

# *A Quick Economics of Parking*



Portland Parking Symposium

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— JUNE 29, 2015 —

# What do we need to know about parking



- *“If we think we have a parking problem, then the status quo isn’t working. We have to be willing to accept and be a part of change.”*
- The most successful communities have a *messy vitality*.
- Parking is everywhere, do we have too much or too little?
- If we want more parking, we need to understand the best way to create it.
- If we want more people to take the bus, ride bikes and walk, we need to understand the key role parking can play.
- Who pays for the parking we want?



# What is happening....



No. of parking  
Spaces in US

- Upwards of 2 Billion

Urban land  
devoted to  
parking

- About 20%

Common ratio of  
parking SF to  
building SF

- About 3 : 1

# Think of Parking As A Mortgage Payment



## UNDERSTANDING THE VALUE OF A PARKING STALL\*\*

- |                           |                                 |
|---------------------------|---------------------------------|
| - Structured Underground  | \$35,000 - \$45,000 per stall   |
| • (@ 4.5%/20 years)       | (\$221 - \$285 per stall/month) |
| - Structured Above Ground | \$20,000 - \$25,000 per stall   |
| • (@4.5%/20 years)        | (\$127 - \$158 per stall/month) |
| - Surface                 | \$ 5,000 - \$ 7,000 per stall   |
| • (@4.5%/20 years)        | (\$35 - \$45 per stall/month)   |

\*\* NOTE: Does not include operating cost or full cost of land

# Think of Parking As A Mortgage Payment



## Who Pays the Mortgage

### Developer/Owner \$\$

- Finance
- LID
- Fees-in Lieu

### Customer/Visitor/Guest \$\$

- Fees (hourly/monthly)
- Surcharges (Events)
- Citations/Fines

**\$198/month avg.**

### Public Subsidy

- General Fund
- Bonds
- Urban Renewal

### Building Tenant \$\$

- Buried in Lease Rate
- Validations (customer)
- Subsidy to employees

# Think of Parking As A Mortgage Payment



## Who Pays the Mortgage (OUTCOMES)

- **Delta between “mortgage payment” and ability of parking to fund itself:**
  - a) Is pushed to lease rates (affects affordability)**
  - b) Parking is downsized**
  - c) Project is downsized (with surface parking)**
  - d) Project is unfeasible**

# Too much detail/but makes a point



		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
<b>PRO FORMA ELEMENTS</b>		<b>5 LEVELS/4 FLOORS PUBLIC PARKING</b>	<b>4 FLOORS 271 PUBLIC/120 MU STALLS</b>	<b>(SAME AS SCN 2) WITH 1 BELOW GRADE 4 ABOVE</b>	<b>(SAME AS SCN 2) PRIVATE OWNERSHIP</b>	<b>4 FLOORS (SAME AS SCN 4) No Land Cost</b>
Total Stalls		466	373	475	373	373
Estimated Site Area (Square Footage)		36,000	36,000	36,000	36,000	36,000
Estimated Parking Pad		32,625	32,625	32,625	32,625	32,625
SF of Parking Built		163,125	130,500	163,125	130,500	130,500
<b>COST TO CONSTRUCT</b>						
Estimated Cost of Land		\$ 10,603,125	\$ 10,603,125	\$ 10,603,125	\$ 10,603,125	\$ -
Site readiness		\$ 700,000	\$ 700,000	\$ 700,000	\$ 700,000	\$ 700,000
Direct cost of construction/development		\$ 12,723,750	\$ 10,179,000	\$ 15,496,875	\$ 10,179,000	\$ 10,179,000
Indirect costs (30% of direct)		\$ 4,306,500	\$ 3,543,075	\$ 5,138,438	\$ 3,543,075	\$ 3,543,075
Cost of Retail/Ground Floor @	16313 SF	\$ 1,631,250	\$ 1,631,250	\$ 1,631,250	\$ 1,631,250	\$ 1,631,250
Developer Fee @ 3.25%		\$ 833,889	\$ 751,185	\$ 924,016	\$ 751,185	\$ 406,583
Sales Tax @ 9.5%		\$ 2,437,522	\$ 2,195,771	\$ 2,700,969	\$ 2,195,771	\$ 1,188,474
<b>TOTAL PROJECT COST</b>		<b>\$ 31,850,697</b>	<b>\$ 29,603,405</b>	<b>\$ 37,194,672</b>	<b>\$ 29,603,405</b>	<b>\$ 17,648,382</b>
Hard cost per stall		\$ 27,300	\$ 27,300	\$ 32,625	\$ 27,300	\$ 27,300
Full loaded cost per stall		\$ 71,311	\$ 79,396	\$ 78,305	\$ 79,396	\$ 47,333
<b>REVENUE/EXPENSE</b>						
Annual Gross Revenue Parking (annualized @ 10 YRS)		\$ 2,695,613	\$ 1,946,871	\$ 2,537,490	\$ 1,946,871	\$ 1,946,871
Annual Gross Revenue Retail (annualized @ 10 YRS)		\$ 331,181	\$ 331,181	\$ 331,181	\$ 331,181	\$ 331,181
Annual Operating Costs (annualized @ 10 YRS)		\$ (392,740)	\$ (302,879)	\$ (392,223)	\$ (302,879)	\$ (302,879)
Annual Ownership Costs (annualized @ 10 YRS)		\$ (99,814)	\$ (74,685)	\$ (95,326)	\$ (402,449)	\$ (270,085)
Annual Debt Service (5.0% @ 20 years)		\$ (2,630,355)	\$ (2,342,863)	\$ (2,945,620)	\$ (2,342,863)	\$ (1,396,722)
<b>Net Cash Flow (annualized @ 10 years)</b>		<b>\$ (96,115)</b>	<b>\$ (442,375)</b>	<b>\$ (564,498)</b>	<b>\$ (770,139)</b>	<b>\$ 308,366</b>
<b>Equity Necessary for YR3 Positive Cash Flow</b>		<b>\$ 5,650,126</b>	<b>\$ 7,400,851</b>	<b>\$ 10,414,508</b>	<b>\$ 8,881,022</b>	<b>\$ -</b>
<b>As % of Total Project Cost</b>		<b>17%</b>	<b>25%</b>	<b>28%</b>	<b>30%</b>	<b>0%</b>

