

**The Parking Market: How Chicago's metered parking concession affects
active transportation**



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March 2010

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EXECUTIVE SUMMARY

Valuing on-street parking spaces based on prevailing market values has been shown to improve traffic flow, mitigate poor air quality and encourage active transportation choices. When the resulting revenue is then invested in funding for sustainable transportation options, **a world-class transportation network emerges.**ⁱ

The Active Transportation Alliance is a regional advocacy agency that fights for better resource allocation that prioritizes bicyclists, pedestrians and transit users. Our strategic goal is for 50 percent of all regional trips to be made by bicycling, walking and transit. Active Trans' work ranges from formal city transportation planning to community-based bicycle and pedestrian safety programs. In this paper, Active Trans identifies the bicycling, walking and transit outcomes that have accompanied the adjustments in parking meter programming resulting from Chicago's December 2008 Metered Parking Concession Agreement.

A fully functional transportation system gives people choices about how to get around. One way to give people choices is to remove subsidies for "free" parking and use the income to fund bicycling, walking, and transit choices. Market-based parking meter rates that charge users the lowest price possible based on demand have led to positive social and economic outcomes such as fewer vehicle miles driven, less traffic congestion, and transportation shifts to bicycling, carpooling and transit. The recent parking meter privatization puts Chicago in a unique position to install market-based parking meter rates. The increased meter rates do not directly fund improvements in non-motorized transportation options – something the Active Transportation Alliance encourages. This paper explores the flexibility, benefits and challenges of the concession and proposes three policy solutions that the City, local surrounding villages and municipalities can enact now to implement transportation systems that support public health, economic activity and long-term sustainability.

INTRODUCTION

Increased traffic congestion in Chicagoland is resulting in lower air quality, rising obesity, and a declining quality of life as residents spend more time idling in traffic. Parking meter revenue can be a valuable tool to address these issues. Valuing on-street parking spaces on prevailing

market rates improves traffic flow, mitigates poor air quality, and encourages active transportation choices. When the resulting revenue is then invested in funding for sustainable transportation options, a world-class transportation network emerges. In order to maximize the economic and transportation benefits that the recent parking meter concession could spur, Chicago will need to work creatively to make the essential connection between competitively priced parking and reinvestment in more sustainable transportation options like public transit, bicycling, and walking.

In December 2008 the City of Chicago entered into an agreement for the operation, maintenance, and collection of its approximately 36,000 metered parking spaces with a private parking management company for 75 years. The city received a \$1.156 billion upfront payment in exchange for the revenue the meters generate over this time period.

Our primary investigation focuses on the implications to bicycling, walking and transit of this agreement. Research outcomes include three policy solutions that municipalities can enact immediately in order to support public health, economic activity and clean air: 1) Implement market-rate parking policies; 2) reinvest meter revenues directly into bicycling, walking and transit; and 3) invest independently in bicycling, walking, and transit.

ACTIVE TRANSPORTATION ALLIANCE

The mission of the Active Transportation Alliance (Active Trans) is to make bicycling, walking and public transit so safe, convenient and fun that we will achieve a significant shift from environmentally harmful, sedentary travel to clean, active travel. We advocate for transportation that encourages and promotes safety, physical activity, health, recreation, social interaction, equity, environmental stewardship and resource conservation.

Active Trans works to build a region where 50 percent of all regional trips are easily made by bicycling, walking, or transit, with 50 percent fewer crashes of all types. To achieve this vision, we advocate policies make bicycling, walking and transit more appealing and that reduce subsidies for driving. For significant modeshift to take place, we must reduce subsidies for driving and free up resources for sustainable and active transport.

THEORY AND FRAMEWORK

Underpriced curb parking is a hidden source of traffic congestion and it stimulates driving. Providing free parking generates high demand. When drivers can hunt for the perfect free spot, they contribute to slow moving traffic, are watching out for parking spots instead of cyclists and pedestrians, and contribute to unnecessary automobile emissions. Given these drawbacks, perhaps it is not sensible to provide free vehicle storage in the public way. Underpriced parking simply encourages drivers to cruise for the commodity.ⁱⁱ

The cost of “free” parking is bundled into the cost of everything from movies to toothpaste. In other words, costs of constructing and maintaining parking spots are passed on to customers in the form of inflated prices. This bundled pricing unfairly charges those who are too poor to drive or choose not to drive by making all consumers in the business subsidize those who drove. Unbundling the cost of parking more fairly charges people for parking based on use instead of spreading the cost of building and maintaining parking spaces to everyone. Parking simply is not freeⁱⁱⁱ.

