

MEMORANDUM

To: Steve Heminger and Valerie Knepper
From: Jeffrey Tumlin and Kevin Shively
Date: July 8, 2009
Subject: Regional Parking Reforms for Climate Protection

Market based pricing of parking and other parking reforms are widely regarded as key strategies for reducing greenhouse emissions. This paper follows on the JPC decision to pursue parking reform as an essential part of the Bay Area's approach to climate protection by outlining the issues around current parking policies, the benefits of pricing parking, the reasons why more local jurisdictions are not implementing these reforms, and a range of potential regional strategies for the Bay Area. At the JPC's request, MTC commissioned Nelson Nygaard to develop an analysis that facilitates discussion on two key questions:

1. **Should the Bay Area move toward universal application of market based pricing of parking?**
Should the Bay Area advance parking policy and pricing reforms to eliminate the hidden subsidies for driving as a means of achieving state and regional goals for VMT and GHGe reduction and facilitating focused growth?
2. **What roles should the regional agencies play in this process?**
What are the appropriate ways for the regional agencies to facilitate smart parking policies and management practices?

Issues of current parking policies

Parking price and availability are key factors influencing travel mode choice, vehicle miles traveled (VMT), and consequent Greenhouse Gas Emissions (GHGe). Local government parking policies such as minimum off-street parking requirements on residential and commercial developments, the provision of free on-street parking, employer-paid, and retailer-paid parking create hidden subsidies for driving. Such policies are the standard practice throughout the United States, and are common in the Bay Area.

Standard local parking requirements and policies – particularly minimum off-street parking requirements – also favor development in suburban areas, where requirements can be fulfilled with less expensive surface parking, rather than in urban centers and the FOCUS priority development areas (PDAs), where the total cost of building structured or underground parking can reach \$50,000 to \$70,000 per space.

These hidden parking subsidies also tend to favor higher income households. Higher income households own more cars, drive their cars more often, and drive to work more frequently. Such subsidies, whether hidden in housing or retail costs or employee benefits, cost lower income households more on average than they receive.

Benefits of Parking Reform

Reforming such policies offers the potential to reduce VMT and consequent GHGe, to level the playing field for development in urban centers and PDAs, and to reduce the inequity of subsidized higher use of automobiles by higher income households. Benefits are further described in Attachment A.

Studies of pricing parking consistently demonstrate the strong impact on rates of driving. One major study of Southern California employers found that employees who receive employer paid parking as a tax-free fringe benefit drive 33% more miles per year than those who pay the cost of parking on their own (see Attachment A, Figure 1). Other parking policies such as off-street parking requirements also influence the cost of housing and the feasibility of development – especially in infill locations¹.

Local jurisdictions’ parking policies

With the local interest in reducing VMT and GHGe in local climate actions plans, along with the potential for local financial and equity benefits, why aren’t local jurisdictions reforming their own local parking policies?

A number of communities, such as Redwood City, San Francisco, Berkeley, Portland and Santa Monica, have demonstrated the efficacy of parking management and innovation through reforms such as charging market prices for curb parking in high demand areas, removing minimum off-street parking requirements, and enforcing the state parking cashout law. However, widespread local adoption of such reforms are unlikely to occur sufficiently to provide substantially reduce greenhouse gas emissions without coordinated action at the regional level. Key reasons include professional inertia due to comfort with established practices of using outdated parking rates, lack of knowledge / personal experience with alternative practices that will stand up to public and professional scrutiny, lack of coordination between city public works staff who define required parking rates/policies and city planners working to reduce VMT/GHGe, cities’ concern that they need to compete for retail customers through the use of free parking, neighborhood concerns about the potential for “spillover” impacts, and the absence of local constituencies in favor of pricing parking and parking reform due to the largely hidden nature of existing parking subsidies.

There is also limited political initiative for pricing parking largely due to long standing traditions of subsidizing parking through housing costs, employee benefits, employer and retail overhead. For the most part, renters and condo buyers do not request rebates for not parking, employees do not ask for cash instead of free parking, and shoppers do not ask for price breaks instead of free parking. The reduction of costs due to a reduction in unnecessary parking could be passed on to each of these groups.

