

KIMLEY-HORN AND ASSOCIATES, INC.
Parking Planning White Paper Series



Parking

AS AN

Economic
DEVELOPMENT
STRATEGY

Kimley»Horn



Parking AS AN **Economic** **DEVELOPMENT STRATEGY**

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ACKNOWLEDGEMENTS

This research began with requests from several clients that desired more information on the topic of “Parking as an Economic Development Strategy”.

A series of initial research questions was developed and refined internally and then an email was sent out to respected industry experts and economic development practitioners.

We would like to acknowledge several individuals that made special contributions to the production of this “white paper”.

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INTRODUCTION

Parking as an Economic Development Strategy?

The idea that parking can be an effective economic development strategy has gained greater and greater acceptance as innovative programs from around the country have proven this concept with many successful examples. We have documented several of these case studies in this white paper.

However, as the principles have become more accepted many clients are asking us how they can take this concept to the next level.

- » What new trends are emerging?
- » What are the specific strategies that have proven to be most successful?
- » What are realistic 'return on investment' ratios?

In this White Paper we will evaluate these questions and many more.

Leverage parking development to catalyze additional community development.

Having a well-defined and shared vision relative to preferred or targeted types of development is a key first step in the process.

Parking can also be used as a "platform" to achieve a variety of other community goals, beyond parking infrastructure.

Consider parking as a platform to support these other potential community priorities:

- ☒ Downtown Residential Development
- ☒ Urban Parks/Green Space
- ☒ Activated Street Level Retail with Office or Residential Above
- ☒ Public Art / Local Artist Community Engagement
- ☒ Sustainable Development / Renewable Energy



OVERVIEW

Several maturing parking programs across the US want to move into a new phase for their organizations. They are looking for ways to improve their communities and stimulate additional community and economic development opportunities by leveraging strategic parking and mixed-use facility development.

These programs have developed more advanced and sophisticated planning capabilities in recent years. They have well defined "parking analysis zones" and actively monitor changes to parking supply and demand. They measure and track changes to on-street utilization. Using pricing and regulation (time-limits, special permitting strategies, etc.) they are managing their limited on-street resources to maximize their value by promoting turn-over. Price is being used, as recommended by the noted UCLA economist Dr. Donald Shoup, to achieve a targeted on-street vacancy rate of 15%.

New technologies are emerging that will greatly change the parking management landscape in ways that would have been hard to image even a few years ago. The impact of "smart meters", wireless sensors, web-based parking availability data, on-line parking reservation systems and even satellite-based mechanisms that employ GPS and GIS "geo-fencing" technologies will combine to create "smart parking systems" that will help reduce green house gas emission, improve parking availability and make paying for parking easier and more customer friendly. All of this is even more powerful when combined with sophisticated new mobile devices such as the I-Phone. Indeed, at last count there were already 60+ "apps" designed just for parking related uses. It is hoped that this new data rich world of "smart parking" will allow us to better utilize existing parking resources (and recapture some the value inherent in the "over-built" parking supply of the past decades) as well as to begin providing better designed parking facilities that are integrated with a variety of mixed-uses and that better complement the urban fabric in which they exist.

Mixed-Use Parking as an Economic Development Catalyst

There are many variations on the theme of parking as an integrated use in a mixed-use development project. There is little doubt that parking is an essential element in the success of these projects. In many cases, it is often the parking dimension that, from a developers perspective, makes the project "not pencil". Parking facility design and management have dramatically improved in recent years. We no longer "deaden an entire block or half block in a downtown for a "vehicle warehouse". We now see parking facilities more as the "interface between the vehicular and pedestrian experience". Parking facilities are being designed more as "people places" than simply as dull, grey, utilitarian storage facilities.

Mixed-Use Parking Design Advances

Architecturally, parking is being developed to better blend into and even contribute positively to the “urban form”. Several successful design approaches for integrating parking in urban environments with other uses are becoming well accepted. These models include:



Parking Design Approach

Parking facilities **book-ended** with other uses

Design Approach Example

City of Greenville, SC
Spring Street Garage

Description: This 912 space, 3 bay parking facility is located at 316 S. Spring Street, Greenville, SC. This multi-level parking garage, located adjacent to the Wachovia Building and the Bookends development, provides monthly, daily and event parking in downtown Greenville.



Parking Design Approach

Parking facilities **wrapped** with other uses

Design Approach Example

City of Boulder, CO
15th & Pearl Street Garage

Description: This 686 space, 2 bay parking facility is located at 15th Street and Pearl Street in downtown Boulder is conveniently located near the Pearl Street Mall. This multi-level parking garage is wrapped with retail uses on the street level and office space above.

