good one," says Van Horn, but he also notes that even at $6 an hour, a number of blocks in San Francisco have no available spaces. That suggests to him that the program is not working. "Rates have not increased to affect (the parking behavior of) the number of people" that need to be affected, he says.

Perhaps parking rates simply have not been set high enough?

That is part of the problem, says Van Horn. "The political will is [lacking] to set rates as high as they will need to be" in San Francisco and elsewhere, he notes. Add to this the quick decisions that would be necessary for drivers—and city rate setters—to truly implement on-demand parking pricing and the barriers to adopting the ideas in Shoup's book are daunting, Van Horn says.

Van Horn also raises the question of the importance of comprehensive implementation. "Shoup's theories are a three-legged stool. I'm not sure one (policy) works without the other two."

Keeping revenue local

Perhaps the most common complaint com-

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Donald Shoup

munities face when pricing parking is that the policy amounts to a money grab. A citizen at a public meeting in San Diego where paid parking was discussed reportedly referred to parking meters as "electronic panhandlers." The money-grab complaint has become more common—and louder—in recent years as cities and towns have used parking revenues to make up shortfalls in other municipal funding streams.

Diverting parking revenues to a city's general fund can undermine the goals set out in *The High Cost of Free Parking*. While revenues are a useful by-product of the approach, it is important for municipal managers to avoid thinking of them as the ultimate goal. Experience shows that when the focus becomes revenue generation, particularly revenue that evaporates into the general fund, offending cities have trouble getting the political support they need to implement demand-based parking pricing—and tend to lose their way.

Shoup's "second commandment" is to return some or all parking revenue to the district where it is generated, as a matter of both fairness and political practicality. The policy can generate support for paid parking, on the part of both drivers and business owners who are concerned about the impact on their businesses.

Shoup points to the success and popularity of the Old Pasadena Parking Meter Zone district established in Pasadena, California, in the early 1990s. Signs on parking meters there inform drivers that the money they spend on parking will be used to beautify and maintain the area. As a professor of public finance, he also sees the revenue as a funding source with a rational nexus to its use.

As the Pasadena example suggests, the idea of "localizing" parking revenue predates the publication of *The High Cost of Free Parking*. But since the book came out more cities have implemented this practice successfully. In addition to Redwood City and Houston, parking districts in Austin, Texas, and Ventura, California, among others, have incorporated this practice into their parking management.

No minimum parking requirements

The policy of requiring a land use to provide a minimum number of parking spaces based on its square footage was introduced in the early 20th century to ease the overcrowding of on-street parking spaces. In his book, Shoup states that in most cases the policy achieved its goal. However, minimum parking requirements tend to be inflexible and arbitrary and often result in an oversupply. That oversupply increases distances and decreases walkability between destinations.

Shoup summed up his case in a recent opinion piece in *Parking Today*: "In *The High Cost of Free Parking*, I argued that minimum parking requirements subsidize cars, increase vehicle travel, encourage sprawl, worsen air pollution, raise housing costs, degrade urban design, preclude walkability, and exclude poor people. To my knowledge, no city planner has argued that minimum parking requirements do not have these harmful effects."

It can also be argued that the requirements often do not work because simply adding off-street parking will not necessarily reduce the occupancy rates of on-street spaces. Because drivers tend to prefer on-street parking, those spaces will usually fill first, leaving drivers circling to find an available space, unless the on-street parking

is regulated using price, well-enforced time limits, or another mechanism.

The publication of *The High Cost of Free Parking* has led countless planning and economic development departments to reexamine their parking requirements—and to reduce or eliminate them. Others have made them more flexible by allowing the requirement to be met by shared parking, in-lieu parking fees, or bicycle spaces. There has been real, albeit slow, progress.

Despite the challenges, many cities apparently have understood the benefits of eliminating minimum parking requirements. In the preface to the 2011 paperback edition of his book, Shoup states that, since the book's initial publication, a survey of newspaper articles showed that 129 cities had removed or reduced off-street parking requirements in their downtowns.

But there are still hurdles. The public often mistakenly perceives a reduction or elimination of minimum requirements to mean mandating less parking. Communities are informed of a proposal to reduce requirements but not told of additional city efforts to address possible impacts to the on-street parking supply, as called for in *The High Cost of Free Parking*; people simply hear "less parking." Is it any wonder that business owners fear that proposed changes will limit parking and access for their customers?

Finally, cities and in many cases planners, too, have resisted the call to reduce parking requirements. Parking requirements have become an important negotiating point for cash-strapped cities that want new development and—because of the system of public finance in some states—the associated sales tax dollars.

Portland, Oregon, removed the parking requirements for all apartment buildings situ-

"the destination is the draw." Mary Smith, Walker Parking Consultants

Sarasota, Florida, built the city-owned Park Avenue garage as a LEED-certified structure.

ated within 500 feet of frequent transit service before *The High Cost of Free Parking* was published. The specific impetus for the action was to make housing in the city more affordable. Shoup points out that the market for apartments without parking is large because almost a quarter of Portland's renter households do not own a car. Apparently developers and their lenders agreed. Thousands of apartments were subsequently built with an average of only 0.6 parking spaces per dwelling unit.

Still, some residents living near the new buildings complained about nighttime parking on the street. Consistent with his recommendations in *The High Cost of Free Parking*, Shoup put forward recommendations for nighttime parking districts. He also recommended that revenue generated by the permit programs be returned to the area that generated it.

As of this writing, the city was considering a proposal to change parking minimums (solely in commercial corridors and along frequent transit lines) as the first response to addressing the issue. It should be noted that the change being considered would affect only certain buildings in areas where parking is currently not required and the proposed new requirement would be 0.25 spaces per unit, a small fraction of the requirement for residential buildings in most other American cities.

Finally, as with the other two commandments, the conversation about reducing minimum parking requirements often occurs separately from the discussion of pricing on-street parking—and generating revenue for local improvements. In the public's perception, and sometimes in reality, the threat of an impact on on-street parking does not get addressed.

Political will

Ultimately, the challenges come down to a question of political will, not good policy. As is often the case with public policy, the most common reason that the recommendations in *The High Cost of Free Parking* are not adopted is the pursuit of more politically correct half measures. This can undermine the very goals policy makers are trying to implement.

Change is scary for most people, particularly when that change involves asking people to pay for parking, something they've never had to do before, or when it involves revising parking regulations that directly impact local businesses. However, in the eight years since the book's initial publication, the cities that have implemented its recommendations have found that Shoup's market approach benefits communities, residents, business owners, and the environment alike.

Perhaps these success stories will embolden other cities to implement similar plans. Ultimately, better-managed parking leaves more space and money with which to create destinations that people want to visit. When it comes to parking—and economic development—Shoup's recommendations highlight what parking consultants have always known: Availability trumps price. In the words of international parking expert Mary Smith, of Walker Parking Consultants, "the destination is the draw." ■

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RESOURCES

FROM APA   *The High Cost of Free Parking* (in hardback and paperback editions) is available at APAPlanningBooks.com. For more about cities that have adopted innovative parking systems, see "Smart Parking Revisited," in the May/June 2012 issue of *Planning*.

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