



VALUE CAPTURE: AN OVERVIEW

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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>

- ***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>

- **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)**

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

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

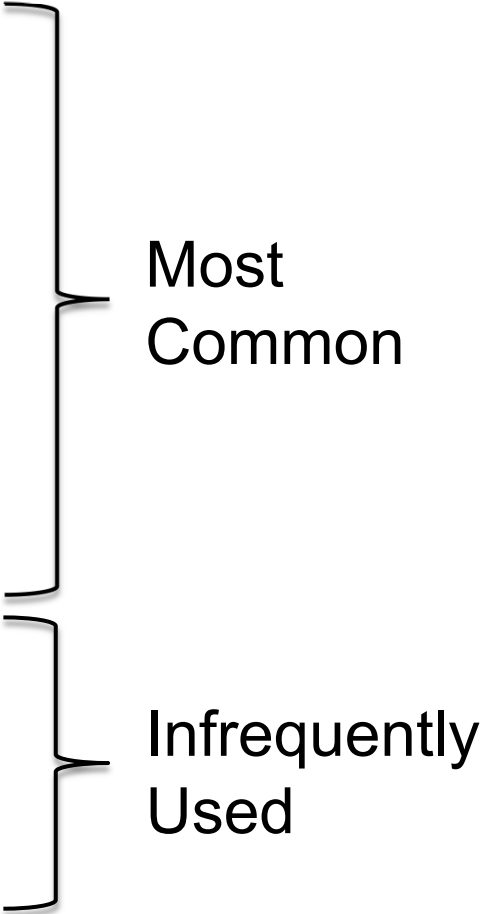
Tax-Increment Financing

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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 financing tool that captures future property tax gains from a project or district

