The Parking Price Is Right

Achieve urban planning goals through strategic pricing

by John Dorset

Parking can be a powerful resource for promoting economic development and improving the quality of life in any community. And one of the most important tools at the disposal of city and county administrators and planners is parking pricing. By implementing strategic pricing, local governments can influence where drivers park and for how long.

When done right, this can have an extraordinary impact on a community's economy and the health of local businesses. It can also affect the quality of life for residents. The problem is, most communities don't do it right.

The good news is that some places are starting to recognize the power of pricing and are beginning to leverage parking pricing as an important tool for supporting local businesses, reducing traffic congestion, cutting vehicle-borne pollution, and generally improving the quality of life for residents. A number of cities, including San Francisco and Santa Monica, California, and Seattle, Washington, just to name a few, have begun setting prices strategically to achieve urban planning goals.

COMMON MISTAKES

The most common mistake communities make is not charging—or at least not charging enough—for parking, particularly in downtown business districts. Often, local officials and planners, as well as business owners, assume that the best way to attract shoppers, patrons to local entertainment venues, or other visitors is to offer plentiful free parking. This approach, however, typically has significant unintended consequences, making it even more difficult for people to conveniently access businesses or services.

The problem is that when free or underpriced parking is provided, it typically causes the most valuable spaces—those that are located adjacent to local businesses, services, and entertainment venues—to be overused. Often, these spaces are occupied early in the day by employees of area businesses, even before the visitors for whom they are intended have come downtown.

And they tend to remain occupied by these same parkers throughout the day. In addition to reducing—or even eliminating—the number of open spaces, this practice also dramatically increases roadway congestion as drivers circle blocks looking for available spaces or waiting for occupied spaces to open up. This unnecessary congestion makes roadways less safe for both drivers and pedestrians, and needlessly generates unhealthy emissions.

In the end, the common practice of providing free or excessively cheap parking doesn't accomplish the desired end of supporting local businesses and providing convenience for residents. Instead, it merely ends up frustrating drivers who are trying to get to local businesses and those who are trying to get home. If the problem becomes acute enough, it can cause shoppers to look for other options outside the city, and even for residents to consider moving to less-congested communities.

A PLANNING SOLUTION

So what's the answer? The solution begins with setting a goal of 85 percent occupancy for on-street parking spaces. This threshold is based on the accumulated knowledge of parking planners on what level of occupancy maximizes use while assuring sufficient on-street parking.

When cities and counties achieve and maintain this 85 percent threshold, their on-street parking resources are doing their job—providing accessible and convenient parking—while ensuring that there will typically be parking spaces

available for newly arrived parkers.

How can communities achieve this level consistently? The most powerful tool available is pricing. Downtown spaces that are in close proximity to such high-demand destinations as retail establishments, restaurants, and entertainment venues are worth a premium, and they should be priced as such. For these spaces, parking prices should be set at levels that will be acceptable to short-term parkers, but too high for long-term parkers.

This depends on the market. A $6 hourly rate in San Francisco or Chicago, for example, may be acceptable to consumers parking on-street and then dining at a nearby restaurant, in lieu of paying $10 to $20 or more for restaurant valet parking. A $6 hourly rate in a Nebraska community, however, probably is not going to be acceptable.

The on-street hourly rate should be higher than the off-street hourly rate. Although some patrons will park on-street no matter the rate, the aim is to move most of the long-term patrons off the street and this can be accomplished through strategic pricing.

This requires a balancing act of sorts, with prices set low enough to attract parkers but high enough to encourage frequent turnover. This balance can be difficult to achieve and is a moving target. Trial and error is the best way to arrive at the right balance.

Local governments practicing demand-based pricing should raise or lower on-street rates on a block-by-block basis until the 85 percent target occupancy rate is achieved and hold at these rates until changes in occupancy patterns develop. Regular monitoring of space usage is necessary for purposes of informing decision-making. Turnover can be promoted further by limiting how long parkers can stay in a given space.

This market-based approach can only succeed if less expensive parking is available within walking distance. Parkers need to have an attractive alternative available, particularly if they are planning to park for an extended period of time. If tiered pricing is established throughout a community, drivers are able to make conscious choices about where to park and how much they are willing to pay.

When this approach is pursued, employees of local businesses and visitors who are planning to stay for an extended period of time are more likely to use more remote and less pricey parking spaces, leaving premium spaces for short-term parkers.

Some communities are even refining their market-based pricing to the point where they are adjusting prices periodically, or charging different rates at different times of the day, to make sure that the cost of parking reflects current utilization. These places conduct periodic use surveys that indicate whether individual spaces are under- or over-used, and when demand is greatest for those spaces, and then adjust prices accordingly.

This option is made possible by such new parking technologies as smart meters and single-space sensors. These new tools record and measure when parkers are using a given space and for how long. When parking administrators use this information to set varied prices throughout the day, they can go a long way towards ensuring that their spaces will always (or almost always) enjoy 85 percent occupancy.

Even though market-based pricing has gained widespread acceptance throughout the parking planning community, many communities are still hesitant to implement it. Part of this hesitancy is the result of discomfort with change and part is due to opposition from community and business leaders who are afraid that raising parking will hurt businesses.

EXPLAIN THE PRICING RATIONALE

That's why it is essential for communities to undertake strategic communications efforts designed to inform local business and community leaders about how free parking is hurting downtown business, and why strategic pricing will actually promote economic growth. It may seem counterintuitive to say that raising parking prices will result in more economic growth, but experience demonstrates that this is indeed the case. By educating key constituencies about these benefits, cities can garner the support of local business and community leaders.

And the need for education extends to residents, too. In fact, whenever a parking planning initiative is undertaken, local officials should undertake a strategic program to communicate to the entire community what the parking program entails, why it is being pursued, and how the community will benefit. Fortunately, local governments tend to reap the benefits of strategic parking planning quickly, and opposition to market-based pricing tends to disappear soon after it is implemented.

Parking is one of the most valuable resources that any community has at its disposal. Unfortunately, it is typically underused by communities, which don't recognize its power or just see it as a way to raise revenues.

By establishing strategic parking pricing, localities can promote some of their most important urban planning goals, including supporting local businesses, creating a more sustainable community, and improving the quality of life for residents.

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