VALUE CAPTURE: AN OVERVIEW

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New Partners for Smart Growth Conference
February 2, 2012
CTOD Value Capture Research
Sponsored by the Federal Transit Administration

- **Capturing the Value of Transit, 2008**
  An introduction to value capture and examples from across the country [http://ctod.org/portal/node/2177](http://ctod.org/portal/node/2177)

- **Rails to Real Estate, 2011**
  A retrospective look at development along three recently constructed light rail lines in the Denver, Charlotte, and Twin Cities regions [http://www.ctod.org/portal/node/2302](http://www.ctod.org/portal/node/2302)

- **Forthcoming:**
  - A follow-up to *Rails to Real Estate* that looks more closely at the context of development near rail
  - An exploration of the potential for expanded use of value capture for transit capital costs and operations
Value Capture

Capturing growth in property values generated by transit to pay for transit
Value Capture

Capturing growth in property values generated by transit and smart growth to pay for transit and other needed improvements
## Economic Benefits of Transit *(and smart growth)*

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Primary Beneficiary</th>
<th>Geography of Benefit</th>
<th>Capitalized in Land Values?</th>
</tr>
</thead>
<tbody>
<tr>
<td>User benefits</td>
<td>Transit riders</td>
<td>Local/regional (more in transit areas)</td>
<td>Yes</td>
</tr>
<tr>
<td>Congestion reduction</td>
<td>Drivers/everyone</td>
<td>Local/regional</td>
<td>Some</td>
</tr>
<tr>
<td>Facility cost savings</td>
<td>Government/taxpayers, developers</td>
<td>Local/regional</td>
<td>Some</td>
</tr>
<tr>
<td>Consumer savings</td>
<td>Transit riders</td>
<td>Local/regional (more in transit areas)</td>
<td>Some</td>
</tr>
<tr>
<td>Transport diversity</td>
<td>Transit riders</td>
<td>Local/regional (more in transit areas)</td>
<td>Some</td>
</tr>
<tr>
<td>Road safety</td>
<td>Everyone</td>
<td>Local/regional</td>
<td>Little</td>
</tr>
<tr>
<td>Environmental quality</td>
<td>Everyone</td>
<td>Local/regional</td>
<td>Little</td>
</tr>
<tr>
<td>Efficient land use</td>
<td>Everyone</td>
<td>Local/regional</td>
<td>Some</td>
</tr>
<tr>
<td>Economic development</td>
<td>Employers</td>
<td>Transit areas</td>
<td>Some</td>
</tr>
<tr>
<td>Community cohesion</td>
<td>Everyone</td>
<td>Transit areas</td>
<td>Some</td>
</tr>
<tr>
<td>Public health</td>
<td>Transit riders</td>
<td>Transit areas</td>
<td>Maybe</td>
</tr>
</tbody>
</table>

Source: Victoria Transport Policy Institute, Center for Transit-Oriented Development.
Value Capture Tools

- Assessment Districts
- Tax-Increment Financing
- Joint Development
- Developer Contributions/ Impact Fees
- User Fees
- Split-Rate Tax / Land Tax
Value Capture Tools

- Assessment Districts
- Tax-Increment Financing
- Joint Development
- Developer/ Impact Fees
- User Fees
- Split-Rate Tax / Land Tax

Most Common

Infrequently Used
Assessment Districts

A tax assessed against parcels identified as receiving a direct benefit from a public project

- Assessment is directly related to the benefit received
- Typically requires a vote of property owners
- Frequently used for streetcar projects

Examples

- Portland and Seattle streetcar systems
- New York Avenue Metro Station, DC
- Dulles Rail Transit Improvement District
Tax Increment Financing

A powerful tool, but limitations on where and how it can be used

- Preferred by property owners; shifts $$ that would otherwise go to cities, schools, other public services

Examples

- Pennsylvania Transit Revitalization Investment District (TRID) legislation
- Denver Union Station
- Dallas Corridor-wide TIF District
Developer/Impact Fees

A fee assessed on new development

- Typically intended to defray the cost of expanding and extending public services to development
- Often used for roadways, less frequently for transit
- Revenues usually fluctuate over time

Examples

- San Francisco Transit Impact Development Fee
- Broward County Transit-Oriented Concurrency System
Joint Development

Coordination between the public and private sectors to develop sites near transit (usually publicly-owned land)

- Balancing the desire to generate revenue with other goals can be a challenge
- Real estate development is risky and timing is key
- Often requires participation by multiple public agencies

Examples

- West Dublin/Pleasanton BART, CA
- Cascade Station, Portland, OR
## Most Value Capture Strategies Rely on Development

