

# Parking Funding Strategies and Case Studies

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## Introduction

This document includes information (and case studies where available) about a variety of tools that communities have used to fund investment in parking and transportation infrastructure.

The funding tools covered in this brief summary document include:

1. Special Assessment Districts
  - Tax Increment Financing (TIF)
  - Parking Benefit District (PBD)
  - Business Improvement District (BID)
  - Parking Tax District
  - Transportation Demand Management District
2. Impact Fees
3. Payment / Fee-in-Lieu
4. Public Private Partnerships (P3)
  - Design-Build-Operate-Manage
  - Design-Build-Transfer
  - Privatization / Monetization

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## Special Assessment Districts.<sup>1</sup>

### Tax Increment Financing (TIF)

- Captures the increased property value generated by development in an area to create a pool of money that can be used for area improvements.
- When a TIF district is established, the current property taxes are defined as the "base" amount. In the succeeding years, for a set period of time, any additional property tax (over and above the base amount) generated within the district is set aside in a special fund.
- That money can then be used to fund further improvements within the district, including public parking facilities.
- TIF money can be used as it is generated or the municipality can issue bonds backed by the future revenues from the increment collected in the district.
- Depending on where a parking facility is being built, this may be a desirable financing mechanism.

### Parking Benefit District (PBD)

- A Parking Benefit District is a program through which a city or town agrees to return all or some parking revenue (generated through parking meters, assessments, and/or taxes) to area for improvements and/or beautification projects in the district.

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<sup>1</sup> Source: Chicago Metropolitan Agency for Planning, *Public Parking Financing Strategies*, 2014.

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- Returning parking money directly to the community often improves the general public's acceptance of the idea.
- "Key stakeholders such as businesses, developers, land owners, residents and government representatives need to work together to develop goals, objectives and a plan to create a parking district" (MTC, 2007). These stakeholders will also decide where and how funds should be spent. One example of a successful PBD is in Old Pasadena, where on-street pricing was raised to keep vacancy rates around 15% and all parking revenue was used to purchase street furniture, trees, light fixtures, and to do street cleaning and maintenance.
- In Boulder, the PBD uses revenues to provide free universal transit passes, bicycle parking, other services that encourage the use of alternative travel modes.

Parking Benefit District	
<b>Featured Case Study</b>	<ul style="list-style-type: none"> <li>• <a href="#">Houston, TX</a></li> </ul>
<b>District Focus</b>	<ul style="list-style-type: none"> <li>• Parking Benefits Districts (PBDs) are defined geographic areas, typically in downtown areas or along commercial corridors in which a percentage of the net revenue generated from on-street parking within the district is returned to the district to finance neighborhood improvements.</li> <li>• The primary goal of a PBD is to effectively manage an area's parking turnover and utilization so that convenient on-street parking is more available and easier for motorists to access.</li> <li>• This approach is often used to "ease the introduction of paid on-street parking in areas where it has not been in place before. The revenue sharing aspect helps overcome initial merchant reluctance regarding paid parking.</li> <li>• PBDs typically employ a number of parking management techniques to manage parking supply and demand. By implementing a PBD, the parking will be managed more effectively and a percentage (typically in 60% of net revenues go to the district and 40% to the City) of the revenue is reinvested back into community projects as determined by the PBD specific oversight board or commission.</li> </ul>
<b>District Organization</b>	<ul style="list-style-type: none"> <li>• Adoption of a city ordinance created Houston's first PBD, the Washington Avenue PBD.</li> </ul>

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	<ul style="list-style-type: none"> <li>The ordinance stipulated that 60% of the net parking revenue generated within the PBD be used to fund designated neighborhood improvements.</li> </ul>
<b>Implementation Process</b>	<ul style="list-style-type: none"> <li>Deployment of parking meters, pay by phone parking permits and appropriate signage.</li> <li>Adoption of a defined list of PBD revenue expenditures.</li> <li>Development of a coordinated public relations plan, which would use wayfinding, signage, and public outreach to explain the role of paid parking and articulate how parking revenue is being utilized to benefit the Washington Avenue Corridor.</li> <li>Formal City Council review of the PBD 18 months after implementation, adjusting the revenue split and other variables as necessary.</li> <li>Ongoing evaluation of the PBD performance and policies.</li> </ul>
<b>Funding Mechanisms</b>	<ul style="list-style-type: none"> <li>Funding for this district comes from the revenues collected from parking meters within the district limits.</li> <li>60% of the net parking revenue generated within the PBD be used to fund designated neighborhood improvements.</li> <li>District to bear all administrative expenses.</li> <li>City to recover all costs (including capital costs) associated with the program.</li> <li>Public improvement projects in the district cannot be initiated until the District accumulates \$250K in net revenues.</li> </ul>
<b>Community Engagement Strategies</b>	<ul style="list-style-type: none"> <li>Creation of an advisory committee, appointed by the Mayor and approved by City Council, comprised of representatives from the business and residential community and non-voting city department directors.</li> <li>The committee is charged with developing a project list based on feedback received from public meetings.</li> </ul>
<b>Lead Entity</b>	<ul style="list-style-type: none"> <li>The city regulates and implements areas where parking funds can be collected within the district.</li> </ul>