So how much should parking cost? According to UCLA urban planning professor and author of The High Cost of Free Parking, Donald Shoup, curb parking should cost the least amount possible to ensure that drivers can always find a spot without cruising. This would result in fewer vehicle miles traveled, less congestion, and greater curbside turnover for local business. When meters are priced appropriately at the market rate, each side of the street always has a few available parking spaces and drivers can always find a place to park. Shoup estimates that the ideal capacity at any given moment is about 85 percent. Meter rates can vary by time of day based on demand, and would reflect different prices for residential and commercial land use mixes.

Active Trans suggests Shoup-style policies that link increased meter revenue from market-rate prices to direct investment in socially and politically optimal transportation modes like bicycling, walking, and transit. Increased meter fees could support smoother sidewalks, pedestrian-scale sidewalk landscaping, crosswalk striping and storefront improvements for local businesses.

CURRENT POLICY

Traffic planning norms that mainly consider automobile traffic have had the predictable result of creating a region that overwhelmingly encourages and accommodates automobile driving and storage- even as our population grows and transportation options become more critical to a vibrant region.

Census data indicates that Chicago and its suburbs have been some of largest and fastest-growing areas of the country in recent years. Chicagoland increased in population by .77 percent, or by 73,000 people between July 2007 and July 2008, bringing the population to 9.6 million people. According to the U.S. Census Bureau, Chicagoland witnessed the seventh largest population increase in the United States, and Cook County was the second-most populous county with 5.3 million residents.^{iv} Although population has slightly declined in Cook County from 5,377,092 in 2000 to 5,294, 664 in 2008^v, the number of vehicles registered in Cook County has increased 8% over the last 10 years.^{vi}

Chicagoland is seeing increased population, increased vehicle ownership, and potentially increased economic opportunity. But if urban planning and policy decision-makers continue to provide underpriced parking and thereby increase the demand for driving and parking, the trend of increasing vehicle ownership will be exacerbated. The region could be one that sacrifices productive land uses (retail, housing, parks, community centers) to parking.

The problem with providing abundant parking that stimulates demand is in part a shortcoming of urban planning norms. Planners and politicians generally follow one golden rule for building parking in a new development: four spaces per 1,000 feet. Chicago requires developers to provide a minimum of one off-street parking space per unit in residential buildings classified as D-3 (a measure of density) in the downtown district.^{vii} Parking development requirements force developers to build parking spots into their new development regardless of market demand. They must follow a zoning code that may not be appropriate for their specific construction project, which can increase the development cost significantly. The median cost to construct a new parking spot in Chicago is \$17,869, at a cost of \$54.31 per square foot. The national median cost is \$15,552^{viii}. These spaces, when provided for free, still cost money. That money translates into higher rents for local businesses, which in turn must raise prices in order to stay in business. This creates an enormous subsidy by all customers that benefits only the ones who park for free. As a result, there is abundant under-priced parking,

resulting in half of Chicagoland commuters driving to work^{ix} and many then parking for free and contributing to traffic congestion.

Eliminating or reducing mandatory off-street parking requirements diverts garage parking to curb parking and provides the opportunity to replace parking garages with more productive land uses. Furthermore, spending curb-parking revenue on public amenities that draw customers is a key element in a successful parking pricing policy. ³Instead of directing parking meter revenue to the municipality's general operating fund, market-rate parking revenues should go directly to filling potholes, repairing sidewalks, planting trees, replacing streetlights, and funding more efficient transportation options. When customers understand and see that their on-street parking fees are improving the pedestrian experience while simultaneously making it easier to find parking, they are more likely to support market-rate pricing policies.

Chicago's past and current policy is that net revenue from parking meters does not directly fund filling potholes, repairing sidewalks, planting trees, or replacing streetlights. Parking meter revenues (such as the revenue that flowed from the metered parking concession) were placed in the general corporate fund, which provides for street cleaning, law enforcement, garbage collection, and traffic control. Those services do support a positive pedestrian experience. Active Trans believes that dedicated funds to accommodate pedestrians and bicyclists is the ideal policy.

CHICAGO'S PARKING METER CONCESSION

In December 2008 the Chicago City Council voted to enter into an operating agreement for Chicago's parking meter system with Chicago Parking Meters, LLC (or "CPM," a consortium led by Morgan Stanley Infrastructure Partners, a separate and distinct corporate entity than Morgan Stanley) for approximately \$1.156 billion dollars for the period of 75 years. This case study examines the agreement and the potential urban planning implications.

