

# SB 739

Measure Title:	RELATING TO PARKING.
Report Title:	Air Pollution; Traffic Congestion; Parking Cash-out Program; Parking Subsidy
Description:	Requires employers of fifty persons or more who provide a parking subsidy to employees to offer a parking cash-out program.
Companion:	
Package:	None
Current Referral:	TRS, CPH
Introducer(s):	S. CHANG, Gabbard



**STATE OF HAWAII**  
**DEPARTMENT OF HEALTH**  
P. O. Box 3378  
Honolulu, HI 96801-3378  
doh.testimony@doh.hawaii.gov

WRITTEN  
TESTIMONY ONLY

**Testimony in OPPOSITION to SB0739  
RELATING TO PARKING**

SENATOR ROSALYN H. BAKER, CHAIR  
SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH  
Hearing Date: February 27, 2019 Room Number: 229

1 **Fiscal Implications:** The proposed program will require additional staff and resources for the  
2 Department of Health (Department) to develop and operate the program.

3 **Department Testimony:** This bill would establish a parking cash-out program affecting  
4 employers with 50 or more persons who provide a parking subsidy to employees. While the  
5 Department supports utilizing alternative and environmentally-conscious means of  
6 transportation, we oppose this bill in its current form for the following reasons:

- 7 • The proposed program does not belong in Hawaii Revised Statutes, Chapter 342B, Air  
8 Pollution Control. The bill establishes a program that would require companies to  
9 implement a labor practice and provide a specific employee benefit that do not belong  
10 within the Air Pollution Control rules; and
- 11 • The bill does not provide funding or personnel to carry out the requirements of the  
12 proposed program. This measure may impact the priorities identified in the  
13 Governor's Executive Budget Request for the Department's appropriations and  
14 personnel priorities.

15 By placing text in HRS 342B, this bill would require the Department's Clean Air Branch  
16 staff to do the following: 1) identify all companies, private, public, and not-for-profit, statewide  
17 that have 50 or more employees and provide parking subsidies; 2) regularly update that list to  
18 determine who is or is not affected; 3) develop a program requiring the parking cash-out benefit;

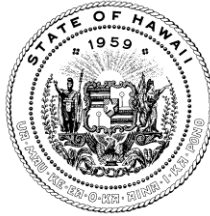
1 4) monitor each company's compliance; 5) penalize non-compliance; and 6) establish and  
2 conduct an appeals process.

3 The program tasks described above are duties related to labor practices, not  
4 environmental protection. The proposed program establishes requirements that have little to do  
5 with the practices of a regulatory air program or the duties and skills of the air program staff.  
6 The program is similar to other employee-commuter incentive programs such as carpooling,  
7 bike-sharing, and subsidizing public transportation costs, none of which fit within a regulatory  
8 program of air sources.

9 **Offered Amendments:** None.

10 Thank you for the opportunity to testify on this measure.

DAVID Y. IGE  
GOVERNOR OF  
HAWAII



SUZANNE D. CASE  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA  
FIRST DEPUTY

M. KALEO MANUEL  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES

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Testimony of  
SUZANNE D. CASE  
Chairperson

Before the Senate Committee on  
COMMERCE, CONSUMER PROTECTION AND HEALTH

Wednesday, February 27, 2019  
1:00 PM  
State Capitol, Conference Room 229

In consideration of  
SENATE BILL 739  
RELATING TO PARKING

Senate Bill 739 proposes to improve air quality and reduce traffic congestion by requiring employers of fifty or more employees to provide cash allowances in lieu of employer subsidized parking to encourage employees to find alternative means of commuting to work, such as public transport, carpooling, bicycling, or walking. **The Department of Land and Natural Resources (Department) acknowledges the intent of this measure and offers the following comments.**

In addition to the above benefits, this measure is likely to reduce greenhouse gas (GHG) emissions, and help Hawaii make progress towards its energy and climate change goals. Parking experts generally agree that parking cash out programs increase the share of commuters who choose modes of transportation other than driving alone to work. Such programs have been known to reduce vehicle miles traveled, and to benefit low-income commuters. To reflect climate change priorities, the Hawaii Climate Change Mitigation and Adaptation Commission issued a statement on ground transportation (attached) that supports the exploration and development of statewide policies and partnering with counties to “modernize parking policies and parking management, which will reduce overall emissions, congestion and vehicle miles travelled from driving, and increase biking, walking, and transit use, to achieve State goals.” In addition, parking cash out policies were specifically discussed by the Commission’s Permitted Interaction Group investigating the best strategies for reducing emissions from ground transportation, and brought to the Commission meeting on November 27<sup>th</sup> to discuss. This measure’s intent reflects these priorities for climate change mitigation.

That this measure takes the implementation of this policy one step further to determine rules and penalties is well intentioned, and commendable. However, the Department notes the open issue of

where such a program might be housed. For any oversight and enforcement of this statute, the appropriate department would need to be resourced fully, as such a statute would incur administrative costs.

Thank you for the opportunity to comment on this measure.



## DEPARTMENT OF LAND AND NATURAL RESOURCES

DAVID Y. IGE  
GOVERNOR

SUZANNE D. CASE  
CHAIRPERSON

### NEWS RELEASE

FOR IMMEDIATE RELEASE

Nov. 28, 2018

#### STATE CLIMATE COMMISSION ENCOURAGES URGENT ACTIONS TO COMBAT EMISSIONS

##### *Supports Legislation to Establish A Carbon Fee Program*

(Honolulu) - Hawaii's Climate Change Mitigation and Adaptation Commission, meeting yesterday in Honolulu recognized that ground transportation contributes significantly to Hawaii's share of greenhouse gas emissions. The Commission supports mechanisms to reduce overall vehicle miles traveled as well as converting all remaining vehicle-based ground transportation to renewable, zero-emission fuels and technologies

The Commission believes that putting a price on carbon is the most effective single action that will achieve Hawaii's ambitious and necessary emissions reduction goals. This view is also supported by expert global and local institutions:

- The Intergovernmental Panel on Climate Change reports that a price on carbon is central to prompt mitigation, and global emissions of CO2 need to fall by 45% by 2030 and to zero by 2050.
- The International Monetary Fund finds that "carbon pricing is crucial in reducing emissions, and carbon taxes are more effective than other mitigation instruments."
- State of Hawaii's *Report of the 2015-2017 Tax Review Commission* recommends consideration of a carbon fee in its review of the state tax structure.
- State of Hawaii's *Transportation Energy Analysis, August 2015*, supports an increase in the barrel tax "to fund government actions to support clean energy, specifically in regards to the bunker taxes in the marine sector and the inclusion of aviation fuel in the barrel tax.

