



## BOZEMAN PARKING COMMISSION

### RESOLUTION 2020-06

**A RESOLUTION OF THE PARKING COMMISSION OF THE CITY OF BOZEMAN, MONTANA, INCREASING THE COST OF PARKING LEASES AT THE BRIDGER DOWNTOWN PARKING GARAGE AND BLACK, ROUSE, N. WILLSON, AND S. WILLSON SURFACE LOTS.**

**WHEREAS**, pursuant to Bozeman City Commission Resolution #3803, the Bozeman Parking Commission has jurisdiction over the B-3 zoning district, and any residential parking permit districts created by the Bozeman City Commission; and,

**WHEREAS**, Section 7-14-4501 (3) of the Montana Code Annotated authorizes the Bozeman Parking Commission to charge for use of parking facilities; and,

**WHEREAS**, the 2016 Strategic Parking Management Plan recommended that the Bozeman Parking Commission adopt a policy for annually reviewing and setting rates for parking services; and,

**WHEREAS**, the Bozeman Parking Commission adopted Policy 2017-01, on 3/9/17; and,

**WHEREAS**, the Bozeman Parking Commission finds that the demand for parking leases in all of its parking facilities is consistently in excess of current availability;

**NOW, THEREFORE, BE IT RESOLVED** that the Bozeman Parking Commission adopts the following parking lease rates for the 2021 calendar year in the Bridger Park Downtown Garage and the Black, Rouse, N. Willson, and S. Willson surface Lots:

1. Main Garage (monthly) = \$95
2. Main Garage (UDC) = \$100
3. Basement Garage (Etha/UDC) = \$110
4. Surface Lots = \$75
5. Daily Rate = \$5 ( 6 am to 6 pm)
6. Evening Rate = \$3 (5 pm to 8 am)
7. Daily Maximum (Hourly) = \$10

**PASSED AND ADOPTED** by the Parking Commission of the City of Bozeman, Montana, at a session held on the 9th day of November 2020. This resolution shall become effective immediately.

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Jim Ness, Chair  
Bozeman Parking Commission

ATTEST:

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Ed Meece, Parking Program Manager  
City of Bozeman

## MEMORANDUM

Meeting Date: July 9, 2020

To: Bozeman Parking Commission

From: Ed Meece, Parking Program Manager  
David Fine, Urban Renewal Program Manager  
Brit Fontenot, Economic Development Director  
Mike Veselik, Economic Development Specialist

**Subject: Parking Garage/ Lot Permit Pricing for 2021**

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### Overview

Current pricing of the City of Bozeman's parking assets is not aligned with the Guiding Principles of the Downtown Strategic Parking Management Plan (the "Parking Plan") adopted by the Bozeman City Commission in 2016. The Parking Plan guides the Parking Commission to manage and price parking for the benefit of Downtown customers and visitors, while parking for employees and new development should take a secondary position. Parking pricing should be aligned with the Guiding Principles of the Parking Plan. In addition, current prices are exceptionally low and distort the market for parking. The cost of debt service, excluding operational and maintenance cost, for a new parking space exceeds \$215 per month<sup>1</sup>. To create new parking supply, the Parking Commission should test price elasticity of demand by applying higher rates. **We suggest a pricing strategy that iteratively tests the Bozeman market's capacity for paying rates that approach the actual cost of providing new structured parking. If the market cannot support higher rates, it is unlikely that it will be possible for the City to build new structured parking without other sources of revenue.** While we expect a gap in the midterm between market capacity and actual cost, staff recommends an approach that moves the market price of parking towards its unsubsidized actual cost over the long term.

### Analysis

#### Align Parking Pricing with the Parking Plan

The Downtown Strategic Parking Management Plan (the "Parking Plan") promotes the development of parking management policies based on several guiding principles. Guiding Principal 1.a) of the Parking Plan states the City's role in parking is to serve customers and visitors to downtown:

***Accommodate customers and visitors downtown and residents and guests in neighborhoods. Employee parking should be led by the private sector and through partnerships where the City can reasonably participate (financially or programmatically).***

The Parking Plan suggests that the City should manage downtown parking to prioritize hourly parkers: the customers of downtown retail, restaurant, and business establishments. Current pricing

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<sup>1</sup> Assumes \$34,000 per stall, for a 20-year term, at 4.5% for a revenue bond.

inverts this relationship and prioritizes downtown employees, employers, and developers over downtown visitors and customers. UDC Lease holders, for example, pay far less for parking per hour than hourly customers, despite the management inflexibility these long-term leases cause for parking garage management. Rather than paying more for the inflexible and consumptive use of parking resources, current pricing provides a hefty discount.

