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Local Option Commercial Parking Tax Analysis

WA-RD 251.1

Final Report
July 1992



Washington State Department of Transportation

Washington State Transportation Commission

in cooperation with

U.S. Department of Transportation

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Final Report

**Research Project GC 8719, Task 30
Parking Tax Evaluation**

**LOCAL OPTION
COMMERCIAL PARKING TAX ANALYSIS**

by

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Department of Transportation
and in cooperation with
U.S. Department of Transportation
Federal Highway Administration**

July 1992

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EXECUTIVE SUMMARY

Increasing traffic is a major problem in the Puget Sound region of Washington state. As the region's employment base expands, congestion is extending commute trips, degrading air quality, increasing fuel consumption and decreasing the overall quality of life in the area. There are no easy solutions to these problems, but one way that future commuter demand can be accommodated is through more efficient transportation demand management.

Parking is a critical element in any transportation system. Research has shown parking to be the most important factor in modal choice as well as influential in investment and residential or job location decisions. In Washington state, free parking is the norm for most commuters. But parking is not free; if it is not paid for by the users, its cost is passed on to others. Free or subsidized parking also makes the cost of driving to work very low in comparison to using transit. This reinforces an inefficient choice because of the considerable divergence between social costs and individual responsibility for these costs.

State legislators have addressed these problems with a series of transportation initiatives. One of these initiatives is RCW 82.80.030 that provides for a "Local Option Commercial Parking Tax." The goals of the parking tax are (1) to discourage drive-alone commuting and (2) to generate revenue for transportation purposes.

THE LEGISLATION

The statute authorizes cities and counties to impose two different types of parking taxes, as follows:

1. tax on commercial parking business — imposed on persons engaged in a commercial parking business. The rate of tax is based either upon gross proceeds or the number of stalls available for commercial use, and the

rates charged must be uniform for the same class or type of parking business.

2. tax on parker — imposed on the act or privilege of parking a motor vehicle in a facility for which a fee is charged and that is operated by a commercial parking business.

The second form of the tax is available as an alternative to, rather than in addition to, the first tax. The statute establishes that the proceeds of either form of the tax may only be used for transportation purposes.

This parking tax statute has defining legal characteristics which shape how the tax could be implemented and distinguish it from parking taxes in other states. First, the tax is imposed on the use of property for a particular purpose (parking) or for the privilege of operating a particular type of commercial franchise (parking business). Second, even though the parking tax law does not allow a jurisdiction to wholly exempt one type of parking or parker completely, it gives local governments latitude to vary tax rates according to a number of factors, including duration of parking, location, and type or use of vehicle. Also, a city or county could choose to impose a lower rate on parking facilities accessory to buildings that have approved Transportation Management Programs (TMPs) and a higher rate on facilities without TMPs.

ALTERNATIVES FOR IMPLEMENTATION

To create a framework for analysis of the tax, a number of alternative approaches for implementation of the tax were devised and examined. The alternative options for implementation were originally designed to focus on transportation demand management (TDM) opportunities. Some of the parking tax alternatives were specifically designed as time and location specific TDM options. They are more successful at targeting peak-hour commuters and avoid taxing those parkers who travel during the off-peak. Other alternatives focused on revenue generation and placed less emphasis on TDM objectives.

All the defined alternatives assume that the only exemptions permitted by a jurisdiction's parking tax ordinance are those specifically mentioned in the legislation. Tax exempt carpools, vehicles with handicapped decals, and government vehicles may be exempted from the tax. To target specific groups, e.g., commuters, the statute allows the creation of categories of parkers and allows target groups to be taxed at varying, including higher, rates.

The revised alternatives proposed include the following options:

- (1) Status Quo — no action is taken,
- (2) Long-Term Parking Tax — higher rates are imposed on persons who park six or more hours,
- (3) Peak Period Parking Tax — higher rates are imposed on persons who park between 6:00 a.m. and 9:00 a.m.,
- (4) Parking Operations Tax — the tax is imposed on parking operators,
- (5) General Parking Tax — the tax is imposed on all parkers who use "commercial parking."
- (6) Accessory Parking Tax — a lower tax rate is imposed on buildings with an accessory lot that implement and adhere to a TMP, and
- (7) Amend Existing Legislation — includes the following proposals: Modification of Present Legislation, Commuter Parking Tax, Employer-based Transportation Demand Excise Tax, and a Comprehensive Alternative.

The specific parking tax options of alternative (7) were developed late in the study, in response to problems noted in the initial six alternatives. None of these options of alternative (7) can be implemented under the current legislation. Therefore, they did not receive the same level of analysis as the other alternatives. However, revenue generation estimates were made for the "Commuter Parking Tax" alternative. This alternative recasts the original statute as a tax on "commuter parking" as opposed to a tax

on "commercial parking." The tax is on the privilege of commuter parking, and is imposed on the driver. Thus, responsibility for collection is imposed on one of the following: (a) the operator of a commercial parking facility, (b) the employer, or (c) the owner of a commercial parking building. The tax would include implementation options that could be used to reduce the tax to those who reduce single occupancy vehicle trips through TDM programs. (Detailed explanations of the options under alternative (7) are contained in Appendix B.)

The study shows that the cost and complex administration of the tax is heavily influenced by the objective of the alternative. In general, the factors affecting the administration of a tax include the exemption process, the complexity of the rate structure, and the level of enforcement and auditing. To accomplish specific TDM goals, implementation of the tax becomes more complicated, as do the collection, monitoring, and auditing procedures. Alternatives with a revenue generation focus, on the other hand, are simpler and easier to implement.

RESEARCH METHODS

A public opinion assessment was conducted and its results are included in the report. The assessment had two primary goals. The first was to get various interest groups' reactions to the parking tax alternatives and to assess the relative support for each one. The second goal was to determine people's likely behavioral response to the imposition of each tax alternative. To achieve these goals, the analysis used interviews and focus groups. The interest groups considered in the public opinion assessment included parkers (commuters and shoppers), employers, parking lot operators and owners, retailers, and developers.

A parking inventory was conducted as a background for revenue projections. The inventory sought to determine the amount of parking in the Puget Sound area and categorize the parking according to use. To better understand the supply and use of

parking, two main categories were created: on-street and off-street. Off-street parking was further divided into two types according to use: non-commuter and commuter use. The inventory also estimated unused stalls. In addition, classifications that cut across categories were identified. They include user-paid parking and leased parking.

Each of the seven alternatives described in the previous section were analyzed in the context of five cities in the area: Bremerton, Bellevue, Seattle, Lynnwood, and Tacoma to determine their ability to generate revenue. In addition, figures were calculated for one of the proposed legislative amendments, the Commuter Parking Tax.

The study used information obtained from related literature about the elasticity of the demand for parking, data about the parking business in the area provided by parking operators, and the framework provided by ordinances in force in other jurisdictions of the country. Information from the literature review provided a basis for establishing elasticities and economic analysis. An example of the revenue projections for the six implementation alternatives are displayed graphically in Figure i. In this example, the bar graph shows the revenue estimation for each alternative for the five jurisdictions for a 10 percent rate. In the section entitled, "Revenue Potential," starting on page 55, the methodology and results of the revenue estimation for the rates of 5, 10, 25, and 50 percent are explained.

CRITERIA AND EVALUATION OF THE ALTERNATIVES

Several criteria were identified as significant dimensions for evaluating parking tax options. These criteria included behavioral change, equity, revenue generation, legal feasibility, administrative efficiency and feasibility, costs, market responses, and public acceptability.

Behavioral Change. Assessment of behavioral change included an analysis of the extent to which the parking tax alternative influences travel behavior (mode split) and

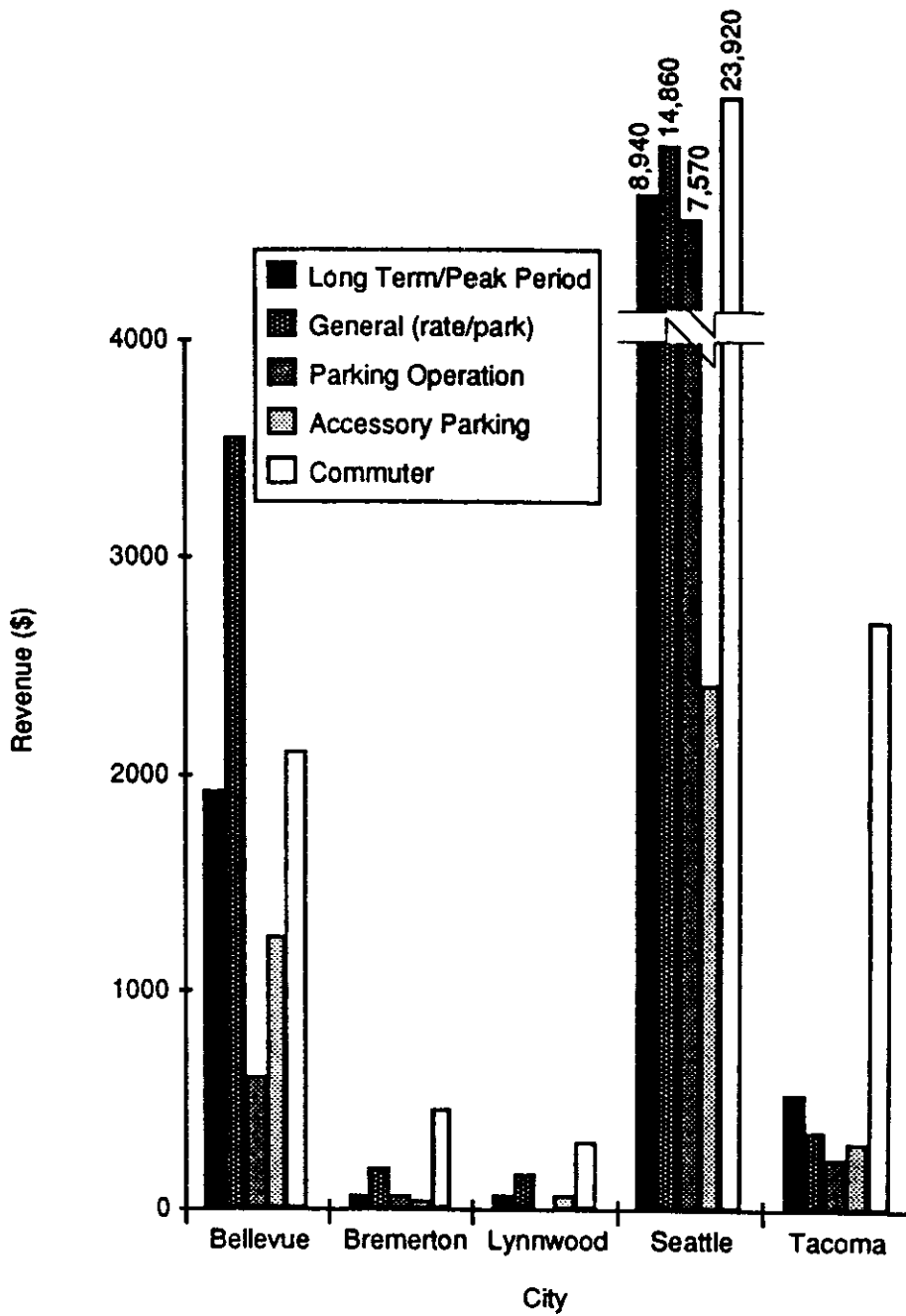


Figure i. Annual Parking Tax Revenue Estimation (rate = 10%)

how that behavior changes. The assessment also included a study of the effects of the parking tax on the parking operators, employers, and business community.

The study showed that each of the parking tax alternatives would have some effect on behavior because the tax would increase the price of parking, and any increase in price would reduce the quantity demanded. The alternatives that would have the most effect on individual parkers' travel behavior would likely be the Long-Term Parking Tax, the Peak Period Parking Tax, and the Accessory Parking Tax. These alternatives were designed specifically to focus on commuter parking and should be reasonably effective at reaching that target.

Equity. Equity addresses the issue of fairness. The parking tax needs to be equitable across income groups (vertical equity), as well as within groups (horizontal equity). None of the parking tax alternatives are proportional to income, thus each of them would be regressive. The effects of this regressive attribute could be somewhat mitigated by directing the revenues from the tax especially to benefit lower income taxpayers. The parking tax could achieve this balance if the generated revenue were directed to mass transit improvements. However, if the revenues were used for street repairs, the inequities of the tax might remain unresolved.

Revenue Generation. The amount of revenue to be generated by the tax is important for the local jurisdictions. The parking tax alternatives' capacity to generate revenues is based on the rate and the elasticity of the demand for parking. The elasticity of parking is influenced by several factors, including the price of parking, the location of the lot, the time of trip, the duration of parking and the alternative means of transportation.

Even though the Long-Term, Peak Period, and Accessory Parking Tax alternatives could be implemented with relatively high tax rates, they were not designed to generate large amounts of revenue. The General Parking Tax and Parking Operation Tax were created to focus more on generating revenues than on managing specific types

of transportation demand. Of the five alternatives suggested, the General Parking Tax would likely raise the most revenues.

Legal Feasibility. With the exception of the Accessory Parking Tax, each of the parking tax alternatives was designed to meet the guidelines of the current legislation. The Long-Term Parking Tax, Peak Period Parking Tax, General Parking Tax, and Parking Operation Tax are all feasible under the current legislation. All parking which is included in the definition of "commercial parking" must be taxed, but different categories of parkers may be taxed at different rates to target specific categories of parkers or areas.

Administrative Efficiency and Feasibility. The administrative efficiency of the alternatives is largely determined by the orientation of the option. Alternatives that sought to influence particular types of transportation demand would require a specific focus, varied rate structure, and complicated enforcement techniques. On the other hand, alternatives that aim primarily to generate revenue are more broad based and require less variation in the rates and less complex collection and monitoring provisions.

Costs. Two concepts of costs were considered: the administrative costs of the tax and revenues forgone through the opportunity costs of implementation. For the parking operators, for employers who provided user-paid parking, and for building owners the two major components of the administrative costs of the tax are the salaries of additional personnel and costs of supplies. For the jurisdictions, with a tax collection system already in place, initial capital costs might be insignificant, and additional operating costs would be in the form of more salaries and costs of supplies.

Foregone benefits, a product of the decrease in parking sales due to the tax, also need to be considered. A decrease in sales would depend on the price elasticity of the demand for parking that is a function of the parking price, the tax rate, and the alternatives to driving available to the parkers. The downtown areas that had the most transportation options would be likely to suffer the greatest decrease in parking sales and the highest opportunity costs. The Peak Period and Long-Term alternatives would likely

have the highest opportunity costs because they would displace more parkers from the market.

Market Response. Two types of market responses, other than the parking business itself were explored. One is the provision of office space and the other is the response from the retail business.

The Long-Term and Peak Period Parking Tax alternatives are both directed at commuter parking. However, because of legal questions about the taxation of suburban office parks, downtown office space could be disadvantaged in favor of suburban locations. Retail business would not be directly affected, but retailers anticipate indirect costs.

The General Parking Tax and the Parking Operation Tax alternatives would likely have less of an effect on office space and more of an effect on retail business. The Accessory Parking Tax, which would discourage use of accessory lots, would be the most successful at reducing the supply of parking without affecting retail business or favoring suburban office areas.

Public Acceptability. In general, the public in the Puget Sound region is well aware of the area's traffic congestion and air pollution problems. They are supportive of measures to address these problems, but they are not generally in favor of taxes. The ability of the tax to be accepted by the public would be directly related to the public's perception of how the tax would address these problems. Thus, it would be important for local jurisdictions to explain the goals of the tax, how the revenue would be used, and how the tax would fit into long-range transportation plans.

The public is concerned with equity and efficiency. In general, all of the alternative options for the parking tax contain both inequities and inefficiencies. Therefore, it is unlikely that any of the alternatives would be wholeheartedly accepted by the public. However, the alternatives that are most efficient and have a clear TDM focus

are most likely to be viewed as a partial solution to the area's transportation problems and win public support.

CONCLUSIONS AND RECOMMENDATIONS

The findings from this research led the steering committee to make four major recommendations. These recommendations are described below, with an explanation following each one.

Recommendation One: A parking strategy should not be developed independently. It should be devised only as an element of a regional transportation plan.

Increasing traffic, and the impact congestion has on air quality and the general quality of life is an important problem in the Puget Sound region. The public is anxious for efforts to address these problems. At the same time, it is suspicious of government actions and governmental mismanagement of resources. In this study, parking taxes, as a proposed partial solution to these problems' were met with skepticism and doubt. However, with some effort to adapt a parking tax law to the needs of the region and use it in conjunction with a larger plan, a parking tax might have the ability to be a valuable tool in either reducing transportation demand or raising revenues.

The parking tax legislation approved by RCW 82.80.030 could be implemented at the discretion of local jurisdictions. Each jurisdiction is free to make its own decision regarding the implementation of the tax and the alternative that best fits its transportation plans and goals. However, because of the regional nature of transportation systems and efforts to balance the distribution of development, it is critical to discuss the implementation of the parking tax with a more regional focus. A regional parking policy could simultaneously address the equity issues plaguing the tax and encourage the Puget Sound area to consider its transportation plans regionally.

Recommendation Two: The Local Option Commercial Parking Tax should eventually be amended to address inequities and unwarranted exceptions.

The parking tax would increase the cost of single occupancy vehicle commutes and thereby discourage that form of commuting. The greater the ability of the tax to reach the commuting parker directly, the more effective it would be at discouraging these commuters from driving alone. Likewise, the greater the ability of the tax to apply in suburban locations, the more influential the tax would be on suburb to suburb commutes and on controlling the parking supply with demand.

A parking tax is an effective way to discourage drive-alone commuting and raise revenues, but the imposition of the tax can result in other problems which are equally difficult to overcome and costly for society. For example, by addressing the problem of free parking with a tax, the tax creates, among other problems, additional costs for administration. In addition, the parking operators, who are not the target of the tax, would pay at least a substantial part of the tax burden. Regardless of whether the tax is placed on the commercial parking business or the individual parker, economic analysis reveals that the parking operator will be required to pay at least part of the tax through the laws of supply and demand. The current legislation has weaknesses such as a limited definition of "commercial parking" which exacerbate the problems of the parking tax without adding to its ability to achieve its goals.

Inequity, or unfairness, is perhaps the most important shortcoming of the current tax. The inability of the Local Option Commercial Parking Tax to target free parking not only dilutes the effectiveness of the tax as a TDM tool, but also further accentuates the inequalities between free and user-paid parking. As currently written, the statute targets employers who try to encourage alternative commute modes through user-paid parking, but it would not tax those employers who provide free parking.

The parking tax under the current legislation might also work to the disadvantage of retail businesses in CBD areas, where most parking is user-paid compared with the shopping malls that provide free parking for their patrons.

One of the alternatives recommended in this report is to amend the current legislation. On the basis of the information gathered in the public opinion assessment and the strengths and weaknesses of the current parking tax, four alternatives to the current legislation were identified and explored. The proposed amendments represent an attempt to create new legislation that would correct the problems with the current legislation and make the parking tax a more feasible option for accomplishing both revenue goals and transportation demand management goals. One of these suggestions, the Commuter Parking Tax, would be the most successful and acceptable alternative to both raise revenue and support TDM policies.

<p>Recommendation Three: A revised parking tax should take the passage of the Commute Trip Reduction Act into account.</p>

Most of the analysis of Bill 6358 for this project was conducted before Second Substitute House Bill 1671, the Commute Trip Reduction Act, was passed by the Washington State Legislature in May 1991. The Commute Trip Reduction legislation mandates that each major employer (100 or more employees) in a jurisdiction develop a commute trip reduction program in accord with a local jurisdiction plan, and includes parking as one of the aspects to target. Because the goals of the Commute Trip Reduction Act complement the parking tax, analysis of one should consider the other. In fact, the Commute Trip Reduction Act could help address some of the shortcomings of the parking tax, namely the tax's inability to broadly reach all major work sites. Additionally, the parking tax could work with the Commute Trip Reduction Act to

enforce its goals . Local jurisdiction who implemented the parking tax could use their taxing authority to reinforce the trip reduction goals of SSB 1671 with price incentives.

Recommendation Four: Local jurisdictions that decide to enact the Local Option Commercial Parking Tax should apply revenues to transportation demand management purposes.
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If a jurisdiction is primarily interested in raising revenues for transportation purposes, the parking tax might be able to fulfill such needs. The tax enables a jurisdiction to fully tax the commercial parking business, as well as parkers who already pay a fee for parking. The tax would be especially effective if there is a major work site located in a particular jurisdiction which provides limited or no free parking. Additionally, the tax might provide the jurisdiction with an opportunity to tax nonresidents as well as residents in exchange for use of the transportation infrastructure.

By itself, the existing parking tax would not likely solve the entire spectrum of transportation problems. By itself, the parking tax could neither reduce transportation demand enough to alleviate congestion or significantly improve the quality of the air. However, used in conjunction with a comprehensive transportation plan, the Parking Tax could be an important component to successfully discourage drive-alone commute trips and raise revenues to support transportation demand management programs.

INTRODUCTION

PROBLEM STATEMENT

Increasing traffic is a major problem in the Puget Sound region of Washington State. As the region's employment base expands, congestion is extending commute trips, degrading air quality, increasing fuel consumption and decreasing the overall quality of life in the area. There are no easy solutions to these problems. The days of building new freeways or significantly increasing street capacity to serve new commuters have passed. Future commuter demand therefore, needs to be accommodated through efficient transportation management systems.

Parking is a critical element in any transportation system. It is not only essential for the traveler, but it is also a crucial variable that influences investment decisions and residential or job locations decisions. Parking is also the most sensitive variable in modal split models. In Washington State, free parking is the norm for most of the commuters between King and Snohomish counties. For instance, in King County about 80 percent of the people driving to work receive free parking.¹ But parking in itself is not free, and if it is not paid by the users, its cost is passed on to others. Free or subsidized parking also makes the cost of driving to work very low in comparison to using transit. This reinforces an inefficient choice because there is considerable divergence between socially and privately perceived cost. The importance of parking makes any policy affecting its price a sensitive political issue.

A parking tax is just one tool to manage transportation demand. The degree of change that a parking tax engenders can be debated. However, the transportation demand management impact of a parking tax can be targeted to those particular groups whose travel behavior is most susceptible to change. For instance, a parking tax that applies most intensely to commuters traveling in the peak hour will help alleviate peak hour congestion and pollution.

The goals of the parking tax study are to better understand the role a parking tax may play in managing transportation demand. The study sought to identify which parking tax alternatives are likely to generate sources of revenue and which could be used for transportation demand management. Growth management legislation also calls for transportation demand management policies and strategies. The parking tax study was intended to analyze the alternatives in light of their ability to meet growth management goals. Additionally, the study sought to identify areas in the law that need strengthening in order to make the Parking Tax a viable tool for transportation and growth management, as well as for generating revenue.

PARKING TAXES IN OTHER JURISDICTIONS

Parking taxes are currently used in several U.S. jurisdictions. In all cases but one, revenue generation is the primary goal (the exception is in Montgomery County, Maryland where the tax was vetoed by the county executive). In all these examples except Montgomery County, the tax is either part of the sales tax or an excise tax that all parkers pay. It is either a flat fee or is charged as a percentage of the parking fee. The jurisdictions target the privilege of parking a vehicle in a parking facility for which a fee is charged. And they define parking lots, garages, or parking facilities as any covered or uncovered spaces where vehicles may be parked for a fee or charge. Of course, there is no jurisdiction where a fee is charged for all parking places.

Montgomery County's vetoed strategy provided a different perspective. Its primary goal was to encourage commuters to use HOVs or mass transit on their journeys to work. It proposed that any person who made available land for public or for employee parking pay a tax on the use of the land for parking purposes. This parking tax proposal was also different because it established that all the proceeds of the tax were to be paid to the transportation trust fund of the county (not the general fund), earmarked to finance transportation projects.

Table 1 presents a comparative analysis of parking taxes already in existence or those that have been considered in selected jurisdictions. It also includes a brief description of the status and rates, as well as some of the administrative issues involved.

THE LEGISLATION

State legislators have addressed local transportation problems with a series of legislative initiatives. One of these initiatives is included in RCW 82.80.030, "Local Option Commercial Parking Tax."² The goals of the parking tax are (1) to encourage drive-alone commuters to make a commute choice on the basis of the approximate cost of their commute and (2) to generate revenue for transportation purposes.

A parking tax can be viewed as a transportation demand management tool. By raising the cost of parking, jurisdictions will encourage automobile drivers to switch to other modes of travel or to travel less where and when a parking tax applies. For instance, a parking tax that applies mostly to commuters traveling in the peak hour may help alleviate peak hour congestion and pollution. However, targeting a tax to a particular population (e.g., peak hour commuters) may result in higher administrative costs and reduce the net revenue realized from a parking tax.

The revenue potential from a parking tax is greater if that tax can be applied broadly. For instance, a recent study conducted by the Washington State Transportation Center (TRAC) estimated that in King County, a tax of 50 cents per day on all off-street parking used by peak hour commuters would generate almost \$100 million a year.³ The revenue potential from a parking tax applied only to commercial parking would, of course, be much less. Generating revenue from a parking tax is not necessarily incompatible with a transportation demand management objective. In fact, travel behavior may change significantly only if a fairly sizable tax is applied to a broad range of parkers.

Table 1. Parking Taxes Administered in Other Parts of the Country

City/County/State	Status	Type/Rate	Collection	Exemption	Required Records	Auditing	Penalties, Fines
Baltimore	Ord. 318/89 Council Bill 551	City tax \$.40/day or less, \$2.75/week, \$11.00/month.	By the operator together with the charges for parking. Remitted monthly to the Department of Finance	Residential Parking (meters not mentioned)	Of all motor vehicles parked on hourly, daily, weekly, monthly or other basis + amount of tax collected from all transactions.	By Director of Finance or other city representatives or employees.	Tax due + interest (1%/month) + penalty (10% of tax due).
Chicago	Municipal Code	\$.90/vehicle/day \$4.50/vehicle/week \$18/vehicle/month	By the operator together with the parking charge. Remitted to the Dept. of Revenue on a quarterly basis.	Residential parking	Of all vehicles parked. Copies of receipts.	By Dept. of Revenue.	\$50 - \$300 first offense. \$50 - \$500 second & subsequent offenses. For more than three offenses, incarceration is possible.
Los Angeles	Projected Approved	City tax 10% of the parking fee	By the operator together with the parking fee. Remitted to the City Clerk on a quarterly basis.	Parking meters. Residential parking (if there is any charge)	All records necessary to determine the amount of the tax.	By City Clerk.	Tax due + interest (%) + penalty (%).
Montgomery Co.	Vetoed	Excise tax \$60/parking space/year	Tax return to be filed by operator. Tax due and payable on a yearly basis (February).	Parking meters. Park & Ride lots. Lots not commercial parking. Small lots owned by businesses that pay parking tax. Lots operated by municipal, state, and/or federal government. Reduction if TDM measures implemented.	Registration forms (with Director of Finance). No other requirement.	No procedure provided.	Tax due + interest (1%/month) + penalty (5%/month or fraction up to 25% of tax).
New York	Ord. 846 New York City (+ State since 6/1/90)	Sales tax 18 1/4% (State) + 6% (City) of parking charge	By the vendor together with the charge. Remitted to Tax Commission	Residential parking. Parking meters.	Of all occupancies & all amounts and taxes paid.	By Tax Commission or duly authorized agent or employee.	Tax due + interest (1%/month) + penalty (5% of amount due)
Pittsburgh	Ord. 52-19	City tax 25% of consideration/transaction	By the operator. Remitted to the Treasurer on a monthly basis.	Residential Parking (Meters not mentioned).	Of completion of all parking transactions reflecting total amount of fee + total amount of tax.	By Treasurer or his designated agents.	Tax due + penalty (5%/month or fraction up to 50% of the tax).
San Francisco	Mun. Code Part III/Art. 9, Ord. 286/70	City and county tax 20% of the rent	By the operator together with the rent. Remitted to the Tax Collector on a quarterly basis.	Parking meters. Residences or hotels. Armed forces. Cars owned by banks or insurance companies. Government Consular cars under certain circumstances.	As required by the Tax Collector.	Of records and equipment by the Tax Collector or any person authorized by him.	Tax due + interest (1%/month or fraction) + penalty (10% of the amount due). (+ penalty for fraud or interest to evade (25% of the amount due))
Washington, D.C.	D.C. Code Chapter 20 M. R. Title 9, Sec. 400	Sales tax 12% of gross receipts from the charge	By the vendor together with the charge for parking. Remitted to the Collector on a yearly basis.	Residential parking (meters not mentioned). Parking sales to public institutions under certain circumstances.	Of all transactions, even tax-free sales.	By the Mayor or his duly authorized representatives.	Tax due + interest (1 1/2%/month or fraction) + penalty (5% for each month due up to 25%) (+ penalty for fraud: 75% of tax due + 50% of interest due + 20% if understatement).

RCW Section 82.80.030 entitled "Local Option Commercial Parking Tax," authorizes cities and counties to impose two different types of parking taxes. The first tax may be imposed on persons engaged in a commercial parking business. The rate of tax may be based either upon gross proceeds or the number of stalls available for commercial use. The rates charged must be uniform for the same class or type of parking business. The law presumes that the cost of the tax to the operator will be passed on to the users of the facility.

The second form of commercial parking tax is imposed on the act or privilege of parking a motor vehicle in a facility operated by a commercial parking business. This tax is not imposed on the operator of the commercial parking business but directly on the person parking in such a facility. This second form of the tax is available as an alternative to, rather than in addition to, the first tax. In levying the tax, the city or county may require the following:

- (a) the tax be paid by the operator or the owner of the motor vehicle;
- (b) the tax apply to all parking for which a fee is paid, whether parking is paid or leased, including parking supplied with a lease of nonresidential space;
- (c) the tax is collected by the operator of the facility and remitted to the city or county;
- (d) the tax is a fee per vehicle or is measured by the parking charge;
- (e) the tax rate vary with zoning or location of the facility, the duration of the parking, the time of entry or exit, the type or use of the vehicle, or other reasonable factors; and
- (f) exemptions for tax-exempt carpools, vanpools, vehicles with handicapped decals, or government vehicles are granted.

These provisions are not mandatory and suggest options available to the cities or counties.

The statute provides a few definitional and interpretative provisions applicable to both taxes:

- (a) "Commercial parking business" is defined broadly to include the "ownership, lease, operation, or management" of a commercial parking lot in which fees are charged. A commercial parking lot includes covered or uncovered stalls.
- (b) The county or city may collect payment of either tax on a monthly, quarterly, or annual basis.
- (c) The proceeds of either tax may only be used for transportation purposes in accordance with RCW Section 82.80.070.² These purposes include the operation and preservation of the roads, streets, and other transportation improvements; new construction, reconstruction, and expansion of city streets, county roads, and state highways and other transportation improvements; development and implementation of public transportation and high-capacity transit improvements and programs; and planning, design, and acquisition of right-of-way and sites for transportation purposes.
- (d) A city may impose either tax within its incorporated boundaries, and a county may impose either tax only within its unincorporated area.
- (e) Each local government may develop by ordinance or resolution rules for administering the tax, including provisions for reporting by commercial parking businesses, collection, and enforcement.

LEGAL ANALYSIS

This section contains a summary of various legal aspects of the commercial parking tax statute. This summary is based on a legal analysis conducted by Preston, Thorgrimson, Schilder, Gates and Ellis.⁴ The most crucial test of each legal aspect of the legislation is the outcome of a legal challenge to the specific implementation of a commercial parking tax. The analysis in this section outlines the relative vulnerability of each part of the legislation to a legal challenge.

