

## 17. TAXING FOREIGNERS LIVING ABROAD

*The way to multiply big problems is to neglect small ones.*

HENRY SIMONS

Suppose you live near a business district that generates parking spillover into your neighborhood. Strangers park in front of your home all day, every day. You can't find a place to park on your own street, and neither can your guests. Urban planners have long had to deal with this sort of complaint from citizens. Consider these problems described in a textbook on zoning:

Many people object to having the streets in front of their homes in constant use as parking lots, both from the purely esthetic standpoint, and for more practical reasons such as the inability of their own guests to find nearby parking, the difficulty of getting in and out of driveways, the narrowing of the roadway, the danger of children running out from between parked cars, and the hindrance to street cleaning and snow removal. The noise of car doors opening and closing and of engines starting up can also be an annoyance. . . . Usually, with little encouragement, any resident of the area involved in a zoning dispute can tell you about existing [parking] conditions.<sup>1</sup>

Many cities deal with these problems by establishing Residential Parking Permit Districts that reserve all curb spaces in a neighborhood for residents and their guests.<sup>2</sup> These permit districts prevent parking spillover from adjacent commercial areas, but they also create many unused curb spaces in residential permit districts, which indicate an overreaction to the spillover problem. As an alternative to curb parking that is first overused when free and then underused in a permit district, consider a market in curb parking.

### A MARKET IN CURB PARKING

Suppose the city proposes to charge nonresidents for parking on your block and to give *you* all the revenue from the cars that park in front of your house. You and your guests can still park free in your curb spaces, but you can make these spaces available to others when you don't use them yourself. Suppose a price of 25¢ an hour leaves at least 15 percent of the spaces on your block vacant, so that anyone willing to pay that price can always find a place to park. You can therefore park in front of your house at no cost, or you can earn money for each space you make available to the public. The revenue can be substantial (remember, each parking meter in Pasadena yields about \$1,700 a year; see Chapter 16). Your parking space might generate more than enough money to pay the property taxes on your house.

Many residents seem to think they own the parking spaces in front of their homes or at least act that way. So rather than fighting this thought, cities can accept it and take advantage of it by treating residents like the landlords they think they are. Cities cannot allow private citizens to charge for parking on public streets, of course, and residents don't want to see parking meters in front of their houses. But by slightly modifying the existing residential parking permit districts, cities can create political support for market-price curb parking without giving public revenue to private citizens and without installing parking meters.

My proposal is to create "parking benefit districts" in residential neighborhoods. The parking *benefit* districts resemble parking *permit* districts because residents can park free on the streets in front of their homes. But the benefit districts differ from conventional permit districts in two ways:

1. Nonresidents can park on the streets in a benefit district if they pay the fair-market price.
2. The city earmarks the resulting revenue to finance added public services in the district.

The price for nonresident parking in a benefit district can be set high enough to ensure vacancies for both residents (who park free) and nonresidents (who pay to park). The new revenue can finance additional public services in the neighborhood, beyond those provided everywhere in the city. The city can clean the streets more often, fill potholes, repair the sidewalks, plant trees, remove graffiti, preserve historic buildings, or put utility wires underground in the neighborhoods where the benefit districts generate revenue. Seen from the residents' side of the bargain, charging nonresidents for curb parking resembles Monty Python's plan to solve Britain's economic problems by taxing all foreigners living abroad.

## **RESIDENTIAL PARKING BENEFIT DISTRICTS**

Parking benefit districts are a compromise between free curb parking that leads to overcrowding and permit districts that lead to underuse. The benefit districts are better for both residents and nonresidents: residents get public services paid for by nonresidents, and nonresidents park at a fair-market price rather than not at all.

## **Selective Public Goods**

Political support for establishing a parking benefit district does not depend on a belief that charging for curb parking will benefit the larger community—such as by reducing air pollution and traffic congestion. Support will come instead from the “selective benefits” curb parking revenue provides for the district’s residents. Harvard political scientist Arnold Howitt explains the crucial importance of providing selective benefits when proposing restrictions on cars:

It is difficult to organise people to seek a “collective” or “public” good from which they would benefit regardless of their contribution to securing it. Citizens are more likely to take action for “selective” goods which are granted or withheld from specific individuals or small groups. . . . What prevents the emergence of more active support for auto restraint policies is the almost total absence of individuals or firms that might receive immediate, direct “selective” benefits.<sup>3</sup>

Most proposals for constraints on cars often suffer from their across-the-board nature. Because no one group benefits much more than another, the measures lack a natural constituency who will put time and money into advocating them. Parking benefit districts, however, will finance selective benefits for the residents, and these benefits will generate the necessary political support to charge for curb parking. Residents who receive the benefits can vote for their member of the city council, while most nonresidents who pay for parking in the neighborhood cannot. Politicians think politically, and in supporting parking benefit districts they will not have to break free from parochial, place-based concerns to adopt a reform serving the wider public interest. By creating legitimate constituencies who enjoy selective public goods, parking benefit districts *rely* on parochial, place-based concerns to provide the incentive for reform. The political support for these benefit districts will come from narrow self-interest, not ideological conviction, and no one needs to believe that charging market prices for curb parking is good transportation policy. In this case, residents who think locally will act globally whether they know it or not.

Parking benefit districts will not only increase residents’ desire to charge for curb parking, but may also increase the drivers’ willingness to pay for it. If drivers see that the money they pay for parking goes to plant trees, clean and repair sidewalks, and increase security for themselves and their cars, they may feel this is a fair exchange. Parkers will get more for their money than simply time at the curb.

Once implemented, the benefit districts are likely to multiply and endure because they will create voting blocs who benefit from selective public goods paid for by someone else. The districts

will also be put in place gradually, giving everyone time to adjust to them. Neighborhoods with the most parking spillover from nearby business districts will earn the most revenue. Nonresident parkers will become paying guests rather than freeloaders, and their numbers will be kept manageable by flexible prices that keep a few vacant spaces available.

Informal markets for off-street parking already operate in many older neighborhoods near sites that generate spillover parking. They often appear near the Los Angeles Coliseum, for example: residents park their cars on the street and charge nonresidents for the right to park in their driveways and yards. Figure 17-1 shows a scene photographed during the 1984 Olympics. Just as residents can charge nonresidents for *off-street* parking, the city can charge nonresidents for *curb* parking. From the residents' viewpoint, charging for curb parking is simple because the city does the work. Neighborhoods with strong spillover demand might become more prosperous than their residents ever imagined they could be.<sup>4</sup>

### *Figure 17-1*

#### **Client Politics**

Parking is political, and parking benefit districts fit into the category of “client politics” as defined by James Q. Wilson. Wilson explained that the incentive to engage in political action depends on whether the benefits and costs of a public policy are widely distributed or narrowly concentrated. Some policies produce concentrated benefits and widely distributed costs:

When the benefits of a prospective policy are concentrated but the costs widely distributed, *client politics* is likely to result. Some small easily organized group will benefit and thus has a powerful incentive to organize and lobby; the costs of the benefit are distributed at a low per capita rate over a large number of people, and hence they have little incentive to organize in opposition—if, indeed, they even hear of the policy.<sup>5</sup>

We can apply Wilson's model to parking benefit districts. Residents of a neighborhood have a strong incentive to organize because they receive all the additional public services paid for by the parking revenue. Nonresidents who park on the neighborhood's streets are transients who each pay a small share of the total cost and who therefore have little incentive or ability to organize in opposition. Indeed, it is the narrowly concentrated benefits and widely distributed costs that have motivated formation of the existing permit districts, which reserve curb parking exclusively for

residents. Residents are stable, place-based groups who have the legitimate political power to form a parking benefit district, and nonresidents have no say in the matter. The residents' desire for local public goods at no cost to themselves will create the most effective way to overcome motorists' aversion to paying for parking they believe should be free. Conventional arguments against charging for curb parking, such as "The streets belong to everyone" (which really means the streets belong to motorists), will seem superficial and opportunistic when weighed against the neighborhood public benefits. Even motorists may be more willing to pay for parking if they don't have to spend time cruising for it and can see the revenue is used to provide public services they value. The principal justifications for parking benefit districts are pragmatic and political, not theoretical or ideological.

Parking benefit districts will reduce traffic congestion, air pollution, accidents, and energy consumption as cities shift toward market-price curb parking and away from off-street parking requirements. These wider social benefits will be above and beyond the "selective benefits" only the districts' residents receive, but no one will have to persuade residents that a benefit district will help anyone outside their neighborhood because self-interest alone can justify the policy. Less traffic and cleaner air may be seen as regional icing on the neighborhood cake.

### **Political and Administrative Feasibility**

Policies that increase the cost of cars are never popular or easy to implement, but parking benefit districts are an exception. They appear to meet the seven criteria that Arnold Howitt suggests will contribute to the political and administrative feasibility of policies to restrain automobile use.

