

Center for Accelerating Innovation



# Value Capture:

Capitalizing on the Value Created by Transportation

## Presenters

**Katie Hulbert**, Transportation Specialist, Office of Infrastructure, FHWA

**Janine Ashe**, Civil Rights Policy & Regulations Specialist, FHWA

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**Rafael Aldrete**, Senior Research Scientist, Texas A&M Transportation Institute

**Sasha Page** (facilitator), Principal, IMG Rebel

# Agenda

- What is the EDC-5 Value Capture initiative?
- Why is Value Capture needed?
- Value Capture Overview and Benefits
- FHWA Role in Value Capture Initiative
- Case Studies
- Q&A/Do you know?



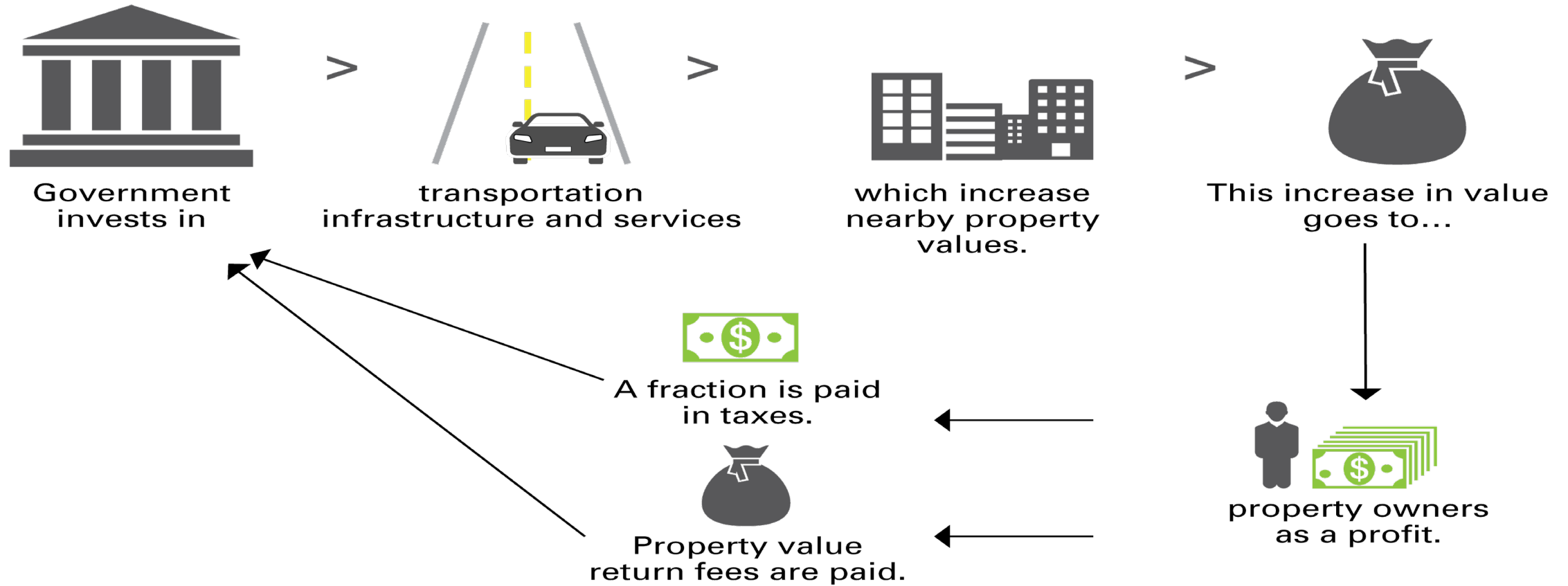
**What is the EDC-5 Value Capture initiative?**

# 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



# Example: Value Capture Funds Corridor Improvement

## Virginia Route 28 Transportation Improvement District

- District formed in 1987 jointly by Loudon and Fairfax Counties
- Maximum tax rate of \$0.20 per \$100 of assessed value
- Raises ~ \$23 million in revenue
- \$138 million, 14 - mile widening from two to six lanes completed in 1991
- District and State share project costs 75/25

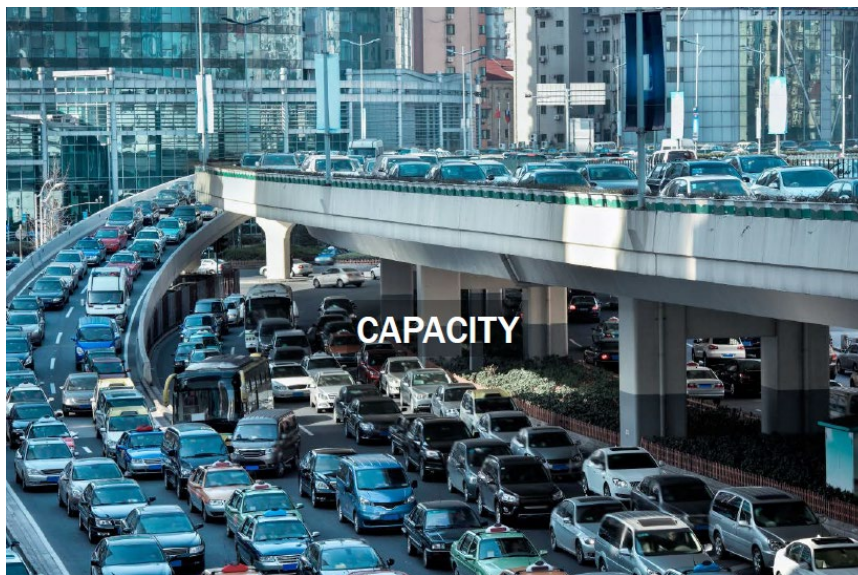


[https://www.fhwa.dot.gov/ipd/project\\_profiles/va\\_route28.aspx](https://www.fhwa.dot.gov/ipd/project_profiles/va_route28.aspx)



