

Abridgment

Whither Parking in the City Center?

HERBERT S. LEVINSON

ABSTRACT

The financing opportunities and options for providing new downtown parking are analyzed in the context of current fiscal realities. The present financial posture of typical municipal parking agencies is identified, the cost of providing new downtown facilities is analyzed, and means of obtaining needed revenues are suggested. Finally, complementary parking policies are suggested. Analysis of eight parking agencies in Middle Atlantic and New England states indicates average annual net incomes of about \$125 per space. This compares with the \$800 to \$1,200 annual debt service outlay required for each new garage space. A cost-sharing concept is proposed based on the premise that parking produces benefits to many groups. Under this concept costs for new downtown garages would be shared among users, developers, the downtown community, and municipalities. Sound public finance principles that reflect a new fiscally accountable perspective are essential to parking in future city centers. This implies pooling of all parking-related revenues into a single fund, and increasing those revenues through rate adjustments, intensified enforcement, and better adjudication procedures. These funds would cover the costs of enforcement, operations, and, to the maximum extent possible, debt service. Corollary parking policy guidelines call for following rather than anticipating development; underbuilding rather than overbuilding; constructing smaller, simpler garages rather than megastructures; and reorienting downtown zoning requirements to actual needs.

Conveniently located, attractively designed, and reasonably priced off-street parking is vital to the downtown economy. Yet in most cities it has become clear that downtown parking can no longer pay its own way through parking revenues. The financing opportunities and options for providing automobile parking are analyzed in this paper. The current financial posture of typical municipal parking agencies is identified, the costs of providing new facilities are analyzed, and means of obtaining needed revenues and meeting expenses are suggested. Parking development and management policies, which are keyed to the fiscal realities of the 1980s, are also suggested.

CONTEXT

The high costs of developing, maintaining, and operating parking space make it increasingly more difficult to provide financially self-supporting parking facilities. Parking fees are often insufficient to cover the debt service; frequently they are little more than what is required to meet day-to-day operating costs. Few parking operations are financially able to establish enough capital reserve to cover

expansion or major repairs. At the same time, most cities are caught in a cost/revenue squeeze, relative to the services they must provide and the resources that are available. Thus subsidizing the development and operation of parking is rapidly becoming a less-affordable proposition for these communities.

The magnitude of the problem of affording new parking development varies, depending on city or local jurisdiction. Larger cities with rail transit are placing limits on the amount of central business district (CBD) parking that can be provided. High demand for the limited supply of parking space in these cities means that relatively high parking fees can be charged and, paradoxically, new parking facilities can be financially attractive, if permitted. Some cities require developers to share in the cost of parking, but many more cities are reluctant to follow this policy in the CBD for fear of discouraging development. For nearly all cities, the challenge is how best to attract new development while minimizing the parking cost to the city.

FINANCING NEEDS AND RESPONSIBILITIES

Typically, parking revenues barely cover operating costs, leaving relatively little reserve for either major maintenance or parking system expansion, especially after debt service obligations are considered. The comparative parking capacities, revenues, operating costs, and net revenues for eight medium-sized New England and Middle Atlantic cities, summarized in Table 1, illustrate the problem. Annual revenue per space ranges from \$214 to \$580, and averages \$373. Annual net operating income before debt service ranges from \$3 to \$287 per space, and averages \$127.

The last figure is especially significant because it indicates the limited reserve available for system expansion. It also indicates the likely finan-

TABLE 1 Comparative Financial Performance of Parking Agencies in New England and Middle Atlantic Cities

City	Spaces in System ^a	Annual Revenue per Space (\$)	Annual Maintenance and Operating Cost per Space (\$)	Annual Net Income per Space (\$)
1	11,300	361	228 ^c	133
2 ^b	4,100	446	443	3
3	3,600	349	205	144
4	2,300	580	293	287
5	1,900	214	160	54
6	1,300	323	180	143
7	1,200	474	271	203
8	1,200	240	190	50
Mean	3,360	373	246	127
Standard deviation	3,390	122	91	91

Note: Data are from parking agency annual reports from New Haven, Stamford, and Waterbury, Connecticut; Wilmington, Delaware; Worcester, Massachusetts; Paterson and Trenton, New Jersey; and White Plains, New York.

^aNumbers are rounded.

^bData for CBD spaces only.

^cMetered operation.

cial performance of new parking space. Net operating income can be compared with the annual debt service cost of \$800 to \$1,200 per space, from which the annual subsidy per space can be estimated.

