



U.S. Department  
of Transportation  
**Federal Highway  
Administration**

EDC-Value Capture Implementation Team



# Value Capture: Special Assessments

CAI Home

Every Day Counts

STIC Network

AID Demonstration

Resources



*“The EDC-5 innovations support FHWA’s goals of enhancing safety, improving infrastructure, deploying innovation and serving America efficiently and effectively. We look forward to building on the success of past EDC cycles to expand adoption of proven innovations that save lives, money and time.”*

- Acting Federal Highway Administrator  
Brandye Hendrickson



Learn more about Every Day Counts >>

<https://www.fhwa.dot.gov/innovation/everydaycounts/>  
[https://www.fhwa.dot.gov/ipd/value\\_capture/](https://www.fhwa.dot.gov/ipd/value_capture/)

# VALUE CAPTURE TECHNIQUES SUMMARY



## DEVELOPER CONTRIBUTIONS

One-time charges collected by local governments from developers to offset the cost of infrastructure and services necessitated by new development.



## SPECIAL ASSESSMENTS

An additional fee or tax assessed on businesses or residents in specified geographic areas benefitting proximity to a highway or other transportation facility or corridor.



## FEES

Similar to a utility fee, transportation fees are assessed based on how individual businesses and households use transportation facilities.



## INCREMENTAL GROWTH

A mechanism allocating back to infrastructure from some specified portion of increased property tax revenues fostered by new infrastructure—often for a specified period of time.



## JOINT DEVELOPMENT

Sale or lease of land or air rights on or adjacent to transportation facilities. This can include donations of land or other in-kind resources from the private sector in ongoing commercial operations.



## CONCESSIONS

Sale or lease of government-owned assets—such as toll roads or bridges—to private-sector investors/operators.



## ADVERTISING AND NAMING RIGHTS

Sale of advertising space or naming rights on a transportation facility. Note: Commercial uses within Interstate Highway System right of way, including rest areas, is prohibited by law; however, they may be allowed on toll facilities and in transit stations.

# Outline of Presentation

- Key Distinctions
- Special Assessments Overview
- Why is Special Assessment Needed?
- Transportation Improvement District
- Community Development District
- Federal Roles
- Case Studies
- Q&A



# Key Distinctions: Funding vs. Financing

- **Revenue/Funding:** Where does the funding come from?
  - ✓ Traditional: Federal-aid (HTF) & State grants
  - ✓ Innovative: Other than traditional i.e. Value Capture
- **Financing:** Pay-As-You-Go versus Borrowing
  - ✓ Pay-as-you-go
  - ✓ Public borrowing (Innovative Finance)
  - ✓ Private equity
- **Project Delivery:** Shifting responsibility & risk
  - ✓ Traditional (design-bid-build)
  - ✓ Construction Manager/General Contractor (CM/GC)
  - ✓ Design-Build (DB)
  - ✓ Public-private partnerships (P3s)

# Key Distinctions: Taxes vs. Assessments

- Is an assessment a tax? **No.**
- **Differences**

Taxes	Assessments
Primary purpose is to raise revenue	Primary purpose is to recover costs
Need not benefit property owners	Must specifically benefit property owners
Authorization by general law	Authorization by home rule powers
Legislature must prescribe a tax base	Local Governments may develop the rate of assessment and method of apportioning costs
Proportionality not required	"Reasonableness" required



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# Why is Special Assessment Needed?

# Capacity & Conditions Funding Challenges

- Two out of every five miles of America's urban interstates are congested
  - Cost the country \$160 billion in wasted time and fuel
- One out of every five miles of highway pavement is in poor condition
  - \$836 billion backlog of highway and bridge capital needs
- 35,092 people killed in motor vehicle crashes
- Pedestrian deaths on US roads increased 11% since 2015; (5,977 in 2017)



# Condition and Aging of the Bridges

(FHWA, 12/31/2018)

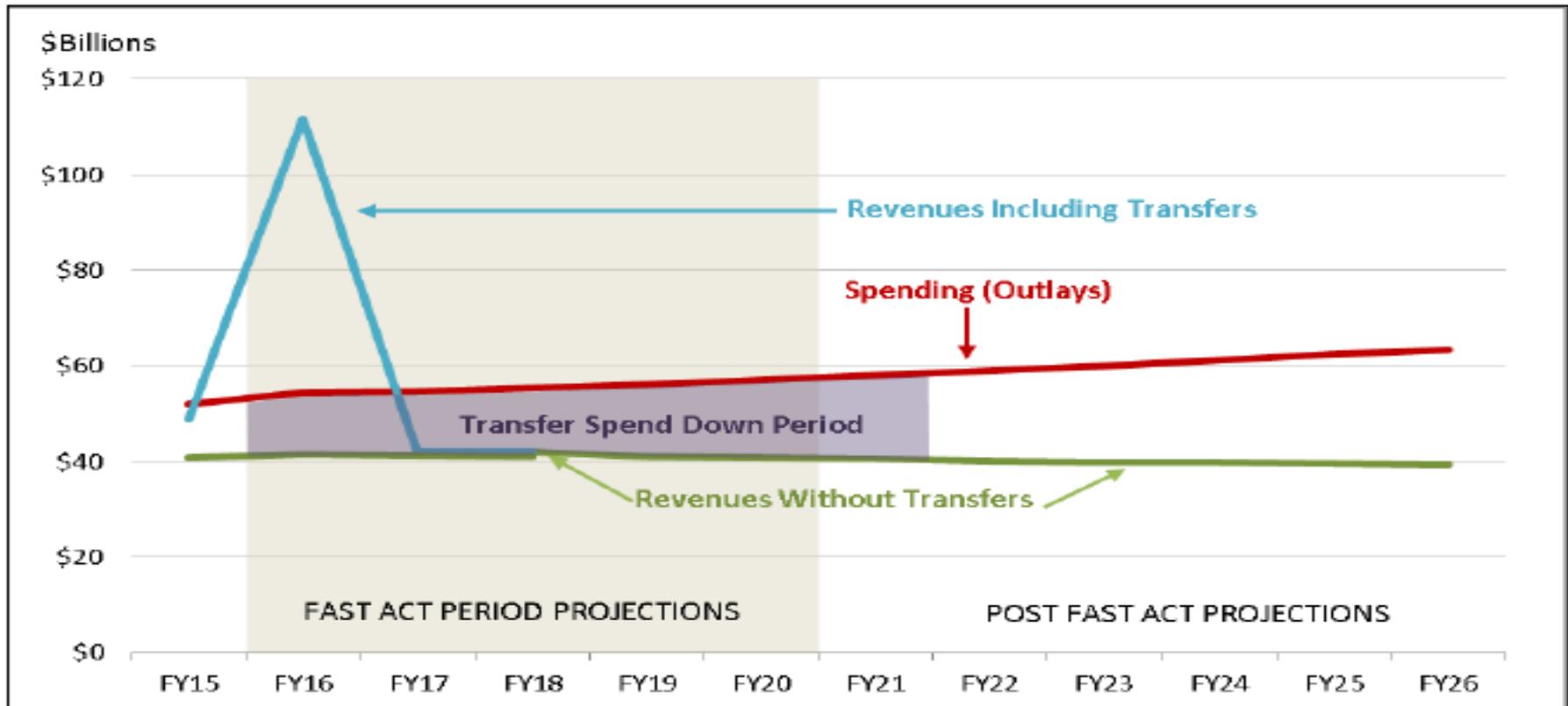
Year Built	Age	Total	Poor
No Value	No Value	25	0
1899 and earlier	119 or more	1,731	514
1940-1949	109-118	5,876	1,840
1910-1919	99-108	5,692	2,055
1920-1929	89-98	17,923	3,895
1930-1939	79-88	41,275	7,057
1940-1949	69-78	25,487	4,034
1950-1959	59-68	63,159	7,664
1960-1969	49-58	99,041	8,996
1970-1979	39-48	81,671	5,390
1980-1989	29-38	78,112	3,043
1990-1999	19-28	81,393	1,486
2000-2009	9-18	71,666	449
2010-present	0-8	43,445	91
<b>Total</b>		<b>616,496</b>	<b>46,914</b>

