



Parking Is Money

Who parks downtown—and who pays?

by Vivienne Armentrout

On January 19, the Ann Arbor Planning Commission approved three projects that will add 288 new residences to downtown—but only twenty-eight new parking spaces. Where—and whether—the people who live in the other 260 units will park was the subject of hot debate.

Bonnie Bona, a former downtown retailer, protested the lack of parking. She argued that the city was “stealing from Peter to pay Paul” by assuming the new residents could use existing parking structures—or wouldn’t need parking at all. Unless there was “pressure on the entire community to build more parking,” Bona warned, the increased competition would hurt downtown businesses.

Commission chair Jennifer Santi Hall defended the opposite viewpoint: she argued that the city should restrict the availability of parking in hopes that downtown residents and visitors will instead walk, bike, or take the bus. “If we’re going to not support this project because we can’t guarantee that we [have] the number of parking places that our ordinance [requires],” Hall said, “we might as well throw our Nonmotorized [Transportation] Plan out the window.”

How much new parking should be added as downtown grows—and who should pay for it—is at the core of the current debate about downtown development. It affects all the other questions: How can Ann Arbor’s downtown remain vital as a business location—and what form should that business take? How many people can live downtown—and who should they be? What should be the physical form of downtown? How much of the wealth of city government should be devoted to this one part of the city?

As downtown struggles with a wave of retail closings and office vacancies, the stakes are high.

The business of downtown

Discussions of downtown often focus on amenities—what mayor John Hieftje calls its “vibrant” pedestrian experience, its mix of culture and entertainment, its outdoor tables and lights twinkling in the trees at night. But most of all, downtown is about business. And when businesses fail, the amenities vanish and the pedestrians disappear.

Ann Arbor has one of the state’s strongest downtowns—but lately it has seen a number of disturbing trends. Long-established shops like Ehnis & Sons and After Words bookstore have gone out of business, while Wilkinson Luggage and Kitchen Port relocated last year

to Scio Township. Office vacancies, which fell as low as 2 percent during the dot-com boom, are at about 13 percent, reflecting the loss of major firms like Plante & Moran, Dobson-McOmer, and Wright Griffin Davis. Even downtown restaurants, long the most vital force on Main Street, are reporting flat revenues (“Anxiety on Restaurant Row,” March).

In two local lectures last fall, retail specialist Robert Gibbs noted that today’s retailers have soured on malls and prefer cities or citylike “lifestyle” centers, with sidewalks and access to individual stores. Cities have the advantage of authenticity and civic buildings that help

business success, however. Some consider housing more important. The city’s Downtown Residential Task Force argued that downtown residents will provide new customers for downtown businesses. Karl Pohrt, the owner of Shaman Drum Bookshop, was recently quoted in *Business Review* as saying that downtown is like an ecosystem and that housing downtown is important to its survival. And at a Democratic Party meeting in March, State Street restaurateur Roger Hewitt argued that building more housing is the “only way” to save weak downtown retailers.

Mark Hodesh of Downtown Home & Garden is unconvinced. “I don’t see in my lifetime” enough people living downtown to support its businesses, he says. “Nothing is better than surface parking right next to your store—we’ve been trained to expect it.”

René Greff of Arbor Brewing says that parking is critical to her business, because only 35 percent of her customers are from Ann Arbor zip codes. And former downtown retailer Tim Shannon, of Wilkinson Luggage, says that the main comment longtime customers have about his move from Main Street is to thank him for the convenient parking in his new suburban location.

Since the construction of its first parking structure in 1948, the city has taken responsibility for providing parking downtown. While developers elsewhere in Ann Arbor are required to provide parking for new projects, downtown is “parking exempt.” That exemption, however, is not complete: most downtown residential projects use a zoning provision that basically doubles their permitted height if the added floors are residential—but also requires that parking be provided for the additional housing.