The actual amount of subsidy per parking space depends on the development costs and interest rate, as balanced by income. Figure 1 shows how the annual subsidy needed to break-even rises as parking development costs rise and net operating income declines. It is based on a 10 percent interest rate and 30-year debt service.

At 1983 cost levels, garage development expenses, including land, construction, engineering, legal, and contingency costs, approximate \$10,000 per space. Net operating incomes range from \$50 to \$300 per space (Table 1). This results in annual subsidies (deficits) of \$760 to \$1,060 per space. Even with increased rates and greater operating efficiency, user charges will not cover debt service costs under these circumstances. Revenue bond financing may not be possible with debt service coverage ratios as high as 1.2 or 1.3. Financing for new parking usually requires broader financial backing than that obtainable from parking revenues alone.

Parking development costs should be shared among users, the municipality, and specific beneficiaries according to some predetermined basis. Users, for example, should cover operating costs plus a specified minimum portion of development costs. The remaining capital costs would be distributed among the city, downtown benefactors, and designated developers. The use of tax increment financing to pay debt service is another possibility. The cost-sharing concept recognizes that parking is a public service. Therefore, it is reasonable to expect each group that benefits to share the costs of new parking development. It is an application of the well-established public finance principle of cost recovery.

Although cost sharing is correct in principle, it may prove difficult in practice. Many parking authorities do not have the financial reserve to cover outstanding portions of their debt service. Local government limitations on debt service obligations may prevent contributions from the general fund. Moreover, some cities already have assumed as much debt service obligation as they can afford to bear. For these cities other complementary approaches to parking facility finance are needed.

STRATEGY FOR SYSTEM FINANCE

A systems approach should be adopted for all aspects of parking facility development, operation, and finance. This approach should reflect sound business and public financing principles, should enhance the financial integrity of public parking agencies, and should reduce the reliance on general municipal financing.

All on-street and off-street parking-related revenues should be pooled into a single parking fund. The revenue sources normally include municipal lot and garage revenues, curb parking meter revenues, license fees paid by private operators, and parking ticket fines. The fund should include any additional revenues that result from rate increases, more intensified enforcement, and improved ticket adjudication procedures. The parking fund should be used to cover the costs of enforcement, operation, and, to the extent possible, debt service. The parking fund should not be used to subsidize other public needs.

Parking agencies must be fiscally accountable for their actions. They should adjust parking fees to what the traffic will bear. At a minimum, rates should keep pace with inflation. They should search for ways to maximize income through the use of empty space during off-peak times.

Based on 1983 dollars, operating expenses should not exceed \$350 to \$375 per space. Where unit costs exceed these values, efforts should be made to cut costs. Typical areas for cost reduction include (a) reducing hours of operation, (b) trimming operating personnel and administrative staff, (c) insuring on the outstanding debt rather than on full replacement value, and (d) consolidating or relinquishing small facilities. In some cases private operation by means of management contracts secured through competitive bidding can reduce costs.

PLANNING AND POLICY GUIDELINES

Downtown parking programs should recognize parking as an important public service that benefits users, businesses, and the general community. The pattern, placement, and size of new parking facilities should be designed to reinforce commercial activity and downtown development projects, and should reflect the economic realities of the community. Parking