- The Rhodium Group’s report *Transcending Oil Hawai‘i’s Path to a Clean Energy Economy*, April 2018, recommends a carbon tax to achieve clean transportation goals in Hawai‘i.

While the specific mechanisms behind a carbon fee program are not yet outlined, the Commission emphasized the urgent need for such a program, and supports legislation that endeavors to establish one, but also recognizes that any carbon pricing mechanism:

- Must be equitable, and appropriate for the people of Hawaii.
- Must demonstrate how this is a critical policy tool to protect the future—of Hawaii’s keiki and ‘āina.
- Must be adequate to change behavior.

The Commission recommends carbon pricing mechanisms that minimize regressivity, which can be pursued through structures such as equity-based tax credits or carbon fee and dividend.

In order to facilitate a carbon pricing program to address carbon pollution, the Commission urges the State to adequately resource the following actions through legislation or executive action:

- Partner with counties and local organizations to develop and undertake a multi-year educational/public service announcement (PSA) campaign to address the link between the need for a price on carbon and highlighting the importance of clean transportation in Hawaii—which will increase quality of life, and address climate change impacts by decreasing congestion, commute time and costs, and emissions.
- Explore and develop statewide policies and partner with counties to modernize parking policies and parking management, which will reduce overall emissions, congestion and vehicle miles travelled (VMT) from driving, and increase biking, walking, and transit use, to achieve State goals.
- Transform State and county fleets to address VMT reduction, congestion, and emissions—especially through electrification, renewable fuels, carshare, and supporting infrastructure development and deployment.
- Amend laws, such as the state procurement laws, to better align them with clean transportation priorities.

# # #

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## THE QUEEN'S HEALTH SYSTEMS

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To: The Honorable Rosalyn Baker, Chair  
The Honorable Stanley Chang, Vice Chair  
Members, Committee on Commerce, Consumer Protection, and Health

From: Paula Yoshioka, Vice President, Government Relations and External Affairs,  
The Queen's Health Systems

Date: February 25, 2019

Hrg: Senate Committee on Commerce, Consumer Protection and Health  
Wednesday, February 27, 2019 at 1:00PM in Room 229

Re: SB 739 Relating to Parking – In strong opposition

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The Queen's Health Systems (Queen's) is a not-for-profit corporation that provides expanded health care capabilities to the people of Hawai'i and the Pacific Basin. Since the founding of the first Queen's hospital in 1859 by Queen Emma and King Kamehameha IV, it has been our mission to provide quality health care services in perpetuity for Native Hawaiians and all of the people of Hawai'i. Over the years, the organization has grown to four hospitals, 66 health care centers and labs, and more than 1,600 physicians statewide. As the preeminent health care system in Hawai'i, Queen's strives to provide superior patient care that is constantly advancing through education and research.

Queen's appreciates the opportunity to provide testimony in strong opposition to SB 739, which requires an employer-funded cash-out program for parking that is equivalent to a parking subsidy that an employer would otherwise pay to provide the employee with a parking space. Because of the number of employees who work on the Queen's Punchbowl campus, 457 parking stalls are leased to other nearby facilities off campus. Based on our understanding of the bill, the employer required subsidy offered would approximate \$603,000 per year. In addition to this cost, Queen's currently subsidizes 24-7 hour shuttles to transport employees to and from these off campus facilities to the Punchbowl campus at a cost of \$300,000 per year.

Queen's provides significant community benefits; last year we provided \$200 million in such benefits, of which \$60 million was lost due to underfunded and underinsured patients. While we understand and appreciate the intent of the bill, we also are having to prioritize our spend to patient care. We humbly ask that you defer this bill.

Thank you for the opportunity to provide testimony.

*The mission of The Queen's Health Systems is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i.*





## **O`ahu County Committee on Legislative Priorities**

COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH

Senator Roselyn H. Baker, Chair

Senator Stanley Chang, Vice Chair

DATE: Tuesday, February 27, 2019

TIME: 1:00 p.m.

PLACE: Conference Room 229, State Capitol

RE: SB 739 Relating to Parking

To the Honorable Roselyn H. Baker, Chair; the Honorable Stanley Chang, Vice Chair; and Members of the Committee on Commerce, Consumer Protection, and Health:

I am Melodie Aduja, Chair of the O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i ("DPH"). Mahalo for this opportunity to submit testimony on SB 739. The O`ahu County Committee on Legislative Priorities ("OCCLP") hereby submits its testimony in **SUPPORT of SB 739, Relating to Parking.**

SB 739 provides that the purpose of this measure is to improve air quality and reduce traffic congestion by requiring employers of fifty or more employees to provide cash allowances in lieu of employer subsidized parking to encourage employees to find alternative means of commuting to work, such as public transport, carpooling, bicycling, or walking. SB 739 further provides that each employer of fifty persons or more who provides a parking subsidy to employees shall offer a parking cash-out program. The parking cash-out program shall be an employer-funded program under which an employer offers to provide a cash allowance to an employee equivalent to the parking subsidy that the employer would otherwise pay to provide the employee with a parking space.

