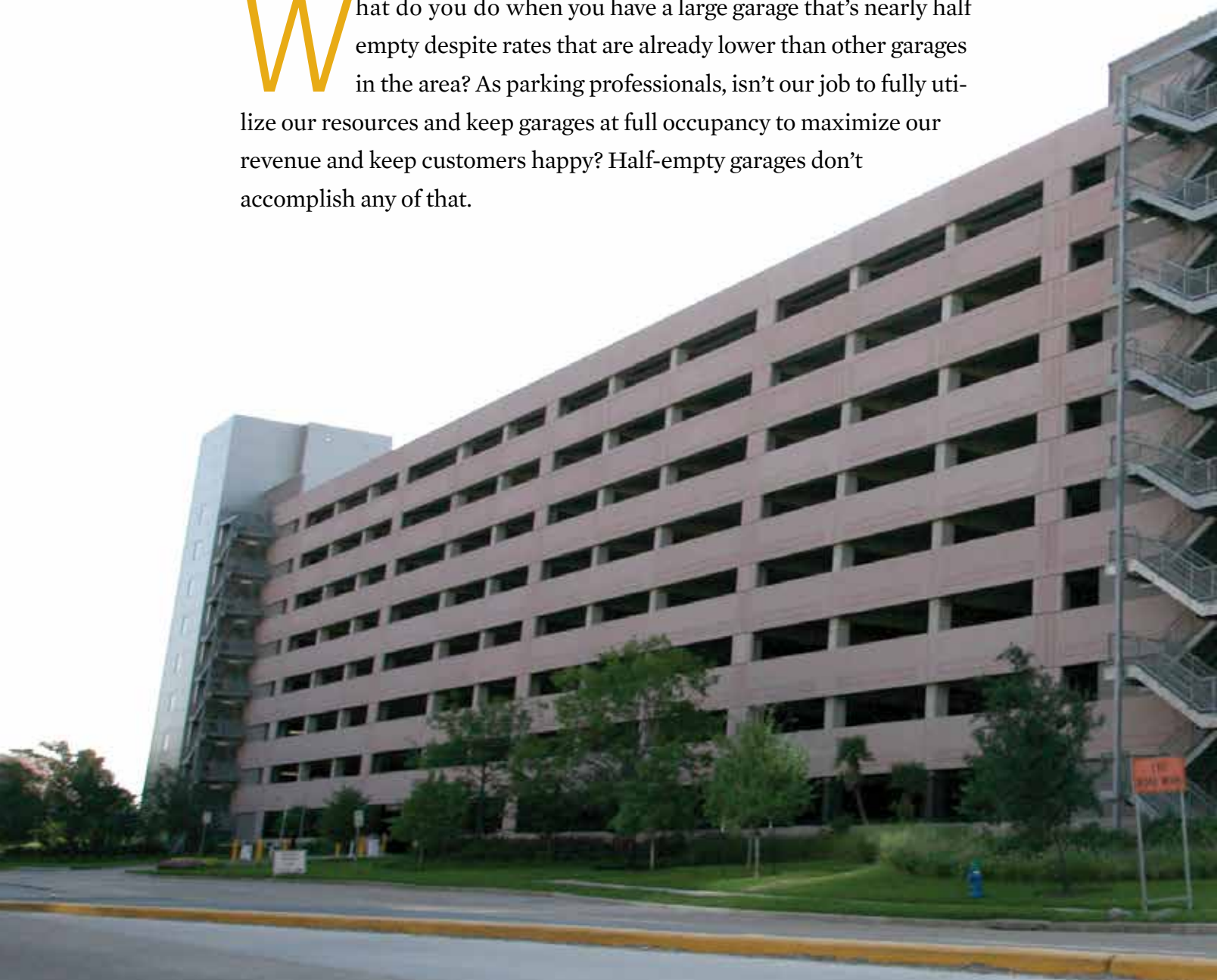


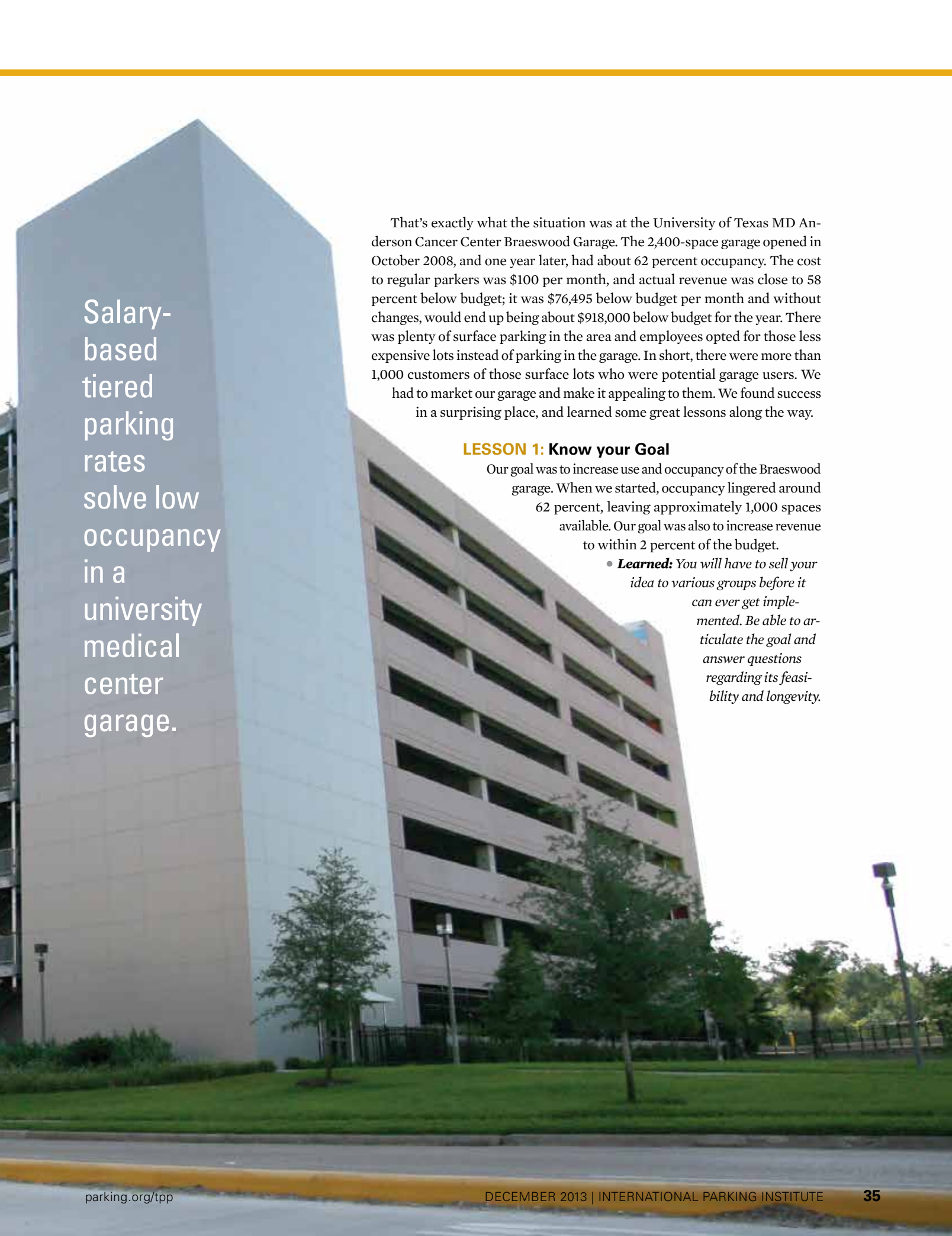


LESSONS LEARNED

By Diane Confer, CAPP

What do you do when you have a large garage that's nearly half empty despite rates that are already lower than other garages in the area? As parking professionals, isn't our job to fully utilize our resources and keep garages at full occupancy to maximize our revenue and keep customers happy? Half-empty garages don't accomplish any of that.





