

How Much Should Parking Permits Cost?

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According to Donald Shoup (2011), Boston's Beacon Hill neighborhood has approximately 983 curb spaces. The total number of available spots will vary depending on the size of the median parked car, how closely together people park, and obstacles like snow, trash, and construction equipment. Regardless of number, these spaces are quite desirable, because Beacon Hill is a densely-populated, prestigious neighborhood in the center of the city.

Only people who live in Beacon Hill can get a permit to park in the neighborhood, but that permit does not guarantee a spot. If they cannot find an on-street spot, or wish to avoid the musical-chairs game of driving up and down every street in the neighborhood to find one, they need to find a space off-street.

Although on-street parking is neither covered nor guaranteed to be available in the way that reserved garage parking is, on-street and off-street parking are close substitute goods that should have roughly similar prices. However, there is a revealing—and vast—gulf between the price of on-street municipal parking and reserved off-street parking, especially in a neighborhood like Beacon Hill.

The City of Boston sets a very low price point for parking permits: \$0 (Wallack 2015). At that price, as Shoup (2011) notes, Boston issues approximately 3,933 annual permits per year. The exact number of permits in use, like the actual number of available spaces, will vary from month to month and year to year. However, it is a reasonable approximation that, on any given day, there are roughly four cars competing for each parking space on Beacon Hill. The situation is similar in the nearby North End, where in 2015 “one neighborhood group estimated... that there are 4,000 permits for 1,500 spots” (Wallack 2015). By setting such a low price for permits, the city is clearly leaving a great deal of revenue on the table, in addition to creating unpriced externalities such as traffic and pollution caused by people circling blocks slowly looking for scarce spaces.

Just how much money is the city losing? A space in the Boston Common Garage, a short but significant walk from Beacon Hill, costs \$32 a day or \$400 a month. More convenient deeded spaces closer to Beacon Hill cost enough that prices are available only by request: on Brimmer Street, a garage space costs \$695 per month, and on Charles Street, \$675 per month (personal correspondence 2019). Charles Street Garage spaces are also available for purchase for \$350,000 each, plus monthly maintenance fees. Beacon Hill has repeatedly set US records for parking sales prices: In 2013, a tandem pair of spaces sold for \$560,000, and in 2015, a single garage space in Beacon Hill was briefly offered for \$650,000 – not counting the monthly maintenance fee of \$250 and annual property taxes of approximately \$2,785 (Tietell 2015).

As mentioned, on-street and off-street parking are similar but not identical goods. Given a market price for one, we can only estimate the market price and elasticity of demand of the other. There are additional factors in pricing, however, because the price of on-street parking is set not by a market mechanism but by governance, which is subject to popular demand. If voters demand to have low prices for parking, even at the risk of being unable to access it, then that is what city council will give them.

Planners take this into account. Writing in *Access Magazine*, Shoup (1997) notes that for most urban planners, parking demand considerations are “based on observing peak demand for free parking.” Voters with cars demand desirable, convenient parking that is cheap or free. However, this is, at least in urban areas, a demand which is nearly impossible to satisfy. Creating the thousands of demanded additional parking spaces in Beacon Hill would require razing most of the historic neighborhood. The parking might be available at that point, but it would be far less desirable, because most of the neighborhood would be replaced by parking lots (Goodyear 2014).

Increases in price are not something that the City of Boston has been willing to consider; only in 2018 did a city councilor even float the idea of charging (Vaccaro 2018). In other nearby cities, governments charge for permits, although substantially less than they could. Somerville, MA, for example, charges \$40 per year (Somerville 2019) while Cambridge charges \$25 (Cambridge 2019). Newton city councilor Andreae Downs notes that, in the downtown area of Newton Centre, parking permits for business employees sell out rapidly at a price of \$1,000 per year (Downs 2019).

There are many obstacles to charging market rates for on-street parking. When pressed by environmental activists to increase permit prices, Cambridge Vice-Mayor Jan Deveraux cited a rather complex portion of state law that appears to forbid cities from charging market rates for parking, saying “Sadly we cannot legally raise the fee to a level that reflects its true cost. The fee has to be based on admin costs.” (Deveraux, 2019). The actual law is unclear, but what is clear is voter opposition to paying for on-street parking they’re used to getting at very low rates.

What would be a reasonable way to determine the price of permits? Given the rather limited data about the actual market value of a space, and the necessity of setting a single price valid for at least an entire year, city parking authorities have a rather difficult situation. One option would be a fee equal to the price of a reserved garage space. This is probably a nonstarter due to voter opposition as well as the difference in quantity and quality of the good being offered. Moreover, a sudden increase in price puts consumers in a bind: they have already invested substantially in the purchase or lease of a car, and cannot easily or rapidly rearrange their lives and finances to get rid of it. Demand for parking, in other words, is not at all elastic in the short run.

In the long run, however, demand for parking (and car ownership itself) is far more elastic. Therefore, an appealing mechanism for pricing parking permits would be to raise the price each

year until consumers reduce their purchases to an acceptable level. Although this would take several years to implement, it does take advantage of the greater long-run elasticity of demand for parking.

Another way to take advantage of longer-term elasticity would be to hold auctions for a decreasing number of permits. The first year, for example, Boston could announce an auction for 4,000 Beacon Hill parking permits. The next year, they would auction off only 3,750, decreasing the number each year until the number of permits roughly approximated the number of spaces, and the price of those permits was an efficient market price. This would be most practical in highly desirable, parking-constrained, wealthy neighborhoods like Beacon Hill. However, it would also serve as generator of both revenue and pricing data about the value of permits to be issued in other neighborhoods.

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