CONSTITUTIONAL ISSUES

Property vs. Excise Tax

A tax is an excise tax if it is imposed on the use or transfer of property, rather than on the property itself. A tax for the use of property, as distinguished from a tax on the property itself, is also an excise tax. In its current form, the new statute imposes a tax on the transaction of leasing commercial parking or using property for that purpose, or for the privilege of operating a commercial parking business, rather than on property used for parking. Therefore, the enacted local option commercial parking tax can be thought as an excise tax. Nonetheless, there is some authority suggesting that a tax imposed on the parking lot owner for income derived from renting parking spaces is a property tax. Article VII, Section 1, of the Washington State Constitution requires **uniformity of taxation** in the case of property taxes. If it is construed as a property tax, the parking tax would not withstand constitutional scrutiny because it does not tax all property uniformly. It taxes one type of property (i.e., that used for parking) differently from other types of property. The constitutional provisions requiring uniformity do not apply to excise taxes.⁵

Equal Protection

To comply with **equal protection** requirements, a legislative classification must meet and satisfy three requirements. First, it must apply equally to all persons within a

designated class. Second, there must be reasonable grounds for making distinctions between those who fall within the class and those who do not. Third, the disparity in treatment must be germane to the object of the law that allows it.

Legislative bodies such as a city or county council have very extensive powers to make classifications for purposes of legislation. The general test is whether "any state of facts reasonably can be conceived that would sustain the classification." For purposes of excise taxes on businesses, a classification based solely on a difference in the method of operation of a particular kind of business is permissible.

If the principal purpose of the tax legislation is to regulate traffic and highway safety in the exercise of the municipality's police power, then only the classification must bear a reasonable relation to the police power goal. While the parking tax statute is drafted primarily as a revenue measure, it can be interpreted to contain both regulatory and revenue producing purposes. Section 1 of the law entitled, "Purpose of State and Local Transportation Funding Program," contains findings only with respect to revenue raising for transportation purposes.⁶ However, RCW 82.80.030, which authorizes the commercial parking tax, contains exemptions that at least suggest a regulatory purpose.

General Scope of Applicability

RCW Section 82.80.030 (1)² authorizes cities and counties to impose a tax on "all persons engaged in a commercial parking business within [their] respective jurisdiction[s]." Section 82.80.030 (2)² provides that in lieu of a tax on all persons engaged in a commercial parking business, a city or county "may fix or impose a tax for the act or privilege of parking a motor vehicle in a facility operated by a commercial parking business." Section 82.80.030 Number (3) defines "commercial parking business" as "the ownership, lease, operation or management of a commercial parking lot in which fees are charged." The Section goes on to define "commercial parking lot" to mean "a covered or uncovered area with stalls for the purpose of parking motor vehicles." Consequently, the tax sweeps quite broadly and appears to apply to facilities that supply

parking and receive some consideration for providing that space, whether that consideration is from the end-user of the parking or from a lessee of nonresidential space that provides parking to the end-user.

The meaning of the term "commercial" is somewhat unclear as it is used in the statute, as is the extent to which a definition of that term is relevant to the interpretation of the statute. As noted above, the statute says that a "commercial parking business" encompasses any "commercial parking lot in which fees are charged." A "commercial parking lot" is defined merely as "a covered or uncovered area with stalls for the purpose of parking motor vehicles," without regard to whether the lot is "commercial" or not. Thus, when the definitions of those defined terms are substituted for the defined terms themselves, the word "commercial" drops out altogether. The tax arguably applies to any parking lot in which fees are charged (or paid through a lease of nonresidential space).

If the word "commercial" does in fact drop out, then the tax would seem to apply equally to any facility that charges for parking, regardless of the ownership of the lot (i.e., public vs. private) and regardless of whether the lot is a "commercial" lot (i.e., run for profit) or the fees charged are merely sufficient to cover costs of operation. An argument might be made that the term "commercial" is meant to qualify or limit the terms "parking business" and "parking lot," but the term "commercial" is not defined independently in the statute. Section 82.80.030 (2) (b) provides that "the tax applies to all parking for which a fee is paid, whether paid or leased, including parking supplied with a lease of nonresidential space." The use of the word "paid" twice in succession is somewhat confusing unless the second "paid" is read in contrast to "leased" and is meant to mean "paid parking on a cash basis as used" as opposed to "leased parking" paid on a monthly or some other basis. Such parking would include parking paid for as part of a lease of nonresidential space, such as office space.

Models Illustrating Applicability

Because the statute is somewhat ambiguous, it is difficult to reach definitive conclusions on the scope of this tax without some legislative clarification or judicial interpretation. However, for purposes of analysis, a few models suggest the possible parameters of the tax.

The first model is the typical Diamond Parking Lot. There is little question that it meets all the requirements of the statute. It is a facility with stalls for parking and it charges a fee for parking. This type of lot is clearly a "commercial parking lot." Furthermore, regardless of the definition of "commercial" that is applied, it is "commercial" both in the statutory sense and in the sense that it is geared to the marketplace, available to the public, and run by an entity that is in the parking business for profit.

The second model is the parking facility in the Columbia Seafirst Center, which has both hourly parking available to the public and parking available to certain tenants of the building as part of their lease. Clearly it is also a facility with stalls for parking and it charges a fee. While the fee for the stalls that come with a commercial office lease may be difficult to ascertain because lease terms may vary, it is probably fair to say that a lease with parking stalls is more expensive than a lease without parking stalls and therefore the parking has a value or a fee paid through the terms of the lease. To the extent that the operation must be a "commercial" one, the portion of the lot that provides hourly parking presumably meets all definitions of commercial because the rate probably reflects both the marketplace rate and a return on investment. The portion of the lot that provides parking as part of an office lease, while not available to the public and perhaps not priced for profit as parking, nonetheless has attributes of commercial parking as opposed to free parking available without regard to the market or profit of the owner or manager.

A third model is the parking available at a suburban office park that does not charge for parking by visitors to the offices and may or may not provide specified stalls or be sized to guarantee parking to tenants. Where the parking is metered except for specified stalls reserved for tenants, the situation is probably analogous to the Columbia Center. Where no parking is reserved and the parking facility is sized to accommodate the likely number of tenants and expected visitors, the parking may not be taxable because no fee is charged and no business is engaged in commercial parking.

A fourth model is a shopping mall where no fee is charged and employees of commercial tenants are not permitted to park in the lots. It would be difficult to identify the facility as a "commercial parking business" because no fees are paid, though clearly management of the parking facility is central to the commercial success of the shopping mall and is an important aspect of overall facility management. Arguably, the tenants pay for the parking of customers through their leases, but no specific spaces are reserved for any business and on any day the customers of one tenant may park in disproportionate numbers to the lease amount paid by the tenant.

A fifth model involves parking at a Metro park-and-ride lot. At the present time no fees are charged, so it is virtually impossible to characterize it as subject to tax. If charges were made, it is less clear whether operation of the lot would be subject to tax. If one applies the most literal interpretation of the statute, the tax would apply because a fee was charged. However, if the tax is interpreted to apply only to "commercial" parking, application of the tax would turn on whether such a facility was characterized as "commercial." While the price for parking would presumably be geared to the marketplace, Metro does not earn profit in the "commercial" sense. It is not in the parking but in the transit business. Its charge for parking would be subordinate to other goals. This would differ from the owner of privately owned commercial parking lot, such as the Diamond Parking Lot.

A sixth model is the parking facility at a Boeing Manufacturing Facility. Here no charge is made for parking, and clearly Boeing is in the airplane rather than the parking business. It makes no profit from the provision of parking and does not collect anything from its employees in return for providing parking. It would be very difficult to levy a tax on the privilege of parking in such a lot.

Lastly, an interesting question has been raised in the context of parking provided by the Port District at the airport. Here, a fee is clearly paid for parking. The fee is at market rate and is paid for directly by the user. It has all the attributes of a "commercial business" except that the Port does not make profit in a "commercial sense." Consequently, the question of whether the Port is subject to the tax turns on whether the tax applies to all paid parking or only to "commercial" paid parking, in which case the definition of "commercial" would be the determining factor.

ISSUES RELATED TO IMPLEMENTATION OF THE COMMERCIAL PARKING TAX

Taxes Imposed on the Owner/Operator

As noted above, it is important for constitutional reasons that the tax reach the use of property (i.e., be an excise tax), rather than merely tax the property itself (i.e., be a property tax). If the leasing of parking spaces is viewed as merely a form of a rental of real estate, the tax may possibly constitute a property tax, since a tax on income derived from real property has been interpreted, in some cases, as a tax on the property itself.

However, the commercial parking tax is structured as a tax on the beneficial use of property as opposed to a tax on the property itself. The tax imposes an excise on the use of property for a particular purpose (parking) or the privilege of operating a particular type of commercial franchise (parking business). Consequently, the nature of the tax is excise, regardless of the fact that the activity taxed and some measure of the tax may, depending on the form of tax ultimately adopted, derive from the use of property.

A parking tax is also factually distinguishable from a tax on rental income. Under current law, amounts derived from the rental of real estate are exempt from the business and occupation tax. However, both the statute and regulations clearly distinguish between "lease or rental" of real estate and a "license" to use real estate. The former is not taxed, whereas the latter is taxed.

State law says that a lease exists where the lessee has the absolute right of control during the term of the lease. To constitute a lease, the relationship created must be one of landlord and tenant. In contrast, a license exists if the user has merely a right to use the real property of another but is not entitled to exclusive dominion and control of the property. The grant of parking privileges is thus a license rather than a lease. Consequently, the income derived is not "rental income," and the cases prohibiting nonuniform taxation of rental income would appear not to apply. The current statutory framework also appears to support this conclusion, as the revenues of automobile parking and storage businesses are presently subject to the retail sales tax, which is a form of excise tax.⁷

Notwithstanding the general conclusion that the tax is an excise tax, the tax may be viewed differently, depending on the measure of and manner in which the tax is imposed. For example, the closer the tax is imposed to its "source" (i.e., to the real estate), the more the tax looks like a tax on the property itself. Similarly, a tax assessed against the number of parking spaces, without reference to use, is more likely to be construed as a tax on property than a tax measured by gross proceeds from use. Thus, a tax imposed on owner/operators on the basis of the number of spaces or the value of those spaces, regardless of use, could possibly be construed as a property tax. A commercial parking tax imposed on an owner/operator on the basis of use of the property, as measured by gross proceeds, would be construed as an excise tax, despite the language in certain court decisions suggesting that "rental income" is property.

Notwithstanding these conclusions, rental income of all types may be viewed as threatened if a tax on parking income is upheld. Imposition of an indirect tax on property may also draw fire from constituencies that perceive the tax as a precursor to the imposition of an income tax.

Tax Imposed on Consumers

If the tax is imposed on the consumer as opposed to the owner/operator, the concerns discussed above will not be relevant. First, the consumer's interest is far enough removed from the real property to be considered "rental income." Second, a tax on the consumer is also more clearly a use or privilege tax than a property tax.

Limiting the Tax to Commuter Parking Only

The Act gives local governments latitude to vary tax rates with a number of factors, including duration of parking, location, and the type or use of vehicle. Thus a jurisdiction may tax commuter parking or parking in high use areas at a higher rate than parking during off-peak hours or in less congested zones. Importantly, this authority merely allows variable rates and does not allow a jurisdiction to wholly exempt one type of parking (or parker) altogether. A municipality's ability to create exemptions is limited to those enumerated in the statute. The statutory exemptions are permissive, rather than automatic.

The statute was drafted as a tax statute. While municipalities implementing the tax will have a fairly free hand in setting up classifications for purposes of establishing differential rates, those classifications must still be reasonably related to the purposes of raising revenues. Attempts to use the tax for regulatory purposes that cannot be justified in terms of raising revenues or to establish classifications that unreasonably narrow the applicability of the tax to a very small group could be found unconstitutional.

Taxing Parking Paid for Through a General Office Lease

Section 82.80.030 (2)(b) of the statute specifically authorizes a city or county imposing a tax on those who park in a commercial parking facility to apply the tax on

"parking supplied with a lease of nonresidential space."² Section 82.80.030 specifically authorizes each local government to "develop by ordinance or resolution rules for administering the tax, including provision for reporting by commercial parking businesses, collection, and enforcement."²

One could imagine rules adopted by a city or county that would require each commercial parking facility to identify the lessees of its spaces, for such lessees to identify the individuals using such spaces, and for specific notice of such tax to be provided to the ultimate user. While the tax would be the obligation of the individual operator or owner of the vehicle parked, the tax could be paid on behalf of the ultimate user by his/her employer or by the building owner. A failure to pay the tax would be the responsibility of the user.

Alternatively, the tax might be assessed on each user of space, with responsibility for collection placed upon the operator. A flat tax (or possibly a percentage based tax) would be imposed on every car entering the parking facility. As the operator would be responsible for paying the tax, the operator would very likely find some manner of passing along the tax to the actual user, regardless of whether the user paid for parking or received "free" parking through his or her office. Accurate reporting might be enhanced by requiring that counting devices be installed or by creating some rebuttable presumption as to levels of use, using perhaps the number of available stalls as a surrogate measure of use.

A tax on the user of the space may have some advantages over a mechanism requiring identification of and notice to lessees, particularly in those instances where "free" parking is provided by office lessees, which are allocated a certain number of spaces with their lease, or where parking charges are simply lumped in together with the rent on the office space, rather than broken out and charged separately.

A tax on the consumer is clearly an excise tax and is less likely to draw a constitutional challenge than a tax on the operator for reasons discussed above. Because

it can be imposed without reference to gross proceeds, of which there may be none, and without reference to the "value" of the property dedicated to parking, the parking tax lends itself well to parking offered in connection with office leases. These characteristics of office parking suggest distinctions that could also be used to justify the use of a tax on the user of parking offered as part of a commercial lease, while imposing a gross proceeds, percentage-based tax on "pay parking."

The purpose of imposing the tax on the ultimate user is presumably to cause the true cost of parking to be more clearly internalized so that alternatives to parking will be considered. However, there is little the city or county can do if office lessees choose to absorb the tax as a fringe benefit to their employees or if the demand is so inelastic that individuals will park regardless of price.

Limits to the Amount of Tax That Can be Levied

For the purpose of raising revenues or regulating conduct, a city or county will have significant discretion in exercising the authority recently granted to it by the legislature.

ALLOWABLE CLASSIFICATIONS FOR STRUCTURING THE PARKING TAX

The cities and counties may make reasonable distinctions in the ways they apply the tax to different classes of property or individuals, provided the distinctions do not violate the State's equal protection provision.

Geographic and Population Density

A reasonable distinction could be made simply on the basis of geography, so long as has either a regulatory purpose or revenue result. If a city or county found that parking in a certain area posed particular traffic problems or was of a particular type, such as commuting (as opposed to shopping), then a reasonable distinction perhaps could be made to justify a separate classification for purposes of imposing the tax. If the city chose to tax commuter parking on one end of town but not another, without any

reasonable distinction, then it would be subject to attack on the basis of equal protection by those who paid the tax or perhaps by the businesses that might suffer from a change in parking patterns.

Differences in population density or density of use might also form the basis for distinguishing between tax rates, especially if density figures were further supported with findings on the correlation between density and the impact upon traffic flow, air pollution, or road maintenance. Taxation based on density would relate to both the statute's regulatory and revenue raising purposes. If the city had a comprehensive parking code that distributed long-term and short-term parking throughout the city according to its land use plan, then a pattern of taxation in furtherance of such use would have an additional basis for classification.

Purpose or Duration

Distinctions based upon purpose or on the duration of parking might also form the basis for differential tax rates. The city might find that parking connected with office buildings differed in the times of use and frequency of use and created different pressures on scarce parking resources than paid parking associated with shopping or retail activities. Duration is one distinguishing characteristic. Commuter office parking will generally be longer-term than parking associated with retail activities. Taxation based on purpose or duration reasonably relates to the tax's regulatory and revenue raising purposes because longer-term, commuter parkers are also more frequent and regular parkers. A tax that supported the users paying a heavier burden of the cost of maintaining or repairing roadways or to support new construction of roadways and mass transit would seem reasonable.

Degree to Which Parking is Subsidized

Differentiating the level of tax on the basis of the degree of parking subsidy would create a disincentive to individuals who commuted by car bore no direct parking cost. A city or county might find that the cost of parking influenced the decision to

commute by car or mass transit or to commute alone or in groups. If a city or county could find a means to gather this information and could establish a mechanism for administering a tax on this basis, it would force individuals to internalize the true economic cost of parking.

There are a number of potential problems with this form of a tax. First, assuming that the degree of subsidy could be divined, this manner of taxation would be individualized to such a great extent that it might violate the uniformity provision required by the equal protection clause. For example, individuals parking in the same lot in the same building might be treated differently on the basis of their subsidy, giving the appearance of inequality. This appearance would be enhanced if, in addition to the degree of subsidy, the tax varied in different geographically identified zones. In that case, an individual might be taxed at one rate in the lot in which he or she was entitled to a subsidy but be taxed at a different rate in a lot within the same zone in which he or she was not subsidized.

A second potential problem with this form of a tax is that it could be extremely difficult to administer. It might be difficult to gather information on the degree to which an individual's parking was subsidized by his or her employer. Even if that information could be gleaned, the question how to collect the tax would remain. Whether the operator or the city or county was given the responsibility of collecting the tax, it would need to collect an enormous amount of information. No doubt, that information would change frequently as individuals moved between places of employment and became entitled to different levels of subsidies, and as employers changed their policies regarding subsidies. Thus, while this method of taxation probably would be the most economically efficient means of employing the tax, the administrative burdens might make it problematic. This form of a tax might also be construed as a property tax because it would appear to be taxing the value of a form of fringe benefit. Thus, the tax might be interpreted as an income based tax and therefore an unconstitutional tax on property.

Accessory Parking

Assuming that the parking tax could be accommodated under existing TDM requirements and that the TMP regulations applies equally to all buildings (or all of a given class of buildings), a city or county could implement the tax in a way that imposed a lower tax rate to parking facilities that had approved TMPs and a higher rate on facilities without TMPs. This is a reasonable classification and would not violate equal protection. Adopting findings should be included in the ordinance that linked accessory parking to pressure on transportation resources.

However, there are a number of potential problems with this scheme of taxation. First, not all buildings might be subject to the same regulations for development of TMPs. *Some TMPs would have been developed before the existing TMP program and might have been individually negotiated.* A tax that applied to varying extents on the basis of individually negotiated agreements would probably be unconstitutional. To avoid this problem, jurisdictions would probably have to create a window of time during which all buildings with privately negotiated TMPs would have an opportunity to change their TMPs to match current standards.

Second, as long as the building operator was also running the accessory parking facility, there would not be legal problems, but there would be no authority to tax a building owner if the accessory parking facility were independently owned and merely contracted with the building owner. The building owner in this latter situation would be engaged neither in a commercial parking business nor enjoy the privilege of parking. If a tax on accessory parking could not be implemented to reach all building owners, without regard to whether they operated their own parking facilities or contracted with third parties, the tax could be unconstitutional. It would treat parties in almost identical positions differently and would violate equal protection.

LEGAL ANALYSIS CONCLUSION

The new authority granted to cities and counties in this legislation provides a range of parking tax options. While there may be some legal limitations to such authority, political and practical constraints are likely to be the most relevant limitations.

ANALYSIS OF PARKING TAX ALTERNATIVES

DEFINITION OF ALTERNATIVES

The following is an overview of proposed alternative parking taxes. The alternatives were originally designed to focus on transportation demand management opportunities. In consideration of the most recent legal analysis, they have been refined according to a narrow interpretation of the law. Three of the options, the Long-Term, Peak Period, and Accessory Parking Tax alternatives, have clear TDM goals. The Parking Operation and the General Parking Tax alternatives emphasize the revenue generation possibilities of the statute.

The alternative descriptions assume that the only exemptions permitted by a parking tax ordinance are those specifically mentioned in the legislation. Tax exempt carpools, vehicles with handicapped decals, and government vehicles might be exempted from the tax. In order to target specific groups, e.g., commuters, the statute allows the creation of categories of parkers and allows target groups to be taxed at varying, including higher, rates. Additionally, the statute permits the creation of regions within a jurisdiction and permits those regions to be taxed at varying, including higher rates, to target highly congested areas.

Flow-charts with the history of the development of each alternative are included in Appendix A.

Alternative One: Status Quo

The jurisdiction chooses not to implement the parking tax. No further action is taken.

Alternative Two: Amendment to Existing Legislation

In recognition of the limitations of the parking tax statute as it is currently written, alternatives to the legislations have been drafted. Each of the suggested alternatives seeks to correct the shortcomings uncovered in the examination of the current legislation. For

the sake of our discussion, each of the proposed amendments requires that 75 percent of the revenue generated be allocated for TDM-oriented projects. The following is a brief description of the amendments. The draft amendments are included in Appendix B.

I. Modification of the Present Legislation. Acknowledging the difficulty of passing new legislation, the best alternative might be to modify the existing legislation to widen its applicability and to enhance its effectiveness as a TDM tool. Modifications include three major changes to the current legislation.

- (1) Expand the definition of "commercial parking business" to include parking supplied with a lease of non-resident space, parking provided at reduced rates, and parking provided at no charge by employers for the benefit of their employees.
- (2) Increase the ability of the tax to reach state and county parking facilities such as the Port of Seattle's Sea-Tac Airport, Kingdome parking, and University of Washington parking lots.
- (3) Assure that an employer or other entity that leases parking or receives the right to lease parking enjoys the "privilege" of parking and therefore is taxed.

II. Commuter Parking Tax. Proposal Two is an attempt to reach commuter parkers to a greater extent than would be accomplished by either the Long-Term or Peak Period Parking Tax. Commute trips are defined as trips made from a worker's home to a work site during the peak period of 6:00 a.m. to 9:00 a.m. on weekdays. The Commuter Parking Tax would levy a tax on the privilege of commuter parking and would be imposed on the driver. Responsibility for collection would be imposed on one of the following entities: (a) the operator of a commercial parking facility, (b) the employer, or (c) the owner of a commercial office building. The tax would include implementation options that could be used to reduce tax to entities that reduced single occupancy vehicle trips through TDM programs.

III. The Employer-Based Transportation Demand Excise Tax. This tax would impose a Transportation Demand Excise Tax on all employers who employed 25 or more people. The tax would be imposed in recognition of the employer's contribution to transportation demand. A basic rate of tax would be imposed on a per employee basis. The basic rate might vary with the size of the employer and/or the extent of the employer's participation in a TDM program. The basic rate might also vary with the zoning or location of the employer, the number of employees, or other reasonable factors.

IV. Comprehensive Amendment. This alternative would combine the employer-imposed Transportation Demand Excise Tax with a tax substantially similar to the present Commercial Parking Tax, to create a comprehensive tax that reached all work site parking and all paid parking. All parking for vehicles used for commuting would be taxed in a manner similar to the way parking would be taxed under the present statute. To address some of the faults of the parking tax, the comprehensive tax would clearly establish that it applied to all parking for which a fee was paid, including parking facilities owned and/or operated by the state, its agencies, and by municipalities that charged for parking.

Alternative Three: Long-Term Parking Tax

The Long-Term Parking Tax imposes a tax on people who park a motor vehicle in a commercial lot. A special category that levies higher rates will be created for people who park for six hours or longer to target commuters who drive to work and do not use their car all day. Those who park for less than six hours will be taxed at a nominal rate. To target congested areas within a single jurisdiction, these areas can be identified and taxed at varying rates.

The tax is collected from the parker by the parking operator as a flat fee or a percentage based tax. The operator is required to post the amount of tax visibly and separately from the parking fee, specifying the increase for long-term parking.

Alternative Four: Peak Period Parking Tax

The Peak Period Parking Tax imposes a tax on people who park in a commercial parking facility. A special category that levies higher rates is created for people who park between 6:00 a.m. and 9:00 a.m., to target those who contribute the most to congestion by driving during the peak period. After the peak period, the rate will decrease to a nominal rate. Additionally, regions within a jurisdiction could be created to identify highly congested areas and tax those areas at a higher rate.

The tax is collected as a flat fee or percentage based fee from the parker by the parking operator. The operator is required to post the amount of the tax visibly and separately from the parking fee, specifying the peak-period increase.

Alternative Five: Parking Operation Tax

The Parking Operation Tax is a tax on parking operators. Categories are created to apply different rates according to the number of parking spaces (lot size) or on gross proceeds. The tax may be levied as either a flat fee or as a percentage of gross proceeds. The tax is collected by the jurisdiction from the parking operator. To target the most congested areas, categories within a jurisdiction could be created and taxed at a higher rate.

Alternative Six: General Parking Tax

A tax is imposed on every person who purchases parking in a commercial parking lot. The tax may be in the form of a percentage of the parking fee or as a flat fee. The tax must be posted visibly and separately from the parking fee. The tax is collected from the parker by the operator. The operator is required to post the amount of the tax visibly and separately from the parking fee.

Alternative Seven: Accessory Parking Tax

A tax is imposed on the owner or manager of a building if that building has an "accessory parking facility." "Accessory parking facility" is a zoning term which refers to a situation where the use of the parking is tied to that particular building. The tax is

collected from the owner according to a category based on the number of spaces in the accessory lot. The tax is levied at a higher rate if the building does not have a transportation management program (TMP), or if the goals of an existing TMP are not met. If the building complies with a TMP, only a nominal tax will apply. Owners of facilities that do not have a TMP have the choice to either implement and adhere to a TMP and pay a low tax, or pay the higher rate.

Alternatives Removed from the Detailed Analysis

The following is a brief description of alternatives that were considered but were dropped from the detailed analysis because of legal and/or administrative feasibility problems.

Parking Subsidy Tax. The parking subsidy tax is a tax imposed on all employers who provide their employees with free or partially subsidized parking. The original parking subsidy model imposed the liability for the tax on the employer. The authority for such a tax is not in the current statute even where employers arguably transfer the privilege of parking. There are also potential equal protection problems with the parking subsidy tax because of the potential disparate treatment of similarly situated parkers.

Short-Term Rebate Tax. A parking tax is levied on people who park in commercial parking facilities. To target commuters, short term parkers can receive a rebate for up to 4 hours' worth of tax per day through a token system. The token is distributed by retail establishments and can be used to pay the tax or on public transit. This alternative is opposed by the downtown business association, and an easy and equitable system of token redistribution has not been identified.

Employee Head Tax (ESHB 1825, High Capacity Transit Funding). Every employer is required to pay a head tax for every full-time employee. The employer receives an exemption from the tax for every employee who uses a means of transportation other than the single occupancy vehicle. The exemption applies as soon as the mode split for the employer is higher than the ambient level established for the zone

or area where the business is located. Employers can choose their own TMP to improve mode split. This alternative does not fall under the specifications of the parking tax legislation, but it was considered because it had effects similar to other alternatives.

EVALUATION OF ADMINISTRATIVE ISSUES

This section describes the issues that should be considered by each jurisdiction when it estimates the administrative costs for implementing a commercial parking tax. Some of the issues apply to all of the alternatives, while other issues are specific to particular alternatives. If not otherwise stated, the issue applies to all of the alternatives. Table 2 summarizes the administrative issues according to alternative. The researchers made no attempt to quantify the administrative costs since they would vary greatly from jurisdiction to jurisdiction.

In general, the factors that would affect the administration of the tax include the exemption process, the complexity of the rate structure, and the level of enforcement and auditing. The administration of the tax would be heavily influenced by the objective of the alternative. To accomplish TDM goals, implementation of the tax would become more complicated, as would the collection, monitoring, and auditing procedures. Alternatives with a revenue generation focus, on the other hand, would be more simple and easier to implement.

Exemptions

Cities and counties have little flexibility to wholly exempt parkers from the parking tax. However, flexibility and some degree of variation is permitted through the use of a varied rate structure.

One exemption is permissible as outlined in RCW Section 82.80.030 (f)RCW :

- Carpools, vanpools, vehicles with handicapped decals and government vehicles.

Table 2. Summary Evaluation of Administrative and Legal Issues of Parking Tax Alternatives

Alternative	CRITERIA						
	Clarity	Simplicity ⁽¹⁾	Auditability	Enforceability	Legal Equity	Legal Feasibility	Potential Transportation Impacts
1. Status Quo							None.
2. Amend Existing Legislation							Future impacts depending on new legislation.
3. Long-Term Parking Tax	Easy to understand. Targets one group: commuters contributing to congestion.	Complex. Requires two stages: fee/tax collection and issuing receipts.	Difficult, since both parkers and operators need to be monitored/ audited. On site inspections. Warrant need to audit records.	Relatively easy if police keep accurate records of parking tickets. Auto license renewal impossible with unpaid parking ticket. Operates through fine.	No problem.	No problem.	Might encourage mode shift depending on the level of the tax.
4. Peak Hour Parking Tax	Easy to understand. Targets one group: commuters contributing to congestion.	Complex. Requires two stages: fee/tax collection and issuing receipts.	Difficult, since both parkers and operators need to be monitored/ audited. On site inspections. Warrant need to audit records.	Relatively easy if police keep accurate records of parking tickets. Auto license renewal impossible with unpaid parking ticket. Operators through fine.	No problem.	No problem.	Might encourage mode shift depending on the level of the tax.
5. Parking Operation Tax	Somewhat difficult, operators do not contribute to congestion, only their customers do.	Very simple.	Easy to audit. Only parking operators.	Enforcement (only) through fines.	No problem.	No problem.	Might indirectly encourage mode shift if parking operators pass it on to parkers.
6. General Parking Tax	Very easy to understand: Straight fixed fee or percentage.	Simple.	Difficult, since both parkers and operators need to be monitored/ audited. On site inspections. Warrant need to audit records.	Relatively easy if police keep accurate records of parking tickets. Auto license renewal impossible with unpaid parking ticket. Operates through fine.	No problem.	No problem..	Might encourage mode shift depending on the level of the tax. Might discourage short-term parkers as well.
7. Accessory Parking Tax.	Somewhat difficult: target persons indirectly related to congestion.	Complex: proof of achieving TDM goals needed.	Difficult since the achieving of TDM programs goals needs to be audited.	?	No problem.	Unclear.	Will encourage adoption of TDM programs.

(1) Of Administration or Implementation

While the following circumstances are not specifically exempted from the legislation, the researchers interpret the law to mean that the tax does not apply to them:

- Residential parking,
- Any parking area used only for storing business vehicles and not for employee parking.

In the case of the Accessory Parking Tax, wholly exempting buildings that complied with a transportation management program (TMP) would not be permitted by the current legislation. To reward a building or company that adhered to a TMP, a varying rate structure might be applied.

Proof of Exemption

The ability to prove the right to be exempted would be required in each case. Government cars, registered carpools and vanpools, and cars of handicapped persons are already easily recognizable and their identification would make them automatically tax-exempt. In the case of a carpool that had not registered with the jurisdiction, tickets or cards could be distributed for display in the vehicle's windshield.

Collection of the Tax and Proof of Payment

Collection from the Parker. Each of the alternatives except the Parking Operation Tax and the Accessory Parking Tax would require that the tax be collected from the individual who parked her or his car. The tax would be collected by the operator of the parking lot or garage at the same time and in addition to the charge for parking the vehicle. This would be true whether the charge was made on a daily, weekly, monthly, or other long-term basis or contract. When parkers paid the tax, they would receive proof of payment from the parking operator.

On lots with an attendant, the parking operators might be required to issue numbered, two-part receipts. All who parked and received a receipt would be required to display their part of the parking receipt as proof of payment. The parking operators are required to keep the second part of the receipt together with their records.

Parking lots with drop boxes would pose problems. These facilities would have to add the appropriate tax to the fee. Variations of this procedure would include the jurisdiction's installation of ticket machines that produced proof of purchase tickets upon payment of the parking tax. The ticket would then have to be displayed on the car while it was parked and show the date to avoid reuse. This variation would provide the parker with a proof of tax payment and the jurisdiction with the ability to monitor parking facilities. However, it would be inconvenient for parkers who were obliged to make payments in two different machines before parking in a facility.

An alternative to the issuance of tickets would be to make the parking operators wholly responsible for the collection of the tax and not to specifically require them to detail the tax in the receipts.

