



U.S. Department
of Transportation

**Federal Highway
Administration**

EDC-5 Value Capture Implementation Team

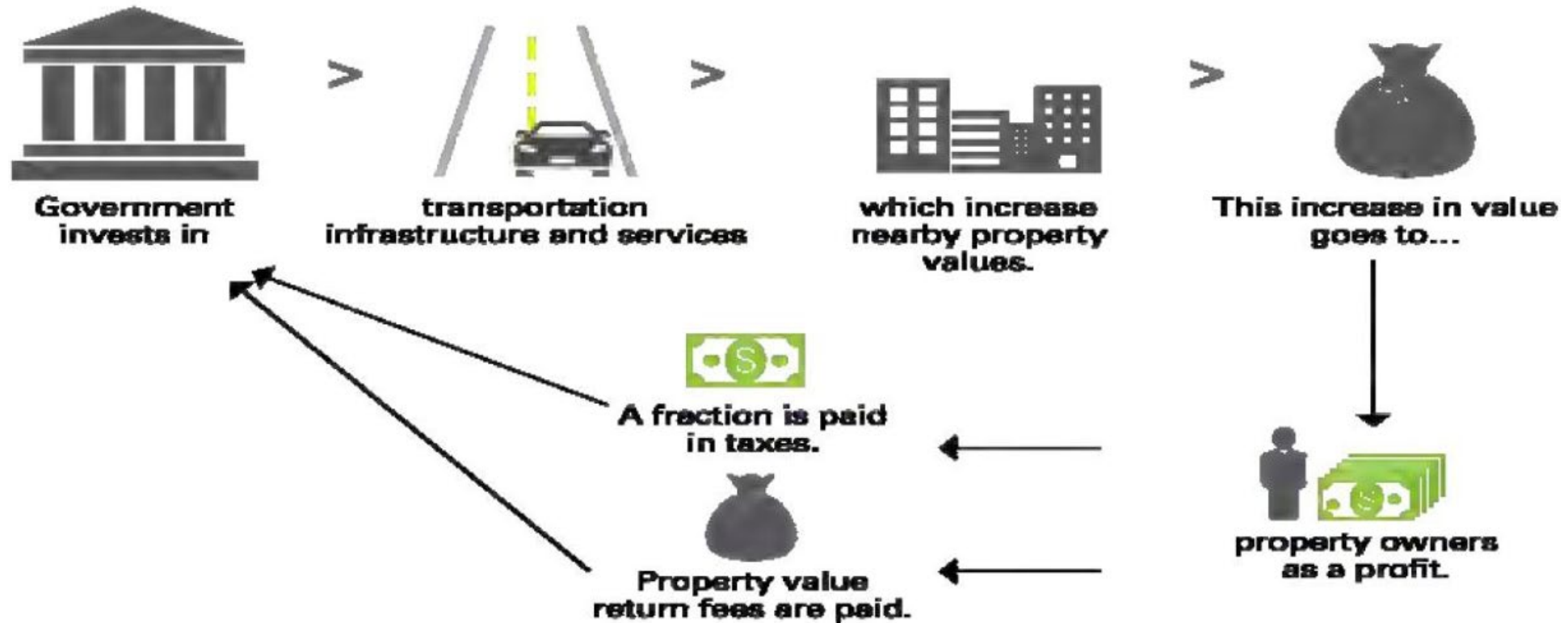


Value Capture: Capitalizing on the Value Created by Transportation

Introduction to Value Capture

- Value capture overview
- The EDC-5 value capture initiative
- Value capture mechanisms & examples
- Steps to a successful implementation
- Funding opportunities

What is Value Capture?



Source: NCHRP Research Report 873

What is Value Capture?

- Value Capture refers to a toolbox of strategies used by public agencies to recover a portion of the increased property value created as a result of public infrastructure investment
- 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?

