

August 31, 2010

Mr. William Lowenstein
Bronx Parking Development Corporation, LLC
18 Aitken Avenue
Hudson, NY 12534

c/o Allison Patrick
Washington Square Partners
675 Third Avenue
25th Floor
New York, NY 10017

Re: Proposed 2011 Parking Rates for the Yankee Stadium Parking System

Mr. Lowenstein:

Pursuant to the terms of the Installment Sale Agreement pertaining to the financing of a portion of the Yankee Stadium Parking System (“YSPS”), as defined in our Feasibility Study, DESMAN, as the Independent Parking Consultant to Bronx Parking Development Company, LLC (“BPDC”) have agreed from time to time to review and approve BPDC’S annual budget, and to approve certain expenditures of operating revenues which vary from the pre-approved budget by more than 5%; and to opine on various other changes in the YSPS as described in our Feasibility Study as required in the bond documents. In accordance with our role as the Independent Parking Consultant to the BPDC, DESMAN has received a Request for an Opinion (“RFAO”) via emails from Washington Square Partners (see attached) regarding the market sensitivity to increases in the “game day” parking rates at the YSPS parking facilities in 2011.

Impact of Proposed Game Day Parking Rate Increases

The 2011 budget presents two different rate increase proposals for regular, valet and bus parking. The regular rate of \$23.00 will either be raised to \$40.00 or \$47.00, the valet rate of \$35.00 will be raised to either \$52.00 or \$55.00 and the bus rate of \$80.00 will be raised to \$100.00. Specifically, DESMAN has been asked to give an opinion about whether the proposed rate increases will cause a substantial decline in the capture of parking customers.

According to the latest parking industry research, parking demand is highly inelastic in relation to price. The Federal Transit Administration’s (FTA) TCRP “Report 95”, *Parking Pricing and Fees: Traveler Response to Transportation System Changes* states that “research appears to corroborate conventional wisdom that parking demand, as measured strictly by number of cars

parking, is inelastic with respect to price.” The TCRP “Report 95” further notes that “demand elasticities for area-wide changes in parking price generally range from -0.1 to -0.6, with -0.3 being the most frequently cited value.” The Victoria Transportation Policy Institute in their *Transportation Elasticities: How Prices and Other Factors Affect Travel Behavior* (July 2009) found “that the elasticity of vehicle trips with regard to parking prices is typically in the -0.1 to -0.3 range, with significant variation depending on demographic, geographic, travel choice and trip characteristics.”

DESMAN’s experience with parking systems that have raised parking rates indicates that the price elasticity of demand is actually near the low end of this scale. For example, New Jersey Transit developed elasticity figures for their Princeton Junction station which put the price elasticity of demand for parking in the range of -0.03 to -0.1. However, because this elasticity was based not on a survey of parker’s opinions or their actual reactions to a price increase but on knowledge of the parking patrons and the relevant parking supply, even this data is not completely accurate. As with all elasticity data relating to the parking industry, at the present time, the best information is based on this type of anecdotal evidence.

Further justification for a lower elasticity is the fact that price elasticity of demand ($\% \Delta$ quantity demanded \div $\% \Delta$ price) has a number of determinants, with the most important being availability of substitutes. In terms of the YSPS, the main substitutes are limited parking in other off-street facilities, a small number of on-street parking spaces and a few public transportation alternatives. Aside from the YSPS facilities, parking is available at three small, privately-owned surface parking lots, the Gateway Center Garage and at scattered on-street locations in the residential neighborhoods surrounding the Stadium. On event days, prices at the three surface lots are closely aligned with the parking rates at the YSPS facilities. The Gateway Center Garage typically charges \$7 for patrons parked less than 3 hours and a rate similar to that of the YSPS facilities for those parked over 3 hours. The supply of on-street parking spaces can be utilized free-of-charge but is typically unavailable due to area residents occupying the spaces.

For those event patrons choosing not to drive to the Stadium, a few public transit alternatives do exist including both rail and bus lines running past the Stadium. However, according to the *Mass Transit* section of “Report 95”, even with public transit ridership growing, parking revenue generally increases with parking price increases. This correlation seems to suggest that a significant number of drivers do not switch to mass transit when parking rates are increased.