# Condition of Roads (D+)

- 45 % of America's major roads are in poor or mediocre condition.
- 15% of U.S. rural roads are rated in poor condition, while 21% are in mediocre condition

Ownership	Federal-Aid Highways	Non-Federal-Aid Highways	Total
Rural	668,082	2,280,612	2,948,696
Small Urban Area	71,792	151,935	223,7327
Urbanized	287,974	723,310	1,011,285
Urban	359,767	875,245	1,235,012
Total	1,027,848	3,155,858	4,183,707

# Highway Trust Fund is Unsustainable



**Source:** CRS, based on CBO, *Highway Trust Fund Projections: June 2017 HTF Baseline 2016-2027*.

**Notes:** Includes highway account and mass transit accounts combined. Revenues include interest on HTF balances. The shading between spending and revenues indicates the period that the HTF balance is maintained by the transfers from the general fund and the LUST fund.



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# Special Assessment Districts

# Special Assessment Districts Overview

- A fee imposed on property owners to help pay for **public** infrastructure improvement
- Authorized in 50 States and accessed by Local Governments
- A defined geographic areas determined to **benefit** from special services or improvements
- Assessment must in **proportion** to the special benefits received from the improvements
- Must have **majority** support of those properties being accessed to be effective
- Operated by a separate political subdivision with a board of directors

# Benefits: Special Assessment Districts

- Promotes economic development, job creation, and an increased tax base for local governments
- Alleviate burden of increase in property taxes to the entire community
- Preserves debt capacity of jurisdictions
- New source of capital funding
- Provide a reliable source of funding for local governments
- Competitive advantage among public agencies
  - ✓ Access to Federal Innovative Finance Program
  - ✓ Source of matching state & Federal grants

# Structures/Models: Two Types

- Government Districts (Transportation Improvement District/Transportation Development District)
  - ✓ Initiated by the local government (sometime self assessed)
  - ✓ Establish specific assessment duration
  
- Community Improvement District (Business Improvement Districts/Neighborhood Districts)
  - ✓ Voluntarily imposed assessment/fee by the property owners
  - ✓ Establish specific assessment duration



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# Transportation Improvement Districts

# Government Special Assessment Districts By Any Other Name ....

- Special Assessment District (SAD)
- Community Facilities District (CFD)
- Community Development District (CDD)
- Special Service District (SSD)
- **Transportation Improvement District (TID)**
- **Transportation Development District (TDD)**
- Others

# Overview

- Formed as a separate political subdivision with a board of directors
- Can levy special assessments and/or collect sales taxes on retail sales within the district
- Focus on transportation infrastructure improvements & services within the district
- Fixed amount of time
- Notice and public hearing is required if sales tax levy is involved, but not if only special assessment
- Must be uniformly applied to the same class of property
- Subject to voter referendum

# Transportation Improvement District & Innovative Finance

- Matching Share for Federal & State grant
- Federal Credit Assistance Program
  - ✓ TIFIA/RRIF
  - ✓ TIFIA/State Infrastructure Bank
  - ✓ Section 129 Loans
  - ✓ State Infrastructure Banks
- Capital Market
  - ✓ Revenue Bonds
  - ✓ General Obligation Bonds
- Private Equity
- Project Delivery: DBB, DB, CMGC, P3s

# Steps in Establish Special Assessment District

**Determine Boundary  
& Improvement**  
(Review State, Local, and  
MPO Plans and Policies)

**Stakeholder/  
Community  
Outreach**

**Feasibility Study  
Engineer's Report**  
(cost & budget)

**Funding Plan**  
(Duration & Max  
Assessment)

**Survey  
Community**  
(Public Hearings)

**Determination  
to Proceed  
Based on  
Survey**

**Public Hearings  
and Balloting  
Process**

**Implementation  
Initial Project Funding  
Procurement**

# Example: Street Light Assessment, Dayton Ohio

- A six-year property assessment to all property owners benefits of street light system improvements
- Applied to all property owners, residential, commercial, and industrial properties
- Project scope: Provide a standardized public street lighting system citywide that will promote safety and security in our neighborhoods, business districts, and across the city's 1,800 lane-miles of roadways.
- Project Cost \$18 million for six-years
- No assessment to neighborhoods without street lighting and neighborhood-supported street lighting

# U.S. Highway 36 - Interstate 72 Corridor Transportation Development District

- 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



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# Community Improvement Districts

# Community Improvement Districts By Any Other Name ....

- Local Improvement District
- Public Improvement District
- Special Service Area (SSA)
- Community Improvement District (CID)
- Neighborhood Business District (NBT)
- Special Improvement District (SID)
- Business Improvement District (BID)
- Business Improvement Area (BIA)
- Business Revitalization Zone (BRZ)
- Tourism Public Improvement District