- Part of a mixed funding stream
- Accelerates project delivery
- Equitable
- Untapped funding source/s

Clearinghouse

- 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.
- Project Profiles: https://www.fhwa.dot.gov/ipd/value_capture/project_profiles/
- Factsheets: 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

Funding shortages

- U.S. transportation infrastructure
 - End of useful lifecycle
 - Deferred maintenance
 - Maintenance backlog
- Federal funding
 - The Federal gas tax has lost its purchasing power by nearly 40% since 1993
 - Increased fuel efficiency and reduced growth in VMT has further eroded the growth in fuel tax revenues
- “Smart” Infrastructure Investment needs

Supplemental Funding Sources

- General Fund transfers have kept the Highway Trust Fund solvent
- Exploring new funding sources, such as the mileage-based user fee
- Innovative financing
 - Transportation Infrastructure Finance and Innovation Act (TIFIA)
 - Railroad Rehabilitation and Improvement Financing (RRIF)
 - Private Activity Bonds
 - State Infrastructure Banks
 - Section 129 Loans
 - Leases

Value Capture Techniques

Category	Technique	Purpose	Fund or Finance
Developer Contributions	Impact fees	Capital Expenses	Fund
	Negotiated Exactions	Capital Expenses	Fund
Special Assessments	Special Assessment Districts	Capital Expenses	Fund or Finance
	Business Improvement Districts	Capital or Maintenance	Fund or Finance
	Sales Tax Districts	Capital or Maintenance	Fund or Finance
	Land Value Taxes	Capital or Maintenance	Fund or Finance
Fees	Transportation Utility Fees	Operations and Maintenance	Fund
Incremental Growth	Tax Incremental Finance	Capital Expenses	Fund or Finance
	Transportation Reinvestment Zones		Fund or Finance
	Tax Allocation District		Fund or Finance
Joint Development	At Grade	Capital Expenses	Fund or Finance
	Below Grade	Capital Expenses	Fund or Finance
	Above Grade (Air Rights)	Capital Expenses	Fund or Finance
Concessions	Asset Recycling	Capital Expenses	Fund or Finance
Advertising	Advertising	Capital or Maintenance	Fund
	Naming Rights	Capital or Maintenance	Fund

Developer Contributions

- A one-time fee assessed on new development
- Used for roadways, less frequently
- Used in transit



Hamilton Core Fund

Hamilton, OH

- Public-private partnership of the City of Hamilton, the Hamilton Community Foundation, and local lending institutions
- Provides financial resources for real estate projects within the city's urban core.
- Today, Hamilton's CORE Fund engages in three different activities:
 - Provides gap financing
 - Purchases and repurposes underutilized properties
 - Acquires historic residential properties



Source: www.revitalization.org

Bozeman, Montana

Impact fees funded all major expansions:

- Recoupment (past improvements)
 - New development is paying for its share
- Incremental expansion (concurrent improvements)
 - Documents current level-of-service standards
- Plan-based fees (future improvements)
 - Allocates costs

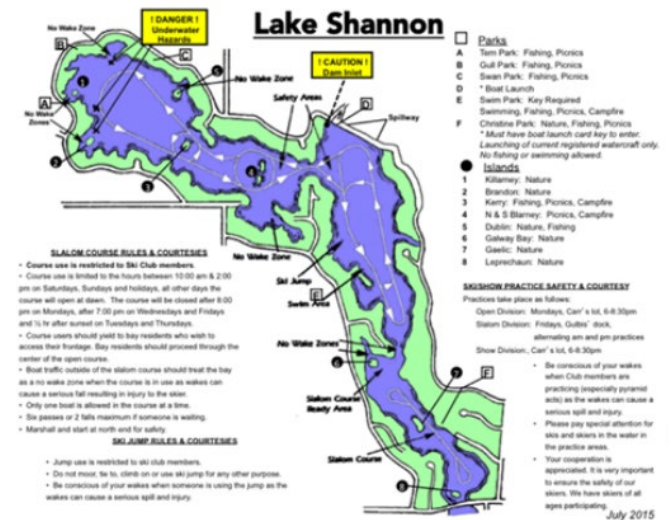
Special Assessments

- A special fee levied on property owners to pay for infrastructure development
- Specific geographical area
- Assessed against those properties receiving benefit from the improvement
- The tax represents a portion of the estimated benefit to properties in close proximity

 Developer Contributions Special Assessments Fees Incremental Growth Joint Development Concessions Advertising

Lake Shannon Road Improvement Tyrone Township, MI

- Petition for repaving roads in exchange for a 10-year tax assessment
- Assessment will be paid in 10 annual installments starting in 2018
- Total cost \$1,310,000 in special assessment bonds



Source: Lake Shannon Assoc.