1. The smaller the geographical area affected, the fewer the persons likely to feel threatened economically or to have their travel habits interrupted. A small restraint area, therefore, is less likely to evoke political opposition.
2. Policies that extend existing restrictions seem less threatening than new types of restraints, and therefore tend to generate less opposition.
3. New policies that can be adopted and implemented incrementally, rather than all at once, are less visible and less likely to evoke opposition. Successful implementation of the first step, moreover, helps to allay public concern about the potential impact of subsequent steps, which become easier to adopt and implement.

4. Schemes that do not require both local and state legislative approval are less vulnerable to opposition.
5. Policies are more likely to be successful if they do not depend on regular amendment.
6. Policies that generate revenue tend to be more attractive to elected executives and administrators.
7. Policies that require less inter-agency coordination and commitment of fewer organizational resources by key agencies are more likely to be implemented successfully.<sup>6</sup>

Parking benefit districts meet these feasibility criteria perfectly. Instead of bemoaning the fact that parking is political, planners can make the politics of parking work for public purposes.

Indiana University political scientist Elinor Ostrom says the key to solving a commons problem is to “get the institutions right.”<sup>7</sup> Parking benefit districts will help secure consensus about curbside parking among everyone whose agreement counts: voters, business owners, and politicians. If each neighborhood keeps its own parking revenue to finance public spending, all these interest groups will have an incentive to charge nonresidents the right price for curbside parking. Note that *drivers* are not on this list of interest groups who count in the political decisions about the price of curbside parking in a benefit district. Almost all adults drive, but *nonresident* drivers will have little influence on a neighborhood’s choices, especially because the neighborhoods where these drivers live may also be charging other nonresidents for curbside parking. Because everyone can enjoy neighborhood public investments financed by everyone else’s payments for curbside parking, parking benefit districts will thus not help one group at the expense of another. Parking benefit districts will not create winners and losers but will instead create winners and big winners.

### **The Need for Earmarked Revenue**

Only if *neighborhoods* receive the revenue will residents want to raise the price of their curbside spaces. To see this, consider the opposite incentive created when a higher level of government takes the revenue. Explaining the general reluctance to raise curbside parking prices in Munich, the Organisation for Economic Co-Operation and Development reported, “Little incentive exists in Munich for raising parking fees because the money thus collected does not go to the municipality but to the Free State of Bavaria.”<sup>8</sup> If the state government receives the revenue, city officials are understandably reluctant to raise parking fees. Similarly, if the city government receives the

revenue, neighborhood residents likewise oppose raising the fees. Residents have a legitimate interest in their own neighborhood's welfare, and cities can take advantage of this self-interest by earmarking curb parking revenue to pay for neighborhood public services. Market prices and earmarked revenue will show everyone that long-term storage for cars is not the best use of street space. Hartmut Topp, professor of transportation engineering and planning at Kaiserslautern University, reports that in Munich's inner-city districts, 30 percent of residents' cars are not moved during an average weekday. Market prices will convert curb space from long-term storage to short-term use that can serve more cars each day, bring in more revenue for the neighborhood, and reduce cruising.<sup>9</sup>

The explanation for free curb parking is not that planners and politicians have failed to see the light; instead, curb parking is free because drivers resist paying for it, and most voters drive. Public policies emerge from a balancing of political interests, and because drivers oppose paying for curb parking, we need a countervailing interest in receiving the revenue. Earmarking the revenue to pay for neighborhood improvements will create this countervailing interest. As Brookings Institution economists Clifford Winston and Chad Shirley (1998, 68) say,

Policy makers do not just happen to create inefficiencies. When economists estimate large welfare losses stemming from public policies as if the losses were simple oversights that officials could correct by paying closer attention to what they were doing, it is the economists, not the officials, who are not paying attention.

Once we get the right economic interests, we will get the right parking policies.

### **One Block at a Time**

The simplest way to convert an existing *permit* district into a new *benefit* district is to sell a few nonresident permits that allow employees of nearby businesses to park in the district during the day, when many residents have taken their cars to work. District residents might be offered the option to accept two or three daytime permit holders on their block, with the revenue used to finance public improvements such as sidewalk repairs. Residents who benefit from parking fees paid by commuters will begin to see curb parking from the perspective of a parking lot owner—as a valuable, income-earning property. If residents of one block agree to this arrangement, residents of other blocks will be able to see the effects and then decide if they too would like their block to have these benefits. In this way, permit districts can convert to benefit districts one block at a time.

Parking benefit districts can be tested in a few neighborhoods as pilot programs, and residents can petition the city for the benefit districts just as they now petition for conventional permit districts. The benefit districts will be formed only if residents want them, but cities must first offer the option. Citizen demand rather than government mandate explains the rapid spread of parking permit districts throughout the U.S. If a few experimental parking benefit districts are successful and they generate significant revenue for their neighborhoods, they will spread rapidly in the same way permit districts have—by popular demand.

The choice of whether to form a parking benefit district and how much to charge for curb parking is inherently a local decision. If the residents of some blocks oppose selling the right to park on their street, they can choose not to opt into a benefit district, just as they can already choose not to opt into a conventional permit district. The ability to form benefit districts will give neighborhoods more transportation, land-use, and public finance choices. Some neighborhoods may choose to retain free curb parking, off-street parking requirements, and no curb parking revenue, but this is now the *only* choice that cities give neighborhoods. Cities can offer the *option* of benefit districts and let each neighborhood make its own choice. The new public revenue will help put older neighborhoods and commercial districts back on their feet, and market prices for curb parking will benefit the whole city by reducing traffic congestion and air pollution.

### **Collecting the Revenue**

Priced parking does not require a conventional meter at every space. New technology has removed both the aesthetic and practical objections to charging for curb parking, and cities can use a variety of unobtrusive payment systems. Daytime permits, for example, are a cheap, simple, and inconspicuous way to allow nonresidents to park in existing permit districts. In Aspen, drivers buy a hang tag, scratch off the day and date, and display it in the windshield.<sup>10</sup> High-tech alternatives, such as in-vehicle meters, are also available (see Chapter 15).

The more sophisticated meter technologies require an up-front investment that can be financed the same way the first parking meters were financed. Cities were unsure how the motoring public would react to the new meters, so manufacturers paid to install the first ones and recovered the cost from the resulting revenue. As reported in a 1935 issue of *American City*,

The Dual Parking Meter Co., Oklahoma City, will install these meters without cost to the city, taking all receipts until these meters are paid for and become the property of the city free and clear.<sup>11</sup>

This arrangement is now called build-operate-transfer (BOT). Private enterprises build and operate public infrastructure, charge for its use until the cost is recovered, and then transfer ownership to the public sector. Parking meters were an early BOT project, and the same arrangement can pay the up-front costs of benefit districts. Private investors usually construct a BOT facility and then charge the users to repay the construction costs. In parking benefit districts, however, the facility—curb parking—is already there, and the only private investment needed is to collect the user fees. The investment should involve almost no risk, and the benefit districts will require no public subsidy.

### **A Promising Precedent**

Letting nonresidents pay to park in a residential permit district resembles letting solo drivers pay to drive in carpool or HOV (high occupancy vehicle) lanes. California has begun to allow solo drivers to pay a toll to use carpool lanes with underused capacity, with the tolls set high enough to ensure that traffic continues to flow freely (see Chapter 11). These high occupancy/toll (HOT) lanes make better use of carpool lanes and give solo drivers a new option for occasions when they are willing to pay a higher price for faster travel.

Parking benefit districts are like HOT lanes because nonresidents pay to park in underused curb spaces, just as solo drivers pay to drive on underused carpool lanes. The biggest difference between the two arrangements is that charging nonresidents for curb parking is easier than charging solo drivers for using a HOT lane. HOT lanes therefore provide a good precedent for the simpler proposal to allow nonresidents to pay for curb parking in residential permit districts.

### **Dense Neighborhoods**

Most citizens seem to think the right to park free in front of their house is written into the social contract, and free parking for residents in a benefit district promises enough advantages for enough people to generate political support.<sup>12</sup> In neighborhoods where most residents do not park on the street, however, a majority-rule solution may turn out to be market prices for all curb parking, with more revenue to pay for public services. The densest neighborhoods do not have enough curb

spaces for all the residents (let alone nonresidents) who want to park on the street, so even the residents will have to pay for parking to avoid overcrowding the few curb spaces available. San Francisco, for example, is considering a plan to restrict the number of resident permits to the number of curb spaces and to charge market rates for the permits. Existing permits would be grandfathered at the current below-market price, but new permits would be priced to equate demand with supply.<sup>13</sup>

Where a city returns parking revenue to the neighborhoods that generate it, expecting residents to pay for the curb parking they use is like expecting roommates who split their telephone bill to pay for the long-distance telephone calls they make. A New Yorker who phones her boyfriend in Boston once a week, for instance, should pay less than her roommate who phones his boyfriend in Hawaii every day. If a group is small enough, if the common property is valuable enough, and if different members of the group make highly unequal use of this property, splitting the bill according to use seems fairer than any other arrangement.