For some projects that’s not an issue, because the developers want parking anyway to sell their units. Liberty Lofts, now under construction at William and First, has



Planning commission chair Jennifer Santi Hall thinks the city can wean downtown users from their cars by limiting parking. Commissioner Bonnie Bona disagrees—she calls for “pressure on the entire community to build more parking.”

bring people downtown, Gibbs says, but to be a successful retail destination, a city must have the right mix of stores (including at least one large anchor)—and parking at the door.

Gibbs says flatly that “parking is money.” He calculates that a single on-street parking space will yield \$200,000 in sales per year, enough to support a small independent shopkeeper. If a city doesn’t provide enough parking, he says, its merchants “aren’t playing on a level field.”

Not everyone agrees about the centrality of parking to



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Downtown lost 200 spaces with the demolition of the parking structure at First and Washington. The Main Street Area Association wants to see them all replaced when a new building goes up on the site—and the group's president, Ed Shaffran, says he'd personally like to see 400 spaces there.

the luxury of a large surrounding parking lot, and three other planned projects also aim to provide their own parking. Plans for Ashley Terrace (Huron and Ashley) call for 110 underground spaces for ninety-three units. LoFT 322, on East Liberty, will have a ground-floor parking space for each of its twenty-one units. And the proposed Washington Terrace (Division and Washington) will have 108 below-grade spaces for its ninety units.

Other developers, however, are gambling that downtown residents won't need cars. Plans for the Kingsley Lane mixed-use development (Kingsley and Ashley) call for forty to fifty-four condominiums but only twenty-eight on-site parking spaces. Though developer Peter Allen has also placed his project on the waiting list for twenty permits at the Ann-Ashley parking structure, he says he wants to make the point that one can live in the Kerrytown area without an automobile—so he'll include a bicycle and a pair of walking shoes with each unit sold.

Other planned projects will have no on-site parking at all: a residential addition to the Collegian on Maynard (twenty-seven apartments), Metro 202 on Division (forty-four apartments), and William Street Station on the site of the old YMCA at William at Fifth Avenue (190 apartments and condos). All of these projects are looking to the Downtown Development Authority to supply their required off-street parking.

Yet the DDA's permit parking system is already at maximum capacity. There are 3,116 permits outstanding, and every structure where permits are used has a waiting list. Nine hundred of those permits are committed by contract to large users, most of them private companies. For example, the city leases 250 spaces at Fourth and William to Detroit Edison and its real estate arm, Syndeco.

But the DDA's use of tax-exempt municipal bonds to build what is essentially private parking is now in question. Until recently, the city's reading of the rules was

that if a structure was built with tax-exempt bonds, no more than 10 percent of its capacity could be leased to a single entity. The city got around this requirement by breaking up large contracts. For example, when McKinley bought the former TCF Bank building last year, city council agreed to transfer the bank's 252 monthly permits in the Liberty Square parking structure—but the resolution specified that “no single assignee shall be provided with more than fifty-nine permits under a contract.”

The city's new bond counsel, however, interprets the rules more strictly, to mean that a *total* of no more than 10 percent of the space may be leased to private companies. If that threshold is crossed, tax-exempt bonds may be issued only for the public portion of the project, plus up to 10 percent for private purposes. The additional cost must be funded by taxable bonds. Since future expansion or repair of existing structures may need to be financed by bonding, the DDA has recently backed off awarding contracts.

That means developers can't be sure what, if any, parking will be available to their tenants. Under the old system, for example, William Street Station could have locked in the 163 parking spaces it needs under a long-term contract. Instead, the DDA committed merely to “making spaces available” by using the existing permit wait list.

A matter of capacity

The tensions are magnified because the city's parking supply is static, or even, in the near term, shrinking. In 2003 city council decided to redevelop three parking facilities it owns downtown—the structure at First and Washington, and the surface lots at William and Ashley (the “Kline's lot”) and First and William. Council hoped to bring money from land sales into city coffers, expand the tax base, and add residents to the downtown.

Charged with working out the details of the “three-site plan,” the DDA came back with a proposal to replace the 443 spaces on the sites with a single large parking

structure at First and William. But after angry protests from west-side residents and greenway advocates, council voted to leave that site untouched for the time being. So there's pressure on the other two sites to make up the deficit—especially after the loss of 200 spaces with the demolition of the dilapidated First and Washington structure.