We created the “**daytime equalized rate**” as an analysis tool in an effort to fairly compare hourly, monthly, and long-term UDC rates. Since peak parking utilization occurs on weekdays between noon and 2pm and permit utilization is low in the evenings, we propose comparing pricing as if all permits were used during weekdays. We assume a 20-day work month and an 8am -5pm weekday in which 2 hours of parking are currently free. The cost of parking hourly for a 9-hour weekday is \$7. Similarly, an \$80 permit used only on 20 weekdays a month produces a rate of \$4.00 per day for parking. While monthly permits and UDC leases allow 24/7 parking, this is not how these permits are commonly used. Thus the daytime equalized rate, despite its assumptions, allows for a more fair comparison of parking rates across different permit types.

The chart below shows, via the daytime equalized rate, the current price of parking in the garage for monthly and hourly parkers. The chart shows that customers and visitors pay significantly more for parking during the daytime than employees and developers using longer-term products.

Current Pricing	Daytime Equalized Rate <sup>2</sup> Actual
Customers & Visitors (Transient Parkers)	\$7
Employees/ Employers (Monthly Parkers)	\$4.00
Developers (UDC Parkers)	\$4.00

The current pricing system is misaligned with the values of the adopted Bozeman Strategic Parking Management Plan. Moreover, the low prices for monthly and long-term permit holders means that **the users most consumptive of public parking assets pay the least for parking**. As the Parking Commission explores setting future monthly and hourly rates, they should consider the values of the adopted Parking Plan alongside the desire to fund the construction of new parking downtown.

### Market Supply and Demand and the 85% Rule

The Parking Plan and the Parking Commission are committed to actively managing parking based on the 85% rule. The 85% rule refers to the accepted best practice for occupancy levels of a parking structure or block face. This benchmark provides that parking should be managed and priced to

<sup>2</sup> Assumes 8 am – 5pm workday (9 hours), 20 workweek days per month, at cost of \$1 per hour with 2 hours of free parking.

promote enough vacancy for parking to occur with minimal searching for a space. Based on the December 2019 parking permit calculator, with 381 monthly/annual revocable permits issued, the average peak occupancy was 76% prior to March 2020 and stay at home order. As we approach 85% average peak occupancy, it is appropriate, from a market perspective, to use pricing to manage demand and maintain vacancy for customers, visitors, and other transient parkers.

Parking industry best practices suggest a relationship between the size of the wait list and price elasticity of demand. Staff maintains that considering the wait list is a logical way to manage monthly permits in the long term once the garage has reached equilibrium with the total number of monthly permits available remaining static for a period of time. We have not reached that level of equilibrium. Implementation of the 50% rule<sup>3</sup> for management over the past year has significantly increased the supply of monthly parking permits. Demand for permits has been organic with no marketing efforts to encourage new permit purchases. This absorption suggests strong demand for new permits. This demand, combined with a desire to maintain capacity for hourly parkers, suggests that now is a good time to increase the price of monthly permits and UDC leases to align this pricing with the Parking Plan.

### Reduce the Price of Daily Parking – Daily and Nightly rates

The Parking Commission piloted daily and nightly rates for 2020. The rates were lower than paying the hourly cost for a full day or full evening, but high enough to capture some offsetting revenue. The daily rate available from 6am – 6pm of \$5 and a nightly rate available from 5pm – 8am of \$3. Prior to the COVID-19 shutdown, the public was beginning to utilize the daily and nightly rates on a regular basis.

Each Montana entity prices their parking based on their organizational values and parking goals. Other entities may price their parking for the benefit of employees and employers. Other organizations, like the Bozeman Airport, price their parking at a level that allows them to build more parking. The master plan for the Bozeman Airport includes the construction of a second garage to be paid for entirely with user fees. Likewise, the parking system at Montana State University (MSU) operates as an enterprise fund that must be able to support debt service, operations and maintenance of its parking assets. Bozeman's Parking Plan guides us to manage parking for the benefit of customers and visitors – daily and hourly users. For context, it is worth considering how other entities price parking, but we should expect our pricing strategy to match our values, reflected in our adopted Plan, with lower pricing for daily and hourly parking, and higher prices for monthly and long-term parking.