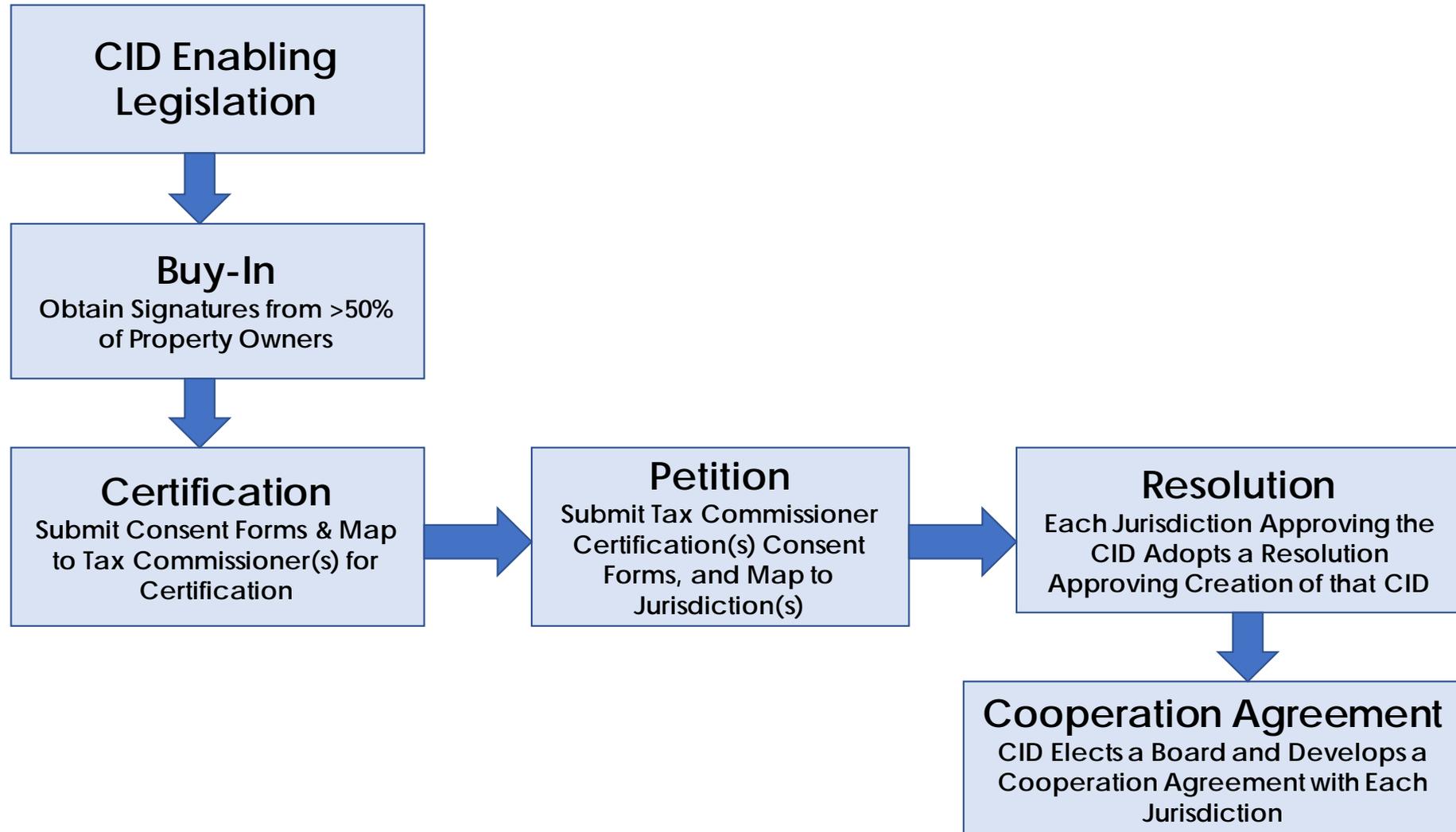
# Community Improvement Districts

- A development tool that allocates costs according to the benefits received
- Formed by local business and property owners
- Self-imposed and self-governed assessment to fund infrastructure improvements and services
- Not a political subdivision of the state, county or municipality– No separate taxing authority
- Only property in the district impacted; No other property effected
- Requires majority support from property owners (>50%)

# Benefits: Community Improvement Districts

- Can finance a wide variety of services including transportation improvements
- Provide economic development services by working to attract, retain and expand businesses
- Leveraging resources
- Can provide cap on assessments and periodic review to ensure that CID services are effective
- Creating a unified voice to increase a business district's influence
- Creating and maintaining a cleaner, safer and more attractive business district

# Creation of Community Improvement District (Local Level)



# Governance & Administration

- The CID is governed by a Board of Directors (5 – 30)
  - ✓ Elected by registered voters living within the CID's boundaries, but if there are no registered voters, then the property owners within the district (who have one vote per acre of real estate owned)
  - ✓ Has to be either an owner of real estate within the district or of a business operating within the district or be the authorized representative of same, or be a registered voter residing within the district
- Administration: Most have a management company or staff

# What Powers Does the CID Have?

- To acquire real estate within its boundaries
- To sell real or personal property
- To borrow and loan money
- To receive grant from State, Federal and Private Sector
- To construct, install, maintain, and equip any of the public improvements and services

# Ongoing CID Responsibilities

- Sunshine Law compliance
- Annual budget submittal
- Annual meeting
- Report to municipal clerk and Dept. of Economic Development
- Report to State Auditor's office
- Board member elections/appointments
- Cooperative Agreement compliance
- Accountable to those who pay consisting of property and business owners within the district



