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**Federal Highway  
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## Center for Accelerating Innovation



# Value Capture:

## Capitalizing on the Value Created by Transportation

# Speakers



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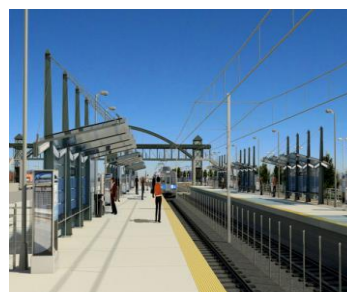
# Agenda

- What is the EDC-5 Value Capture initiative?
- Why is Value Capture needed?
- Value Capture Overview and Benefits
- Project Examples
- FHWA Role in Value Capture Initiative
- Q&A



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# What is the EDC-5 Value Capture initiative?

# What is Every Day Counts (EDC)?

State-based model to identify and rapidly deploy proven but underutilized innovations to:

- Shorten the project delivery process
- Enhance roadway safety
- Reduce congestion
- Improve environmental sustainability

EDC Rounds are on two-year cycles:

- Initiating 5<sup>th</sup> Round (2019-2020) with 10 innovations
- To date: 4 Rounds, over 40 innovations

**For more information:** <https://www.fhwa.dot.gov/innovation/>

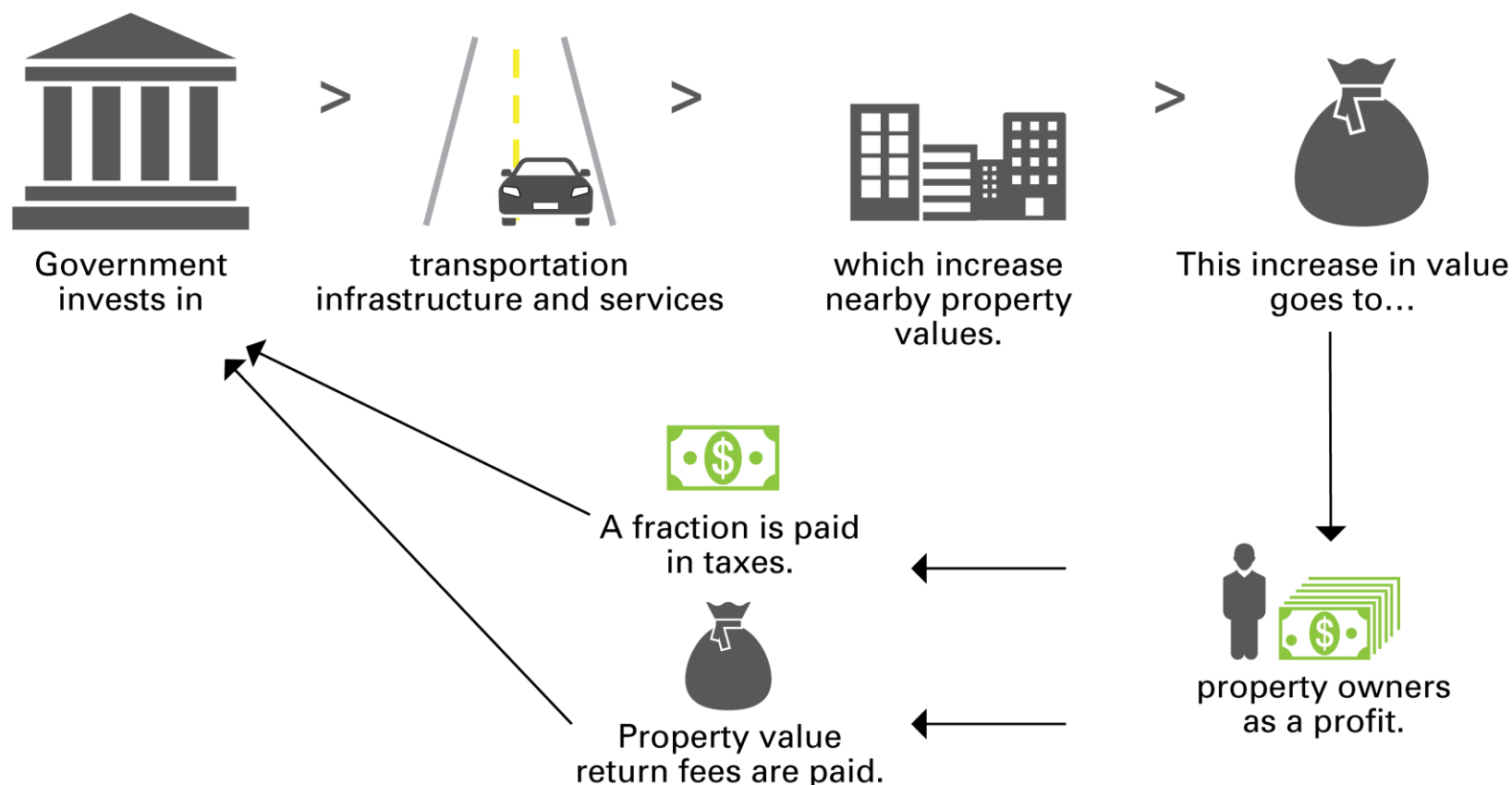