# 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

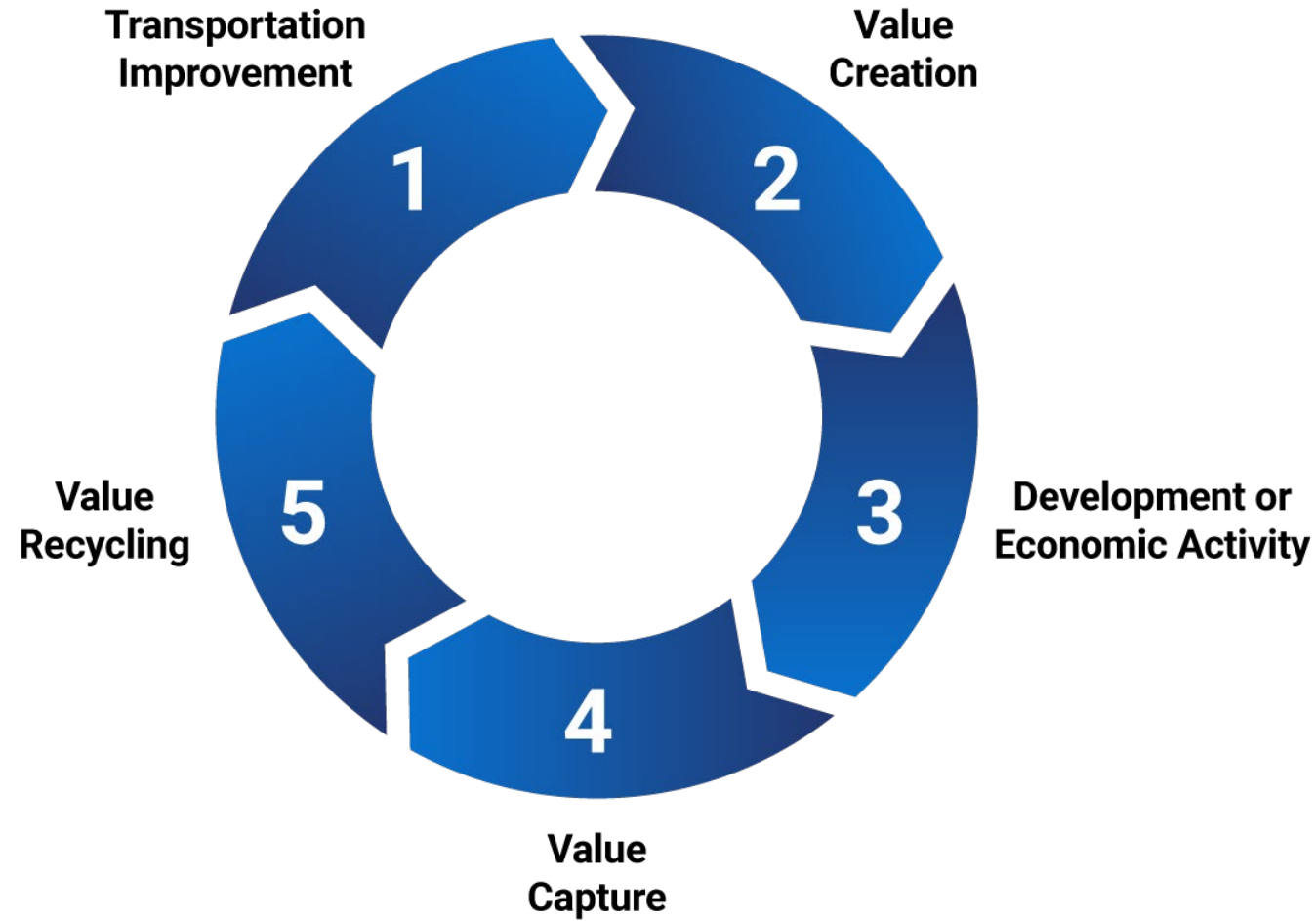
- FHWA seeks to improve consideration of **all** revenue and finance options in the project development process
- FHWA seeks **to build capacity for consideration and implementation** of revenue options/value capture tools
- USDOT's Build America Bureau offers **innovative financing** through the TIFIA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