DPH seeks to achieve energy sustainability based on renewable energy sources. We must encourage the use of clean alternative fuel sources to include our public transportation systems. We must increase the use of public transit, telecommuting, car and vanpooling, ridesharing, biking, walking, and other forms of transportation thereby reducing traffic congestion and air pollution. We must also urgently develop the use of a variety of cost-effective energy providing systems, encourage transit-oriented development, and support tax incentives that encourage renewable energy initiatives. *Democratic Party of Hawai`i Platform (2018), p. 17, ln. 43-48.*

DPH is committed to getting 100 percent of our electricity from clean energy sources within a decade. DPH will seek to cut energy waste in homes, schools, hospitals, and offices through energy efficient improvements; modernize our electric grid; and make manufacturing the cleanest and most efficient in the world. These efforts will create hundreds of new jobs and save families and businesses money on their monthly energy bills. DPH will transform Hawai'i's transportation by reducing fossil fuel consumption through cleaner fuels, vehicle electrification, and increasing the fuel efficiency of cars, boilers, ships, and trucks. DPH will make new investments in public transportation and build bicycle and pedestrian infrastructure across our urban and suburban areas. DPH believes that the tax code must reflect our commitment to a clean energy future by preserving and extending tax incentives for energy efficiency and clean energy.

Democrats believe that carbon dioxide, methane, and other greenhouse gases should be priced to reflect their negative externalities, and to accelerate the transition to a clean energy economy and help meet our climate goals. Democrats are committed to defending, implementing and extending smart pollution and efficiency standards and fuel economy standards for automobiles and heavy-duty vehicles, building codes and appliance standards. DPH is also committed to expanding clean energy research and development.

DPH will work to expand access to cost-saving renewable energy by low-income households, create good paying jobs in communities that struggled with energy poverty, and oppose efforts by utilities to limit consumer choice or slow clean energy deployment. DPH will streamline State permitting to accelerate the construction of new transmission lines to get low-cost renewable energy to market, and incentivize wind, solar, and other renewable energy. *Democratic Party of Hawai'i Platform (2018), p. 18, ln. 14-34.*

Climate change poses an urgent and severe threat to our National Security, and DPH believes it would be a grave mistake for the United States to wait for another nation to take the lead in combating the global climate emergency. According to the U.S. military, climate change is a threat multiplier that is already contributing to new conflicts over resources, catastrophic natural disasters, and the degradation of vital ecosystems across the globe. DPH recognizes the catastrophic consequences facing our State, our country, our planet, and civilization.

DPH believes that Hawai'i must lead in forging a robust global solution to the climate crisis. DPH is committed to a national mobilization, and to leading a global effort to mobilize nations to address this threat. Our generation must lead the fight against climate change and we applaud Hawai'i's leadership in joining the historic Paris Climate Accord. Hawai'i will not only meet the goals set in Paris, DPH will seek to exceed them and push other countries to do the same by slashing carbon pollution and rapidly driving down emissions of potent greenhouse gases like hydrofluorocarbons. DPH will support other States and developing countries in their efforts to mitigate carbon pollution and other greenhouse gases, deploy more clean energy, and invest in climate resilience and adaptation. *Democratic Party of Hawai'i Platform (2018), p. 19, ln. 2-16.*

For the foregoing reasons, to wit, to achieve energy sustainability based on renewable energy sources by the use of clean alternative fuel sources in public transportation systems and increasing the use of public transit, telecommuting, car and vanpooling, ridesharing, biking, walking, and other forms of transportation thereby reducing traffic congestion and air pollution, OCCLP supports SB 739 and urges its passage out of the Committee on Commerce, Consumer Protection, and Health.

Mahalo nui loa  
Me ka `oia`i`o

/s/ Melodie Aduja

Melodie Aduja

Chair, O`ahu County Committee on Legislative Priorities of the Democratic Party of  
Hawai`i

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SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, & HEALTH  
Wednesday, February 27, 2019 — 1:00 p.m. — Room 229

## **Ulupono Initiative Strongly Supports SB 739 with Comments and Amendments, Relating to Parking**

Dear Chair Baker, Vice Chair Chang, and Members of the Committee:

My name is Murray Clay and I am Managing Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally produced food; increase affordable, clean, renewable energy; and better manage waste and fresh water resources. Ulupono believes that self-sufficiency is essential to our future prosperity and will help shape a future where economic progress and mission-focused impact can work hand in hand.

**Ulupono strongly supports SB 739 with Comments and Amendments**, which requires employers of fifty persons or more who provide a parking subsidy to employees to offer a parking cash-out program, because it reduces Hawai'i's dependence on imported fossil fuels.

### **Recommended Amendments**

We suggest having a single agency, such as the Department of Human Resources Development, manage the program since this program would affect benefits and employee compensation. Another suggestion for consideration is the Department of Land and Natural Resources because the California Air Resources Board facilitates the California program. In addition, as noted later in the testimony, this program both raises income taxes for the State and reduces long-term transportation costs. This funding could be put toward funding the enforcement of the program.

### **Parking Cash Out Benefits for Workers**

Ground transportation alone uses roughly a third of the state's imported fossil fuels. For Hawai'i to reduce imported fossil fuel usage, we need to encourage people to drive less and use alternative forms of transportation such as walking, bicycling, bus, rail, and carpooling. Yet, employers encourage continued use of driving through parking subsidies for employees. Further, current tax policy provides additional financial incentives through tax-

*Investing in a Sustainable Hawai'i*

exempt benefits. A parking cash-out program helps provide incentives for other forms of transportation.

Since it is likely that some people would choose to switch from driving, this also has additional benefits of reduced traffic congestion, improved commute times for the remaining drivers especially for rural commuters, improved productivity and quality of life, reduced roadway wear and tear, increased revenue for other modes of transportation such as transit and bikeshare, improved air quality, and improved health and life expectancy. A cash-out program will especially benefit low-income employees because a cash allowance would be larger in proportion to income and their low tax bracket means they will keep more of the benefit. Disabled employees and others who are not able to drive a car will also benefit from the option to choose cash in lieu of a parking subsidy. Women were also found to be more likely than men to take the cash in lieu of driving.