- 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



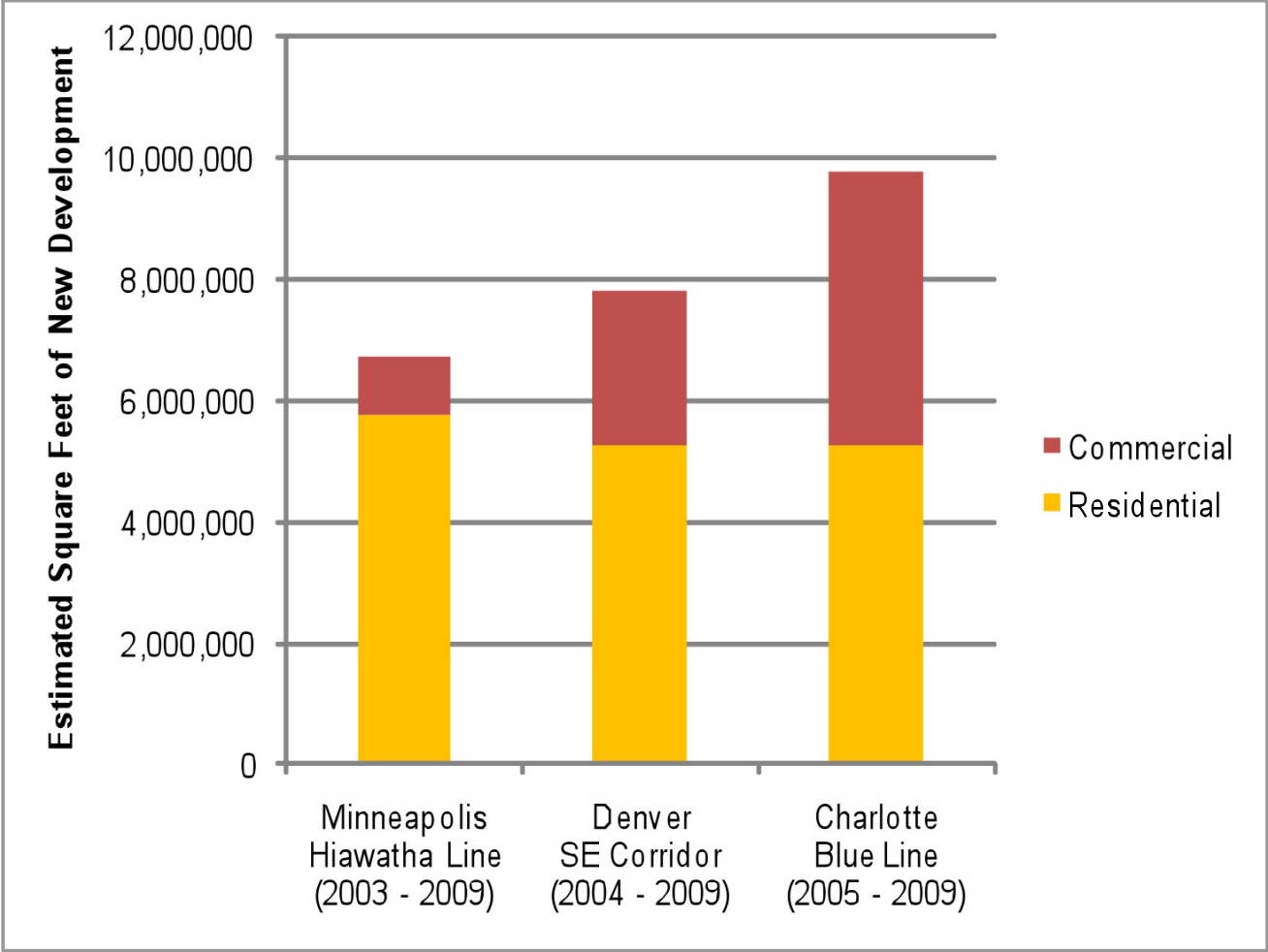
Examples

- West Dublin/Pleasanton BART, CA
