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Parking Rates Will Increase This Week

Large hikes in the price to park at the Pittsburgh Parking Authority's garages and lots go into effect August 1. The higher rates will boost the City's parking tax revenue from Authority garages by an estimated \$2 million per year. As noted in a *Policy Brief* this summer (*Volume 14, Number 31*), the parking tax is set at 37.5 percent and that percentage is written into a state law that deals with municipal pension reform. Because the City can't legally increase the tax rate, the Act 47 team recommended that the City ask the Authority to raise parking prices at its facilities. Additional parking rate hikes are planned for 2015 and for 2017 as well unless the Authority decides to delay implementation.

While private garages and lots are allowed to set their rates independently of the Parking Authority rates, they are no doubt heavily influenced by the prices charged by the Authority. It is not known at this time whether private facility owners will follow the Authority's lead, and if they do, by what amount. If they raise their prices, it will automatically produce more parking tax revenue for the City since they also must pay the 37.5 percent tax.

So what does all this mean for parking customers and for the City?

Rate hike percentages vary across the Authority's garages and some are quite hefty. For a customer parking a car for an eight hour day, the increases in rates range from 23 to 33 percent with the largest hikes at the Oliver, Second Ave, Mellon Square, and Smithfield/Liberty garages. Only the Grant Street structure will see no change in its 4 to 24 hour parking rate. For example, at the Smithfield/Liberty garage rates will rise from \$13.75 to \$18 for a customer parking for a typical work day. Based on the effective parking tax rate (27.3%) the amount of tax remitted for each vehicle daily to the City from that garage will rise from \$3.75 to \$4.91. Similarly, at the Oliver Garage, based on rates rising from \$12.75 to \$17, the City's take from the parking tax will increase from \$3.48 to \$4.64.

Using recent Parking Authority and City data we have estimated the impact on City revenue resulting from the Parking Authority price increases. For the time being we will ignore the rate increases planned for next year and revisit the estimates if the price increases go into effect.

The estimate of revenue change resulting from parking price hikes assumes that demand for parking is very inelastic and that the number of cars being parked will not drop appreciably as a consequence of the higher parking costs and revenues will rise in proportion to the increase in price. To the extent that the large jump in parking rates diminishes parking facility use, our estimate will be too high. However, given past experience and the supply-demand imbalance in Pittsburgh parking, our assumption of inelastic demand seems reasonable.

Currently, the City is receiving parking tax revenue from Authority garages at an annual rate of around \$8.2 million. This is based on recent Parking Authority revenue of about \$30 million per year. With the parking rate increase and no falloff in the number of cars being parked, the annual rate for revenue will climb to an annual rate of \$10.24 million in 2015—a \$2 million increase from the pre-price hike pace. The hikes will also boost City parking revenues garnered from the Authority by \$0.9 million over the last five months of 2014. Keep in mind that the Authority will net over \$5 million for its own use over the following the boost in parking costs.

As mentioned above, it is not known how private facility owners will react to the higher prices being charged by the Authority. But we can construct reasonable scenarios. One has the average private price rising by 10 percent, another by 15 percent. If either occurs it would produce a substantially higher level of parking tax revenue for the City as well as more revenue for the owners. Bear in mind that private parking facilities remit well over \$40 million of the \$50 million or so in parking tax revenues the City collects. Thus, a ten percent boost in the average private parking price would generate an additional \$4 million annually for Pittsburgh's treasury while lifting the owners' revenue by \$10 million.

On the other hand, a 15 percent rise in private parking rates will generate an additional \$6 million annually for the City's coffers and about \$16 million more for owners. Note that in either of the private price increase scenarios, the tax revenue from private garages would swamp the amount of additional tax revenue coming from the Authority.

The table below shows the recent history of City parking tax revenue through 2013 and a forecast for 2014 and 2015 using the Authority increase estimate shown above and taking into account a private price hike of 10 percent.

Parking Tax Collections for Pittsburgh, 2008-2015

Year	Revenue (000s)
2008	\$45,902
2009	\$45,274
2010	\$46,651
2011	\$48,217
2012	\$50,911
2013	\$51,977
2014	\$54,965*
2015	\$60,965*

*Estimated and forecast by Allegheny Institute. Possible Parking Authority price increase in August 2015 not factored in these figures.

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