FAST Act, Sec. 1444

# EDC 5 Value Capture Initiative

Promotes the use of value capture mechanisms as part of a mixed funding and innovative finance strategy to accelerate project delivery and provide equitable funding for sustainable transportation investments



# What is Value Capture?



Source: NCHRP Research Report 873









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# Why is Value Capture needed?



# The Case for Value Capture

- Federal funding availability
- Local project funding
- Untapped revenue source
- Equitable
- Sustainable economic development

# FHWA Roles in Value Capture Tools

- FHWA seeks to improve consideration of **all** revenue and finance options in the project development process
- FHWA seeks **to build capacity for consideration and implementation** of revenue options/value capture tools
- USDOT's Build America Bureau offers **innovative financing** through the TIFIA and RRIF programs that can leverage value capture monies





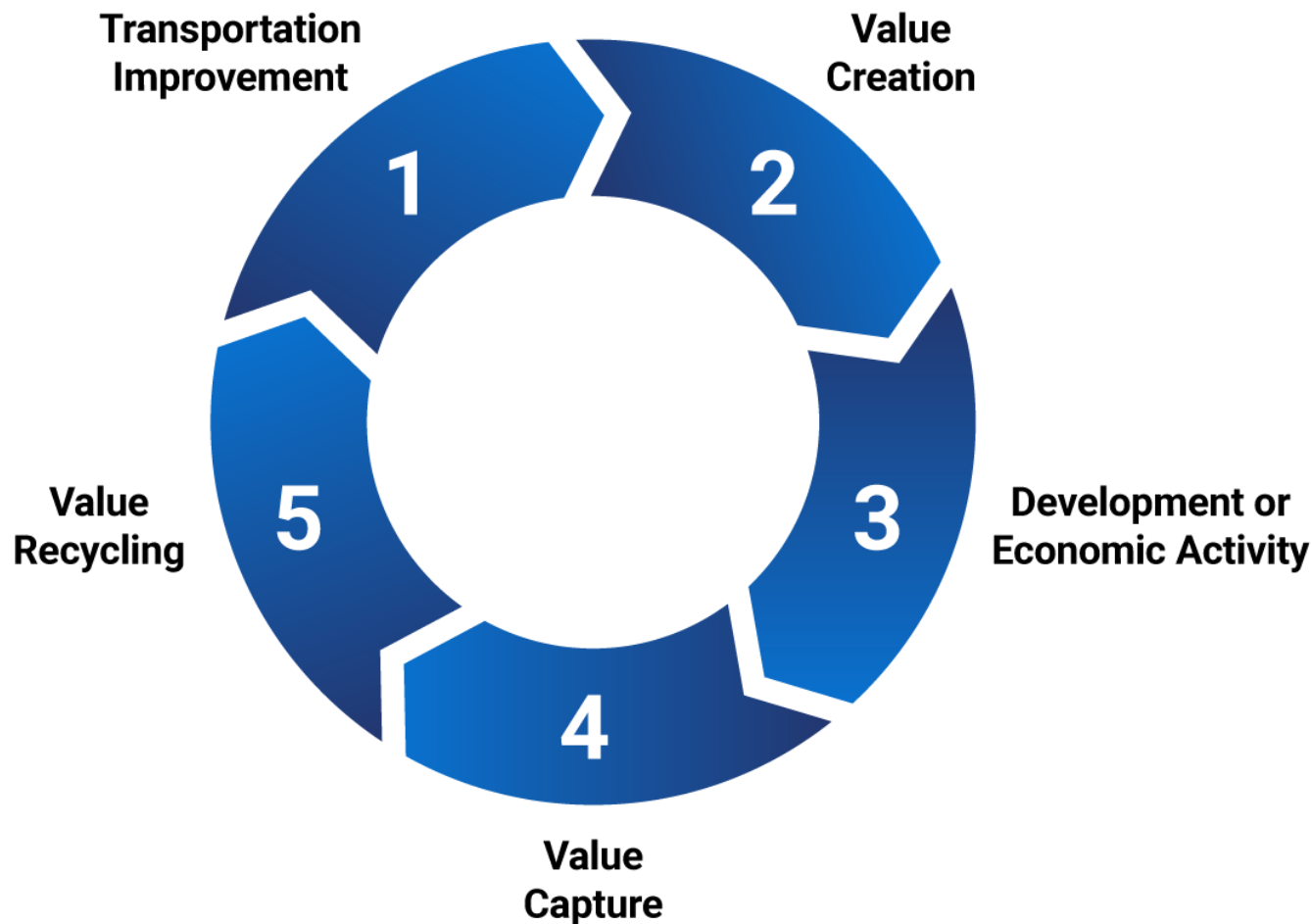
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# Value Capture Overview & Benefits