- Cascade Station, Portland, OR

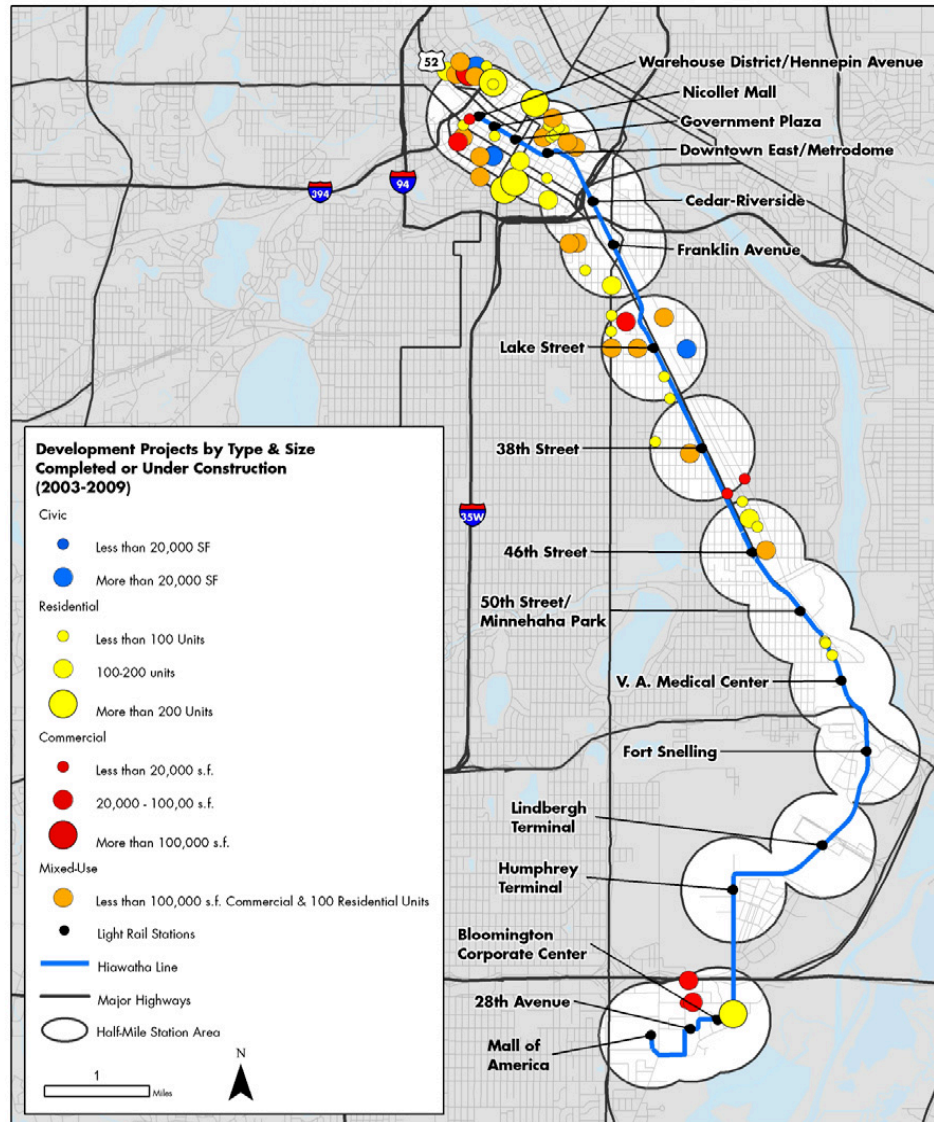
Most Value Capture Strategies Rely on Development

