



City Parking Taxes: A Year After Parking Authority Price Hikes

“While the City cannot change the parking tax levy—it is fixed at 37.5 percent by Commonwealth law—the [Public Parking Authority] could change the rates at [garages and surface lots that it owns] and have a similar result, accounting for some revenue erosion if drivers use other non-[Public Parking Authority] facilities instead”—Act 47 Amended Recovery Plan for Pittsburgh, May 2014

Back in 2004 when the City wanted to raise revenue from people paying to park it could simply raise the parking tax by an act of Council. That’s what happened that year when the parking tax increased from 31 percent to 50 percent. State legislation reduced the parking tax in annual steps and the tax is unable to be altered unless the General Assembly acts.

So how to get more revenue from parking? The City has a related Parking Authority with a board appointed by the Mayor. Though the Authority is ostensibly independent it does provide payments in lieu of taxes to the City and if its rates for parking go up then the tax revenue on the higher rates would generate more parking tax revenue for the City, assuming patrons did not look for alternatives. There is also a much larger component of parking in Pittsburgh controlled by private owners, and while the City does not exert influence on rates they charge, a boost in their prices would also produce more parking tax revenue for the City.

The price for parking at Authority facilities increased August 1, 2014 and there was another boost in rates on August 1, 2015.

Last August’s rate increases at Authority facilities went into effect and were essentially across the board hikes for parking (one hour or less, two hours or less, etc.) evening and weekend rates, and lease agreements. A patron parking for two hours in the Third Avenue Garage prior to the August 1, 2014 rate hikes would have paid \$4.75; now that patron would pay \$8.00. Someone parking at the 9th and Penn Garage for an eight hour workday saw rates climb from \$9.75 to \$12.00. And so on.

The City's take from the first transaction would increase \$0.88 from \$1.28 to \$2.16 and \$0.61 from \$2.63 to \$3.24 on second transaction. That is based on the effective rate of the parking tax being around 27 percent of gross revenues.

This August's increases appear targeted at those parking four to 24 hours and lease agreements. Most people parking at Authority garages from four to 24 hours will pay an additional dollar. Based on the resolution of increases approved by the Authority in June of 2014 there will be no changes to rates in 2016 but another round in the year after.

So what has been the overall City budgetary result of the August 2014 hikes? We know from previous work that the demand for parking is not very responsive to changes in price, but there are alternatives as the Act 47 team pointed out and there is the possibility of price shopping on Parking Authority facilities as there were varying degrees of hikes, looking at non-Authority facilities, public transportation, etc. The City's 2015 budget projects parking taxes to be \$53.1 million, about \$2.2 million above the amount budgeted in 2014 (the audited 2014 total was \$50.4 million).

One way to gauge the impact of last year's increase is to look at what happened to revenue from August 2014 to the most recent monthly number available and compare to the same period from a year earlier. The City's Fiscal Focus tool on the Controller's website provides monthly reports on tax revenue collected by the City, including parking tax revenue remitted by all operators of paid parking in the City, both public and private. Based on each month's current parking tax collections, the cumulative total from August 2014 through June 2015 was \$42.1 million. Compared to a year earlier the same time period's total was \$41.9 million, a difference of \$200,000 which does not seem like very much in light of the substantial price increases at the Parking Authority facilities.

Data provided by the Parking Authority shows that it remitted \$9.9 million in parking taxes from August 2014 through July 2015, which is roughly 22 percent of the \$42.1 million reported via the Fiscal Focus page. A year earlier (August 13 through July 14) parking tax collections were \$8.7 million, a difference of \$1.2 million year to year (13.8 percent). Based on the effective tax rate it appears parking revenue at Authority properties rose from \$32.3 million to \$36.8 million, presumably due primarily to the August 2014 increase in parking prices.

The Authority also provided a May 2014/May 2015 garage and attended lot revenue comparison for all of its facilities (with the exception of Smithfield Liberty which is undergoing renovation). Revenue in May 2015 was running an average 12 percent above the May 2014—prior to the first increase.

Board meeting minutes from several months in 2015 indicate that utilization of facilities has not changed much after the rate increase, with the Executive Director of the Authority noting at the May meeting that "...most of the garages have steadily increased utilization and are at or over 95 percent of capacity..."

Another way is to look at the calendar year to date compared to a year earlier, which would take into account the parking rate increase. Cumulative collections since the start of the 2015 calendar year through June were \$20.7 million, almost identical to the January-June 2014 collections prior to the Authority rate hikes that took place two months later. Again, not much of a difference delivered to the City in terms of the parking taxes they hoped to collect from an Authority rate hike. There are two possible explanations for this apparent shortage in view of the Authority tax payments being higher. One; parking at private facilities is down, reducing tax payments or two; there are either delays in turning in tax payments or getting them recorded in a timely manner. Note too that parking revenue in the second half of the year has been much higher than the first half. During the last six months of 2014 parking tax collections amounted to around \$30 million, almost 50 percent higher than the first half. That is far more than could be explained by the Authority price increases in August. If the budgeted amount for 2015 is to be reached, parking tax collections will have to total \$33 million in the last six months.

The Fiscal Focus page also separates out prior year collections that come in any given month, as well as penalties and interest on delinquent taxes. When each month's total for current, prior, and penalties is summed and compared from January-June in 2014 and 2015 there is close to a \$1 million difference in collections (\$24.0 million in 2014, \$25.0 million in 2015). But it is not clear whether the prior year collections and penalties and interest are from Authority facilities, private facilities, or some combination of the two. Again, there is a \$3 million difference between the 2015 and 2014 budgeted amounts that alters the necessary pace of collections for the remainder of the year.

To say that the tax revenue from parking is incredibly critical to the City and its financial future would be an understatement. Right now about \$13 million of the revenue from parking taxes is adding to the amount of money being paid toward pensions, and the amount is to double in 2018.

Eric Montarti, Senior Policy Analyst

Jake Haulk, Ph.D., President

*Policy Briefs may be reprinted as long as proper attribution is given.
For more information about this and other topics, please visit our website:*

www.alleghenyinstitute.org

<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p>