Multiple studies show that employer-paid parking leads to an increase in the number of drivers:

**TABLE 1-2.**  
**EMPLOYER-PAID PARKING INCREASES SOLO DRIVING: SEVEN CASE STUDIES**

Location and date of case study	Solo driver mode share			Cars driven to work per 100 employees				
	Driver pays for parking	Employer pays for parking	Percentage point increase	Driver pays for parking	Employer pays for parking	Increase	Percent increase	Price elasticity of demand
(1)	(2)	(3)	(4)=(3)-(2)	(5)	(6)	(7)=(6)-(5)	(8)=(7)/(5)	(9)
1. Civic Center, Los Angeles, 1969	40%	72%	+32%	50	78	+28	+56%	-0.22
2. Downtown Ottawa, Canada, 1978	28%	35%	+7%	32	39	+7	+22%	-0.10
3. Century City, Los Angeles, 1980	75%	92%	+17%	80	94	+14	+18%	-0.08
4. Mid-Wilshire, Los Angeles, 1984	8%	42%	+34%	30	48	+18	+60%	-0.23
5. Warner Center, Los Angeles, 1989	46%	90%	+44%	64	92	+28	+44%	-0.18
6. Washington, D.C., 1991	50%	72%	+22%	58	76	+18	+31%	-0.13
7. Downtown Los Angeles, 1991	48%	69%	+21%	56	75	+19	+34%	-0.15
<b>Average of case studies</b>	<b>42%</b>	<b>67%</b>	<b>+25%</b>	<b>53</b>	<b>72</b>	<b>+19</b>	<b>+36%</b>	<b>-0.15</b>

Sources: Groninga and Francis 1969; Transport Canada 1978; Shoup and Pickrell 1980; Surber, Shoup, and Wachs 1984; Soper 1989; Miller 1991; Willson 1991.

Cases 1, 3, 6, and 7 refer to a study comparing the commuting behavior of employees with and without employer-paid parking.

Cases 2, 4, and 5 refer to a study comparing the commuting behavior of employees before and after employer-paid parking was eliminated.

Willson and Shoup 1990b explain the details of each case study. The arc elasticity of demand is calculated with respect to the price of parking.

<http://shoup.bol.ucla.edu/ParkingCashOut.pdf>

## California's Cash-Out Parking Law

In 1992, California enacted legislation (AB 2109, KATZ) that requires employers with more than 50 employees in certain air quality areas to offer employees the option to choose cash

in lieu of any parking subsidy offered. A guide of the policy can be found at: [https://www.arb.ca.gov/planning/tsaq/cashout/cashout\\_guide\\_0809.pdf](https://www.arb.ca.gov/planning/tsaq/cashout/cashout_guide_0809.pdf)

California's law applies to employee (public or private) parking that:

- Employ at least 50 persons (regardless of how many worksites);
- Have worksites in an air basin designated nonattainment for any state air quality standard;
- Subsidize employee parking that they don't own;
- Can calculate the out-of-pocket expense of the parking subsidies they provide; and
- Can reduce the number of parking spaces without penalty in any lease agreements.

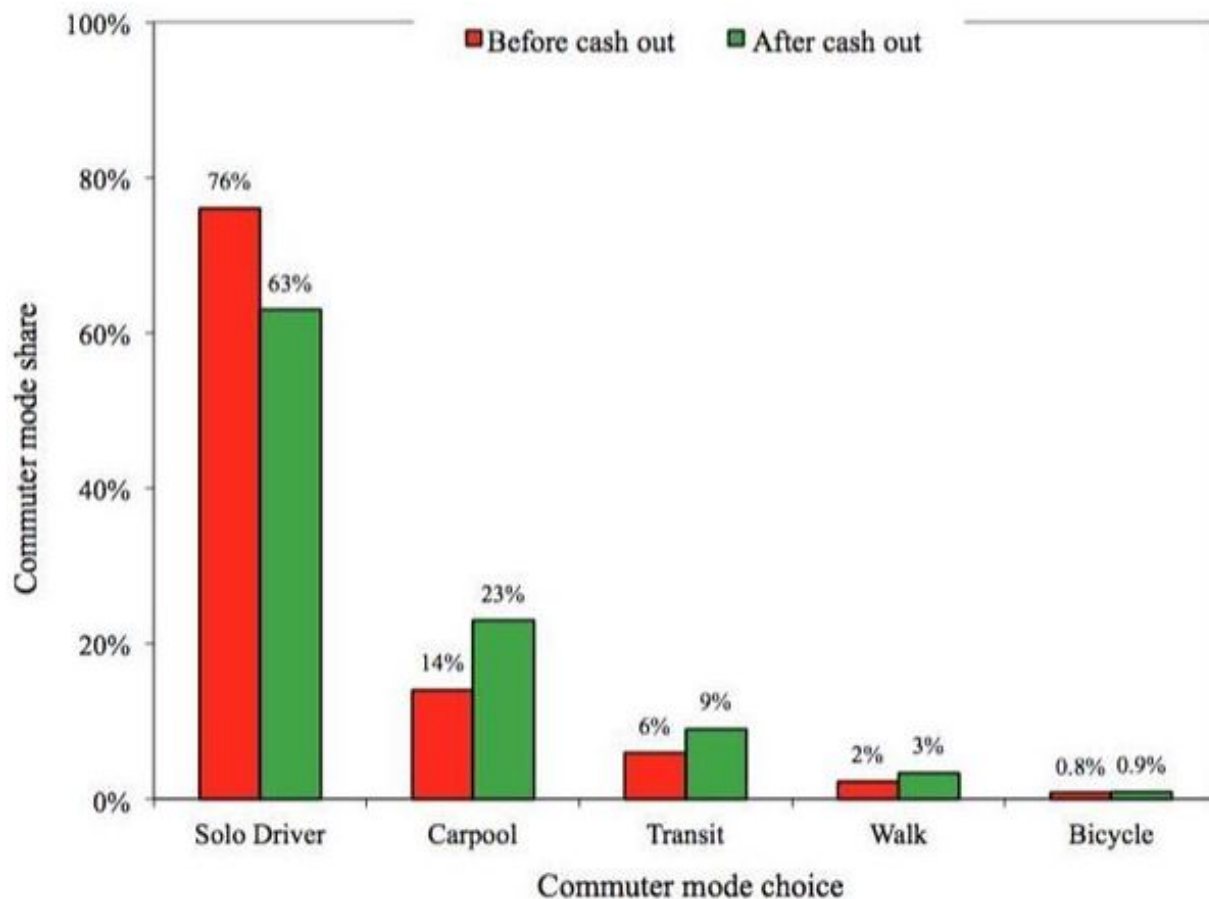
California's cash-out law does not prohibit, tax or discourage employer-paid parking. The law simply requires that an employer who offers to pay for parking if a commuter drives to work must also offer to pay the same amount if the commuter doesn't drive to work.