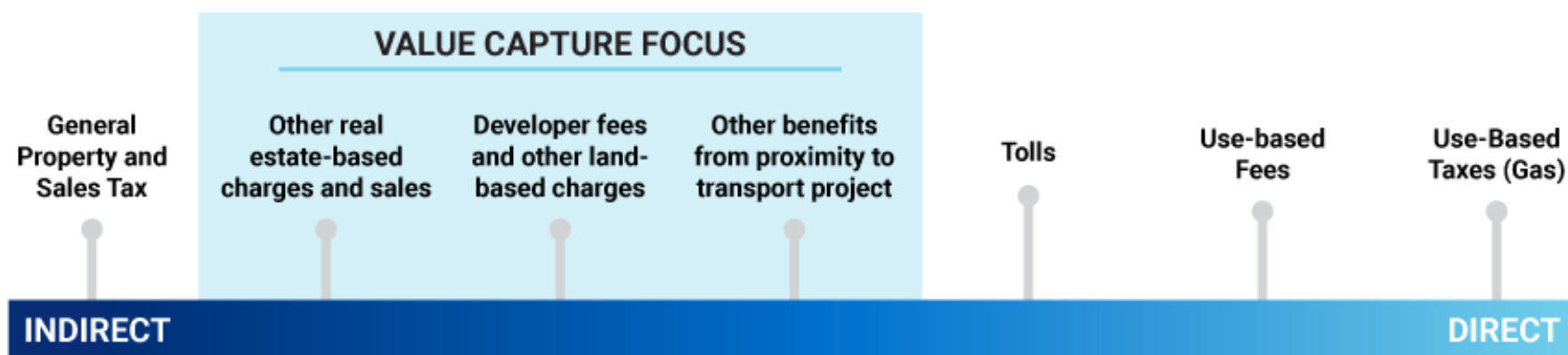
# What is Value Capture?



