POLICY BRIEF

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Parking Authority: Time Expired

The Pittsburgh Public Parking Authority says it is trying to save money. They have laid off eight staff members and ended contracts with a private operator that managed several of their garages. They will bring those managerial functions back in house and possibly save some of their own employees' jobs. Since the Authority reimburses private operators for most costs associated with running their garages, the actual savings will amount to less than one percent of the $32 million budget for the 2005 fiscal year.

The Authority claims these moves were made necessary by the boost in the parking tax rate, which was already the nation's highest before it was bumped from 31 to 50 percent last January. In order to adjust, the Authority announced that not only were rate increases coming immediately, but additional increases would come at the beginning of the following three fiscal years (October of this year, 2005, and 2006) in order to cover the costs of the tax and to help with bond payments and boost revenues in case of a drop off in business.

If the Authority is really serious about improving their bottom line, they ought to revisit the rates at their garages. As we pointed out in a *Policy Brief* earlier this year *(Volume 4, Number 2)*, parking rates would have to rise 14 percent to keep the after-tax revenue of the garage owners unchanged. Instead, the Authority raised rates at most of its downtown garages much more than necessary to cover the higher tax. For example, the $11 rate at the Mellon Square garage should have risen to $12.60 to cover the tax. However, the Authority raised the rate to $14. As a result of pushing rates higher than necessitated by the tax, the Parking Authority actually made a bad situation worse by creating even stronger disincentives for people to park in town.

The Authority could cut their rates to encourage parkers to return and perhaps generate more revenue. Indeed, they might be able to make further downward adjustments in rates if proposals to roll back the parking tax come to fruition.

Instead, the Authority's actions--eschewing private management in order to control operations and raising rates excessively--brings into question whether there ought to be a Public Parking Authority at all. If, as some argue, one of the reasons the Authority exists is to build high-rise garages because others won't, then a primary justification for their existence can be easily eliminated. For example, the City could build high-rise garages and lease them to private operators. Similarly, we see examples of mission-creep at other authorities, such as the Port Authority and the Sports and Exhibition Authority, both of which have built high-rise parking facilities.

Of all the comparable cities we have studied only one has a parking authority. Specifically, in our 2002 study of parking, which compared Pittsburgh's situation to other cities, Baltimore was the only one with a parking authority. More recently, our Benchmark City study examined the authority situation in four other major regional hub cities. None had a parking authority. Most of these cities have parking departments that administer enforcement, issue permits and in some cases manage city owned parking facilities. Perhaps this is the mechanism Pittsburgh needs to adopt in the near future.

Instead of looking for savings that will yield little marginal impact, the Authority should hire a consultant to evaluate its garages and lots and put together a plan to sell those assets. It's sure to attract interest. With net assets of $45 million, the Parking Authority should be pressured to move in this direction.

The most urgent reason is that the City desperately needs financial help from its authorities. The City needs capital to take care of its unfunded pension liabilities, debt obligations and capital projects. Since there is a very close relationship between the City and the Authority, the latter must not be allowed to jealously guard its assets while the City deteriorates. After all, a failing city will only exacerbate the already weakened demand for parking.

Thus, it is incumbent upon the Parking Authority to move toward helping the City by liquidating assets and directing the proceeds to a fund that would pay down City debt. At the same time, by phasing itself out, the Authority would allow the private sector to resume its proper role in providing parking in a market driven environment.

According to its latest annual report, the Parking Authority states that its core mission includes expanding services that are “specifically designed to advance Pittsburgh's economic vitality." If that is true the Authority needs to get serious about pursuing a solution that offers real prospects of helping the City deal with its financial crisis. Piecemeal and temporizing solutions are not the answer.

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