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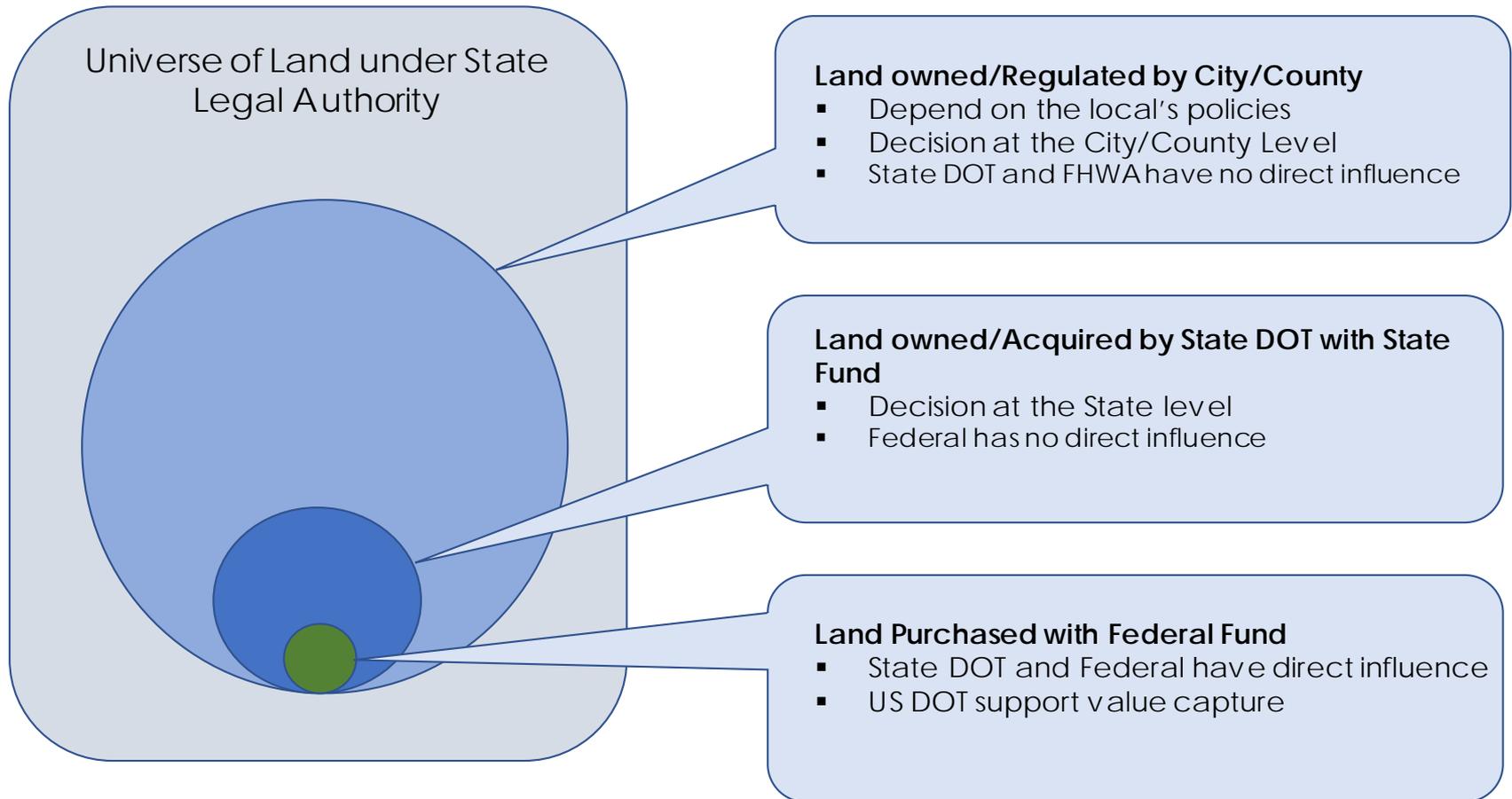
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# Federal Roles

# Federal's Role in Value Capture Strategies



# 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
- David Cohen, FHWA Office of Project Development & Env. Review
- John Duel, FHWA Office of Planning, Environment, and Realty
- 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
- Bingxin Yu, FHWA Transportation Policy Studies

# VCIT Focus Areas

- **Communication** – Developing the tools to help FHWA staff and others promote Value Capture to local public agencies (Value Capture Implementation Manual)
- **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.

# Clearinghouse for best practices/lessons learned

- EDC-5 Value Capture Sessions:  
[https://www.fhwa.dot.gov/ipd/value\\_capture/resources/value\\_capture\\_resources/edc-5\\_resources.aspx](https://www.fhwa.dot.gov/ipd/value_capture/resources/value_capture_resources/edc-5_resources.aspx).
- Project Profiles:  
[https://www.fhwa.dot.gov/ipd/value\\_capture/project\\_profiles/](https://www.fhwa.dot.gov/ipd/value_capture/project_profiles/)
- Factsheets:  
[https://www.fhwa.dot.gov/ipd/fact\\_sheets/](https://www.fhwa.dot.gov/ipd/fact_sheets/)
- Value Capture 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)

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

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



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# Route 28 Tax District



July 24, 2019

Noelle Dominguez, Coordination Section Chief  
Fairfax County Department of Transportation



# Route 28 Tax District

- Virginia Route 28 runs through several jurisdictions in Northern Virginia and is a major thoroughfare connecting Virginia residents and employees to various activity centers in the region, as well as to Dulles International Airport, located the Fairfax County and Loudoun County boundary.
- Business owners along Route 28 in Fairfax and Loudoun Counties recognized a need for improved transportation infrastructure along the Route 28 segment that traverses their jurisdictions to support planned and projected growth.
- Virginia Code allows for the creation of independent taxing districts to support the financing of transportation infrastructure improvements.
  - Such a district may be formed only upon the joint petition of owners of at least 51 percent of the land area in each county located within the boundaries of the adopted district, and which has been zoned or is used for commercial or industrial purposes.



# Route 28 Tax District – Creation

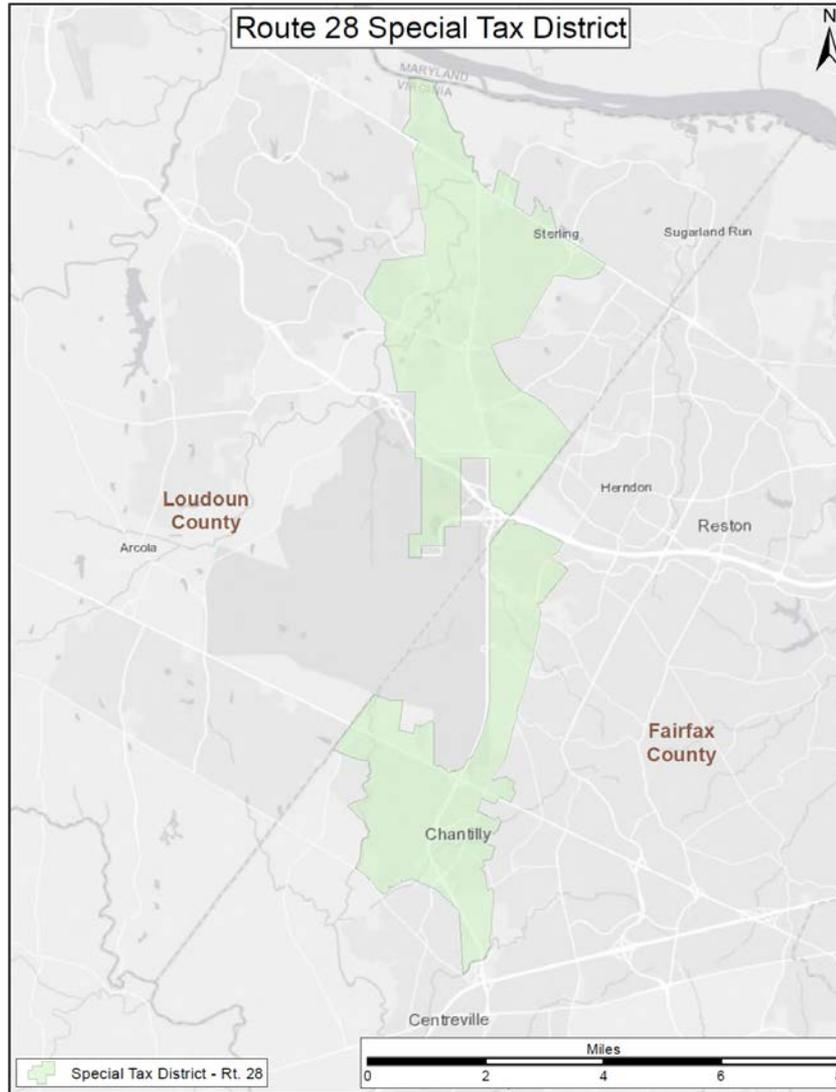
**December 21, 1987** – Boards of Supervisors from Fairfax and Loudoun Counties created the Route 28 Highway Transportation Improvement District (Route 28 Tax District) to fund improvements to Route 28, including widening and construction of ten grade-separated interchanges.