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Source of Value</th>
<th>Reliance on Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIF</td>
<td>Property Value Increase/</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Development</td>
<td></td>
</tr>
<tr>
<td>Developer Fees/Exactions</td>
<td>Development</td>
<td>Yes</td>
</tr>
<tr>
<td>Joint Development</td>
<td>Development</td>
<td>Yes</td>
</tr>
<tr>
<td>Assessment District</td>
<td>Estimated Property Benefit</td>
<td>Not in theory, but often in practice</td>
</tr>
<tr>
<td>Utility Fees</td>
<td>Fee Based on Property</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Characteristics</td>
<td></td>
</tr>
<tr>
<td>Land Tax/ Split-Rate Tax</td>
<td>Property Value</td>
<td>No</td>
</tr>
</tbody>
</table>
Significant Amount of Development Along Recently Constructed Transit Lines

![Graph showing estimated square feet of new development along transit lines]

- Minneapolis Hiawatha Line (2003 - 2009)
- Denver SE Corridor (2004 - 2009)
- Charlotte Blue Line (2005 - 2009)

Legend:
- Red: Commercial
- Yellow: Residential
Development Patterns are Uneven
Development Does Not Always Occur in Places with the Most Vacant or “Underutilized” Land

BLUE LINE, CHARLOTTE REGION

- Downtown/Urban Center
- Suburban Center
- Legacy Industrial Area
- Mixed-Use Neighborhood
- Commercial Corridor
- Industrial/Distribution Area
- Low Density Residential
- Major Greenfield/Infill
- Other

Percent Vacant/Underutilized
Share of Development

0% 10% 20% 30% 40% 50% 60% 70% 80%
Where is Development Most Likely to Occur?

- Locations with strong real estate markets
- In and adjacent to major employment/activity centers (especially where employment is growing)
- Greenfield sites in regions with strong markets
- Locations that offer “placemaking” and other neighborhood amenities
- Places that have been the focus of strategic efforts to promote infill development
Where is Development Less Likely to Occur?

- Places where the market is not strong enough
- Auto-oriented corridors where smart growth/TOD is not the “highest and best use”
- Areas that require parcel assembly and/or redevelopment of existing uses
- Places where asking prices for land are (or were) too high
- Places where supportive land use policies are not in place
Two Kinds of Financing Strategies are Needed in Most Regions

Financing Strategy in Strong Market Locations (Value Capture):

Private Development → Public Sector Financing Strategies → Transit, Infrastructure and Amenities

Financing Strategy in Cooler Market Locations (Activities to Improve Neighborhoods and Enable Development):

Public Sector Financing Strategies → Transit, Infrastructure and Amenities → Private Development
Ideally These Strategies Can Work Together to Build Value

Private Development

Transit, Infrastructure and Amenities

Public Sector Financing Strategies
## Value Capture Potential and Corridor Types

<table>
<thead>
<tr>
<th>District Circulator</th>
<th>Destination Connector</th>
<th>Commuter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilitate movement within an activity center, typically a downtown</td>
<td>Link residential neighborhoods to multiple activity centers</td>
<td>Typically provide access to one employment center from a series of residential areas</td>
</tr>
</tbody>
</table>
# Key Corridor Characteristics Influencing Value Capture Potential

<table>
<thead>
<tr>
<th></th>
<th>District Circulator</th>
<th>Destination Connector</th>
<th>Commuter</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Typical Length</strong></td>
<td>2 -3 Miles</td>
<td>6-10 Miles</td>
<td>More than 20 Miles</td>
</tr>
<tr>
<td><strong>Typical Cost per Mile</strong></td>
<td>$20 to $30 M</td>
<td>$50 to $100 M</td>
<td>$10 to $50 M</td>
</tr>
<tr>
<td><strong>Typical # of Jurisdictions</strong></td>
<td>1</td>
<td>Varies</td>
<td>More than 2</td>
</tr>
<tr>
<td><strong>Typical # Activity Centers</strong></td>
<td>1</td>
<td>2 or More</td>
<td>One</td>
</tr>
<tr>
<td><strong>Typical Market</strong></td>
<td>Often downtowns, sometimes very strong</td>
<td>Varies</td>
<td>Varies, usually one economic driver</td>
</tr>
</tbody>
</table>
Best Transit Candidates for Value Capture

- District Circulators
- Destination Connectors that Pass Through a Limited Number of Jurisdictions
- Infill Stations

Example:
- Portland Streetcar
- Dulles Metrorail Extension
- New York Avenue Metrorail
Things to Consider in Your Plans to Capture Value

- Understand your local tools
- Be realistic about market and development potential
- Consider ways to “prime the pump”
- Think about the geography of benefits in relation to tools
- Don’t confuse financing with funding