A follow-up report<sup>1</sup> by the California Environmental Protection Agency Air Resources Board in June 1998 measured the program's level of effectiveness by conducting eight case studies of employers who have complied with California's cash-out requirement. One employer is a government agency, and the other seven are private firms, including three law firms, one accounting firm, one bank, one managed care medical provider, and one video post production company. They range in size from 120 to 300 employees, with a combined total of 1,694 employees. The price of parking at the worksites ranged from \$36 to \$165 a month.

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<sup>1</sup> Evaluating the effects of parking cash out: eight case studies – [https://www.arb.ca.gov/research/single-project.php?row\\_id=55468](https://www.arb.ca.gov/research/single-project.php?row_id=55468)

The study found significant shifts in commuter behavior:



In addition, commuter parking demand fell by 11 percent. These mode shifts reduced total vehicle miles traveled for commuting by 12 percent, with a range from 5 to 24 percent for the eight firms.

Also, “The eight employers average commuting subsidy per employee increased from \$72 a month before complying with the cash-out requirement to \$74 a month after complying with the cash-out requirement. The employer’s commuting subsidy declined by \$70 per employee per month at one firm, and increased by an average of \$13 per employee per month at the other seven firms, with a range from \$8 to \$33 more per employee per month. Employers praised the cash option for its simplicity and fairness, and said that it helped to recruit and retain employees.”

According to Donald Shoup, a research professor of Urban Planning at UCLA, in Santa Monica, 33 employers are subject to the law and, at some of these firms, more than half their employees choose cash rather than take free parking.

In addition to California, starting in 2014, Rhode Island has a parking cash-out program for employers of 50 or more people who provides a parking subsidy to employers and who are located within a quarter of a mile of a Rhode Island public transit service.

### **The Cost of Parking and Parking Lots**

Parking lots require valuable real estate and increased cost both for homeowners in residential and businesses in commercial areas. According to a report<sup>2</sup> published in the Journal of the American Planning Association, 14 percent of Los Angeles County's incorporated land is devoted to parking.

For Hawai'i, an excerpt from a 2013 Honolulu Magazine article noted that, in Honolulu, each individual stall in a structured parking lot is estimated to cost anywhere from \$20,000 to \$50,000 to build, and that doesn't include the cost of the land itself. Paul Kay, development director for Kamehameha Schools, predicts that, in the budding Kaka'ako area, "For a two-bedroom apartment with two stalls, parking will add \$40,000 to \$80,000 to the cost of that apartment. At Kamehameha's proposed specialty retail center in Kaka'ako known as Salt, Kay says parking will account for 28 percent of the total development costs. That being said, if you weren't paying for parking hourly, you'd be paying in higher prices in the stores. One way or another, someone is paying for that space. How do parking expenses rack up so quickly? Underground parking is prohibitively expensive because of Hawai'i's shallow water tables, so developers usually build vertically. And because new buildings tend to bump up against City & County of Honolulu height limitations to make the most of each property's acreage, each story of structured parking takes away from a condo's rentable space. The more parking you build, the more expensive the apartments above."<sup>3</sup>

Free parking also has a psychological effect on people. When commuters are offered the choice between free parking and nothing, the parking has no opportunity cost. But offering commuters the option to choose either free parking or its cash value makes it clear that parking has a cost, which is the cash not taken. The new "price" for taking the "free" parking increases the perceived cost of solo driving to work. For mode shift to work, government has to shift the public's mindset away from driving and parking cash-out programs help to do so. Commuters who continue driving to work are no worse off under a parking cash-out program, although the foregone cash means that drivers better understand that they are paying for their "free" parking.

### **Costs and Benefits to the Business Community**

Since the California law is restricted to companies with 50 or more employees, the financial

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<sup>2</sup> Growth of Parking Infrastructure in Los Angeles – <http://www.transportationca.org/losangelesparking/>

<sup>3</sup> Why is Honolulu Parking so Expensive?, Honolulu Magazine – <http://www.honolulumagazine.com/Honolulu-Magazine/February-2013/Parking-in-Paradise/Why-Is-Honolulu-Parking-so-Expensive/>



impact to the business community overall is minimal. While there is not a large database that ranks Hawai'i employers by employee count, the closest proxy found was Hawaii Business Magazine's top 250 businesses by revenue, which also lists the number of employees as additional data.<sup>4</sup> Of those top 250 businesses, there are 109,400 workers in businesses with 50 or more employees. The State of Hawai'i Department of Business, Economic Development, and Tourism in its latest economic databook lists 658,700 workers in the entire state.<sup>5</sup> Therefore, we can infer that probably 1 of every 5 or 6 employees in Hawai'i work for a company who would need to comply with this law. Then, the bill further restricts the applicability of the law to those employees offered vehicle parking on a parking lot being leased and not owned by the employer. An employee that is not currently offered parking does not qualify for this cash benefit. Even further, the bill would apply to qualifying employers only after the expiration of their current lease, which could be many years into the future, thus giving businesses time to prepare.

As noted in the aforementioned June 1998 California follow up report, the average commuting subsidy increased \$2 per employee. The added cost for an employer likely occurs in the form of commuters who are now offered free parking but do not take it and potential administrative compliance costs.