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<p><b>Measuring Success</b></p>	<ul style="list-style-type: none"><li>• Increase in sales tax revenue</li><li>• Increased meter usage and on-street space turnover</li><li>• Complaints to the City have decreased</li><li>• Valet companies are no longer storing vehicles on street</li><li>• Increase in district development projects</li><li>• Total revenues inclusive of meter revenue and citations exceeds capital and operating expenses.</li><li>• Over a ten-year period, revenue projection models forecast:<ul style="list-style-type: none"><li>○ \$2.4 million in gross revenues</li><li>○ \$924K in operating expense</li><li>○ \$477K in capital expenses</li><li>○ \$1.04 million in net revenues</li><li>○ 60% of net meter revenues to District for public improvement projects</li></ul></li></ul>
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## Business Improvement District (BID)

- BIDs levy a special assessment on commercial properties within a defined area.
- The additional money is used to fund improvements in the district – including a parking facility if the area businesses choose to construct one.
- Assessments are often on a uniform per unit basis (square footage, receipts, assessed value).
- With regard to parking funded by a BID, there is "typically no exemption or tax credit...provided to property owners who provide all or a portion of their required parking" (Baron and Dorsett 2004).

## Parking Tax District

- Similar to BIDs and PBDs but they only address parking issues, not neighborhood improvement more generally. In situations where the municipality provides most or all of the area parking, the special assessment is levied on all commercial (and sometimes multifamily residential) properties on a standard per unit basis.
- Exemptions may be permitted for those businesses that provide most or all of their required parking already.
- Parking tax districts do not currently exist in Illinois, but they are found in several states, notably California (Baron and Dorsett 2004).

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## Transportation Demand Management (TDM) District

Transportation Demand Management (TDM) District	
<b>Case Study in Action</b>	<ul style="list-style-type: none"> <li>Boulder, CO</li> </ul>
<b>District Focus</b>	<ul style="list-style-type: none"> <li>SUMP principle (Shared, Unbundled, Managed, Paid)</li> <li>Master contract with RTD for District employee/resident EcoPasses</li> <li>Boulder B-cycle, car-share membership provided to all District employees / residents</li> </ul>
<b>District Organization</b>	<ul style="list-style-type: none"> <li>Functions under the umbrella of the Boulder Junction Access General Improvement District (BJAGID).</li> <li>City Council is defacto board, but 5-member city council-appointed commission makes recommendations to City Council; meets monthly.</li> <li>Commission makeup: 3 appointees must be real property owners within the district; 2 are city representatives that are not required to own property within the district.</li> <li>District boundaries can be expanded to include new properties, following a formal petition by the property owner, and a public hearing. At the public hearing, the Commission must consider any written objections filed by interested persons at or before the hearing.</li> </ul>
<b>Implementation Process</b>	<ul style="list-style-type: none"> <li>Evolved from Transit Village Area Plan (TVAP) adopted by Boulder City Council in 2007.</li> <li>Property owners petitioned City Council to create two overlaying General Improvement Districts (one for parking, one for TDM programs) in 2010.</li> <li>City Council subsequently created these two districts named the Boulder Junction Access General Improvement District – Parking &amp; TDM.</li> </ul>
<b>Funding Mechanisms</b>	<ul style="list-style-type: none"> <li>5.000 mills levy on all properties within District boundary</li> <li>Annual allocation of parking revenue from Boulder City budget</li> <li>2015 Operating budget is \$148,695.</li> </ul>

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<b>Community Engagement Strategies</b>	<ul style="list-style-type: none"> <li>• Monthly Commission meetings open to the public for participation.</li> <li>• No other active strategies in place</li> </ul>
<b>Lead Entity</b>	<ul style="list-style-type: none"> <li>• City of Boulder Planning Department</li> <li>• The Downtown and University Hill Management Division and Parking Services (DUHMD/PS) serves the advisory Commission that oversees the BJAD - TDM. The DHUMD/PS administers the downtown TDM programs (employee Eco Pass, car share and bike share). They also plan and implement the BJAD – TDM.</li> </ul>
<b>Measuring Success</b>	<ul style="list-style-type: none"> <li>• Bottom-line metric is annual counts / surveys of vehicle trip generation</li> <li>• No other active strategies in place</li> </ul>
<b>Notes</b>	<ul style="list-style-type: none"> <li>• New Google campus is in the midst of joining District.</li> <li>• RTD is currently proposing an 18% increase in EcoPass, which violates their agreement with the District.</li> </ul>