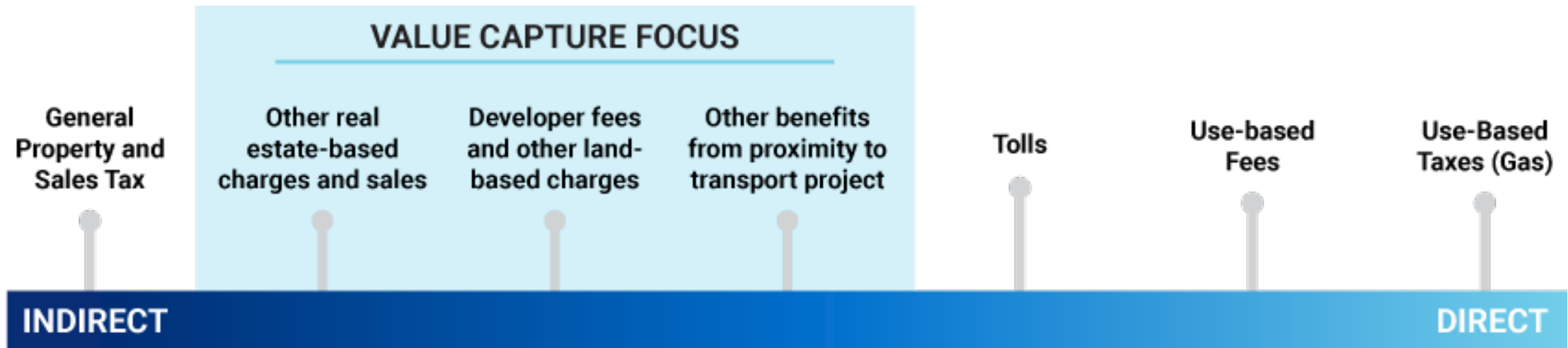
# Value Capture Overview & Benefits

# What is Value Capture?



Source: NCHRP Research Report 873

# Value Capture Beneficiaries



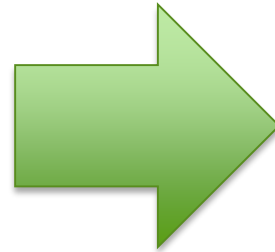
Source: NCHRP Research Report 873



# 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



# Value Capture Techniques

# How is the Value Captured?

- Developer Contributions
  - ✓ Impact fees
  - ✓ Negotiate Exaction and 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

# 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

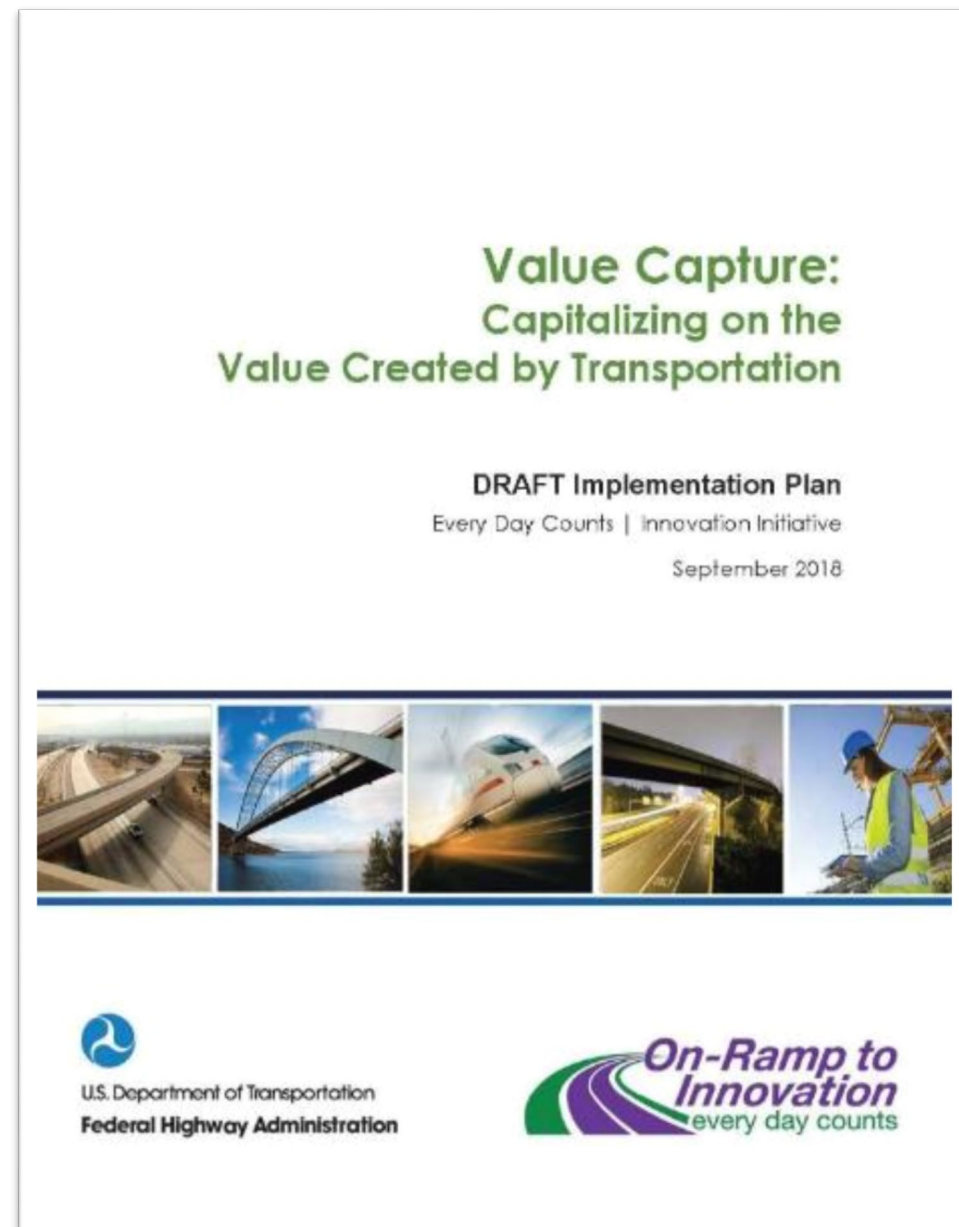
- **Communication** – Developing the tools to help FHWA staff and others promote Value Capture to local public agencies (Value Capture Implementation Manual)
- **Technical assistance** – Providing technical assistance to local public agencies interested in pursuing Value Capture (Peer Program)
- **Clearing 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.