Under the agreement, Chicago's metered parking system, including 34,500 on-street meters and 1,240 metered spaces in 18 city parking lots, was privatized for a one-time, upfront lump sum of \$1,156,500,000. Under the agreement, CPM is required to provide "metered parking services," to include the operation, management, maintenance, and rehabilitation of the system, and the collection of parking meter revenue. CPM is required to pay for all capital

improvements in the system, including the full transition from typical coin meters to pay-and-display boxes that accept credit cards and cash by 2011. These pay boxes are capable of adjusting rate pricing depending on the demand for different parking locations. CPM will generally collect revenue from meter payments, and Chicago's Department of Revenue will continue to collect money generated from ticketed vehicles.

Under the agreement the City may add, remove and move meters, and raise or lower meter prices at its own discretion. As long as the City's changes to the system do not affect the net percentage of operation of the overall system for CPM, these changes come cost-free; however, if there is a reduction in the percentage of system in service (that is, the number of meters, their rates, and hours of operation), the city may have to pay CPM the difference. The city could extend hours of operation at existing meters, adjust rates, or add meters to balance the lost service.

In addition to the 35,740 concession meters from which CPM collects meter revenue, there are approximately 800 "reserve parking meters." CPM is responsible for maintaining the reserve meters but the City retains the reserve meter revenue, less an operating expense of 15 percent. These reserve meters are scattered throughout the city and the City has the power to change the status of a meter from reserve to concession, and vice versa. Reserve meters give the City flexibility in negotiating for changes to the overall parking meter system, which will be discussed later.

If increased parking meter rates deter some people from driving and using the meters, the City does not own the economic consequences that would accompany this event. While the City may have insulated itself against the hypothetical risk of decreased meter income, it has an increased risk of experiencing higher demand for bicycling, walking and transit options. Thus, there is a strong imperative to invest in a transportation system that gives people real choices about their own mobility.

THE CONGESTION REDUCTION DEMONSTRATION GRANT

In April 2008, the City of Chicago and the Chicago Transit Authority were tentatively awarded a congestion reduction demonstration grant from the Federal Department of Transportation's Federal Transit Administration and the Federal Research and Innovative Technology Administration. The grant would have funded 10.2 miles of bus rapid transit on portions of

79th Street, Chicago Avenue, Halsted Street and Jeffery Boulevard. Furthermore, the memorandum of understanding put forth a pilot congestion pricing program that included “a pay-for-use system to manage on-street loading zones; a peak period surcharge on off-street non-residential parking; **and a variable pricing plan for metered on-street parking.**” The agreement^{xi} required the use of pay-and-display boxes to vary parking meter rates by time of day based on market demand. Although the variable pricing pilot project and bus rapid transit grant is not currently in place, the City “remains committed to pursuing sources of funding that allow it to both invest in transit infrastructure and more efficiently manage traffic flow.”^{xii}

PAY-AND-DISPLAY BOXES

As part of the concession agreement CPM is required to replace all former parking meters with pay-and-display” boxes by 2011. These kiosks provide more convenient payment options to parkers by allowing credit and debit card transactions, and they also allow CPM and the City to understand exactly when and how drivers are using these meters by collecting this information on a geographic and hourly basis. This information, if leveraged, can help identify the correct price for parking on a more granular level on a per-block basis. Implementing the correct price of hourly parking fees has several benefits; it enables every driver to get a spot whenever they wish, and the City can use the increased fees to offset the foregone revenues when a metered space is slated for removal.

To date CPM has replaced 31,500 single space meters with 4,000 pay boxes. CPM’s provision of pay boxes will be two years ahead of schedule for approximately 75 percent of the metered spaces. That negotiated infrastructure improvement came at a cost of between \$40 and \$50 million to CPM, not the City of Chicago. Further, the concessionaire must make additional capital expenditures over the life of the deal, as pay boxes must be replaced no more than every seven years. The City now can divert monies it would have spent on pay boxes and their maintenance to the general fund.

Another result of the pay boxes is that the parking meters they replace were legitimate bicycle parking. The City entered into a dialogue with Active Trans in this regard, and determined after consultation that the most effective response would be that the City leave one meter for every six parking spaces not served by a bike rack. The City has repurposed meters on the street by labeling them so that bicyclists know that have been left for their convenience.^{xiii}

Most motorists who drive and park at a meter early in the morning, thereby avoiding periods of heavy congestion, are rewarded. That's because most pay boxes allow motorists to prepay for parking. Beginning at 5 a.m., most pay-and-display boxes allow motorists to prepay for parking between 8 a.m. and 10 a.m. Parkers must still abide by other restrictions, however. For instance, if a pay box is located in a morning rush hour parking zone, it will not allow for the prepayment for time.