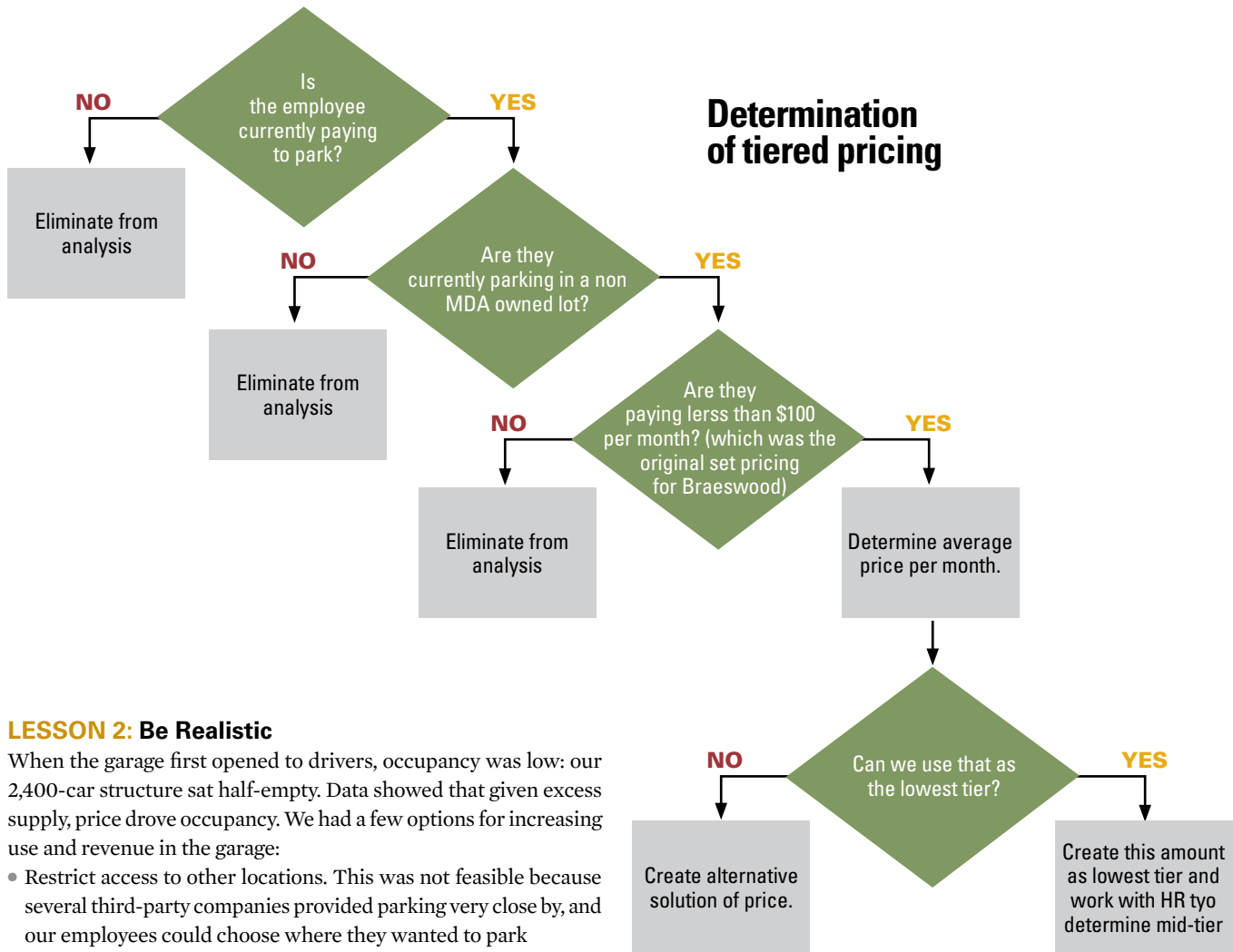
Salary-based tiered parking rates solve low occupancy in a university medical center garage.

That's exactly what the situation was at the University of Texas MD Anderson Cancer Center Braeswood Garage. The 2,400-space garage opened in October 2008, and one year later, had about 62 percent occupancy. The cost to regular parkers was \$100 per month, and actual revenue was close to 58 percent below budget; it was \$76,495 below budget per month and without changes, would end up being about \$918,000 below budget for the year. There was plenty of surface parking in the area and employees opted for those less expensive lots instead of parking in the garage. In short, there were more than 1,000 customers of those surface lots who were potential garage users. We had to market our garage and make it appealing to them. We found success in a surprising place, and learned some great lessons along the way.

LESSON 1: Know your Goal

Our goal was to increase use and occupancy of the Braeswood garage. When we started, occupancy lingered around 62 percent, leaving approximately 1,000 spaces available. Our goal was also to increase revenue to within 2 percent of the budget.

- **Learned:** *You will have to sell your idea to various groups before it can ever get implemented. Be able to articulate the goal and answer questions regarding its feasibility and longevity.*



LESSON 2: Be Realistic

When the garage first opened to drivers, occupancy was low: our 2,400-car structure sat half-empty. Data showed that given excess supply, price drove occupancy. We had a few options for increasing use and revenue in the garage:

- Restrict access to other locations. This was not feasible because several third-party companies provided parking very close by, and our employees could choose where they wanted to park
- Change to a lower, flat rate. We had already determined that the budget we created was needed to offset the principle and interest to build the garage. Lowering the rate to match that of the surface lots around us was not a financial possibility.
- Tier the rate. We could make up for lower tiered rates with increased occupancy, which would help maximize our garage and provide opportunities for garage parking for all employees. Salary-based tiered parking is not a new concept; many academic institutions subscribe to this method across the country.
- **Learned:** *Be realistic in your desire to make changes. Outline various options and pros and cons; each can help in deciding the right course of action.*

LESSON 3: Prepare an Analysis

We determined that a tiered rate might be the way to go for our garage. However, we needed to make sure that we could offer a lowest tier that was close to or less expensive than the rates offered by nearby surface lots. Analyses and forecasts were created to help make that determination as outlined in the decision tree above.

