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The Price of Unwanted Parking

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The Price of Unwanted Parking

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ISSUE

When a city requires on-site parking for all new housing, housing costs rise while the price of driving falls. This results in less housing and more driving. Minimum parking requirements are particularly troublesome for old, dense inner city neighborhoods. Many buildings constructed before World War II don't have parking attached to them, and in dense center cities—where land is expensive, and lot sizes are small and irregular—parking can be extraordinarily expensive, if not impossible, to provide on-site. Thus many older in-city buildings sit unused, simply because they can't provide enough parking to satisfy the zoning code.

Measuring how parking requirements affect housing construction is difficult for a simple reason: parking requirements are everywhere. There is good theoretical reason to believe that relaxed parking requirements would result in more housing, and developers regularly say that left to their own devices, they would supply less parking. But because developers are almost never left to their own devices, the theory is hard to test.

RESEARCH FINDINGS

To study this issue, we took advantage of a natural experiment. In 1999, the City of Los Angeles passed an Adaptive Reuse Ordinance (ARO), which was designed to encourage the conversion of old vacant commercial buildings into housing in downtown LA. The law included two major incentives: a streamlined permitting process, and an exemption from minimum parking requirements. While developers could not remove any parking that was attached to a building, they were under no obligation to add any. Importantly, this also meant that if developers chose to add more parking, they didn't need to do so onsite. The ARO thus provided an opportunity to study how an unregulated developer would supply parking.

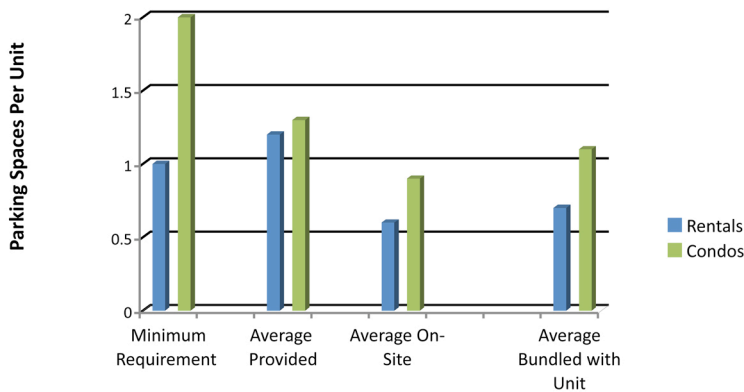


Under the ARO's relaxed parking requirements, developers were more likely to charge residents separately for a parking space. This allows developers to make do with fewer parking spaces and allows renters to save on housing.

We examined 53 ARO buildings, most of which were permitted and completed before 2007. We looked at how much parking each building provided, and where it was provided. This was supplemented by interviews with developers, planners, architects and planning consultants.

What do we learn from Los Angeles's ARO? First, the law helped create a lot of housing. In less than 10 years ARO developers built more housing in downtown LA than all private and public sector development in the previous 30 years combined.

Parking Spaces Required Versus Parking Spaces Provided for Adaptive Reuse Buildings in Downtown Los Angeles



Second, parking deregulation played an important role (though not the only role) in this construction spurt. Although most ARO developers supplied some parking, it was usually less than what the city would have required. Relaxing the absolute number of required parking spaces, however, proved to be less important than relaxing the location of those spaces. Freed from the constraint that all parking be on-site, ARO developers leased existing parking spaces from nearby

commercial buildings, constructed garages on vacant lots down the street, and so on.

Third, ARO developers were more likely than other developers to unbundle parking—to charge residents separately for a parking space, rather than include the price of parking in rent. We examined a number of new, non-Adaptive Reuse projects in the downtown, and none of them offered unbundled parking. Unbundling allows developers to make do with fewer parking spaces, and allows renters who don't want (or can't afford) cars to save on housing.

RECOMMENDATIONS

Relaxing minimum parking requirements allows developers to be more creative and efficient in supplying housing, especially in inner city areas. By mandating that all parking must be on-site, minimum parking requirements have delayed the revitalization of inner-city areas where stately buildings simply lack the room to comply with the law. Like for other goods and services, consumer preferences about parking are many and varied. Relaxing constraints on parking allows developers to meet those many and varied preferences, and in so doing, to provide more housing.