### Parking Prices in Montana Communities (May 2020)

Location	Hourly	Daily	Monthly
MSU Garage	\$2.50 <sup>^</sup>	\$11	\$59.16 <sup>#</sup>
Helena	\$1	\$15	\$85
Missoula	\$1	\$9	\$85 <sup>*</sup>

<sup>3</sup> The 50% rule is a management strategy rooted in the Parking Plan's value of managing for the benefit of customers and visitors. The rule reserves 50% of the average vacancy at the designated peak for hourly transient parking, while allowing the other 50% to be sold as monthly permits.

<b>Billings</b>	\$1	\$8	\$60.50
<b>Bozeman Airport</b>			
Premium Covered	\$6	\$18	\$540 <sup>!</sup>
Premium Uncovered	\$6	\$12	\$336 <sup>!</sup>
Economy	\$4	\$9	\$216 <sup>!</sup>
<b>Bozeman</b>	\$1	\$5	\$80

\*No monthly leases currently available.

<sup>^</sup>\$4 First hour

<sup>#</sup> 4 month pass cost divided by 4

<sup>!</sup> The airport only has weekly rates. Monthly rates multiply the weekly rates by 4.

### Align Monthly and Daily Rates for 2020

Staff recommends moving our comparatively low monthly permit and UDC permit parking rates towards greater alignment with the values of the adopted Parking Plan. For 2021, staff recommends aligning the newly proposed daytime rate of \$5 with the daytime equalized rate in pricing of monthly and UDC parking rates. Staff proposes a monthly rate for monthly parkers of \$95 per month. Staff believe this rate is not significantly beyond the 2020 rates charged in Billings and Missoula and is far more consistent with the values of the adopted Parking Plan than current rates. UDC Permits would be somewhat higher to reflect their lack of management flexibility. Our hourly rates, with two hours free, are below the rates charged in Billings, Helena, and Missoula for the first two hours and equal to Helena and Missoula beyond the first two hours. Our proposed **24-hour maximum** rates are significantly below the **24-hour maximum** in other Montana communities with parking programs. These rates serve our Parking Plan's goal of prioritizing visitors and customers over employees and developers with our parking pricing.

## Recommendation

### Bridger Park Garage

Type	Parking Plan Prioritization	Daytime Equalized Rate <sup>4</sup> 2020	2020 Rate	Daytime Equalized Rate <sup>5</sup> 2021	Rate Recommendation 2021
Hourly Rate	Customers & Visitors	\$7	\$1/hour	\$7	First 2 hours free, then \$1/ hour \$5/ daytime
Daytime Rate 6am – 6pm	Customers & Visitors & Employees	\$5	\$5	\$5	
Nighttime Rate 5pm – 8am	Customers & Visitors & Employees	\$3	\$3	\$3	\$3/ nighttime
24 Hour Max	Visitors	n/a	n/a	\$10	\$10/ 24 hours
Main Garage (Revocable)	Employees/ Employers	\$4.00	\$80/month	\$4.75	\$95/ month
UDC Leases (Non-Revocable)	Developers (UDC Parkers)	\$4.00	\$80/month	\$5.00	\$100/ month
Basement UDC Leases (Non-Revocable)	Developers (UDC Parkers)	\$4.60	\$92/month	\$5.50	\$110/ month

<sup>4</sup> Assumes 8 am – 5 pm workday (9 hours), 20 workweek days per month, at cost of \$1 per hour with 2 hours of free parking.

<sup>5</sup> Assumes 8 am – 5 pm workday (9 hours), 20 workweek days per month, at cost of \$1 per hour with 2 hours of free parking.

## Surface Lots

Monthly permit pricing in the surface lots should also increase to better align with the values of the Parking Plan. Additionally, revenue from surface parking lots can be part of the revenue system that supports the acquisition and development of additional structured parking spaces. Since the projected cost of debt service for a structured parking space is \$215/month and there is community support for a new parking structure, the price of surface lot parking should be raised commensurately with concurrent increases in the Bridger Park Garage.

Type	Parking Plan Prioritization	Daytime Equalized Rate 2019 <sup>6</sup>	2020 Rate	Daytime Equalized Rate <sup>7</sup>	Rate Recommendation 2021
Hourly Rate	Customers & Visitors	Free	2 Hours Free	n/a	2 Hours Free
Monthly Permit	Employees/ Employers	\$3.00	\$60	\$3.75	\$75

<sup>6</sup> Assumes 8 am – 5pm workday (9 hours), 20 workweek days per month, at cost of \$1 per hour with 2 hours of free parking.

<sup>7</sup> Assumes 8 am – 5pm workday (9 hours), 20 workweek days per month, at cost of \$1 per hour with 2 hours of free parking.