Based on the two proposed rate schedules and on an assumed price elasticity of demand for parking at the YSPS facilities during events of -0.20 (the middle of the range suggested by the Victoria Transportation report), the following chart illustrates the possible effect of the proposed rate increases on parking demand in 2011:

| | Assumed Elasticity Factor | 2010 Rate | Alternative 1 | % Rate Increase | % Change in Demand | Alternative 2 | % Rate Increase | % Change in Demand |
|------------------------|---------------------------|-----------|---------------|-----------------|--------------------|---------------|-----------------|--------------------|
| Regular Parking | -0.2 | \$23 | \$40 | 73.91% | -14.78% | \$47 | 104.35% | -20.87% |
| Valet Parking | -0.2 | \$35 | \$52 | 48.57% | -9.71% | \$55 | 57.14% | -11.43% |
| Bus Parking | -0.2 | \$80 | \$100 | 25.00% | -5.00% | \$100 | 25.00% | -5.00% |

Despite an industry-wide lack of data on the price elasticity of demand for parking, DESMAN's contends that the percentage change in demand figures calculated above are reasonable (in the short-term) given the characteristics of the parking demand generated by Yankee Stadium and served by the YSPS. However, this short-term drop-off in demand will dissipate as the public's sensitivity to the price increases subsides.

Because the public outcry over drastic increases in parking rates may cause unwanted negative publicity for the City and the Yankee's organization, DESMAN recommends that, if either of these rate increase scenarios are implemented, the initial increase be implemented immediately with the remainder to be phased in over several years (e.g. \$30 - immediately, \$40 - 2011 season and \$47 - 2012 season). Additionally, it is DESMAN's opinion that the proposed increases in valet parking rates could be enacted immediately, as this patron group is less likely to protest the increase. Lastly, it is our opinion that the bus parking rate should be increased further to \$150, based on the fact that multiple car spaces are typically consumed by parking a single bus.

Related Comments

- Location-based pricing is not likely to yield significant revenue increases. Each of the newest and largest YSPS parking facilities is practically the same walking distance from the new Stadium entrances and these new facilities are usually 90% occupied on game days. Therefore the benefit to parking in one facility over another is imperceptible, particularly if doing so would mean paying a higher price.
- The YSPS may be able to increase its revenues if influence can be exerted over the Gateway Center to alter their parking validation policy. The current policy allows shoppers 3 hours of parking for \$7; parkers are not required to show proof that they have shopped in order to receive this validation. If this were adjusted to two hours of parking with event rates thereafter or if proof of a set purchase amount was required to qualify for the standard hourly rate, some of the demand being captured by the Gateway Center Garage (estimated at between 400 – 1,000 vehicles per game by Max Schwed of Standard Parking) would likely to be redistributed to the YSPS's facilities.
- Presently, the 153rd Street Garage is no longer needed to accommodate game day demand on a regular basis. Therefore, an opportunity may exist to exclusively use the facility to accommodate monthly parkers without having to charge them event rates on event days. According to Max Schwed, this policy of surcharging monthly parker's game day rates is the major factor which has stifled the capture and retention of monthly parkers. In addition, perhaps the spaces in this facility and/or one of the others could be more heavily marketed to area residents during the offseason (particularly during the winter months) as a discounted weather-protected off-street vehicle storage site. Other creative solutions may also be found.
- Upon completion of Heritage Field, consideration should be given to charging for parking at large events held at the field and at Ruppert Plaza. According to Standard

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Parking, parking is currently has been free for recreation events (i.e. high school track meet).

- The City should consider investigating the few competing surface parking lots around Yankee Stadium in order to verify that they are properly licensed to operate as parking facilities. If one of these facilities were to cease operating, the parking demand currently captured by the facility would likely be shifted to the YSPS.

Sincerely,
DESMAN ASSOCIATES
A Division of DESMAN, Inc.



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Cc: Steven Aiello, Standard Parking
Steven Polivy, Ackerman Senterfitt Stadtmauer Bailkin