Fees

- Applies to all residents and businesses
- Payed by property occupants rather than property owners
- Based on the estimated number of roadway trips generated by a property
- Fees are typically added to city utility bill



Developer Contributions

Special Assessments

Fees

Incremental Growth

Joint Development

Concessions

Advertising

Mission, KS

- Calculated by estimating the average number and intensity (type/size) of use
- Single-family homes pay a flat fee of \$72 per year
- Other property types pay by land use type
- 91% of all multi-residential or tenant spaces pay less than \$100 per year
- 60% of all commercial spaces pay less than \$1000 per year

Mission, KS, cont.

- Streets
 - Oakwood Rd
 - Overhill Rd
- Parks and facilities
 - Sunken Garden Park
- Spot curb replacement program
 - Assessment of curbs, gutters, and sidewalks throughout



Source: <https://www.facebook.com/SunkenGardenRestoration>

Milwaukee, WI

- Fees assessed on properties based on transportation demand created
- Applied annually to specific users
- Typically levied on a area-wide basis
- Most commonly applied to roads
- Generally for maintenance rather than capital projects

Transportation



Street Maintenance & SAFE Rates for All Categories		
Account Type	SSMP Rates	SAFE Rates
Single Family Residential	\$ 4.06	\$ 4.70
Low Income	Exempt	Exempt
Commercial per daily trip generated ^{1 2}	\$ 0.43	\$ 0.47
Multi-Family Residential	2.58 per unit	2.82 per unit
Elderly Housing/Mobile Homes	1.72 per unit	1.88 per unit
Congregate Care	\$.86 per unit	0.94 per unit

Source: Master Fee Schedule, 2018. City of Milwaukee, Oregon.

Incremental Growth

- Within a defined geographic area or zone
- Authorized by 49 state statutes and the District of Columbia
- Offers a source of long-term revenues and generates significant “gap financing”
- Flexible, powerful tool to foster high quality development and redevelopment



Developer Contributions

Special Assessments

Fees

Incremental Growth

Joint Development


Concessions

Advertising

State of Ohio

- Implemented at the local level
- Payments derived from the increased assessed value of any improvement
- Implementation steps:
 - Designate the parcel
 - Declare improvements to serve a public purpose
 - Delineate improvements that will directly benefit the parcel
 - Specify equivalent funds for redirected monies

Tax Increment Financing Project Information
To find a TIF start by selecting a county from the map or use the search below.



Search by County and/or Project Name
Select a county from the lists below and/or enter a part of the project name.

County: Company:

-- OR --

Search by School District
Select a school district from the list of projects.

School District:

Source: www.development.ohio.gov

Expansion of Star Container Pkg. Facility

Leominster, MA

- 8-year term agreement with \$6.2 million investment from Star
- \$23,000 annual gain for the City in additional property taxes
- Front-loading sliding scale of exemptions from taxation of the TIF

Year	% of Increment
1	100
2	90
3	75
4	60
5	45
6	30
7	15
8	0

Joint Development

- Involves a partnership between a public entity and a private developer to develop certain infrastructure assets
- Sale/lease of development rights over a transit station or highway
- Plays a key role in some urban projects

 Developer Contributions Special Assessments Fees Incremental Growth Joint Development Concessions Advertising

Madison, AL

Town Madison project: Madison has seen a 45% population growth since 2000

- \$300 million
- 100-acre mixed land use
- Luxury apartments (280 units)



Source: https://www.al.com/business/2017/05/town_madison_partners_with_atl.html

Concessions

- A long-term lease of existing highway facilities (i.e. toll facility) and use of the lease revenues to pay for other highway improvement needs
- U.S. experience with infrastructure asset recycling is limited