The facility provided monthly and hourly parking.



Parking Design Approach

Parking facilities **stacked** between other uses

Design Approach Example

LoDo District
Downtown
Denver, CO
**Wynkoop
Garage**

Description: The Wynkoop garage in the LoDo District of downtown Denver is an example of a “stack” garage design with 2 levels of below grade parking, a destination restaurant at grade, 4 levels of above grade parking below 4 floors of residential development.



Parking Design Approach

Parking facilities **‘below’** with other uses

Design Approach Example

The City of
Greenville, SC
**Terrace at
Riverplace**

Description: The Terrace at Riverplace is located just off of Main Street and across from the \$13.5 million River Falls Park on the Reedy River in downtown Greenville, SC. The Terrace is part of the \$65 million RiverPlace mixed use development which includes 155 RiverPlace, RiverHouse, The Terrace, and The Hampton Inn and Suites. The project includes office space, retail space, restaurants, and condos. RiverPlace also offers underground secured parking with card access.



PARKING AS AN ECONOMIC DEVELOPMENT STRATEGY?

Best Practices Research

Innovative municipal parking programs, urban redevelopment agencies, business improvement districts and downtown development authorities have led the charge as it relates to leveraging investments in strategic parking and mixed-use facility development as a key strategy to improve their communities and stimulate additional economic development opportunities.

One key trend we have identified is that many of these parking programs have developed more advanced and sophisticated planning capabilities in recent years. They have well defined "parking analysis zones" within their downtowns and actively monitor changes to off-street parking supply and demand. They also have begun measuring and tracking changes to on-street utilization. Using demand-based pricing and other creative parking management strategies such as extended time-limits combined with progressive on-street parking pricing, pay-by-cell phone options, special permitting strategies, etc., they are beginning to manage their limited on-street resources to maximize their value by more effectively promoting turnover and also providing enhanced customer services and more flexible parking options. Price is being used to achieve the goal of a 15% on-street vacancy rate. This has had the related effect of improving access to businesses, reducing traffic congestion, lowering fuel consumption and lessening greenhouse gas emissions.

These advances in planning and management are being combined with another, and perhaps more important trend – a philosophy that aims at making parking more visitor friendly (and thereby positively impacting the "overall downtown experience"). It is important to

note however, that "friendly" does not equal "free". Parking is never free, even when there is no direct charge to the customer – someone somewhere is paying the price for providing not only the space, but the utility costs, the maintenance, the management, etc.

As part of the research effort for this project we focussed on identifying new or creative approaches to using parking as a tool for economic development.

Following are a series of interview questions and responses from several respected industry professionals.





RESEARCH INTERVIEWS

1. What are the current industry best practices and successful strategies related to parking facility development? How are these development deals structured?
 - a. “Generally public/private deals are not unlike pure private deals insofar as each side has assets to bring to the table to leverage the assets of their partner. The primary negotiation revolves around how much each side is willing to offer to get what the partner can provide. Thus it is very important on the private side to understand what the public interest is for any given project, and tailor a response to that. Usually it is clearly articulated in a plan (a downtown plan for example) or in a series of goals in the community’s comprehensive plan.
 - b. From the public side, it is important to understand how the developer is structuring a proforma...what market they are trying to land and where their cost centers and risk centers are. For example, if a major tenant is insisting on available parking while the lender is insisting on a certain return ratio, the ability of the public to bring the parking availability to bear to remove the cost and risk of building and operating parking from the developer’s proforma, while addressing the tenant’s demand, can make the difference as to whether a project gets the necessary bank funding to get off the ground. Understand, however, that unlike private / private agreements, the public side is heavily wrapped in legal limitations, public process and transparency. This comes with the territory, so any time a private developer wants to leverage their idea by working with a public entity, they need to build in sufficient time and resources to work through a lot of the necessary “fairness” limitations the public side has to work with, and be ready for the “sunshine” laws to come to bear...so lots of documentation will be necessary.
 - c. Consider the concept of a “Bridge Investment” rather than a full subsidy as in the example below. From the public entity perspective, understanding the “real needs” of the private sector partner can mean the difference between a project moving forward or not. Our agency was in discussions with a partner to redevelop a surface parking lot into a 600,000 square foot mixed-use project. Originally the developer asked the agency to build them a \$12,000,000 parking structure. Ultimately it was determined that there was a financing gap of \$180,000 per year for five years. Rather than a cash incentive, the agency ultimately agreed to lease the developer 200 parking spaces/year (which it had available in a nearby parking facility) for five years



at no charge (an in-kind contribution of approximately \$1,000,000 in value). This essentially equated to a “bridge Investment” by the agency that allowed the deal to move forward.