Curb parking revenue can be high in dense neighborhoods, and an anecdote from San Francisco will suggest how high. The doorman at a posh apartment house on Russian Hill uses the building's taxi zone to park cars for visitors, and he usually receives a \$20 tip for his service. When a curb space opens up near the building, he quickly parks the visitor's car in it. If a resident then comes home and can't find a curb space, the doorman creates a curb vacancy by moving the visitor's car back to the taxi zone, and he receives another \$20 tip.<sup>14</sup> Charging market prices for curb parking in this neighborhood will make life easier for both residents and visitors, and will divert revenue from tips for doormen to spending for public improvements.

Where land values are high and curb space is scarce, cities can allocate *all* curb parking purely by prices. Residents can be given "first refusal" rights, but they would have to pay the market price. Those who store several cars on the street would probably be the first to reduce their use of curb space, and they would probably dispose of any rarely driven cars.<sup>15</sup> Charging residents will be less popular than charging nonresidents, but even those who do end up paying for curb parking in their own neighborhood may feel they get a good deal because they will be guaranteed a space close to their front door, without cruising. In addition, everything residents pay for parking will come right back to them as added spending for public improvements—sidewalk repair, street trees, and underground utilities—in their own neighborhood.

In some crowded neighborhoods, residents who park at the curb hesitate to use their cars because they're afraid they won't be able to find a place to park when they return. For example, British journalist Ian Parker says,

London drivers fear the morning peak, and the evening peak, and the school run rush hour, and the West End theatre rush hour. The fear Saturday afternoon traffic and Sunday night traffic. And they fear the prospect of leaving a good London parking spot: when a car fills the space they have left, they feel troubled and adrift, regretting their recklessness. There are Londoners—they are real and many—who will take a taxi from home, rather than risk giving up a resident's parking space, a lovely space, right in front of the house.<sup>16</sup>

If curb parking is so overcrowded that residents are reluctant to leave their parking space for fear they won't find another space when they get back, this need to "hoard" a parking space reduces the value of owning a car, and increases the demand for parking even by those who would rather not be parked. In the very neighborhoods where parking is most valuable, drivers occupy spaces they don't need because they know these spaces will go to another parker under the "first possession" rule. People who would rather use their cars instead remain parked, and they reduce the number of spaces available to those who do want to park. And those who do find parking may have to walk a long distance to their ultimate destinations. Charging market prices for curb parking can thus increase the effective supply of convenient parking by releasing spaces that the users really do not want.

In any parking benefit district, residents will necessarily face a trade-off between parking spaces for themselves and public services for the neighborhood. The more permits they allocate to themselves, the less income they will receive from nonresidents. With conventional permit districts, cities simply give permits to all residents at a low price; a survey by the Institute of Transportation Engineers found that most cities place no restriction on the number of permits issued to each household and charge less than \$10 a year for a permit.<sup>17</sup> Another survey by Gerard Mildner, James Strathman, and Martha Bianco found that most cities make resident permits available for any registered car owned by a resident.<sup>18</sup> Where parking is not sufficient to accommodate all the residents' cars, cities usually do not create permit districts, which suggests that where permits and pricing are needed most, officials simply throw up their hands and do nothing.<sup>19</sup> Even when cities do create permit districts in neighborhoods where parking is scarce, they can be very freewheeling about the number of permits they issue, as shown by the storm over romance novelist Danielle

Steel's 26 residential parking permits in San Francisco's Pacific Heights neighborhood. Anyone who wants to park 26 cars on the street should pay the market price.

*Sidebar 17-2 (Novelist Stirs Passion over Parking)*

In the densest neighborhoods, open access to free curb parking drives down its value to residents because they must spend so much time searching for a space. If residents could always depend on finding a convenient space close to their front door, however, they would place a higher value on the right to park at the curb. Curb parking in a benefit district would be more valuable to residents because it would be much more dependable. The revenue could therefore be much higher than anyone expected and could finance a high level of public services. All the many residents of these dense neighborhoods would benefit from the public services, but only a relative handful would pay for parking because the limited number of curb spaces can serve only a small share of a large population. The denser the neighborhood, the more valuable the public services, and the smaller the share of residents who will pay for curb parking.<sup>20</sup>

In the densest areas like Manhattan, curb parkers could pay by the hour (as with in-vehicle meters) rather than by the month (as with permits). With hourly charges, residents would not pay for the curb time they do not use when they take their cars out of the neighborhood; the hourly charges are thus like a monthly permit with a rebate for every hour not used. In contrast, conventional flat-rate monthly permits encourage purchase by those who want to store their cars on the street most of the time because the permit holder's marginal cost of parking is zero for all hours of the month. Charging for curb parking by the hour rather than by the month will favor part-time over full-time users and produce more revenue. Some residents who had stored their cars on the street when parking was free will shift to off-street parking, and more curb spaces would be available for visitors.

Residents object to paying for parking on the streets in their own neighborhoods, of course, but they also object to the problems caused by free parking. In a survey of 1,526 households in developments on the outskirts of Reading, England, John Noble and Mike Jenks at Oxford Brookes University found that residents owned 1.57 cars per dwelling and their developments provided 3.37 parking spaces per dwelling (2.81 off-street and 0.56 on-street), or slightly more than two parking

spaces per car.<sup>21</sup> Nevertheless, 41 percent of the residents were either dissatisfied or very dissatisfied with the provision of parking in their neighborhoods, in part because many residents parked their cars on the streets rather than in the garages: 38 percent of households with one-car garages never used them for parking, while 54 percent of the two-car garages were used for at most one car.<sup>22</sup> Many garages were instead used to store garden tools, household appliances, furniture, and other bulky items; others were used for workshops, playrooms, or business purposes. Where on-street parking is free, providing enough of it to satisfy all the residents can be very difficult and expensive. If cities return curb parking revenue to the neighborhoods generating it, however, most people may eventually come to realize that charging fair-market prices for *all* curb parking, even for residents, is the best policy.

Douglas Lee at the Volpe Center points out that if cities charge for curb parking, some landowners may want to convert their front yards into parking lots and cities will need to enforce their off-street parking regulations:

A carefully designed and landscaped driveway with a well-tended garage at the end is seldom a detriment to the neighborhood, whereas a front yard that is left as dirt used only for parking is a blight to its neighbors. It is also a blight for its owner, but the cost to the neighborhood is much greater. . . regulations should be aimed at limiting the amount of off-street parking as well as its negative impact. . . Restraints may include requirements for paving, screening, landscaping, setbacks, and drainage, with limitations on the share of the site covered by building and parking or by parking only.<sup>23</sup>

Most cities already regulate the design of off-street parking in residential neighborhoods, but charging for curb parking will make enforcing these regulations more important.

### **Optimum Size for a Parking Benefit District**

By allowing local choices about public spending, parking benefit districts will foster neighborhood self-government. Because residents will collectively choose whether to charge for their curb parking and how to spend the revenue, this neighborhood responsibility will require grass-roots decision making and new microlevel institutions of government.

A parking benefit district must be small enough to create the incentive to charge for curb parking but large enough to spend the revenue efficiently and fairly. Two precedents for parking benefit districts are business improvement districts and parking permit districts. Cities can manage curb parking, collect the revenue, and return it as additional public services, but businesses and

neighborhood residents can set policy and monitor the outcome. Devolving to neighborhoods the authority for parking fits the principle of “subsidiarity” in a federal system of government—the principle that government action should be undertaken by the smallest jurisdiction able to perform it effectively.<sup>24</sup> The goal is to ensure that decisions are made as close to the citizens as possible. If we apply this principle to parking benefit districts, each neighborhood can decide its own policy about charging for curb parking and choose its own priorities for spending the revenue. Cities can collect the meter revenue and enforce parking regulations because there are economies of scale, although some cities already contract these tasks to private operators.<sup>25</sup>

What is the optimum size for a parking benefit district? It can be as small as a city block. Some local public goods—such as sidewalks, street trees, and underground utilities—serve mainly the blocks where they are located, and these blocks may be the most appropriate territory to form a parking benefit district. Yale law professor Robert Ellickson has argued that many neighborhoods can benefit from block-level institutions, which he calls “block improvement districts” (BLIDS, to distinguish them from the similar concept of business improvement districts, or BIDs). These microgovernments resemble the community associations developers now establish in most subdivisions.<sup>26</sup> The chief problem in establishing a BLID is finding the funds to finance it. Parking benefit districts can pay for local public goods and are thus a perfect revenue source for these microterritorial institutions. The appropriate spending authority must be microlevel before residents will agree to charge for their curb parking, and block-level institutions seem particularly appropriate to receive the revenue. The smallest organizational level is the face-block (which refers to the properties that face each other across a length of street between two intersections), and a parking benefit district can consist of one or more face-blocks.

Beyond the specific public goods they provide, Ellickson explains block-level microgovernments have important social and political advantages:

A high level of solidarity is easier to maintain within a small group than within a large one . . . Smallness also enhances the quality of internal gossip and the frequency of chance encounters. . . [A]t the block level, social pressures to pull one’s oar tend to be stronger than they are at the neighborhood level. Indeed, the act of creating a formal block-level organization such as a BLID might foster acquaintanceships that would then strengthen the informal social capital of the block’s residents and property owners. . . . Block-level institutions are well scaled to strengthen members’ involvement and skills in collective governance. Many commentators seek to revitalize civic life in the United States. They should welcome block organizations that might serve as incubators of local social capital.