There are other operating efficiencies. The technological efficiency inherent in pay-and-display boxes also contributes to traffic mitigation by providing increased enforcement opportunities and fewer broken meters, both of which encourage people to cruise for parking less and pay to park more.

For example, data from the pay boxes is being used to better assign enforcement personnel. Utilization and hours of operation can be used to assign staff. Parking meter enforcement in Chicago generally correlates to the number of meters in a particular area, one exception being the Chicago's central business district, or the Loop. There are more parking meter violations issued in the Loop now, largely because the meters in the Loop operate 24 hours per day. Because of the Loop increase (and the added hours in the parking lots and elsewhere), the total parking meter hours of operation expanded by 27 percent. As expected, meter enforcement increased by a similar percentage (by 26 percent, with more than 50 percent of that increase coming in the Loop).

The pay boxes notify CPM wirelessly when they require collection or are broken. Consequently, collection and maintenance crews need to visit meters less often. Travel reductions shrink the carbon footprint of collectors and mechanics and reduce congestion.

The wireless capability has reduced the time it takes to repair a meter as well. CPM can address repairs immediately and is now repairing broken meters in just a few hours (one-fifth of a business day), a fraction of the time it previously took the City. When there are fewer broken meters, there is a higher percentage of system operability. A recent City survey measured operability at better than 99 percent, a significant improvement over the City's past performance and the performance of other peer cities.^{xiv} When there is a higher percentage of operability, motorists have less of an incentive to cruise for free parking at a broken meter and are inclined to park at the first available space. Less cruising equates to reduced congestion,

improved travel times, and lower emissions.

PROGRESSIVE PRICING

Advanced technology and price flexibility are key features of progressive pricing schemes such as congestion pricing. Congestion pricing is the practice of charging motorists more money to use a roadway, bridge or tunnel during periods of the heaviest use. Its purpose is to reduce automobile use during periods of peak congestion, thereby easing traffic and encouraging commuters to walk, bike or take mass transit as an alternative, and it can be easily implemented via parking meter rates. Congestion pricing is one of the most powerful policy tools in the hands of city government because it leads to widespread transportation behavior change; in London it led to a 21 percent reduction in central area traffic, and more than \$100 million in the City's general coffers to fund transit and other transportation options^{xv}.

Pay-and-display boxes enable the City to explore forms of congestion pricing that few cities have enacted before. Rush hour rates could be incentive-based; temporary, low rates encourage parkers to stay in their spot during rush hour to reprogram the flow of traffic leaving the central business district at 5pm. Incentive-based hourly rates can encourage parkers to stay in the central business district for dining or entertainment to avoid rush hour and save money on parking.

Finally, if the City enacts progressive parking policies such as market-rate parking fees, congestion pricing, and investment in bicycling, walking, and transit infrastructure, the City would support a region-wide modeshift from single-use automobiles to a multi-modal transportation system. That would result ultimately in lower demand for automobile parking in our region, better traffic flow, and less congestion.

FUTURE METER PRICING

The Chicago City Council passed an ordinance that increases meter parking rates at most meters over the course of five years. After five years, the contract calls for "the system value [to] be adjusted by inflation through the addition of meters, expansion of hours or rate increases."^{xvi} About 75 percent of the city's meters are located in neighborhoods where meters were priced at \$0.25/hour; those rates hadn't been adjusted in nearly 20 years. By 2013,

parking in most neighborhoods will cost approximately \$2 per hour. Meter rates in the Loop will increase from \$3 to \$6.50 during the same period. The three zones that are used in the city's calculations are based on density.

Area	2008 (before increase)	2009	2010	2011	2012	2013	After 2013
Loop	\$3.00	\$3.50	\$4.25	\$5.00	\$5.75	\$6.50	Adjusted annually by inflation
Non-loop CBD	\$1.00	\$2.00	\$2.50	\$3.00	\$3.50	\$4.00	Adjusted annually by inflation
Neighborhoods	\$0.25	\$1.00	\$1.25	\$1.50	\$1.75	\$2.00	Adjusted annually by inflation

Section 9-64-205 of the Chicago Municipal Code

Hours of operation have also been expanded in 2009 to include Sundays. Sundays were free in many, but not all, neighborhoods prior to 2009. Further, hours of operation have been expanded on business streets to 8 a.m. to 9 p.m. and 24 hours per day in City lots and in the Loop. These changes make for good parking policy and are in line with San Francisco's recommendations to extend meter hours on Sundays and at night (sometimes as late as midnight).