However, "when interviewed (about the cost of administering the parking cash-out program), the firms' representatives all said that parking cash-out is simple, easy to administer, and almost automatic. When asked to estimate the cost of administering parking cash-out, one firm's transportation coordinator said she spends approximately two minutes a month per employee on the cash-out program. The other firms' representatives reported the cost is imperceptible, and one likened it to the cost of making changes in the number of exemptions for employees' income tax withholding."<sup>6</sup>

According to Thomas Scheffelin of the California Air Resources Board, he has seen little indication that employers are purposefully reducing parking subsidies to avoid having to pay cash. For him, awareness and resources for enforcement are the law's biggest challenges.

"Unfortunately, although some employers comply with California's cash-out law, most employers have never heard of it. Enforcing the law was formerly impossible because the law did not include any penalty for noncompliance. Fortunately, however, the state now authorizes cities, counties, and air districts to establish a penalty for failing to comply with the cash-out law. The chance of receiving a citation may be enough to induce most employers to comply with the law. Commuters will also be in a much stronger position to

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<sup>4</sup> Hawaii Business Top 250 – <http://www.hawaiibusiness.com/wp-content/uploads/2018/07/Top-250-18.pdf>

<sup>5</sup> Wage and Salary Jobcount, Annual Average: 1990 to 2017 – [http://dbedt.hawaii.gov/economic/databook/2017-individual/\\_12/](http://dbedt.hawaii.gov/economic/databook/2017-individual/_12/)

<sup>6</sup> Donald C. Shoup, Parking and the City – Chapter 43: Cashing Out Employer-Paid Parking

ask their employers to comply with the law.”<sup>7</sup>

There are benefits to businesses as well:

First, the costs associated with employee recruitment, onboarding, and training can be many tens of thousands of dollars plus countless hours of effort. It is often cheaper to focus on employee retention efforts. In December 2018, Hawai‘i had an employment rate of 2.5 percent (tied for second lowest in the United States), and lower than the national average of 3.9 percent. A worker who is offered additional choices in compensation methods is more likely to choose the plan that provides them the most utility and thus value the compensation that the company provides.

Second, a happy, healthy, stress-free employee is more likely to be a productive employee. One of the biggest stresses for employees is traffic. Congestion makes people late to work, workers are more sleep deprived from the need to begin their commute earlier, driving reduces socialization, deliveries cannot arrive on time, and meetings are often delayed. Because a high density of employment implies a high density of potential fellow carpoolers, downtown commuters in business districts are most easily able to shift to carpools. Further, if commute times are reduced to due less traffic congestion, workers can travel further, which provides businesses with an potentially increased applicant pools. According to the Society for Human Resource Management, among employees surveyed, “29 percent would quit for matters of convenience – for example, if their commute was too long or they didn’t like the area where the company was located; 17 percent said they have quit a job for this reason.”

Third, if driving is reduced, then the need for parking will be reduced as well. In the short term, a reduction in driving should lead to an increase in parking availability at existing parking lots. This will ultimately reduce the cost of doing business. High value areas currently used as parking lots can be converted into new developments, generating increased construction and business activity. A reduction of parking may eventually lead to other business-friendly public policies, such as a reduction in parking minimum requirements for development.

### **Benefits to Government**

For the government, there are multiple benefits from a parking cash-out program.

First, cash offered instead of parking is taxable as regular compensation, therefore the employer incurs payroll taxes on it and the employee incurs all regular income taxes on it. While this Legislature cannot change Federal tax policy, it should exempt a pre-set amount that is exempt from taxes to equate fair treatment. Note this is exempting compensation that the State currently does not collect so it should not fiscally impact the State, if

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<sup>7</sup> Ibid

structured appropriately.

However, if the Legislature chose not to exempt cash compensation as part of a parking cash-out program, then it can provide additional tax revenue. In making the choice between a parking subsidy or its cash value, commuters would have to consider that the cash is taxable, while the parking subsidy is not. When a commuter does voluntarily choose taxable cash rather than a tax-exempt parking subsidy, federal and state income tax revenues increase.

“In the case studies of firms that offer parking cash-out, employees’ taxable wages increased by \$255 per year per employee offered the cash option. Federal income tax revenues increased by \$48 per year per employee, and California income tax revenues increased by \$17 per year per employee. Therefore, federal and state tax revenues increased by \$65 per year per employee offered the cash option.”<sup>8</sup>

Second, government relies on user fees to fund its transportation programs. For the rail and bus system, increased ridership will help to financially sustain those systems. Government often resorts to increasing taxes or cutting expenditures from other sectors to pay for any transportation system funding shortfall.

Third, highways, roadways, and parking facilities are expensive to build and maintain. A reduction in solo vehicle usage reduces the need for State and County expenditures over the long run.

Fourth, traffic congestion is one of the top complaints by residents. Many people lose trust and satisfaction with government officials when issues are not addressed successfully and linger for decades.

### **Autonomous Vehicles**

In the coming decades, it is expected that shared autonomous vehicles will become more prevalent. This is likely to reduce the need for personal vehicle ownership and could lead to a large reduction in demand for parking lots. Yet, parking structures, especially multi-level, can last decades. We should not continue to encourage the development of parking infrastructure that might often far outlast its usefulness, especially when space is valuable and finite.

We should be supporting people to help lower their cost of living, not subsidizing parking.

As Hawai‘i’s energy issues become increasingly complex and challenging, we appreciate this committee’s efforts to look at policies that support clean ground transportation.

Thank you for this opportunity to testify.

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<sup>8</sup> Donald C. Shoup, Parking Cash Out, March 2005, <http://shoup.bol.ucla.edu/ParkingCashOut.pdf>



Respectfully,

Murray Clay  
Managing Partner

Thomas M Scheffelin  
11916 Silver Cliff Way  
Gold River, California 95670

February 26, 2019

Re: SB739 – Parking Cash Out

I support SB739. Employers and employees both benefit from Parking Cash Out. Businesses that have adopted Parking Cash Out have nothing but praise for the program. Perhaps more importantly, Parking Cash Out sends a message that we value efforts to travel to work other than driving alone, which results in less roadway congestion, less pollution, less noise, less use of natural resources, less financial demand on the transportation system, and a higher quality of life.

