

# Funding

The expansion of the Eubanks Road Park-and-Ride facility will require capital investment that could be subject to a combination of user, federal, state, local, and public-private funding sources and strategies. Transit-supportive development that is planned for properties adjacent to the Eubanks facility could enhance transit ridership, and should therefore be encouraged through local public/private partnership funding mechanisms. The purpose of this analysis is to examine funding sources and strategies for the Eubanks Road facility expansion and other public infrastructure improvements associated with the Eubanks expansion and adjacent transit oriented development. In addition, Operating and Maintenance costs for the facility are presented and the later sections of the chapter.

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## 7.1 Overview of Potential Funding Strategies

The matrix on the following pages provides an overview of funding strategies considered throughout this analysis. Each funding strategy is described and its potential applicability to the Eubanks Park-and-Ride facility noted. The listing includes both direct funding and financing tools for the garage as well as strategies to enhance demand for garage parking and thereby increase revenues.

**Table 7-1: Funding Strategy**

<b>Funding Strategy</b>	<b>Description</b>	<b>Applicability to Eubanks</b>
<b>USER FEES</b>		
Parking Fees	Direct user fee, charged annually to faculty and staff, commuter and resident students. The TOD developer could pay contract fees as part of a master agreement with Chapel Hill Transit to dedicate a portion of spaces to the development.	Could partially cover annual operation and maintenance. Contract fees with the developer could also fund a portion of the capital cost of the garage.
<b>PUBLIC-PRIVATE FUNDING STRATEGIES</b>		
Municipal Service District	Special assessment fee, charged to property owners in a defined district for municipal services.	Could provide revenue for garage maintenance along with other municipal services in the district.
Shared Parking	The multifamily apartment residents in the TOD will demand parking at different peak times of day and week than the users of the Park-and-Ride. As a result, there is potential to share parking and seek an arrangement where the developer contributes to capital costs of the Park-and-Ride garages.	Developer could fund part of the garage in acknowledgement that a portion of the spaces will be shared. The developer could also apply that portion of spaces that will be shared towards meeting local parking requirements for the development.
Land Exchange	An exchange of land between the private and public sectors. FTA maintains an interest in the parcel of land where the existing facility is located. A Land Exchange must comply with FTA regulations.	A land exchange could be arranged between the Town and developer, allowing the developer to build on the Town's land, and the developer's land to serve as the site for the parking garage. The Town's land value could be used to fund construction.

**Table 7-1: Funding Strategy (Cont)**

<b>Funding Strategy</b>	<b>Description</b>	<b>Applicability to Eubanks</b>
<b>LOCAL FUNDING TOOLS AND STRATEGIES</b>		
Parking District	Districts are established to provide pooled parking for developments. Districts feature a management entity and process to collect payments in lieu of parking (PILOP) from developers.	Could provide a mechanism by which to collect fees from the TOD developer for some parking spaces (which the developer in exchange is not required to build).
Tax Increment Financing	Financing tool allowing future tax revenue (or tax increment) from private development to finance bonding for public improvements (related to private development).	Not applicable to the Eubanks TOD as the project is currently envisioned (the project features too high a proportion of retail/hotel space). However, if the project were refocused with more of a tourism emphasis, TIF could become applicable.
General Obligation Bonds and Revenue Bonds	Traditional public financing mechanisms to finance public improvements.	G.O. bonds require voter referendum, making the possibility of using them both political and uncertain. Revenue bonds are limited by the project's ability to generate revenues.
Special Assessment District	Special assessments in a defined geographic district are charged in relation to capital improvements that enhance property value.	May be used in concert with revenue bonds, general obligation bonds, or other debt financing instruments. Requires property owner petition, making use uncertain. Amount of charge must relate to degree to which garage improves property value.
Other TIF Alternatives: Private Sector Infrastructure Financing and Installment/COP Financing	Private sector financing of upfront capital improvements with an agreement that the municipality will provide grant to cover certain costs. Installment/certificate of participation financing, where the municipality uses installment financing or a lease-purchase agreement to purchase public elements of the project.	The private sector financing, in exchange for a cash grant, could be an option with local political support for such a transaction. Installment/certificate of participation financing could be used to construct the garage as an alternative to TIF and G.O. bonds.