The segment incorporated by the Tax District connects State Route 7 in eastern Loudoun County to south of U.S. Route 50 in western Fairfax County.

- *The roadway continues through Fairfax County and further south, though that segment is not included in the Tax District.*



# County of Fairfax, Virginia





# Route 28 Tax District – Governance

**Route 28 District Commission** is comprised of 9 members - four members from each of the Loudoun and Fairfax Boards and the Commonwealth of Virginia's Secretary of Transportation (or his designee).

**Route 28 District Landowners Advisory Board** is comprised of twelve landowner representatives.

- Six of the Advisory Board members (three from each County) are elected by the taxpaying landowners to serve four-year terms.
- Six members (three from each County) are appointed by the Boards of Supervisors to fill a four-year term.

**The Advisory Board and the Commission generally meet annually, though additional meetings can be called if necessary.**



# Completed Tax District Projects

Numerous project have been completed within the Tax District, including:

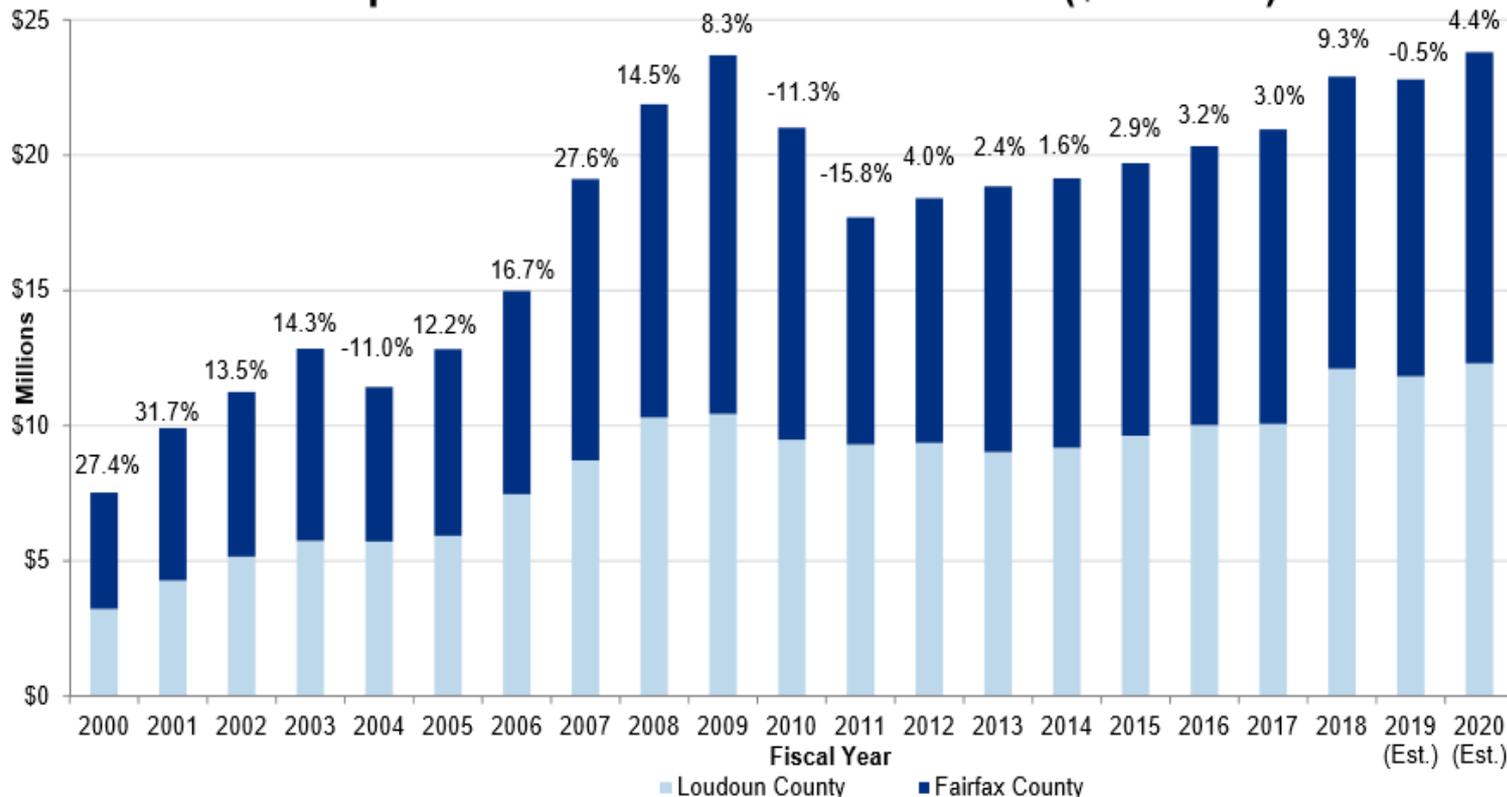
- Route 28 at Air & Space Museum Parkway – December 2003
- Route 28 at Westfields Blvd – March 2006
- Route 28 at McLearen Road – June 2006
- Route 28 at Sterling Blvd – November 2006
- Route 28 at Innovation Avenue: Right in and Right out Ramps – October 2007
- Route 28 at Nokes Blvd – May 2009
- Route 28 at Frying Pan Road – July 2009
- Route 28 NB Bridge over the Dulles Toll Road (DTR) – August 2015
- Route 28 SB Bridge over DTR – August 2015
- Route 28 SB Widening, Sterling Blvd to DTR – August 2017
- Route 28 SB Widening, DTR to Route 50 – August 2017
- Route 28 NB Widening, McLearen Road to DTR – August 2017



# Route 28 Tax District – Revenue History

- One Penny = \$1.3 million in revenue in FY 2020

### Special Tax Revenues of the District (\$ Millions)





# Route 28 Tax District - Implementation

- The Route 28 Tax District is required by legislation to contribute 75 percent of the funding for all projects in the district, state funds cover the remaining 25 percent
- Route 28 Tax District has worked with Fairfax and Loudoun Counties to issue bonds to support identified projects as prescribed
- Route 28 Tax District revenues and State funds have been collected and used to cover debt service payments.



