

VALUE CAPTURE: DISTRICT BASED FUNDING FOR TRANSIT AND TOD/C



STRATEGICECONOMICS

Dena Belzer

NPSG -The Dollars and Sense of Sustainable Transportation

February 3, 2018

Presentation Overview



- Value capture definition and overview
- Value capture tool summary
- Emerging VC trends and ongoing challenges
- Looking beyond the district – 3 case studies
- Concluding thoughts



Value Capture Overview

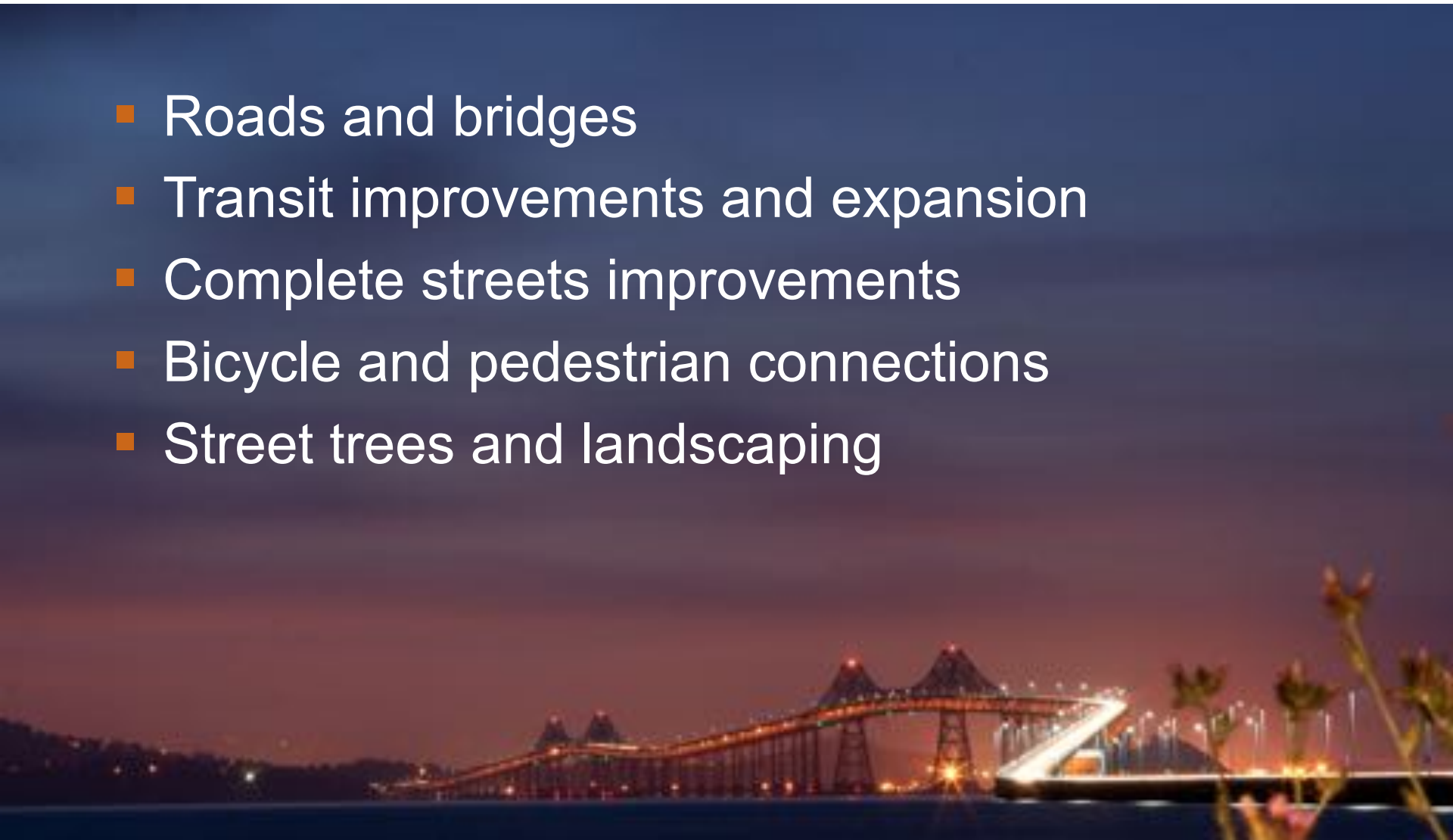
Definition of Value Capture

Capturing growth in property values generated by public improvements to pay for public improvements



Examples of Transportation Improvements that Create Value

- Roads and bridges
- Transit improvements and expansion
- Complete streets improvements
- Bicycle and pedestrian connections
- Street trees and landscaping



Local Funding Sources for Transportation and Transit Related Facilities

General Funds

- Property tax
- Sales tax
- Other

Local Fees and Charges for Service

- Parking fees
- Transit fares
- Other

Value Capture

- Special Assessments and Taxes
- Tax Increment Financing
- Developer Contributions
- Public Sector Real Estate Strategies

State & County Taxes and Fees

- State Gas Tax
- County Half-Cent Sales Taxes
- County Vehicle Registration Fees

Grants

- Federal
- State
- Regional

When and Where to Consider Using Value Capture

Places where a significant amount of development is planned

- and / or -

Improvements generate a demonstrable benefit for property owners or developers

Also...