**Table 7-1: Funding Strategy (Cont)**

<b>Funding Strategy</b>	<b>Description</b>	<b>Applicability to Eubanks</b>
<b>NCDOT ADMINISTERED STATE AND FEDERAL GRANT PROGRAMS</b>		
Capital Investment Grant Program	Federal grant with state matching funds (Section 5309).	Funds up to 80% of the capital cost of bus-related facilities such as Park-and-Ride facilities.
State Maintenance Assistance Program	State grant, allocated to transit systems based on state formula.	Funds operation of transit systems services.
Urban/Regional Bus and Facility Program	State matching grant for recipients of several FTA programs.	If Chapel Hill Transit obtains funding from FTA grants for this project, this state program would be applicable.
Transportation Demand Management Program	State and federal grants; state funds must be matched dollar-for-dollar by local funds.	Funds programs that encourage ridesharing arrangements (carpools, vanpools, and the use of public transit), making the Park-and-Ride an eligible activity.
<b>OTHER FEDERAL GRANT PROGRAMS</b>		
Transportation Investment Generating Economic Recovery (TIGER) Grants	Federal grant program created to support economic recovery during the recession. Since the program was created, four rounds of TIGER grants have been authorized.	The Eubanks Park-and-Ride could apply for a future grant round of TIGER, either alone or in coordination with other projects in the region or state. The project will likely be required to demonstrate it can be built within the near-term.
Livability and Sustainability Funds	Planning grants are available from HUD and FTA, related to the HUD/EPA/FTA sustainability initiative.	If there is a need for Alternatives Analysis or a regional transportation plan for which Eubanks would be a part, these grant funds would be applicable.

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## 7.2 Description of Funding Strategies

The following more detailed descriptions offer a summary of the types of user fees, public-private funding strategies, local funding tools and strategies, NCDOT administered state and federal grant programs, and other federal grant programs that should be considered as part of a multi-layered funding strategy for the Eubanks Park-and-Ride.

### User Fees

#### *Parking Fees*

A fee analysis was conducted to determine whether or not parking fees could finance the two garages (each 1,200 spaces). The parking fee analysis included assumptions about occupancy and fees consistent with a recent UNC Parking Study, including a 90% occupancy rate (consistent with the current average weekday occupancy at the existing lot) and an average parking fee of \$250/year.

The parking fee analysis revealed that the garages cannot be self-supported through the currently assumed parking fees, as estimated annual operating costs will exceed estimated annual fee revenues each year. This gap is approximately \$330,000 per year for each of the two garages (for an overall gap of approximately \$660,000 when both garages are in operation). As a result, other types of funding sources will be needed to address the gap between fee revenues and operating expenses.

In addition to other funding sources, Chapel Hill Transit should consider ways to enhance revenues. Potential strategies to enhance revenues include:

- Pursuing higher annual parking fees for the comfort and convenience of garage parking
- Increasing the number of turns/turnover in daily demand, and charging daily/evening rates for those who do not pay an annual parking fee
- Marketing the garage as an inexpensive parking option for special events (such as sporting events) and charging special event daily rates
- If the function of the TOD development changes with a new focus on regional entertainment, evening and weekend rates could be higher to capitalize on regional demand
- Contract parking arrangements with major employers (university, hospital, etc. to offer satellite parking facilities) or the adjacent development to address parking needs (see also Shared Parking section)

The strategies to enhance revenues would each benefit from further study and feasibility testing in order to better understand their potential to generate revenues (noting that the strategies do not guarantee enhanced revenues).

## Public-Private Funding Strategies

### *Municipal Service District*

A Municipal Service District (MSD) could provide a funding mechanism to provide revenue for garage maintenance along with other municipal services within the defined district. Additional revenue collected from special assessments on property owners in an MSD is used for maintenance, business recruitment, management, marketing, security, and other services.

In 2008, a Municipal Service District was established for Hillsborough Street in Raleigh. The MSD contains 123 acres of land and more than 2 million square feet of built space comprising 210 businesses. The special assessment for property owners in the Hillsborough Street is 0.10 cents per \$100 of assessed property valuation. If a similar program were applied to the Eubanks TOD Planning Area, \$215 million in assessed valuation would generate \$215,000 in annual recurring revenues in 2012 dollars.