# 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 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/)



# Case Study – Osceola County Florida

## Transportation Impact Fees & Funding

Kenneth E. Atkins, P.E., FHWA



# Minimize The Frustration

- Periods of Dynamic Growth Are Frustrating
  - Crowded Roads
  - Developers were frustrated w/ County
  - Poor Levels of Service
  - Locals were frustrated w/ changing culture
- Strategic Planning Minimizes The Problems
- Vision of The End Product Helps

# Transportation Impact Fee Background

- Approved in 1989
- Implemented in 1990
- Last update in 2007
- Suspension/ moratorium in 2011 & Repealed 2012
- Replace with Mobility Fee, effective date June 22, 2015

# Value Capture Advances Roadway & Bridge Program

- Osceola County impact fees are assessed on new development to provide funding for the County to create improvements needed to serve that development's users
- Impact fees are assessed at the time a building permit is issued and are paid prior to the issuance of a Certificate of Occupancy
- See:  
[https://www.fhwa.dot.gov/ipd/alternative\\_project\\_delivery/defined/bundled\\_facilities/case\\_study\\_osceola\\_county\\_bridge\\_roadway.aspx](https://www.fhwa.dot.gov/ipd/alternative_project_delivery/defined/bundled_facilities/case_study_osceola_county_bridge_roadway.aspx)

# Value Capture Advances Roadway & Bridge Program

- Projects bundled using Alternative Contracting Methods (ACMs)
- Countywide 11 projects with 13 bridges
  - ✓ Bridges were part of roadway projects
- 1 billion dollar program – started w/ bundling \$350-million
- 100% locally funded by Value Capture -impact fees

# Transportation Mobility Fee

Transportation system charge on development that allows local governments to assess the proportionate cost of transportation improvements needed to serve the demand generated by development projects.

MOBILITY FEE =

Additional transportation demand from development

X

Identified cost for transportation improvements to mitigate  
associated development impact

# The Results

- Most accelerated program in Nation
- 11 Major Roadways in 1-year
- Returned \$80 million to local economy in first 4 months of construction
- 11 times previous production
- Returned 36 million dollars in savings to the County's budget
- Start of design to ground breaking as fast as 15 months
- Saved numerous local contractors from going out of business



# Case Study – Texas Transportation

## Reinvestment Zones – Concepts & Implementation

Rafael Aldrete, Texas A&M Transportation Institute





# Texas Transportation Reinvestment Zones – Concepts and implementation

Federal Highway Administration

Every Day Counts Regional Summit

St. Louis, Missouri

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October 29-30, 2018



# Outline

**Introduction and  
Background**

**The Texas TRZ**

**Evolution of the TRZ  
Legal Framework**

**The TRZ  
Implementation Process**

**Opportunities and  
Limitations**

**Active Texas TRZs**

# Introduction



**Funding  
Transportation  
Needs**



**Creative Thinking**

- Doing more with less
- Alternative funding sources



**Texas Legislature SB  
1266 (2007) Created  
TRZs**



**14 Local TRZs  
Since 2007**

# Background

## Types of Value Capture Mechanisms used in Transportation #1 of 2

Mechanism	Definition	Applicable Purpose	Examples (State)
<b>Impact Fees (IF)</b>	<ul style="list-style-type: none"> <li>•One-time charge</li> <li>•Local governments collect from developers to finance new infrastructure and services for new development.</li> </ul>	Cost recovery	<ul style="list-style-type: none"> <li>•Transportation System Development Charges</li> <li>•In OR used to fund existing and new capacity</li> <li>•Also used in WA and NJ</li> </ul>
<b>Special Assessment District (SAD)</b>	<ul style="list-style-type: none"> <li>•Additional fee on properties benefiting from proximity to a new facility</li> <li>•District vote is needed</li> <li>•Projects require district vote</li> </ul>	Capture of project expansion benefits	<ul style="list-style-type: none"> <li>•VA and OH (Downtown Improvement Districts),</li> <li>•IL Special Service Areas</li> </ul>
<b>Sales Tax District (STD)</b>	<ul style="list-style-type: none"> <li>•Type of SAD requiring project beneficiaries to pay limited sales tax instead of property tax</li> </ul>	Capture of project expansion benefits	<ul style="list-style-type: none"> <li>•IL Special Service Areas;</li> <li>•MO and KS Transportation DD</li> </ul>
<b>Negotiated Exaction (NE)</b>	<ul style="list-style-type: none"> <li>•One-time charge similar to IFs but not requiring a formal process</li> <li>•Example: in-kind contributions to local infrastructure (roads, parks, etc.) for development approval</li> </ul>	Capturing opportunity for value creation and cost recovery	<ul style="list-style-type: none"> <li>•VA proffer</li> </ul>

# Background

## Types of Value Capture Mechanisms used in Transportation #2 of 2

Mechanism	Definition	Applicable Purpose	Examples (State)
Joint Development (JD or P3)	<ul style="list-style-type: none"> <li>•Development of a transit facility and adjacent private real estate</li> <li>•Private partner provides facility or makes financial contribution to offset construction costs</li> </ul>	Capturing opportunity for value creation and cost sharing and revenue sharing with private sector	Massachusetts Turnpike (MA) and Washington Metropolitan Transit Authority (VA)
Air Rights (AR)	<ul style="list-style-type: none"> <li>•Form of JD</li> <li>•Dev. rights above or below infrastructure facility used to generate / capture incremental increase in land value</li> </ul>	Capturing opportunity for value creation and cost sharing and revenue sharing with private sector	Massachusetts Turnpike (MA) Interstate 5 (WA)
Land Value Tax (LVT)	<ul style="list-style-type: none"> <li>•Tax imposed on land value benefiting from infrastructure</li> </ul>	Capture of project expansion benefits	Pennsylvania counties (PA)
Transportation utility fees (TUFs)	<ul style="list-style-type: none"> <li>•Utility fees assessed on characteristics more closely related to transportation demand than property taxes</li> </ul>	Cost recovery: operating and maintenance costs	Oregon TUF for pavement maintenance (OR)
<u>Tax increment financing (TIF)</u>	<ul style="list-style-type: none"> <li>•<u>Mechanism to allocate any increase in total property tax revenues toward public investment within a designated district</u></li> </ul>	<u>Capture of project expansion benefits</u>	<u>TRZs (TX)</u>