Revenue generated is enough to warrant the effort



Value Capture Tool Summary

Value Capture Tools

Special Assessments and Taxes

- Benefit Assessment Districts
- Transit Benefit Assessment Districts
- Mello-Roos/Community Facilities Districts*
- Parcel Taxes

Tax Increment Financing

- Enhanced Infrastructure Finance Districts*
- Community Revitalization and Investment Authority*

Developer Contributions

- Development Impact Fees
- Community Benefits Programs / Agreements

Public Sector Real Estate Strategies

- Joint Development
- Land Sale or Ground Lease

*California specific tools

Key Considerations for Selecting Tools

- Allowable use of funds
- Voting requirement
- Nexus requirement
- Ability to issue bonds to pay for improvements up front
- Scale (geography and development potential)
- Precedents



Emerging Value Capture Trends and Ongoing Challenges

Emerging Trends In Value Capture

- Regional versus District Based
- Combining Revenue Sources
- Corridor versus District Based
- Property versus Sales Tax

Value Capture Challenges

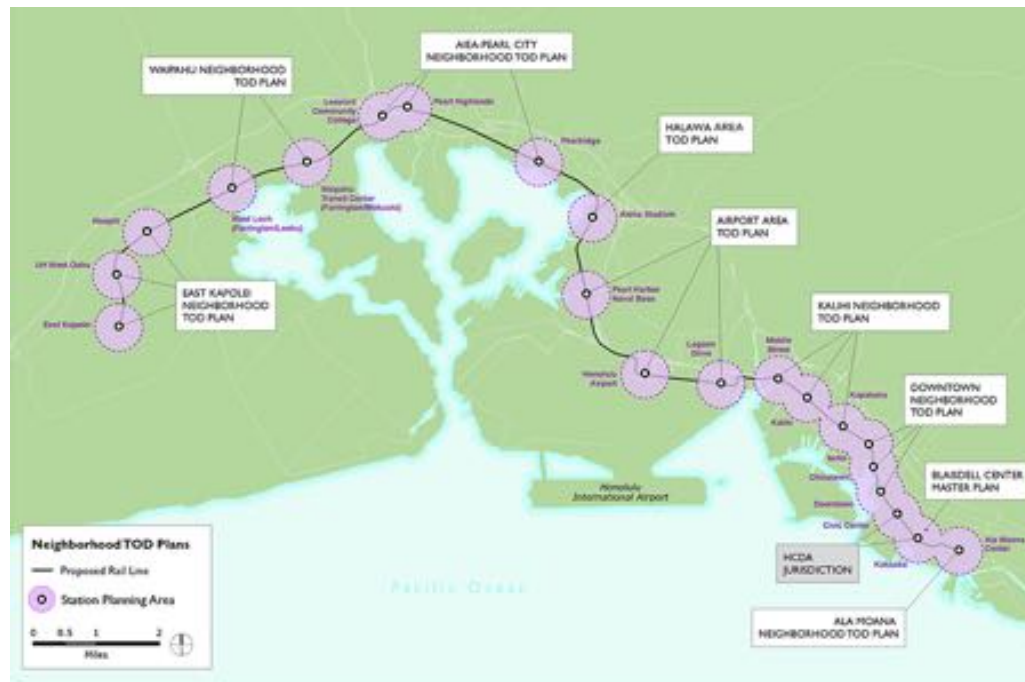
- Creates “winners and losers” between strong growth areas and areas with limited future development potential
- Tied to real estate market cycles
- Trade-offs between transit and transit related improvements
- Trade-offs between general funds and districts



Thinking Beyond the District – Case Studies

Example 1: Honolulu, HI

- Meeting rail funding gap with extended general excise and hotel taxes (statewide)
- Implementing an island-wide affordable housing strategy, including inclusionary requirements in TOD areas and beyond
- Continuing to explore new district-based sources for infrastructure



Example 2: Oakland, CA

- Simultaneously developed new funding sources for affordable housing and infrastructure
 - New impact fees for local infrastructure and affordable housing
 - Bond measure backed by increased property tax provides additional \$600 M for infrastructure, affordable housing, and anti-displacement efforts



Example 3: Westlake Corridor Extension, Northwest IN

- Regional Development Authority (RDA) will act as fiscal agent for a new Transit Development District (TDD) encompassing future transit stations
- A portion of tax increment will go toward infrastructure improvements to incentivize TOD
- Exploring other innovative financing options, including RRIF, TIFIA, private sources





Closing Thoughts

Be an Informed Value Capture User

1. Understand that “Value Capture” takes many different forms
2. Consider which VC tools are well matched to your local context and needs – not all transit improvements are about fostering new development
3. Look for ways to layer multiple funding mechanisms, including various VC options
4. Look beyond the “district” for multiple funding options and partners