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Parking Lots Transformed as U.S. Cities Seek More Revenue.

After decades of copying sprawling suburbs by accommodating the automobile, U.S. cities are starting to tear up their slabs of asphalt.

In Philadelphia, construction will begin by July on a 700-room hotel on a plot near City Hall where vehicles have parked since 1991. In Baltimore, an apartment tower may rise on a parking lot along the Inner Harbor.

Offering developers tax incentives and zoning changes, officials are seeking to remove parking facilities in favor of projects that will draw more revenue, while making their communities friendlier to pedestrians as people eschew cars.

“We want to create an environment where people want to walk in, want to bike in and want to take transit in,” said Beth Elliott, principal city planner in Minneapolis, which is pushing redevelopment to bolster use of mass transit. “And that is not a sea of surface parking lots.”

Cities that have struggled to recover from the 18-month recession that ended in 2009 are gaining traction in their attempts to build revenue. This year, all but seven of 363 metropolitan areas will see economic gains, in contrast to 2013, when 97 had declines, according to a January report by the U.S. Conference of Mayors.

‘Lazy Asset’

Communities are targeting parking facilities for transformation because they’re a “lazy asset,” said Gabe Klein, a senior visiting fellow at the Urban Land Institute in Washington.

“From an economic standpoint, the cities are not getting the taxes that they should be,” said Klein, who has worked on transportation policies in Washington and Chicago.

Parking lots are natural for development because there’s often no demolition involved and chances of running into environmental issues are lower.

At the same time, Americans are driving less than they did eight years ago. From 2001 to 2009, the greatest decline was among people ages 16 to 34, according to a May report by the U.S. Public Interest Research Group,

Minneapolis is encouraging the use of its light-rail system through zoning changes. Minnesota’s largest city has banned new surface lots downtown and isn’t forcing developers to create additional parking.

That’s helped builders, because erecting garages is costly, Elliott said. Construction is expected this year on a 320-unit apartment complex on a surface parking lot that would connect to the enclosed Skyway System pedestrian bridge.

In another downtown project, the Chicago-based parking company InterPark Holdings Inc. is negotiating with developers to build a hotel and shops by its garage adjacent to the Skyway.

Empty Nesters

In Baltimore, officials see empty nesters moving downtown without cars and fewer young people with drivers' licenses, said Kirby Fowler, president of the Downtown Partnership of Baltimore, a non-profit funded by commercial property owners.

The group is working with city zoning officials on proposed changes that may pass this year, such as barring parking garages as the main use on major streets and phasing out downtown surface lots, which he says "disrupts the urban fabric."

"When you have these large gaping holes between buildings, it doesn't lend itself to a pleasant pedestrian experience," Fowler said.

Good Business

InterPark is seeking to create more than just a garage on a surface lot in the Inner Harbor, said Chuck Murphy, senior vice president in acquisitions and development. He said the company is looking at proposals for a hotel, residences and shops, which would be better for the city — and for its business.

"What we're looking to do is to optimize the use of the parking facility to meet customer demand various parts of the day," Murphy said.

Incentives have been critical for the Inner Harbor proposals, said Courtenay Jenkins, senior director in the Baltimore office of Cushman & Wakefield, which is assisting InterPark's search for a development partner.

That site is eligible for tax credits, and the developer of an apartment tower on another Inner Harbor property can apply for a payment in lieu of taxes, said Fowler.

Philadelphia's $280 million hotel project received $33 million in tax-increment financing, in which the increase in tax receipts goes toward repaying debt that funds the development.

Even parking facilities owned by municipalities are in demand. The parking authority of Allentown,Pennsylvania, last month agreed to sell a downtown lot to a partnership that would build an office and retail site with a nightclub, said executive director Tamara Dolan. Board members haven't yet decided how to spend the $1.4 million from the sale, she said.

"This particular project adds a new spin on the activity downtown," she said.

For Minneapolis, redeveloping the downtown lots is key to its future, said Elliott, the planner.

"The more property investment, the more taxes we have to be able to make improvements in roads, in transit, in parks," she said. "It's more sustainable for our region if we don't keep spreading out."

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