The chart below shows the hours and rates that William Blair & Company used to calculate the value of the metered system.

Type of Meter	2009 Hourly Fee	Total Hours per year (2008 – prior to the agreement)	Total Hours per year (per agreement)
Neighborhood	\$1.00	106,523,730	117,356,238
CBD	\$2.00	18,732,260	25,984,113
Loop	\$3.50	4,083,488	5,143,580
Neighborhood (late-night, half-price)	\$0.50	0	11,709,316
CBD (not-loop) (late-night, half price)	\$1.00	0	156,577
Loop (late-night, half-price)	\$1.75	0	4,099,273
Total		129,341,477	164,449,097
Chicago Metered Parking Bid Documents			

These rate increases are important, as they start to bring rates in Chicago in line with other larger cities. As of July 2009, parking in Chicago cost less than it does in a number of other cities in the United States. The average blended rate in Chicago was \$1.21 per hour. In places like Los Angeles, Manhattan, Sacramento, Philadelphia, Phoenix, Washington D. C., San Francisco, and Seattle, rates average between \$1.23 and \$2.43 per hour. Rates increased and hours were expanded in 2008 and 2009 in Los Angeles, New York, San Francisco, St. Louis, Portland, Milwaukee, Kansas City and a host of other U.S. cities and towns. According to a 2009 report by the Lexington and Fayette County Parking Authority in Kentucky^{xvii}, the average hourly metered rate in the United States is \$1.48.

Many cities are planning increases in 2009 and 2010.^{xviii}

Efforts to bring hourly rates to market value reduce congestion, increase turnover and support positive public health and environmental outcomes. Market rate pricing benefits the concessionaire while supporting above outcomes.

DATA COLLECTION: WHAT IS MARKET RATE?

Active Trans gathered data on how current prices affect driving behavior and we found that the current price of on-street parking meters in Chicago – a bustling, commercially vibrant area – isn't quite right.

We collected data in early May 2009 from 11 a.m. to 1 p.m. to determine how close the hourly rates get us to 85 percent capacity. While 85 percent is not a firm benchmark, it is, as Shoup notes, good “short-hand.” Sometimes there will be less occupancy, and sometimes spaces will be absolutely full. The goal is to see variation around 85 percent that ensures spaces are not full more than 10 to 15 minutes of any hour.^{xix} While 11 a.m.-1 p.m. is a small time window, it is a snapshot of driver behavior.

Method: We observed parking in free zones, \$1/hour parking zones and in \$2/hour parking zones. Data is from all blocks enclosed by Wells Street, Division Street, Sedgwick Street, and North Avenue.

The results: What we found wasn't that people were abandoning street parking for bikes and roller skates but rather that most blocks were overfilled with abundant illegal parking.

Results from the most expensive to the least expensive spots follows.

\$2/hour parking on Wells Street from Division Street to North Avenue (northbound and southbound) was extremely overfilled. Spaces were 100 percent full with vehicles squeezed into loading zones and bike lanes. That pattern indicates that the price is too low (since vehicles cannot find a spot) and that enforcement is needed for illegal parkers.

On Division Street from Sedgwick to Wells streets, both eastbound and westbound spots were only 10 percent full. That's 90% vacant. At \$2/hour, the price is too high. One good block was on the 1300 and 1400 blocks of Wells Street, where north and southbound meters were 78% full, quite close to the 85% ideal capacity.

\$1/hour parking on the 1600 block of Wells Street was 92 percent full with six illegally parked cars, indicating that \$1/hour is close to being the right price (very close to 85% capacity).

Pay box technology and user unfamiliarity may have since affected utilization. The concessionaire introduced pay boxes in late April. Since their introduction, City officials have witnessed an increase in utilization.

Further, parking meter rates, in order to work as a traffic mitigation tool, must be easy to understand and familiar. Motorists must have an idea what the rate is going to be before they make the decision to drive. Otherwise, parking meter rates have no impact on one's decision to drive. The City of Chicago believes that while all cities should strive for occupancy rates of 85 percent, they must also avoid the creation of a patchwork of rates and hours of operation that may confuse motorists and negate the deterrent value rates should have. The City's schedule of rate increases, therefore, is an important first step towards reducing traffic congestion.

Active Trans recommends an approach that takes into account intricacies that drive parking behavior and demand. Technology that can implement variable pricing based on time of day is already there. If CPM was to use this technology and the City allowed for variable pricing, there would be fewer cars parked in the bike lanes, fewer cars cruising for to find the perfect parking spot, and more customers at local businesses. Implementing market-rate pricing is possible with new pay-and-display parking meter boxes.

