

There is No Such Thing as Free Parking!

by David Stanowski

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There are very few things that are free in life, and parking is NOT one of them!

A parking space is a small parcel of land. It takes capital to purchase it. It requires improvements, and there are maintenance costs, and property taxes. If a parking space has costs, the owner can simply not afford to allow it to be used for free! The only real question is what is the optimum price to charge.

Some would point to a retailer like Walmart and argue that it offers free parking. Walmart does not charge its customers directly to use its parking spaces, but there is more than one way to get them to pay. Walmart merely employs a business model that seeks to offset the costs of its parking spaces by increasing its sales volume, and/or raising prices enough so that it doesn't need to charge a fee. This model is based on the belief that if customers have to pay cash upfront to "rent" their parking spaces, it will inhibit their impulse to go to the store; so they "collect" at the cash register, on the back end, when customers are no longer even thinking about parking.

There is no question that this model works very well in some situations. However, if a Walmart is located adjacent to office and apartment buildings whose employees and residents decide to park in their "free" lot, their customers would quickly become very irritated by the need to search for a parking space, and the inconvenience would inhibit their impulse to shop more than paying a fee to find a space right away.

In this situation, the primary problem becomes making spaces available near the store, rather than how the store is going to charge for them.

There are only three ways to solve this problem; a paid lot, metered spaces, or a paid lot or metered spaces that waive all or part of the cash payment for customers; i.e. validation.

Walmart, and many other stores, own their parking spaces, but in downtown Galveston the government owns the prime on-street parking spaces. It is very easy for taxpayers to believe that there is no reason for the government to charge a fee when it owns the parking spaces, but it still has costs, AND the fiduciary duty to maximize the income from its spaces, and the sales taxes paid by customers, because what it doesn't collect from them, it has to make up for with taxes and fees somewhere else.

Downtown parking spaces are in high demand, because there are a significant number of employees and residents competing with customers for them. This means that the government needs to find the right price to charge for their use. If the price is too high, it will lower demand to the point where it will limit economic activity. Business will suffer, and sales tax collections can drop far below the "extra" meter revenue collected. Eventually, this will even lower the property tax paid in the area, because building values are ultimately based on the sales occurring in them.

If the price is too low, demand will be too high, and spaces will be in such limited supply that it will drive away potential customers, and lower business activity, tax collections, and meter revenue.

Therefore, the "correct price" must be found for the prime parking spaces in downtown Galveston, but it should be

obvious that the optimum price is NOT \$0.

In theory, the same three options are available to manage the supply of parking spaces in a downtown area as were listed above, except turning a street grid into a gated parking lot creates too many logistical problems for deliveries and through traffic. Therefore, the only reasonable choice is metered spaces, with the option of waiving some or all of the fee for customers; if the technology is available to do so.

The City must decide whether their total return will be maximized with or without fee waivers (validation). In theory, targeted fee waivers would increase spending, and boost the government's take on sales tax, and eventually raise the amount of property tax assessed, while the no-waiver option would increase their meter income.

It should be clear that sales at bars, restaurants, and shops will never be maximized without a system that helps to reserve the best parking spaces for customers, rather than letting them be tied up by employees and residents for hours or even days on end.

Customer-friendly parking meters, like the ones the City intends to install, are about the only way to do this.

The parking spaces on the Seawall are also owned by the government, just like those downtown, and they are in high demand, because they allow easy access to the beach. The government has the fiduciary duty, as it does in downtown Galveston, to maximize their total revenue by using these spaces efficiently. The price to park must maximize total revenue from overall citywide business activity, due to beach users, in addition to the meter revenue collected. Once again, the correct price to charge for these prime parking spaces is definitely NOT \$0.

Revenue from Seawall parking meters can also be dedicated to maintaining and cleaning the beaches, and it can be used to leverage federal grants to upgrade the Seawall with showers, restrooms, and other amenities that would totally transform the beach front. This would attract a more upscale tourist, and boost the economy even more. The failure to do this has cost the City millions of dollars in economic activity and tax revenue over the last few years.

Critics of paid-parking on the Seawall either use the emotional argument that "free parking" is some sort of birth right, or the flawed analysis that it is good for the local economy. However, not charging for parking has made it necessary to raise taxes and fees in many ways to make up for what has been lost due to the City's underdeveloped, and yet, over crowded beach front. We can not allow this crippling mistake to be repeated downtown!

The business model that utilizes the illusion of "free parking" to attract customers only works in specific situations. It must be able to increase sales and/or prices charged, AND there can not be any significant demand from non-customers. Very few sales occur due to the Seawall parking spaces, because most businesses have their own parking lots, so "free parking" does not work there, and downtown Galveston is plagued with employees and residents that monopolize the prime spaces, so it does not work in this case, either.

We simply must have metered parking in both locations!

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