

# UCLA ECONOMIC LETTER

## REAL ESTATE AND THE MACROECONOMY

*A partnership between the UCLA Ziman Center for Real Estate and the UCLA Anderson Forecast sponsored by the Ziman Center's UCLA Rosalinde and Arthur Gilbert Program in Real Estate, Finance and Urban Economics*

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Monthly condensed analyses of crucial real estate and economic issues offered by the UCLA Anderson Forecast and UCLA Ziman Center for Real Estate. Here, C.J. Gabbe, Assistant Professor in Santa Clara University's Department of Environmental Studies and Sciences, and Gregory Pierce, Senior Researcher at UCLA Luskin Center for Innovation, condense their research showing how minimum parking requirement for housing are harming low-income renters and housing affordability.

## Low-Income Renters Pay a High Price for Parking Requirements

*By [C.J. Gabbe](#) and [Gregory Pierce](#)*

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Most cities' off-street parking requirements were codified during America's post-World War II growth and suburbanization. Today, we are in the midst of an urban housing affordability crisis, and outdated municipal parking requirements are partly to blame. Our recent research analyzed the affordability effects of parking provisions on America's urban renters. We find that parking requirements impose a high cost on renters, and particularly on low-income carless renters, who collectively spend more than \$400 million dollars annually on parking that they may not even need or want.

*"Carless renters pay the equivalent of \$440 million per year for garage parking that they may not need or want."*

Cities around the United States – and particularly in Southern California – mandate that developers build parking spaces, which are bundled into the price of every housing unit. The cost of this excessive on-site parking supply is both hidden and high. This bundling has caused several problems. First, as the marginal cost of consuming parking is often zero to consumers (renters), they often use more parking than they need. Second, as developers have been required to provide lots of parking, parking supply has exceeded natural parking demand. Third, as cities continue to require high minimum amounts of parking, these requirements have perpetuated auto-dependent development patterns, which now many cities are eager to overturn.

While bundling has recently been recognized as a problem, there are few reliable estimates of the implicit cost of this practice. We do know that parking spaces are expensive to build. The average structured parking garage space costs \$24,000 and underground parking space costs \$34,000 to construct, in 2012 according to Donald Shoup’s research in several cities.

Using 2011 data from the U.S. Census Bureau’s American Housing Survey, we produced the first analysis of how much the typical U.S. renter household was implicitly paying for garage parking spaces. Our three main findings are:

1. The average American renter with garage parking spends \$1,700 per year, or an additional 17% of the housing unit’s rent on garage parking.
2. The approximately 708,000 renter households in the U.S. without a car pay an average of \$621 per year or a 13% premium for garage parking.
3. These carless renters pay the equivalent of \$440 million per year for garage parking that they may not need or want – we refer to this as a deadweight loss.

While we note the potential burden on renters with cars whose choices have been constrained by the municipal parking regulations, we emphasize the specific burden on low-income renters *without* cars. Decades of minimum parking requirements mean that there are few rental units available without on-site parking. However, more than 7% of American renters do not have a car and the typical carless renter has about half the median income of all renters. Carless renters commonly rent apartments with parking, even if they would rather not. These carless renters collectively spend more than \$400 million on parking. Perhaps some of them get some utility from these parking spaces. But it is likely that many carless renters would prefer to have reduced rent rather than pay for parking they do not need. Minimum parking requirements are an equity issue, particularly for low- and moderate-income renters.

Our research, which, for the first time, quantifies the national burden associated with high minimum parking requirements, also highlights the opportunity for policy reforms. We recommend that cities (1) reduce or eliminate minimum parking requirements, and (2) allow developers to “unbundle” the price of housing from the price of parking. Southern California cities have piloted some reductions in parking requirements, such as in Los Angeles’s Cornfield Arroyo Seco Specific Plan area and in Downtown Long Beach. But, reforms are needed much more broadly. The baseline off-street parking standards in cities’ zoning codes should be reduced across the region, and replaced with more market-based and flexible parking regulations. The ultimate objectives of these reforms are more efficient and equitable allocations of parking, and the reduction of an unnecessary burden on housing affordability.

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