

## From Horseless Carriages To Driverless Carriages

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Fully autonomous vehicles (AVs) have the potential to initiate change in many areas of the economy, including the automobile, logistics, transportation, infrastructure and commercial real estate industries, in much the same way that services, such as Uber and Lyft, have had a disruptive impact on the taxi and vehicle-for-hire businesses. Although AVs may seem like a science-fiction writer's creation, they are fast becoming a reality.



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### When Will AVs Become a Reality?

The "driverless" automobiles being tested today are not fully autonomous. These vehicles each have a person on board who is able to take control of the vehicle. AVs, however, will not have a person on standby. They will operate completely independent of human drivers, and will not need a steering wheel, or gas or brake pedals.

Estimates of how soon AVs may be ready for actual use on public roadways vary. There appears to be a consensus that various impediments, such as revisions to motor vehicle laws and insurance issues, are likely to prevent the adoption of AVs on a wide scale basis by consumers for another 20 years. However, a KPMG/Center for Automotive Research report predicts that the first vehicle-to-vehicle infrastructure technologies will be released to the market as early as 2018 or 2019, and that by 2025, there will be sufficient built-in and aftermarket products to support driver automation. Additionally, the report predicts that consumers will begin to adopt AVs on a large scale by 2030. A RCLCO Advisory Report also estimates that there will be an increasing use of AVs by consumers between 2030 and 2035.

Many corporations, including technology behemoths such as Google and Apple, traditional automobile makers such as Ford and General Motors, and electric carmaker Tesla, have invested heavily in driverless technology. Ford's CEO announced plans to offer AVs by 2021, targeted to fleets that will provide autonomous mobility services (Reuters, Oct. 16, 2016). Additionally, GM's head of foresight and trends, Richard Holman, recently announced that most industry participants think that AVs will be on the road for discrete purposes, such as logistics, by 2020 or sooner (Wall Street Journal, May 10, 2016).

Recently, Boston was selected by the World Economic Forum for a program focused on the future of urban transportation. An element of this project will be working to develop public policy recommendations for AV technology. On Oct. 20, 2016, Governor Baker issued an executive order specifying the basic terms under which driverless vehicles may be road tested.

## **Impact on Commercial Real Estate**

### *Parking*

In the not too distant future, it may be possible to have your car drop you off at work, and then drive itself to a remote parking area. As this type of commuting becomes more widespread, developers and property owners will be able to use current parking structures and lots in new ways. The precision of AVs will also allow more cars to be parked in less space within garages located in existing buildings. Extensive replacement of traditional vehicles with AVs has the potential to decouple parking from existing properties and development sites, freeing space to allow for denser forms of development.

A recent RCLCO report estimates that, in some cities, approximately one-third of the land area is dedicated exclusively to parking. Furthermore, a McKinsey study estimates that AVs have the potential to reduce parking areas by approximately 61 billion sq. ft., cutting the space currently devoted to parking by approximately 58 percent. As a result, some downtown parking structures may become obsolete, and the minimum number of parking spaces mandated by zoning will likely be reduced.

### *Urban Office Development*

Depending on local zoning requirements, urban office development will also be significantly impacted by the introduction of AVs. AVs will enable building owners and developers to dedicate space within their buildings to more productive uses. In turn, space previously devoted to parking may be repurposed for uses such as graywater collection and bike storage, so as to make buildings more sustainable.

### *Retail Developments*

A rise in AVs means that retail developments will likely need less area devoted to parking, and more land available for restaurants and other uses, such as so-called “experiential retail.” Neighborhood shopping centers will likely see the size of their parking areas shrink as customers are able to arrive in one AV, complete their shopping and be driven away in another AV.

### *Multifamily Developments*

Multifamily housing developments will also likely have surplus parking. Some of this excess parking space may be devoted to additional units, amenities, or to incorporating retail uses within multifamily housing development sites. Existing multifamily buildings, which have parking incorporated within structures, may convert some of the space into passenger loading and offloading areas, or additional amenities.

### *Transit-Oriented Development (TOD) Sites*

AVs may undermine the premiums now associated with TOD sites. Development sites that are considered distant from transit stations may become more desirable in the future, as AVs will make them more readily accessible.

### *Move to the Suburbs*

The anticipated efficiencies of AVs may encourage people to move farther from city centers to more

affordable locations. If commuters are willing to travel longer distances to work, future projects may be constructed on land that is presently considered too remote to develop. "Just as the rise of the automobile led to the emergence of suburbs and exurbs, so the introduction of AVs could lead to more dispersed and low-density patterns of land use surrounding metropolitan regions." (See: James M. Anderson, et al. (2014), *Autonomous Vehicle Technology A Guide for Policymakers*, RAND Corporation)

### *Impact on Senior Housing*

Among the many possible consequences of the implementation of AVs are the effects they will have on senior housing. We may find that more seniors will continue living in their homes longer. This increased mobility for senior citizens may reduce demand for senior housing while concurrently revitalizing secondary retail and suburban locations. For a deeper dive into the impacts of AVs, see "Autonomous Vehicles and Commercial Real Estate," published by the Cornell Real Estate Review.

### **Conclusion**

The potential long-term impacts on various sectors of commercial real estate are likely to vary significantly depending on the pace of AV technology development and the rate of its adoption. As AVs become widely available, commercial real estate developers, owners and investors need to get ahead of the curve and factor AVs into their decision-making in order to capitalize on opportunities as AVs become a reality.

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