### *Shared Parking*

The case of TOD construction on or near transit district land presents special parking challenges. Unlike commercial and residential TODs, transit station area parking is frequently fully utilized during peak hours. Many transit agencies have a practice of one-for-one replacement for station area parking - developers are required to build to local code requirements for TOD and replace all surface commuter spaces for transit patrons.

Capital costs savings could be realized through an arrangement where the private TOD developer constructs both the transit and TOD parking within a single facility (or multiple facilities) through one of the public/private funding arrangements as described above. Construction of the transit parking component in conjunction with the TOD parking will provide a certain economy of scale as well as reduce costs associated with project mobilization, sitework, developer's fees, etc. Longstanding business relationships between developers and their contractors also bring inherent value added benefits in reducing overall construction costs.

If a shared parking facility is constructed on transit agency land, this presents more options for a mutually beneficial public/private partnership. The developer could enter into a long term lease for the privatized portion of the parking structure, freeing up private sector capital and land for higher density development.

BBP LLC has conducted a preliminary, "back-of-the-envelope" shared parking evaluation to determine the opportunities for shared parking between the Eubanks TOD and the Eubanks Park-and-Ride. The analysis found the best opportunity for shared parking exists between the hotels in the TOD plan and the Park-and-Ride; an estimated 240 spaces could be devoted to the developer's use during the week as they are not needed for transit, and 300 spaces would be available during evenings and weekends to fully satisfy the peak parking demand for the hotel. That portion of the garage could potentially be funded by the TOD developer.

Alternatively, there is potential for some of the parking demanded by apartments in the TOD development to be accommodated by the garage; an estimated 240 spaces not needed for Park-and-Ride users could satisfy a portion of the demand presented by apartment residents (but not all demand, and additional spaces would have to be provided elsewhere within the TOD development). Additional shared parking opportunities could be created if the developer decides to emphasize entertainment and restaurant uses in his retail program.

Of course, the opportunity to share 240 spaces will depend on the proximity of the hotels (or apartments) to the Park-and-Ride, as well as the timing of both developments. The KlingStubbins plan calls for the hotels to be situated in locations not immediately adjacent to the parking garages. The KlingStubbins plan calls for the apartments to be located immediately adjacent to the Park-and-Ride garages, providing a better opportunity for shared parking given geographic proximity. In an alternative plan, the apartments are separated from the garage by a plaza and a short walk, and the hotels are not included in the use mix. In terms of timing, the most desirable build-out of the garages and TOD plan would occur on the same phased schedule, such that parking would be available for new residents as new apartments are built, or for hotel guests and staff as hotels are built.

### *Land Exchange*

The preferred site, the existing site, is large enough to support the first garage of 1,200 parking spaces which is owned by the Town of Chapel Hill. Depending on the developer of the adjacent property's interest in the Town's land, there may be potential for a land exchange to allow the developer to build on the Town's land, and the developer's land to serve as the site for the parking garage. In this sense the Town's land value could be used to fund construction.

The proposed development includes relocation and expansion of the Park-and-Ride facility as a multilevel, 1,800-space garage. In order for this to occur, CHT must comply with all FTA real estate regulations. Currently, FTA maintains an interest in a parcel of land where the existing facility is located; federal dollars were used for a portion of land purchase and facility construction funding. There are alternative approaches to land exchange, such as land sale and/or lease. Both of them would also require compliance with FTA regulations. The process is extensive and would likely take nine to 18 months.

Additionally, State regulations are applicable in land disposal/acquisition transactions.

## **Local Funding Tools and Strategies**

### *Parking District*

Parking districts may be established by the Town of Chapel Hill for public parking, including on-street and off-street parking facilities. These districts set up a management entity and process through which new developments have the option of paying into a fund rather than constructing parking (payment in lieu of parking, or PILOP). The parking fee is often structured to be less than the actual cost of providing a parking space to offer the developer an incentive for choosing the PILOP option. The management entity is then in charge of constructing and operating pooled parking for the entire district, and may also manage other programs, such as arrangements with shared car service providers (and spots designated for shared cars may be reserved in new parking

facilities). Parking districts often work best when the area already has an existing supply of parking to use while the fund is building, and when seed money is provided (either by local, state, or federal resources) to boost the parking fund.