## Route 28 Tax District – Other Partners

- In 2013, the Virginia General Assembly passed a transportation funding package (HR 2313), which began the collection of regional revenues to address local and regional transportation needs in Northern Virginia. The Northern Virginia Transportation Authority (NVTA) allocates 70% of these funds to regionally significant transportation projects – of which Route 28 qualifies.
  - 30% are provided to individual localities where they are collected to be allocated by local governing bodies on eligible transportation projects.
- Fairfax County and Loudoun County have applied and received funding for several projects that would otherwise be funded by the Tax District.
- The funding provided by NVTA, along with the fact that Route 28 Tax District tax revenues have also increased, has allowed for the completion of the final identified projects.



# Advantages/Lessons Learned

- Utilization of a taxing district can be advantageous for large-scale, high-cost projects
- Taxing districts can be vulnerable to larger economic trends
- The Route 28 Tax District accelerated the pace of improvements
- Use of a Landowners Advisory Committee helps guarantee stakeholder buy-in over the life of the project



# Advantages/Lessons Learned

- Annual meetings to update and seek input from Advisory Committee members are extremely important
- Annual Commission meetings to update, allow for debate, vote, and make executive decisions regarding the policies and operations of the tax district are critical
- Professional staff to both manage the issuance of bonds and other financial strategies and to plan and construct projects, are vital to success.

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DC Business  
Improvement Districts



# What is a Business Improvement District?

A BID is organized and established by property and business owners to enhance the economic vitality of commercial areas and to provide amenities and services that make the neighborhood a more attractive place to work, to visit, to live and to invest in.

Property owners within a defined geography pay a special assessment, collected by the city but administered by the BID, to provide services and programs that go above and beyond what the city provides.

BIDs have proven to be a successful tool in fostering more vibrant, well-managed, healthier business districts and high-quality neighborhoods.



# What Makes a Business Improvement District?

Provides Services within a Defined Geography

Property Owner Initiated and Centered

Governed by a Board of Directors

Private Non Profit Organization

Limited government oversight\*

\*depends on jurisdiction

# Advantages of the BID Funding Mechanism

Avoids the Free Rider Problem



Avoids the Political Uncertainties of Municipal Budgeting



# Advantages of the BID Governance Model

Board Members  
with skin in the  
game



Creates framework  
for community,  
business and  
government  
collaboration



# Advantages of BID Leadership Models

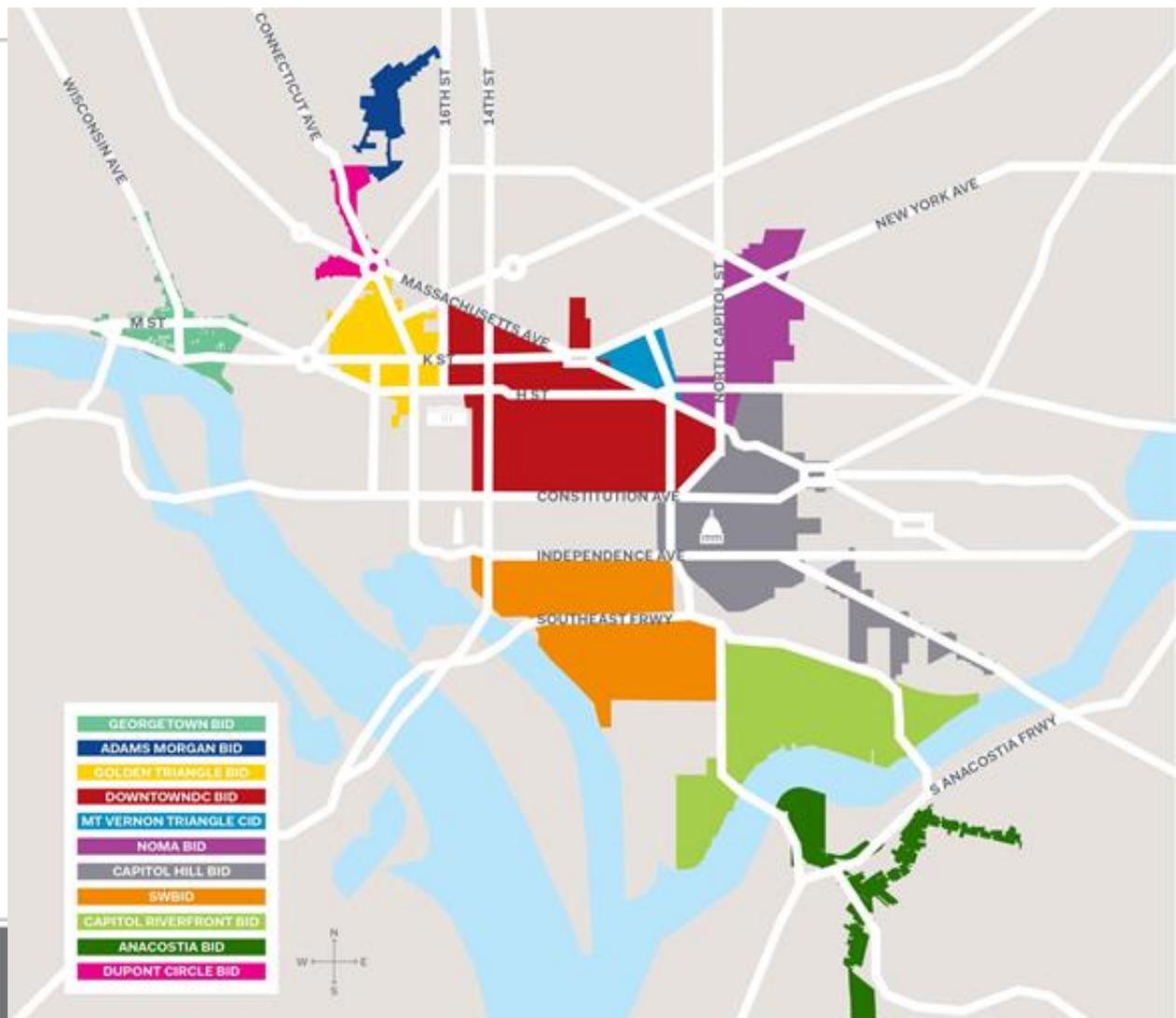
Can Pilot Ideas that may then be scaled to meet broader municipal needs



Can build bridges between private and public sector



# Map of DC BIDs



In 2018, DC BIDs collectively invested over **\$34 Million** to enhance and maintain 11 DC communities and commercial Districts.



