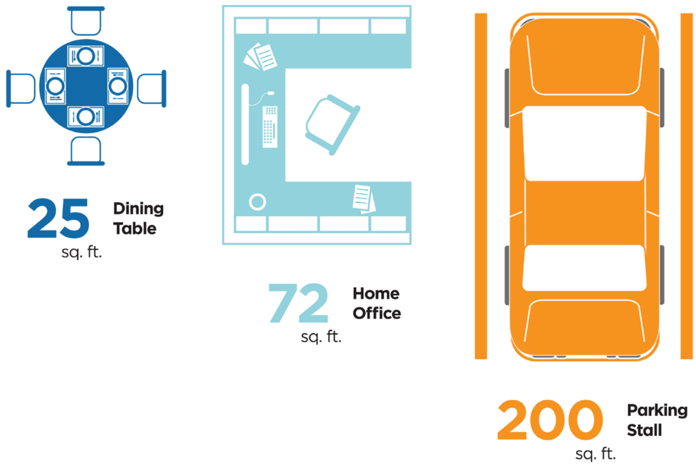
PARKING POLICY REFORM

Implications for Real Estate Development

Parking policy reforms that give developers greater control over parking amounts or limit the amount of parking built can serve to lower project costs and may allow funds to be devoted to community benefits or revenue-generating project amenities.

While some developers, lenders, and investors view parking as a value-add, others cite the high cost of providing it and work to limit parking to improve a project's financial performance.

Parking space scale comparison



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Financial Implications of Parking Provision on Development

Parking usage is going down: Models predict a reduction in overall parking demand between 10 and 40 percent over the next few decades.[1]

Parking is a significant expense for developers: Parking can represent 10 to 18 percent of typical building development costs.[2] This can make parking the single most expensive budget item in a project pro forma.

Building less parking can lower development costs: For a Los Angeles shopping center, it was estimated that parking would increase construction costs by 67 percent for an above-ground garage and by 93 percent if parking were placed underground.[3]

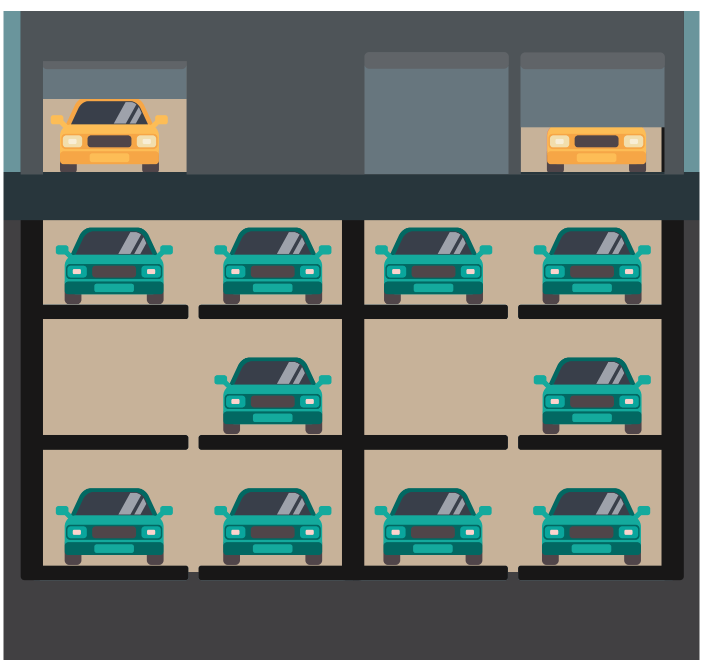
Real Estate Industry Considerations and Perspectives

"There is an evolution happening with the investment community to accept no parking or low parking. . . . We are seeing parking utilization rates go down in new buildings and technologies like ride share expanding. So, investors are increasingly buying into the story that most people don't need parking day-to-day, especially if they are in an area that is near to transit and where traffic is bad."

—Will Goodman, vice president, Strada Investment Group, quoted in "Toward Zero Parking: Challenging Conventional Wisdom for Multifamily," *Urban Land* magazine

National Average Construction Costs per Parking Space[4]

$34,000 Underground
$24,000 Above ground
$10,000 Surface



Case Study: Shared, Unbundled Parking at the Coloradan

The Coloradan is a 19-story mixed-use development in downtown Denver with 334 for-sale residences and 22,000 square feet of ground-floor retail space. The project, developed by East West Partners with equity partner Ascentris, exclusively features shared and unbundled parking, meaning that parking spaces are not sold with homes. Instead, residents have the right to lease spaces in a garage managed by a separate parking management company on a month-to-month or longer-term basis and all parking is unassigned.

Katie Blum, director of real estate development at East West, explains, "The cost of parking was not built into the cost of the homes, making residences less expensive by at least $50,000. This means that owners pay less if they don't want a parking lease."

Blum continues, "Owners have really valued the flexibility. They can add or subtract parking spaces as their lives and preferences change. For example, they can add spaces for family members, guests, and others who come to their home often, or dial down to as little as they need. The parking leases can be adjusted month to month. This unbundled model also allows for more visitor parking in the garage."

East West believes that shared, unbundled parking at the Coloradan has been a success. The parking arrangement caused no issues with securing financing for the project, and 100 percent of the units were sold less than a year after construction was completed in 2019. **Learn more here.**

[1] Chrissy M. Nichols, "Are Parking Minimums a Thing of the Past?," *ITE Journal* (February 2019).
[2] Victoria Transport Policy Institute, *Transportation Cost and Benefit Analysis II–Parking Costs.*
[3] Donald Shoup, "Cutting the Cost of Parking Requirements," *Access* magazine, Spring 2016.
[4] Victoria Transport Policy Institute, *Transportation Cost and Benefit Analysis II–Parking Costs.*