# The Texas TRZ – Definition (#1 of 2)

- **Texas TRZs**

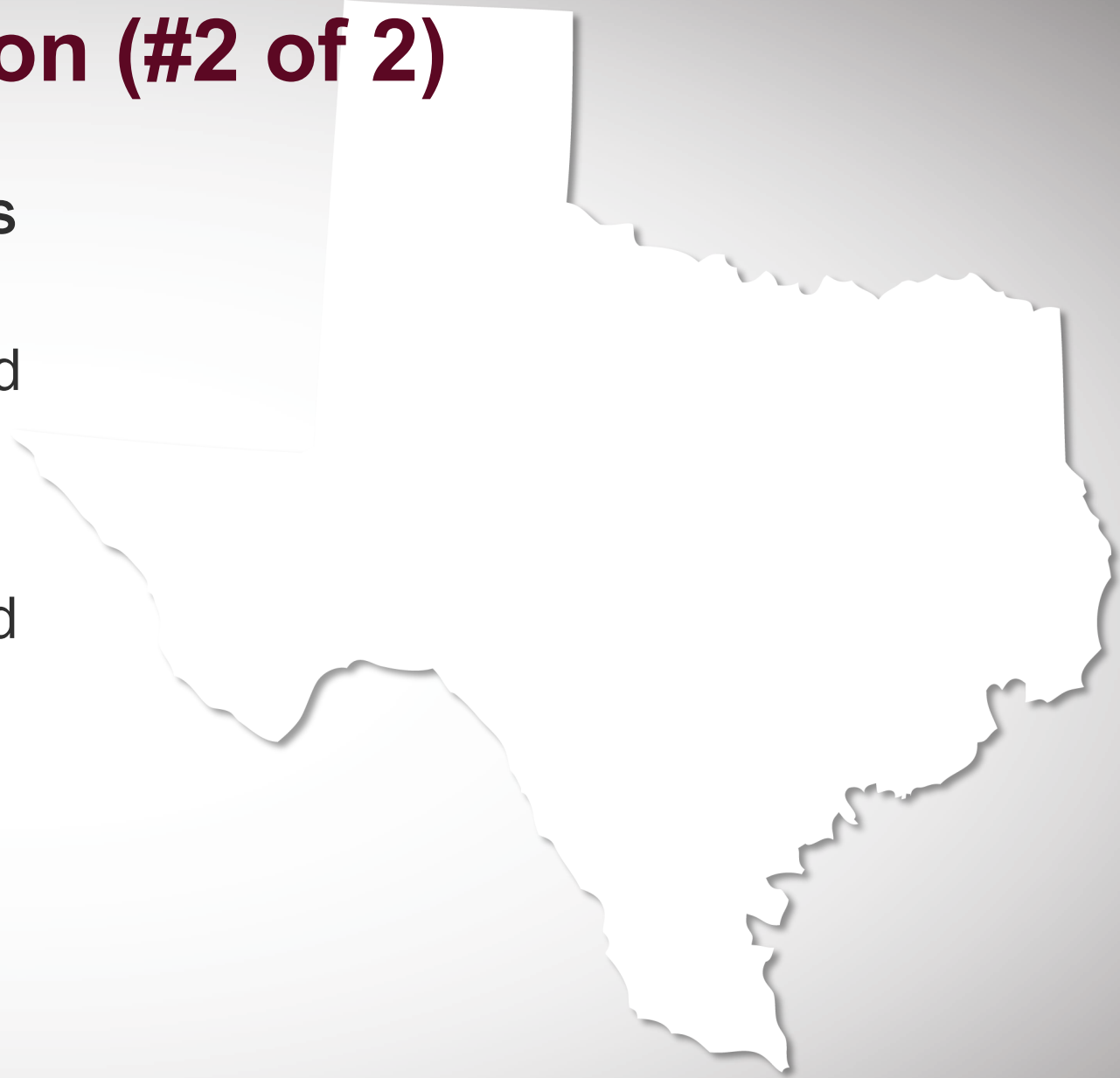
- Designated contiguous zone around a planned transportation improvement where properties are expected to benefit from the project through land development, value increases
- Legal arrangement to facilitate value capture via the property and sales tax mechanism and allow the local government to use incremental tax revenue as collateral

- **Texas TRZs are not a new tax**

- Tax rates do not change
- Revenue realized only if real property develops / increases in value