That site now stands at the center of the parking debate. When Hieftje and some city council members pushed to reduce the amount of public parking in its redevelopment, downtown landlord and Main Street Area Association president Ed Shaffran objected vociferously. The association called for replacing all 200 spaces lost when the old parking structure was torn down—and Shaffran says he personally would like to see 400 spaces there. But city council voted to ask for just 120 to 200 in its request for proposals to redevelop the site.

Mayor Hieftje and some council members say they'd rather make up the deficit by putting another floor on the existing structure at Fourth and William and adding underground parking beneath whatever is built on the Kline's lot. But Shaffran objects that the city is “double and triple counting” those spaces before they're even built—and there does seem to be some numerical sleight of hand. The prospective spaces at Kline's and Fourth and William are described as replacements for existing public parking—yet the DDA has already committed most of them to the new residents at William Street Station.

The net result will be less parking for the people who already work, shop, and dine downtown. What's more, of the 4,700 spaces in the DDA system, theoretically 65 percent (50 percent, if metered street spaces are included) are already allocated to permit holders. The exact number of spaces they occupy is unknown, since not every driver parks every day, but it's clear that hourly parking for customers—the traditional lifeblood of downtown—is facing a squeeze.

Not everyone, of course, sees this as a problem. Some even argue that downtown already has more parking than it needs. In their campaign last year to block the proposed structure at First and William, greenway advocates wrote that “at present, many of the downtown structures appear to be underutilized, both during the day and on evenings and weekends.” They prepared a slide show with images of empty top floors in the Ann-Ashley and Fourth and Washington parking structures on weekend evenings, while surface lots were full.

Partly in response, the DDA has been steadily expanding the scope and type of information it collects about the parking it manages. The group plans to hire a consultant to study parking use, preferences, and behavior, and has approved \$741,000 to install automated vehicle identification (AVI) technology in its parking structures. Together with the information collected by the card-spitter machines used by hourly parkers, the new system will provide a real-time picture of exactly how the structures are being used.

Initial data from a January test of the AVI system at Fourth and William showed

that demand for space is intense. The structure has almost as many permit holders (809) as it has spaces (847). Yet it is also intended as a major refuge for hourly parkers in that section of town. The rule of thumb is that a parking facility is at capacity when 80 percent of its spaces are filled—some slack is needed to allow for users coming and going. By that standard, Fourth and William was at capacity Tuesday through Friday between 9 a.m. and 3 p.m., with more than three-quarters of its spaces claimed by permit holders. At the end of the business day, permit users left and hourly parkers pulled in for the dinner hour, with use peaking at between 450 and 500 cars on Friday and Saturday evenings.

That was in January. “I defy you to find a space in the summer,” says Shaffran, a former DDA board member. He argues that the parking system should be designed to accommodate peak use, rather than maintaining a carefully calculated supply that is just adequate under average conditions.

While Shaffran and other retail advocates like Bonnie Bona call for more parking, the recent report by California consulting firm Calthorpe Associates takes the opposite tack: it suggests that there should be no parking requirements at all for new downtown developments. Supporters of this view, led by planning chair Jennifer Hall, argue that downtown residents will not need parking because they will live, work, and shop downtown, and otherwise use mass transit. West-side resident Sonia Schmerl, a member of the Friends of the Ann Arbor Greenway, also says that developers could use innovative approaches like car sharing, so that fewer residents will need their own cars.

Evidence is mixed about whether it is feasible to deny downtown residents a guaranteed place to park. But Julie Weatherbee, a near-downtown resident, says the idea that residents will not need parking is a pet peeve of hers. While she and her husband walk to work and do much of their shopping on foot, they still have two cars just to conduct their daily lives. “Our society is set up that way,” she says. Weatherbee points out that the area has no viable regional transit system (see *Inside Ann Arbor*, p. 11) and that the Ann Arbor Transportation Authority has limited hours, so some shift workers simply have to drive to work.