THE IMPLICATIONS

With flexible parking prices and reduced demand for driving, what is the effect on Chicago's urban landscape and transportation innovations?

The agreement allows the City to change meter rates, locations and hours of operation, but if the percentage of system in service is affected, the city may have to pay CPM the difference, replace lost meters or extend hours of service in existing meters. This means that the City must be balanced in its assessment of the costs and benefits of transportation innovations.

Innovations such as pedestrian bulbouts and bike lanes could have weak political backing if their addition to the roadway came at an upfront price to the City or Aldermen. While the city retains the right to control the meters in every capacity, would requests for pedestrian and bicycle accommodations be increasingly scrutinized because of the foregone meter revenue?

The agreement puts parking meters at the forefront of conversations about transportation planning because the percentage of system in service must remain constant or the city could pay penalties.

The City of Chicago Department of Revenue shared strategies with Active Trans about the City's work to implement innovative transportation structures while adhering to the agreement^{xx}. In cooperation with the Chief Financial Officer, the City's Department of Revenue provides active oversight of the metered parking concession agreement. The City indicated support for market rate pricing and gave examples of balancing the need for meter removal or reprogramming with the contractual agreement to keep the percentage of system in service constant.^{xxi} What follows are several specific examples of the implications on pedestrian and bicycle facilities, bus rapid transit, and special events.

TRANSPORTATION PLANNING

Pedestrian bulbouts are an extension of the curb that reduces the roadway at intersections and crosswalks, giving pedestrians a shorter crossing time. They also serve as a traffic-calming device by narrowing street width at intersections, which in turn causes motorists to slow their speed. Depending on the location, a pedestrian bulbout would remove one to two parking meter spaces. According to the City's Department of Revenue, installing pedestrian bulbouts should not cost the city much in foregone meter revenue due to their low impact on the overall value to the system. If the meters needed for a proposed bulbout have a low annual revenue, it would not be difficult for the City to justify the cost within its budget. If the designated meters have a higher annual value, the city has the ability to add meters in an equally valuable location, extend hours of operation, or increase hourly rates to compensate for the revenue lost by the bulbout.

If an alderman requests a pedestrian bulbout in a location where there are currently meters, the city will perform a cost/benefit analysis, evaluate the costs both to the city's budget in addition to considering factors such as public health and transportation flow and weigh these

costs against the benefit of adding a bulbout. The Department of Revenue notes that losing the meters needed for a pedestrian bulbout is not highly significant, and that projects like this must take into account “pedestrian safety and the value that brings.”

In a recent example, an alderman worked closely with businesses in her ward to install bulbouts on the 5500 and 5600 blocks of North Kenmore and West Winthrop avenues. Those bulbouts necessitated the removal of 18 parking meters. The Department of Revenue estimated the annual impact in 2010 of \$38,657, and the alderman introduced an ordinance to mitigate that revenue loss. By approving the addition of 26 meters on the 5200 and 5300 blocks of North Sheridan Road and 1000 block of West Granville Avenue, City Council ensured no reduction in revenues.

While this kind of cooperation and budget transparency is encouraging, what happens once Chicago becomes more widely metered? This is a long-term planning question whose answer will continue to evolve. We applaud the City for supporting the benefits of pedestrian bulbouts and pedestrian accommodation.

Bus Rapid Transit

Projects that Active Trans considers a priority, like bus rapid transit, would also use curbside space and could potentially displace meters. Bus rapid transit, which turns curb parking lanes into high-speed bus lanes, has been successfully implemented in cities around the world to relieve congestion. In order to justify the foregone revenue of removing curb parking meters, the City would run a cost/benefit analysis that takes into account financial, social, and traffic flow benefits of bus rapid transit. Regional savings through less time spent in traffic may be used as a way to justify the foregone meter revenue.

The streets that were proposed in CTA’s original bus rapid transit plans through the above-discussed congestion reduction grant included 79th Street, Chicago Avenue, Halsted Street and Jeffery Boulevard. The concession agreement would not affect these plans because these streets already have rush hour parking controls that prohibit parking during peak travel times. The terms of the agreement state that the city does not have to account for lost revenue from preexisting reduction in meter use such as rush hour controls. This makes bus rapid transit implementation even more urgent- but funding issues have hamstrung its progress.