Source: NCHRP Research Report 873



# Value Capture Beneficiaries

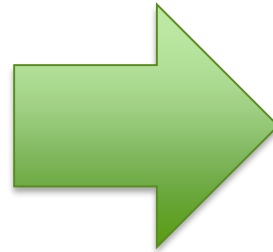


Source: NCHRP Research Report 873

# Potential Benefits of Value Capture

Provide **gap funding** sources for highway improvements & infrastructure life cycle costs

**Value Capture  
Revenue**



**Innovative  
Finance**

# Potential Benefits of Value Capture

- Facilitate access to **ongoing revenue stream** to Local Public Agencies
- **Accelerate** project delivery & safety Improvements
- Induce **private investment**



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# Value Capture Mechanisms

# How is the Value Captured?

- Developer Contributions
  - ✓ Impact fees
  - ✓ Ongoing developer contributions
- Transportation Utility Fees (TUFs)
- Special Tax and Fee Approaches
  - ✓ Special assessment district
  - ✓ Sales tax district
  - ✓ Business improvement district
  - ✓ Land value tax

# How is the Value Captured? (cont.)

## ■ Incremental Growth Approaches

- ✓ Tax increment financing (TIF)
- ✓ Transportation reinvestment zones (TRZ)

## ■ Joint Development

- ✓ ROW Use Agreements
  - Concessions, leasing
  - Airspace (above or below)
  - Parking
  - Fiber-optic leasing
  - Pipelines or other utilities not addressed by Utility Accommodation Policies or State Law



# How is the Value Captured? (cont.)

- Advertising Rights and Sales
  - ✓ Naming rights
- Other
  - ✓ Transportation Corporation (TC)
  - ✓ Section 63-20 Corporation

# Challenges

- Every jurisdiction is different
- Must target projects with economic benefits for leveraging
- Stakeholder involvement process can be lengthy, due to:
  - ✓ Coordination between multiple jurisdictions
  - ✓ Discussions with private developers and property owners
  - ✓ Establishing project location and design
  - ✓ Considering legal issues
- Securing political support

# Challenges (cont.)

- Perceived as another tax
- Requires accuracy of activity and real estate projections:
  - ✓ If I build it, will they come?
  - ✓ If I build it, will developers build on nearby property?
- Identify the magnitude benefits & boundary of value capture mechanism

# Ingredients of a Successful Value Capture Project

- Identified in long-term planning/capital improvement program – primarily local
  - ✓ Incorporated early in the project development process
  - ✓ Right technique selected for the right project
- Integrated funding and finance strategy
- Community support generated through effective outreach



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# Select Project Examples

# Beltline Tax Allocation District Atlanta, Georgia

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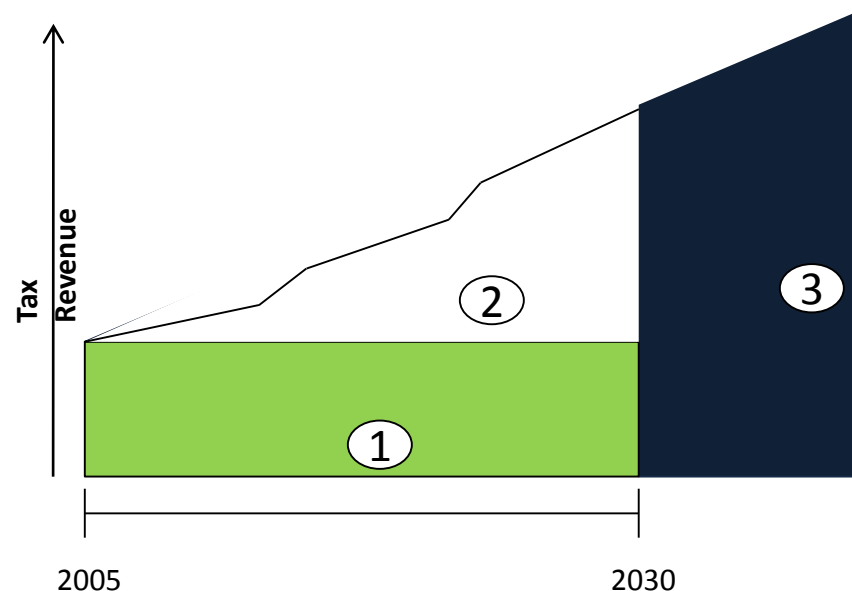
Source & Photo Credit: Atlanta Beltline Inc.