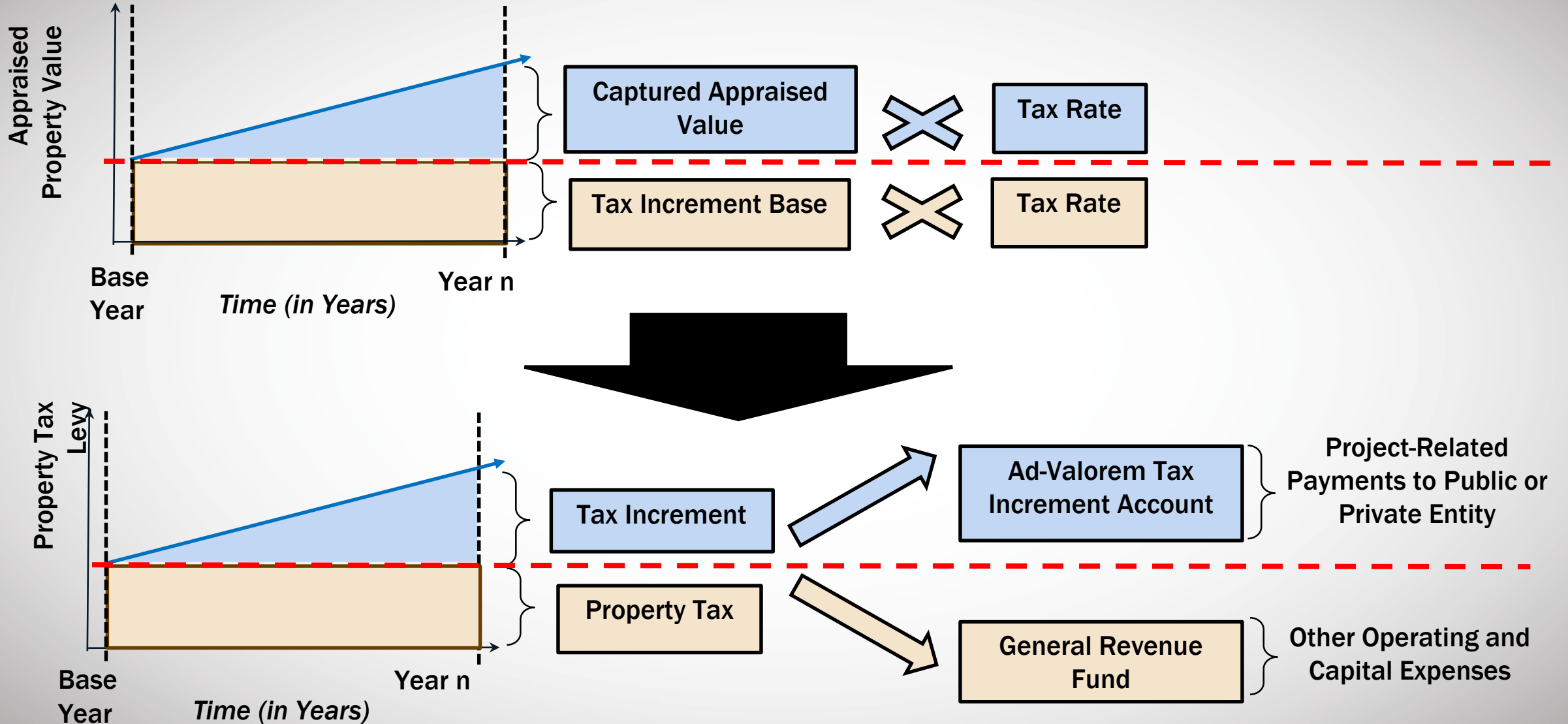
# The Texas TRZ – Definition (#2 of 2)

- **TRZs Expedite Transportation Projects**
  - Local match contributions
  - Multiple funding sources leveraged
- **TRZ Legal Framework Has Evolved**
  - Process / requirements clarified
  - Uses / types modified or expanded
- **Three TRZ Types**
  - Municipal
  - County
  - Port Authority