- **Learned:** *Once you determine your options, you have to decide which one works best for you. Preparing a process/decision analysis on the approach you want to take will help you determine if it is a realistic approach. It will allow you to see if the outcome will be favorable or just a lot of wasted time.*

LESSON 4: Plan the Improvement

The first thing we did was talk to those in the parking industry who had or currently have tiered parking rates at their institutions and get their feedback. There were several and the reviews were mixed; most liked the idea but admitted it created extra work to keep the tiers accurate and make sure employees paid the right amount as their incomes increased.

Next, we had to get buy-in from upper management and various councils, including the diversity council, human resources, internal communications, parking and transportation advisory committee, executive management, and legal. All seemed to like the idea and wanted us to take it further. Human resources buy-in was a big step, as they would have to help us verify employee salary grades during our audits every year. They were willing and able.

Next, we had to get a feel from our customers if this was something they wanted. Several focus groups were held with customers of the Braeswood garage. Although there were some who said a gallon of milk costs the same no matter your income and parking should too, the overwhelming majority thought tiered rates was a great idea, including those who would pay the highest rate. We made a point to ensure that no customer's rate would go up from where it started, and no one tier would subsidize another. Once we felt our customers were on board, we needed to get started.

Sample Month Occupancy

Braeswood Increases	Rate	Thur 1/28	Mon 2/1	Wed 2/3	Thur 2/4	Tue 2/9	Mon 2/15	Fri 2/26
Tier 1	\$60	389	634	799	850	909	935	1,026
Tier 2	\$85	610	642	661	673	694	696	725
Tier 3	\$100	271	267	267	269	273	275	279
Braeswood (UTHSC)	\$100	46	103	103	103	103	102	102
Students	\$75	62	62	63	63	63	60	62
NEOP	\$10	30	45	32	28	44	32	21
Totals		1,408	1,753	1,925	1,986	2,086	2,100	2,215

We worked with human resources to create three garage rate band categories based on employee salary grade. Each rate band was assigned a percentage of spaces in the garage. When those assigned spaces were fully used, the specific rate band would be considered full and a wait list would be created. We did not need or want to know exact salaries—just salary grade based on title. We used the minimum salary as our guide and came up with the following tiered rates:

- \$100: Minimum salary grade above \$70,000; no maximum number of spaces.
- \$85: Minimum salary grade between \$40,000 and \$70,000; maximum of 602 spaces.
- \$60: Minimum salary grade of less than \$40,000; maximum of 1,300 spaces.

Revised budgets were created using the new rates. Although the proposed budget did not match the original, it was estimated that we would increase our annual revenue by at least \$600,000.

- **Learned:** *Time and effort goes into this step. Communication is key. There will be several areas within your organization that will need to be aware, provide input, and possibly help make the implementation a success. And don't forget the customers. You can have the best plan but if the customers are not interested, you could find yourself in a worse situation. Talk to other organizations that have implemented your idea and learn from them. Find out what went well and what to look out for. This can save you time and frustration.*

LESSON 5: Implement the Change

Parking worked with human resources to identify the salary grades of all the current customers in the garage. Once that was determined, we communicated new rates and effective dates with all customers. All were paying \$100 and now some would pay \$60 or \$85. Changes were made in our system to identify their new rates while

other changes were made in the accounting system to adjust payroll deductions accordingly. Once existing customers were taken care of, we worked with the internal communications department to offer the tiered rate to employees who parked elsewhere.

- **Learned:** *Make sure you give yourself enough time to adequately implement the change. Changing rates can be easy, but communication and making software and payroll deduction changes can take some time. Don't cut yourself short when communicating the change and the effective date.*

LESSON 6: Measure Improvements

Improvement was measured by comparing occupancy numbers before and after the new rate structure was implemented. After one month, we had 807 additional contracts in the garage and revenue had increased by \$29,595. After six months of implementation, there was a 92 percent increase in occupancy and a 45 percent increase in revenue; a sample month is illustrated above.

Customer and client benefits included an increase of affordable parking options and closer parking that reduced commute times. MD Anderson benefits via satisfied employees who fill the garage and increased revenue. The tiered parking structure in this garage proved to be a success.

Three years after tiered pricing implementation, occupancy remains around 120 percent. Revenue is budgeted on the tiered system and we have remained within 2 percent of budget for the past three years. The biggest challenge to the tiered system is the salary audit done twice a year to confirm employee rate bands. Customers are still excited when they can get garage parking at \$60 per month. We have since built a new garage and started off with the tiered rate.

Tiered pricing may not be for everyone, but it worked for us.



DIANE CONFER, CAPP, is manager of support services and transportation at the University of Texas MD Anderson Cancer Center. She can be reached at dconfer@mdanderson.org or 713.794.1866.