Mechanism	Source of Value	Reliance on Development
TIF	Property Value Increase/ Development	Yes
Developer Fees/ Exactions	Development	Yes
Joint Development	Development	Yes
Assessment District	Estimated Property Benefit	Not in theory, but often in practice
Utility Fees	Fee Based on Property Characteristics	No
Land Tax/ Split-Rate Tax	Property Value	No

Significant Amount of Development Along Recently Constructed Transit Lines



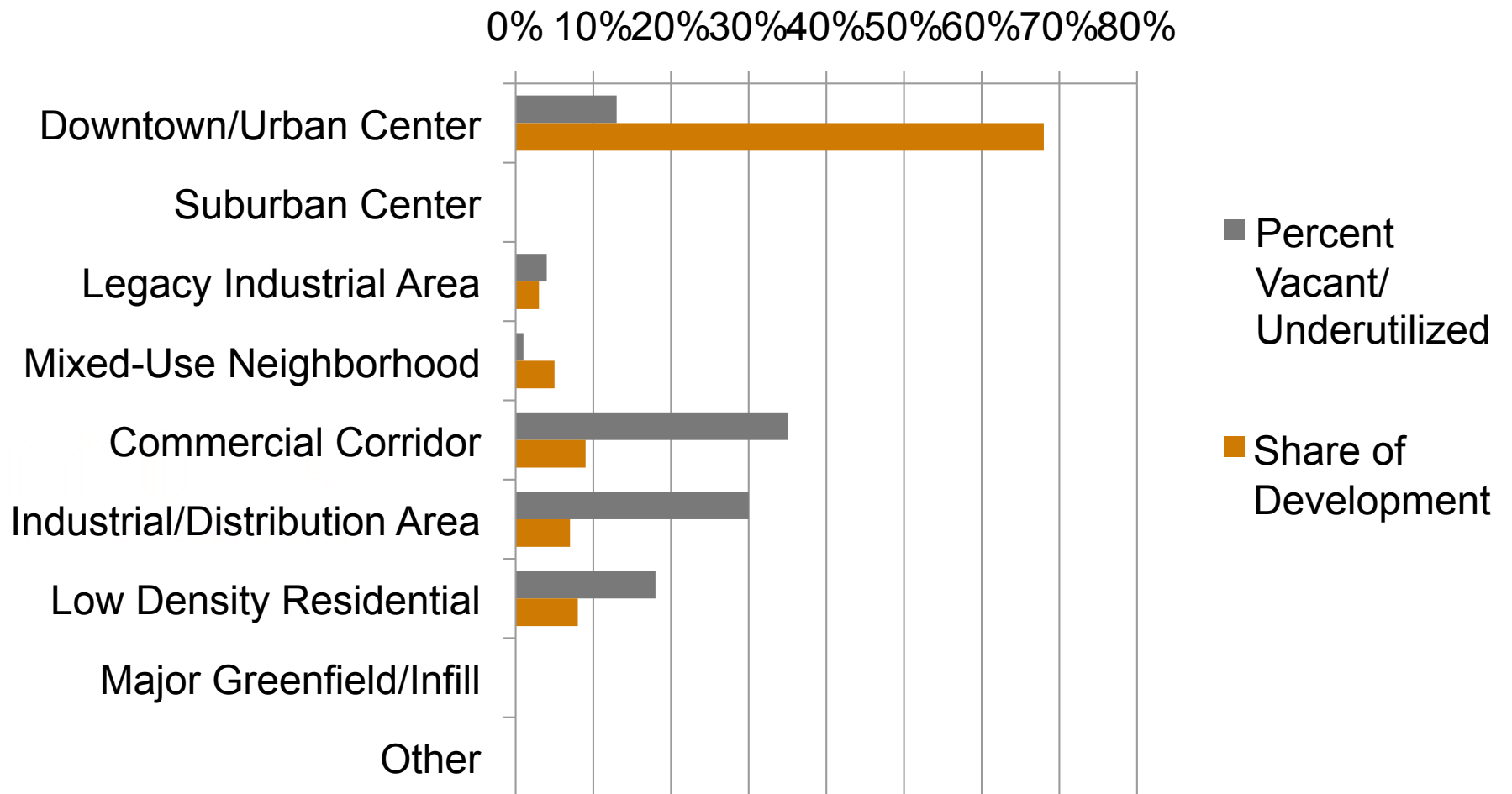
Development Patterns are Uneven



HIAWATHA LINE, MINNEAPOLIS-ST. PAUL REGION

Development Does Not Always Occur in Places with the Most Vacant or “Underutilized” Land