Developer Contributions

Special Assessments

Fees

Incremental Growth

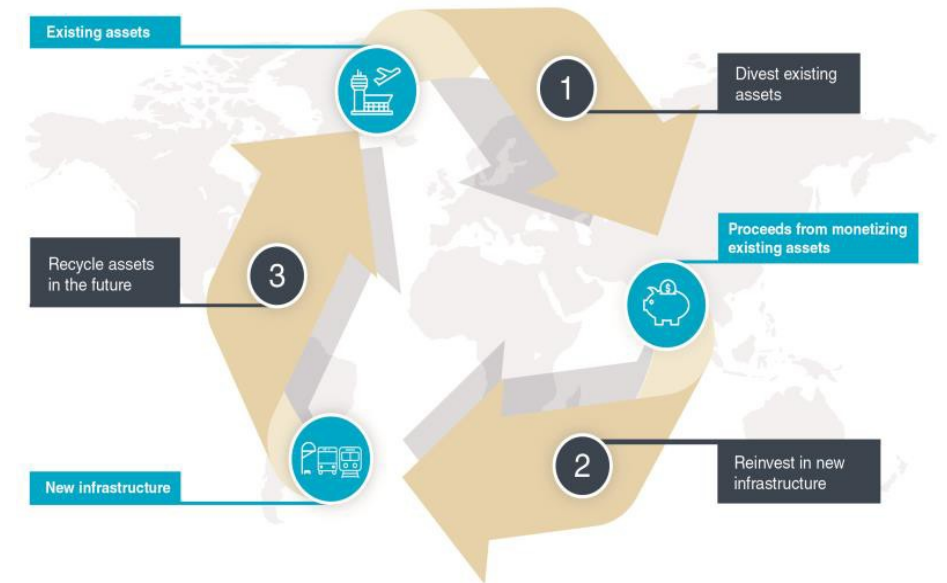
Joint Development

Concessions

Advertising

Indiana Toll Road

- \$3.8 billion
- 75-year agreement
 - Received \$3.8 billion upfront
 - Funded 10 transportation plans
 - Retained all public employees



Source: Atkins Acuity

- Other examples:

https://www.fhwa.dot.gov/ipd/value_capture/project_profiles/

Advertising

- Can be derived by selling space on transportation facility assets
 - Inside transit vehicles
 - Transit stations or bus stops
 - Roadway billboards



Developer Contributions

Special Assessments

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Incremental Growth

Joint Development

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Naming Rights, State of Virginia

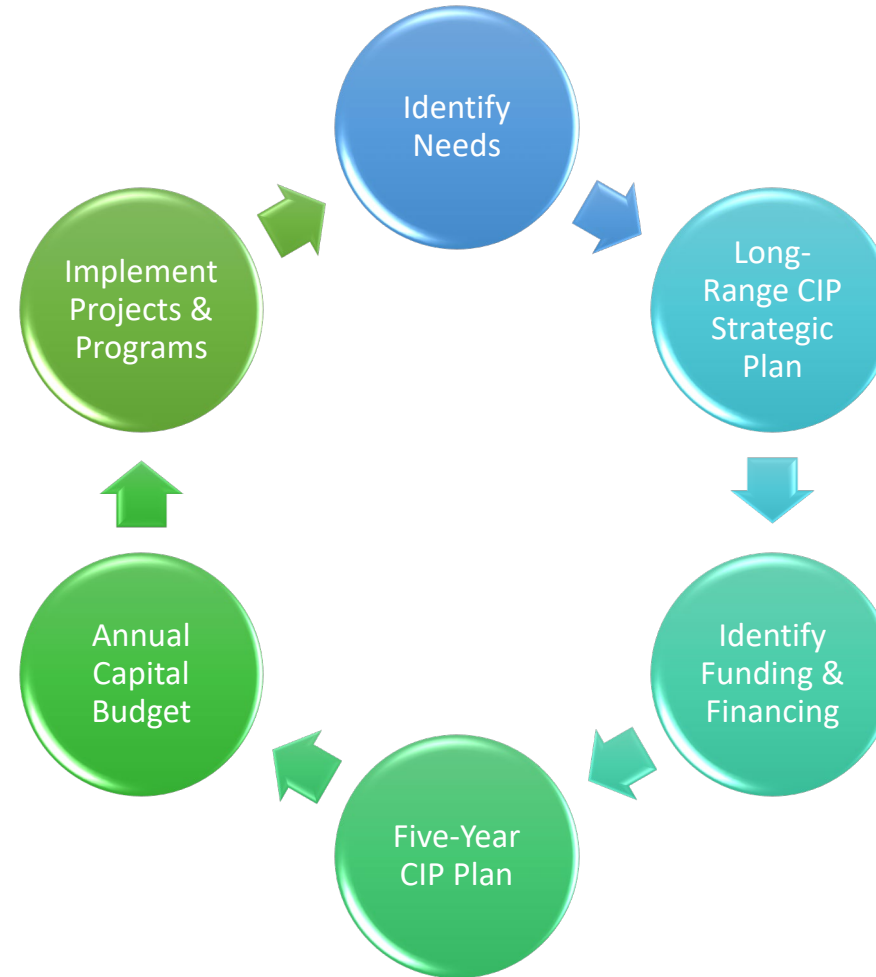
- Anticipated revenue would generate \$27.3 million in the first five years and \$273 million in 20 years to go to road repairs
- Functional classification determines cost
 - \$200,000 urban interstates
 - \$75,000 rural interstates
 - \$20,000 - \$50,000 Primary roads
 - \$5,000 - \$17,000 Secondary roads