# Beltline Tax Allocation District Atlanta, Georgia

## How does TAD work?

- Adopted 2005 tax revenue level for 25 years
- Additional tax revenue helps pay for the BeltLine
- 2030 receive all tax revenue, which is higher than it would have been without Beltline



## Key Benefits:

- Social: 5,600 Affordable Housing Units
- Economic: \$20 billion in new economic development including 30,000 permanent jobs & 48,000 temporary construction jobs
- Environmental: Reduce Carbon foot print by 665,000 metric tons annually

# Capitol Crossing Air-Right Development Project, Washington, D.C.

- Value Capture: Joint Development – Air Right
  - ✓ Sold the right to develop the property to Property Group Partners (PGP) in 2012
  - ✓ Value \$120 million
- Scope: Seven-acre decked development site above I-395
- Project Cost:
  - ✓ \$1.3 billion development
  - ✓ \$270 million transportation improvement
- Funding:
  - ✓ 100% paid by developer



[https://www.fhwa.dot.gov/ipd/project\\_profiles/](https://www.fhwa.dot.gov/ipd/project_profiles/)

# Capitol Crossing Air-Right Development Project, Washington, D.C.

## How Is Capitol Crossing Value Capture?

- \$40 million generated in annual real estate tax
- Created 8,000 permanent jobs & 4,000 construction jobs

## Key Benefits:

- Reconnected the Capitol Hill & East End district
- Environmental sustainability
- >30% of the housing will be made affordable
- >51% of new jobs will be filled by District residents



Photo Credit to Property Group Partners

# Impact Fees

## Osceola County, Florida

- Value Capture: Impact Fees
  - ✓ Created in 1987
  - ✓ Covering 1,506 square miles
- Scope: Bundled 11 road projects with 13 bridges in Osceola County
- Project Cost: \$350 million
- Funding: 100% locally funded through Value Capture (impact fees)



# Impact Fees

## Osceola County, Florida

### How do Impact Fees work?

- No voter approval is required
- One-time capital charge to new development
- Covers the cost of new capital facility capacity
- Impact fees are assessed at the time a building permit is issued & paid prior to the issuance of a Certificate of Occupancy

### Benefits

- Nine out of every 10 construction dollars going to local contractors
- Projects were bundled in a CM/GC program to speed up delivery and save money (\$36 million saving)

# Hillsboro, Oregon Transportation Utility Fees (TUFs)

- Value Capture: Transportation Utility Fees (TUFs)
  - ✓ Applies to all residents and businesses
  - ✓ Paid by property occupants rather than developers
  - ✓ Paid on an ongoing (monthly) basis for maintenance
- Scope: Street maintenance fee, road use fee, or Street utility fee
- While it is termed a “utility fee” there is no direct link to facility usage (only trip estimates)



Photo Credit to City of Hillsboro

# Hillsboro, Oregon Transportation Utility Fees (TUFs)

## How do TUFs work?

- The TUF is based on the estimated number of roadway trips generated by a property

## Benefits

- Saves money and extends the life of pavement by almost 50%, a significant return on the public's investment