### *Tax Increment Financing (TIF)*

TIF is a financing tool available to local governments in North Carolina, which allows increased future tax revenue (or tax “increment”) from private development to be used to amortize bonds to fund necessary public improvements related to the private investment. Although TIF legislation was enacted in North Carolina in 2004, its use has not been widespread, as its use faces limitations. The applicability of TIF to the Eubanks TOD Planning Area is limited primarily due to the mix of uses envisioned for the TOD, which exceed the maximum for non-office commercial uses eligible for TIF in North Carolina.

If the development program for the TIF is altered, and refocused to either feature more office uses and less commercial uses and/or to emphasize tourism-related economic development, TIF could become applicable. As a result, an overview of TIF is provided below:

- Local governments in North Carolina (counties and municipalities) are permitted by state law to delineate TIF districts and issue bonds to finance eligible improvements within TIF district boundaries. If a TIF district includes overlapping local governments (for instance, a county and municipality), the local governments are not each individually obliged to dedicate the incremental tax revenues they collect as a result of development to bond payments. Rather, these local governments must adopt a formal agreement to pledge such tax revenues to bond payments.
- According to the NC TIF statute, TIF funds “may be used only for projects that enable, facilitate, or benefit private development within the developing financing district, the revenue increment of which is pledged as security for the debt instruments.” Typically, TIF funds are applied to improvements within the district; however, the law permits funds to be applied to eligible uses outside of the district, but there must be a rational connection between the two (in other words, the improvements outside the district must be deemed necessary to stimulate private investment in the district). The range of improvements that may be financed by TIF include the following items, which must relate to supporting the private development project:

#### *Transportation network improvements*

- Public transportation and parking facilities
- Streets, streetscapes, and sidewalks

#### *Sewer and water related improvements*

- Sanitary sewer systems
- Storm sewers and flood control systems
- Water systems

#### *Certain facilities and development types*

- Arts, civic, cultural, and entertainment facilities
- Hospitals and other health care facilities



- Industrial development
- School and community college facilities
- Housing for people of low to moderate income

*Special enhancement projects*

- Historic district preservation projects
- Downtown redevelopment projects

Though the range of improvements TIF may finance is broad, certain general public service improvements are not eligible, consistent with TIF's focus on stimulating private investment and supporting property appreciation rather than financing general public services. TIF may not be used to finance fire and police stations, jails, libraries, golf courses and landfills.

The term of the TIF district can be up to 30 years. Restrictions on the mix of land uses within a TIF district may have the greatest implications for the application of TIF at the Eubanks TOD planning area, and could possibly preclude TIF altogether. The state statute requires TIF districts outside of a city's central business district to devote a maximum of 20 percent of the development program to non-office commercial uses. In other words, retail, hotels, banking, financial services marketed directly to consumers, and any other non-office commercial uses must comprise no more than 20 percent of the development project's total square feet. Projects whose primary purpose is tourism-related economic development and which are located in development tier one areas are exempt from the 20 percent rule. As the TOD project planned for Eubanks does not feature a tourism focus, the 20 percent rule applies. The TOD project presently calls for approximately 620,000 square feet of retail and hotel combined, or approximately 88 percent of the total commercial, compared to 80,000 square feet of office.

This demonstration may be useful if general obligation bonds are used as a de facto TIF, and the projected revenues would serve as justification for issuing the bonds.

***General Obligation Bonds and Revenue Bonds***

As alternatives to TIF, general obligation bonds and revenue bonds are traditional public financing mechanism to fund public improvements, including those necessary to facilitate private investment. The popularity of G.O. bonds relate to their broad application, as G.O. bonds can be used for nearly any improvement needed to stimulate private investment and economic development. G.O. bonds are generally less costly than TIF because the government backs G.O. bonds with its full faith and credit taxing power. However, G.O. bonds require approval through voter referendum, whereas TIF does not require such approval, and as a result TIF is a better option when a private development project is imminent but requires upfront public improvements. Of course, as previously stated, the mix of land uses proposed for the Eubanks TOD Planning Area could preclude TIF altogether.

Revenue bonds also cover a wider range of projects than TIF, and unlike G.O. bonds do not require the full faith and credit taxing power of the municipality. Instead, revenue bonds are secured by the projected revenues from the project, and as a result are limited by the revenues that the project is able to generate (with the caveat that revenues from on-street parking meters not specifically part of the project can be allocated to off-street parking garages).