Collection from the Parking Operator. Anyone who charges for parking is categorized as a parking operator. This category includes employers and building owners and managers. In each of the alternatives the tax must be collected from the parking operator.

The tax would be collected from parking operators on a timely basis to be established by the jurisdiction. For the given time period, each parking operator would have to declare his or her total parking fees charged, received, and the amount of tax collected. The operator might be required to fill out a statement or a tax return form. The statements for each parking facility would have to contain information such as the business' name, address, lot capacity, fees or rate structure, number and type of transaction, and any other information considered necessary or convenient to fully collect the tax.

For this same time period, the operator would remit the full amount of the tax due, whether it had been collected from the parker or not, to the jurisdiction's tax collector. All taxes collected by operators would be held in trust for the account of the jurisdiction until the payment was due.

The jurisdictions might establish special reporting periods, depending on the volume of operations or the number of parking spaces provided by the business.

Records

All alternatives would require either the parking operator, the building owner and/or manager, or the employer to keep records and possibly receipts.

In the case of the Long-Term Parking Tax alternative, the receipts would have to distinguish between short-term and long-term parking or somehow otherwise establish the length of parking. For the Peak Period Parking Tax, each part of the receipt would have to establish the time of entry. The parkers who rented or leased parking would be given one part of the parking ticket, which showed that the parking fee and parking tax had been paid separately.

For the Peak Period and Long-Term Parking Tax alternatives, parking operators might be required to keep complete, accurate, separate records of all parked vehicles, together with the amount of tax collected from all transactions. For the Long-Term Parking Tax alternative, the records would also have to include information about the length of the parking period. For the Peak Period Parking Tax alternative, the time of arrival would have to be included in the records.

Employers who provided parking but charged a fee for its use would have to keep records of the parking provided and used and any other documents that might be necessary to determine the amount of the tax.

Owners or managers of buildings with accessory parking facilities who also had a TMP in effect would be required to keep records of the program's achievements.

Monitoring and Auditing

Monitoring and auditing mechanisms would vary in degree and complexity, depending on the complexity of the alternative. The monitoring and auditing described would be a detailed and extensive process to assure full compliance. The requirements that would help assure compliance include proof of payment, ticket machines, fines, and

record keeping. The analysis describes the levels of enforcement that would be necessary for the jurisdiction to assure full compliance with the tax. If the jurisdiction was willing to accept a lower compliance percentage, it might not have to employ all the mechanisms outlined in this report.

Parking operators would have to make their records, and all other documents that might be necessary to determine the amount of the tax, available for inspection during business hours. When employers provided parking but charged for its use, employer records would also be subject to audit. In each case, a warrant might be needed for the tax collector to audit records.

If the parking operator were made wholly responsible for the collection of the tax, a site might need to be monitored to ensure the operator was reporting the correct number of long-term or peak period parkers.

An alternative to this would be implementation of random, on-site inspections to control the appropriate display of stickers, tickets, and receipts proving that the tax had been paid. This would be especially important for lots with drop boxes, where people might attempt to park without paying the tax. In these cases, random inspections, with two or more visits per inspection, might be needed to ensure payment of the tax. The jurisdiction would be left to use its discretion to determine which control procedure to implement.

In the case of the Accessory Parking Tax, the jurisdictions might control compliance with mode split requirements or other performance standards.

Penalties and Fines

Penalties and fines for failure to pay the tax are authorized, but not specified, by law. The penalties and fines in Chapter 82 of the Revised Code of Washington, or their local counterparts, might serve as reasonable guides for setting initial levels of penalties.

For the Parker. Enforcement measures could be taken against parkers who failed to display a proper receipt evidencing payment of the tax. However, there is

probably little reason to assume that in the same lot, some parkers would avoid the tax, while others would pay the tax. It would probably be more economically and administratively efficient to use enforcement resources to police collection by operators, leaving the operators to police payment in their own lots for fear of penalties found through audits of their records.

For the Parking Operator. Enforcement would focus on the lot operators. For parking operators who failed to keep records, the tax collector of the jurisdiction might estimate the amount of tax due on the basis of similar businesses. Failure to keep records might lead to fines; for example, the fine might be an amount equal to the tax due, plus an additional 25 percent.⁷

Whenever operators failed to collect or remit the tax to the jurisdiction's tax collector, the tax collector might assess them with the amount of the tax due, plus interest at the rate of 1 percent per month or fraction of a month, plus a penalty of 5 percent of the amount of the tax due per month of delay, up to 20 percent of the amount of the tax. This would apply to the Long-Term Parking Tax, the Peak Period Parking Tax, the Parking Operation Tax, the General Parking Tax, and the Accessory Parking Tax alternatives.⁷

For the Accessory Parking Tax, whenever building owners or managers failed to keep the records required to prove their compliance with their TDM programs, the tax collector of the jurisdiction could use a factor developed by surveying other buildings with similar standards in the same area to compute the amount of tax due.

The flow-charts of the administrative processes of each alternative are included in Appendix C.

Cost of Administering a Parking Tax

The administration of a parking tax would have different additional costs for all the actors involved: jurisdictions, parking operators, building owners, and employers who charge their employees for parking.

In the case of the jurisdiction, the alternative adopted, combined with the possibility of linking the collection and monitoring of the tax to other taxes already in force, and the number of parking facilities that are subject to the tax would determine the cost of administration. Depending on the system already implemented, initial capital costs might be insignificant. Operating costs would include the salaries of additional full- or part-time employees needed to collect, monitor, and enforce the tax. Other operating cost would include variable components such as the cost of stickers and forms, printing costs, and communications. The city of Seattle, for instance, estimates that the cost of collecting and auditing the new Parking Tax would be between \$120,000 and \$200,000 per year, depending on the alternative selected and the complexity of the option implemented.⁸ The city of Bremerton, on the other hand, could use the mechanisms and forms established for collecting and auditing other taxes, so the Parking Tax could be added without major changes. Officials from the city are confident that current staff could process the new tax.

In the case of the parking operators, even though capital investment might not be needed, additional operating costs would depend on the alternative adopted by the jurisdiction. The major components of those costs would be salaries of additional full- or part-time employees needed to attend the facility and to keep records and accountancy. Other costs would include variable components such as the costs of receipts, supplies, and communication. If the Peak Period Parking Tax alternative was implemented, for instance, the estimated increase for a surface lot of 50 to 100 stalls would be an average of between \$800 and \$1,000 per month per facility because of the increase in staff hours necessary for attending and accounting purposes; an additional amount of about \$50 per month per facility would be needed for supplies.⁹

Building owners and managers would be faced with the costs of developing and administering a transportation management program. These costs should entail few

capital investments and would be largely the sum of salaries and time devoted to the development and maintaining of the transportation program.

The costs to employers who charged for parking would be similar to the costs to parking operators. There would be few capital costs, if any. Most of the costs would involve the salaries and costs of administration.

The review of the administrative processes and costs of each alternative suggests that the more TDM oriented the alternative was, the more complex (and costly) it would become from an administrative perspective.

Legal Issues Related to Administration

RCW Section 82.80.030 of the current parking tax legislation gives local jurisdictions authority to enact by ordinance or regulation the rules that are necessary for collecting and enforcing the tax.² However, there are constitutional strictures on the method and manner of enforcement. These limits are imposed by article 1, §7 of the Washington Constitution and by the fourth amendment to the United States Constitution, which protect individuals from unreasonable searches and seizures. These provisions generally require that searches or seizures (i.e., inspections for enforcement of the parking tax) be conducted pursuant to a valid warrant.

In the case of searches performed for administrative ends, "probable cause to believe that a violation of the law has occurred" is not required, as it is under the criminal law. A search is reasonable and a warrant may be issued if it is shown that a specific business has been chosen for inspection on the basis of a general administrative plan for enforcement derived from neutral sources.

The constitutional provisions of the Washington and United States constitutions also protect only against intrusions into areas in which an individual has some expectation of privacy. Thus, while an administrative inspection or search of private premises not open to the public is unconstitutional, inspection activities on public streets,

parking lots, or other open places does not involve an invasion of privacy and, therefore, may not even require a warrant to be constitutional.

Request for Records. Business and operational records are generally kept in areas that are not open to the public; access to these records implicates a privacy right. A warrantless search, then, is not justified, and a summons or warrant is probably required for a search of such records. However, as noted above, a warrant may be obtained without "probable cause" pursuant to an administrative enforcement plan.

Entry onto Commercial Premises for Inspections of Vehicles. If a lot is operated out-of-doors or is generally open to the public, agents of a municipality may enter the premises for inspection and enforcement purposes without invading the privacy of the business owner. In this case, the state and federal constitutional concerns expressed above are not implicated. If a lot is operated on a restricted basis, a warrant may be necessary to gain access to the premises. In this case again, a warrant for an administrative search does not require a showing of probable cause and may be obtained as a part of a program of regular enforcement inspections.

As an alternative, unannounced, warrantless inspections of parking facilities could probably be conducted by stationing an auditor outside of the facility who could count cars entering a given facility. These counts would later be compared to reported taxes to ascertain compliance with tax collection obligations. Should the results of random audits suggest that the parking tax was being violated, a warrant might be issued on that basis permitting further inspections of books, records, and accounts.

To avoid constitutional problems with any enforcement program, a municipality must enact an ordinance regulating the manner by which it will carry out its enforcement program in reasonable detail. This is necessary to establish that periodic, random audits are being conducted in accordance with a neutral, pre-established plan and are neither based on discriminatory factors nor targeting specific individuals.

PUBLIC OPINION ASSESSMENT

The public opinion assessment had two primary goals. The first was to get various interest groups' reactions to the parking tax alternatives and to assess the relative support for each one. The second goal was to determine people's likely behavioral responses to the imposition of each alternative of the tax. To achieve these goals the analysis used interviews and focus groups. The interest groups included parkers (commuters and shoppers), employers, parking lot operators and owners, retailers, and developers. A list of all interviews and focus group conducted in conjunction with the Public Opinion Assessment is attached as Appendix D.

Ten major concerns surfaced throughout the interviews and with each of the interest groups. The concerns were raised by the interest groups and represent what they told the researchers. Naturally, their comments reflected the position they brought to the parking tax, and the definition of each concern varied among the groups. The major concerns were administrative complexity, inequity between downtowns and the suburbs, using incentives vs. disincentives, the need for better mass transit services, the need for long-range and regional transportation planning, the importance of education and marketing, understanding and support of Transportation Demand Management (TDM) projects, income equity, and accountability.

The text that follows identifies each of the interest groups and their concerns about the parking tax. The concerns expressed by each of the interest groups are organized according to issue. The information collected from responses to questions is also incorporated in the evaluation of the alternatives. Table 3 provides an overview of the issues and the interest groups.

Methodology

Focus Groups. The focus groups consisted of a guided discussion among eight to ten people, led by a moderator, about the concerns of "parkers." The discussion group

Table 3. Public Opinion Assessment

	Issues									
	Administrative Complexity	Downtown vs. Suburbs	Incentives vs. Disincentives	METRO Improvements (Regional Transit)	Need for Long-Range Regional Transportation Planning	Education & Marketing Efforts	Support of TDM Efforts	Income Equity	Accountability	
Parking Operators	X	X				X	X	X		
Employers	X	X	X	X	X	X	X			
Developers	X	X	X		X	X	X			
Retail (Business)	X	X	X				X			
Focus Groups	X	X	X	X	X	X	X	X	X	X

began with an introduction of the parking tax study and its goal of hearing the participants' reactions and opinions about a change in parking prices, particularly a parking tax. The moderator explained that the focus groups were chosen to reach commuters and shoppers. The focus group continued with a discussion of people's reactions to the parking tax. The questions and discussion naturally led to more examination of transportation problems and solutions.

To assess how people would react to a particular set of alternatives, the researchers selected organizations on the basis of location. They sought groups who either paid for parking and would be affected by the parking tax, or groups that were faced with very limited parking and were forced to consider their transportation options. Finally, to get a cross section of the public, the researchers targeted organizations that employed a range of workers with varying pay rates and benefits. By choosing these groups, they hoped to hear views from a wide variety of people who faced different commuting choices.

The researchers conducted focus groups at the following locations: the law firm of Preston, Thorgrimson, Shilder, Gates, and Ellis (Seattle); The Bon Marché (Seattle); Department of Social and Health Services (Olympia); Paccar (Bellevue); Washington State Department of Transportation (Eastgate); Bremerton-Seattle Ferry (out of Bremerton); and Department of Social and Health Services/Smith Kline Laboratories (South Seattle).

With the exception of the focus group conducted on the Bremerton-Seattle Ferry, each of the groups was held during the lunch hour. Participation was voluntary and lunch was served as an incentive.

Interviews. Interviews were conducted with employers, parking operators, retail and business groups, and developers to assess their reactions to the parking tax. The individuals interviewed were contacted by phone. After they agreed to meet with the

researchers, they were sent an overview of the parking tax project describing the legislation, implementation alternatives, and TDM goals.

The interviews varied according to interest groups. Geographically, the organizations contacted represented an attempt to include all of the counties in the Puget Sound region. The participants were also chosen to represent both downtown and suburban locations, and large and small firms.

Issues — Parkers

Administrative Complexity. The participants of the focus groups were concerned with the administrative complexity of the parking tax. They thought the tax seemed extremely complicated and confusing. They had many questions about how informal carpools could be exempted, how a market value for a leased space could be determined, and how jurisdictions could successfully ensure the parking operators were giving the tax dollars to the government.

The participants were concerned about creating a cumbersome bureaucracy to contend with parking, and they felt that the tax could not possibly raise enough money to cover enforcement, auditing and collection costs.

Downtown vs. Suburbs. The participants felt that the parking tax would do nothing to address suburb to suburb traffic. They felt it would be unfair to tax the people who commuted to downtown and not the people who commuted from one suburb to another. The downtown commuters who already paid for parking would be taxed, and the suburban commuters who did not pay for parking would not be taxed. The focus groups generally commented that the parking tax would encourage shoppers to go to the malls.

They also felt that an inequity existed between those who commuted from a short distance and those who commuted from far away. Both types of commuters would pay the same tax, even though they do not impose the same cost on the transportation system.

On the other hand, they also recognized that more remote suburbs had fewer transit options, and it would be unfair to tax people who had no alternatives.

The participants felt that unless the tax could be levied evenly among downtown businesses, malls, and industrial parks, it would be unfair and not solve congestion and commuting problems.

Incentives vs. Disincentives. The participants almost uniformly agreed that incentives were preferable to disincentives. In the same sentiment, they preferred the Accessory Parking Tax option because it rewarded those who worked with Transportation Management Programs. They felt sure that the parking tax would make people angry. They preferred innovative and positive approaches to problem solving. The focus groups complained that the parking tax would not effectively change behavior, it would only serve as a minor irritant.

Mass Transit Improvements. Each of the focus groups complained about the transit options. They were especially angry about taxing parking when they felt there were no alternatives to driving alone. The participants admitted that, when there was bus service in the area where they lived, they could get to work on the bus, but the time commitment was so long that the bus was not a feasible alternative.

Specifically, the focus group participants complained about the lack of express buses, evening schedules, and safety at the bus stops and park-and-ride lots. They also complained that there were no advantages to taking the bus if it sat in traffic with the other traffic. They also suggested that many of the buses were already operating at full capacity. How can people be encouraged to use the transit system when it is operating at full capacity?

Need for Long-Range Transportation Planning. There was a general feeling that "if you build it, they will come" when the focus groups talked about transportation needs. They felt the transportation plans could dictate development and growth. The participants said that the Puget Sound region needs to address the causes of the

transportation problems, not the symptoms. This would involve the creation of an integrated mass transit system. The bus tunnel, for example, does not do much to address downtown congestion because it exists in isolation. The tunnel, like other TDM ideas, needs to be integrated into a larger, comprehensive plan.

They felt strongly that the plans must be developed for the future, not the present. If an integrated system was built, development would follow around it. A light rail system was mentioned several times, but some participants felt that a light rail system would be too expensive per capita for the Puget Sound region because of the low population density.

Education and Marketing. The focus groups said that the success or failure of the parking tax would be dependent on marketing efforts, or the extent to which commuters understood what they were paying for. On one occasion, Portland, Oregon's MAX was cited because it had a sign at a parking facility that read, "Your parking dollar is going to mass transit." If the public were educated about the reasoning behind the tax, they might be more accepting of the issue.

Support of TDM Efforts. The focus group participants, with the exception of one participant, felt that the area has serious congestion and air pollution problems and they were supportive of efforts to address and mitigate these problems.

Income Equity. Many of the participants felt that the parking tax would burden the segment of the population that could afford it the least. The people who are already driven out of greater Seattle because of high housing costs are displaced from the transit system. They have no alternative to driving alone and would be forced to pay the tax that they could hardly afford.

Lower income participants said they could not afford to pay higher parking costs and would have to be extremely creative about avoiding the tax. One participant mentioned she might be forced to quit her job. Others said they would be extremely

inconvenienced. The higher income participants, on the other hand, said they could afford the higher costs. It would just make them angry at the government.

Accountability/Distrust for Local Jurisdictions. The focus group members did not like the idea of taxing commuters for parking, then using the revenue for building roads. They also were concerned about how a local jurisdiction could improve transit options because Metro is a regional organization. Yet, they also felt the revenue should be earmarked for mass transit improvements or to provide more options for the commuting population.

Alternative Preferred by Focus Groups. No alternative was preferred by the participants in the focus groups, although some of them suggested that the Accessory Parking Tax was the best option. The focus groups preferred the Accessory Parking Tax because they felt it was an integrated approach that worked with them to find alternative ways to get to work.

Issues — Employers

Employers were interviewed to determine the effects a parking tax might or might not have on hiring decisions, location choices, and transportation benefits. The researchers asked the employers to describe their current transportation benefits policies. They were interested in the employers' perceptions of the transportation problems and ideas they felt might be effective in addressing those issues. The employers were also encouraged to evaluate each of the alternatives.

The study's employer contacts included Safeco (Seattle-University District), Nordstrom (Seattle-Downtown), Puget Power (Bellevue), and Fluke Manufacturing (Snohomish County, Everett). The issues of greatest concern to the employers are explained in the following text.

Administrative Complexity. In cases where the employers provided parking for their employees and charged their employees, the employer would be responsible for collecting the tax. The employers were very resistant to being held liable for collection.

They claimed that the tax, at the very least, would force them to hire additional personnel to collect the tax. Additionally, because parking was paid for on a monthly basis and individual sales were not recorded, determining peak-period or long-term parkers would be extremely complicated.

Downtown vs. Suburbs. Employers were concerned about the impact of a parking tax on employee recruiting ability. In particular, those employers who had suburban and downtown locations liked to promote employees and bring them to their downtown offices. Parking costs were already a deterrent and ate away at the employees' salary increases; higher costs for parking would certainly exacerbate this problem.

In general, the employers felt it was unfair to discriminate and tax businesses located in downtown areas. They thought the tax would be unfairly borne by central business districts (CBDs), and this was especially unfavorable because suburb to suburb commutes were equally responsible for congestion, air pollution, and wear on the roads.

Incentives vs. Disincentives. The employers felt frustration about the use of disincentives to change behavior. Companies that already provided a wide range of transportation benefits in particular felt that they should be rewarded, not penalized, for these efforts. They favored the Accessory Parking Tax. For the most part, the employers who were already "doing something" felt that they would be exempt from the Accessory Parking Tax.

The exception to this was Nordstrom, which provides no transportation benefits except a recommendation to their employees that they ride the bus. Nordstrom estimated that, at its downtown location, 80 percent of its employees rode the bus.

Mass Transit Improvements. The employers were concerned about Metro services and felt for the most part that Metro did not provide a flexible enough schedule for their employees. In particular, they felt the night schedules were insufficient and general service in suburbs was not extensive enough.

Need for Long Range Transportation Planning. The employers felt that comprehensive plans that provided employees with more services and options were needed. Employers in the suburbs and those with suburban locations were especially vocal about this point. They commented that their employees wanted commute options but were frustrated in finding them.

Education and Marketing. Employers felt strongly that if employees were going to be charged for something, they needed to know why. The employers said there is a need for extensive education about the causes and costs of congestion and commute travel. If employees were not fully aware of what they were paying for, they would be very angry and disagreeable.

Support of TDM Efforts. The employers were all extremely supportive of developing transportation options and discouraging single occupancy vehicle travel. They expressed concern about their employees arriving to work frazzled and exhausted, and they each voiced concern about the environment. The employers also expressed a willingness to work with the local governments, Metro, and their employees to encourage carpools, transit use, and alternative commute choices.

Alternative Preferred by Employers. The alternative preferred by employers was the Accessory Parking Tax. The employers felt that the Accessory Parking Tax would reward them for their efforts to encourage ride-sharing and alternative commute choices.

Issues — Parking Operators

To understand how the parking tax would affect the parking industry, the researchers interviewed six parking operators. The parking operators were asked general questions about the parking business and the types of lots they managed. They were asked to comment on each of the proposed alternatives. They were encouraged to talk about the administrative efficiency of each alternative, how the market for parking spaces would react, and their preferred alternative.

The parking operators interviewed represented those who service the entire region and those who serve a more limited area and group. The operators interviewed included Diamond Parking, Inc., Bruce Caplan Parking, AMPCO, International District Merchants and Parking Association, University District Parking Association, U-Park, and Key Park.

Administrative Complexity. The parking operators expressed concern about the administrative costs and complexity of the parking tax. They were particularly worried about the Peak Period and Long-Term Parking Tax alternatives. Operators who managed drop box lots were especially concerned because they did not record individual sales; therefore, keeping records according to time of entry and length of stay would be complicated and costly. Also, making exemptions and reporting varying rates would create problems.

The operators explained that their business was not particularly healthy. Their profit margin was much slimmer than most people thought because they did not necessarily own the land the parking lots occupy. Thus, additional administrative costs would create hardships and limit their ability to stay in business.

Additional administrative problems pointed out by the parking operators included double use lots, lots in downtown buildings with fixed contracts, and carpool exemption stickers.

Downtown vs. Suburbs. The parking lot operators were united in expressing concern about the equity of taxing downtown lots. They said that it was unfair to tax the downtown commuter when the suburb to suburb commuter was at least as much of a cause of traffic congestion. Unless the parking tax would equally address office parks and shopping malls, the parking operators felt the tax would be unfair.

One operator suggested a study of the traffic flow down I-5 because he felt that the bulk of the traffic came from north of Seattle and drove to south of Seattle.

Education and Marketing. The parking operators agreed that the parking tax must be fully explained and understood. They felt it was important that the public knew why their parking fees had been increased and what they were paying for.

Support of TDM Efforts. Most of the parking operators were supportive of TDM efforts, some more than others. One operator explained that even though he was opposed to the parking tax, he felt it might alleviate congestion and it was to his benefit to see downtown traffic mitigated. He told the researchers that if the perception was that downtown was completely congested and no parking was available, people would be discouraged from coming downtown at all. Another parking operator was working on efforts to improve transit use.

In general, the operators understood the problems of congestion and pollution and the need to work out solutions to those problems. However, two of the operators told the researchers that the parking tax was a limitation of people's freedoms and their ability to make a free choice.

Income Equity. The parking operators expressed a concern about who would actually be paying the tax. They felt it would be an extremely regressive way to tax people, and inevitably the poorer people would pay in greater proportions. The single mother who must bring her children to school or day care was identified as a commuter who must work, must drive, and would be least able to pay the tax.

Alternative Preferred by the Parking Operators. The parking operators preferred the General Parking Tax to the other options. They felt the General Parking Tax represented the least administrative burden and would be the easiest to pass on to the parker.

Issues — Business Community

Business groups were interviewed to understand the reaction of the retail industry to the imposition of a parking tax. The researchers were interested in understanding how

and why the businesses felt the parking tax would affect them and what their concerns were. The business groups were also asked to comment on each of the alternatives.

The following groups were interviewed: Downtown Seattle Association (DSA), Folk Art Gallery (U-District, Seattle), South Snohomish County Chamber of Commerce, Pierce County/Tacoma Chamber of Commerce, Greater Seattle Chamber of Commerce, and Greater University Chamber of Commerce.

Administrative Complexity. One of the groups questioned whether the tax would actually pay for itself. They felt the tax was too expensive to administer, and the administration would cause more problems than would be resolved (if any problems would be resolved).

Downtown vs. Suburbs. The business community felt strongly that the parking tax would discourage shoppers from going to downtown areas. They explained that the conditions already placed downtown areas at a disadvantage to the malls, and the parking tax would further lead to the demise of the downtown areas.

One of the groups claimed that even if the tax was aimed at commuters, the businesses would still suffer because they would have to pay their employees more. Also, they felt that the parking tax would drive business out of downtown and fewer weekday workers downtown would hurt the retail industry.

The business/retail community also cited the inequity of the tax. They felt strongly that if the malls and office parks were not subjected to the same treatment as downtown, the tax would be unfair. They said that if it was not possible to tax everyone evenly, it was not right to tax at all.

On the other hand, one of the business groups felt that by discouraging long-term parking, short-term parking would be more available and would encourage shoppers to use the downtown areas.

Incentives vs. Disincentives. The business community representatives believed that incentives were better than disincentives. They liked the idea of creating more transportation alternatives.

Support of TDM Efforts. The business community members recognized the need to contend with the transportation problems of the Puget Sound region. They wanted to address these issues and were supportive of efforts that encouraged and rewarded people for using carpools and vanpools.

Alternative Preferred by the Business Community. The business community opposed each of the parking tax options and could not suggest one that they preferred more than another. The business community was supportive of TDM efforts, and at least one of the members saw the Long-Term Parking Tax as a way to address that concern.

Issues — Developers

Developers were interviewed to assess the impacts, if any, the parking tax would have on their development decisions. The researchers asked them to explain the role of parking facilities in development decisions. They also provided comments and opinions about the parking tax in general, and the alternatives in particular. The developers interviewed were Cornerstone Columbia Development Company (Seattle/Tacoma) and The Norman Company (Seattle/Eastside).

Administrative Complexity. The developers thought that the Accessory Parking Tax would be very awkward to administer. Building owners already had to meet strict regulations on the amount of parking they must build. The builders did not usually make any money on the parking, and therefore to charge them for it would be unfair.

Downtown vs. Suburbs. The developers explained that one of the reasons companies move to the suburbs is that they like having more room to grow and expand. The developers felt that the parking tax made more sense in the suburbs because the parking was almost always free, and commuters did not consider the cost of parking when they drove.

One developer thought the parking tax would hurt downtown. He felt that greater density should be encouraged, and such a policy should be with an effective mass transit system. The other developer thought that downtown would not be too affected by the parking tax. He explained that firms that find business worthwhile in a downtown location would not be deterred by a parking tax.

Incentives vs. Disincentives. The developers preferred incentives and working together to solve problems. They did not like disincentives. They said people like to be rewarded for doing things right, and government should work to create win-win solutions to the transportation problems.

Need for Long Range Regional Transportation Plan. The developers expressed their support of a long-range, comprehensive and integrated system that would provide people with commuting options.

Education and Marketing. The developers felt the public should be told why they were being asked to pay a parking tax and where their dollars were going. They felt that if people knew the government was building a long-term solution, they would be willing to pay in the short run.

Support of TDM Efforts. The developers were supportive of attempts to discourage single occupancy commutes. They liked the idea of vanpools and carpools and encouraging transit use.

Alternative Preferred by Developers. The developers felt that the Long-Term or Peak Period Parking Tax would be the most effective at discouraging commuters from driving alone.

REVENUE GENERATION ASSESSMENT

Parking Inventory

Methodology. The parking inventory was an estimation of the supply of parking in the Puget Sound area. The parking inventory was originally intended to include

Thurston county; however, because of a lack of relevant data from that county, parking estimates were not made. The methodology developed for this study could be applied in Thurston county if raw data, such as employment estimates by census tract, office space data from real estate firms, or good aerial photographs were available. The inventory sought to determine the amount of parking and categorize parking according to use. To better understand the supply and use of parking, two main categories were created: on-street and off-street. Off-street parking was further divided according to use: shopping and entertainment, commuter use, and empty stalls. In addition, classifications that cut across categories were identified. They included user-paid parking and leased parking. The breakdown is illustrated by the Venn diagram in Figure 1. (The Venn diagram is not proportionate to the amount of parking in each category.)

The estimates presented in this report were derived from a variety of data sources and methodologies. Each of the methods had acknowledged shortcomings, but the researchers' expectation was that used in aggregate, the data and methods would produce a usable estimation.

Aerial Photos. Aerial photos were employed to estimate the total land area devoted to off-street parking. A sample area was produced from approximately 30 maps of King County, north of Green Lake and west of Lake Washington, and Snohomish County, south of Everett and west of (and including) the I-5 corridor. The King County photos were enlarged to a scale of 1-1,250 and the Snohomish County photos used a 1-2,500 scale.

The photos were examined to identify parking facilities. Once the lots had been identified, they were traced on tracing paper. To determine the location of each map and parking facility, x and y coordinates were indicated and marked. Then, both the tracings and x, y coordinates were scanned into a computer. The computer was able to calculate the location and size of each of the lots. These calculations provided the figure used to represent the total area occupied by off-street parking.

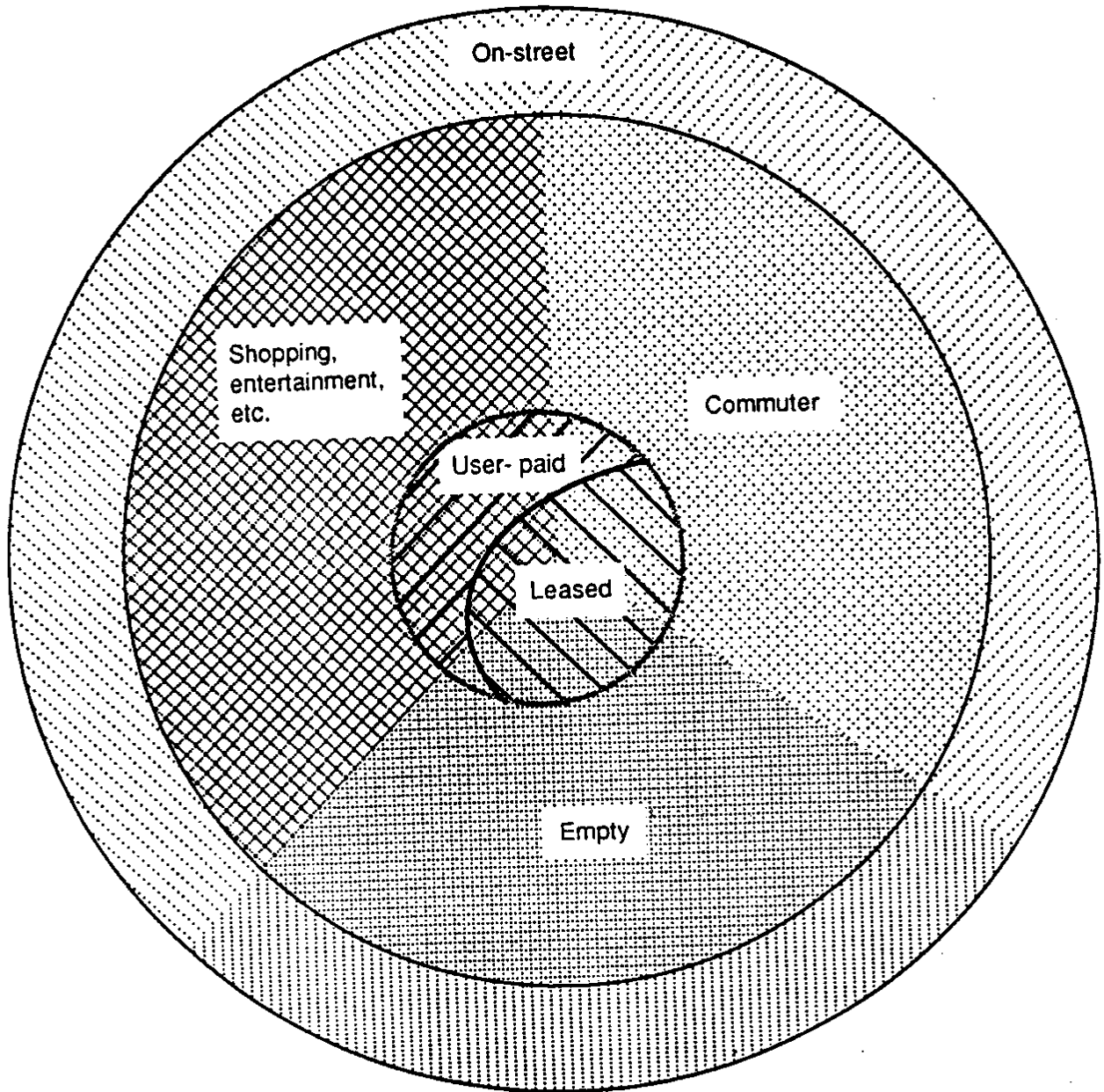


Figure 1. Parking Inventory Categories

The aerial photos were useful for determining open air parking facilities. However, covered or underground lots were not visible on the aerial photos and, therefore were left out of the estimation. The analysis assumed that the number of covered and underground lots in the sample area, which includes no downtown areas, were few and would not seriously affect the accuracy of the estimate. However, this is an important shortcoming in the aerial photo analysis and could have played a larger role if a different sample area had been chosen.