Shaffran, who owns a good many rental properties downtown, calls the idea that people will both live and work there a fallacy: few of his tenants do. And it appears that most current residents need places to park even during the peak daytime hours. The city has tried offering “overnight” permits, valid from 4 p.m. to 9 a.m., but to date, only about five have been sold.

Predicting behavior

The real difficulty in settling the argument about how much downtown parking is needed is that each side is operating from a different model of reality—especially when it comes to predicting human behavior. One view is that the current development boom is a real opportunity to remake not only downtown but its users

as well: if parking is made relatively expensive and inaccessible, customers, workers, and residents will switch to alternatives such as mass transit or non-motorized travel.

"There's no way to get around the fact that only so many cars will fit downtown," says Hieftje. He himself walks or bikes downtown every day, and he believes that if parking requirements are eliminated, many downtown residents will choose other modes of transportation. As evidence, he cites recent studies by U-M urban planning chair Jonathan Levine that show increased bus and bicycle use.

The other view is that parking demand is inflexible—that downtown users who cannot find convenient and affordable parking either will desert downtown or will find other ways to use automobiles, such as parking them in nearby neighborhoods during the day. (This problem is sufficiently serious that five near-downtown neighborhoods have already implemented residential parking systems, and a sixth is considering it.)

While neither side has any real evidence to support its view, both agree that the system should be managed for optimum efficiency. There have been some successes on that front already. Last fall the DDA cut parking rates in structures to 80¢ an hour, while the hourly charge for a street meter went up to \$1. The result: hourly use increased in January for all structures (at Ann-Ashley it went up 31 percent).

Cheered by these outcomes, the DDA board is expected to act in April to raise the regular permit rate by \$5 a month, to \$110. At the same time, it will cut the price of the little-used overnight permit from \$50 to \$30—an incentive for nighttime workers to use structures and leave on-street parking to customers.

The DDA is trying to influence commuter behavior in other ways as well. The group has been paying from its parking fund (\$350,000 just this year) to support the getDowntown project, a cooperative venture with the Ann Arbor Area Chamber of Commerce and the AATA. GetDowntown offers bicycle lockers and go!passes—free bus rides to workers within the DDA boundary whose employers subscribe to the program.

The go!pass cost was fully subsidized by the DDA for the first two years of the program, but beginning in 2002 employers were asked to pay \$5 a year for each employee. Monthly trips plunged from about 48,000 to about 26,000. The U-M's Levine favors eliminating the fee to bring participation back up—but he notes that even at the reduced rate, go!passes divert an average of 112 cars from downtown each day.

The go!pass has helped the AATA's Park and Ride program grow from a single lot with 100 spaces in 1990 to a current total of five lots with more than 1,000 spaces. Nearly all of those who park there are either go!pass users or U-M faculty, staff, and students, who have free bus passes provided by the university. With occupancy averaging 80 percent, the lots are diverting enough cars to fill the entire Fourth and William structure—the city's

largest.

Another leg in the effort to get people out of their cars is the Nonmotorized Transportation Plan assembled by Norm Cox and his Greenway Collaborative (greenwaycollab.com). Its strategy, heartily endorsed by Hieftje, is to make the city's infrastructure friendlier to pedestrians and bicyclists. Hints at what that may entail can be seen in the proposal to narrow Division to add a bike lane, and the current plan for a "nonmotorized" path along Washtenaw Avenue.

Money for parking

Because all sides in the parking debate agree that more information is needed, no major initiatives are likely until the DDA's upcoming parking study is completed. Hieftje, for one, says that until he sees evidence to the contrary, he will support building only as much parking as is necessary to replace the spaces lost in redeveloping the three city-owned sites.

Whatever the study concludes about need, the city's options are limited. Even if the consultants agree with Bonnie Bona and Ed Shaffran that downtown needs a lot more parking, the DDA probably couldn't afford to build it.