The proceedings of a block organization would provide easy opportunities for people to engage in meaningful debate, voting, office-seeking, and other forms of community participation. Candidates for office would be few. There would be little or no wait to speak at a meeting. Participants would be unlikely to be intimidated by the setting because the turf would be familiar and most faces known. On routine issues involving the block welfare, an ordinary owner or resident would have little reason to be cowed by the views of experts.<sup>27</sup>

Ellickson proposes a specific legal framework for these sublocal governments, and I won't speculate further on the administrative details because, as Niccolò Machiavelli warned, "There is nothing more difficult to plan or more uncertain of success or more dangerous to carry out than an attempt to introduce new institutions."<sup>28</sup> Parking benefit districts, however, do not require much in the way of new institutions, and they can be established as marginal improvements to existing institutions. As explained in Chapter 16, a simple first step is to allow BIDs to retain their curb parking revenue. The next step could be to sell daytime permits in existing residential permit districts and earmark the revenue to finance public services the residents choose. Microgovernments funded by curb parking revenue can evolve by small steps and, in the end, will help create communities of mutual interest as well as help residents take control of their neighborhoods.

Parking benefit districts can help to fill an important gap in the fiscal system. Where there is no funding mechanism, neighborhood collective action is difficult to organize. For example, you can't, individually, put your utility wires underground no matter how much you dislike the overhead wire blight in your neighborhood. Even if you would much prefer to have underground utilities, you may instead remodel your kitchen. This problem contributes to what John Kenneth Galbraith termed "private affluence and public squalor."<sup>29</sup> In many older neighborhoods, for example, residents constantly remodel their kitchens and bathrooms while the sidewalks crack, street trees die, and overhead wires mar the view. Charging for curb parking and spending the revenue to finance neighborhood reinvestment—sidewalk repairs, new street trees, and underground utilities—will match public wants with private means.

If parking benefit districts improve older neighborhoods so families can enjoy better public services by staying where they are, fewer families whose incomes are rising will want to move out. Many residents would probably prefer to preserve or improve their established neighborhood rather than move to a new development where everything is skillfully designed but uniform and unmistakably new. In Albert Hirschman's famous formulation of the alternatives for dealing with

a civic problem, parking benefit districts will give residents more opportunity to exercise “voice” and less need to choose “exit” as the way to improve their neighborhood.<sup>30</sup> By reducing the emigration of prosperous families, parking benefit districts can bring about as a by-product more social integration and social capital in older neighborhoods. They will, as then-Governor of Arkansas Bill Clinton recommended, “give the people a new choice, rooted in old values, a new choice that is simple, that offers opportunity, demands responsibility, gives citizens more say, provides them responsive government—all because we recognize that we are a community.”<sup>31</sup>

### **Cap-and-Trade Approach**

The simplest way to convert a parking permit district into a parking benefit district is to sell a limited number of daytime permits to nonresidents. This policy resembles the cap-and-trade approach to protecting the environment. In a cap-and-trade system, a government caps total pollution emissions and allows firms to trade permits for the right to emit the regulated pollutants. For example, electricity generation creates sulfur dioxide (SO<sub>2</sub>) emissions, which are the chief source of acid rain. The 1990 Clean Air Act Amendments capped the total SO<sub>2</sub> emissions from electric utilities, allocated SO<sub>2</sub> emissions permits to utilities based on their historical emissions, and then created a market letting utilities trade permits among themselves.<sup>32</sup>

A parking *benefit* district resembles the cap-and-trade approach because it limits the number of nonresident permits and sells them at the fair-market price.<sup>33</sup> The cap-and-trade approach works well to reduce air pollution from utilities, but can it really be applied to curb parking? Charging nonresident motorists for curb parking is much easier than charging factories for emissions, and distributing nonresident parking permits is much easier than distributing emissions permits. Cities can sell parking permits within a neighborhood, while pollution rights must be sold by a higher level of government far removed from the problem. Pollution markets must, by their very nature, encompass a region, a nation, or (in the case of greenhouse gas emissions) the entire world, and they must therefore be adopted in giant policy leaps. Parking benefit districts can be adopted on an incremental basis—one block at a time.

### **Early Examples**

Residential parking benefit districts sound good, but will they work? A few cities already charge nonresidents for parking in residential permit districts. As mentioned earlier, Aspen, Colorado, charges nonresidents \$5 a day to park in permit districts. Businesses and non-profit institutions located in a residential permit district receive one free permit and can buy additional permits for \$600 a year.<sup>34</sup> Several other cities have also begun to charge commuters for parking in permit districts, and experience shows residential curb parking can produce substantial public revenue.

***Boulder, Colorado.*** In its Neighborhood Permit Parking zones, Boulder sells permits to residents for \$12 a year and also sells Commuter Permits to nonresidents for \$312 a year. Each permit is valid on a specific block face, and no more than four nonresident permits are sold on any block. The city periodically surveys the parking occupancy on all blocks in each permit zone and sells nonresident permits only on blocks that have a vacancy rate greater than 25 percent between 9 a.m. and 5 p.m. This approach ensures that each block has vacant parking spaces for both residents and commuters. Because many residents drive to work during the day and park on their own streets only in the evening, the commuters and residents effectively time-share the same curb spaces. Boulder's Parking Services department maintains a map showing all the blocks on which permits have been sold and where permits are still available; the permits are sold on a first-come, first-served basis. Businesses can also buy nonresident permits and provide them to their employees. All the revenue from the nonresident permits is used to reduce the price for the resident permits.<sup>35</sup>

***Santa Cruz, California.*** The program in Santa Cruz is modeled on the one in Boulder. The city's goals were to make parking spaces available to commuters on underoccupied blocks and to return some benefit to residents for sharing their on-street parking with out-of-area commuters. Downtown employees pay \$240 a year for Commuter Permits to park in nearby residential permit districts, while residents pay only \$20 a year. The permits are valid Monday through Friday between 6 a.m. and 8 p.m. Each permit is valid on a specific block face, and only the blocks with occupancies less than 75 percent at peak hours are eligible for the permits. No more than four Commuter Permits are assigned per block.<sup>36</sup> The city intends to spend the revenue from the commuter permit program to benefit the permit districts but has not created a special fund to achieve this purpose.

*Tucson, Arizona.* In its ParkWise program, Tucson charges \$2.50 a year for residential parking permits and from \$200 to \$400 a year for nonresidential permits, depending on location. The price of the nonresident permits is highest for the blocks nearest the University of Arizona and declines with distance from the university. The nonresident permits are valid between 8 a.m. and 5 p.m., and each permit is valid on a specific block face. The permits are also vehicle-specific and must be attached to the car's rear window. Hanging tag permits are also available for an additional charge of \$100 a year, and all vehicles using a hanging permit must be registered with the ParkWise program. The city may revoke a permit if the holder has three or more citations for parking in an unauthorized permit-program location during a year.<sup>37</sup> The program began in 1997, and Tucson currently has about 450 nonresident permits. All the revenue from the nonresident permits is used to reduce the price of resident permits.

*West Hollywood, California.* West Hollywood charges residents \$9 a year for permits in its Preferential Parking Districts and nonresidents \$360 a year for Commercial Permits that allow parking in the permit districts between 7 a.m. and 7 p.m. These "daytime" permits are available only to those who work or own a business in the area. The Commercial Permits are not block-specific, but the nonresidents are restricted to parking on one side of the street, with the other side reserved for residents. Because commuters want to park on the blocks as close as possible to their businesses, the most convenient blocks are crowded with commuters' cars while curb spaces on other blocks in the same permit district are unused. For this reason, West Hollywood is considering a change to block-specific commercial permits, with higher prices for the more convenient locations.

These four examples show how cities can charge nonresidents for parking in residential neighborhoods, although the cities do not guarantee to spend the revenue for public services on the blocks allowing nonresident parking. A lower price for resident permits is the neighborhoods' only special benefit. Where the permits are block-specific, there is an excess demand for the more convenient blocks, showing that the price is below the market level. If cities guarantee to spend the resulting revenue on new public services that residents can see on their blocks, greater political support for market-price curb parking should emerge.<sup>38</sup>

## **BENEFITS OF PARKING BENEFIT DISTRICTS**

In some neighborhoods, nonresidents' payments for market-price curb parking can yield more revenue than the existing property tax (see Chapter 19). Cities can use this new revenue to clean the streets, repair the sidewalks, plant trees, provide security, preserve historic buildings, or put utility wires underground. To suggest the potential of these neighborhood benefits, consider a specific case—using the revenue to repair broken sidewalks.