### *Special Assessment Districts*

Special assessment districts in North Carolina (termed special assessment improvement districts or SAIDs) are geographic districts in which real property value is enhanced as a result of public improvement. A special assessment charge is allocated among parcels in the district to recover all or a portion of public improvement costs. Special assessment charges in North Carolina used to be fairly limited in scope of eligible public improvement costs, but in 2008 the General Assembly expanded the use of special assessments to include a broader array of public infrastructure needs, including parking garages open to public use. The 2008 legislative changes also authorized local governments to pledge new assessments as security for revenue bonds or as additional security for debt financing.

The new special assessment method also requires that counties and municipalities obtain a petition signed by a majority of property owners in the SAID, and this majority must represent at least 66 percent of the assessed value of all real property in the district. The assessment must bear some relationship to the amount of benefit to the property accruing from the capital improvements.

Capital improvements in these districts may be financed upfront by revenue bonds, debt financing instruments, or general obligation bonds. A key difference between using revenue bonds and general obligation bonds along with a special assessment district relates to the requirement to pay debt if the special assessment revenue is insufficient to meet the debt service obligation. With the use of revenue bonds, the lender may not force the municipality to repay the loan from other sources of revenue when special assessment revenue is insufficient. With general obligation bonds, the lender can require repayment from other sources, since the security for general obligation bonds is the local government's taxing power (and a lender may force a local government to raise property taxes if special assessment revenue is insufficient).

### *Other TIF Alternatives: Private Sector Infrastructure Financing and Installment/COP Financing*

While TIF and G.O. bonds enable the public sector to finance capital improvements necessary for private development to go forward, as an alternative the private sector can finance these upfront capital improvements with an agreement that the local government will provide a cash grant to cover certain costs (see also Cost Sharing section). Typically, the grant amount is determined in consideration of the amount of tax revenues generated by the development project, similar to economic development incentives many local governments use to attract new or expanding companies.

Installment/certificate of participation (COP) financing is another alternative to TIF, which involves a local government using installment financing or entering a lease-purchase arrangement to purchase public elements of the development project. The real property or asset being financed through a mortgage secures the debt, and incremental tax revenues repay the debt. The advantage of TIF over installment/COP financing is that TIF does not require a mortgage or lien, so property may be transferred (though the law does not preclude a mortgage or lien being used as a secondary pledge of security for TIF).

## NCDOT Administered State and Federal Grant Programs

Capital funding for transportation projects is available from federal and state sources, many administered through the North Carolina Department of Transportation (NCDOT). Grants are typically very competitive, and are often available within limited timeframes. Therefore, it is incumbent on the local transit agencies to closely monitor the availability and applicability of specific grants by monitoring the NCDOT website and applying for grants as they become available. When applying for grants, it will be important for the project to be described in terms of the benefits it provides in increasing the use of transit. There is also an element of “fungibility” to consider in that if Chapel Hill Transit is able to successfully apply for grants for other projects, funds could potentially be freed up and applied to the Park-and-Ride instead of the other projects (now being funded by grants).

Working with NCDOT to get the project added to the State Transportation Improvement Program would also be an important step that will help make the project eligible for other grants, as would having environmental clearance (both steps would be important in attaining such grants as those under the TIGER program).

The following list of NCDOT administered state and federal grant programs are generally applicable to the Eubanks Road Park-and-Ride Expansion project:

### *Capital Investment Grant Program (FTA Section 5309)*

- **Funding Source:** Federal with State Matching Funds
- **Purposes:** Funds capital projects, including buses, bus-related equipment, paratransit vehicles and construction of bus-related facilities. Includes up to 83% federal for vehicles and up to 80% for facilities with state funds providing up to one-half of local match up to 10%.
- **Eligible Recipients:** Designated public bodies in urbanized areas with populations greater than 50,000.

### *State Maintenance Assistance Program (SMAP)*

- **Funding Source:** State
- **Purposes:** Funds operating costs for urban, small urban and regional transit systems. Allocations are based on a formula approved by the State Board of Transportation. Local government or authorities must provide funds equal to or greater than the state allocation.
- **Eligible Recipients:** Fixed-route and demand-response urban, small urban and regional transit systems services.