In addition, the accuracy of the aerial photo inventory was limited by the accuracy of the human hand and eye. Because the scale of the maps was small particularly in Snohomish County, it was sometimes difficult to absolutely identify and trace each parking lot. Also, outlining each of the lots exactly proved difficult, especially on the smaller scale maps.

Windshield Surveys. Windshield surveys were used in conjunction with the aerial photos to determine use and confirm accuracy. Areas located within the sample area were surveyed to estimate the use of each of the lots and occupancy percentages. The window survey consisted of drive-by inspections of the parking facilities.

Employment Data. Employment data were used to calculate the number of commuter parking spaces. The number of jobs in each census tract was provided by the Puget Sound Council of Governments (COG).¹⁰ The employment data were used in conjunction with mode split data (i.e., percentages of single occupancy vehicle commuters according to destination). The mode split data were also provided by the COG. The number of jobs located in each census tract was multiplied by the percentage of solo drivers whose destination was the same census tract. The number of jobs multiplied by the number of drive alone commuters equaled the number of parking stalls necessary to accommodate parking commuters.

To determine the number of parking stalls for carpoolers, the number of jobs per census tract was multiplied by the percentage of carpoolers and divided by the average

number of carpool riders (2.64). The addition of the number of spaces for carpool commuters and the number of spaces for drive alone commuter equaled the total number of parking spaces used by commuters.

Although the employment data provided a good estimate of commuter parking spaces, it did not provide any information about the type of parking facility any given commuter used. It was impossible to use the employment data to determine the percentage of the commuters who parked in user-paid, leased, or street parking. Thus, although the employment data could be used to get a total number of commuter parking spaces, it was not useful for determining use estimates.

Estimates of total number of jobs by county is attached at the end of the report as Appendix E.

Office Space Data. The office space data were provided by the Coldwell Banker Commercial Real Estate Group, Inc.¹¹ The office space data were employed to determine the minimum number of parking spaces provided with a lease to office park occupants. The Coldwell Banker data were in units of gross square footage of commercial office space. The term "commercial" was defined as rentable office space and excluded any user paid lots or owner-used lots.

Square footage numbers were multiplied by the corresponding jurisdictions' parking codes. Parking codes were the minimum required number of parking spaces to accompany square footage of office space.

The data and estimations were useful because they targeted parking used in office parks. The Coldwell Banker data enabled the researchers to make a minimum estimate for leased parking. This estimate was especially important in conjunction with the current legislation because leased parking may be taxed.

However, the data were somewhat problematic because they did not provide information on all office space, only competitive space. Additionally, parking codes can be extremely complicated and varied. An assumption underlying this inventory was that

all office space was used by professional, office, and banking businesses. Other businesses, especially doctors' and dentists' offices and any retail establishments, are subject to varying parking codes. Thus, the accuracy of the office space data was somewhat undermined. Additionally, the parking codes represented only the minimum number of stalls and could not determine the actual number of stalls built.

Parking Codes. Parking codes were gathered from various locations in the each of the counties. They were used with the office space data to calculate minimum parking requirements. The parking codes were also useful because they provided insight into land use policies and local jurisdictions' attempts to control parking supply.

License Data. To count the number of user-paid parking facilities (i.e., Diamond, AMPCO type lots), licensing records were collected from the local jurisdictions.¹² Some jurisdictions required user-paid parking facilities to pay a licensing fee. To get an accurate number of user-paid stalls, the researchers tallied the reports on the most recent licensing records. These data provided a relatively accurate estimation of the total number of user-paid stalls. The information was valuable because, under the current legislation, user-paid lots will clearly be taxed. Thus, the data were crucial in making revenue generation predictions.

Other Inventories. Many of the local governments in the Puget Sound area, such as Bellevue, Seattle, Bremerton, and Tacoma had conducted partial or complete parking inventories of their jurisdictions within the past few years.¹² The completed inventories varied among jurisdictions. Some of the inventories were in depth and identified user-paid and "free" parking, as well as occupancy rates and parking prices. Other inventories were less detailed and counted only the parking spaces in the local central business district. All of the information provided by the local inventories proved useful. The local inventories were used as a check against other sources and as a supplement to the other data.

The shortcomings of local inventories lay in the inconsistency across jurisdictions. Because some of the jurisdictions conducted more detailed inventories than others, it was difficult to use the data in a consistent manner or rely on the inventories to provide key information. The dates of the inventories also varied, further troubling the ability to use the data. The inventory results as used for the revenue calculations are shown in Appendix F.

Revenue Potential

Each of the alternatives, Long-Term Parking Tax, Peak Period Parking Tax, General Parking Tax, Parking Operation Tax, and Accessory Parking Tax, were analyzed to determine their ability to generate revenue. In addition, figures were calculated for one of the proposed legislative amendments, the Commuter Parking Tax.

Revenue estimates of each of the alternatives were determined using data from five cities in the Puget Sound region, Bremerton, Bellevue, Seattle, Lynnwood, and Tacoma. These cities were selected as sample areas because they provided a location in each of the four counties, and each jurisdiction is challenged by different parking and commuting circumstances.

The inventory figures were derived from a variety of sources, as explained in the inventory section of this report. With the exception of the Commuter Parking Tax, the parking inventory data were estimated from existing inventories, license registration information, and real estate data. Inventory estimates for the Commuter Parking Tax were based on employment figures and mode split information. The analysis did not exclude the permitted exemptions — parking spaces for carpools, vanpools, government vehicles and handicapped vehicles — from the inventory. These spaces represented exemptions that may be extended but are not required.

The inventory data varied among jurisdictions. Therefore, an examination of the same alternative between jurisdictions may lead to inaccurate comparisons. Varied results might result from differences in the accuracy of inventory data and not because of

differences in the ability of the alternative to generate revenue. However, comparisons of alternatives within jurisdictions are valid.

To incorporate the particular circumstances of different areas into calculation of occupancy rates and elasticities, the jurisdictions were divided according to density. Seattle was separated into the CBD, the University District, and suburbs. The estimates for Bellevue divided the jurisdiction into a CBD and the suburbs. For Tacoma and Lynnwood, elasticities and occupancy rates were calculated for the city as a single area. Revenue projections for Bremerton considered the CBD only.

Parking prices were obtained from two major parking operators and weighted with the average length of parking. Occupancy rates were based on two sources: information provided by two major parking operators in the Puget Sound area, and data provided in completed parking inventories. The occupancy rate for the Commuter Parking alternative was based on an occupancy rate determined by an assumed work absentee rate. The alternative assumed that all commuters would be taxed regardless of where they parked; therefore, it was necessary to use an occupancy rate based on worker attendance. For each of the alternatives that specifically targeted commuting parkers — Peak Period, Long Term, and Accessory Parking Tax — the analysis assumed that a high rate would be imposed only on Monday through Friday. The occupancy figures reflected that assumption. The nominal fee was calculated on the basis of occupancy rates for all other time periods and according to a seven-day-week period. For the other alternatives — General Parking Tax and Parking Operation Tax — lower occupancy rates reflected both long-term and short-term parking lot occupancy estimations for a seven-day week.

Tax amounts were determined on the basis of figures from parking taxes in other jurisdictions. The rates were held constant for all areas within each jurisdiction, including the more congested areas such as the University District in Seattle. The rates used for the estimations were 5, 10, 25, and 50 percent of the market price for all the alternatives but the Parking Operation Tax, for which the same percentages but of the

gross proceeds were used. The Parking Operation Tax assumed that the operator would pass 50 percent of the tax to the parker. A nominal fee of \$0.05/per park was levied on short-term and off-peak period parkers for the Long-Term and Peak Period Parking Tax alternatives.

Elasticities were estimated on the basis of the surveyed literature and assumptions of price arc elasticities of the demand for parking. The influential literature included

- (1) a study conducted in Los Angeles about the sensitivity of mode choice to parking prices, and a comparison of mode use behavior between free and paid parkers¹³;
- (2) a study of the effects of the 25 percent parking tax imposed in San Francisco¹⁴;
- (3) the projected changes in travel behavior resulting from the application of a parking tax in Washington, D.C., and the effects of an increase in parking prices¹⁵; and
- (4) a study in Chicago about the effects of a peak period increase of parking prices.¹⁶

Table 4 summarizes these bibliography findings.

Table 4. Estimates of Price Elasticity of Demand for Parking for Work Trips.

Study		Elasticity with respect to Parking Cost
Author*	Location	
Shoup and Willson (1990)	Los Angeles	(0.02) - (0.40)
Kulash (1974)	Los Angeles San Francisco Washington, D.C.	(0.29) (0.35) - (0.43) (0.41)
Feeney (1989)	Washington, D.C.	(0.32) - 0.01
Kunze (1980)	Chicago	Long-Term: (0.75) Short-Term: 0.02

*Sources: see Bibliography under author

Several assumptions were then made to adapt those elasticities to the realities of the Puget Sound area. These assumptions included considerations about (1) suburbs versus downtown areas, (2) particular characteristics of each area, (3) the availability of mass transit or other ridesharing alternatives, and (4) allowances for long-term and short-term parking.

The actual total number of taxed spaces reflected figures calculated after initial occupancy rates had been incorporated, and after the elasticity of parking demand had been considered. Finally, daily results for each jurisdiction were multiplied to obtain annual revenues for each of the proposed rates. Estimations of cheating or violators were not tallied, and the results reflected 100 percent compliance.

The revenue projections for each alternative varied according to jurisdiction. This is because characteristics of each area would influence the ability of the parking tax to raise revenue. For example, in Bellevue the General Parking Tax would likely generate the most revenue, while in the other jurisdictions the Commuter Parking Tax would raise the most money. Table 5 shows the revenue estimates for each of the jurisdictions. Figures 2 through 6 graph the revenue estimates for each jurisdiction according to alternative.

Detailed calculations of the revenue generated by each alternative, are included in Appendix F.

EVALUATION OF ALTERNATIVES

In this section, each of the alternatives are evaluated against criteria that were identified as significant. The criteria that guided the evaluation of the alternatives included the following: behavioral change, equity, revenue generation, legal feasibility, administrative efficiency and feasibility, costs, market response, and acceptability. Table 6 charts a summary of the evaluation text.

Table 5. Revenue Generation Estimation (Thousands \$)

Jurisdiction	Alternative																			
	Long-Term/Peak Period (rate/day)				General (rate/park)				Parking Operation (% of gross proceeds)				Accessory Parking (rate/day)				Commuter (rate/day)			
	5%	10%	25%	50%	5%	10%	25%	50%	5%	10%	25%	50%	5%	10%	25%	50%	5%	10%	25%	50%
Bremerton (*)	\$40	\$75	\$180	\$360	\$90	\$175	\$440	\$870	\$30	\$65	\$160	\$315	\$10	\$20	\$50	\$100	\$225	\$450	\$1,110	\$2,185
Bellevue	970	1,925	4,750	9,275	1,800	3,575	8,840	17,300	300	600	1,500	3,000	625	1,250	3,100	6,200	1,065	2,125	5,250	10,275
Seattle (**)	4,540	8,940	21,400	39,670	7,500	14,860	35,750	66,200	3,820	7,570	18,610	35,400	1,200	2,400	5,575	10,060	12,000	23,920	57,970	109,255
Lynnwood (***)	35	70	175	350	75	150	380	750	0	0	0	0	35	70	175	350	150	300	760	1,500
Tacoma	260	510	1,245	2,400	175	350	860	1,650	120	230	580	1,125	145	290	700	1,350	1,350	2,700	6,620	12,750

(*) It includes CBD only.
 (**) It does not include office spaces in the University District.
 (***) No commercial parking.

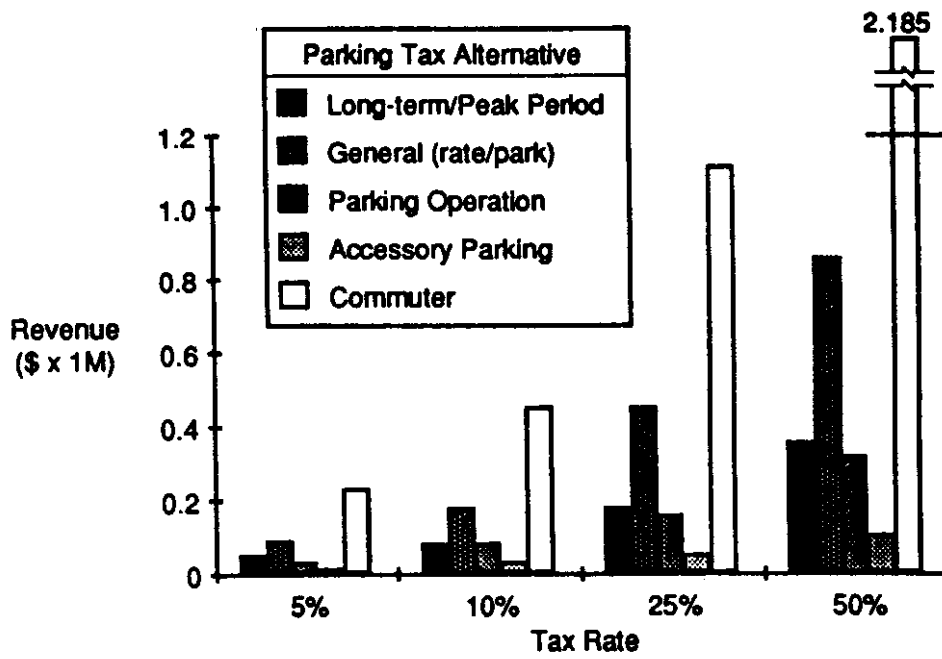


Figure 2. Annual Parking Tax Revenue Estimation – City of Bremerton

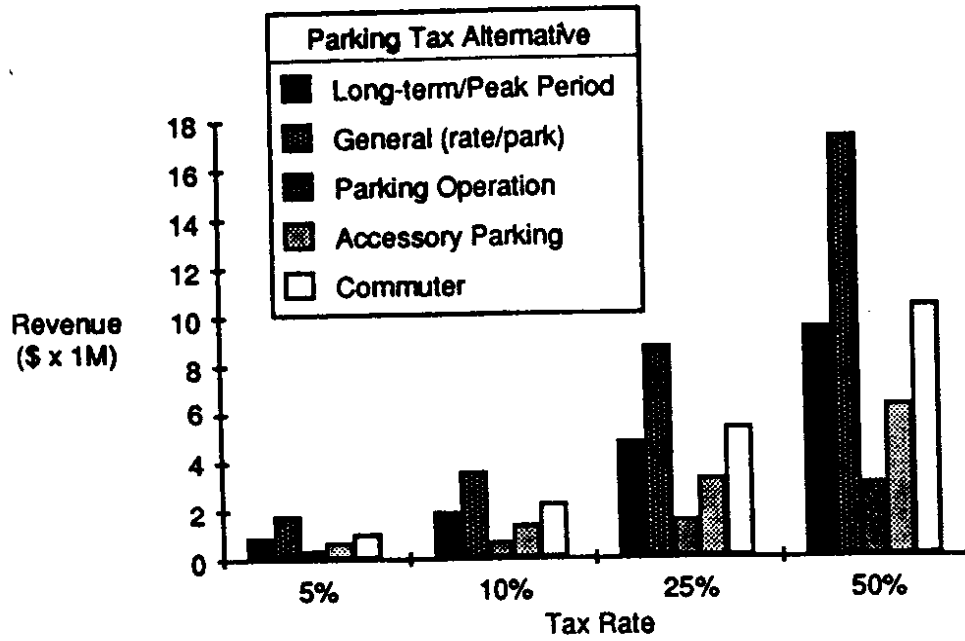


Figure 3. Annual Parking Tax Revenue Estimation – City of Bellevue

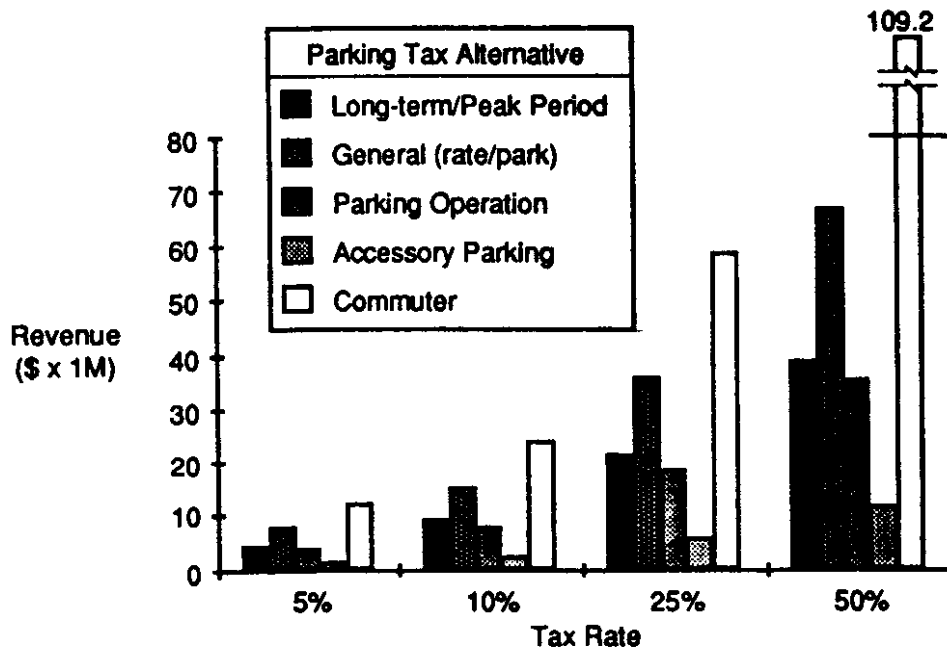


Figure 4. Annual Parking Tax Revenue Estimation – City of Seattle

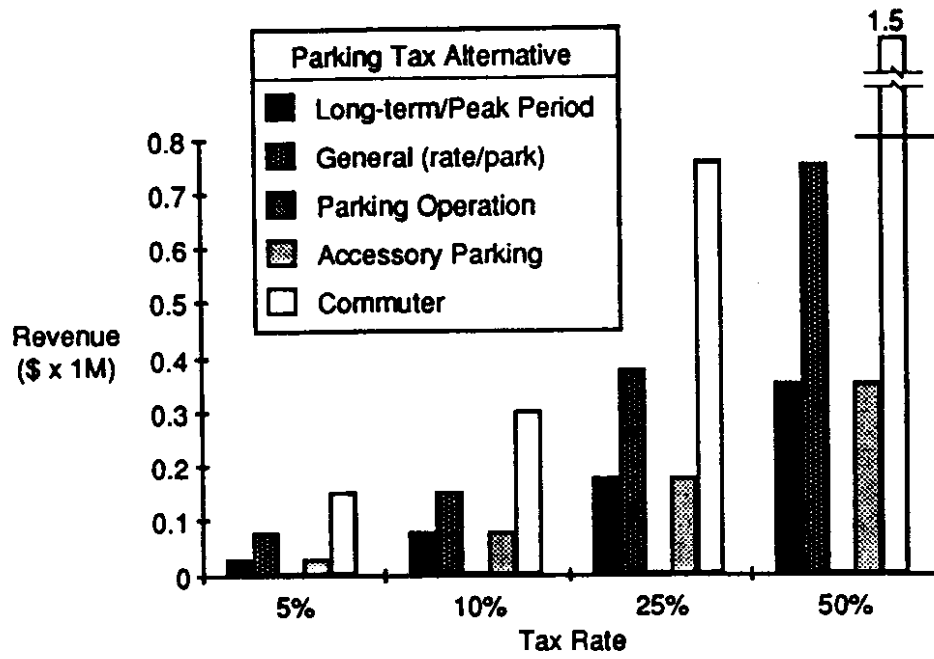


Figure 5. Annual Parking Tax Revenue Estimation -- City of Lynnwood

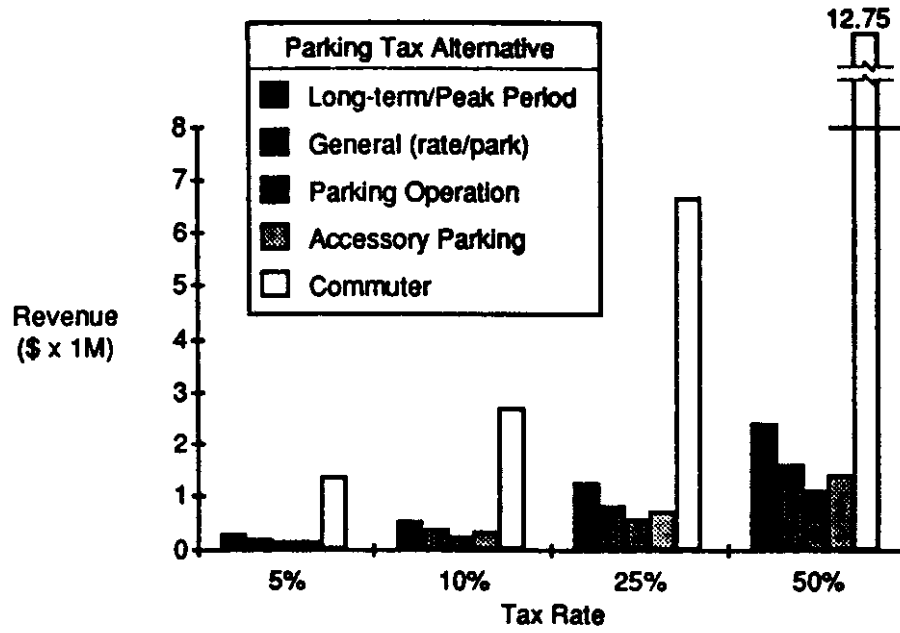


Figure 6. Annual Parking Tax Revenue Estimation – City of Tacoma

Table 6. Evaluation of Alternatives

	Long-term Parking Tax	Peak-period Parking Tax	General Parking Tax	Parking Operation Tax	Accessory Parking Tax
Behavioral Change	++	++	-	--	++
Equity	+	+	-	-	++
Revenue-Generation	-	-	++	+	--
Legal Feasibility	++	++	++	++	-
Administrative Feasibility Efficiency	--	-	+	+	--
Costs					
Administration	-	-	+	+	-
Opportunity	+	+	-	-	-
Market Response	+	+	--	-	+
Public Acceptability	+	++	--	-	++

Criteria for Evaluation

Several criteria were identified as significant dimensions for evaluating parking tax options. Below is a review of the definitions of those criteria.

Behavioral Change. Behavioral change is important to assess on two levels. First, it is critical to assess how a parking tax affects the individual parker. The questions include whether the increased price will change travel behavior and how it will change. The second critical issue is to predict how parking operators, building owners/managers, employers and the business community will respond to each parking tax alternative. Unless these responses are understood, jurisdictions will be unable to specify how the tax will affect individual parkers.

Equity. An important issue to consider in devising a tax is fairness. Two types of fairness are important. One of the fairness issues is equity across income groups. The relative degree of burden to low income and high income groups should be commensurate with adopted public policy. If a tax is regressive (that is, it taxes low-income people at a higher percentage of their income than it taxes higher income

people), this fact should be documented. It is possible to mitigate some of the negative impact of a regressive tax by directing the revenues from the tax to disproportionately benefit the lower income taxpayer. A second fairness issue is whether people in the same situation receive the same tax. If two people drive by themselves at the same time and park in the same parking lot, their tax should be equal.

Revenue Generation. Even if behavioral changes are the motivating factor behind implementation of a parking tax, the amount of revenue generated is important to jurisdictions considering the taxes. The amount of revenue can be estimated through a combination of information from a study of behavioral changes and a parking inventory.

Legal Feasibility. This report contains an evaluation of the legal feasibility of each of the parking tax alternatives under consideration. Seven of the parking tax alternatives fall within Washington's current commercial parking tax legislation. However, there are grey areas in the interpretation of the law. Any new tax is subject to a law suit. This report's legal analysis discusses the length to which the implemented tax stretches the limits allowed in the new legislation.

Administrative Efficiency and Feasibility. This report contains an evaluation of the administrative issues in implementation a parking tax. Four areas are critical to assess:

- (1) Clarity — the tax should be understandable to the public, to parking operators, and to the bureaucracies that have to administer it.
- (2) Simplicity — implementation of the tax should be as simple and direct as possible.
- (3) Ability to be audited — compliance in paying the tax should be easy to monitor and audit.
- (4) Enforceability — fines or other penalties should be applicable if violations exist.

Costs

Estimating the costs of implementation of a parking tax is not simple. In addition to creating direct administrative costs, the introduction of a tax will restructure parking supply and price. An understanding of the resulting redistribution is important in evaluating parking tax alternatives.

Parking Operators and Owners. In most of the alternatives under consideration, parking operators act as the agents of tax collection or are taxed directly. The costs for collecting the tax and ensuring compliance with monitoring and reporting requirements have to be considered, along with the direct costs of paying the tax.

In addition to these direct and indirect costs, the implementation of a tax will change the demand for parking and the types of parking that are used. This change will obviously affect the parking operators' and owner's businesses. For one thing, parking lot owners may change the likelihood that they contract the management of parking with parking operators. Secondly, a changing market can influence opportunities to make a profit. Information on all these costs should be gleaned through interviews with parking operators and owners in the Puget Sound area, as well as from other jurisdictions where parking taxes have existed for some time.

Employers. If an employer provides parking and charges its employees for parking, it is likely that the employer will be involved in the tax collection process. An additional consideration is the impact of a parking tax on employers' tendency to subsidize commuter parking and/or provide other transportation benefits. These issues should be explored in interviews, focus groups, and samples of other jurisdictions.

Market Responses. Two types of market response other than the parking business itself should be explored. One is the provision of office space and the other is retail business. If a parking tax applies to parking supplied as part of office space lease, the implementation of such a tax will likely change the attractiveness of office space. For instance, if the tax applies only to parking supplied within a building and not to parking at

an office park, the relative attractiveness of downtown versus suburban office space may be affected.

Retail business may also be greatly affected by a parking tax. Increasing the cost of all parking in downtown areas and not in suburban shopping malls will have obvious effects on the relative viability of retail in those areas. On the other hand, if a parking tax is targeted to commuters, short-term parking may become more available and cheaper, which may improve the attractiveness of downtown shopping. Since two of the parking tax alternatives were designed specifically to deal with this issue, it is important to assess their relative ability to target the tax to commuters.

Acceptability. All of the criteria affect the acceptability of a parking tax. However, it is also important to measure attitudes about each kind of parking tax as a way of gaining a global evaluation of each alternative. This kind of information is also useful to guide presentation of the alternative in public forums and in the media. Information should be collected through interviews and focus groups among shoppers and commuter, employers, parking operators, parking lot owners, and the business communities.

Evaluation Results

Behavioral Change. Behavioral change means the extent to which the parking tax alternative would influence travel behavior (mode split) and how that behavior would change. It is also important to determine the effects of the parking tax on the parking operators, employers, and business community.

Each of the parking tax alternatives would have some effect on behavior because the tax would increase the price of parking, and any increase in price would reduce the quantity demanded. The ability of the alternatives to successfully reduce travel would be contingent upon the ability of the alternative to target the commuting parker and to fully pass the burden of the tax on to the parker. Another important element in changing travel behavior would be determined by the jurisdiction's ability to manipulate the rate structure to target congested zones and require those who drove in the most congested areas to pay

the highest tax. Such a strategy would combine a financial disincentive with a time and convenience disincentive to further discourage a drive alone commuter.

The parking operators would be likely to respond to the parking tax by restructuring their pricing systems to minimize the effects of the parking tax. For example, the Long-Term Parking Tax would increase the price of long-term parking. As a response, an operator who normally discounted long-term parking would be apt to raise short-term prices and further lower long-term rates so that the tax burden would be distributed among both long-term and the short-term parkers, as well as the operator.

In general, employers who provided parking for their employees but charged a fee for that parking might be motivated by the parking tax to eliminate all such fees because, by providing parking free of charge, employers would exempt their liability for the tax, thereby saving administrative costs and not disgruntling employees. This scenario would be especially true for employers who charged for parking but did not charge their employees the full cost of the parking facility. Thus, in the instances of employer provided, user-paid parking, the parking tax might inadvertently encourage free parking and drive-alone commuting.

The alternatives that would have the most effect on individual parkers' travel behavior would likely be the Long-Term Parking Tax and the Peak Period Parking Tax. Because both alternatives were designed to specifically focus on commuter parking and should be reasonably effective at reaching that target, the options would be more likely to influence individual travel behavior. The effectiveness of the tax in discouraging drive-alone commuters would be dependent on the ability of the alternative to be set at a high rate and the ability of the jurisdiction to market the tax. The tax would have to be set at a relatively high rate to displace the commuters from the parking market. The elasticity of demand varies along the demand curve so that parking is more elastic at a higher price and less elastic at a lower price. The tax would have the most success at displacing commuters who had lower incomes and were already on the margin with

commuting costs. Commuters with other viable transportation options might not change their behavior entirely, but might be sufficiently discouraged to opt to carpool or use transit one or two days a week.

The Peak Period Parking Tax would encourage employers to permit flex time. If employees worked four ten-hour days or arrived later and stayed later, they would avoid paying the tax. Encouraging flex time is consistent with the TDM goals of the tax because it can help decrease congestion during the peak hours.

Because the tax rates for the Long-Term and Peak Period Parking Tax alternatives would likely be high, to encourage the greatest behavioral change, it would be crucial for the local jurisdictions to accompany the tax with an extensive and aggressive marketing campaign. An extensive education/marketing campaign would make the public more accepting of the tax and more willing to experiment with alternative transportation. If the commuters fully understood why the tax was being levied, and how the tax could be avoided, they would be more likely to examine their options and change their commuting patterns.

The General Parking Tax would be less effective at influencing commuters to use high occupancy transportation than either the Long-Term or Peak Period Parking Tax alternatives because the same rate would be levied on all parkers. Although it would not specifically be a targeted TDM tool, the General Parking Tax would raise the cost of parking and correspondingly would displace some parkers from the market. Some of the displaced parkers would be commuters. The ability of the General Parking Tax to change travel behavior would depend on the rate of tax and the extent to which varying rates were applied to highly congested zones.

The Parking Operation Tax would be the least likely of all the alternatives to influence behavior. The tax would not be levied on the individual parker, but levied on persons engaged in the "commercial parking" business. The tax would be distributed among all parking fees, long-term as well as short-term. Thus, the alternative would not

target commuters but would be borne equally by all parkers. Additionally, with the Parking Operation Tax, it would be more likely that a portion of the tax would be absorbed by the operator. If the operator absorbed part of the tax, the price of parking paid by the individual parker would increase less dramatically. Unless the Parking Operation Tax was used to target highly congested areas, it would be unlikely to change individual travel choices.