Rationale for regional action

Such local barriers can begin to be addressed with a regional approach to parking management that coordinates policies within the region, levels the playing field across city and county boundaries, supports and incentivizes local reforms, and facilitates coordination with other regional strategies to support climate friendly land use and transportation.

Discussion questions

In exploring a regional strategy for parking reform in the Bay Area, Nelson\Nygaard suggests the JPC address these broad questions:

- (1) What role should the regional agency members of JPC play in parking reform?**
- (2) Should the Bay Area move towards universal market-based pricing of parking?**

Attachment B describes the potential regional parking strategies that have been identified.

We look forward to discussion on these strategies and potential next steps at your meeting.

¹ Jia, Wenyu, and M. Wachs (1999). *Parking Requirements and Housing Affordability: Case Study of San Francisco*. *Transportation Research Record No. 1685*, Transportation Research Board, p. 156-160.

Attachment A Benefits of Parking Reform

Reforming parking policies offers the potential to reduce VMT and consequent GHGe, to level the playing field for development in urban centers and PDAs, and to reduce the inequity of subsidized higher use of automobiles by higher income households. Reforming parking policies offers significant opportunities for immediate and longer-term reductions in transportation-related GHGe for the following reasons:

- **Large impact.** Parking pricing can significantly reduce drive alone auto commute rates, and consequent rates of VMT, and GHGe (see Figure 1).
- **Quick results and long-term impacts.** Parking reform can help reduce vehicle trips immediately by influencing mode choice, and over the longer-term by facilitating smart growth and transit oriented development.
- **Low cost and revenue producing.** Reforms such as pricing of on-street parking and elimination of minimum off-street parking requirements are low-cost and/or free to implement and may earn significant revenue.
- **Pro-market and pro-smart growth.** Most cities require that developers build more parking than the market warrants; parking reforms can improve the efficiency of the regional economy in general by allowing the market to determine the parking supply, and in particular reduce the cost to build new housing and commercial buildings, especially in walkable, transit-served locations.
- **Region-wide applicability.** Reforms to parking policies can deliver results throughout the region, using different specific strategies to match different conditions.
- **Socially equitable.** Reforming parking policies can benefit low-income households. Auto ownership rates are positively correlated with higher income. Lower income households with significantly fewer automobiles benefit from the option of foregoing expenditure on unnecessary parking supply. Lower income individuals would additionally benefit if some of the revenue generated by pricing parking is used for transit service and/or bicycle or pedestrian facilities.

Figure 1 Employee Parking Pricing Effect on Auto Commute Rates

Case Study and Type	Autos Driven per 100 Employees		Decrease in Auto Trips
	Employer Paid Parking	Driver Paid Parking	
Mid Wilshire, Los Angeles (before/after)	48	30	-38%
Warner Center, Los Angeles (before/after)	92	64	-30%
Century City, Los Angeles (with/without)	94	80	-15%
Civic Center, Los Angeles (with/without)	78	50	-36%
Downtown Ottawa (before/after)	39	32	-18%
Average of Case Studies	70	51	-27%

²Source: Willson, Richard W. and Donald C. Shoup. "Parking Subsidies and Travel Choices: Assessing the Evidence." *Transportation*, 1990, Vol. 17b, 141-157 (p145)

² Shoup, Donald C. (1997). *Cashing Out Employer Paid Parking*. Report No. FTA-CA-11-0035-92-1. Washington, D.C.: U.S. Department of Transportation.

Attachment B

Potential Regional Parking Strategies (for discussion)

The following recommendations for consideration for regional action are based on Nelson\Nygaard's interpretation of the existing and potential future authority of each regional agency. These policies would be developed in consultation with the JPC and in concert, where appropriate, with the Sustainable Community Strategy.

1. Lead by example: (JPC)

Short Term – requires staffing commitment

Implement all best practices in employer parking and transportation demand management, including full-cost/market-based parking pricing, parking cashout (in compliance with existing state law), and transportation demand management (TDM) programs for all regional agency employees.