2. What is the best way to interest potential development partners?

- a. Transformational investments. If an existing property or area has inherent value that is not being tapped, the market will already have responded to that and you will be fending off development proposals. Usually the case is that the public is trying to interest developers in property that really does not appear to have inherent value beyond its current use. The way to change that is for the community to decide on what can be done on the public side to inject value where there was none before.

For example, before our Fayetteville Street Renaissance project was funded and under construction, nobody would take a risk on downtown Raleigh. After...suddenly a lot of properties were being acquired, new buildings built and everything seems to have taken on new value and a transformed

market image that generated a lot of tax base. Deciding what that transformational investment or investments are is the key. You need LOTS of private sector, market savvy input before pulling the trigger on expensive public projects to ensure that there will be a fish on the end of the hook when you cast it.

- b. Boise essentially created a parking district that over-built supply in strategic locations and then worked on multiple tracks to stimulate community development to “grow into it”. We approached parking as a utility to support long-term growth. Under this approach it is perfectly logical to build capacity ahead of immediate demand needs.
- c. Our approach also considered the “idealized build out” of the downtown based on our downtown master plan. We developed our parking development plan to support the desired build out. We were guided by two major principles – first, we desired to keep the public parking supply between 30 – 40% of the total parking supply. This approach provides us flexibility relative to attracting new development and allows us the capacity to address uses in the realm of the “public good”. Second, we understood that we would have to make more of our parking investment on the front end of the process.
- d. Boise made it to the top of the Forbe’s “Best Places to Do Business” list by “creating places where people want to



The Cube is a unique and innovative landmark tower that will occupy a prime location within Dubai Sports City. Parking condos are available in the basement level.

be”. The combination of integrated parking (all of our parking is in convenient, mixed-use facilities with activated street-level uses) and a concentrated effort on “place making” and public realm improvements.

- e. We embraced the idea of an “E Zone” or “Energy Zone” in the downtown core. The synergies created by the downtown environment is large part of our success. Parking, and specifically parking facility design, is an important component because it contributes to our compact urban form and the reduction of surface parking lots.
3. What combinations of financing options are most popular and most successful?
 - a. One successful strategy is “Certificates of Participation”. They offer several benefits. First, they are mortgage-backed, essentially, because City assets are put up as collateral, thus making them low risk and thereby low cost investment vehicles. We have found them equivalent to General Obligation financing in terms of cost, without the necessity of any kind of taxpayer referendum on their use.
 - b. When putting together public / private partnerships, one of the benefits of working with the public is that public sector entities are often more tolerant of longer-term payback schemes where an asset is provided by the public to leverage private development, much more so than equity partners or banks, so this ability to be around long enough to tolerate a longer horizon is a potential “asset” that public entities bring to the table.
 - c. Another option to consider is the “condominiumization of parking”. Under this scenario the land doesn’t have to be purchased by either party. The condominium association owns the land and manages the property including shared expenses and taxes.
 4. What combinations of incentives are currently being offered?
 - a. Right now (due to the economic downturn) we are not offering a lot of direct incentives, but generally when it comes to land development, the cost of land is one of the first things the developer goes after. If the public can acquire land and then re-sell it at favorable terms, this helps leverage a private proforma.
 - b. Many communities provide cash incentives based on jobs or total investment. Some believe that this rarely determines whether the project gets built, particularly in a downtown. Usually after the private side team has already determined where it wants to build, then it goes after as much cash as it can leverage out of the elected officials.
 - c. Parking is a favorite downtown leverage tool, as it is a business the public is often already in and it is usually (unless you are in a REALLY big or very enlightened mar-

With capital funds in short supply, public investment can sometimes make the difference with “projects on the bubble”. The key is often understanding the real estate equation. The agency needs to understand where to draw the line. Sometimes, the fact that an incentive is offered at all is as important as the amount.

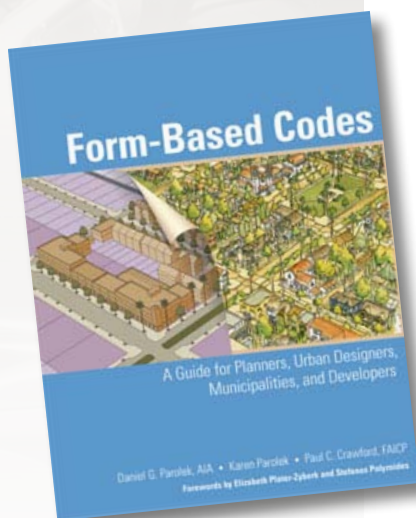


ket) a key factor for lenders as to whether they will finance a project. Co-development with transit stations for those communities with a fixed-guideway transit system is also a huge incentive to partner with the public.