However, if bus rapid transit is proposed on streets where there are not existing rush hour controls or if the bus rapid transit lanes were to run nonstop, it is unclear at this time what the cost/benefit analysis of bus rapid transit would conclude. Would the public health, environmental, and congestion reduction benefits be quantified in favor of bus rapid transit? It is still too early to say.

Special Events

The concessionaire cannot be compensated for meter closures that the City does not permit or cause. Further, meter closures of less than six hours (unless the meter has been closed for more than two hours over three or more consecutive days) are not compensation events under the agreement. Even if a meter is considered “closed” for purposes of paying the concessionaire, the City has the benefit of a closure allowance of 8 percent in the central business district (roughly the area bounded by Halsted Street, North Avenue, Lake Michigan, and Roosevelt Road) and 4 percent outside that area. Events like street fairs and Taste of Chicago are exempt from meter reimbursement because of that allowance.

The City ultimately owns the same risks today that it owned when it operated and exclusively collected revenues from the parking meters. Those risks are greater with the scheduled rate increases, but so are the potential benefits to the City for adding meters. Regardless, rate increases are necessary to address congestion.

Active Trans applauds the flexibility inherent in those decisions—from the ability to change meters’ hourly rates based on demand to the ability to support street festivals and events such as Open Streets. Active Trans acknowledges the need for the City to provide motorists with reasonable expectations of what it will cost to park while balancing that with a vibrant street culture that prioritizes the most vulnerable users of the road – bicyclists and pedestrians – when considering street treatments that affect meter revenue.

MAXIMIZING THE VALUE OF THE CONCESSION AGREEMENT

The new pay-and-display technology provides the City of Chicago with several innovations that allow flexibility in revenue and creativity in the programming of parking meters.

Ability to bank meter value: The city may “bank” the value of a meter if it is a high-value meter pulling in more revenue than anticipated under the concession agreement. If the rate increases, or the City added additional meters in a new area, the City may set it aside revenues in an escrow account to draw from later, over the term of the agreement. Money in that escrow could be banked, making it easier to justify foregone meter revenue from pedestrian bulb-outs, bus rapid transit, or other projects. This is an essential flexibility that Active Trans applauds.

Ability to make a meter a “reserve meter”: If City increases the percentage of the system in service beyond 100 percent, it may designate a new or existing meter as a reserve meter. Unlike “concession meters,” the revenues from a reserve meter go directly into the City’s general operating fund, less a 15 percent administrative fee paid to the concessionaire. For instance, if a meter grossed \$150,000 a year, the City would take in about \$130,000 to the general fund for discretionary programming. There are approximately 800 reserve meters today.

Ability to “take the time with you” If a customer pays for more time than they can use at a meter in one part of the city, the system allows that person to draw on their existing time at a new meter. This allows customers to get the full value of their stay and decreases barriers to trip-chaining, or making multiple errand trips. As noted above, it also creates a disincentive to cruising, as motorists can no longer trawl for a single space meter with remaining time.

Ability to implement market-rate pricing. While market rates are being determined through current usage, and the Municipal Code directs hourly rates until 2013, market rate pricing is good for businesses, good for the concessionaire, and good for drivers. The City supports market rate pricing but the implementation of market rates would require an ordinance. It would also require a review of applicable meter utilization by the both the City and the Concessionaire. In most cases, however, utilization will not decline by a significant percentage, thereby ensuring the City receives the value added by the rate increase. Market rate pricing is a consideration of the Department of Revenue, and Active Trans looks forward to the implementation of market-rate pricing as soon as legally possible.

EXISTING POLICY OPTIONS

There are several policy options available to achieve a smooth-flowing traffic nirvana in our region: Set Chicago parking meters’ hourly rates at market-rate, test market rate pricing (with corresponding bicycle and pedestrian infrastructure investment) in municipalities outside

Chicago and fight for better accommodation for bicyclists, pedestrians and transit users. These are three mutually supportive policies that are both financially feasible and politically palatable.

POLICY 1: IMPLEMENT MARKET RATE CURB PRICING

Market rates reduce cruising times, improve chances of finding a spot quickly, and reduce emissions from cruising. An immediate action item is to identify the correct hourly market rate for each Chicago block based on location, time and land use. We invite Chicago Parking Meters, LLC and the City of Chicago to use that information to implement variable hourly meter rates. It is in the concessionaire's best interest financially to have correctly priced parking. Where it's overpriced, empty meters don't generate revenue. Where meters are underpriced, it's in their best interest to stimulate healthy turnover by raising rates. In addition to an improved public image, better profits should make the case to improve meter management.