# The Texas TRZ – How it Works



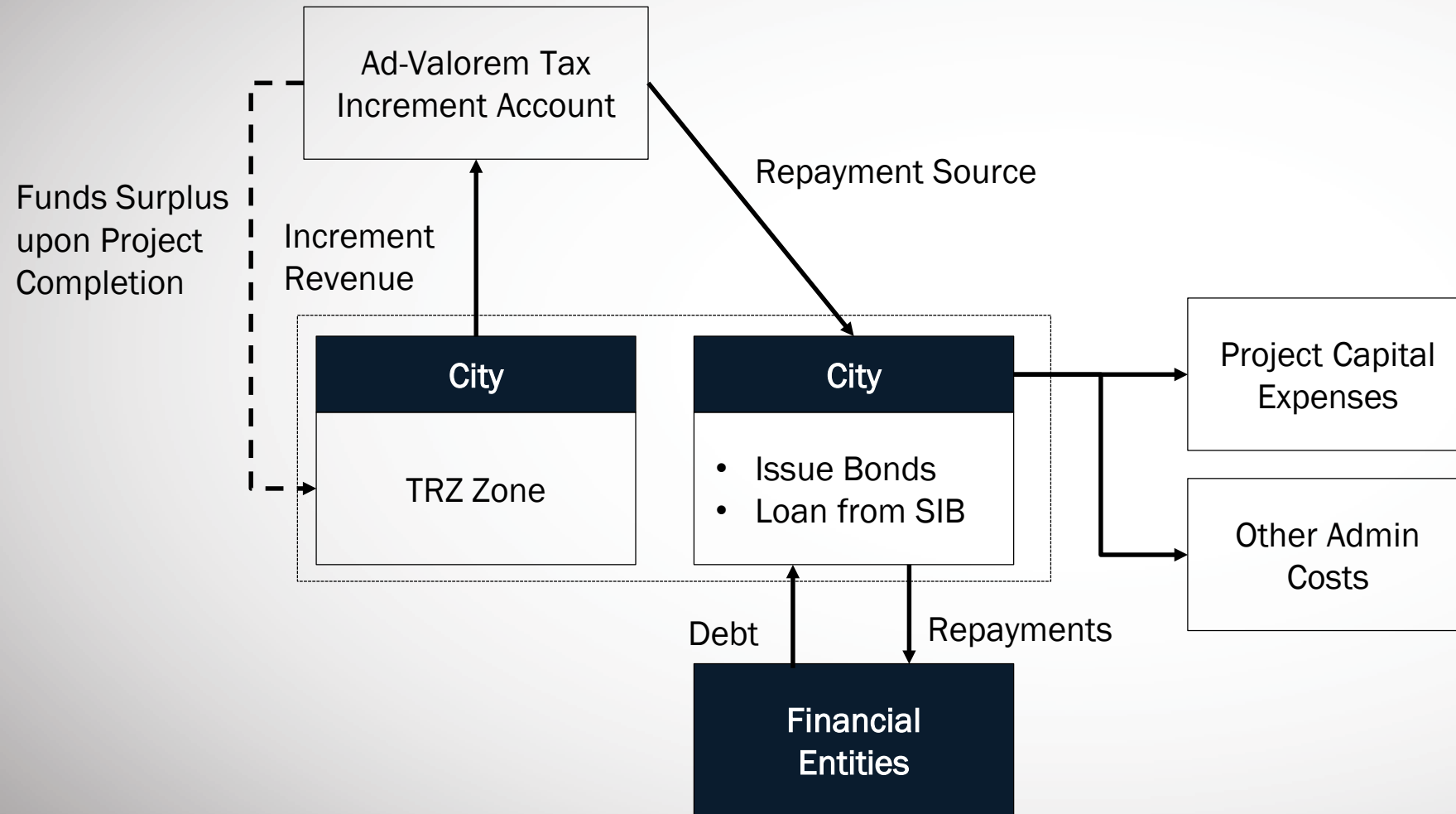
# The Texas TRZ – Financing Options

## Three Financing Options Available for TRZ Revenue Funds

Type	Form	Advantage	Disadvantage
Pay-as-you-go	<ul style="list-style-type: none"><li>• Expenditure within the budget limit</li></ul>	<ul style="list-style-type: none"><li>• No financial cost</li></ul>	<ul style="list-style-type: none"><li>• Slow/late delivery due to capital constraints</li></ul>
Municipal bond financing	<ul style="list-style-type: none"><li>• Public financing from capital markets</li></ul>	<ul style="list-style-type: none"><li>• Earlier availability of capital</li><li>• Flexibility to finance different project types</li></ul>	<ul style="list-style-type: none"><li>• Higher transaction, interest costs</li><li>• Faster than pay-as-you-go</li></ul>
State Infrastructure Bank (SIB)	<ul style="list-style-type: none"><li>• Long-term debt from the state</li></ul>	<ul style="list-style-type: none"><li>• Earlier availability of capital</li><li>• Lower transaction, interest costs</li></ul>	<ul style="list-style-type: none"><li>• Competition with other jurisdictions</li><li>• Federalization: added time and cost</li><li>• Restrictions on financing of projects off the state system</li></ul>

# The Texas TRZ – How Funds Flow

## Bond and SIB Loan Financing



**Start:** Public entity borrows money with TRZ revenue as collateral.

**Construction:** Government starts construction

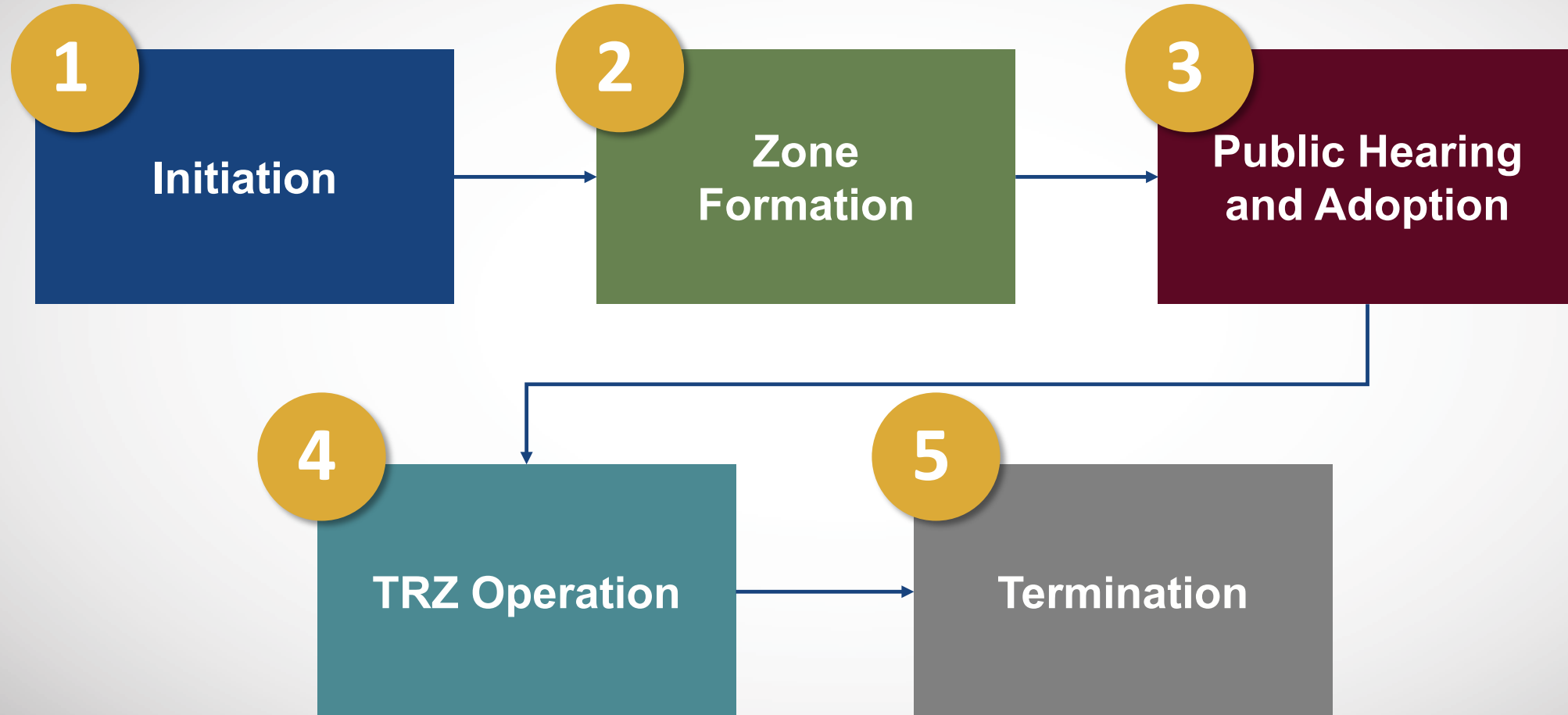
**Operation:** Government repays debt using tax increment