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, enhance safety, and save time and money when done properly

Steps to a Successful Value Capture Project



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>

EDC-5 Value Capture Implementation Team

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Questions & Answers

Transportation Utility Fee (TUF)

Tina Bailey, PE – Transportation Division Manager



About Hillsboro

- Suburb of Portland, OR
- Population: 101,920
- 25.49 square miles
- “The Silicon Forest”



About our Roadways

- Centerline Miles of Roadway:
 - At adoption: 214.08
 - Current: 234.91
- Average Network Pavement Condition (PCI)
 - At adoption: 79
 - Current: 82
- Percent of Roads in Good to Poor Condition:
 - At adoption: 10.5%
 - Current: 3.1%
- Deferred Maintenance:
 - At adoption: \$9.1 Million
 - Current: \$7.55 Million

What is TUF?

- Treats roadways like other utilities.
- Monthly charge-like storm, sanitary, and water-for maintenance of roadways
 - Hillsboro’s also includes an allotment for bicycle and pedestrian improvements
 - Assessed in utility bill with storm, sanitary, etc.
- All customers pay based on estimated trip generation
 - Other agencies have based on parking stalls, sewer equivalent dwelling units, flat rate per account, number of employees, truck deliveries, building square footage.

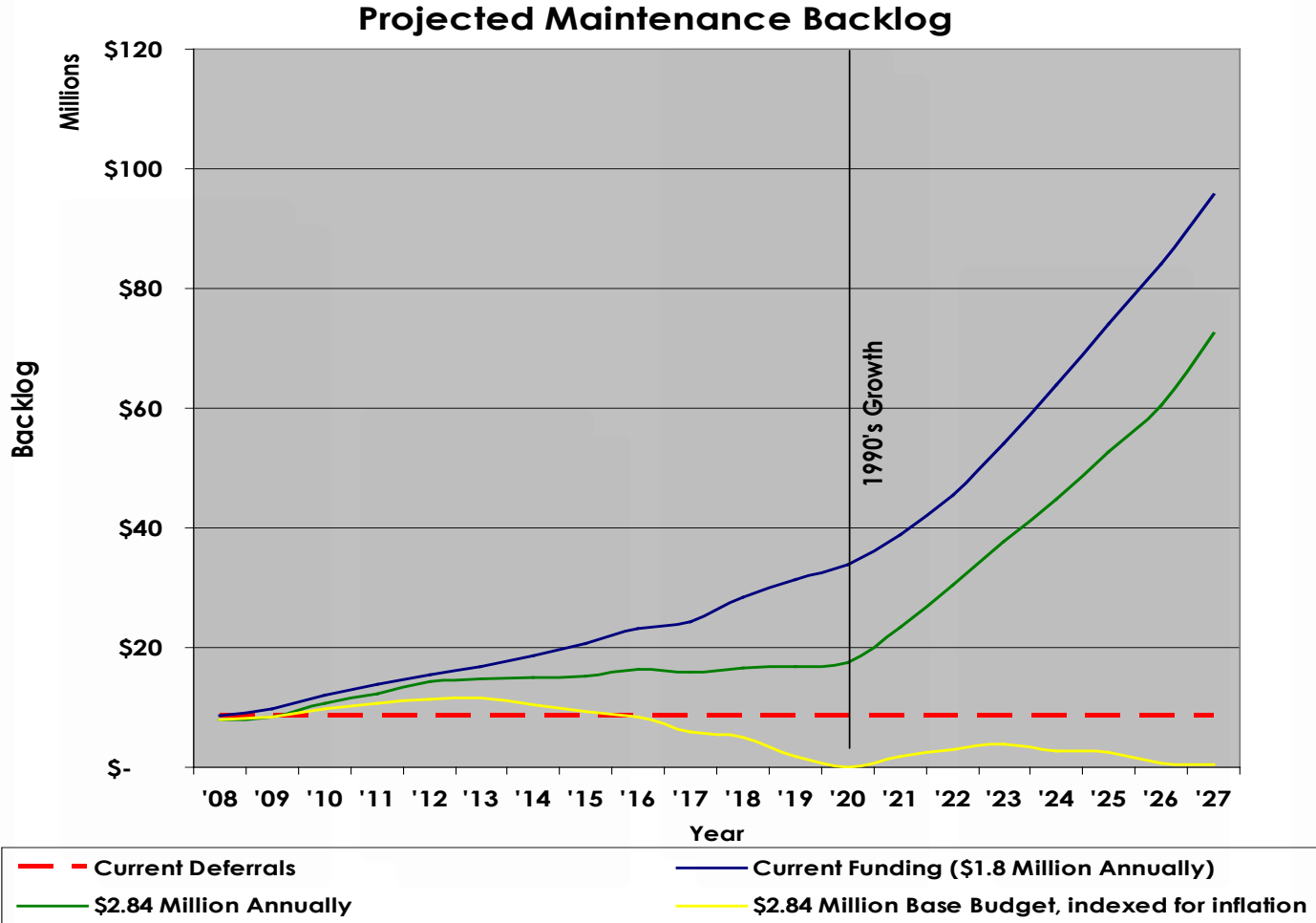
History

- Fee Development/Outreach: April 2007 to July 2008
- Program approved by Council: July 2008
- Effective: March 2009
- Reduced Multi Family Rate: July 2009
- First Evaluation: October 2010
- Recalibrated/Base Charge: May 2011
- Shifted cost allocation/Increased Revenue: April 2015 to April 2019

Public Official Support

- Didn't happen overnight.
- Modeling conditions/needs was critical
- Providing a simplified understanding of pavement management.