2. Incorporate parking policies into current and forthcoming regional grants for local jurisdictions with regional monitoring (ABAG, MTC, BAAQMD)

Expand technical guidance, develop grants to local jurisdictions to reform parking policies, and develop regional role as clearinghouse.

Short to Medium Term – requires staffing commitment and regional funding

- Revisit Station Area Planning: Incorporate more specific parking reforms and policies.
- Run sub-regional workshops/ training sessions for local jurisdictions, provide technical support for implementation of parking policies that complement infill land use plans, such as parking cashout, unbundling of parking, TDM programs, and enforcement of state parking cashout law. Support reforms through a capital program TBD as a sub-element of the Climate Change Program
- Develop a regional Green Parking Certification Program to reward local jurisdictions that implement a suite of parking reforms, similar to those incorporated in 2009 SB 518.

3. Engage Congestion Management Agencies as partners for climate protection (MTC):

Near term – incorporation into new regionally funded CMA Planning Agreements

MTC can include more specific tasks in the work agreements with each of the nine county CMAs (or substitute agencies) to monitor, evaluate and report on local governments' implementation of smart parking reforms. This monitoring could be the basis for a regional "green parking certification," could be used to highlight local parking management best practices and could be considered in the distribution of regional discretionary funds.

4. Use or extend existing regulations to parking (BAAQMD)

Medium term – requires interpretation of authority

As a part of the regulation of indirect sources of emissions, BAAQMD could levy an annual parking impact fee on property owners, based on the number of parking spaces they provide free of charge or with some level of subsidy³:

- Parking impact fee schedules could be graduated based on parking prices and location (e.g. lower in PDAs, and for property-owners that charge tenants separately for parking).
- Fee revenue could be returned to local governments for expenditure on transportation projects that reduce per capita GHG emissions.
- MTC could support the Air District by establishing the vehicle trip generation and consequent GHGe impacts of different classes of property by type, location, mix of uses, and accessibility by modes.

³ The Air District does not currently regulate parking; however, Section 40716 of the California Health and Safety Code authorizes BAAQMD to regulate all "areawide" and "indirect" sources of emissions.

As an alternative to regulation under indirect source authority, seek new authority for the BAAQMD or MTC to levy a separate graduated "climate protection/action" fee on parking spaces.

5. Condition distribution of regional discretionary transportation funding to local jurisdictions on implementation of specified parking management policies/practices (MTC)

Medium term – would require negotiations with partners

This policy would be similar to MTC's existing TOD Policy (Resolution 3434) in that MTC would establish policy reform requirements as a screen for receipt of regional discretionary funds.

Performance could be assessed at a city or at a corridor-level, providing local governments with flexibility to comply or to pay other communities in the same travel corridor to enact the parking reforms necessary to achieve corridor and region-wide goals. The specific funding categories subject to conditional distribution remain to be defined.

6. Fund parking programs with regional gas tax or GHGe cost-recovery fee (MTC/ABAG/BAAQMD)

Medium/Long term – would require political campaign

Develop a new fund source to implement regional parking programs, including monitoring and enforcement, as well as direct investment in smart parking technology (e.g. smart parking meters) and alternative transportation and TDM programs in districts that have adopted parking reforms, through (a) seeking voter authorization for a regional gas tax for climate protection activities, to include defined uses for parking reform, or (b) seeking BAAQMD board approval for extension of the current GHG emissions cost recovery fee to mobile and/or indirect sources of emissions.

7. Advocate for elimination of federal tax subsidy for employee parking (MTC/ABAG/BAAQMD):

Near term – would require legislative reform

Free parking at work is the most common tax-exempt fringe benefit in the United States. Eliminating the existing tax exemption for employer paid parking will remove a massive hidden subsidy for driving, generate substantial revenue that could be reinvested in transportation and/or other climate protection programs, and level the playing field for property-owners and employers in urban centers and PDAs. Nationwide, the value of such tax-free parking subsidies has been estimated at \$52 billion per year (nearly one percent of GNP)⁴.

⁴ Shoup, Donald (2005). "Parking Cash Out," *Planning Advisory Service, Report Number 532*, American Planning Association, p. 2