The Accessory Parking Tax has the potential to change travel behavior. The tax alternative would place the burden of the tax on building administrators, who would be likely to pass the burden on to the building occupants (employers). The Accessory Parking Tax might be more effective at influencing travel behavior if the building was owned or managed locally. If the building owner was located out of the local jurisdiction, the owner might merely pay the tax without attempting transportation management programs (TMPs). Larger buildings with many occupants would also be likely to pay the tax and pass the increased costs on to occupants in the form of higher rents, rather than assume the administrative costs of implementing a TMP. Neither case would result in travel behavior change.

However, in buildings that were occupied by one or just a few firms, the Accessory Parking Tax could have a substantial influence on travel behavior. The alternative would require that the building adopt a TMP or pay the increased tax. A real financial incentive would exist for those buildings that created and met the goals of a transportation management program. If the TMP was important to management, they would be likely to be aggressive in encouraging employees (commuters) to seek alternative travel choices.

An important potential impact of a parking tax results from how it is allocated. In most jurisdictions, revenues from parking taxes simply go into a general fund to be used for a variety of needs. However, if the revenue from a parking tax is directed to transportation purposes, it may inadvertently reduce transportation demand management

impacts by providing greater street and highway capacity. If the tax revenues are used to build bigger and better roads, the increase in traffic may offset the reduction caused by the increased cost of parking. On the other hand, if the revenues are allocated to transportation demand management measures, such as transit subsidies or ridematching programs, the tax can provide a consistent impetus for a mode shift from single occupancy vehicles.

Equity. Equity addresses the issue of fairness. The parking tax needs to be equitable across income groups (vertical equity), as well as within groups (horizontal equity). For example, the burden of the tax should not fall disproportionately on low income groups. For the tax to avoid being regressive, the tax must require taxpayers to pay equal proportions of their income. None of the parking tax alternatives are proportional, thus each of them would be regressive. The effects of this regressive attribute could be somewhat mitigated by directing the revenues from the tax to disproportionately benefit lower income taxpayers. The parking tax could achieve this balance if it directed the generated revenue to mass transit improvements. However, if the revenues were used for street repairs, the inequities of the tax might remain unresolved. The alternatives are similar with regard to regressiveness because each tax is based on the price of parking and not the ability of the parker to pay. Therefore, across income groups, none of the tax alternatives would be better or worse than another.

Horizontal equity, equity within groups, suggests that two persons in similar situations are treated equally. Horizontal equity is a limitation of the current parking tax legislation. Particular alternatives accentuate these inequities. In general, under the current legislation the most overwhelming inequity would arise between those who parked in a lot where a fee was collected, and those who parked in a lot that was "free." If a fee was paid, the parker would be taxed. If a fee is not paid, the parker would not be taxed. Thus, even within the same jurisdiction, most of the suburban office parks would not be subjected to the same tax burden as downtown office buildings or commuters who

paid to park at work. This inequity would also apply to shopping malls where parking was not user-paid, and downtown retail shopping areas where parking was user-paid.

The Long-Term Parking Tax would target parkers who parked for six hours or more, with the intention of targeting commuters. The Long-Term alternative would also tax second- and third-shift workers who parked for six or more hours but did not make the same contribution to the problems of air pollution and congestion. However, the Long-Term Parking Tax would successfully address the inequities between shopping malls and downtown retail areas by levying the tax only on long-term parking. Unless parkers shopped for six or more hours they would be exempt from the tax. Therefore, one retail area would not have an additional advantage over another.

The Peak Period Parking Tax also successfully addresses inequities between malls and downtown areas because it would target only those who parked between the peak hours of 6 a.m. and 9 a.m. Retail business generally opens at 10 a.m.; therefore, the person who parked to shop or run errands would not pay the tax.

The General Parking Tax would be levied on all parkers, and the Parking Operation Tax would be passed on, theoretically, to all parkers. Neither of these options would address the inequities between shopping areas, or the office parks and downtown areas.

If the Accessory Parking Tax could be levied on all businesses regardless of size and ownership, it might effectively mitigate the seemingly inherent inequities of the parking tax. The Accessory Tax would be levied on office park buildings and downtown buildings alike. Thus, the burden would be borne by both the suburban and urban areas. Also, because the tax would be directed at office buildings and not retail establishments, it would not disproportionately harm downtown business. Lastly, depending on how the transportation management program was administered, the TMP could compensate lower income employees with travel benefits (which would represent a greater proportion of income) to mitigate the regressive effects of the tax.

Equity is a major problem with the current parking tax legislation. The tax would have difficulty reaching all the parkers equally. The creation of zones to target congested areas could be an effective tool at addressing inequities because such zones would cause the commuters who contributed the most to congestion and air pollution to pay the highest price. Additionally, because the tax would be a greater burden to the lower income groups, how the revenues were used would be an important factor in mitigating a regressive tax.

Revenue Generation. The parking tax alternatives' capacity to generate revenues would be based on the rate and the elasticity of parking. The elasticity of the demand for parking would be influenced by several factors, including the price of parking and driving, the location of the lot, the substitutes for parking, the time of trip, and the duration of parking.

Even though the Long-Term Parking Tax and the Peak Period Parking Tax were evaluated with relatively high tax rates, they were not designed to generate enormous amounts of revenue. The tax would target commuters only and would tax other parkers at very low rates. Commuters account for approximately 30 percent of all trips. Additionally, there are ready substitutes for the commute trip, such as transit, carpools, and vanpools. These substitutes create a higher elasticity for commuter parking. Therefore, targeting commuters would tax a more elastic good and shrink the tax base, and both characteristics would limit the alternative's ability to generate revenue. If the tax changed commuting behavior, the successful implementation of the tax would result in even lower revenues.

The General Parking Tax was designed with more of a revenue generating focus than a TDM focus and, thus, would be expected to raise more revenue. It would tax all parking and all commercial parking facilities, regardless of time of entry and/or length of stay.

The Parking Operation would tax people engaged in the commercial parking business. Like the General Parking Tax, the alternative was designed with a revenue generation focus rather than a TDM focus and would be expected to raise revenues.

In general, parking is a highly inelastic good. A study of San Francisco after a 25 percent general parking tax was imposed revealed that the overall price elasticity of parking was about -0.3.¹⁴ This finding must be considered in light of the fact that the price elasticity measured by the change in gross revenues showed a market more responsive to price increases. The elasticity based on gross revenues revealed parking elasticity to be approximately -1.6.¹⁴ This study suggests that the parking operators were absorbing part of the increased cost.

The San Francisco study suggests that the number of people parking remains relatively constant. Therefore, the General Parking Tax should be able to increase the price of parking without seriously affecting quantity demanded. On the other hand, gross revenues are negatively responsive to an increase in price. Therefore, it would appear that a tax based on gross revenues would be less effective at generating funds. Using the San Francisco experience as a basis for evaluating the revenue generating capacity of the alternatives, it appears that the General Parking Tax would have a greater ability to raise revenues than the Parking Operation Tax.

Other studies suggest that an increase in peak period parking rates (i.e., through a tax) reduces the long-term (commuter) demand for parking. But because the decrease in demand for long-term parking liberates parking spaces, the increase in short-term use might, in fact, increase the overall occupancy of the lots. In turn, the additional available short-term parking spaces would increase the amount of revenues generated.¹⁶

The Accessory Parking Tax is not a revenue generation tool and would be unlikely to raise substantial revenues. The tax would focus on buildings and office parks, rather than commercial parking facilities. Additionally, the tax would enable buildings to exempt themselves from the higher rate through compliance with a TMP. Relative to

other alternatives, commuters could more easily avoid paying the higher rate of tax. If employers adopted and adhered to a TMP, they would successfully avoid the higher tax. Thus, a relatively larger number of people would not pay the increased rate, and the revenues would be lower.

Legal Feasibility. With the exception of the Accessory Parking Tax, each of the parking tax alternatives were scrutinized in light of legal requirements and redesigned to meet the guidelines of the law. The Long-Term Parking Tax, Peak Period Parking Tax, General Parking Tax, and Parking Operation Tax are all feasible under the current legislation. As discussed in the Legal Analysis in this report, all parking must be taxed, but categories may be created to target specific categories of parkers or areas.

The legal feasibility of the Accessory Parking Tax is less clear. Building operators could be defined as "parking operators" by the current legislation, as long as parking was specified in a lease. Building operators could also be exempted from the higher rate of tax through compliance with a TMP. However, the focus of the Accessory Parking Tax leaves out all other parking that is not accessory to a building and/or identified in a lease. Therefore, the Accessory Parking alternative does not address "commercial parking" and might not be legal under the current legislation.

Also, if all buildings were not subject to the same regulations for developing TMPs, the alternative might violate equal protection requirements of the law. Another legal problem would occur when an accessory parking facility was independently owned and merely contracted with the owner.

Administrative Efficiency and Feasibility. The administrative efficiency of the alternatives is largely determined by the orientation of the option. Alternatives that sought to influence transportation demand (mode split) would require a specific focus, varied rate structures, and complicated enforcement techniques. On the other hand, alternatives that aimed to generate revenue would be more broad based and would require

less variation in the rates and less complex collection and monitoring provisions. Thus, feasibility and efficiency are closely related to the goals of the alternative.

Each alternative would be complicated by the permission of exemptions to the tax. Any exemptions permitted with the alternative would require proof of the right to be exempt. Proof of exemption would add some additional administrative efforts, including requiring the establishment of carpool standards. Additionally, a payment schedule would be instituted by the local jurisdictions, and fines would be levied on either the individual parker or the parking operator for failure to pay the tax.

The Long-Term Parking Tax and Peak Period Parking Tax are clearly transportation demand management tools. The targets of the tax would be easy for the public, parking operators, and jurisdictions to understand. However, the Long-Term and Peak Period alternatives would be complicated to administer. The alternatives would levy a tax on all parkers, but the rate between long-term and short-term parkers and, in the case of the Peak Period alternative, the rates between peak and non-peak period parking, would vary significantly.

Therefore, the implementation of these alternatives would require that either individual sales were recorded or a method for determining proportions of long-term or peak period parkers be created. Individual parkers might also be required to show proof of purchase. Receipts for parkers would be required to show length of stay or time of entry, corresponding with each alternative, to distinguish between payment rates. Both stipulations would require the allocation of additional resources, either for additional personnel or mechanical equipment. Lots with an attendant would be able to record individual sales, determine length of stay and time of entry, and issue proof of tax payment receipts relatively easily. However, drop box lots and open facilities without barriers could not determine length of stay, time of entry, or issue receipts. Employers who provided parking also would be required to report and record their employee's parking duration or time of entry.

The administrative burden of the Long-Term and Peak Period parking taxes would fall almost entirely on the parking operators, including building owners and employers. The individual parker might be required to show proof of payment or proof of the right to be exempt from the tax, but in both cases the extra effort would be minimal.

As the alternatives would be complex for the parking operators to administer, so would they be cumbersome to monitor, collect, and audit. Collection would require parking operators to keep complete, accurate, separate records of all motor vehicles parking, together with the cost of parking. To effectively audit the tax, the local jurisdictions might be required to conduct on-site inspections to monitor the number of parkers who were long-term and short-term or peak and non-peak period. Costs of collection and monitoring the tax would affect the net revenue generated by the tax and the acceptability of the alternative.

The General Parking Tax would be more administratively efficient than either the Long-Term or Peak Period alternatives. The tax would be easy to understand and simple to implement. It would be efficient to administer because the tax would be a straight percentage or a flat fee on the parker. The parking operator would post the fees for the tax and add the extra charge to the parking fee. The tax could be collected much like the sales tax. It would be collected equally from all parkers, eliminating the need for recording individual sales. The General Parking Tax might require operators to issue proof of payment receipts to individual parkers. The receipts would not need to show length of stay or time of entry and would therefore be much more simple to issue.

The collection, monitoring, and auditing processes of the General Parking Tax would also be much more simple. Some of the local jurisdictions might be able to add the parking tax onto forms for business and operation taxes, or sales taxes. Other jurisdictions could collect the tax with the addition of a simple form.

The Parking Operation Tax, like the General Parking Tax, would be easy to administer, understand, and collect. The tax would be imposed on all operators as a flat fee or a percentage tax based on categories of lot size or gross proceeds. The tax would be assessed accordingly. The alternative would not require individual sales or extensive monitoring. Like the General Parking Tax, smaller jurisdictions might already have the mechanisms in place for collecting the Parking Operation tax. It could be easily monitored.

Both the General Parking Tax and Parking Operation Tax alternatives might be somewhat more complex if varying rates were used to distinguish highly congested areas or exemptions were permitted. Varying rates, however, would not significantly alter the simplicity of the tax because the rates would vary according to area or zone and not by individual parker. The varied rates could be incorporated into the collection and auditing procedures easily.

The Accessory Parking Tax alternative would be complicated to understand, to administer, and to monitor. The tax would apply to all buildings, but it is unclear whether it would also apply to user-paid lots. Also, the tax is a demand management tool because it would require the adoption of a transportation management program to avoid the higher rate of tax. Therefore, the TDM goals would be accomplished through less direct means.

The administration and collection of the tax would also be complicated. Building owners and employers could pay the higher rate of tax and choose not to implement a TMP. If they opted to pay the higher rate of tax, the administration and monitoring process would be simple. The tax would be levied and collected. However, if the building owners and employers implemented a TMP, monitoring procedures would be more complicated. A transportation management program implies a monitoring system, but assuring compliance for tax purposes would require the monitoring system to be detailed. The jurisdictions and facility owners would have to agree on a TMP, a suitable level of compliance, and a methodology for determining compliance with the TMP. The

parking facility in question would be subject to on-site random monitoring. The Accessory Parking Tax would be costly to audit because none of the procedures could be mechanized and all would require additional staff to administer.

The burden of administering the Accessory Parking Tax would fall almost entirely on the local jurisdiction rather than the building owner (parking operator) or the individual parker. The building owners would have to implement and monitor the TMP, and the individual parkers must comply with the goals of the program, but the complexities of the tax would fall in the monitoring and auditing processes. Therefore, the local jurisdictions would bear the largest burden of the administrative costs.

Costs. The costs of the parking tax to the parking operators and owners have to be considered along with the administrative costs of paying the tax. For the parking operators and employers who charged their employees for parking, and for building owners, the major costs would be the salaries of additional personnel and costs of supplies. In the case of the jurisdictions, costs would include cost of collection, monitoring, and enforcement. Depending on the tax collection system already in force, initial capital costs might be insignificant. Operating costs would include salaries of additional employees needed to collect, monitor, and enforce the tax, and costs of supplies, such as stickers and forms, printing, and communications costs.

The opportunity costs, a product of the decrease in parking sales due to the tax, also need to be considered. A decrease in sales would depend on the price elasticity of the demand for parking, that is a function of the parking price, the tax rate, and the alternatives to driving available to the parkers. The downtown areas that had the most transportation options would be likely to suffer the greatest decrease in parking sales and the highest opportunity costs.

The Long-Term and the Peak Period alternatives would probably include the greatest administrative and opportunity costs. The administrative costs would result from the salaries of additional attendants, bookkeepers and auditors, and higher supplies costs.

High opportunity costs would arise because commuting parker sales would be likely to greatly decrease with the imposition of high tax rates. If the occupancy rate of parking facilities were close to capacity, the opportunity costs of lower long-term/peak-period sales would be counterbalanced by an increase in the revenues from higher priced short-term/low-period sales. However, in general the parking lots in the Puget Sound operate with an occupancy rate of less than is considered full capacity, so the operators would be less likely to be able to fill the vacant long-term parking spaces with short-term parkers.

The General Parking Tax and the Parking Operation Tax alternatives would likely have lower administrative and opportunity costs. The requirements for additional bookkeeping, and therefore additional auditing, would be minimal. Because the general parking tax rates would not be very high, relative to the Long-Term/Peak Period options, the overall parking sales would not decrease as much producing lower opportunity costs.

The administrative costs for building owners would be dependent on the number of occupants in a building. If a building had a few tenants, or were user-owned, the administrative costs of the Accessory Parking Tax would be minimal. However, if the building had many occupants, administering a TMP could prove very costly, especially if the owner was responsible for coordinating the activities of many employers.

The opportunity costs of lost parkers from the Accessory Parking Tax would depend on whether the owner was currently charging tenants to park and whether the owner was dependent on parking sales to pay the cost of installing parking facilities, particularly indoor and underground garages. Theoretically, at least, a developer or building owner who successfully implemented a TMP would be left with unused and potentially expensive parking spaces. On the other hand, if the building owners decided not to implement TDM programs, the opportunity cost of the alternative would merely be the cost of the lost revenue to pay the Accessory Parking Tax.

Market Response. Two types of market responses other than the parking business itself should be explored. One is the provision of office space and the other is retail business.

The Long-Term Parking Tax and the Peak Period Parking Tax alternatives are both directed at commuter parking. The alternatives were designed to levy high rates to discourage drive-alone commuting and encourage transit and HOV travel behavior. If the tax were successfully adopted and incorporated steep tax rates for the drive-alone commuter, the market would be apt to respond. The current legislation makes the taxation of office parks legally questionable and could not penalize commuters who park for free in a facility owned by their employer. Therefore, downtown office space would be substantially disadvantaged. Employers who owned their own buildings and did not rent would be favored as well, further discouraging downtown development where property was more expensive. Additionally, because local jurisdictions could opt to implement the tax or not, communities that chose not to adopt the tax might be favored for development over areas with the tax.

On the positive side, if the tax were successfully adopted it would discourage drive-alone commuters. A decrease in commuters would affect the demand for parking stalls and decrease the necessary supply. Developers would likely build smaller parking facilities, especially because they often are required to build more spaces than is cost effective because of the tenants' demand for space. As the supply of parking decreased, the decrease would positively reinforce the parking tax's TDM intention.

Retail business would not be affected by the Long-Term or Peak Period taxes. The alternatives are clearly directed at commuters and should not affect parking prices for shoppers. Additionally, a tax on long-term or peak period parking would free up short-term and non-peak parking. A parking tax in Chicago showed that an increase in the price of long-term parking increased the availability of short-term parking.¹⁶ More parking was available in crowded areas, which encouraged shopping and errands in areas

where parking was previously unavailable. Another explanation was that the perception of parking availability changed, and this encouraged short-term users.

However, if the perception of parking prices in downtown areas changed, the tax could inadvertently affect retail. If the public did not understand the focus of the alternative, they might be misled into perceiving that the parking tax was affecting all downtown parking and be discouraged from using downtown areas. Also, while the alternatives would not hurt business *per se*, they would increase the cost of doing business in a central business district because the tax would increase employee expenses.

The General Parking Tax and Parking Operation Tax alternatives would likely have less of an effect on office space and more of an effect on retail business. Because the alternatives tax all parking and would use lower rates, they would put less pressure on commuters. Although some industry might be influenced, the lower rates would not have as great an ability to encourage office parks to locate outside of a taxed area, or encourage developers to change the supply of parking.

However, retail businesses would be affected by the General Parking Tax and Parking Operation alternatives. It is important to note that even within the same jurisdiction the alternatives would not affect shopping and strip/mini-type malls, or downtown and urban areas (such as the University District) in the same way. The legislation does not give authority to tax malls, and parking that is not provided for in the lease of a building. Therefore, the tax would affect only downtown retail businesses.

Although, some downtown shopping mainly serves workday traffic, other urban areas such as Pioneer Square in Seattle are aimed at encouraging shoppers and diners to make special trips downtown. Naturally, it is the second category that would be most negatively affected by the General Parking and/or Parking Operation Tax. Parking without the addition of a special tax is already a consideration for a shopper making a trip downtown. If the price of parking were increased, even a small amount, it would adversely influence people's decision to travel to city centers.

A higher parking fee might play a different role in persuading people to patronize a particular restaurant or boutique and the decision to run errands. When people run errands or make quick purchases, the comparison is with free parking. Someone running an errand would not be deterred from downtown areas because parking prices had risen from three dollars to three dollars and fifty cents, because the errand runner could park for no charge at a shopping center. However, someone travelling downtown to a particular restaurant might be discouraged if the price of parking had increased significantly.

The Accessory Parking Tax would put the most pressure on reducing parking supply without affecting retail business or favoring suburban areas. The Accessory Parking Tax would tax suburban and downtown areas equally because it addresses accessory parking facilities rather than "commercial parking." Also, because the alternative is concerned with facilities related to a particular building, it would not hurt retail businesses.

The Accessory Parking Tax would tax accessory parking or require the adoption of a TMP. The tax would be based on categories according to the number of stalls. Developers and building owners would be taxed less with a smaller supply, and it would be easier for building owners/employers to implement a TMP if their parking supply was limited.

Public Acceptability. In general, the public in the Puget Sound region is well aware of the traffic congestion and air pollution problems and is supportive of measures to address these efforts. Not surprising, they are not generally in favor of taxes. The ability of the tax to be accepted would relate directly to the public's perception of how the tax would address the problem. Thus, the acceptability of the Parking Tax would largely depend on the education and marketing campaigns that accompanied the imposition of the tax. It would be important for local jurisdictions to explain the goals of the tax, how

the revenue would be used, and how the tax would fit into long-range transportation plans.

The public is concerned with equity and efficiency. In general, all of the alternative options for the parking tax are plagued with both inequities and inefficiencies. Therefore, it is unlikely that any of the alternatives would be wholeheartedly accepted by the general public. However, the alternatives that are more to the point and could be viewed as a first step solution might win public support.

The Peak Period Parking tax would be a more acceptable alternative. The Peak Period and the Long-Term Parking Tax alternatives are similar in many ways. However, the Peak Period alternative would be more acceptable than the Long-Term because it is administratively more simple and it would be perceived as more accurate at identifying those who imposed the greatest costs on the transportation system. It is clearly an attempt to discourage drive-alone commuters and represents at least a partial solution to the congestion problems.

The ability of the public to accept either the Peak Period or the Long-Term Parking Tax alternatives would be limited by outstanding equity problems, especially between downtown and suburban areas. The alternatives would also be burdened with administrative costs.

The parking operators would vehemently oppose either the Peak Period or Long-Term alternatives. The operators felt costs of administration would severely limit their profit margin. The downtown business associations, on the other hand, would be more willing to accept these alternatives because they represent less of a threat to the retail industry.

The General Parking Tax, on the other hand, would be more acceptable to parking operators because it would be simple to administer, but it would be opposed by downtown business associations (retail industry) and the general public. Downtown business associations were against the General Parking Tax because they felt the tax

would favor shopping centers over downtown retail areas. The public, as well as the downtown retail industry, was interested in the vitality of the downtown areas. Additionally, the public did not favor the alternative because they were unable to see a connection between the General Parking Tax and solutions to transportation problems confronting the areas. The public did not trust that resulting revenues would be used responsibly and perceived the General Parking Tax alternative as merely another tax inequity.

The Parking Operation Tax alternative would be the least acceptable of all the alternatives. The parking operators were opposed to the alternative because they anticipated difficulty passing the tax on to their patrons and anticipated bearing a greater proportion of the tax. The downtown business associations perceived that the Parking Operation would have results similar to the General Parking Tax. The public also saw the Parking Operation Tax in much the same way as the General Parking Tax. They felt their parking prices would be raised, downtown areas would suffer, and the tax would fail to solve anything.

The Accessory Parking alternative would be the most acceptable parking tax alternative. Parking operators liked the alternative because it would only positively affect their business (either through less congestion or spill-over from TMPs). Employers favored the alternative, especially those employers who had extensive transportation programs and anticipated exemption with little additional effort. The public also favored the alternative. They perceived the Accessory Parking tax as an attempt to reward responsible transportation programs and behavior. The public favored an integrated approach and liked the variety and flexibility this alternative would provide to them. Additionally, the public felt the Accessory Parking tax would not hurt downtown retail business and had the potential to address the inequities between suburban office parks and downtown office areas.

CONCLUSIONS AND RECOMMENDATIONS

Increasing traffic and the impact congestion has on air quality and the general quality of life are important problems in the Puget Sound region. The public is calling for efforts to address these problems. At the same time, it is suspicious of government actions and governmental mismanagement of resources. In this study, parking taxes, proposed as a partial solution to these problems, were met with skepticism and doubt. However, with some effort to adapt a parking tax to the needs of the region and use it in conjunction with a larger plan, a parking tax might be a valuable tool for reducing transportation demand and raising revenues.

The parking tax legislation approved by RCW 82.80.030 can be implemented at the discretion of local jurisdictions. Each jurisdiction is free to make its own decision regarding the implementation of the tax and the alternative that best fits its transportation plans and goals. However, because of the regional nature of transportation systems and efforts to balance the distribution of development, any discussion about implementation of a parking tax must have a regional focus. The region's employment base has developed such that commutes include all types of trips: suburb to suburb, suburb to central business districts, and central business districts to suburbs. To serve the varied needs of these kinds of commuters, an efficient and effective transportation system must serve a multi-jurisdictional region rather than a single jurisdiction. Therefore, leaving parking strategies to the discretion of local jurisdictions omits parking from a regional transportation plan, rather than including it as an integral component.

Transportation systems that include parking restrictions are important development factors that can attract or discourage investment. Implementing a parking tax creates opportunity costs for all parking providers, including retail establishments. These opportunity costs may be borne not only by private firms but may also have a direct impact on the local jurisdiction. For example, the tax revenues from retail sales in

the state of Washington for fiscal year 1990 were approximately \$3.2 billion. A one percent decrease in retail sales would result in a loss of tax income equal to roughly \$32 million. A jurisdiction would bear these opportunity costs if it implemented the tax on its own. However, if all of the jurisdictions in the region adopted the same restrictions, the opportunity costs of each jurisdiction would be mitigated. From a regional perspective, developing a parking strategy would be consistent with efforts to balance the distribution of development.

<p>Recommendation One: A parking strategy should not be developed independently. It should be devised only as an element of a regional transportation plan.</p>
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The parking tax will increase the cost of single occupancy vehicle commutes and thereby discourage that form of commuting. The greater the ability of the tax is to reach the commuting parker directly, the more effective it will be at discouraging these commuters from driving alone. Likewise, the greater the applicability of the tax is to suburban locations, the more influential the tax will be at discouraging suburb to suburb commutes and at controlling the parking supply with demand in the suburbs.

A parking tax may be an effective way to discourage drive-alone commuting and raise revenues, but the imposition of the tax can result in other problems that are equally difficult to overcome and costly for society. For example, by addressing the problem of free parking with a tax, the tax would create, among other problems, additional administration costs. The parking operators, who are not the target of the tax, would pay at least a substantial part of the tax burden. Regardless of whether the tax was placed on the commercial parking business or the individual parker, economic analysis reveals that the parking operator would end up paying at least part of the tax. The current legislation has weaknesses, such as a limited definition of "commercial parking," that exacerbate the problems of the parking tax without adding to its ability to achieve its goals.

Inequity, or unfairness, is perhaps the most important shortcoming of the current tax. The inability of the Local Option Commercial Parking Tax to target free parking not only dilutes the effectiveness of the tax as a TDM tool, but also further accentuates the inequalities between free and user-paid parking. As currently written, the statute would target employers who tried to encourage alternative commute modes through user-paid parking, but it would not tax those employers who provided free parking. The parking tax under the current legislation might also work to the disadvantage of retail businesses in CBD areas, where most parking is user-paid, in relation to shopping malls that provide free parking for their patrons.

As a way of correcting these shortcomings, and on the basis of the information gathered in the public opinion assessment, one of the alternatives recommended in this report is to amend the current legislation. Four options were identified and explored for this purpose. The proposed amendments represent an attempt to correct the problems with the current legislation and make the parking tax a more feasible option for accomplishing both revenue goals and transportation demand management goals. One of these suggestions, the Commuter Parking Tax, appears to be the most successful alternative for achieving the desired goals.

The Commuter Parking Tax was designed as a tax on all single occupancy vehicle commuters and would be imposed on the driver. Collection of the tax would be the responsibility of the entity that provided the parking. Designing a tax this way addresses many of the issues raised during analysis of the current statute. First, the tax would be imposed on the driver. Drivers would be directly responsible for their own commuting behavior and would be required to pay the full costs of their trips. The provider of the parking facility would be responsible for collecting the tax. Imposing this responsibility on the provider of parking would encourage that entity to promote alternative transportation modes.

In addition to fulfilling the transportation demand management goals of the parking tax, the Commuter Parking Tax would also be more effective at raising revenue. The Commuter Parking Tax would target commuters, a broad based group, and because it would not involve extensive exceptions or varied rates, costs of administration would be lower. Targeting commuters would also tax a stable tax base. Studies have shown that the demand for parking is relatively inelastic. While other transportation demand management tools attempt to change the inelastic nature of single occupancy commutes, commuter parking taxes would profit from it. To affect a greater change in commuter behavior, parking taxes could require all revenues to be used only for TDM programs. If a parking tax, such as the Commuter Parking Tax, were designed to satisfy these criteria, it could be more effective at simultaneously achieving revenue and TDM goals.

Recommendation Two: The Local Option Commercial Parking Tax should be amended to address inequities and unwarranted exceptions.

Most of the analysis of the Commercial Parking Tax statute for this project was conducted before Second Substitute House Bill 1671, the Commute Trip Reduction Act, was passed by the Washington State Legislature in May 1991.¹⁷ The Commute Trip Reduction legislation mandates that each major employer (100 or more employees) in a jurisdiction develop a commute trip reduction program in accord with a local jurisdiction plan, and includes parking as one of the potential elements of the program. Because the goals of the Commute Trip Reduction Act complement the parking tax, analysis of one should consider the other. In fact, the Commute Trip Reduction Act could help address some of the shortcomings of the parking tax, namely the tax's inability to broadly reach all major work sites. Additionally, the parking tax could work with the Commute Trip Reduction Act to enforce its goals. Local jurisdictions that implemented the parking tax

could use their taxing authority to reinforce the trip reduction goals of SSHB 1671 with price incentives.

Recommendation Three: A revised parking tax should take the passage of the Commute Trip Reduction Act into account.

If a jurisdiction is primarily interested in raising revenues for transportation purposes, the parking tax may be able to fulfill such needs. The tax enables a jurisdiction to fully tax the commercial parking business, as well as parkers who already pay a fee for parking. The tax would be especially effective at major work sites that provided limited or no free parking. Such would be the case for the city of Bremerton, which would be able to tax ferry terminal parkers, most of whom are not residents of the city. Additionally, the tax might provide the jurisdiction with an opportunity to tax parkers in exchange for use of the transportation infrastructure.

Recommendation Four: Local jurisdictions that decide to enact the Local Option Commercial Parking Tax should apply revenues to transportation demand management purposes.

In summary, the commercial parking tax, as defined by RCW 82.80.030, could not reduce transportation demand enough to alleviate congestion or significantly improve the quality of the air in the Puget Sound region. As it is currently designed, the parking tax is not an ideal technique for managing transportation demand. To fully achieve the objectives of raising revenues and changing mode split, any amendment to the current legislation needs to consider the issues of equity, the potential for a broad application, and the regional nature of transportation systems.

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APPENDIX A

**FLOW CHARTS ILLUSTRATING THE HISTORY OF THE
DEVELOPMENT OF THE ALTERNATIVES**

Alternative Two: Amend Existing Legislation

1991

June

May - June

April

Meetings

Action

Comments Received

Alternative: included in Final Report as Alternative Two.

Proposal for new legislation four alternatives:

- Commuter Parking Tax: tax the privilege of commuter parking; target drivers
- Employer-based Traffic Demand Excise Tax: tax employers with 25 or more employees
- Comprehensive Alternative: it combines present Commercial Parking Tax with the Employer-imposed Traffic Demand Excise Tax
- Modifications of Present Legislation: it expands scope of the current tax and its applicability to State & Municipal entities and to Employer-operated or Leased Parking.