Professionally speaking, recent SB375 state government efforts to reduce Vehicle Miles Traveled (VMT) have been a historic failure. Building infrastructure such as new roads, additional lanes on existing roads, fixed route trains, and other methods to reduce single occupancy driving have not worked well, if at all. In addition, these solutions require years of planning and enormous costs, whereas Parking Cash Out can be instantly implemented at near zero cost.

I formerly worked for Aerojet, designing and manufacturing rocket propulsion systems to launch heavy satellites into orbit. Launching rockets is easier to do compared to reducing VMT. Parking Cash Out is the easiest method known to reduce VMT.

Thomas M Scheffelin, PE, MSME



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LOS ANGELES, CALIFORNIA 90095-1656

February 25, 2019

RE: SB 739 — *Parking Cash Out*

I strongly support SB 739. Offering commuters the choice between a parking subsidy *or its cash value* rewards commuters who do not drive to work. Parking cash out therefore increases the share of commuters who carpool, ride public transit, walk, or bike to work. Parking cash out especially benefits women, minorities, and low-income commuters, all of whom drive to work less frequently than do high-income men.

SB 739 requires employers to offer cash out *only* if they can save money by reducing the number of parking spaces they rent. Employers who oppose parking cash out are saying, in effect, that they want to rent parking spaces for employees who drive to work, but they do *not* want to offer employees the option to take cash rather than a parking subsidy. Opponents of the bill demand the right to offer employees a parking subsidy or nothing.

In a [study](#) of California firms that offer cash out, vehicle travel to work fell by 12 percent. For every 100 commuters, 13 solo drivers shifted to another mode after their employer began to offer parking cash out. Of these 13 former solo drivers, nine joined carpools, three began to ride transit, and one began to walk or bike to work. On average, these mode shifts prompted by parking cash out reduced vehicle travel to work by 652 VMT a year per employee. Carbon dioxide emissions from commuting fell by 367 kilograms per employee per year. Employers praised cash out for its simplicity and fairness, and said it helped them recruit workers.

Establishing a penalty for violating the cash-out law will be similar to establishing the penalty for parking at a meter without paying. The possibility of receiving a citation may be enough to induce most employers to comply with the law. Ridesharing commuters will also be in a much stronger position to recommend that an employer should comply with the law. Whistle blowers can thus do most of the work necessary for enforcing the law, and the state will receive any resulting fines.

This [publication](#) can probably answer any question anyone may have about parking cash out.

Sincerely,

A handwritten signature in black ink that reads "Donald Shoup". The signature is written in a cursive style with a long horizontal line extending from the end.

**Statement on:**

**Hawaii SB 739, Parking Cash Out**

**Presented by: Allen Greenberg<sup>1</sup>**

**To: Hawaii State Legislature**

**February 26, 2019**

As a Washington, DC-based sustainable transportation advocate, I have long supported parking cash out, including helping to write the current bill pending in DC City Council (B23-0148, Transportation Benefits Equity Amendment Act of 2019).

Parking cash out is designed to require employers that choose to subsidize employee parking to also provide an equivalently-valued subsidy for those not driving to and parking at work. Parking cash out is required today in California, but only for a very small percentage of parking spaces there. Studies show a 10 to 12% decrease in drive-alone commute trips and related vehicle-miles traveled (VMT) result from parking cash out. The benefits from cash out curtailing VMT include air pollution and greenhouse gas emissions reductions, fewer crashes, and livability enhancements due to reduced traffic and the potential to repurpose some land dedicated to parking for other uses.

Parking cash out modifies existing employer-provided parking-only commute benefits to reward employees for using alternative transportation, while allowing employees who choose to continue to drive and park at work to do so without penalty. Both employers and employees benefit from parking cash out, since employees who accept the cash-out offer experience increased incomes, funded by savings from employers' reduced business expenses (because of not having to lease or otherwise subsidize as much parking). SB 739 appropriately retains the discretion that employers have today to decide on what, if any, level of transportation commute benefits to provide to their employees. The only discretion they would lose is in offering *solely* a parking subsidy to their employees.

The choice of transportation subsidies that employers offer makes a huge difference in commute modes. For example, analysis conducted of the 2007/2008 D.C. Household Travel Survey (which I'm familiar with as a DC resident) by Andrea Hamre from Virginia Tech showed that over 85% of employees working for D.C. employers who are solely offered a parking subsidy drive, versus only 21% of employees who are solely offered a transit benefit.

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<sup>1</sup> Contact information: 1526 17<sup>th</sup> St., NW, Apt. 310, Washington, DC 20036; [agcatp2@aol.com](mailto:agcatp2@aol.com); (202) 441-2138 (cell)

SB 739 should be amended to apply to smaller employers and to all employer subsidized parking whether owned or leased. Additionally, the cash-out value should be tied to the market value of the parking, rather than the direct expense employers incur to offer parking. I encourage the Hawaii Legislature to review the DC City Council legislation (B23-0148, Transportation Benefits Equity Amendment Act of 2019), which accomplishes all of this, except applying the requirement to employer owned parking, to which the requirement should also apply.

Thank you for this opportunity to submit this statement. I am happy to answer any questions and to work with the Hawaii Legislature to enact the legislation under consideration, with amendments.





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Testimony to the Senate Committee on Consumer Protection, Commerce, & Health  
Wednesday, February 27, 2019, 1:00 pm  
Hawaii State Capitol, Room 229

In Opposition to SB 739, Relating to Parking

To: The Honorable Rosalyn Baker, Chair  
The Honorable Stanley Chang, Vice-Chair  
Members of the Committee

**LATE**

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 51 Hawaii credit unions, representing over 800,000 credit union members across the state. We offer the following testimony on opposition to SB 739, Relating to Parking.