### **An Example: Repairing Broken Sidewalks**

In Los Angeles, which we can use as a specific case, broken sidewalks are a common sight. About 4,600 miles of the city's 10,000 miles of sidewalks need repair or replacement, but the city can afford to make only temporary asphalt patches. In addition, the federal Americans with Disabilities Act (ADA) requires the city to make 123,000 sidewalk improvements (such as ramped curbs at intersections) to ensure access for people with disabilities, but the city can afford to make only about 900 of these improvements each year.<sup>39</sup>

Broken sidewalks are dangerous for pedestrians, and Los Angeles currently pays about \$2 million a year to settle trip-and-fall lawsuits. Nevertheless, in 1998 voters turned down a proposed \$770-million tax measure to repair the sidewalks.<sup>40</sup> Opponents argued that the proposed citywide tax did not guarantee the sidewalks in their own neighborhoods would ever get repaired, and they had a point. In a city with 4,600 miles of damaged sidewalks, many residents would have waited years before their taxes produced any improvements on their block.

Can the city repair the sidewalks without increasing taxes? It can—by creating parking benefit districts and using curb parking revenue to pay for the repairs. This approach can guarantee that all the sidewalks in many neighborhoods will get repaired quickly, without additional taxes. A city might require that the first claim on any curb parking revenue would be to bring the sidewalks up to ADA standards, and after that goal has been achieved, the neighborhood could use the revenue for any other public purpose it chooses. Establishing sidewalk repairs as a funding priority might not conflict with any neighborhood's own preferences because good sidewalks are an important element in neighborhood quality, and they can increase property values.

Figure 17-2 shows broken sidewalks in one Los Angeles parking permit district. The curb spaces are empty, the sidewalks are damaged, and the city has no money to make repairs. Converting the permit districts into *benefit* districts could generate enough revenue to repair the

sidewalks at no cost to the residents. Permit districts shift the demand for parking somewhere else, but benefit districts can solve the parking problem *and* improve residential neighborhoods.

*Figure 17-2*

Until the residents of this neighborhood petitioned to establish a permit district, their curbs were jammed with parked cars—and additional cars were cruising for curb parking. The curb spaces in the permit district are now almost empty all day. But suppose the city sells a limited number of permits for commuters who work in nearby businesses to park in the district during the day. Each permit can be restricted to a specific block, and the number of permits can be limited so that each block has only a few nonresidents' cars parked at the curb.<sup>41</sup> Each block can choose whether to join the benefit district and use the revenue to have its sidewalks repaired, without federal or state grants or new taxes.

Could this scheme really work? Suppose the city charges \$50 a month for each daytime parking permit in the benefit district (20 weekdays a month at \$2.50 a day). The existing permit districts usually have at least two curb spaces in front of each house, and if a block has 10 houses on each side of the street, the 20 houses on the block have at least 40 curb spaces. If the city sells, say, one daytime permit for every five houses, the block will have four permits, or one nonresident's car for about every 10 curb spaces, and 4 permits priced at \$50 a month apiece will yield \$2,400 a year for the block (4 x \$50 x 12). The cost of sidewalk replacement in Los Angeles ranges between \$10 and \$20 per square foot. Where sidewalks are five feet wide, the revenue would thus pay to repair or replace 24 linear feet (at \$20 per square foot) to 48 linear feet (at \$10 a square foot) of sidewalk a year, and the broken patches are usually only a few feet long. If only 24 feet of sidewalk are broken, the revenue would pay to repair the whole block in one year.<sup>42</sup>

Everyone can gain from a parking benefit district. First, the neighborhood gets its sidewalks repaired at no cost to the residents. Even residents with undamaged sidewalks in front of their houses gain when their neighbors' sidewalks are repaired because most residents walk within their immediate neighborhood. Second, commuters get parking spaces close to work. Third, employers save land and money by building fewer parking spaces. Fourth, the city faces fewer trip-and-fall lawsuits. Furthermore, the arrangement is voluntary because residents join the benefit district by

petition, just as they join a permit district by petition. If a few blocks initially join the benefit district and have their sidewalks repaired, residents of the other blocks in the neighborhood will see the results and can decide to join later. Incremental block-by-block choices on whether to participate in a parking benefit district are a strong advantage of the proposal.

Another advantage of a parking benefit district is that it can eliminate or at least reduce the black markets for resident permits in many permit districts where the nonresident parking demand is high. Black markets in curbside parking often spring up where legal markets don't exist, and by creating a legal market in nonresident permits, a parking benefit district can convert illicit private gains into public revenue for the whole neighborhood.

Parking benefit districts exemplify what Canadian economist J. H. Dales once recommended: "If it is feasible to establish a market to implement a policy, no policy-maker can afford to do without one."<sup>43</sup> Commuters are willing to pay for parking, while the nearby neighborhoods need money to repair their broken sidewalks. In this case, a market that matches the demand and supply for curbside parking will work better—for everyone—than simply prohibiting curbside parking for nonresidents.

Many neighborhoods can finance sidewalk repairs by charging nonresidents for curbside parking. For example, the neighborhood around the Los Angeles Coliseum (see Figure 17-1) can probably earn significant revenue by charging nonresidents the market price for curbside parking. Market-price parking in the neighborhoods around most colleges and high schools can probably yield significant revenue, and reduce conflicts occurring when students park in the surrounding neighborhoods. Many public schools have paved over student playgrounds to provide parking for teachers. Buying daytime permits for the teachers' cars in the surrounding neighborhoods can make valuable land available for classrooms and playgrounds at a modest cost. Writing in the *Los Angeles Times*, one parent described the school board meeting where conversion to a year-round schedule was being debated as a solution to overcrowded classes. "A teacher and union representative spoke passionately about how we couldn't build more classrooms on campus because, then, where would teachers park?"<sup>44</sup> Because of overcrowding and a shortage of recreational space, some Los Angeles schools offer their students only 15 minutes of physical education a week. In part, this problem stems from converting school grounds into parking lots for teachers' cars. Surely some

neighborhoods would prefer to sell residential parking permits to their children's schools rather than have overcrowded classes, year-round schedules, and only 15 minutes of physical education a week.

### *Sidebar 17-3 (“Kids Learn Supply and Demand Lesson”)*

Schools, commercial districts, medical centers, universities, and recreation sites are the leading sources of the parking spillover that leads nearby residents to establish conventional permit districts.<sup>45</sup> These districts sometimes allow nonresidents to park free for one or two hours, and they can easily begin to charge for parking. Enforcement will become much simpler because all vehicles will have to display some sort of permit or proof of payment and enforcement officers will not have to chalk tires in a clumsy attempt to detect overtime parking by nonresidents. Where the sidewalks are seriously damaged and there is no money to make repairs, it does not make sense to offer time-limited free parking for nonresidents in permit districts because nonresidents can park free for the allowed time, trip on the broken sidewalk, and then sue the city. Most cities appear to value free parking more than safe sidewalks, handicapped accessibility, and walkable neighborhoods. Parking benefit districts that pay for sidewalk repairs can reverse this unhealthy priority and provide many other public services. If the residents of a neighborhood want a particular public investment and have no other way to pay for it, why *not* charge nonresidents for curb parking?

Beyond providing revenue to invest in neighborhood public improvements, parking benefit districts will provide other important benefits. Consider these four: preserving historic districts, reducing locational conflicts, making neighborhoods safer, and increasing the housing supply

#### **Preserving Historic Districts**

Parking benefit districts are especially appropriate for neighborhoods built before the car arrived. Most older cities have neighborhoods of row houses without off-street parking spaces, and the residents must park on the streets. Many of these neighborhoods decayed during the twentieth century because they were inconvenient for families who owned cars. The natural response of car owners was to move to the suburbs where every house or apartment had its own off-street parking and on-street parking was plentiful. Even those who valued the architecture and the location of the old row houses found the neighborhoods inconvenient because there were never any vacant parking

spaces. Residents who did own cars stored them on the street for free, but there were not enough spaces for everyone, and the curbs were overcrowded. The row houses were thus left for families who were often too poor to own cars, property values fell, and the land became far less valuable in its existing use than for redevelopment in new uses. Many blocks of these row houses were then demolished to make way for offices and apartments with all the required off-street parking.<sup>46</sup> This pattern was particularly common in Washington, D.C., and I vividly remember seeing the tragic decay and demolition of many blocks of fine row houses in the 1950s and 1960s. Even today, Washington has many streets of wonderful row houses in terrible condition, in part because curb parking is so difficult that most people who own cars do not want to live without a parking space.

Suppose that in the twentieth century cities had always charged market prices for curb parking to guarantee a few vacant spaces and spent the revenue to improve public services on the streets where the revenue was collected. Parking would not have been free, but anyone would have been able to find a vacant on-street space close to their front door. The guarantee of an available curb space at a fair-market price and added public services financed by the revenue would have kept the row-house neighborhoods desirable and prevented their decay.

The absolutely key point is that prices must ensure vacant curb spaces on each block so that residents know they will always have a place to park when they come home, just as if they had their own garage in the suburbs. Almost as important, vacancies are necessary so that guests can always find a place to park. If cities had followed this policy in the twentieth century, many more historic neighborhoods would have survived and thrived. More relevant, parking benefit districts can help revive and preserve many of the remaining older neighborhoods.