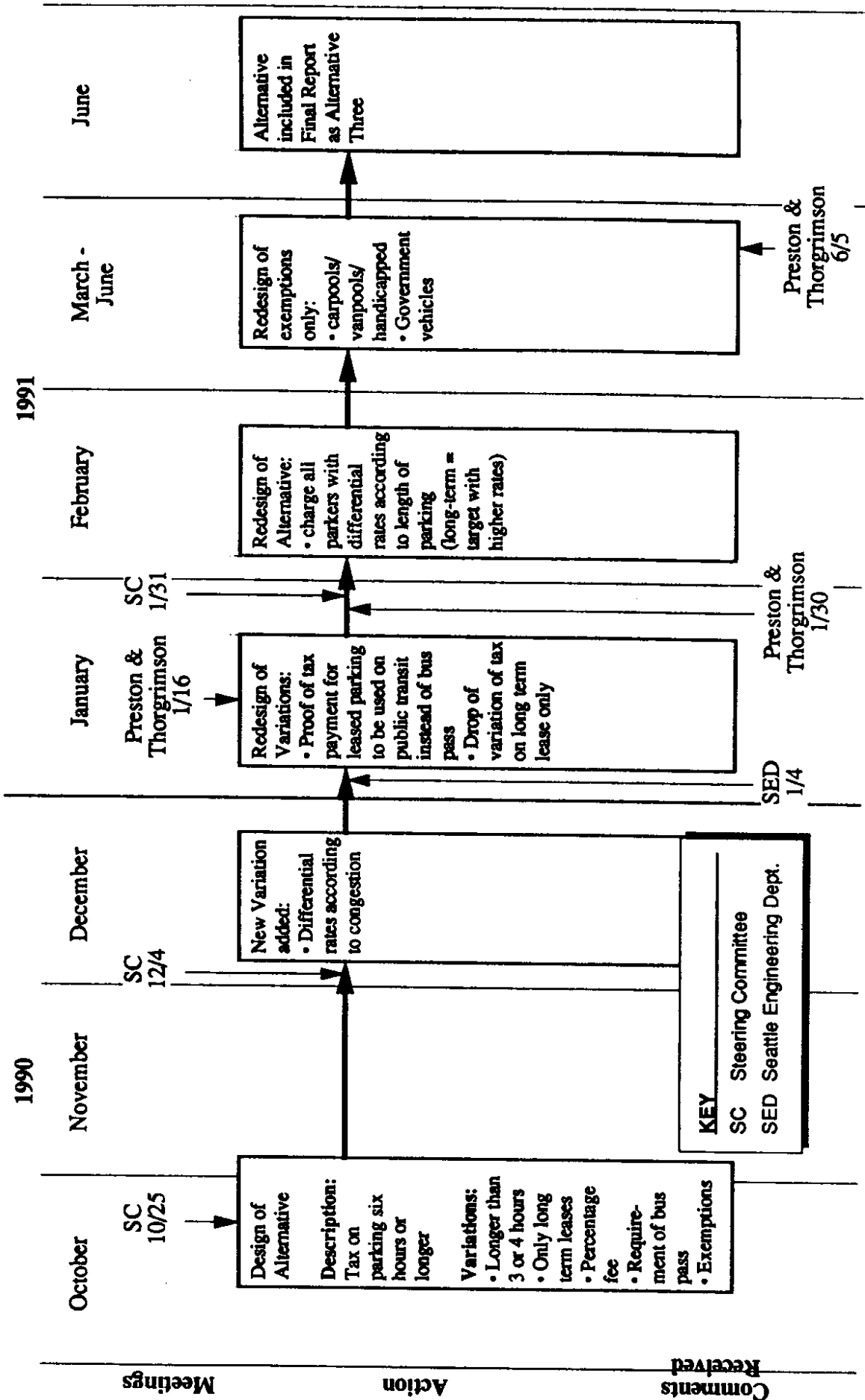
Decision to prepare a draft of new legislation

KEY
 SC Steering Committee
 SED Seattle Engineering Dept.

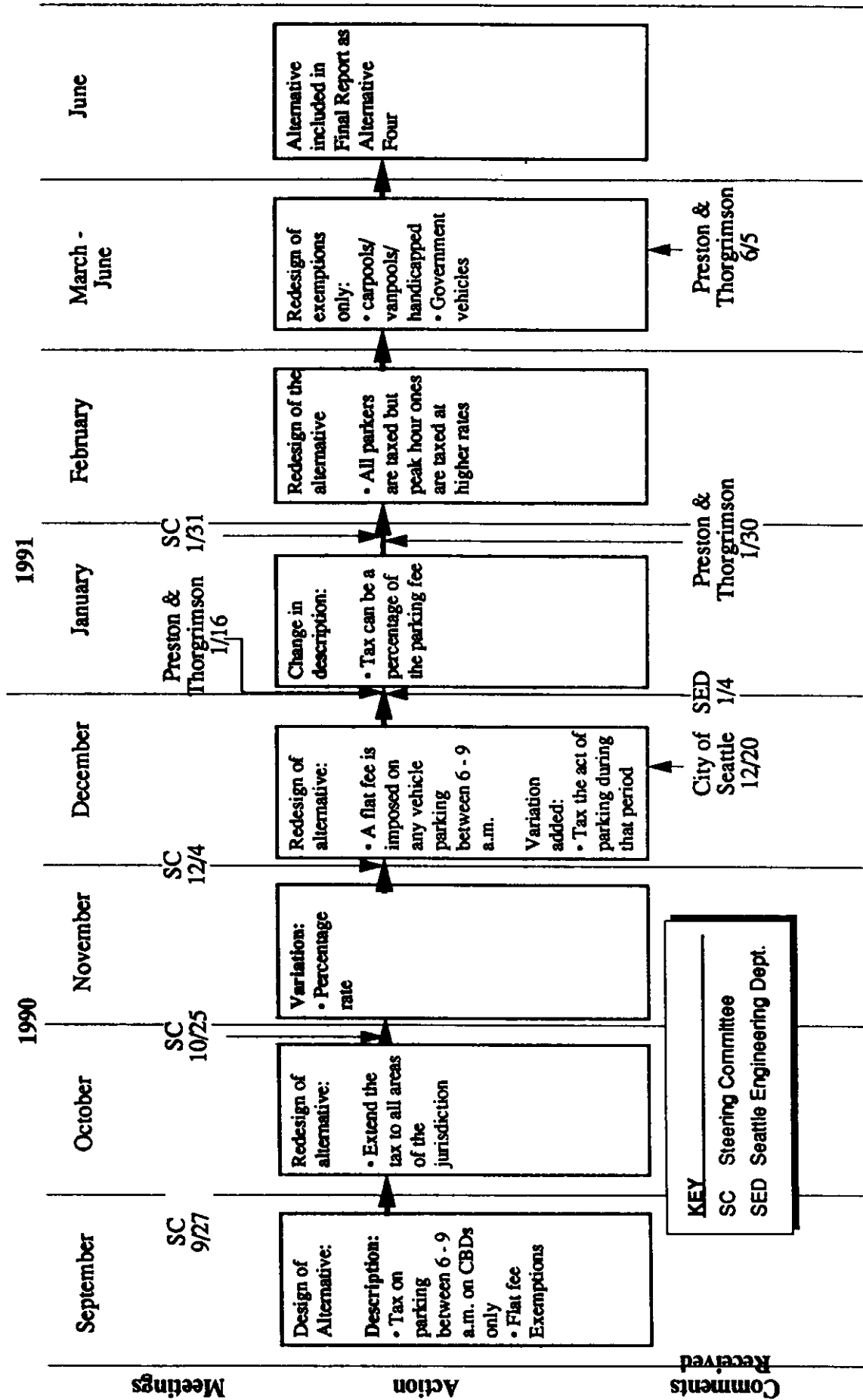
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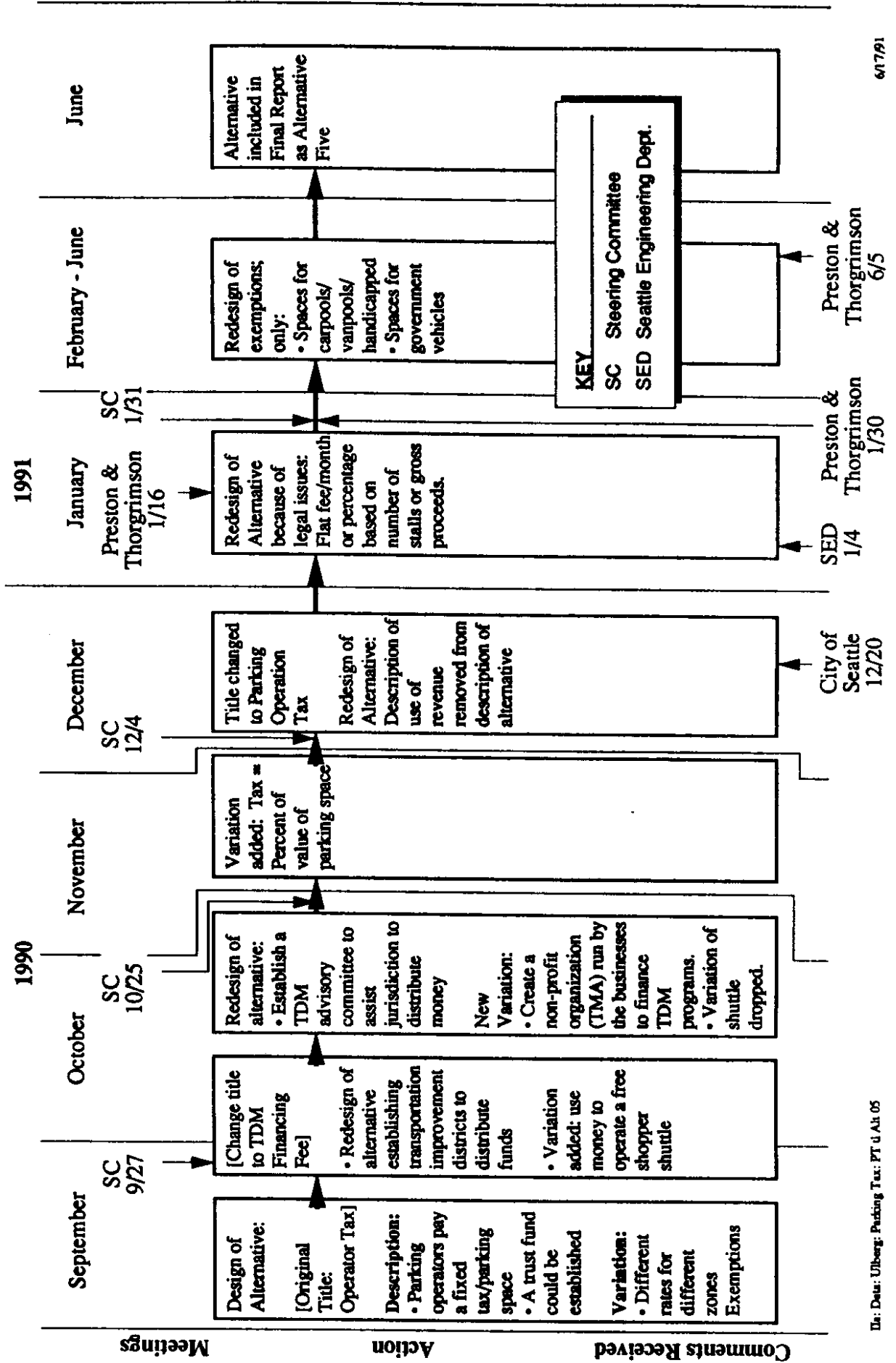
Alternative Three: Long Term Parking Tax History



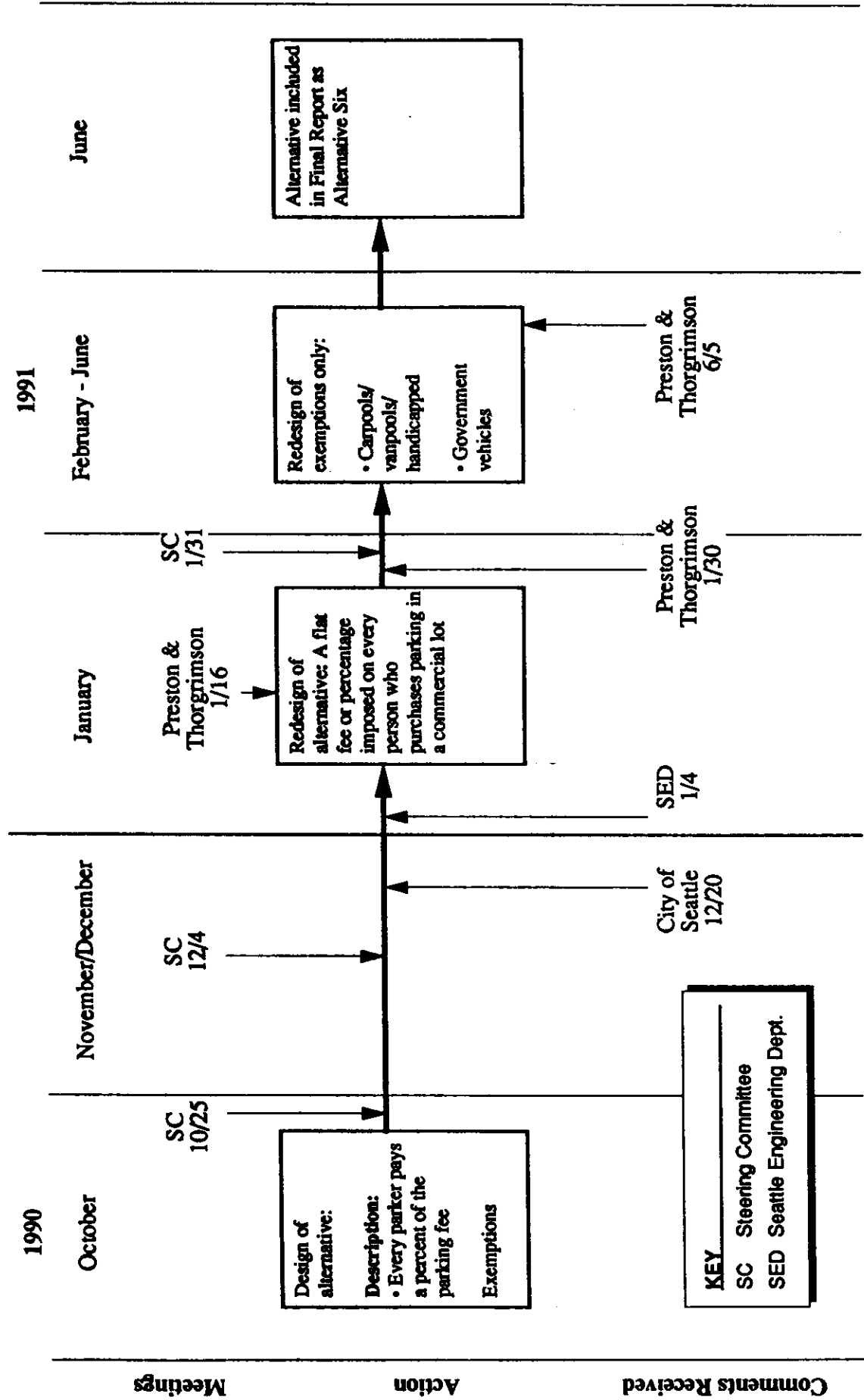
Alternative Four: Peak Hour Parking Tax History



Alternative Five: Parking Operation Tax History



Alternative Six: General Parking Tax History

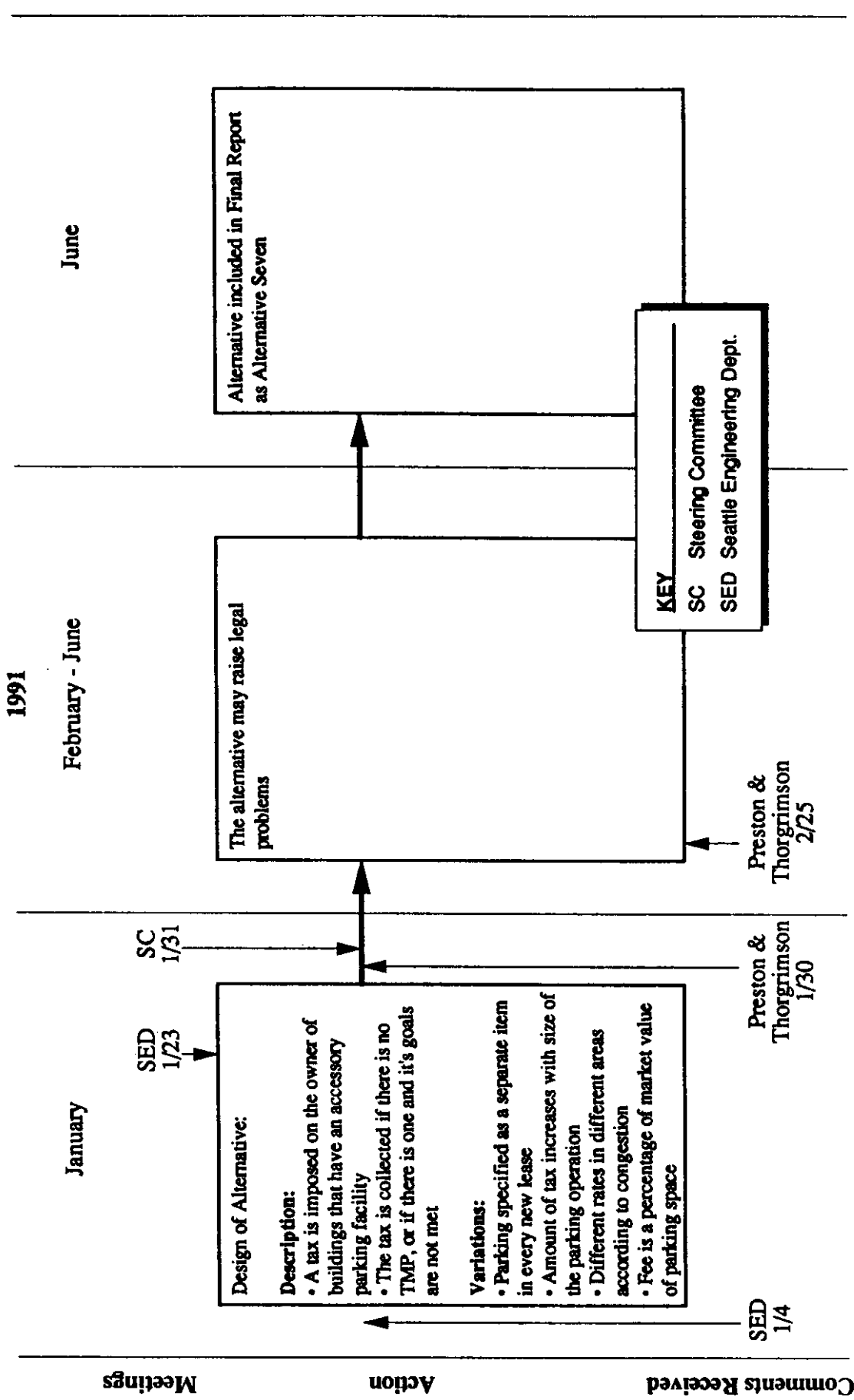


Meetings

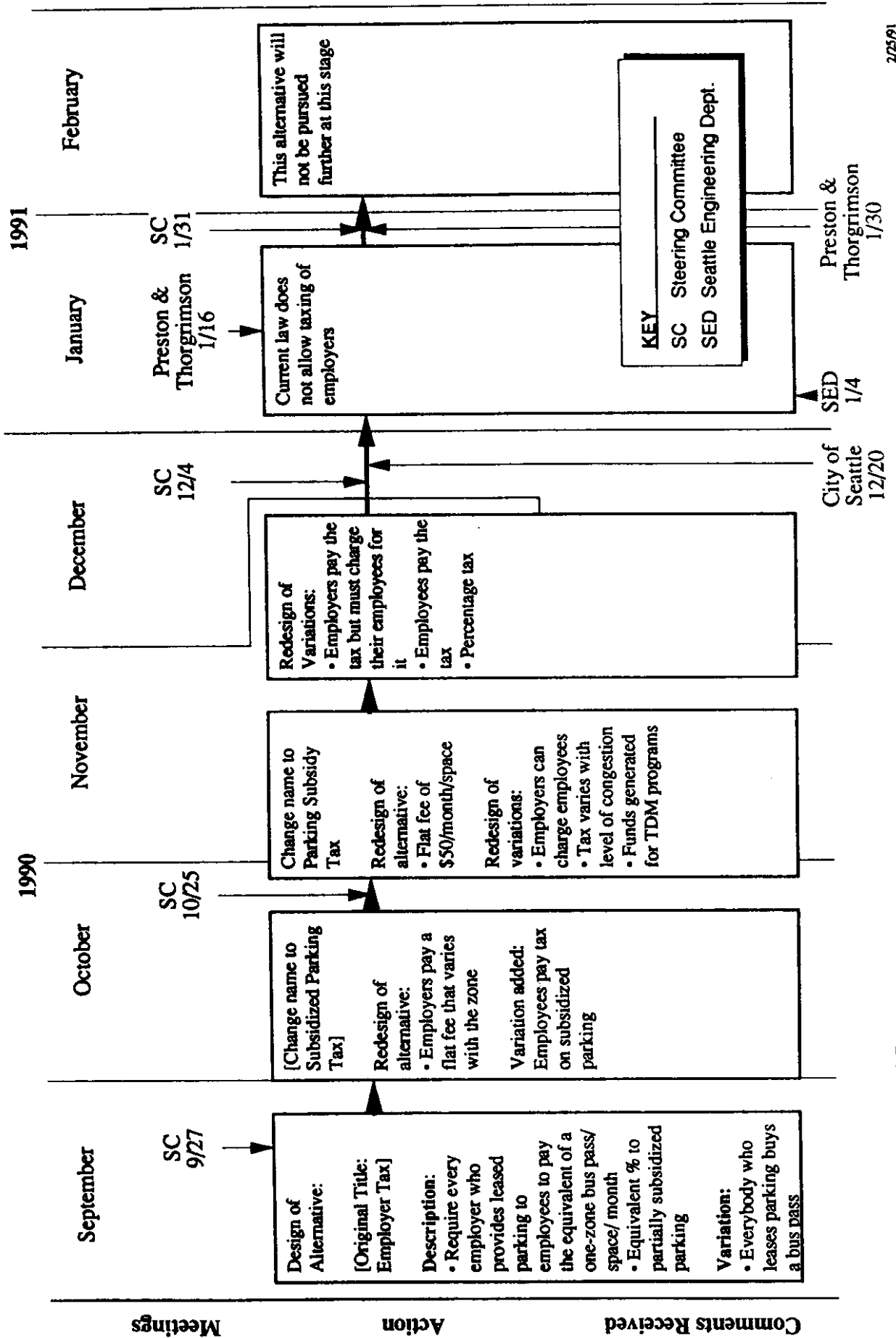
Action

Comments Received

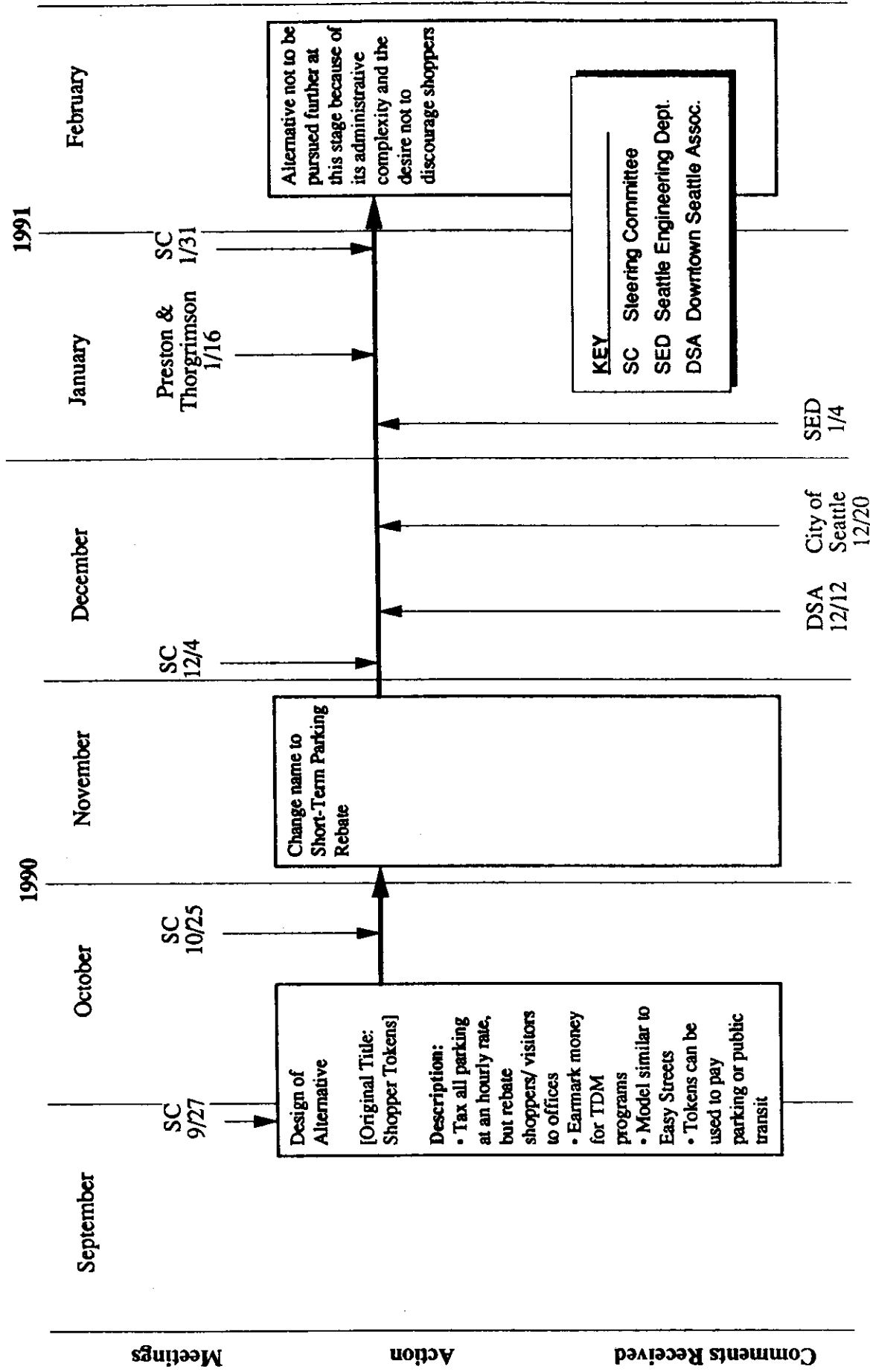
Alternative Seven: Accessory Parking Tax History



Parking Subsidy Tax History

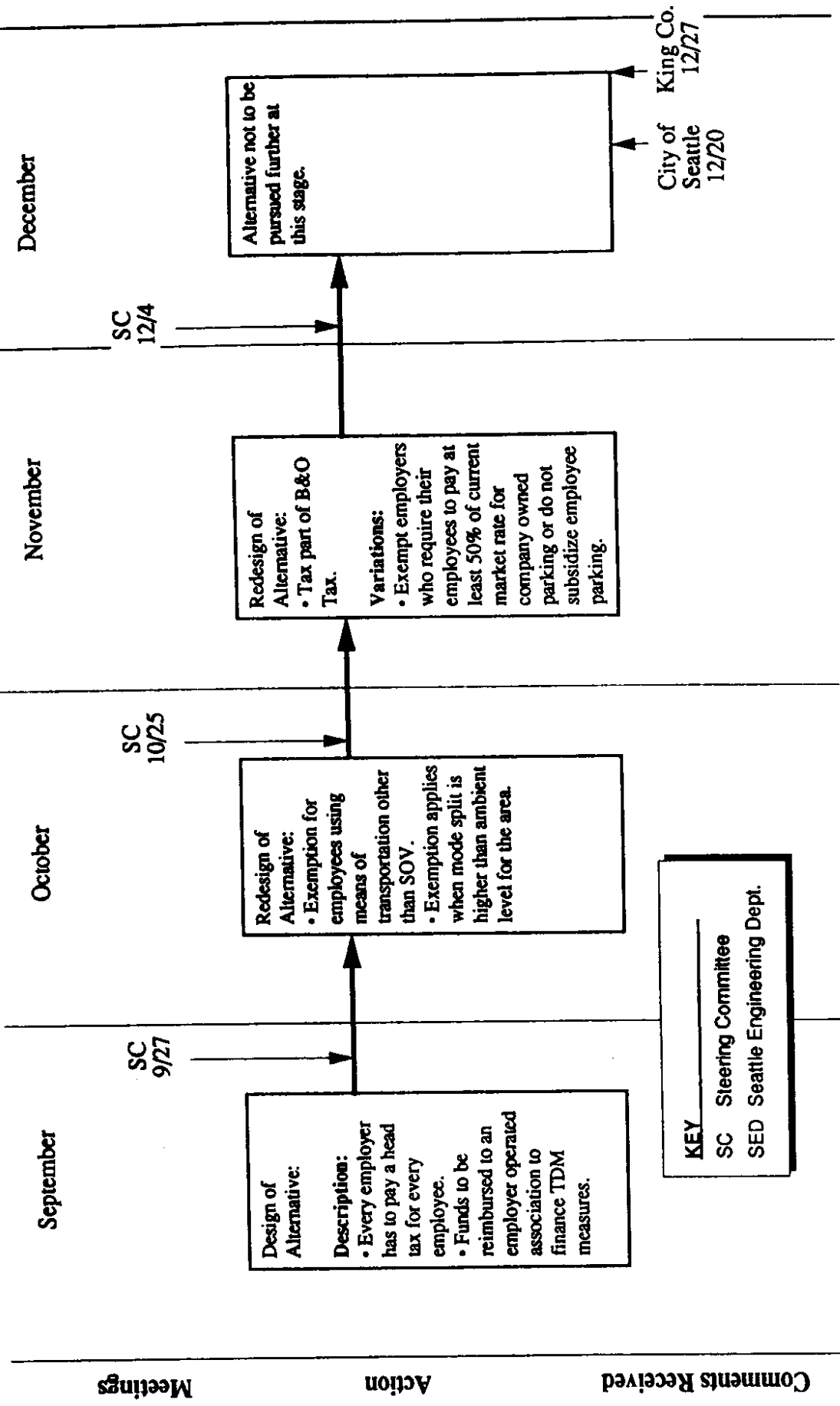


Short-Term Parking Rebate History



Employee Head Parking Tax History

1990



APPENDIX B

**LEGISLATIVE ALTRNATIVES TO THE PROPOSED LOCAL
OPTION COMMERCIAL PARKING**

(drafted by Preston, Thorgrimson, Shilder, Gates, and Ellis)

MEMORANDUM

TO: Cy Ulberg
Graciella Etchart
Bethany Whitaker

FROM: David M. Landau

RE: Legislative Alternatives to the Proposed Local Option
Commercial Parking Tax

DATE: August 1, 1991

INTRODUCTION

In the course of developing and examining possible strategies for implementing the recently enacted Local Option Commercial Parking Tax (the "Parking Tax"), we have identified and discussed certain limitations on the manner in which the tax can be implemented and the range of policy goals that the present legislation can support. We have found, for example, that the present tax may be somewhat limited in its effectiveness as a transportation demand management ("TDM") tool, as it arguably fails to reach a large number of commuter parkers.

In particular, the tax present tax does not appear to reach large employers who provide free parking for their employees, commuters working in suburban office parks with "free" parking or other commuters who commute but enjoy the benefit of ample on-street parking. The trips by these commuters may pose as significant, if not a greater problem than the peak hour demands imposed by "downtown" commuters. For the most part, however, employer and "free" parking will not be affected by the present legislation.