BLUE LINE, CHARLOTTE REGION



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

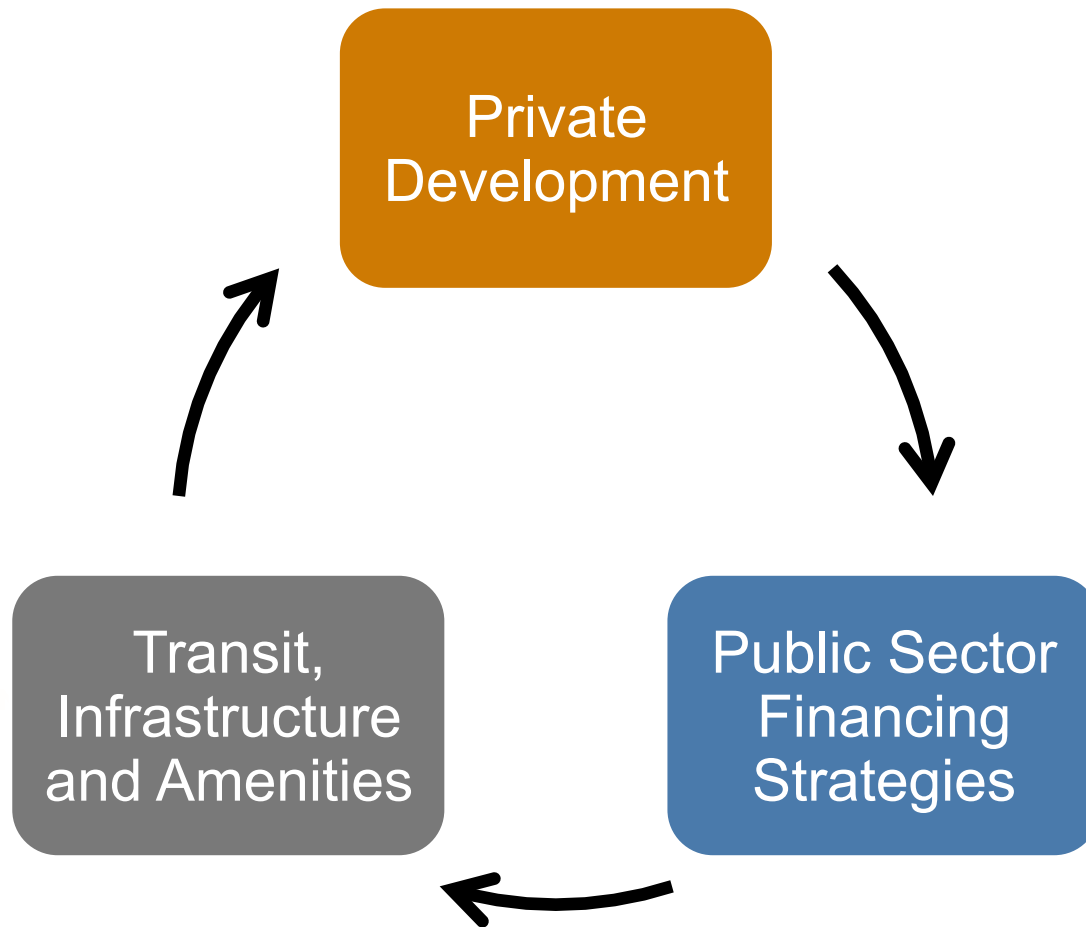
Financing Strategy in Strong Market Locations (Value Capture):