Parking benefit districts can also improve the design of individual buildings. Homeowners in older neighborhoods sometimes insert an incongruous garage into the front of a house because this is the only way they can guarantee themselves a parking space. For each off-street garage, however, the city must dedicate the adjacent curb space for a driveway, so adding a one-car garage removes one curb space (see Figure 17-3). As a result, the garage defaces a historic building, undermines the pedestrian environment, and does not increase the parking supply at all because. Having a driveway is equivalent to having a dedicated curb parking space. If the property owner could pay for the exclusive use of a curb space without building an off-street space, the owner would save money and living space, the neighborhood would receive revenue for public improvements, and

the historic fabric would be preserved. Some may object to this arrangement as privatization of public streets, but curb cuts *already* dedicate the exclusive use of curb space to adjacent property owners. If cities instead offer to rent curb spaces to property owners (rather than give owners the curb cuts for free), residents could park in front of their houses. Building a garage would suddenly become a far more expensive way to park a car. The price charged for each curb space or curb cut should be its opportunity cost—what other drivers are willing to pay for it. In this case, instead of building a new garage *and* renting the curb space necessary for a curb cut to gain access to the garage, many property owners would want to rent the curb space itself, without building the garage.

*(Figure 17-3 Garage retrofitted into a historic house in St. Andrews, Scotland)*

If households can rent a curb space in front of their dwellings rather than install a curb cut, this arrangement will *increase* rather than decrease the amount of curb parking available to the general public. Curb cuts for driveways mean that no one can park in the affected on-street space, even if the residents are not using the off-street space. With dedicated curb spaces rather than curb cuts, however, residents can “sublet” their curb parking spaces to other motorists. You can park in your dedicated curb space when you need it, and when you don’t need it you can make it available to others, at a price. This arrangement will increase the curb parking supply available to other residents of the neighborhood, and to nonresidents.<sup>47</sup>

Some British housing developments already assign curb parking spaces to specific houses. In their book on market-based urban order, Chris Webster and Lawrence Lai explain this parking arrangement:

As a result of high housing densities on new estates and rising car ownership, many volume housing developers in the UK now contractually allocate on-street parking spaces in public access cul-de-sac developments to individual houses. The informal neighbour agreements that used to keep down the costs of organising parking arrangements are no longer adequate.<sup>48</sup>

Developers offer this contract because the residents are willing to pay more for a house in developments with dedicated curb spaces. The same logic suggests that the residents of older neighborhoods may be willing to lease curb parking spaces at market-rate rents, especially if all the revenue comes back to pay for neighborhood improvements.

## Reducing Locational Conflicts

Neighborhoods differ, but their parking problems tend to be the same. If curbside parking is free, most residents will say “Not in My Back Yard” to nearby development with fewer off-street parking spaces than the zoning requires. For example, if the parking requirement for an office building is 4 spaces per 1,000 square feet, residents will oppose a nearby office building with only 1 space per 1,000 square feet because anticipated spillover parking from the new building would congest their streets and leave them no curbside spaces to park their own cars.<sup>49</sup>

On the other hand, a parking benefit district can create a symbiotic relationship between commercial development and its nearby residential neighborhood because nonresidents who park in the neighborhood pay for the privilege. Prices for curbside parking can float in response to demand to produce any target curbside vacancy rate the neighborhood desires. Commercial developments with few on-site parking spaces will increase the demand for the fixed supply of what the nearby neighborhoods sell to nonresidents—curbside parking. If you owned a restaurant, wouldn't you appreciate a nearby office building with no employee cafeteria? If you owned a copy center, wouldn't you appreciate a nearby office building with no copy machines? Similarly, if you lived in a parking benefit district, wouldn't you appreciate a nearby office building with few parking spaces? The price of curbside parking would limit the number of nonresidents' cars, and commuters who do pay to park on residential streets would pay to improve the neighborhood. In addition, the higher price for parking at an office building with fewer parking spaces will divert some commuters to carpools, public transit, cycling, or walking to work, and thereby reduce vehicle trips to the neighborhood. This combination of benefits—fewer vehicle trips and more public revenue—may lead residents to say “Do It in My Neighborhood” when proposed development will attract business and create employment. Parking benefit districts can convert what planners call “locally unwanted land uses” (LULUs) into locally *wanted* land uses.

Parking benefit districts can also undercut the argument that employers must provide free employee parking to avoid creating parking problems on the nearby streets. For example, Verhoef, Nijkamp, and Rietveld examined the possibility of charging commuters for parking at the Free University in Amsterdam. Because curbside parking was free in the surrounding neighborhood, they concluded that charging for parking at the university,

will mainly result in a considerable shift of the ‘parking burden’ from the Free University onto the surrounding area, with an expectedly negative impact on the Free University’s local image. Unless more stringent parking policies are implemented in the Free University’s neighborhood, such a policy [charging commuters for parking] seems to provide no fruitful option.<sup>50</sup>

If the surrounding neighborhood were a parking benefit district, the Free University could improve its local image by charging commuters for on-campus parking because the increased demand for curb parking would increase the revenue available to pay for neighborhood public improvements.

### **Making Neighborhoods Safer**

If curb parking spaces are common property that no one owns and everyone can use, no one cares for them. In *The Death and Life of Great American Cities*, Jane Jacobs says that the streets of a successful city neighborhood must have “eyes upon the street, eyes belonging to those we might call the natural proprietors of the street.”<sup>51</sup> If neighborhoods keep the earnings from their curb parking, the residents will be more likely to keep a proprietary eye on the street to make certain their property is managed well. Parking benefit districts will also contribute to the goals of “defensible space” and “crime prevention through environmental design,” which are concepts developed by architect Oscar Newman.<sup>52</sup> Like Jacobs, Newman emphasizes the importance of “territoriality” in making neighborhoods safer, and recommends assigning portions of public spaces to individuals and small groups as their own private areas.

In laying out the site of a housing development, buildings should be positioned so that the grounds can be subdivided and allocated to particular buildings. Residents should, as a result, be able to perceive particular areas of the project as being under their specific sphere of influence. . . . [P]arking areas should also be placed within these defined zones, as this will further assist residents in perceiving the grounds as their own and will aid them in exerting control over the grounds. Residents’ supervision and control of the grounds surrounding their buildings is the most effective form of deterrent to crime and vandalism.<sup>53</sup>

Parking benefit districts will give residents a reason to supervise the streets. Because motorists are willing to pay more to park where they feel safer, residents will have a financial stake in the safety of visitors and their cars. Residents will want all the laws enforced in order to get all the money to which they are entitled, and they will strongly condemn any vandalism of cars or parking meters. Parking enforcement patrols who check to see whether nonresident motorists are paying will add

yet another layer of supervision to make streets safer for drivers, pedestrians, bicyclists, and residents.

Market-price parking can make streets safer in yet another way. Fights over claims to a free parking space are common and the rancor has even led to murder, but a few vacant curb spaces everywhere can help calm this parking rage.<sup>54</sup> “Transportation is civilization,” Rudyard Kipling wrote, and parking can become far more civilized than it is now.<sup>55</sup> Fair-market prices will help to end the Hundred Years War over curb parking spaces: parking will not be free, but no one will have to fight (or die) for it.

### **Increasing the Housing Supply**

Granny flats, accessory apartments, and second units are terms given to garages converted into housing in single-family neighborhoods. They can substantially increase the supply of affordable rental units in good neighborhoods without any subsidy, but even in cities that allow them, parking requirements create a steep barrier to providing them. Because cities require off-street parking for both the original house and the new flat, converting an existing garage—no matter how roomy or how valuable as housing—into a granny flat becomes almost impossible. Cities require enough off-street parking spaces to prevent the cars formerly parked in the garages, plus the cars of the new garage residents, from flooding the curb spaces and creating more traffic.<sup>56</sup> But because most houses do not have enough land to replace the parking spaces in the former garage *and* provide an additional parking space for the new garage apartment, granny flats are out of the question.

Parking requirements prevent converting even former coach houses into apartments. Some Chicago neighborhoods built in the nineteenth century, for example, have coach houses, and many of them were later converted to granny flats. In 1957, however, Chicago banned living in buildings formerly occupied by horses; the previous conversions were grandfathered, but new conversions were made illegal. (The real reason for banning human habitation of buildings formerly occupied by horses was, of course, parking, not public health.) Chicago’s Metropolitan Planning Council has recommended a change in zoning to again allow converting coach houses to human habitation, with no off-street parking required for the new housing. But cars, not horses, are the issue now. Chicago Alderman Bernard Stone commented, “The real problem today is that most existing coach houses are in areas where there already is a lack of parking.”<sup>57</sup>

Many residents strongly oppose granny flats in their neighborhoods because of the parking problems they would create. As a planning commissioner in one Southern California city explained, she bought her house in a neighborhood “where I wouldn’t have to worry if I was going to be able to park in front of my own house.”<sup>58</sup> And who could blame her for thinking that? Where curb parking is treated as common property free to anyone, everyone will object to granny flats if the new residents park on the street. Suppose, however, that a parking benefit district charges market prices for all curb parking in a neighborhood with granny flats. Everyone will have an incentive to economize on curb parking. Some residents who formerly parked their cars at the curb will park off-street, and others might sell an old car that isn’t worth the price of a parking permit. If some homeowners convert their garages into granny flats, the rising price of curb parking will prevent the reduction in off-street spaces from creating a curb parking shortage. The parking benefit district will also provide added revenue for neighborhood public improvements.