 - House Analogy
- Updating the council annually on the effects of decisions.
 - Deferrals – Historical and projected
 - Modeling budget scenarios
 - Look for critical message.

Hillsboro's Critical Message



“Getting TUF on our streets.”



Public Hearing Testimony

- Residential:
 - Generally supported.
 - Concerns about low income customers.
- Business Lobby Concerns:
 - This is a terrible time to increase taxes.
 - This is anti-business.
 - More money is government's only solution.
 - We pay more than our fair-share.
 - ITE overestimates our trips.
 - We don't benefit from bicycle & pedestrian facilities.

Cost Allocation

Residential/Non-Residential Share – At Adoption

- Based on Metro determination of residential, commercial, and industrial use of collectors and arterials.
- No data for local and neighborhood routes which account for the majority of Hillsboro’s network.
- Doesn’t differentiate between local streets that are residential and local streets that are commercial or industrial.
- Doesn’t account for alleys.
- Resulted in a cost allocation 52% residential/48% non-residential

Classification	Lane Miles	Residential	Commercial	Industrial	Public
Arterials	17.23	45%	35%	15%	5%
Collectors	125.16	50%	30%	15%	5%
Local/Neighborhood Routes	324.38	60%	25%	10%	5%

Cost Allocation

Residential/Non Residential Share Proposed

- Split share of arterials, collectors, neighborhood routes 50/50.
- Assign local commercial & industrial streets to non-residential customers.
- Assign local residential streets and alleys to residential customers.
- Resulted in an allocation 75% residential/25% non-residential

Classification	Maintenance Share	
	Residential	Non Residential
Arterials	50%	50%
Collectors	50%	50%
Neighborhood Routes	50%	50%
Local Commercial/Industrial Streets	0%	100%
Local Residential Streets	100%	0%
Alleys	100%	0%

