

In The News

Today's CRE Tenants Want Lots Of Parking, But The Future Belongs To The Carless

12.11.19

Bisnow

As cities and commercial developers advocate nationally for reductions in urban parking requirements to prep for a less car-centric future, financiers and tenants continue to desire an abundance of parking spaces even if they come at a steep cost.

Parking is expensive to build, and increasingly developers don't consider it a worthwhile investment.

"Developers would just as soon not pay for the storage of vehicles to the tune of \$30K a space or somewhere around there if they don't have to," said Glenn Gadbois, executive director of LegacyConnect, a transportation-focused public-private nonprofit.

He advises Legacy Business Park on transportation and connectivity issues in the North Dallas suburb of Plano.

"That shift to transportation as a service is coming, and people are predicting 50% or more less demand for parking spaces. As a consequence, people don't want to build a 30-year investment if it's going to be useful for only 15 years or 10 years."

But tenants and brokers, who still live in a largely car-centric society, continue to demand parking spots and lots of them, Gadbois said.

Financiers backing developments in the here and now are risk-averse and wary of adjusting parking lot allocations as it might impact a building's ability to appeal to today's tenants.

"Transition is always risky and indeed most people are still driving," Gadbois said. "As a consequence, risk-adverse institutions are going to want to build to that."

On top of that, many cities have parking space minimum requirements for buildings to get permits, with the ratios set before ride-sharing took off and other macro trends have started to wean the public off cars.

These conflicting demands, particularly with a carless future still a ways off, create a dilemma for development stakeholders. Tenant interests of today are often pit against the parking needs of tomorrow, trapping developers, financiers, tenants, brokers and cities in a strange game of uncle where it is unknown who will bend first.

"Developers are making very compelling arguments to 'right-size' parking ratios. ... Tenants believe they must have one parking spot per employee, regardless of the fact that there are always a certain number of employees on vacation or sick, or working from home, even using flex space," CoStar Director of Market Analytics Paul Hendershot said. "There is no shortage of finger pointing."

Developers and land use experts in DFW say buildings in Downtown Dallas and Uptown require too much parking even without the influence of financial institutions, Uber-commuters, driverless cars and mass public transportation.

"I would say we are overbuilt in Dallas," Hendershot said.

"We have found and what the data would [show] is that in Uptown, and even in the suburban parts of Dallas, the actual peak hour usage in an office building is much less than what is built," said Ramsey March, Stream Realty Partners partner and managing director. "In other words, most parking structures and facilities in Uptown, and even in the suburbs, are under capacity [in parking usage] even when a building is fully leased or a restaurant is booming and is fully utilized."

Dallas zoning requires hotels to build one space for each unit for numbered units 1 through 250, three-fourths of a space for each additional unit numbered from 251 to 500, and one-half space for additional units over 500. The city also requires one space per 200 SF of meeting room, city of Dallas Director of Sustainable Development & Construction Kris Sweckard said. Office developers are required to build one space per 333 SF of floor area. The city has other requirements for retailers and restaurants.

"Dallas' parking minimums often exceed what is required by the market, creating large parking lots that go unused most of the time — a waste of money and land," said Munsch Hardt law firm shareholder Angela Hunt, who spearheads the firm's Zoning and Land Use group.

Hunt sees this as more than just a potentially unnecessary expense to developers.

"Aside from the cost of construction, there is a significant opportunity cost associated with building for cars instead of people: Instead of swaths of concrete, large parking lots could instead become new housing or mixed-use projects, green space or new retail development," she said.

She could see it hurting the city in an even more direct way.

"When there is not a practical way to meet the city's parking minimums, development goes elsewhere."

Parking requirements may start to ease in Dallas and elsewhere around the U.S. March is optimistic about what he sees taking place nationwide on this issue.

For starters, cities, developers and project stakeholders are beginning to look at the long-term impact of public transportation and urbanization on parking needs. Washington, D.C., eliminated parking space minimums for most of the district in 2016. Los Angeles just unveiled a draft of the Downtown Community Plan, which gets rid of parking requirements for future multifamily developments. Next month, 2 miles of San Francisco's popular Market Street will close off to vehicle traffic altogether.

"I think macro level we are seeing change across the country," March said. "There are a lot of cities across the country that are already all over this topic and looking at actually doing away with parking requirements all together or flipping the script and having parking maximums as opposed to minimums because parking tends to be a bit of an eyesore."

Dallas is starting to consider it too — the city is reviewing amendments to its off-street parking and loading requirements for hotels, restaurants, multifamily and other commercial uses, Sweckard said.

"As a result, Sustainable Development & Construction staff is currently conducting research on parking requirements in other cities and best practices from industry groups,"

Sweckard said in a statement to Bisnow. "That will be followed by gathering input from the public." Sweckard said any proposed amendments to Dallas parking ratios for commercial development will be brought to the Zoning Advisory Committee and the City Plan Commission by spring of next year.

Gadbois said the trend in downtown areas across the U.S. is to push for the withdrawal of all parking requirements at the city level.

When city restrictions are removed, it doesn't necessarily mean parking will not be developed, Gadbois said. It just means the parties providing the developers' funding will be the ones to decide how much is needed for the market and tenancy expectations.

"It's the balance between those forces that will decide what parking is needed for a development and that seems better calibrated to [determining] the actual need rather than a static parking requirement by the city," he said.

The full article can also be viewed by [clicking here](#).

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