When parking requirements prohibit converting garages into apartments, cities put free parking ahead of affordable housing. But in parking benefit districts, planners can allow garage conversions to increase the housing supply and decrease the parking supply *without* creating a parking shortage because everyone who is willing to pay for parking will be able to find a convenient space. Parking requirements intervene in the housing market on the side of cars, and removing them will allow people to bid housing away from cars.<sup>59</sup>

The opportunity to produce second units without creating a parking problem can help to refute any argument that parking benefit districts will increase property values and gentrify older neighborhoods in central cities. True, parking benefit districts will, by increasing neighborhood amenity, increase property values. But families who are willing to convert their garages into second units will find a new way to finance homeownership, and will at the same time provide new supply of decent and affordable rental housing within walking distance of local stores and public transit. Higher urban land prices are not a bad thing if they lead to more housing, but off-street parking requirements prevent higher densities. Parking benefit districts will, in contrast, allow the market to supply less parking and more housing without generating more traffic.

## **CONCLUSION: CHANGING THE POLITICS OF CURB PARKING**

The purpose of charging market prices for curb parking is to manage a scarce public resource, not to finance the cost of providing it. Governments often price public services to cover the cost of providing them, but curb parking doesn't seem to have any cost that justifies charging a price. Parking benefit districts will not finance curb parking but will instead create the necessary political support to charge market prices for it.<sup>60</sup>

Parking policy emerges from a political—not an analytic—process, and better analysis will not, by itself, affect this political process. But just as the technology of charging for curb parking has changed radically in recent years, so too can the politics. Voters will *want* their city to charge fair-market prices for curb parking if the revenue is returned to the right recipient—the neighborhoods that generate it. For transportation policy, the motive to charge market prices for curb parking is to manage demand; for neighborhoods, the motive is to finance public investment.

Parking benefit districts do not privatize curb parking, which remains publicly owned. Curb parking revenue pays for added public services, and the prospect of these services can persuade residents to rent space to nonresidents. The result is not to *privatize* curb parking but rather to *charge market prices* for it and to spend the revenue for public purposes. Private sector methods achieve public sector objectives. To borrow a Marxist term, the benefit districts will *commodify* parking—turn it into a commodity traded in markets. Commodity is an apt term here because it stems from the Latin *commodus*, meaning convenient. Benefit districts will make parking convenient, but the users will pay for it.

The twentieth century saw a great competition between two economic systems: central planning and market prices. Central planning is essential for some purposes, but it failed spectacularly where it governed too much of the economy. Parking is a perfect example of an economic activity where planners have usurped markets without justification. We have relied almost exclusively on the command-and-control approach to regulate parking, and we have failed spectacularly.

The only constraints on charging market prices for curb parking are now political. Aaron Wildavsky describes this situation perfectly: “Constraints are not mere obstacles, but are opportunities asking (daring, pleading) to be shown how they can be overcome.”<sup>61</sup> Technology has overcome the practical constraints on charging for curb parking, and public concern has shifted to problems that free parking makes worse, such as traffic congestion, energy consumption, and air

pollution. The political constraints on charging for curbside parking are opportunities asking, daring, pleading to be overcome.

The *economic* rationale to charge market prices for curbside parking is efficiency: the benefits far outweigh the costs. Drivers won't need to hunt for curbside spaces, and cities won't need to require off-street parking. The *political* rationale for parking benefit districts is distribution: neighborhoods will be improved at no cost to their residents. Curbside parking revenue needs the right recipient—its own neighborhood—before voters will support charging market prices for curbside parking. Fair-market prices will solve the economic problem, and using the revenue to improve neighborhoods will solve the political problem.



1. Crawford (1969, 84).
2. Residential parking permit districts have spread rapidly throughout the U.S. since 1977 when the United States Supreme Court upheld the statute in Arlington, Virginia, that set up the first permit district in the country (see *County Board of Arlington County, Virginia, et al. v. Richards, et al.*; October 11, 1977). In 1974, Arlington enacted an ordinance that authorized residential parking permit districts, and the neighborhood of Aurora Highlands petitioned to become one. Commuters to nearby Crystal City, who had previously parked on the streets of Aurora Highlands, filed motions against the County, alleging that the permit districts denied them equal protection of the laws. The U.S. Supreme Court held that “the ordinance did not, on its face, violate the equal protection guarantee of the Fourteenth Amendment even though the ordinance discriminated between residents and nonresidents of the designated residential areas, since the Constitution neither outlawed the social and environmental objectives of the ordinance nor presumed that distinctions between residents and nonresidents of a local neighborhood were invidious, and since the equal protection clause required only that the distinction drawn by such an ordinance rationally promote the regulations’s objectives.”
3. Howitt (1980, 156-58). Mancur Olson (1965) analyzed how offering selective individual benefits as the reward for specific behavior can induce rational, self-interested individuals to act in their collective interests. Neighborhoods are not individuals, but individual residents can see that it is in their individual interest if their neighborhood becomes a parking benefit district. Olson also explained why there is a tendency for groups to underprovide public goods to their members; because parking benefit districts will finance neighborhood public goods from *nonresidents’* payments for parking, the only way to take advantage of the parking revenue is to spend it on public goods, which may therefore even become overprovided. See Olson (1965, 22-36) for a discussion of the optimal provision of public goods in small groups.
4. Each neighborhood will earn income from a valuable natural resource it owns, almost like silent screen star Norma Desmond (Gloria Swanson) in *Sunset Boulevard*, who explained to young screenwriter Joe Gillis (William Holden) the source of her wealth. “I own three blocks downtown. I’ve got oil in Bakersfield, pumping, pumping, pumping. What’s it for but to buy us anything we want?” Each curb parking space will become a new source of neighborhood wealth, “pumping, pumping, pumping” revenue to buy any public services the residents want.
5. Wilson (1980, 369)
6. Howitt (1980, 163).
7. Ostrom (1990, 14).
8. Organisation for Economic Co-Operation and Development (1988, 119). The federal government also sets a maximum price that cities can charge for on-street parking. The long lead time to alter national legislation means that on-street parking prices lag behind the market rates for off-street parking.

9. Topp (1991, 10).
10. Ready (1998, 10).
11. “Parking Meters in Oklahoma City,” in the *American City*, August 1935, p. 61.
12. Free parking for residents in a benefit district is a political proposal, not an economic one. Moshe Adler (1985) points out that the existing permit districts may allocate curb spaces to residents who place a lower value on them than some nonresidents would. The allocation would be more efficient if *everyone* paid the market price for parking, just as everyone pays market prices for gasoline, tires, insurance, repairs, and the cars themselves.
13. Adam Millard-Ball (2002) describes San Francisco’s proposal. One of the city’s aims is to encourage residents who own garages to use them for cars rather than for storage and thus take some cars off the street.
14. Howard Strassner of San Francisco explained this arrangement to me. Other cities also have informal curb parking brokers. For example, New York doormen move residents’ cars from one side of the street to the other to deal with the alternate-side parking regulations.
15. Suppose, for example, 200 families live on a block that has only 20 curb parking spaces; charging the market price for curb parking can provide a net benefit for 180 families who do not park on the street, and a net cost to only 20 families who use the street as their garage. Lee (1987) discusses the policy of charging everyone the market price for curb parking.
16. Parker (2002, 306).
17. Institute of Transportation Engineers (2000). Even \$10 a year is far too high a price for some citizens. Consider this letter to the editor that appeared in the *San Mateo Daily Journal* on July 14, 2004, in response to the city’s proposal to charge \$10 a year for resident permits in permit parking districts. An outraged citizen asked, “Why don’t they measure how much air we breathe each day and start charging us for that? . . . I say ‘Get rid of parking meters, parking permits and everything else you can think of other than paid parking garages that need to recoup their investment.’ We are supposed to be living in a free country. Our First Amendment is supposed to guarantee life, liberty and the pursuit of happiness. My opinion is this: People should not have to constantly worry about feeding parking meters or be constantly worried about getting parking tickets.”
18. Mildner, Strathman, and Bianco (1997).
19. Mildner, Strathman, and Bianco (1997, 114) say that “officials in cities that have areas with insufficient parking supply for all potential car owners have decided to avoid instituting permit zones for this very reason.”
20. Curb parking spaces can serve a limited number of people, but public services are nonrival in consumption: one person’s use does not reduce the amount left for everyone else. Therefore, the total benefits of public services, such as clean sidewalks, are higher in dense neighborhoods because

more people enjoy them. The benefits of charging for curb parking and spending the money for neighborhood public services should thus be more popular in denser neighborhoods because the benefit/cost ratio will be higher. And because the number of curb spaces is fixed, the average per-person payments for curb parking will decline as density increases if the market price of curb parking increases less than in proportion to a neighborhood's population.

21. Noble and Jenks (1996, 18, 21).

22. Noble and Jenks (1996, 22, 26).

23. Lee (1987, 265).

24. See Schilling (1995).

25. Individual ownership and management of each curb parking space would probably suffer from marked *diseconomies* of scale and high transactions costs.