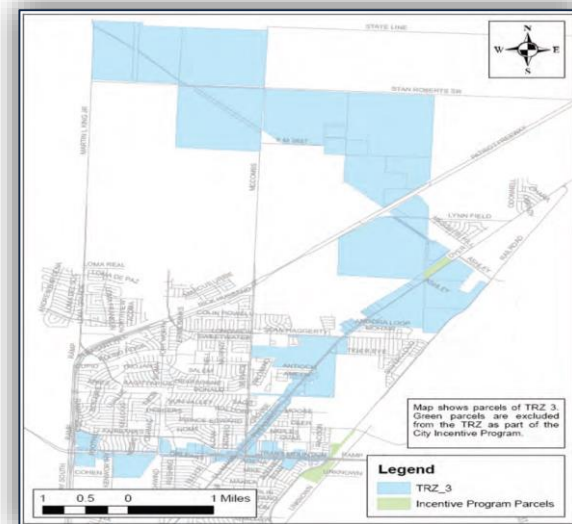


Photo Credit to City of Hillsboro



# I-10/Loop 375 Americas Interchange El Paso, TX

- Value Capture: Transportation Reinvestment Zones
  - ✓ Texas Legislation, 2007
  - ✓ El Paso established TRZ in 2008
- Scope: I-10/Loop 375 Americas Interchange in the city of El Paso
- Project Cost: \$146 million (phase I)
- Funding:
  - ✓ \$96 million from ARRA
  - ✓ \$30 million in SIB Loan
  - ✓ \$5 million from TxDOT
  - ✓ \$15 million from Border Infrastructure (CBI) funds



# I-10/Loop 375 Americas Interchange

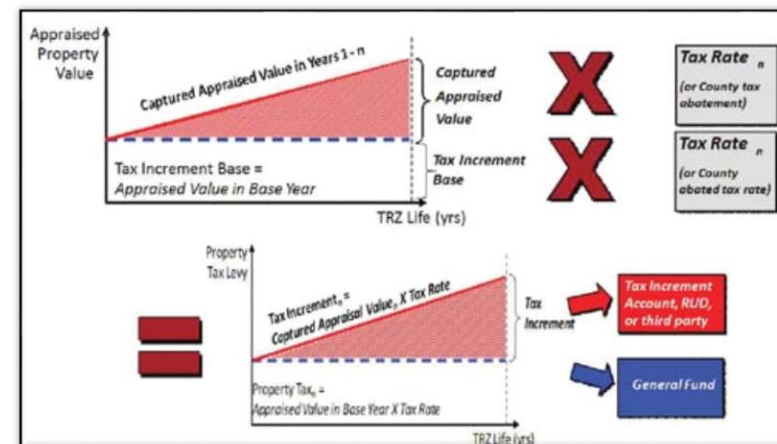
## El Paso, TX

### How do TRZs work?

- Do not involve new taxes.
- Capture economic growth associated with transportation project
- Dedicate to transportation

### Benefits

- Leverage other Federal and State funding source
- Access to Innovative Finance i.e., State Infrastructure Bank Loans



# Missouri Route 36/I-72

- Value Capture: Sales & Use Tax Districts/Transportation Development District
  - ✓ Voters approved a half-cent sales tax on all taxable transactions in April 2005 to construct Route 36/I-72
  - ✓ Within the boundaries of the district.
  - ✓ Length 15 years
  - ✓ The four-lane was finished in 2010
  - ✓ Repealed in August 2017 after paid off debt obligation
- Scope: 52 - mile expansion project of U.S. Highway 36 from two to four lanes
- Project Cost: \$75.5 million
  - ✓ \$34.3 million borrowed from Missouri Transportation Finance Corporation (MTFC) in 2008

# Value Capture Summary

Value Capture is...

- A set of powerful funding tools that can help address funding gaps. (USDOT supports Value Capture)
- Can be part of the mix of funding sources for transportation improvement solutions
- Can accelerate project delivery, save time and money when done properly



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# Federal Roles

# FHWA Roles in Value Capture

- Build capacity among partners
- Assemble VC Implementation Team
- Interact with key stakeholders
- Develop VC Implementation manual
- Develop clearinghouse for VC resources
- Conduct various peer exchanges, training, and technical assistance activities
- Funding

# Value Capture Implementation Team

## Co-Leads

- Thay Bishop, FHWA Office of Innovative Program Delivery
- Stefan Natzke, FHWA Office of Planning, Environment, and Realty

## Members

- Jennifer Ahlin, Virginia Department of Transportation
- Janine Ashe, FHWA District of Columbia Division
- John Duel, FHWA Office of Planning, Environment, and Realty
- Ben Hawkinson, FHWA Transportation Policy Studies
- Kathleen Hulbert, FHWA Infrastructure Office
- Chip Millard, FHWA Freight Management & Operation
- Diane Mobley, FHWA Chief Counsel Office
- Kevin Moody, FHWA Resource Center
- Ben Orsbon, South Dakota Department of Transportation
- Jill Stark, FHWA Office of Planning, Environment, and Realty
- Lindsey Svendsen, FHWA Office of Planning, Environment, and Realty
- Jim Thorne, FHWA Office of Planning, Environment, and Realty
- Marshall Wainright, FHWA Resource Center