As a result, while effective as a revenue measure, the tax on commercial parking businesses and individuals parking in such facilities, may have less than the desired impact on demand and congestion, regardless of the level at which the tax is set. The tax, as written, seems to fall short of its apparent regulatory goals. The present tax also has the potential, perhaps unattended affect, of affecting drivers who park while shopping ("retail parkers"), as well as commuters. Thus, the present version of the

commercial parking tax is both somewhat underinclusive and overinclusive.

This memorandum presents several alternatives to the present tax. These alternatives vary in their scope and in their approach. The alternatives, however, have a common goal. That goal is to extend the potential reach of the tax and to enhance the potential regulatory effect of the tax. Assuming that the tax is aimed in great part at controlling transportation demand during peak commuting hours, the following alternatives suggest ways of reaching a broad group of commuter drivers/parkers, while retaining a large measure of local flexibility. To the extent possible, the alternatives also take into account the TDM provisions that were enacted as Ch. 202, Sections 10-25, Laws of 1991 (the "Demand Management Provisions") which went into effect on July 1, 1991 and which provide a complimentary regulatory framework for reducing automobile commuting trips.

We note that while the alternatives presented here favor TDM goals over the revenue-raising aspects of the tax, the alternative taxes are also more broadly based than the present tax. As a result, the proposed alternatives may actually generate as much, if not more, revenue than the presently authorized tax.

This memorandum begins with a set of minor amendments that would build on the existing statute and could be implemented as a means of broadening the scope of the existing tax and enhancing its potential as a TDM measure. The memorandum then outlines several alternatives that reexamine the manner in which a parking tax might be designed and implemented.

LEGISLATIVE ALTERNATIVES

ALTERNATIVE 1 - MODIFICATION OF PRESENT LEGISLATION

In view of the potential difficulty of passing a new, broader form of parking tax, the best alternative may be to merely modify portions of the existing legislation to widen its potential applicability and to enhance its effectiveness as a TDM measure. The following section of this memorandum examines sections of the statute that might be modified and suggests amendments and/or alternatives to specific provisions.

A. Expand Scope of the Tax

ISSUE: The present tax applies only to individuals parking in or operating a "commercial parking business." Section

208(1), (2). Thus, the tax may not reach free parking at office parks and does not reach parking provided by an employer, without a charge, on the employer's property. Consequently, the tax may not be reaching a number of large contributors to existing peak-hour transportation demand problems.

PROPOSED

REVISION: The definition of commercial parking business at Section 208(3) of the statute might be amended as follows:

"Commercial parking business" as used in this section, means the ownership, lease, operation or management of ~~a commercial parking lot in which fees are charged.~~ a parking lot in which consideration is received by the owner or operator of the lot in exchange for the privilege of parking. For purposes of this definition, a 'commercial parking business' shall include without limitation parking available with a lease of non-residential space, parking provided at subsidized or reduced rates and parking provided at no charge by employers for the benefit of their employees. "Commercial parking lot" means a covered or uncovered area with stalls for the purpose of parking motor vehicles.

PROPOSED

REVISION: Instead of a tax on the parking in or operating a "commercial parking business," the tax could be recast as a tax on the privilege of parking in or operating an "offstreet parking facility." This would expand the scope of the tax significantly and would require a mechanism for collection from parking facilities that do not charge for parking. Because a tax on all offstreet parking would reach significantly beyond the scope of the present tax, it would also probably be necessary to add a number of exemptions to the statute to exempt certain parking that presently falls outside of the ambit of the statute, if that parking is to remain exempt under an "offstreet parking tax" scheme. For example, specific exemptions would be necessary for residential parking, storage of fleet vehicles and other types of parking.

B. Applicability to State and Municipal Entities

ISSUE: As discussed in some length in our previous legal analysis, the applicability of the present tax to state and municipal parking facilities, including parking at

the Port of Seattle's SeaTac Airport is unclear. While the tax applies to all "persons engaged in a commercial parking business" there is no definition of "person(s)" in the statute. Ordinarily, a municipality must have express authority to impose a tax on another governmental entity. The statute does not expressly authorize intergovernmental taxation of parking and is silent as to whether municipalities and state agencies and instrumentalities might be "persons" within the scope of the statute. Separate authority dealing with the operations of airports under Ch. 14.07 RCW also makes it unclear whether airport parking may be taxed, absent specific authority.

PROPOSED
REVISION:

1. Amend the present act to include a broad definition of "person" which would include the State of Washington, its agencies, instrumentalities, political subdivisions and municipalities, as well as natural persons, corporations, partnerships and other legal persons. In the alternative, the act might simply adopt the broad definition of "person" at RCW 82.04.030 applicable to the B & O and other state excise taxes. That definition reads as follows:

"Person" or "company", herein used interchangeably, means any individual, receiver, administrator, executor, assignee, trustee in bankruptcy, trust, estate, firm, copartnership, joint venture, club, company, joint stock company, business trust, municipal corporation, political subdivision of the state of Washington, corporation, association, society, or any group of individuals acting as a unit, whether mutual, cooperative, fraternal, nonprofit, or otherwise and the United States or any instrumentality thereof.

2. It would also be prudent to amend Ch. 14.07 RCW to clarify that limited taxation on airport parking operations is not prohibited by that chapter.

C. Applicability to Employer-Operated or Leased Parking

ISSUE: It is questionable under the present statute whether and to what extent employers may be subjected to the tax. In many instances, employers receive parking through their leases which they provide at no or little cost to their employees. The statute is fairly clear that the tax is intended to reach parking provided through a

lease. It remains somewhat unclear whether the employer (as opposed to the employee using the parking) is liable for the tax and the extent to which the employer can be made responsible for collecting the tax. Specifically, it is unclear whether an employer that passes along parking privileges to employees enjoys the "privilege" of parking. Even if it does, the statute speaks only in terms of a tax on "operators and owners of motor vehicles" and on operators of "commercial parking businesses."

PROPOSED

REVISION: The statute might be amended to provide that an employer or other entity which leases, receives the right to lease or otherwise obtains rights to parking, either directly or in connection with a lease of nonresidential property, enjoys the "privilege" of parking. The statute should also be amended to specifically provide that, at the option of the municipality, the employer may be liable for the tax or responsible for the collection of such tax.

D. Comments Concerning Modification of the Current Legislation

If the primary goal of the Parking Tax is to reduce traffic demand, it may be difficult to achieve this objective by simply reworking the present law, which was drafted primarily as a revenue raising measure. The statute may simply provide the wrong starting point for a traffic demand measure and it may be more effective to adopt one of the alternatives that follow.

We note, however that with the recent enactment of the new Demand Management Provisions, there may be less pressure or less need for the Parking Tax to bear the full weight of achieving traffic demand reduction objectives. Municipalities may wish to use the Parking Tax to provide a complimentary form of indirect regulation or may simply wish to use it as a revenue producing measure. If the tax is to be used to reinforce or compliment the Demand Management Provisions, the Parking Tax should probably be amended to provide some general authority to that would enable municipalities to vary tax rates and/or provide exemptions tied to achieving goals under trip reduction programs developed under the DMP.

ALTERNATIVE 2 - COMMUTER PARKING TAX

SUMMARY: This alternative recasts the original statute as a tax on "commuter parking" as opposed to a tax on "commercial parking." The tax is on the privilege of commuter parking and is imposed on the driver. The duty of collection simply fall to the entity which provides the parking. Thus, responsibility for collection is imposed on one of the following entities: a) the operator of commercial parking facility; b) the employer; or, c) the owner of a commercial office building. The tax includes implementation options that could be used to reduce tax to entities which reduce single occupancy vehicle ("SOV") trips through TDM programs.

GOALS: To maximize the pool of commuters and, thereby, increase revenues and maximize the effect of the statute as a TDM measure. To eliminate the potential impact of a "commercial parking tax" on retail shop owners whose customers might be discouraged from patronizing downtown shops under the present tax.

MECHANISM:

1. A tax is imposed on the act or privilege of "commuter parking." So as to mesh with the new DMP, "Commuter Parking" might be defined as "parking between the hours of 6:00 and 9:00 a.m. on weekdays for the primary purpose of temporary storage of vehicles used for transportation to and/or from one's worksite." For purposes of this definition, all parking between 6:00 and 9:00 a.m. is presumed to be for the purpose of commuter parking unless otherwise demonstrated by the owner/operator of the lot. This definition would specifically exclude residential parking, including parking provided in connection with a lease of residential space, so long as that space is provided within $\frac{1}{4}$ mile of one's residence.

2. The tax applies regardless of whether there is a charge for parking and without regard to who pays the parking charges, if any.

3. The tax is a flat, per vehicle tax. In order to build up to an acceptable level of tax and to avoid inflationary dilution of the power of a flat tax, the tax might be phased in gradually with a series of annual, scheduled increases over a 3 to 5 year period.

Thereafter, the tax would be adjusted automatically for inflation.

4. The rate of tax may vary with zoning or location of the parking facility; the type or use of vehicle; the extent to which an employer's employees are participating in transportation demand management ("TDM") programs; the extent of the employer's or third party's subsidies of parking; and, other reasonable factors. The rates charged must be uniform for the same class or type of parking facility within the same zone.

5. The tax shall be collected by "parking facility operators" including: a) commercial parking lot operators (lots in which consideration is received directly or indirectly for the privilege of parking); b) employers who provide parking on their premises; and, c) owners of commercial office buildings. The duty of collection simply falls on the entity which provides the parking. The tax for commuters parking in commercial parking lots is collected by the operator of the lot. The parking lot operator may elect whether to collect the tax from the employer or directly from the employee/parkers. If parking is provided by the employer, the employer has the duty to collect tax. Where parking facilities are maintained by the building owner (e.g. suburban office parks), the duty of collection is on the building owner. The entity responsible for collection shall be liable for any failure to collect taxes which are owing.

6. For purposes of this act, parking facilities operated by state agencies, instrumentalities or municipalities and other political subdivisions, in which fees are charged, shall be deemed to be "commercial parking facilities" responsible for collection for the parking tax. State and municipal entities which operate parking facilities for the benefit of their own employees, without charge, are treated as employers and are responsible for collection of a tax from their employees.

EXEMPTIONS: The following categories might be exempt from tax:

1. Qualified carpools (i.e.- unless otherwise provided by the municipality, a qualified carpool might be defined as a carpool of three (3) or more persons used four (4) or more days of each week);

2. Vehicles with handicapped decals; and,
3. Such other classes of exemptions as a municipality might reasonably provide, consistent with the purposes of the act.

[Note: Since this form of tax applies only to commuter parking, all other parking is exempt by definition, without the need for specific exemptions. Consequently, residential leased parking, hotel parking, airport passenger parking and parking for retail shoppers, would not be subject to the tax. Employers who shift working hours to fall outside of peak periods would also be exempt, as would second and third shift workers. These latter exemptions are consistent, however, with the underlying policy of the act which is to reduce congestion at peak hours.]

ADMINISTRATIVE
PROVISIONS:

The city or county levying the tax could provide for its payment on a monthly, quarterly or annual basis. Each local government would also be authorized to develop by ordinance or resolution such rules as might be necessary for administering the tax, including provisions for reporting, record-keeping, auditing, collection, and enforcement.

USE OF
TAX PROCEEDS:

Use of proceeds from the tax must be used for transportation purposes, with not less than 75% of the proceeds dedicated to TDM-oriented projects. This requirement would prevent tax proceeds from simply being used to expand highways and repair roads and would require these tax monies to be earmarked for projects designed to increase mass transit other alternatives to SOV commuting.

ADVANTAGES:

1. This tax is based solely on a flat fee per parker and may be easier to calculate and administer than a tax based on a percentage of gross proceeds.

2. The tax is more broadly based than the present form of the commercial parking tax, but should be less objectionable to retailers.

DISADVANTAGES:

1. As presently conceived, this tax would not reach parkers at the airport other than airport employees.
2. This tax would require three different types of entities to collect the tax and would probably require some additional regulations allocating responsibility for collection in different situations.

ALTERNATIVE 3 - THE EMPLOYER-BASED TRANSPORTATION DEMAND EXCISE TAX

SUMMARY: This tax would impose a Transportation Demand Excise Tax on all employers who employ 100 or more employees. The tax is imposed in recognition of the employer's contribution to transportation demand. A basic rate of tax would be imposed on a per employee basis. That basic rate might vary with the size of the employer and/or the extent of the employer's participation in a TDM program. The basic rate of tax might also vary with the zoning or location of the employer, the number of employees (i.e. the size of the employer) or other reasonable factors. By adopting TDM measures and other optional incentives, such as meeting or failing to meet trip reduction goals developed under the DMP, the employer could, through the use of multipliers, lower or increase its basic tax rate.

GOALS: To maximize the pool of commuters and, thereby, increase revenues and maximize the effect of the statute as a TDM measure. To eliminate the potential impact of a "commercial parking tax" on retail shop owners whose customers might be discouraged from patronizing downtown shops under the present tax.

MECHANISM:

1. An excise tax is imposed on all employers of 100 or more employees. An employee is any individual who performs services for an employer for at least thirty (30) hours per week, provided that this definition shall not include independent contractors and other third parties hired to perform construction, repair, security

functions and other ancillary services outside of the ordinary course of the employer's business.

2. The tax applies without regard to the manner in which parking is provided or the charges for parking, if any.

3. If the employer employs 100 or more employees, the tax is imposed as flat tax per employee on the total number of employees. As in the previous alternative, the tax might be phased in over an initial period of 3 to 5 years, with a mechanism for automatic adjustments for inflation. Employers with fewer than 100 employees are exempt from the tax. The per employee tax rate ("the basic rate") might be computed in a number of ways. Some options include:

a) all employers pay the same basic rate of tax regardless of size;

b) employers of different sizes or different size classifications (e.g. 100-199; 200-499; 500 +) pay a different basic rate based in their size classification;

c) a basic tax rate is established as a combination of size and the degree to which the employer has met its trip reduction goals; or,

d) the basic rate varies with the zone, classification of business or other factors, as well as with (or lieu of) size.

4. After computing the basic tax rate, an employer can reduce its total basic tax through the application of one or any combination of several multipliers, for example:

a) Employers which can demonstrate specified levels of participation in its trip reduction plan may incrementally reduce their tax.

b) Employers which stagger employee working hours (to relieve congestion during peak commuting hours) might be eligible for a reduction in tax.

c) Where the employer subsidizes some portion of parking costs (25%, 50%, etc.) a multiplier is applied which increases the tax. For example, the basic tax rate

might be multiplied by 1.5 (or a similar factor) to reach the applicable rate of tax.

d) Employers which pass through the full burden of the tax to their employees, might have their tax reduced by a multiplier of, for example, .8 or .9.

e) Other reductions might be structured around the specific elements encouraged by the DMP, such as the provision of bicycle parking facilities, providing subsidies for public transportation, preferential parking for high occupancy vehicles or any of the many provisions in Section 13 of the DMP.

5. The degree of subsidy would be determined on the basis of the posted commercial rate, so long as that rate was within 25% of a comparable facility. In the event that there is no posted rate, the degree of subsidy would be determined by reference to the rates of comparable facilities in the same geographic area.

ADMINISTRATIVE PROVISIONS:

1. The county or city levying the tax could provide for its payment on a monthly, quarterly, or annual basis. Each local government would be authorized to develop by ordinance or resolution rules for administering the tax, including provisions for reporting, record-keeping, auditing, collection, and enforcement.

2. The employer would have responsibility for maintaining records and establishing the extent of participation in its TDM plan. It would be required to maintain records on modes of transportation used by its employees, including the following categories: a) individual parking; b) mass transit; and c) vanpool participants. Those records would be required to be updated on a monthly or quarterly basis.

EXEMPTIONS:

The following categories might be exempt from tax:

1. Qualified carpools (i.e.- unless otherwise provided by the municipality, a qualified carpool might be defined as a carpool of three (3) or more persons used four (4) or more days of each week);

2. Vehicles with handicapped decals; and,
3. Vehicles of individuals whose employers have reached a level of TDM participation and SOV trip reduction entitling the employer to tax-exempt status; and
4. Such other classes of exemptions as the municipality might reasonably provide, consistent with purposes of the act.

[Note: This tax targets parking at the worksite. Other parking, including residential leased parking, hotel parking, airport passenger parking and parking for retail shoppers, is exempt by definition and would not be subject to the tax.]

USE OF
TAX PROCEEDS:

Some of the proceeds from the tax would be authorized for use by the municipality for administration and development of trip reduction programs under the DMP in addition to transportation purposes. The balance of the proceeds from the tax must be used for transportation purposes, with not less than 75% of the proceeds dedicated to TDM-oriented projects. This requirement would prevent tax proceeds from simply being used to expand highways and repair roads and would require these tax monies to be earmarked for projects designed to increase mass transit other alternatives to SOV commuting.

ADVANTAGES:

1. Doesn't reach retail, hotel (other than employee parking) or residential parking.
2. Relatively simple to implement and administer.
3. The incentives individualize to a significant degree the impact of the tax.

DISADVANTAGES:

1. Again this tax would not encompass parking presently provided at the airport.

2. May draw significant opposition from employers who now have liability for tax, as well as burden of administering the tax.

ALTERNATIVE 4 - COMPREHENSIVE ALTERNATIVE

SUMMARY: This alternative would combine the employer-imposed Transportation Demand Excise Tax with a tax substantially similar to the present Commercial Parking Tax, to create a comprehensive tax reaching all worksite parking and all paid parking. All parking for vehicles used in commuting would be taxed through the employer, regardless of where the employee parked. All other commercial parking would be taxed in a manner similar to the manner in which it would be taxed under the present statute. In order to cure some of the problems identified with the present form of the parking tax, the comprehensive tax would make clear that it applies to all parking for which a fee is paid, including parking facilities owned and/or operated by the state of Washington, its agencies, instrumentalities, subdivisions and by municipalities, which charge for parking.

GOALS: Expand the scope of the tax to a broad range of parking, including larger commercial parking operations such as parking at the airport and student parking in the University District, which are not otherwise encompassed by either Alternative 2 or 3.

MECHANISM:

1. The tax would apply to: a) Employers who employ 100 or more employees, and b) to all parkers, not otherwise encompassed in the first category, for the act or privilege of parking in a commercial parking facility. For purposes of equity and because many employers do not charge for parking, the employer-based portion of the tax would be imposed as a flat tax per vehicle. The tax on commercial parking facilities might be imposed either as a tax on parkers or as an excise tax on operators of commercial parking facilities.

2. The mechanisms of the individual, component taxes have been described previously. In order to prevent double taxation and provide for ease of administration, parkers who have paid the Transportation Demand Excise Tax through work would receive a sticker or medallion

identifying them as exempt from the Commercial Parking Tax. Parking lot operators would only collect and account for tax from parkers who did not have proof of payment by or through their employer.

3. Employers would be responsible for collection and payment of the Transportation Demand Excise Tax. If implemented as a tax on the parker, the operator of the commercial parking facility would be responsible for collecting the Commercial Parking Tax from parkers. If implemented as a tax on the operator, the operator would be liable for the tax.

4. As with the other alternatives, the rate of tax could be varied with zoning or location of the employer or the commercial parking facility; the size or class of business; the type or use of vehicle; the degree of employer parking subsidy; the level of participation in or attainment of certain specified goals under the employer's trip reduction program; whether the tax is passed through to the employee; and other reasonable factors.

5. The tax would be amended to clarify that it applies to all parking for which a fee is paid, including parking facilities owned and/or operated by the state of Washington, its agencies, instrumentalities, subdivisions and by municipalities, in which there is a charge for parking.

EXEMPTIONS: The following entities might be eligible for exemptions from the tax:

1. Qualified carpools;
2. Vehicles with handicapped decals;
3. Hotel parking for hotel guests;
4. Residential parking, including parking provided in connection with a lease of residential property, so long as the parking is at a facility within $\frac{1}{4}$ mile of the vehicle owner's residence; and,
5. Such other classes of exemptions as the municipality might reasonably provide, consistent with the purpose of this act.

USE OF
TAX PROCEEDS:

Some of the proceeds from the tax would be authorized for use by the municipality for administration and development of trip reduction programs under the DMP in addition to transportation purposes. The balance of the proceeds from the tax must be used for transportation purposes, with not less than 75% of the proceeds dedicated to TDM-oriented projects. This requirement would prevent tax proceeds from simply being used to expand highways and repair roads and would require these tax monies to be earmarked for projects designed to increase mass transit other alternatives to SOV commuting.

ADVANTAGES:

1. Adds to revenue producing benefits of a tax applicable solely to "commuter parking."
2. Adds cost to all paid parking, adding to the potential of the tax to effect an overall transportation mode shift. This makes the tax more equitable than a tax which falls mainly on downtown commuters and may increase the tax's political acceptability.

DISADVANTAGES:

1. Some parking for retail shopping would be subject to the tax, while other parking, particularly "free" parking at suburban shopping malls would not be subject to the tax.
2. Might be too confusing to administer and/or too difficult to understand.
3. May simply be too broad to be politically acceptable.

CONCLUSION

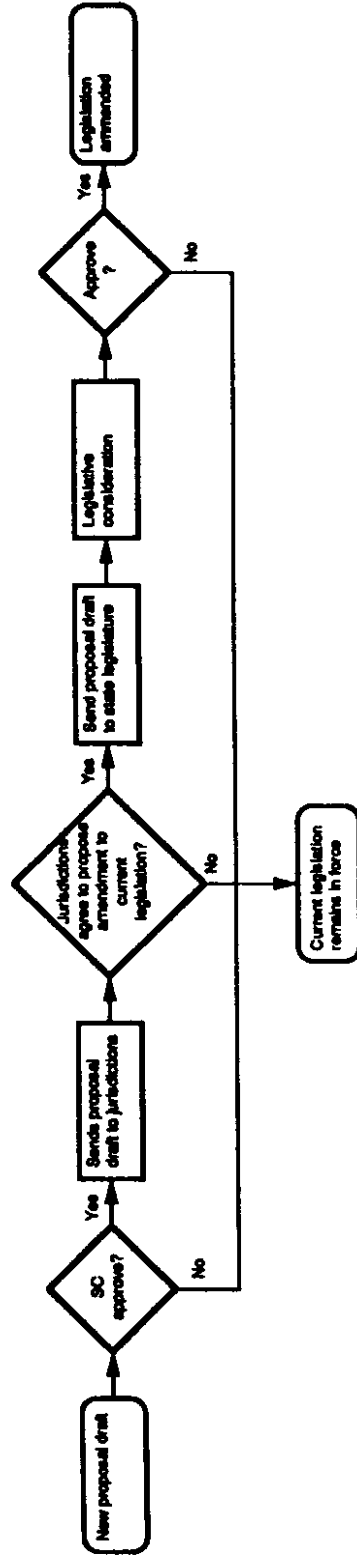
We trust that the proposed alternatives will serve as a springboard for further development of legislative approaches that will expand upon the regulatory options available under current law. As we have noted, it is essential that any legislation reflect and establish the basis for carrying out the policy goals that the law is intended to serve. Consequently, the present legislation and any new alternatives should be continually

August 1, 1991
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evaluated to ascertain whether they continue to meet the policy goals of the law, as those goals are further identified and as they change through the evaluation process. We welcome any comments or additional ideas for alternatives that you may have.

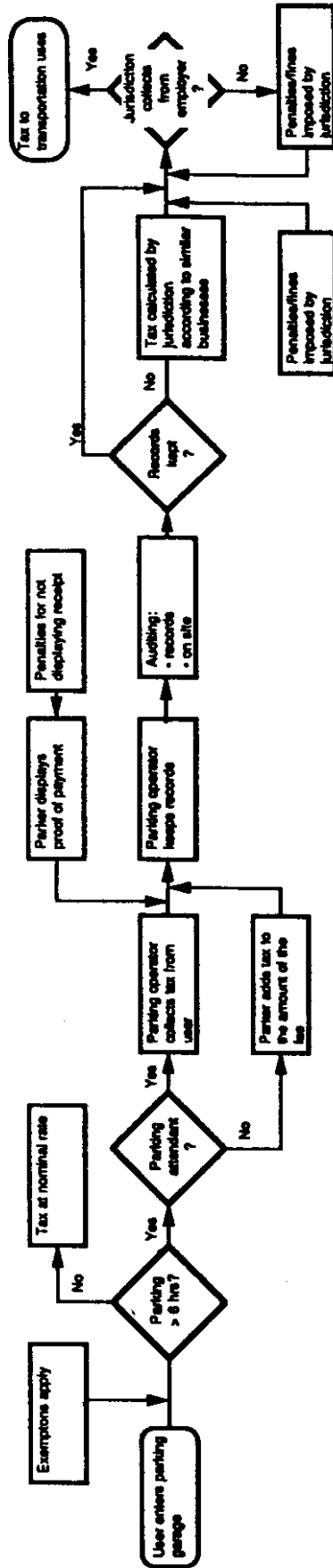
APPENDIX C
FLOW CHARTS ILLUSTRATING ADMINISTRATIVE PROCESS
BY ALTERNATIVE

Alternative Two: Amend Current Legislation



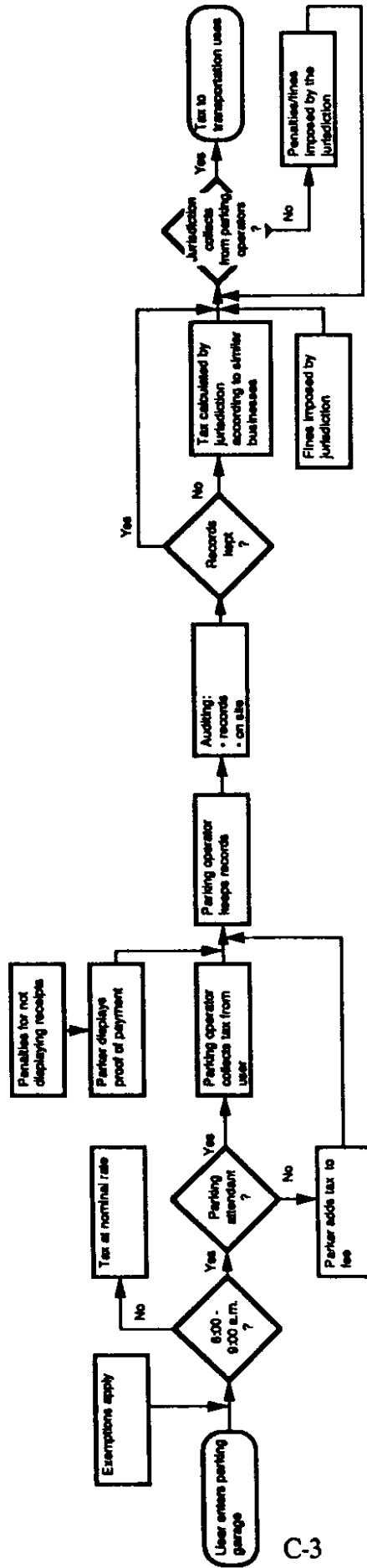
SC - Steering Committee

Alternative Three: Long-Term Parking Tax Administrative Processes



- Exemptions**
- Government vehicles
 - Carpools/vanpools/handicapped

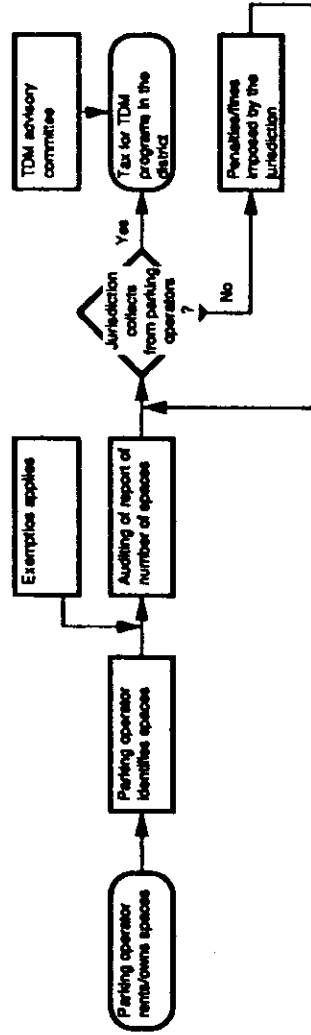
Alternative Four: Peak Hour Parking Tax Administrative Processes



- Exemptions**
- Government vehicles
 - Carpools/vanpools/handicapped

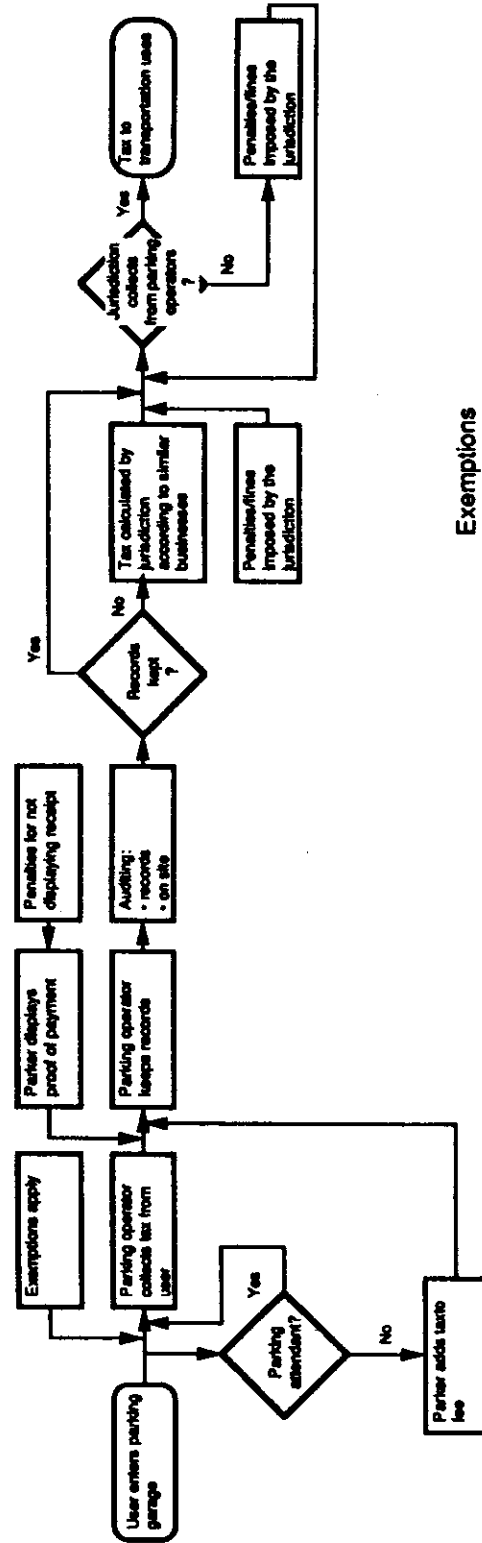
C-3

Alternative Five: Parking Operation Tax Administrative Processes



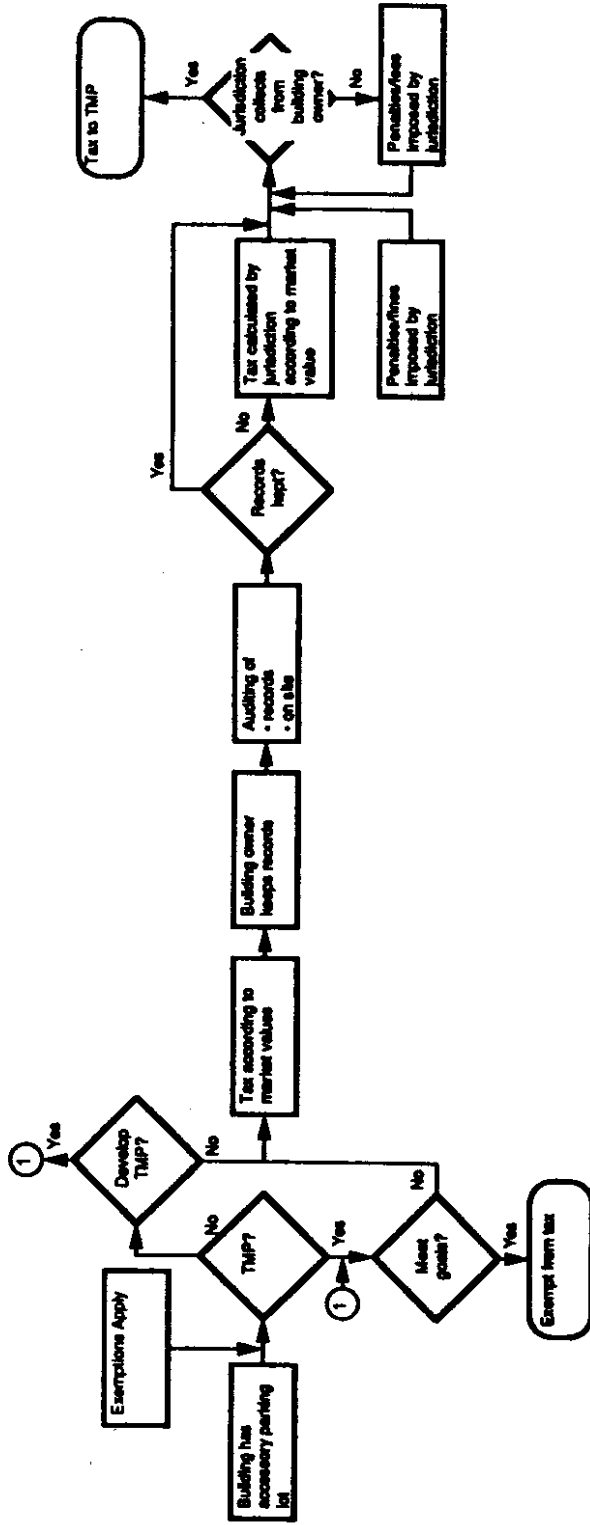
- Exemptions**
- Spaces reserved for carpools/vanpools/handicapped and government vehicles

Alternative Six: General Parking Tax Administrative Processes



- Exemptions**
- Government vehicles
 - Carpools/vanpools/handicapped

Alternative Seven: Accessory Parking Tax Administrative Processes



- Exemptions**
- Government vehicles
 - Carpools/vanpools/handicapped
 - TMP goals achieved

APPENDIX D
LIST OF MEETINGS

Meetings held by Researchers to Discuss Major Issues Surrounding the Design and Implementation of the Parking Tax

1.- Representatives from jurisdictions

1.1.- Main Topic Discussed: Objectives pursued by the jurisdiction and their reaction to the legislation and designed alternatives.