## 1. Impact Fees

- Impact Fees are implemented by a local government on new/proposed development or land-use changes to help pay for the costs that the new development may impose on public services, including expanded off-site capital improvements such as roads, schools or sewer systems.
- These fees are usually implemented to help reduce the economic burden on local jurisdictions that are trying to deal with population growth.
- The property owner/developer pays impact fees, which are often one-time, upfront payments at the time a permit is issued for a development project. However, payment terms can vary, and a lien is typically placed on the property until the fee is paid in full.
- Conceptually, impact fee payments could be used for public or private district-scale infrastructure projects rather than for public, centralized systems only.
- This would depend largely on the flexibility of the municipality’s impact fee policy and the willingness of the City Council to explore financing infrastructure that is over and above what is already budgeted for impact fee funds.

## 2. Payment / Fee-in-Lieu.

- Some municipalities allow developers to pay a fee in lieu of constructing some or all of that parking (where parking is required).



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- The fees collected are used to construct a public parking facility that serves that particular development, as well as surrounding uses.
- Most cities set a uniform fee per space, with the number of spaces per development still dictated by the parking code. The fee itself is often less than the full cost per space for the public sector to provide the parking. Unless updated regularly, the fee may be considerably lower than the actual cost if the system has been around for a while.
- Vancouver, British Columbia takes an interesting approach by setting the fee per space equal to the cost to construct that space in a public garage minus the expected revenue the city will get from that space (Shoup, 2005).
- In most cases, the developer can choose whether or not (and for how many spaces) to pay the in-lieu fee. Some cities may offer payment in lieu of parking only in certain districts, where the option is available in downtown commercial / business districts.
- Beyond the financial aspects of payment in lieu of parking, there are a number of benefits to such programs. Donald Shoup (2005) identifies a number of advantages to payment in lieu of parking, including:
  - Greater flexibility for developers, which can be a boon for historic preservation given the challenge parking can pose for adaptive reuse
  - More shared parking, thus potentially reducing the total number of spaces needed in the area
  - Fewer surface lots, because lots have been consolidated into one surface lot or possibly a structure
  - Fewer zoning variances that need to be issued, which expedites the development process and levels the playing field for all developers.
  - Fewer surface parking lots lead to better access management and improved traffic operations.

### **3. Public Private Partnerships (P3).**

- Public-private partnerships (P3) are a way to reduce the public sector's direct debt burden while also providing needed infrastructure. A key element in this is the ability to enter into design-build contracts.

### Design-Build-Operate-Manage

- An example from Connecticut can help to illustrate this innovative method. In 2000, the state issued bonds to cover the costs of constructing a new parking facility at the Bradley Airport in Hartford, Connecticut.
- Due to the structure of the agreement, the bonds are actually guaranteed by a private entity.
- The state's arrangement used the same entity to design and build the facility and then after construction, to operate and manage through a lease from the state.
- The lease payments cover the state's debt service and the facility revenues cover the lease payments.
- Excess revenues are split between the state and the private operator.





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- Should the lease payments and revenue sharing prove insufficient to cover the debt service, the private operator is responsible for making up the difference (Bier et al 2006).
- Private operators like SP Plus are currently employing this strategy in some communities.

### Build-Operate-Transfer

- A private entity may cover the costs associated with building public infrastructure, operate it until the costs are recovered, and then transfer ownership to a public agency.
- Early parking meters were often installed in this fashion with manufacturers of meters installing them and recovering costs until they were paid for (Shoup 2005).

### Monetization / Privatization

- One example of a public-private partnership, while controversial, shows how partnerships can be used in parking strategies. For an upfront payment of \$1.2 billion, Chicago leased the city's meters to Chicago Parking Meters LLC for 75 years. In return for operating and maintaining the system, the company receives all revenue from the meters. The city maintains control of meter rate increases, though they are supposed to be brought closer to market levels over the next five years (Chicago Receives \$1.157 Billion Winning Bid for Metered Parking System, December 2008).
- Another example of this type of P3 is The Ohio State University (OSU). In 2012, OSU entered a concession agreement with CampusParc, which gave CampusParc the right to operate the university's parking system for a period of fifty years. Over the 50 years of the Ohio State parking concession, the university expects income from the \$483 million payment to provide \$3.1 billion to academic initiatives such as hiring faculty, offering more student scholarships, and supporting the arts and humanities. To date, the university reports interest income on the payment of \$112 million. Daily operations of the parking system are managed by LAZ Parking.