26. See Gordon (2004) for an analysis of the microgovernments in common interest developments.

27. Ellickson (1998, 83-84). Robert Nelson (1999) also proposes legislation to retrofit community associations in older neighborhoods, and George Liebmann (2000) presents a comprehensive proposal for sublocal governments. Since parking benefit districts would generate revenue for sublocal governments, setting up the proposed block-level institutions should be greatly simplified. Parking benefit districts will, as Fred Foldvary (1994, 212) says about private communities, "unite governance with market competition in the provision of public goods." Earlier, Mancur Olson (1969, 483) proposed that "there is a need for a separate governmental institution for every collective good with a unique boundary, so that there can be a match between those who receive the benefits of a collective good and those who pay for it." He termed this alignment between revenue and responsibility "fiscal equivalence." Because many public investments (such as good sidewalks and underground utilities) benefit small areas, parking benefit districts can achieve fiscal equivalence between benefits and costs for many local public goods.

28. Similarly, referring to Nobel Laureate economist Friedrich Hayek's caution about social engineering, Bruce Caldwell (1997, 1885) wrote, "The conscious construction or imposition of social institutions is a tricky business. Many such institutions are the product of a long process of evolutionary development; they are themselves examples of complex self-organized adaptive orders. They have histories, and they perform functions that are not well-understood by outsiders."

29. In *The Affluent Society*, Galbraith (1958, 252-253, and 257) says in the years after World War II, "automobiles that could not be parked were being produced at an expanded rate. . . . The family which takes its mauve and cerise, air-conditioned, power-steered, and power-braked automobile out for a tour passes through cities that are badly paved, made hideous by litter, blighted buildings, billboards, and posts for wires that should long since have been put underground. . . . in an atmosphere of private opulence and public squalor, the private goods have sway." Incidentally,

Galbraith himself lives in a historic Cambridge neighborhood with free (permit) parking and overhead wires.

30. Hirschman (1970, 4, 30) said exit occurs when some members leave an organization if they are dissatisfied, while voice is any attempt to change, rather than to escape from, an objectionable state of affairs. He explained that exit belongs to the realm of economics, while voice belongs to the realm of politics.

31. Speech by Governor Bill Clinton on May 6, 1991.

32. Ellerman et al. (2000) found that the cap-and-trade approach significantly reduced the cost of abating SO<sub>2</sub> emissions. Parked cars are not pollution, of course, but too many cars create severe parking problems.

33. In the traditional command-and-control approach to reducing air pollution, the government limits emissions for each pollution source but does not permit trading among regulated firms. A parking *permit* district resembles the command-and-control approach because it either prohibits parking by nonresidents or sets limits on how long they can park.

34. Carpools of three or more can also get a free daily permit. Aspen's regulations are available online at <[www.aspenitkin.com/depts/61/residential.cfm](http://www.aspenitkin.com/depts/61/residential.cfm)>.

35. Boulder's Commuter Permit program is authorized in Section 4-23 of the Boulder Municipal Code, and is described on the city's website at [www.ci.boulder.co.us/duhmd/Parkingservices/1resident.html](http://www.ci.boulder.co.us/duhmd/Parkingservices/1resident.html).

36. Section 10.41.105 of the Santa Cruz Municipal Code states, "The local authority may, upon proof that sufficient street parking is available for residents in the area, sell permits to commuters who may pay to park on a specified street segment or block face." The Commuter Permits are described on the city's website at [www.ci.santa-cruz.ca.us/pw/index.html](http://www.ci.santa-cruz.ca.us/pw/index.html).

37. Tucson's "ParkWise" program is described on the city's website at <http://dot.ci.tucson.az.us/parkwise/parkwise.htm>.

38. That is, the city agrees to a "maintenance of effort" for general public services provided in the new district. The parking revenue will provide *additional* public services in the district, above and beyond the services provided everywhere in the city.

39. City of Los Angeles, "Voter Information Pamphlet for the General Election on November 3, 1998." Available online at [www.cityofla.org/CLK/election/elect98/vip1198.htm](http://www.cityofla.org/CLK/election/elect98/vip1198.htm).

40. A two-thirds (67 percent) Yes vote was required for passage, but only 43 percent voted Yes.

41. Visitor permits in existing permit districts are restricted to parking on the block of the resident who purchases the visitor permit. The proposed nonresident permits thus resemble the existing visitor permits, although the nonresidents would be paying guests.

42. If the revenue is \$2,400 a year and the cost of sidewalk replacement is \$10 a square foot, for example, the revenue would pay to replace 240 square feet a year ( $\$2,400 \div \$10$ ). If the sidewalk is 5 feet wide, the revenue would pay to replace 48 linear feet a year ( $240 \div 5$ ). If the cost of sidewalk replacement is \$20 a square foot, the revenue would pay to replace 24 linear feet a year. If the number of curb spaces on a block is roughly proportional to the length of sidewalk, each block has about the same capacity to earn parking revenue to repair its sidewalks, regardless of the number of houses on the block.
43. Dales (1968, 100).
44. Therese Lee, "The Good Overcomes the Bad and the Ugly," *Los Angeles Times*, September 7, 2003. All teachers in Los Angeles public schools are guaranteed free parking, but no other transportation benefit. Those who ride public transit, bike, or walk to school get nothing. The alarmingly high priority on parking is not limited to public schools. Consider this report of a planning commission meeting in San Mateo, California: "The controversial Junipero Serra High School expansion project returns to the Planning Commission tonight, when commissioners will review the first of three phases of construction anticipated at the all-boys Catholic school over the next decade. . . Phase One of the plan calls for improvements to Serra's football and baseball fields and a new three-level parking garage. . . the school has scratched plans to build its new arts and music building during Phase One due to lack of funding" (*San Mateo County Times*, October 28, 2003).
45. Institute of Transportation Engineers (2000, 3).
46. Shoup (1970) examines the time of land redevelopment.
47. Although he did not relate it to the issue of curb cuts, Gabriel Roth (1965) proposed the idea of "householders' parking meters" that would allow residents to reserve the curb space in front of their homes for their own use, or to make the space available to others. All the revenue would go to the city, and householders would be required to pay for the time they reserved the curb spaces for themselves.
48. Webster and Lai (2003, 63).
49. Spillover also provokes disputes over the scarce curb parking, but these disputes can have their bright side. Consider, for this example, this report from the *Los Angeles Times*: "About two years ago, a North Korean who worked in the state fisheries division was on a boat in the Yellow Sea when his transistor radio picked up a South Korean situation comedy. The radio program featured two young women who were fighting over a parking space in their apartment complex. A parking space? The North Korean was astonished by the idea that there was a place with so many cars that there would be a shortage of places to park them. Although he was in his late 30s and a director of his division, he had never met anyone who owned their own car. The North Korean never forgot that radio show and ended up defecting to South Korea last year. 'I realized that if there is a shortage of parking spaces, this is a different world than the one we know,' said the North Korean, who now lives in Seoul and asked that his identity not be revealed" (Barbara Demick, "For

North Korean Regime, No News is Good News, *Los Angeles Times*, December 20, 2003). With market-price parking spaces, we can have the best of both worlds: cars and no shortage of places to park them.

50. Verhoef, Nijkamp, and Rietveld (1996, 399).

51. Jacobs (1961, 35).

52. Newman (1972, 1980, and 1995).

53. Newman (1980, 193).

54. For example, the *Los Angeles Times* (October 25, 1997) reported that “A New York City police officer who shot a man to death in an off-duty argument over a deli’s parking space was convicted of murder Friday.” Parking also leads to murder in fiction; for example, see Simon Brett (1985). Richard Epstein (2001, 12) says, “The usual sociobiological logic behind a first possession rule is that all individuals have a strong, innate instinct to yield to others who have taken possession. Yet by the same token, they have an instinct to fight when they think that inchoate possession is theirs. Those conflicts arise when two people come at the same [parking] spot from different directions, and each thinks that he got there first.”

55. Kipling (1909, 47).

56. Palo Alto, California, for example, requires each granny flat be detached from the main house and have two parking spaces of its own. Potential parking shortages aren’t the only reason cities prohibit granny flats in single-family neighborhoods, of course, and some residents may simply oppose higher population density even if the new people come without cars.

57. “Coach House Plan May Reopen Door to Renters,” *Chicago Tribune*, August 17, 2003.

58. “New Law on In-Laws,” *Los Angeles Times*, October 12, 2003.

59. Parking is not the only reason why homeowners may object to allowing granny flats in their neighborhoods, of course, but it is a big reason. If parking benefit districts remove parking as an objection to granny flats, the other issues can be addressed more directly. And because granny flats will increase the revenue in a parking benefit district, the added public services paid for by curb parking may mitigate some of the other objections to allowing granny flats.

60. Consider the difference between toll roads and market-price curb parking. Highway tolls are usually justified on the grounds that they are needed to pay for road construction: the cost needs a financing mechanism. In contrast, parking benefit districts are needed to create the political will to charge for curb parking: the revenue needs a politically powerful group who wants to collect it.

61. Wildavsky (1979, 59).