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# **PARKING TODAY**

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**“High Cost” of  
Parking on a  
Great Street...**



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Sets the Price...**

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# The Price of Parkin

BY DONALD SHOUP

**H**OW CAN CURB PARKING contribute to making a street great? A city can (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 Parking Prices

Performance-based prices can balance the varying demand for parking with the fixed supply of curb 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. After the city adjusts prices 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 parking prices will drive customers away if almost all curb spaces are occupied.

Prices that produce an occupancy rate of about 85 percent can be called “performance-based” for three reasons. First, curb parking will perform efficiently. The spaces will be well used but readily available. Second, the transportation system will perform efficiently. Cruising for underpriced 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. Cities can achieve all these goals by setting curb parking prices to yield about an 85 percent occupancy rate.

## Local Revenue Return

Performance 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, citizens are more likely to support the performance 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 begins to charge prices that produce a few vacancies. Everyone who wants to shop in the district can park quickly, and the city spends the meter money 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 the district’s own use can help to convince merchants and property owners to support



performance prices for curb parking.

Suppose also that curb parking remains free in other business districts. Everyone complains about the shortage of parking, and drivers congest traffic and pollute the air while they search for curb parking. The city has no meter revenue to clean the sidewalks and provide other amenities. In which district would you want to have a business?

Performance 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 prices.

## Parking Increment Finance

Most cities put their parking meter revenue into the city’s general fund. How can a city return 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 prices. We can call this arrangement parking increment finance.

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 parking prices.

More meters, higher rates, and longer hours of operation will provide money to pay for added public services. These

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added public services will promote business activity in the district, and the increased demand for parking will further increase meter revenue.

## Performance Parking Prices in Practice

Some cities have begun to charge performance prices for curb parking and return the meter revenue to its source. Redwood City, California, sets meter rates to achieve an 85 percent occupancy rate for curb parking downtown; the rates differ both by location and time of day, depending on demand. The city returns the revenue to the metered district to pay for public parking structures, police protection, and cleaner sidewalks.

Merchants and property owners all supported the new policy when they learned the meter revenue would pay for added public services in the downtown business district, and the city council adopted it unanimously. Performance prices create a few curb vacancies so visitors can easily find a space, the added meter revenue pays to improve public services, and these added public services create political support for the performance prices.

## Redwood City's Parking Ordinance

To accomplish the goal of managing the supply of parking and to make it reasonably available when and where needed, a target occupancy rate of eighty-five percent (85%) is hereby established.

The Parking Manager shall survey the average occupancy for each parking area in the Downtown Meter Zone that has parking meters. Based on the survey results, the Parking Manager shall adjust the rates up or down in twenty-five cent (\$.25) intervals to seek to achieve the target occupancy rate.

Revenues generated from on-street and off-street parking within the Downtown Meter Zone boundaries shall be accounted for separately from other City funds and may be used only within or for the benefit of the Downtown Core Meter Zone.

Sections 20.120 and 20.121 of the Redwood City Municipal Code

Most cities keep their meter rates constant throughout the day and let occupancy rates vary in response to demand. Instead, cities can vary their meter prices to keep occupancy constant at about 85 percent. The goal is to balance supply and demand everywhere, all the time. Most cities also limit the length of stay at meters so long-term parkers won't monopolize the underpriced curb spaces. But after Redwood City adjusted meter rates to guarantee the availability of curb spaces, it removed the time limits at meters.

This unlimited-time policy has turned out to be popular with drivers who can now park for as long as they are willing to pay. The demand-determined meter rates create turnover at the most convenient curb spaces, and long-term parkers

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tend to choose the cheaper spaces in off-street lots.

Other cities have also begun to adjust their meter rates to ensure the availability of curb parking. The U.S. Department of Transportation has awarded grants to Chicago, Los Angeles, and San Francisco to test performance prices for curb parking, and Washington, D.C., has already started them. Pasadena and San Diego return meter revenues to enhance public services in the metered districts.

Any city can use a pilot program to test Goldilocks parking prices for curb parking. All the city has to do is allow any business district that requests a pilot program to have one. It won't cost the city anything, because the meters pay for themselves. Dirty and unsafe streets will never be great, so the city can initially use the meter revenue to pay for clean-and-safe programs.

Many communities may value clean and safe sidewalks more highly than free but overcrowded curb parking. After the community is clean and safe, the parking revenue can pay for urban amenities such as street trees, underground utilities, and public transit improvements. Parking on a great street may not be free, but it will be convenient and worth the price.

For additional reading on this topic log on to [www.parkingtoday.com](http://www.parkingtoday.com) click on "magazine", search articles, and enter "Shoup". You will find this article in our archives. Numerous links and references are listed.

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