Fee Determination

Residential

- At Adoption: Committee determined all residential units should pay the same amount.
 - $\text{Fee} = \text{Monthly Revenue Target} / \# \text{ Dwelling Units}$
- Current: Reduced Multi-family Residential (MFR) to 90% of Single Family Residential(SFR)
 - $\text{SFR Fee} = \text{Monthly Revenue Target} / (\# \text{SFR} + 0.9(\# \text{MFR}))$
 - $\text{MFR Fee} = 0.9(\text{SFR Fee})$
- Residential customers pay TUF for the Pavement Management Program (PMP) and Bicycle/Pedestrian Improvements (BPCIP)
 - Fee is determined for PMP & BPCIP revenue targets

Fee Determination

Non-Residential

- Trip generation for every non-residential land use had to be determined.
 - Information not readily available.
 - Building footprints determined through aerial photography.
 - Physically visited sites to determine the land use and number floors.
- Land uses with similar ITE trip generation characteristics grouped (bins)

Fee Determination

Non-Residential

- Bin 1: <7 trips/1000 sq.ft.
- Bin 2: 7-21 trips/1000 sq.ft.
- Bin 3: 25-53 trips/1000 sq.ft.
- Bin 4: 53-151 trips/1000 sq.ft.
- Bin 5: 151-400 trips/1000 sq.ft.
- Bin 1: less than 7 trips/1000 sq.ft.
- Bin 6: greater than 400 trips/1000 sq.ft.
- Bin 7: Special for ITE Trip generations not based on sq.ft.

1 Intel
2 School District
3 Target
4 City Hall
5 Wells Fargo
6 McDonalds
7 Regal Cinemas

Fee Determination

Non-Residential

- % of bin trips/total non residential trips equivalent to bins cost share of non residential fee.
 - Bin 7: trip generation per business capped at 1500 trips.
- Rates:
 - Bins 1-6: Bins cost share/1000 sq.ft. in bin
 - Bin 7: Bins cost share/trips in bin

