

Strategies for agencies to recover a portion of public transportation investments that result in increased land values.

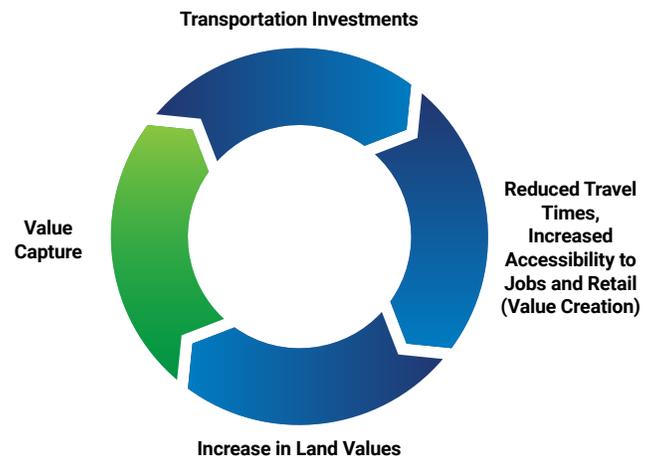
Public investment in transportation assets that improve access benefits owners of adjacent properties through greater land value and other economic impacts. Many techniques are available to the public sector to share in a portion of this increased land value to build, maintain, or reinvest in the transportation system.

Value capture begins with the assessment created by the access transportation provides. Value is then enhanced through private sector investment and economic development enabled by the public investment. A portion of that appraisal created by the infrastructure can be “captured” by the public sector to reinvest in, operate, or maintain transportation infrastructure. These principles can be applied to most development scenarios, whether new infrastructure for new land development or rebuilt or enhanced existing infrastructure.

Both the planning and implementation for value capture rely primarily on local government initiatives. For these local public agencies, value capture provides the opportunity to raise matching funds for Federal-Aid Highway Program projects and others.



Government investment in infrastructure improves the transportation system and raises nearby land values.



Value capture returns a portion of land value created by transportation to be used for future investments.

BENEFITS

- ▶ **Continuous Improvement.** Value capture strategies can provide a sustained revenue source that can support operations and maintenance or, in some cases, the financing of the transportation improvements.
- ▶ **Financial Equity.** Value capture promotes equity by reinforcing the “beneficiary pays” principle of economics. When private landowners benefit from a public investment, value capture provides a way for a portion of the gain to directly support the public investment that enabled their benefit.
- ▶ **Environmental Resiliency.** When value is captured from land but not the improvements (e.g., buildings) made to it, it supports denser development near highways. Landowners would pay the same land tax regardless of land use, so they are incentivized to develop or sell the land close to transportation. This can help limit sprawl.

STATE OF THE PRACTICE

States such as California, Colorado, Florida, Georgia, Massachusetts, Missouri, Ohio, Oregon, Pennsylvania, Texas, and Virginia, as well as the District of Columbia, are using value capture options successfully. The following are examples of different value capture



A new or improved highway that connects to economic activity will benefit adjacent parcels. Similar parcels without those connections do not increase in value.

applications supporting highway improvements across the United States:

- ▶ Several small towns in Oregon have instituted transportation utility fees through monthly utility bills that fund programs paying for local road maintenance and safety projects.
- ▶ The Cap at Union Station project over I-670 in Columbus, OH, is an example of joint development and right-of-way use agreements to improve traffic operations and transform the void caused by I-670 into an urban streetscape with retail shops and restaurants.
- ▶ California's Orange County Transportation Corridor Agencies (TCA) are using development impact fees to generate funds that have provided seed capital for transportation facilities and continue to be an integral feature of TCA's debt management strategy.
- ▶ In Texas, the Fort Worth City Council established transportation impact fees in July 2008 on new development projects to help fund transportation improvements. In April 2013, the council approved a transportation impact fee increase from \$2,000 to \$3,000 on new, single-family homes.

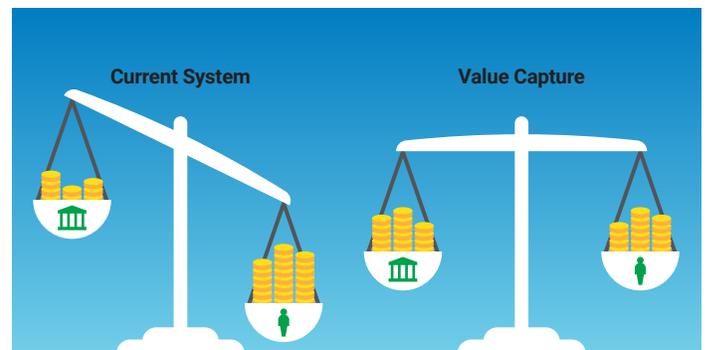
- ▶ In Illinois, the city of Chicago used tax increment financing districts to fund a variety of projects, including street improvements, transit stations, and neighborhood redevelopment.
- ▶ In Missouri, residents of four counties approved the creation of a Transportation Development District that levied a dedicated sales tax millage in their district to generate half the funding for expansion of a 52-mile upgrade to U.S. Highway 36, widening it from two to four lanes.
- ▶ Salina, KS, with a population of less than 50,000, is combining the value capture strategy of a tax incremental finance property tax with a community improvement sales tax and private funding for its \$154 million downtown redevelopment project.

RESOURCES

FHWA EDC-5 Value Capture: Capitalizing on the Value Created by Transportation

https://www.fhwa.dot.gov/innovation/everydaycounts/edc_5/value_capture.cfm

FHWA Center for Innovative Finance Support – Value Capture https://www.fhwa.dot.gov/ipd/value_capture



Value capture recovers a portion of increased land values from landowners who benefit directly, resulting in a more equitable distribution of the monetary benefits of well-performing transportation facilities.



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