# VCIT Focus Areas

- **Communication** – Developing the tools to help FHWA staff and others promote Value Capture to local public agencies (Value Capture Guidebook)
- **Technical assistance** – Providing technical assistance to local public agencies interested in pursuing Value Capture (Peer Program)
- **Clearing House ([website](#))** – Identification of best practices and lessons learned and promoting further discussion on innovative funding options for local public agencies, lessons learned from past and current efforts, etc.

# Key Stakeholders

- State Department of Transportations
- Federal Agencies (HUD, USDA, FTA)
- Metropolitan Planning Organizations (MPOs, RTPOs)
- Local & Tribal Governments
- Transportation Providers (Transit Operators)
- Business Communities
- Developers
- Community residents

# Value Capture Activities

- Webinars
- Workshops
- Peer Exchanges
- Case Studies
- Sponsorships (local, regional, & national events)
- Technical Assistance
- Website (Clearinghouse)



## Value Capture: Capitalizing on the Value Created by Transportation



### Implementation Plan

Every Day Counts | Innovation Initiative

September 2018



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# Value Capture Clearinghouse

- Currently under development
- Value Capture Manual “How to” implement value capture under development
- Clearinghouse for best practices/lessons learned
  - ✓ Resources:  
[https://www.fhwa.dot.gov/ipd/value\\_capture/resources/value\\_capture\\_resources/default.aspx](https://www.fhwa.dot.gov/ipd/value_capture/resources/value_capture_resources/default.aspx)
  - ✓ Project Profiles:  
[https://www.fhwa.dot.gov/ipd/project\\_profiles/](https://www.fhwa.dot.gov/ipd/project_profiles/)
  - ✓ Value Capture Mechanism Factsheets:  
[https://www.fhwa.dot.gov/ipd/fact\\_sheets/](https://www.fhwa.dot.gov/ipd/fact_sheets/)

# EDC-5 Funding Opportunities

State Transportation Innovation Council (STIC)  
Incentive

- Up to \$100,000 per STIC per year to standardize an innovation

<https://www.fhwa.dot.gov/innovation/stic/>

Accelerated Innovation Deployment (AID)  
Demonstration

- Up to \$1 million available per year to deploy an innovation not routinely used

<https://www.fhwa.dot.gov/innovation/grants>

# Your EDC Publications



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Bi-monthly magazine style newsletter

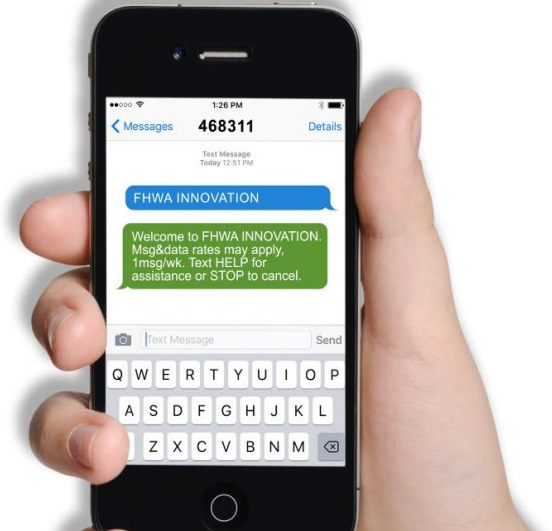
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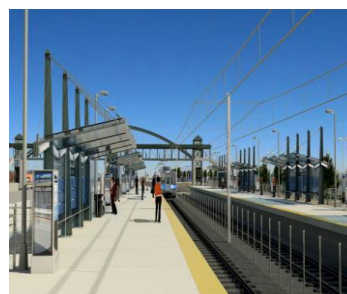
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# Questions & Answers



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# Thank You