5. What specific options are seen as producing “win - win” scenarios for different communities?
 - a. Deals that are structured where there are documented returns to the public are often easiest to justify...a cash flow that can be documented such as specific tax base enhancement commitments, creation of permanent jobs if a major employer is involved, etc.
 - b. On the other side, developers need to see both a short term (this current project is profitable in the short run) and a longer term (this deal will potentially spin off more deals with the same public entity) benefit from playing ball with the public sector. This is often why working with local developers with more of a stake in the success of the local market sometimes works better than going after the big, national development entity who may flee the market if times turn bad.
6. What are the common obstacles that tend to sour these public-private partnerships?
 - a. Unrealistic expectations...on both sides. Also an unwillingness to trust. There is no way you can write down every last contingency in a deal. All deals involve some level of trust on both sides. This has to be clear up front, and a commitment made to work through things in the middle when something unexpected comes up. The best thing to do is to talk clearly about how to deal with unexpected issues, not to try to anticipate all of them and write them all into an agreement up front.
 - b. The public sector is all about process and fairness. There will be multiple committee meetings. The design will likely be micromanaged to some degree. It is very important for private side entities to build this extra time into the project schedule and make sure somebody on their team is good at navigating the public process.
7. What types of deals should public agencies avoid? Why?
 - a. Avoid anything that involves putting the public in the role of primary risk-taker. Risk analysis in land development is not something public sector agencies do particularly well, and in a public/private deal it should be made clear up front that the public is not in the entrepreneur role in a typical deal. That should be the private sector entity's role, and the public risk ought to be clear, simple, and limited...the major financial benefits may need to go to the private side but the primary risk should be there also.



*And if you are really creative,
your parking garage can
compliment your new library
very nicely (Kansas City Public
Library Parking Garage)*



- b. Public entities also ought not to make their decisions based on a glorious vision of a very cool development. Instead, the decision should be made looking at a spreadsheet and a balance sheet. The key success factors on public / private developments revolve around the strength of the private side financing package and the predictability of behavior of the public side partner. To the extent these can be maximized, the likelihood of the project being a success is enhanced.
8. What creative combinations of land uses have produced special benefits for their communities?
 - a. Projects that attract the young as well as the working age public. Kids bring parents. Parents bring money and come back on the weekend if they like what they see. Youth brings energy.
 - b. Libraries are excellent tools for attracting kids, as are museums. Places to have big outdoor parties that generate lots of press (New Year celebrations, food celebrations, concerts, etc.) are great compliments to retail and office as well as urban residential. In Boise, housing projects have generated the greatest amount of “spin off” benefits.
 - c. Sports venues bring lots of people but beware...they also tend to spawn lots of surface parking that kills life around it when an event is not taking place. The best public investments we have made in Raleigh have SYMBOLIC value! The reconnection of iconic architectural views between the state capitol and the performing arts center. A major artwork that can be seen on the skyline, creating a postcard view. These things change the way people think about a place, and lift everyone’s boats.
9. From a planning perspective, are there new concepts or specific development code approaches that encourage creative urban designs and special partnership opportunities?
 - a. “Form-based” codes often work well in dense urban areas, by creating an emphasis less on land use and more on form, relationship of the building to the street, density and amenity access. Having a rehabilitation code option that applies realistic building code standards to old buildings means more investment in historic buildings that bring character and interest to a city.
 - b. Most of the incentives that might encourage more public-private arrangements would happen on the state level in states that govern the activities of cities. The ability of public entities to engage in private projects is often limited by “no-competition” limitations or by restrictions on the ability of the community to provide tax or fee incentives for projects with a public benefit.

CASE STUDIES

Case Study #1

The Ashley Mews Project

ANN ARBOR, MICHIGAN

Ashley Mews was one of the first downtown developments since the early 1980's. The city owned a piece of land at the intersection of Main/Packard and wanted to sell it for redevelopment with the goal of seeing at least some affordable housing units (80% of AMI) included as part of the project.

The Ann Arbor Downtown Development Authority (DDA) helped facilitate the conversation between the City & the developer (Syndeco is the real estate arm of Detroit Edison). Final arrangement had a 9 story office building with first floor retail and penthouses on the top, and approx. 50 stacked townhouses of which 8 are permanently affordable.