While we understand the intent of this proposed legislation, we have some concerns regarding parking “subsidies”. Under this bill, employers of 50 or more people would be required to have a “cash-out” program if they offer parking to employees. Put simply, this would mean that any employer who provides a parking space to employees would have to offer a cash option in lieu of the parking benefit. Businesses in Hawaii are already struggling to survive in Hawaii, and this type of legislation, while well-intended, would make matters worse. The unintended consequence of this bill may also be that businesses would simply stop providing parking to employees, which would transfer the hardship onto the employee. The stated intent of this bill is to discourage driving to work. While there are some public transportation options available today, this is not a viable for option for everyone yet. Some people simply do not have any other option than driving to work. We feel it is unfair to penalize businesses and in turn, employees for the lack of adequate public transportation.

Thank you for the opportunity to provide comments.



# Chamber of Commerce HAWAII

*The Voice of Business*

## Testimony to the Senate Committee on Commerce, Consumer Protection, and Health

Wednesday, February 27, 2019 at 1:00 P.M.  
Conference Room 229, State Capitol

**RE: SB 739, RELATING TO PARKING**

**LATE**

Chair Baker, Vice Chair Chang and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **opposes** SB 739, which requires employers of fifty persons or more who provide a parking subsidy to employees to offer a parking cash-out program.

The Chamber is Hawaii's leading statewide business advocacy organization, representing 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

We support the benefits of clean energy and having a sustainable future; however, we have concerns with the intent of this bill.

This bill would require that the cash-out program be an employer funded program that provides additional taxable income to employees who choose the cash-out option. This would increase payroll taxes for employers, who would not have to pay these taxes when paying for parking. Additionally, employers might be forced to provide the same subsidies to employees who were already using alternative modes of transportation at further cost to the employer. Employers who operate multiple work sites may face further difficulty in providing equitable benefits under this mandate; employers may feel obligated to provide similar benefits to employees who work at sites where there is no leased parking to be cashed out.

We would also like to note our concern regarding limited access alternative to modes of transportation across the State, especially on the Neighbor Islands. For instance, the Hawaii Island Hele On Bus System's main route between Hilo and Kona only runs three times per day. If employees work irregular hours that are incompatible with carpooling or public transportation, they have no choice but to drive. We would suggest that the State should ensure that commuters have access to reliable, alternative forms of transportation before advancing this bill.

Thank you for the opportunity to testify on this bill.



**Written Statement of Elemental Excelerator  
before the Senate Committee on Consumer Protection and Health  
Wednesday, February 27, 2019**

**In consideration of SB 739  
RELATING TO PARKING**

**Aloha Chair Baker, Vice-Chair Chang, and Members of the Senate Committee on  
Consumer Protection and Health:**

Elemental Excelerator respectfully **submits support for SB 739**, which requires employers of fifty persons or more who provide a parking subsidy to employees to offer a parking cash-out program.

Elemental Excelerator is a Honolulu-based growth accelerator program founded and operating in Hawai'i. We have awarded over \$30 million to 82 companies resulting in 56 demonstration projects in Hawai'i & Asia Pacific. Each year, we evaluate over 500 companies and look for innovative entrepreneurs from around the world to come to Hawai'i and find transformative solutions to help us achieve our 100% clean energy goals and solve our most pressing environmental problems. We select 15-20 companies annually that best fit our mission and fund each company up to \$1 million.

In April 2018, Elemental Excelerator commissioned a study entitled *Transcending Oil: Hawai'i's Path to a Clean Energy Economy*. The study found that in Hawai'i, transitioning to renewable energy is cheaper than sticking with oil. The faster we go, the cheaper it will be. As a policy recommendation, the study identified pricing the full price of parking and driving to realign incentives to reach Hawai'i's clean energy goals.

**We support SB 739 for the following reasons:**

1. **It supports the use of clean transportation options:** According to *Transcending Oil*, "*Half the VMT [vehicle miles traveled] reductions considered in our analysis come from pricing mechanisms. Parking management plans should be established, and minimum parking requirements in new developments should be removed, as they add to housing costs and incentivize personal vehicle ownership. Congestion charges potentially coupled with VMT charges tailored to reward ride-sharing could be useful in shoring up lost gasoline tax revenue while also reducing transportation demand.*"<sup>1</sup>With all four Hawai'i counties committed to 100% clean ground transportation by 2045, a parking cash-out program will also affirm and support the goals of the counties.<sup>2</sup>

<sup>1</sup> Larsen, J., Mohan, S., Herndon, W., Marsters, P., & Pitt, H. (2018, May 01). *Transcending Oil: Hawai'i's Path to a Clean Energy Economy*, p.22, Retrieved from <https://rhq.com/research/transcending-oil-hawaiis-path-to-a-clean-energy-economy/>

<sup>2</sup> Hawai'i's Mayors Commit to 100% Renewable Transportation. (2017, December 14). Retrieved from <http://www.hokulea.com/hawaiis-mayors-commit-100-renewable-transportation/>

- 2. It supports low-to-moderate income communities:** According to a 2017 report by the American Public Transportation Association, 55% of public transportation users have an estimated annual income of \$50,000 and below.<sup>3</sup> With 48% of households in Hawai'i considered "Asset Limited, Income Constrained, and Employed,"<sup>4</sup> a parking cash-out program can provide some financial relief to those most impacted by Hawai'i's high cost of living.

Mahalo for the opportunity to provide testimony on this legislation.

Sincerely,



Aki Marceau, Managing Director of Policy and Community- Hawai'i

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<sup>3</sup> Who Rides Public Transportation (2017). Retrieved from <https://www.apta.com/resources/reportsandpublications/Documents/APTA-Who-Rides-Public-Transportation-2017.pdf>

<sup>4</sup> ALICE: A Study of Financial Hardship in Hawai'i. (2017). Retrieved from <https://www.auw.org/alice>