Behind all the talk about pedestrian-friendly environments and keeping streets from being choked with cars, the ultimate motivation for not adding more parking boils down to one thing: money. Building parking structures is extremely expensive: the DDA's thumbnail estimate is \$35,000 per space aboveground and \$45,000 underground. And the available funds are shrinking fast.

In the past four years, the DDA borrowed \$33 million to fund its blitz of fixing and replacing aging parking structures. Since the bonds have a twenty-year payback, it will be repaying that debt until at least 2022. And parking fees alone don't generate enough money to pay for building and operating new structures.

At the Forest Avenue parking structure, for example, each city-owned space costs \$187 monthly for debt service and operation—but even after the planned increase, the monthly permit fee will be only \$110. The revenue per hourly space is about \$127. The DDA has been subsidizing the difference with the profit it makes on street parking and surface lots, and by tapping the accumulated balance in its parking fund.

Private developers, of course, don't enjoy that option—they have to pay the full cost of any parking they provide. The DDA recently commissioned California consultant Strategic Economics to study how attractive the Kline's lot would be to developers. The consultants looked at a variety of scenarios and concluded that not one of the mixed-used models the city favors would be profitable if the development had to pay for its own parking—much less replace the public parking.

More than anything else, this explains why the city just approved construction of 260 units with no on-site parking. And that puts the parking burden right back on the DDA.

But the DDA itself is facing budget

pressures: it has already lost the income from the debt-free First and Washington structure—and stands to lose more as its remaining surface lots are redeveloped. At the same time, the cost of building parking is going up, especially because there seems to be a consensus that all future parking should be underground.

Underground parking can be prohibitively expensive. In negotiations over William Street Station, the developers initially requested that DDA construct and operate seventy-six underground parking spaces. But the DDA calculated that under the best of scenarios, the parking would operate at a substantial deficit over its twenty-five-year life, so it rejected the request. With contracting no longer an option, all the developers got was a promise that their tenants could get on the permit waiting list.

Over the last decade, the parking system has been generating enough money to pay for itself. But that's become harder to do as older, paid-up structures have given way to new, debt-laden ones—and the DDA's parking fund balance has been declining. The erosion was accelerated last year when city council increased the "rent" for the parking the DDA manages to \$1 million per year. The money is payable two years at a time, so the DDA has already transferred \$2 million to the city general fund, and in the next four years it's likely to pay out \$8 million more. The fund balance, which stood at about \$4.6 million in December, is likely to enter negative territory by 2009, and could show a \$5 million deficit in ten years.

Vision and reality

With the appointment of the Downtown Residential Task Force in 2003, the mayor and city council launched the ex-

ploration of a new vision for downtown. As reflected in the Calthorpe report, that vision includes a denser (and taller) downtown, where many new residents support a vibrant retail and restaurant street life. Meanwhile, and not incidentally, the city would increase both its tax base and its regional cachet.

But council is conducting an experiment as well as a debate. Is it truly possible to have affordable (by any definition) housing downtown without resolving the parking question? While high-end condos can take care of themselves, can downtown attract low- and middle-income residents if they have no place to park?

Parking—or its alternatives—needs to serve three different groups: residents, workers, and customers. But can the city afford to meet all of their needs, or will they end up competing for parking? If that happens, Shaffran warns, there's a risk of "killing the golden goose"—the restaurants and shops that lure people downtown in the first place.

The Calthorpe Report assumed that the DDA alone would be responsible for planning for future parking. But after the contentious debate in January, the planning commission staked out a role for itself as well. The commission and the DDA are scheduled to hold a joint working session on April 11 to discuss "any appropriate changes to our downtown parking requirements."

The parking question will be resolved, one way or another, in the coming months. As Calthorpe consultant Joey Scanga said in January at his last joint meeting with the city council, planning commission, and DDA: "Parking, parking, parking, what's the parking—solve the parking and you've solved everything." ■



Mayor John Hieftje believes that if parking requirements are eliminated, many downtown residents will choose other modes of transportation. He himself bikes or walks downtown daily from his north-side home.