# What BIDs Do

**Place Management**

**Placemaking**

**Place Branding**

**Economic Development Research and Planning**



# Place Management: Cleaner and well-managed public spaces



- Litter Removal and Sidewalk and Gutter sweeping
- Treebox Maintenance
- Graffiti Removal
- Defect reporting and tracking
- Coordinating with City agencies to receive higher level of municipal services

Every day DC BID workers clean and maintain



**39**  
ACRES OF PARK



**138**  
MILES OF  
SIDEWALK

# PlaceMaking:

## Creating a more dynamic and vibrant public realm



BIDs organize special events, coordinate public art projects, work on transportation planning initiatives, all to enhance their districts and provide the type of amenities that make them more attractive to tenants.

- **Planting and landscaping services**
- **Installing public Art**
- **Installing bike racks**
- **Coordinating with the city to improve public spaces**
- **Activating public spaces with events and activities**
- **Street pole decorations and street banners**

# Place Branding:

Defining and promoting what makes an area special to attract more visitors, business and investment



- **Development of a cohesive marketing strategy that builds upon the area's unique identity and attracts visitors and foot traffic**
- **An events strategy that draws visitors, builds community and supports business success**
- **Retail retention and attraction strategy**

# Economic Development and Planning

Educating and engaging BID stakeholders around economic development and planning issues



- **BIDs have a ground-level view of the economic dynamics and development activities within their geographies.**
- **BIDs gather economic intelligence and produce analysis that informs economic development and planning efforts.**



**Workforce Development**



**Homeless Services**



**Parks and Public Realm**



**Economic Development  
Research and Business  
Attraction**



**Green Infrastructure**



**Community Building**



**Transportation and  
Mobility**



**Public Art**

# What is the BID Value Proposition

## Businesses

Benefit from collective marketing of the area

A cleaner and more well managed public environment

Amenities created by public programming and street activations

Assistance resolving public space and other place based issues

## Local Government

Can partner with BIDs to pilot innovations

Can get valuable insights about hyper local ecosystems to inform policy decisions

Can benefit from growing tax base that BIDs contribute to growing

## Residents

A cleaner more well managed public realm

Public parks and spaces activated

Programming focused on community building strengthens social ties.

Joint marketing efforts that draw visitors, investment and new residents

## Property Owners

Can target collective resources to improve the public environment.

BIDs can act as “honest brokers” marketing the area to fill vacancies

Grow property values and lease rates.

# What is the BID Value Proposition

## How do you measure it?

- Whether property owners who pay assessment agree to form or renew
- Testimonials
- Comparative analysis of districts with and without BIDs (property values, lease rates, etc)
- Comparative analysis of state of the economy
- Perception Surveys before and after BID formation
- Net fiscal impact studies
- Economic Impact studies
- Vacancy Rates
- [Example of Value Proposition Document](#)

# What is the BID Value Proposition Research

- [Furman Center- BENEFITS OF BUSINESS IMPROVEMENT DISTRICTS - Examples from NYC](#)
- [COMMERCIAL CORRIDORS STRATEGIC INVESTMENT FRAMEWORK- Philadelphia](#)

# *The Net Fiscal Impact of the Future Cities Area on Arlington County's General Fund*

Jeannette Chapman  
Deputy Director and Senior Research Associate  
Stephen S. Fuller Institute  
Schar School of Policy and Government  
George Mason University



September XX, 2018



## 2007

- first study of its kind to estimate the impact of forming a BID on sales prices within a BID's boundaries.
- Researchers found that BIDs have a significant positive impact on commercial property values.
- On average, the value of commercial property within a BID increases by approximately 15 percentage points more than comparable properties in the same neighborhood but outside the BID.

## 2009

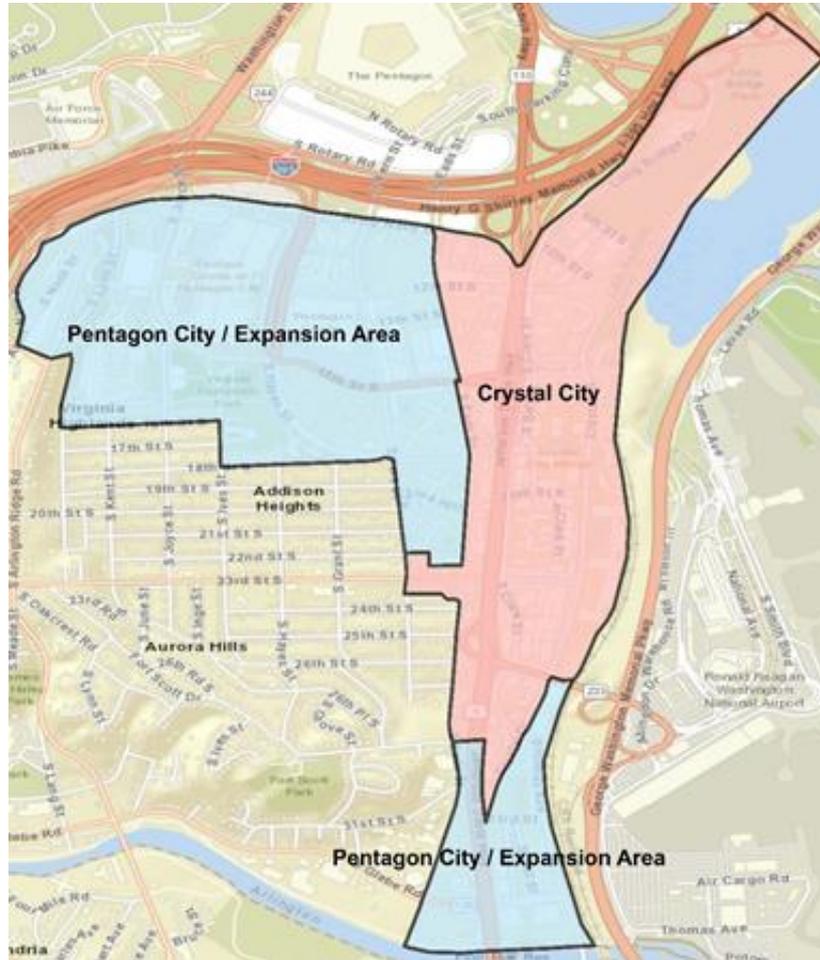
- Found that commercial corridors under BID management showed stronger growth in real estate values
- Compared to those lacking a BID or similar management entity.
- BIDs were shown as one of the most effective interventions in terms of boosting property values and
- retail sales growth.
- Study found that residences located in a business improvement district have a 30 percent price premium compared to other areas.