### *Urban/Regional Bus and Facility Program*

- **Funding Source:** State
- **Purposes:** Provides state match to direct recipients of FTA grants under Section 5307 (urbanized area formula program, which makes federal funding available for transit capital and operating assistance and for related planning in designated urbanized areas), 5309 (transit capital investment program, which provides capital funding for new and replacement buses and facilities, for modernization of existing rail systems, and for new fixed guideway systems) and 5313 (the

transit cooperative research program, an applied, contract research program that conducts research to address operational problems, adopt useful technologies, and introduce innovation).

- **Eligible Recipients:** Local governments and regional transportation authorities.

#### *Transportation Demand Management Program*

- **Funding Source:** State and Federal (Congestion Mitigation and Air Quality)
- **Purposes:** Funds programs that encourage ridesharing arrangements such as carpools and vanpools and the use of public transit and other alternative transportation in an effort to reduce congestion and vehicle emissions. State funds are matched dollar-for-dollar by local funds. TDM can serve as a strategy to steer demand to the parking garage.
- **Eligible Recipients:** Public bodies responsible for promotion of TDM activities that may provide services such as carpool/vanpool matching and vehicles for use in vanpooling. It is the intent of the program to fund only one organization per region with the temporary exception of the Triangle area but requiring that certain program components, such as marketing activities, be coordinated in one regional marketing program.

### Other Federal Grant Programs

Emerging federal grant programs should also be considered as potential elements of a multi-layered funding strategy for the Eubanks Park-and-Ride. Two recent and emerging programs are described below: TIGER and livability/sustainability funds.

#### *TIGER Grants (Transportation Investment Generating Economic Recovery)*

- **Funding Source:** Federal
- **Purposes:** Funds road, rail, transit and port-related projects that have significant impacts on the nation, region or metropolitan area. The program targets projects that are multi-modal, multi-jurisdictional, or difficult to fund with other programs. Preference is given to: projects with substantial benefits to the nation, region or metropolitan area in terms of economic benefits as well as livability and sustainability benefits for communities. Projects must be able to demonstrate long-term benefits in terms of exhibiting state of good repair, advancing economic competitiveness, enhancing livability and sustainability, and improving safety. Projects should also result in near-term job creation and economic stimulus in order to support economic recovery. The degree to which projects use innovative methods of design and construction, and the degree to which projects are the result of partnerships are also important. The current Administration has placed priority on high speed rail and intercity passenger rail, and in the last round of TIGER (TIGER 2012), 20 percent of TIGER funds were reserved for these types of projects.
- **Eligible Recipients:** Public bodies are eligible to apply for TIGER Discretionary Grants, including multi-jurisdictional groups.

#### *Livability and Sustainability Funds*

- **Funding Source:** FTA (5339 - Alternatives Analysis) and HUD (Sustainable Communities Regional Planning Grants and Community Challenge Grants)
- **Purposes:** Funds are available for planning evaluations which could include the Park-and-Ride as one component of a larger study. There is also an element of “fungibility” in that grants for planning projects may free up existing funds that can be applied to the construction of the garages. Livability Funds for

Alternatives Analyses are available from FTA under the Section 5339 program, which funds transportation planning studies that assess public transportation alternatives and ultimately select and adopt a locally preferred alternative. The Sustainable Communities Regional Planning Grants are specifically focused on regionally-serving plans that address transportation priorities alongside affordable housing, economic development, environmental conservation, etc. For communities with more advanced regional planning already completed, funding is available for detailed execution plans and maps and limited predevelopment planning activities for a catalytic project or projects. Community Challenge Planning grants fund sustainable planning activities at the local or neighborhood level, and can be used to amend or replace local master plans, zoning codes, and building codes to promote mixed-use development, affordable housing, older building reuse, and other activities that promote sustainability.

- **Eligible Recipients:** Public bodies are eligible to apply.

### Other Considerations

The funding strategies above provide a listing of the types of funding and financing tools that should be considered, as well as thoughts on enhancing revenues at the garage by addressing demand for garage parking.

In making the case for the Eubanks Park-and-Ride, whether to potential local, state or federal funding sources, other considerations to keep in mind include the benefits of investing in a compact, multi-level garage as opposed to a land-consumptive surface lot. The garage is a more efficient use of land and also reduces the amount of acreage that would have to be acquired (and the associated property cost).