The proposed rate schedule calls for predetermined rate increases during the first five years. Thereafter, the system value will be adjusted by consumer price index (CPI) through the addition of meters, expansion of hours or rate increases. City Council retains its right to set rates, hours of operation and designate meter locations^{xxii}: "the City has (and shall retain during the Term) the Reserved Power to establish and revise from time to time the Metered Parking Fees that shall be imposed and charged in respect of motor vehicles using Metered Parking Spaces."^{xxiii}

A meter's hourly rates change motorist behavior. However, if someone does not have a reasonable expectation of what a rate will be in a given area, he or she may have problems making decisions about driving. Shoup methodology, which values trial and error to achieve the right market price in an area, should guide future rate setting to both provide motorists with reasonable expectations of the cost to park and also be at the right price so that the motorists can find a place to park without cruising.

Correctly priced parking would also ensure that curb parking stays mostly full with some available spaces, which would allow as many people as possible to take advantage of parking and shopping.

We also see policy opportunity for villages and towns in our region that are not governed by Chicago's parking meter concession. We suggest that villages and towns pilot market-based curb-parking schemes that combine the wisdom of urban planning with maximum curbside business opportunity. One of the best incentives for this is that neighborhoods, businesses, and business districts may have the choice of offering it. It is not a blanket policy or a regional mandate. Neighborhoods and business districts may roll out block-by-block market-rate pricing and make adjustments as the market allows

SOLUTION 2: USE CURB REVENUE TO REINVEST IN TRANSPORTATION CHOICES IN MUNICIPALITIES OUTSIDE CHICAGO

Investing in good transit, bicycle and pedestrian facilities is key to a strong transportation policy. It is socially and financially irresponsible to limit people's options (such as the opportunity to park) without providing equally attractive alternatives. Active Trans recommends that areas considering municipal parking concessions learn from Chicago's experience- by building in market-rate curb pricing and using increased revenue to fund strong transportation choices like bicycling, walking and transit. They will save money, improve business districts, and make their village increasingly attractive- and Chicago's parking meter pricing structure has taken the first, difficult step toward this vision. Bicycling, walking, and transit should be better funded and encouraged in order to build strong, complex, economically competitive regions.

SOLUTION 3: INVEST IN BICYCLING, WALKING, AND TRANSIT

It is simply infeasible to limit people's transportation options (by raising rates for hourly parking) without offering attractive transportation alternatives. In this case, the increased hourly rates for meter parking creates a greater demand for walking, bicycling, and transit infrastructure. Real investment in these three modes can be as simple as using bollards to extend the pedestrian areas or as in-depth as policy wins such as Illinois' Complete Streets Policy, which requires all state-funded new or retrofitted roads accommodate bicyclists, pedestrians, and transit users. A recent example of funding bicycle and pedestrian projects aggressively is the City's revitalized plans for the Lakefront Trail: the Navy Pier flyover project will build an elevated pathway to accommodate Lakefront Trail users in a conflict area near Navy Pier^{xxiv}.

Numerous studies^{xxv} have shown that investment in bicycling, walking, and transit provide a variety of benefits, including basic mobility, consumer cost savings, efficient land use, community livability, improved fitness and public health, economic development, and support for equity objectives. All of these social outcomes strongly complement sensible parking pricing policy that maximizes car trips' efficiency trip while limiting their negative outcomes on bicyclists, pedestrians, and transit users.

CONCLUSION

Market-based parking policies reduce traffic, conserve energy, improve air quality, reduce commodity costs, and increase public revenue. Furthermore, charging fair-market prices for parking reduces vehicle miles traveled, increases carpool trips, off-peak travel, and trips by bicycling, walking and transit. A key element of those policies is that the increased revenues fund a strong mix of transportation choices.

This is an interesting time in Chicago. The flexibility of meter privatization dramatically expands Chicago's data on parking meter usage and its implementation of technology. Increased hourly meter rates may reduce vehicle miles traveled and result in positive effects on curbside turnover. We look forward to seeing how the City integrates the technology and its many opportunities with on-the-street infrastructure improvements that will create a true modeshift.

This is the time to evaluate on-street parking wherever possible with regard to sustainable, revenue-generating uses that encourage bicycling, walking and transit and reduce crashes. It is urgent that our region's leaders take charge of the parking they can control and use the tool as it should be used: as a primary determinant of transportation options, business generation, and regional health. We encourage Chicago to leverage and market the excellent public health, transportation, and environmental benefits of market-rate parking meter rates in order to generate more support for the innovations that it has planned for our transportation system.

ENDNOTES

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