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# FISCAL IMPACT STUDY EXAMPLE



# Study Area

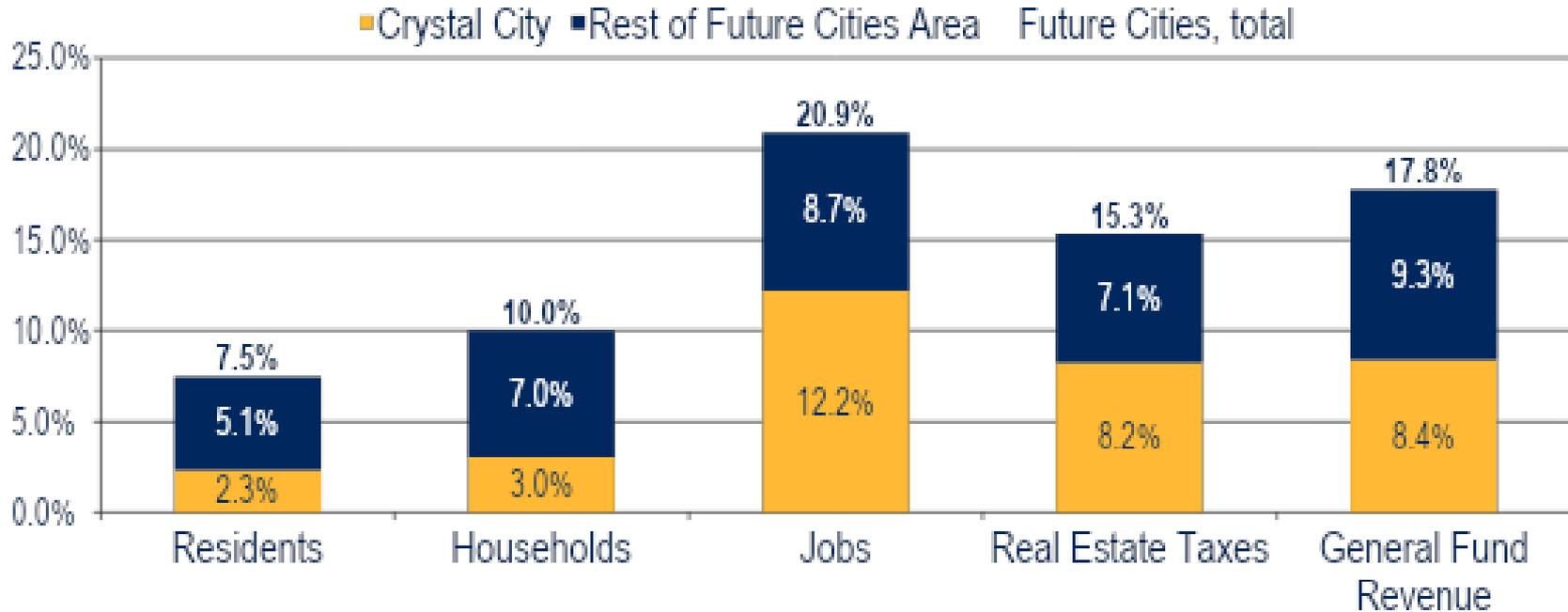


# FY 2018 Net Fiscal Impact in Millions

	<b>Crystal City</b>	<b>Rest of Future Cities</b>	<b>Future Cities, Total</b>
Revenues	\$ 94.90	\$ 105.34	\$ 200.24
Expenditures*	\$ 65.65	\$ 77.18	\$ 142.83
<b>Net Fiscal Impact</b>	<b>\$ 29.25</b>	<b>\$ 28.16</b>	<b>\$ 57.41</b>
<i>% of General Fund Revenues Generated in the Area</i>	8.4%	9.3%	17.8%

\*Includes transfers to  
APS

# Future Cities as a Share of Key Activities in Arlington County



Sources: U.S. Census Bureau (v2017 Population Estimates, 2012-2016 ACS; LEHD); Arlington County Assessments; The Stephen S. Fuller Institute at the Schar School, GMU

# Key Takeaways

- The Future Cities area is a net generator of tax revenues for Arlington County.
- This is primarily because of the density of commercial activity, which typically have larger real estate tax revenue benefits relative to services that they consume.
- The total net fiscal impact of \$57.41M was nearly the total expenditures on the
  - Fire Department (\$59.79M), or
  - the Sheriff, Economic Development, and County Manager Departments, combined (\$57.45M).



# Value Capture: Capitalizing on the Value Created by Transportation

Value capture presents an opportunity to meet funding challenges for transportation projects at a local and State level.

Value capture refers to a set of techniques that take advantage of increases in property values, economic activity, and growth linked to infrastructure investments to help fund current or future improvements.

## BENEFITS

- ▶ **Accelerates project delivery.** Value capture techniques can bring revenue to a project prior to or during the project implementation.
- ▶ **Generates sustainable long-term revenue.** Value capture techniques can provide a sustained revenue source to support operations and maintenance or finance transportation improvements.
- ▶ **Provides supplemental funding for transportation needs.** Value capture techniques can bring more revenue sources to a project by sharing the financial burden with developers and owners who benefit from the transportation investment.
- ▶ **Supports economic development & redevelopment.** Value capture techniques can provide a creative solution to funding infrastructure in real-time, therefore meeting the needs of developers and stimulating economic growth.



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

## Techniques

The following techniques demonstrate powerful tools that can address funding gaps.



**Developer Contributions** include Impact Fees and Negotiated Exactions. They are one-time charges collected by local governments from developers to offset the cost of infrastructure and services necessitated by new development.



**Special Assessments** include Special Assessment Districts, Business Improvement Districts, Sales Tax Districts, and Land Value Taxes. These are additional fees or taxes assessed on businesses or residents in specified geographic areas benefiting proximity to a highway or other transportation facility or corridor.



**Fees** include Transportation Utility Fees which are similar to a utility fee and are assessed based on how individual businesses and households use transportation facilities.



**Incremental Growth** includes Tax Incremental Finance, Transportation Reinvestment Zones, and Tax Allocation Districts. These mechanisms allocate back to infrastructure from some specified portion of increased property tax revenues fostered by new infrastructure - often for a specified period of time.



**Joint Development** includes At Grade, Below Grade, and Above Grade (or Air Rights). This is the sale or lease of land or air rights on or adjacent to transportation facilities. This can include donations of land or other in-kind resources from the private sector in ongoing commercial operations.



**Concessions** include Asset Recycling. This is the sale or lease of government-owned assets - such as toll roads or bridges - to private-sector investors/operators.



**Advertising and Naming Rights** are the sale of advertising space or naming rights on a transportation facility. Note: Commercial uses within Interstate Highway System right of way, including rest areas, is prohibited by law; however, they may be allowed on toll facilities and in transit stations.



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

## 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 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 mileage 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](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](https://www.fhwa.dot.gov/ipd/value_capture)



U.S. Department of Transportation  
Federal Highway Administration

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