# A Trend Toward Less Parking

(where parking not required & capped by maximum ratio)

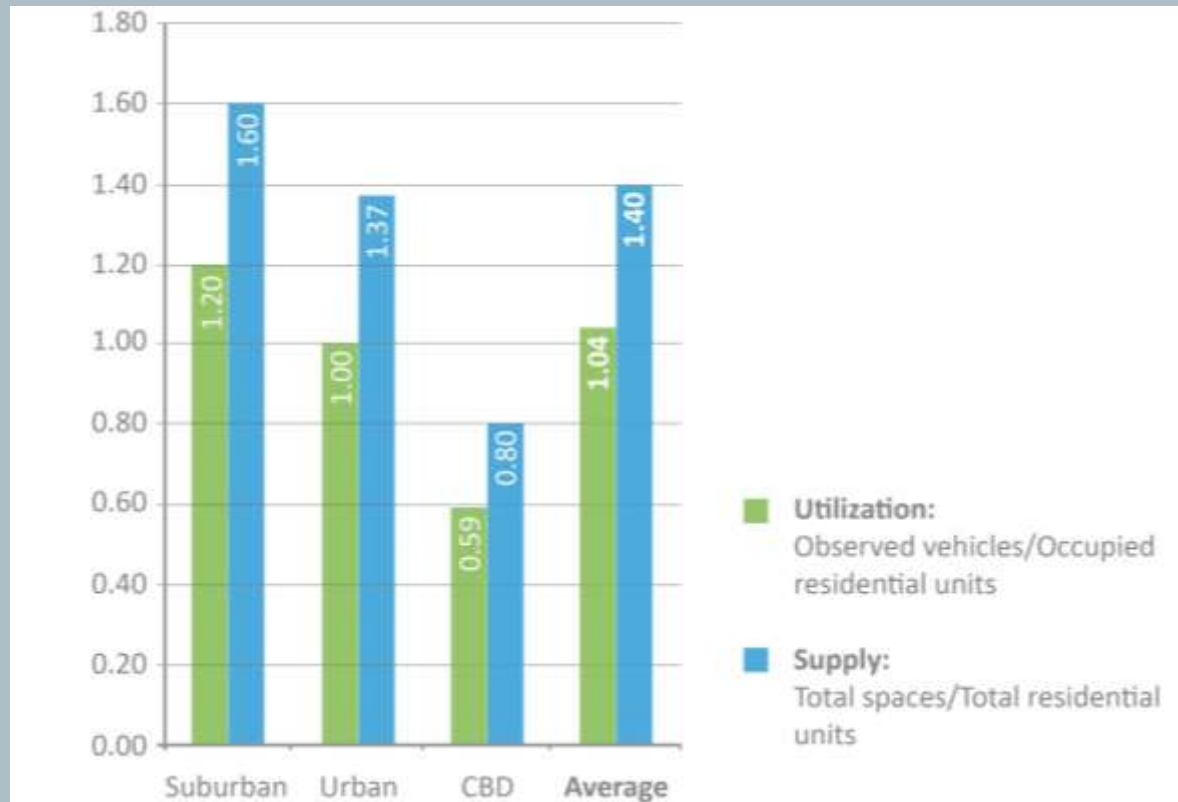


- Parking in structures
- Denser buildings
- Cost “unbundled”



# A Trend Toward More Parking

(where parking is required)



## Findings

- 240 MF sites in King County
- 90% of jurisdictions require minimum parking
- Required parking was 43% more than actual demand

## Outcome

- Parking in surface lots
- Low density
- Free parking

# What's next....



Today



Tomorrow



- Forcing parking (minimums) will not support visions for vital communities
- Creating a market for parking requires paid parking environments (on and off-street)
- Solution is in addressing myths, realities and initiating innovative planning



*THANK YOU!*