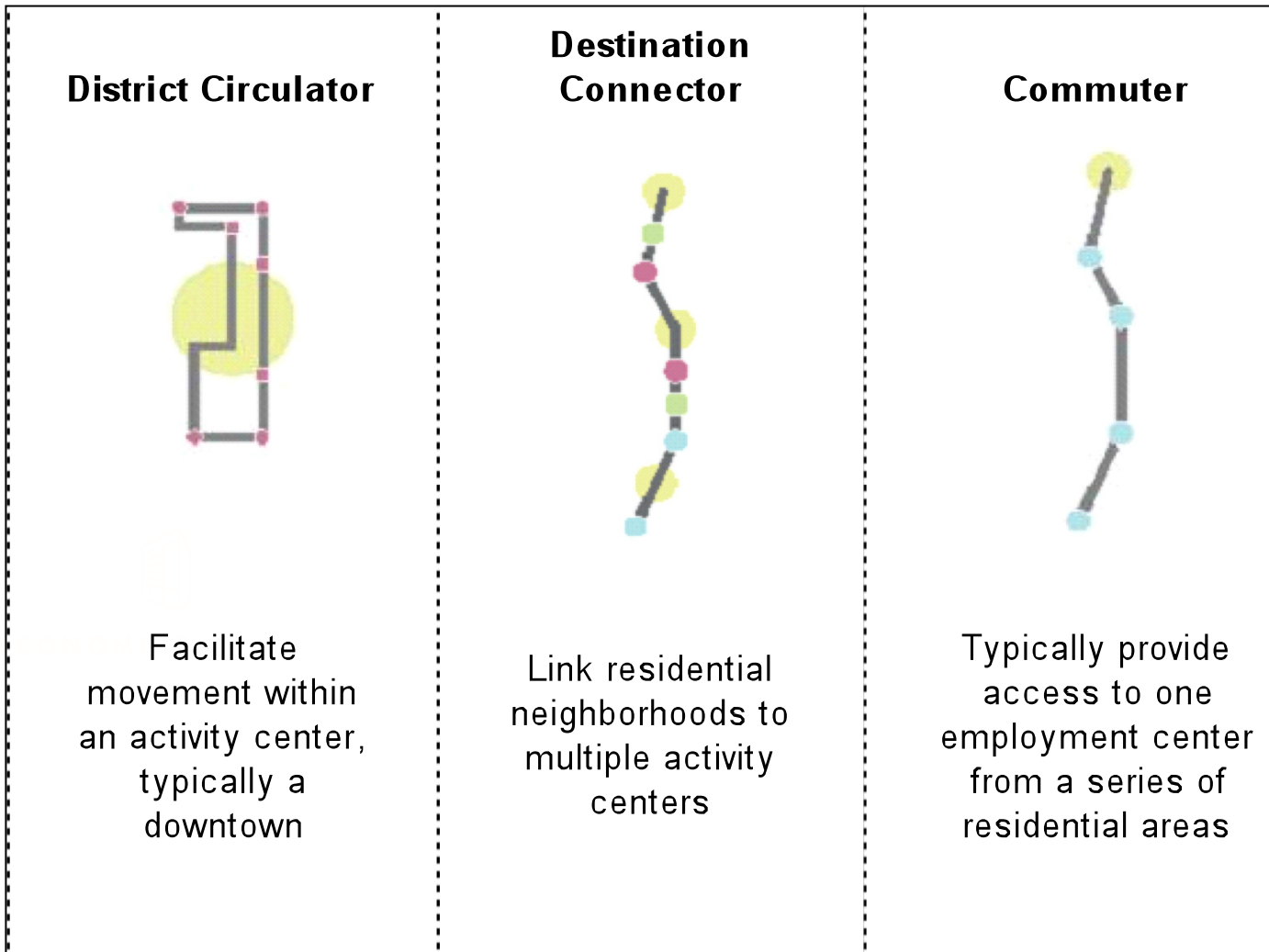
Financing Strategy in Cooler Market Locations (Activities to Improve Neighborhoods and Enable Development) :



Ideally These Strategies Can Work Together to Build Value



Value Capture Potential and Corridor Types



Key Corridor Characteristics Influencing Value Capture Potential

	District Circulator	Destination Connector	Commuter
Typical Length	2 -3 Miles	6-10 Miles	More than 20 Miles
Typical Cost per Mile	\$20 to \$30 M	\$50 to \$100 M	\$10 to \$50 M
Typical # of Jurisdictions	1	Varies	More than 2
Typical # Activity Centers	1	2 or More	One
Typical Market	Often downtowns, sometimes very strong	Varies	Varies, usually one economic driver

Best Transit Candidates for Value Capture

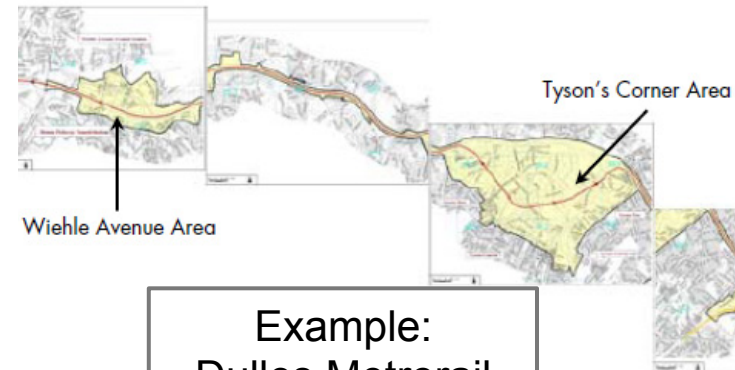
- District Circulators
- Destination Connectors that Pass Through a Limited Number of Jurisdictions
- Infill Stations



Example:
Portland Streetcar



Example:
New York Avenue
Metrorail



Example:
Dulles Metrorail
Extension

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