The developer brought 120 of their own underground parking spaces, but needed 100 more parking spaces plus some gap financing.

The DDA provided some funds toward the affordable housing units and additional funds toward the project's pedestrian improvements to make the numbers work.

We gained a wonderful mixed use project that made it possible for Detroit Edison to bring 400-500 high paying jobs (the building houses all the energy company's subsidiaries such as Detroit Edison Nuclear, Detroit Edison Wind, etc.) plus more than 50 new downtown residents (the penthouses were a slower sale because the space wasn't built out and residents clearly had trouble understanding what \$1 million was buying them).

Lesson Learned:

1. The City must know what it wants up front in a development deal like this so we can understand if it's worth providing a limited public asset (lots of public parking spaces) to accomplish their goal.
2. If possible, use these public/private arrangements to clean up previous mistakes (before the DDA took over parking, the City had given away parking permits in a contract for 3 renewable 20 year terms at the cost of operations plus bond payments. The bond payments were ending/if we hadn't revised the agreement the developer would have been paying \$10-20/month for permits that cost other downtown users \$100/month).
3. Consider all the elements that can make a project work, not just the parking elements.



4. Supporting Documents:

- a. Ashely Mews Development Agreement
- b. Ashely Mews Parking Agreement
- c. Ashely Mews Planned Unit Development (PUD) Agreement



Case Study #2

"BoDo" Development

Capital City Development Corporation, Boise, Idaho

The Capital City Development Corporation (CCDC) is the urban renewal agency in Boise, Idaho. The CCDC manages three separate districts in the downtown area as well as managing the off-street public parking system.

CCDC has a stated goal of a 5 to 1 return on infrastructure investments. With the recent completion of the so called "BoDo" (Boise Downtown) project, they leveraged \$15.5 million dollars in public infrastructure investment (The Civic Center parking garage [\$8,000,000], the Myrtle street garage [\$6,000,000] and a \$1,500,000 investment in streetscapes) in return for \$87,000,000 in private development – a 5.61 return on investment!

Beyond this initial success, the "BoDo" project also generated another \$650,000 in tax increment financing revenues that the CCDC will reinvest in downtown and the project is generating an additional 1,000 parkers per day for an estimated \$800,000 in additional parking revenue per year. It is also worth noting that the "BoDo" project brought several targeted types of development to the downtown including a 17 story residential development, a multi-plex cinema and a new hotel.

Lessons Learned:

1. CCDC has successfully used "parking development as a catalyst for other development"
2. They have a defined expectation (5 to 1) relative to parking and other infrastructure investments.
3. Their standard agreement is a "blank page". Be flexible. Consider all options,
4. Housing/Residential development projects have more spin-off benefits.
5. Their parking strategy was based on an "idealized build out" of the downtown based on the downtown master plan. Their parking development plan is designed to support the desired build out.
6. Goals: Keep the public parking supply between 30 – 40% of the total parking supply & realize that more parking investment is needed on the front end of the process.

Case Study #3

Village Green Ann Arbor, Michigan

Village Green is the Ann Arbor DDA's most recent development project. The City distributed an RFP to sell/redevelop the site of our oldest parking structure. The Village Green project was selected and plans include a multi-story apartment building with an underground public parking structure.



The development agreement was much simpler than the Ashley Mews Project discussed above. The DDA formulated early what it was willing to provide to make this deal work (\$100K per unit for up to 4 units of affordable housing to 60% AMI = \$400,000 and exact dollar amounts for what it would pay to have the underground parking structure constructed (\$35,000/above ground space + \$45,000/below ground space). This eliminated negotiations later on, as the developer bids on the property were made knowing that

these were the only two sources of local funds for the project.

Currently the DDA has no developers on its board so knowing the cost up front made sense for us. Since we no longer had folks on the board with real estate experience to negotiate for us.

Lessons Learned:

1. If the developer is building a public parking structure as part of this public/private development, come to an agreement up front on what the DDA or City is willing to pay per parking space since it is virtually impossible to delineate what is/isn't part of an underground parking structure (earlier developers wanted to charge the DDA for their construction crane costs, all costs to bring utilities to the site, etc.) Once this price is established, it makes it easier to sort between various bids for the site since the variables are reduced.
2. The DDA /Village Green parking agreement has us providing 73 spaces for monthly parking + 73 flex parking spaces, leaving some number for public parking. The flex parking numbers made the banks happier about providing financing since the project has more parking spaces per unit - even though the flex spaces can only be used at night.

Supporting Documents

1. Village Green Parking Agreement