1.2. Jurisdictions visited:

- * King County
- * City of Seattle
- * Seattle Engineering Department
- * Seattle Department of Licenses
- * City of Bellevue
- * City of Seatac
- * City of Bremerton

1.3. Telephone Contacts

- * City of Everett
- * City of Edmonds
- * City of Redmond
- * City of Tacoma
- * City of Winslow
- * City of Bellingham
- * City of Renton
- * City of Kirkland
- * City of Tukwila
- * City of Auburn
- * City of Kent

2.- Parking Operators

2.1.- Main Topic Discussed: How a Parking Tax would affect the parking business and what are the major problems of implementation of the tax, as perceived by the operators.

2.2.- Parking Operators Interviewed:

- * AMPCO
- * International District Merchants and Parking Association
- * U-Park
- * Key Park
- * Diamond
- * Bruce Caplan Parking
- * District Parking Associates, Inc.

3.- Business Community/Employers

3.1.- Main Topic Discussed: How would the Parking Tax affect retailers and employers-employees working relationships.

3.2.- Business Representatives Interviewed:

- * Seattle Chamber of Commerce
- * Safeco
- * Greater District Chamber of Commerce
- * Downtown Seattle Association
- * Puget Power
- * Nordstroms
- * Folk Art Gallery, La Tienda
- * Cornerstone Columbia Development Co.
- * The Norman Co. (developer)
- * Tacoma Chamber of Commerce

- * John Fluke Co. (Everett)
- * So. Snohomish Chamber of Commerce

4.- Commuter Groups

4.1.- Main Topic Discussed: How would the Parking Tax influence commuter choices, what is the public reaction to the parking tax in general, and the alternatives in particular.

4.2.- Focus Groups Held:

- * Preston Thorgrimson
- * The Bon Marche
- * Paccar
- * Bremerton Ferry
- * Dept. of Social and Health Services (Olympia)
- * Dept. of Transportation (Eastgate)
- * SmithKline Labs/DSHS (South Seattle)

5. Faculty of the University of Washington

5.1.- Main Topic Discussed: Methodology for Parking Inventory techniques.

5.2.- Faculty Interviewed:

- * Frank Westerlund, Professor of Urban Planning
- * Gardner M. Brown, Professor of Economics

APPENDIX E
EMPLOYMENT TOTALS BY COUNTY

Employment data for the Puget Sound Region - March 1989.

County	Number of jobs
King	795,025
Kitsap	57,982
Pierce	173,724
Snohomish	146,826
TOTAL	<u>1,173,557</u> =====

Source: Puget Sound Council of Governments, "Puget Sound Trends", October 1989, and "Employment and Payrolls" Table, March 1989. Seattle.

APPENDIX F
REVENUE GENERATION ESTIMATION

Commuter Parking Tax - Revenue Estimation

Area	(1) Parking stalls est. (Census tracts))	(2) Occupancy Rate (Pk. Op.)	(3) Actual Parking Stalls (2)x(3)	(4) Avg. Daily Market Price (Pk. Op.)	(5) Tax Rate (Assump-tions)	(6) Elasticity (Assump-tions)	(7) Occupancy after tax (*)	(8) Revenue Generated (Per day) (4)x(5)x (7)	(9) Annual Tax Revenue (1,000 \$) (**)
BREMERTON									
1. CBD	14,800	90%	13,320	\$1.40	5%	(0.03)	13,301	\$931	\$223
(1)	14,800	90%	13,320	\$1.40	10%	(0.03)	13,282	\$1,859	\$446
	14,800	90%	13,320	\$1.40	25%	(0.05)	13,173	\$4,610	\$1,107
	14,800	90%	13,320	\$1.40	50%	(0.06)	13,004	\$9,103	\$2,185
BELLEVUE									
1. Suburbs	32,800	90%	29,520	\$1.40	5%	(0.03)	29,477	\$2,063	\$495
(2)	32,800	90%	29,520	\$1.40	10%	(0.03)	29,436	\$4,121	\$989
	32,800	90%	29,520	\$1.40	25%	(0.05)	29,194	\$10,218	\$2,452
	32,800	90%	29,520	\$1.40	50%	(0.06)	28,820	\$20,174	\$4,842
2. CBD	15,520	90%	13,968	\$3.40	5%	(0.06)	13,927	\$2,368	\$569
(3)	15,520	90%	13,968	\$3.40	10%	(0.06)	13,888	\$4,722	\$1,133
	15,520	90%	13,968	\$3.40	25%	(0.09)	13,691	\$11,638	\$2,793
	15,520	90%	13,968	\$3.40	50%	(0.12)	13,313	\$23,633	\$5,432
3. Total Bellevue	48,320				5%				\$1,063
					10%				\$2,122
					25%				\$5,245
					50%				\$10,274
SEATTLE									
1. Suburbs	151,611	90%	136,450	\$4.80	5%	(0.08)	135,919	\$32,620	\$7,829
(4)	151,611	90%	136,450	\$4.80	10%	(0.08)	135,414	\$64,999	\$15,600
	151,611	90%	136,450	\$4.80	25%	(0.12)	132,859	\$159,431	\$38,263
	151,611	90%	136,450	\$4.80	50%	(0.16)	127,988	\$307,171	\$73,721
2. U. Dist	14,400	90%	12,960	\$3.80	5%	(0.18)	12,847	\$2,441	\$586
(5)	14,400	90%	12,960	\$3.80	10%	(0.18)	12,740	\$4,841	\$1,162
	14,400	90%	12,960	\$3.80	25%	(0.27)	12,205	\$11,595	\$2,783
	14,400	90%	12,960	\$3.80	50%	(0.36)	11,219	\$21,316	\$5,116
3. CBD	58,400	90%	52,560	\$5.80	5%	(0.23)	51,974	\$15,072	\$3,617
(5)	58,400	90%	52,560	\$5.80	10%	(0.23)	51,421	\$29,824	\$7,158
	58,400	90%	52,560	\$5.80	25%	(0.35)	48,625	\$70,506	\$16,922
	58,400	90%	52,560	\$5.80	50%	(0.46)	43,704	\$126,741	\$30,418
4. Total Seattle	224,411				5%				\$12,032
					10%				\$23,919
					25%				\$57,968
					50%				\$109,255

Area	(1) Parking stalls est. (Inventory)	(2) Occupan- cy Rate (Operat- ors)	(3) Actual Parking (1)x(2)	(4) Daily Parking Price (Operat- ors)	(5) Tax Rate (Assump- tions)	(6) Elasticity (Assump- tions)	(7) Occupan- cy after tax (*)	(8) Revenue Generated (Per day) (5)x(7)	(9) Annual Revenue Estimates (1,000 \$) (**)
LYNNWOOD									
1. CBD	10,160	90%	9,144	\$1.40	5%	(0.03)	9,131	\$639	\$153
and	10,160	90%	9,144	\$1.40	10%	(0.03)	9,118	\$1,277	\$306
suburbs	10,160	90%	9,144	\$1.40	25%	(0.05)	9,043	\$3,165	\$760
	10,160	90%	9,144	\$1.40	50%	(0.06)	8,927	\$6,249	\$1,500
TACOMA									
1. CBD	60,816	90%	54,734	\$2.07	5%	(0.08)	54,521	\$5,643	\$1,354
and	60,816	90%	54,734	\$2.07	10%	(0.08)	54,319	\$11,244	\$2,699
suburbs	60,816	90%	54,734	\$2.07	25%	(0.12)	53,294	\$27,580	\$6,619
(6)	60,816	90%	54,734	\$2.07	50%	(0.16)	51,340	\$53,137	\$12,753

(*) $(3) \times [2 + (5) + (5) \times (6)] / [2 + (5) - (5) \times (6)]$

$$\text{Arc elasticity} = \frac{\Delta Q / (1/2)(Q_1 + Q_2)}{\Delta P / (1/2)(P_1 + P_2)}$$

(**) (8) x 240 days/1000

(1) 91% of commuters park for free (PSCOG). Assumption: 80% employees working for firms with 10 or more.

(2) 90% of commuters park for free (PSCOG). Assumption: 60% employees working for firms with 10 or more.

(3) 70% of commuters park for free (PSCOG). Assumption: 55% employees working for firms with 10 or more.

(4) 73% of commuters park for free (PSCOG). Assumption: 55% employees working for firms with 10 or more.

(5) 47% of commuters park for free (PSCOG). Assumption: 55% of employees in U.D and 60% in CBD working for firms with 10 or more.

(6) 90% of commuters park for free in the suburbs and 77% park for free in the CBD area (PSCOG). Assumptions: 60% of employees working for firms with 10 or more.

Note: Market price assumed for all parking.

est. = estimation

pk. op.= parking operators

avg. = average

U. Dist. = University District

CBD = Central Business District

Long-term/Peak Period Parking Tax - Revenue Estimation

Area	(1) Parking stalls est. (Inventory)	(2) Occupancy Rate (Operators)	(3) Actual Parking Est. (1)x(2)	(4) Daily Parking Price (Operators)	(5) Tax Rate (Assumptions)	(6) Elasticity (Assumptions)	(7) Occupancy after tax (*)	(8) Revenue Generated (Per day) (4)x(5)x(7)	(9) Annual Revenue Long-Term Pkg. (1,000 \$) (**)	(10) Annual Revenue Generated (LT+ST) (1,000 \$)
BREMERTON										
1. CBD	2,725	80%	2,180	\$1.40	5%	(0.03)	2,177	\$152	\$37	\$39
	2,725	80%	2,180	\$1.40	10%	(0.03)	2,174	\$304	\$73	\$75
	2,725	80%	2,180	\$1.40	25%	(0.05)	2,156	\$755	\$181	\$183
	2,725	80%	2,180	\$1.40	50%	(0.06)	2,128	\$1,490	\$358	\$360
4. Short-Term pkg. (nominal fee)	2,725	5%	136	\$1.40	\$0.05	0.00	136	\$7	\$2	(***)
BELLEVUE										
1.	47,850	40%	19,140	\$1.40	5%	(0.03)	19,112	\$1,338	\$321	\$321
Suburbs	47,850	40%	19,140	\$1.40	10%	(0.03)	19,085	\$2,672	\$641	\$641
	47,850	40%	19,140	\$1.40	25%	(0.05)	18,929	\$6,625	\$1,590	\$1,590
	47,850	40%	19,140	\$1.40	50%	(0.06)	18,686	\$13,080	\$3,139	\$3,139
2. CBD	21,000	75%	15,750	\$3.40	5%	(0.06)	15,704	\$2,670	\$641	\$649
	21,000	75%	15,750	\$3.40	10%	(0.06)	15,660	\$5,324	\$1,278	\$1,286
	21,000	75%	15,750	\$3.40	25%	(0.09)	15,438	\$13,122	\$3,149	\$3,157
	21,000	75%	15,750	\$3.40	50%	(0.12)	15,012	\$25,520	\$6,125	\$6,133
3. Short-Term parking (CBD) (Nominal fee)	8,500	5%	425		\$0.05	0.00	425	\$21	\$8	
4. Total Bellevue	68,850				5%					\$970
					10%					\$1,927
					25%					\$4,747
					50%					\$9,272
SEATTLE										
1. Subs.	49,500	70%	34,650	\$4.80	5%	(0.08)	34,515	\$8,284	\$1,988	\$2,032
	49,500	70%	34,650	\$4.80	10%	(0.08)	34,387	\$16,506	\$3,961	\$4,005
	49,500	70%	34,650	\$4.80	25%	(0.12)	33,738	\$40,486	\$9,717	\$9,761
	49,500	70%	34,650	\$4.80	50%	(0.16)	32,501	\$78,003	\$18,721	\$18,765
Short-Term parking (Nominal fee)	48,000	5%	2,400		\$0.05	0.00	2,400	\$120	\$44	
2. U. Dist.	4,300	75%	3,225	\$3.80	5%	(0.18)	3,197	\$607	\$146	\$150
	4,300	75%	3,225	\$3.80	10%	(0.18)	3,170	\$1,205	\$289	\$293
	4,300	75%	3,225	\$3.80	25%	(0.27)	3,037	\$2,885	\$692	\$696
	4,300	75%	3,225	\$3.80	50%	(0.36)	2,792	\$5,304	\$1,273	\$1,277
Short-Term parking (Nominal fee)	4,300	5%	215		\$0.05	0.00	215	\$11	\$4	
3. CBD	42,328	80%	33,862	\$5.80	5%	(0.23)	33,485	\$9,711	\$2,331	\$2,361
	42,328	80%	33,862	\$5.80	10%	(0.23)	33,129	\$19,215	\$4,612	\$4,642
	42,328	80%	33,862	\$5.80	25%	(0.35)	31,327	\$45,425	\$10,902	\$10,932
	42,328	80%	33,862	\$5.80	50%	(0.46)	28,157	\$81,654	\$19,597	\$19,627

Area	(1) Parking stalls est. (Inventory)	(2) Occupancy Rate (Operators)	(3) Actual Occupancy	(4) Actual Parking (1)x(3)	(5) Daily Parking Price (Operators)	(6) Tax Rate (Assumptions)	(7) Elasticity (Assumptions)	(8) Occupancy after tax (*)	(9) Revenue Generated (Per day) (5)x(7)	(10) Annual Revenue Estimate s (1,000 \$) (**)
Short-Term parking (Nominal fee)	18,328	5%	916		\$0.05	0.00	1,650	\$83	\$30	
4. Total Seattle	96,128				5%					\$4,542
					10%					\$8,940
					25%					\$21,389
					50%					\$39,669
LYNNWOOD										
1. CBD	3,500	60%	2,100	\$1.40	5%	(0.03)	2,097	\$147	\$35	\$35
and	3,500	60%	2,100	\$1.40	10%	(0.03)	2,094	\$293	\$70	\$70
suburbs	3,500	60%	2,100	\$1.40	25%	(0.05)	2,077	\$727	\$174	\$174
	3,500	60%	2,100	\$1.40	50%	(0.06)	2,050	\$1,435	\$344	\$344
TACOMA										
1. CBD	13,700	75%	10,275	\$2.07	5%	(0.08)	10,235	\$1,057	\$254	\$259
and	13,700	75%	10,275	\$2.07	10%	(0.08)	10,197	\$2,106	\$505	\$510
suburbs	13,700	75%	10,275	\$2.07	25%	(0.12)	10,005	\$5,165	\$1,240	\$1,245
	13,700	75%	10,275	\$2.07	50%	(0.16)	9,638	\$9,952	\$2,388	\$2,393
Short-Term parking (Nominal fee)	5,400	5%	270		\$0.05	0.00	270	\$14	\$5	

(*) (3)x[2+(5)+(5)x(6)]/[2+(5)-(5)x(6)]

$$\text{Arc elasticity} = \frac{\Delta Q / (1/2)(Q_1 + Q_2)}{\Delta P / (1/2)(P_1 + P_2)}$$

(**) (8) x 240 days/1000 (***) (8) x 365 days/1000

Note: Market price assumed for all parking.

Pkg. = Parking

LT + ST = Long Term + Short Term

CBD = Central Business District

U. Dist. = University District

Subs. = Suburbs

Parking Operation Tax - Revenue Estimation

Area	(1) Parking stalls est. (Inventory)	(2) Occupancy Rate (Operations)	(3) Actual Occupancy Rate (*)	(4) Actual Parking (1)x(3)	(5) Daily Parking Price (Operations)	(6) Daily Income (4) x (5)	(7) Tax Rate % (Assump- tions)	(8) Daily Tax Revenue (6) x (7)	(9) Tax/ stall (8)/(4)	(10) Elastic ity (Assump- tions)	(11) Occupancy after tax (**)	(12) Annual Tax Revenue (5)x(7) x(11)/ 1000 (1000 \$)
BREMERTON												
1. CBD	2,050	85%	61%	1,251	\$1.40	\$1,751	5%	\$88	\$0.07	(0.02)	1,250	\$32
	2,050	85%	61%	1,251	\$1.40	\$1,751	10%	\$175	\$0.14	(0.03)	1,247	\$64
	2,050	85%	61%	1,251	\$1.40	\$1,751	25%	\$438	\$0.35	(0.03)	1,243	\$159
	2,050	85%	61%	1,251	\$1.40	\$1,751	50%	\$876	\$0.70	(0.05)	1,226	\$313
BELLEVUE												
1. Suburbs	0											
2. CBD	8,500	80%	58%	4,908	\$3.40	\$16,687	5%	\$834	\$0.07	(0.02)	4,903	\$304
	8,500	80%	58%	4,908	\$3.40	\$16,687	10%	\$1,669	\$0.34	(0.06)	4,880	\$606
	8,500	80%	58%	4,908	\$3.40	\$16,687	25%	\$4,172	\$0.85	(0.06)	4,843	\$1,503
	8,500	80%	58%	4,908	\$3.40	\$16,687	50%	\$8,343	\$1.70	(0.09)	4,734	\$2,938
SEATTLE												
1.	48,000	80%	58%	27,715	\$4.80	\$133,032	5%	\$6,652	\$0.24	(0.04)	27,661	\$2,423
Subs.	48,000	80%	58%	27,715	\$4.80	\$133,032	10%	\$13,303	\$0.48	(0.08)	27,505	\$4,819
	48,000	80%	58%	27,715	\$4.80	\$133,032	25%	\$33,258	\$1.20	(0.08)	27,227	\$11,925
	48,000	80%	58%	27,715	\$4.80	\$133,032	50%	\$66,516	\$2.40	(0.12)	26,416	\$23,140
2.	4,300	80%	58%	2,483	\$3.80	\$9,435	5%	\$472	\$0.19	(0.09)	2,472	\$171
U. Dist.	4,300	80%	58%	2,483	\$3.80	\$9,435	10%	\$943	\$0.38	(0.18)	2,441	\$339
	4,300	80%	58%	2,483	\$3.80	\$9,435	25%	\$2,359	\$0.95	(0.18)	2,385	\$827
	4,300	80%	58%	2,483	\$3.80	\$9,435	50%	\$4,717	\$1.90	(0.27)	2,228	\$1,545
3. CBD	18,300	89%	64%	11,649	\$5.80	\$67,566	5%	\$3,378	\$0.29	(0.12)	11,581	\$1,226
	18,300	89%	64%	11,649	\$5.80	\$67,566	10%	\$6,757	\$0.58	(0.23)	11,397	\$2,413
	18,300	89%	64%	11,649	\$5.80	\$67,566	25%	\$16,892	\$1.45	(0.23)	11,069	\$5,858
	18,300	89%	64%	11,649	\$5.80	\$67,566	50%	\$33,783	\$2.90	(0.35)	10,125	\$10,717
4. Tot. Seattle	70,600						5%					\$3,820
							10%					\$7,570
							25%					\$18,611
							50%					\$35,403
LYNNWOOD												
1. Suburbs	0											
TACOMA												
1. CBD	5,400	80%	58%	3,118	\$2.07	\$6,454	5%	\$323	\$0.10	(0.05)	3,110	\$118
and	5,400	80%	58%	3,118	\$2.07	\$6,454	10%	\$645	\$0.21	(0.08)	3,094	\$234
subs.	5,400	80%	58%	3,118	\$2.07	\$6,454	25%	\$1,614	\$0.52	(0.08)	3,063	\$579
	5,400	80%	58%	3,118	\$2.07	\$6,454	50%	\$3,227	\$1.04	(0.12)	2,972	\$1,123

(*) [(2) x 240 days + 15% x 125 days]/365 days

(**) (4)x[2+(7)+(7)x(10)]/[2+(7)-(7)x(10)]

$$\text{Arc elasticity} = \frac{\Delta Q / (1/2)(Q_1 + Q_2)}{\Delta P / (1/2)(P_1 + P_2)}$$

Note: CBD = Central business district

U. Dist. = University District

Subs. = Suburbs

General Parking Tax - Revenue Estimation

Area	(1) Parking stalls est. (Inventory)	(2) Occupancy Rate (Operators)	(3) Actual Occupancy (%)	(4) Actual Parking (1)x(3)	(5) Daily Parking Price (2 hr/ day) (Operators)	(6) Tax Rate (Assump- tions)	(7) Elasticity (Assump- tions)	(8) Occupancy after tax (**)	(9) Revenue Generated (Per park) (5)x(6)x (8)	(10) Annual Revenue Estimates (1,000 \$) ***
BREMERTON										
1. CBD	2,725	85%	61%	1,663	\$1.20	5%	(0.03)	1,661	\$100	\$89
	2,725	85%	61%	1,663	\$1.20	10%	(0.03)	1,658	\$199	\$177
	2,725	85%	61%	1,663	\$1.20	25%	(0.05)	1,645	\$493	\$440
	2,725	85%	61%	1,663	\$1.20	50%	(0.06)	1,624	\$974	\$868
BELLEVUE										
1. Sub- urbs	7,850	40%	28%	13,405	\$1.20	5%	(0.03)	13,385	\$803	\$716
	7,850	40%	28%	13,405	\$1.20	10%	(0.03)	13,366	\$1,604	\$1,429
	7,850	40%	28%	13,405	\$1.20	25%	(0.05)	13,256	\$3,977	\$3,543
	7,850	40%	28%	13,405	\$1.20	50%	(0.06)	13,087	\$7,852	\$6,996
2. CBD	21,000	80%	58%	12,125	\$2.00	5%	(0.06)	12,090	\$1,209	\$1,077
	21,000	80%	58%	12,125	\$2.00	10%	(0.06)	12,056	\$2,411	\$2,148
	21,000	80%	58%	12,125	\$2.00	25%	(0.09)	11,885	\$5,943	\$5,295
	21,000	80%	58%	12,125	\$2.00	50%	(0.12)	11,557	\$11,557	\$10,297
3. Total Bellevue	68,850					5%				\$1,793
						10%				\$3,578
						25%				\$8,838
						50%				\$17,293
SEATTLE										
1. Sub- urbs	49,500	80%	58%	28,581	\$2.50	5%	(0.08)	28,470	\$3,559	\$3,171
	49,500	80%	58%	28,581	\$2.50	10%	(0.08)	28,364	\$7,091	\$6,318
	49,500	80%	58%	28,581	\$2.50	25%	(0.12)	27,829	\$17,393	\$15,497
	49,500	80%	58%	28,581	\$2.50	50%	(0.16)	26,809	\$33,511	\$29,858
2. Univ. Dist.	4,300	80%	58%	2,483	\$1.50	5%	(0.18)	2,461	\$185	\$164
	4,300	80%	58%	2,483	\$1.50	10%	(0.18)	2,441	\$366	\$326
	4,300	80%	58%	2,483	\$1.50	25%	(0.27)	2,338	\$877	\$781
	4,300	80%	58%	2,483	\$1.50	50%	(0.36)	2,149	\$1,612	\$1,436
3. CBD	42,300	89%	64%	26,927	\$3.50	5%	(0.23)	26,627	\$4,660	\$4,152
	42,300	89%	64%	26,927	\$3.50	10%	(0.23)	26,344	\$9,220	\$8,215
	42,300	89%	64%	26,927	\$3.50	25%	(0.35)	24,911	\$21,797	\$19,421
	42,300	89%	64%	26,927	\$3.50	50%	(0.46)	22,390	\$39,182	\$34,912
4. Total Seattle	96,100					5%				\$7,487
						10%				\$14,860
						25%				\$35,700
						50%				\$66,206

Area	(1) Parking stalls est. (Inventory)	(2) Occupancy Rate (Operators)	(3) Actual Occupancy (*)	(4) Actual Parking (1)x(3)	(5) Daily Parking Price (2 hr/day) (Operators)	(6) Tax Rate (Assumptions)	(7) Elasticity (Assumptions)	(8) Occupancy after tax (**)	(9) Revenue Generated (Per park) (5)x(6)x (8)	(10) Annual Revenue Estimates (1,000 \$) ***
LYNNWOOD										
1. CBD	3,500	0%	41%	1,441	\$1.20	5%	(0.03)	1,439	\$86	\$77
and	3,500	0%	41%	1,441	\$1.20	10%	(0.03)	1,437	\$172	\$154
suburbs	3,500	0%	41%	1,441	\$1.20	25%	(0.05)	1,425	\$427	\$381
	3,500	0%	41%	1,441	\$1.20	50%	(0.06)	1,407	\$844	\$752
TACOMA										
1. CBD	13,700	80%	58%	7,910	\$0.50	5%	(0.08)	7,880	\$197	\$176
and	13,700	80%	58%	7,910	\$0.50	10%	(0.08)	7,850	\$393	\$350
suburbs	13,700	80%	58%	7,910	\$0.50	25%	(0.12)	7,702	\$963	\$858
	13,700	80%	58%	7,910	\$0.50	50%	(0.16)	7,420	\$1,855	\$1,653

(*) [(2) x 240 days + 15% x 125 days]/365 days

(**) (4)x[2+(6)+(6)x(7)]/[2+(6)-(6)x(7)]

$$\text{Arc elasticity} = \frac{\Delta Q / (1/2)(Q_1 + Q_2)}{\Delta P / (1/2)(P_1 + P_2)}$$

(***) [(9) x 4 hours x 240 days x 80% + (9) x 4 hours x 365 days x 5% + (9) x 4 hours x 125 days x 10%]/1000

Note: Market price assumed for all parking.

est. = estimate

Univ. Dist. = University District

CBD = Central Business District

Accessory Parking Tax - Revenue Estimation

Area	(1) Parking stalls est. (Inventory)	(2) Occupancy Rate (Operators)	(3) Actual Parking (1)x(2)	(4) Daily Parking Price (Operators)	(5) Tax Rate (Assumptions)	(6) Elasticity (Assumptions)	(7) Occupancy after tax (*)	(8) Revenue Generated (Per day) (5)x(7)	(9) Annual Revenue Estimates (1,000 \$) (**)
BREMERTON									
1. CBD	675	85%	574	\$1.40	5%	(0.03)	573	\$40	\$10
	675	85%	574	\$1.40	10%	(0.03)	572	\$80	\$19
	675	85%	574	\$1.40	25%	(0.05)	567	\$199	\$48
	675	85%	574	\$1.40	50%	(0.06)	560	\$392	\$94
BELLEVUE									
1. Suburbs	47,850	40%	19,140	\$1.40	5%	(0.03)	19,112	\$1,338	\$321
	47,850	40%	19,140	\$1.40	10%	(0.03)	19,085	\$2,672	\$641
	47,850	40%	19,140	\$1.40	25%	(0.05)	18,929	\$6,625	\$1,590
	47,850	40%	19,140	\$1.40	50%	(0.06)	18,686	\$13,080	\$3,139
2. CBD	12,500	60%	7,500	\$3.40	5%	(0.06)	7,478	\$1,271	\$305
	12,500	60%	7,500	\$3.40	10%	(0.06)	7,457	\$2,535	\$609
	12,500	60%	7,500	\$3.40	25%	(0.09)	7,351	\$6,249	\$1,500
	12,500	60%	7,500	\$3.40	50%	(0.12)	7,148	\$12,152	\$2,917
3. Total Bellevue	60,350				5%				\$626
					10%				\$1,250
					25%				\$3,090
					50%				\$6,056
SEATTLE									
1. Suburbs	1,500	40%	600	\$4.80	5%	(0.08)	598	\$143	\$34
	1,500	40%	600	\$4.80	10%	(0.08)	595	\$286	\$69
	1,500	40%	600	\$4.80	25%	(0.12)	584	\$701	\$168
	1,500	40%	600	\$4.80	50%	(0.16)	563	\$1,351	\$324
2. University District		No Data							
3. CBD	24,000	70%	16,800	\$5.80	5%	(0.23)	16,613	\$4,818	\$1,156
	24,000	70%	16,800	\$5.80	10%	(0.23)	16,734	\$9,706	\$2,288
	24,000	70%	16,800	\$5.80	25%	(0.35)	16,554	\$24,003	\$5,409
	24,000	70%	16,800	\$5.80	50%	(0.46)	16,173	\$46,902	\$9,723
4. Total Seattle	25,000				5%				\$1,191
					10%				\$2,356
					25%				\$5,577
					50%				\$10,047
LYNNWOOD									
1. CBD and suburbs	3,500	60%	2,100	\$1.40	5%	(0.03)	2,097	\$147	\$35
	3,500	60%	2,100	\$1.40	10%	(0.03)	2,094	\$293	\$70
	3,500	60%	2,100	\$1.40	25%	(0.05)	2,077	\$727	\$174
	3,500	60%	2,100	\$1.40	50%	(0.06)	2,050	\$1,435	\$344
TACOMA									
1. CBD and suburbs	8,300	70%	5,810	\$2.07	5%	(0.08)	5,787	\$599	\$144
	8,300	70%	5,810	\$2.07	10%	(0.08)	5,766	\$1,194	\$286
	8,300	70%	5,810	\$2.07	25%	(0.12)	5,657	\$2,928	\$703
	8,300	70%	5,810	\$2.07	50%	(0.16)	5,450	\$5,640	\$1,354

(*) $(3) \times [2 + (5) + (5) \times (6)] / [2 + (5) - (5) \times (6)]$

(**) (8) x 240 days/1000

$$\text{Arc elasticity} = \frac{\Delta Q / (1/2)(Q_1 + Q_2)}{\Delta P / (1/2)(P_1 + P_2)}$$

Note: Equivalent market price assumed for all parking.

CBD = Central Business District