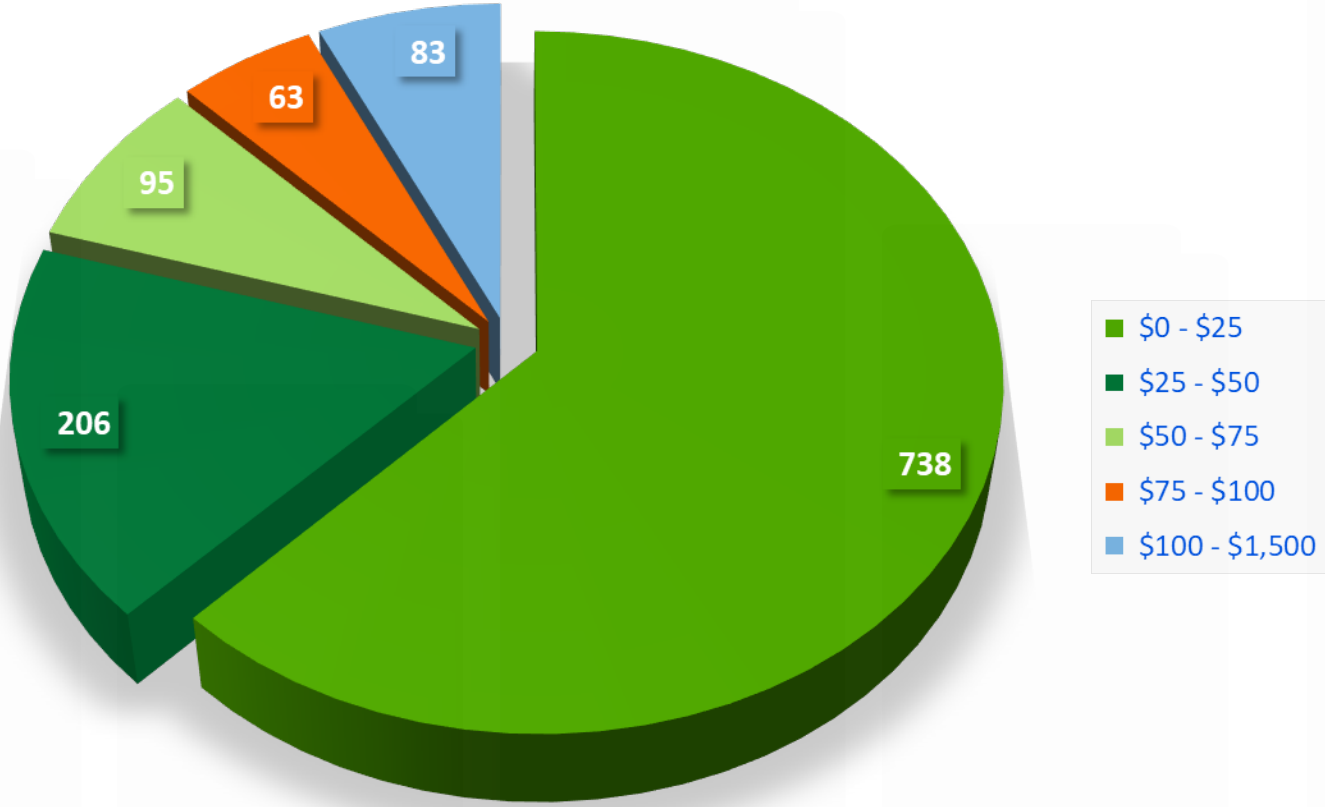
Rates

Category/Bin (ITE Trip Generation)	Rate Basis	At Adoption ('09)	Current
Non-Residential			
1 (< 7 trips/1000 sf)	1000 sf	\$0.22	\$0.34
2 (7-25 trips/1000 sf)	1000 sf	\$0.53	\$0.82
3 (25-53 trips/1000 sf)	1000 sf	\$1.78	\$3.01
4 (53-151 trips/1000 sf)	1000 sf	\$3.73	\$6.06
5 (151-400 trips/1000 sf)	1000 sf	\$10.18	\$15.91
6 (>400 trips/1000 sf)	1000 sf	\$18.41	\$39.86
7 (non square footage based)	Trips (max 1500)	\$0.05	\$.08
Base Charge		n/a	\$7.91
Residential			
8 (SFR)	Dwelling Unit	\$3.10	\$8.79
9 (MFR)	Dwelling Unit	\$3.10	\$7.91

"Getting TUF on our streets."

Non-Residential Customers

Monthly Bills



“Getting TUF on our streets.”

Revenue

Category	Units		Monthly	Annual
MFR	16688 Units	PMP	\$92,451	\$1,109,412
		BCPIP	\$39,446	\$473,352
		Total	\$131,897	\$1,582,764
SFR	23497 Units	PMP	\$144,495	\$1,733,940
		BPCIP	\$61,797	\$741,564
		Total	\$206,292	\$2,475,504
Non-Residential	1430 Accounts	PMP	\$87,035	\$1,044,420
		Total PMP	\$323,982	\$3,887,784
		Total BPCIP	\$101,243	\$1,214,916

"Getting TUF on our streets."

Discounts/Waivers

Single Family Residential

- Motor Vehicle Discount - 30% discount
 - No vehicle registered to address.
- Transit Pass Discount - 30% discount
 - Tenant has purchased annual transit pass.
- Hardship Waiver - One full year waiver
 - Household income <60% of Oregon median
- Unemployment Waiver - 6 Month Waiver
 - One party in household laid off within 30 days of application

Discounts/Waivers

Non - Residential

- Employer Transit Pass Discount - Up to a 30% discount
 - Employer purchases annual transit passes.
- Employer DEQ ECO Program Discount Up to a 30% discount
 - Employer programs in place to reduce vehicle trips.
- Employers can combine discounts up to a maximum combined of 30%

Potential Future Changes

- Only the Residential Hardship Waiver is being utilized by customers.
 - Different program from all our other utilities hardship programs makes it confusing to customers.
- Fee is not indexed.
 - Does require a “rebalance” every five years.
 - Additional revenue due to new customers is the starting point for a “revenue neutral” rebalance.
- Some indication from individual councilors of an interest to expand the fee for street tree and/or sidewalk maintenance.

More Information

- City of Hillsboro TUF Website:
Hillsboro-Oregon.gov/TUF
- Tina Bailey
tina.bailey@Hillsboro-Oregon.gov