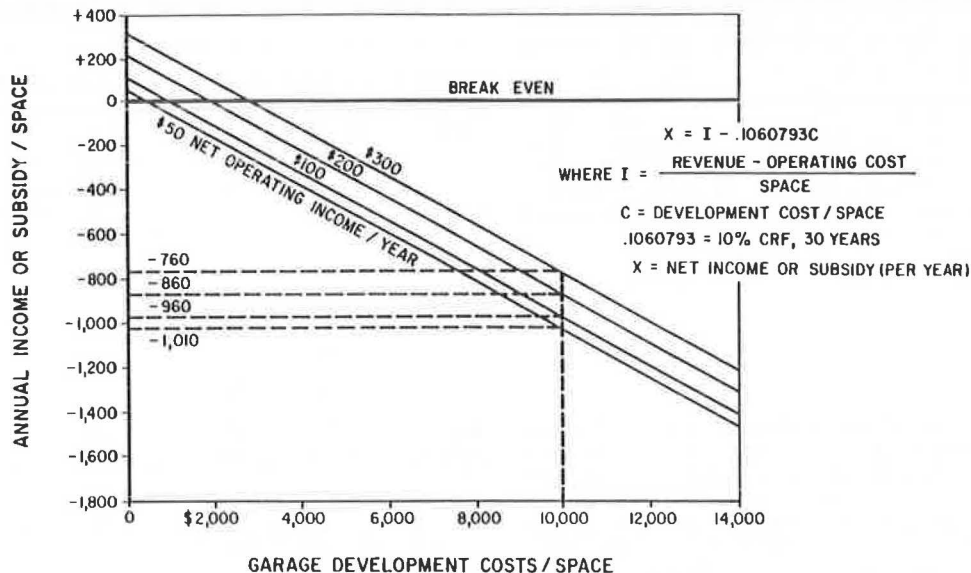


FIGURE 1 Parking subsidy per space.

policies should consider the unique needs and resources of the community and should encourage private-sector responsibility. Within this context, the following guidelines complement the system finance proposals.

Underbuild Rather than Overbuild

New downtown parking facilities should be coordinated with developments that are in progress or in advanced planning. They should not lead development, as was often the case in the past. Most cities do not have the resources for anticipatory or speculative parking developments. The goal should be to provide as little new parking as needed to attract new investment. Cities should underprovide parking relative to future demands. A philosophy of selective underproviding has two benefits: it helps to maximize use of existing parking and it reduces parking development costs.

Give Priority to Short-Term Parking

Parking problems should be met in order of importance. Normally this means providing for business and shopping trips first, before work trip commuters. All short-term parking demands should be provided for, plus a specified portion of work trips. In smaller cities, such as New Haven and Providence, it may be appropriate to provide for up to 75 percent of the long-term work trip parking demand. The proportion should be reduced as downtown size increases, so that in large cities only short-term parking demands are met. (In large cities that have extensive rail transit it may be desirable to continue to limit future parking supply.)

Locate and Design for Maximum Value

New parking should be located within convenient walking distance of the activities they serve. Walking distance generally should not exceed 500 ft for short-term parking and 1,000 ft for long-term parking. Parking facilities should not be located so as to compete with existing facilities. Parking design should not inhibit or discourage users, and because parking structures have a long service life, they should be built to design standards that will remain adequate over the projected life of the facility.

Size New Parking for Economy of Operation

Priority should be given to the staged development of 500- to 750-space project-related garages. Experience suggests that this size range of garage is the most economical to operate. Smaller facilities should be relinquished or consolidated where possible.

Consider Ground Floor Commercial Space

Joint development of ground floor commercial space should be encouraged. The exceptions are where it precludes efficient garage design, substantially increases construction costs, or results in unproductive or inefficient retail or commercial space.

Minimize Parking Development Costs

Minimizing costs calls for avoiding complex design, difficult sites, and elaborate architectural treat-

ments. Existing architectural controls should be reassessed with a view toward reducing costs.

Control Commercial Parking Operations

Municipalities should exercise control over commercially operated lots and garages with respect to location, design standards, and operating procedures. Ideally, rate ranges should be set for downtown rate zones based on proximity and land use.

Avoid Excessive Parking Requirements

Parking space requirements for downtown land use should reflect actual needs. They should consider factors such as floor space to employee ratios, car occupancies, transit service availability, and the interactions among downtown land uses. In cities with rail transit systems, zoning standards should specify both minimum and maximum requirements for each type of activity based on proximity to transit stations.

PROSPECT

Whither parking in tomorrow's city center? How can it keep pace with downtown change? What directions should its planning, management, and financing take? These questions are among the issues addressed in this paper.

Downtown parking is an important urban land use and a vital public service. Parking policy should be attuned to each city's development prospects and financial realities. The key guidelines are to (a) follow rather than anticipate new development; (b) underbuild rather than overbuild; (c) construct smaller, simpler, less costly facilities rather than megastructures; and (d) reorient, and possibly reduce, downtown zoning requirements.

Cities have a major investment in downtown parking. Where land uses change (i.e., retail decline), cities should capitalize on underused parking that is already available in planning new development.

Sound public finance principles that hold parking operations fiscally accountable are essential. Greater attention must be given to attracting and effectively working with the private sector in parking development and financing. Such arrangements must provide opportunities for both the public and private interests to share in the rewards, as well as the risks. Cities should pool all parking-related revenues into a single dedicated parking fund, and increase these revenues through rate adjustments, intensified enforcement, and better ticket adjudication procedures. The fund should cover the costs of enforcement, operation, and, to the maximum extent possible, debt service.

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