# Evolution of the TRZ Legal Framework

Categories	2007 (SB 1266)	2011 (HB 563)	2013 (SB 1110 HB 2300 & SB 971)	2017 (SB 1305)
<b>Project Type</b>	<ul style="list-style-type: none"> <li>• State Highway (pass-through toll)</li> </ul>	<ul style="list-style-type: none"> <li>• State Highway</li> <li>• Local Roads</li> <li>• Transit</li> </ul>	<ul style="list-style-type: none"> <li>• Port</li> <li>• Multimodal</li> </ul>	
<b>TRZ Type</b>	<ul style="list-style-type: none"> <li>• Municipal</li> <li>• County</li> </ul>		<ul style="list-style-type: none"> <li>• County Energy</li> <li>• Port Authority</li> </ul>	<ul style="list-style-type: none"> <li>• County Energy (Repealed)</li> </ul>
<b>TRZ Management</b>	<ul style="list-style-type: none"> <li>• Property Tax TRZ</li> </ul>	<ul style="list-style-type: none"> <li>• Partial allocation of tax increment</li> <li>• 10-year termination if project is not identified</li> <li>• Contracting with public/private entities</li> <li>• Bonding</li> <li>• Real property may be added in future years</li> </ul>	<ul style="list-style-type: none"> <li>• Fund multiple projects</li> <li>• TRZ joint administration</li> <li>• Multiple administration for multiple TRZs</li> </ul>	

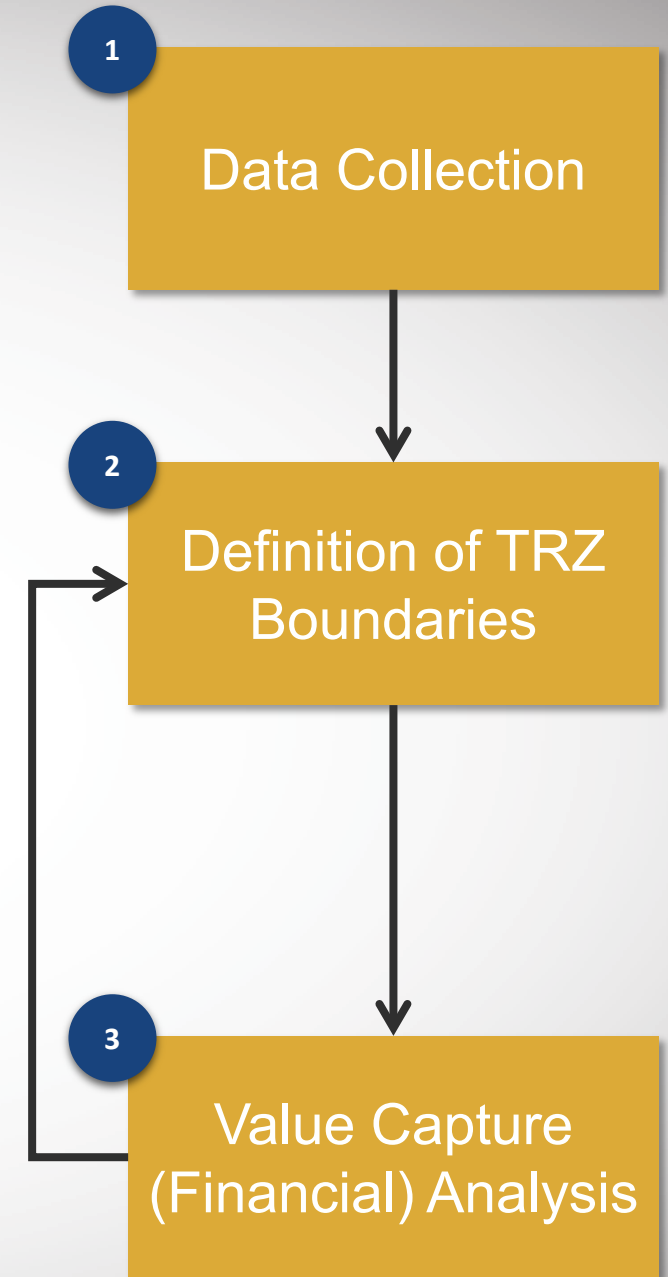
# TRZ Implementation Process

## Five Steps: Initiation to Termination



# 1. Initiation

- **Project Identification and Need**
  - Specific development/economic benefits from project(s)
  - Determine area eligibility/preliminary boundaries
  - Conduct preliminary feasibility analysis
- **Developing Stakeholder Relations and Champions**



# 2. Zone Formation

## Refine

### Refine Boundaries, Zones, Parcels

- Must be contiguous
- Unproductive/ underdeveloped region
- Practical considerations drive boundaries
- Can establish boundaries without knowing exact project limits

## Establish

### Establish Benchmark Year for Tax Increment Collection

## Provide Notice

### Provide 60-day Notice

- Hearing 30 Days Before Expected TRZ Designation

## Analyze

### Refine Value Capture Revenue Analysis



# 3. Public Hearing and Adoption

## Public Hearing Timing



- Public notice
- What government can do during 30-day period
  - Update expected project costs
  - Consider joint funding agreements
  - Conduct final boundary/parcel review, assess expected revenue impacts
  - Finalize parcel list included in TRZ

## 30 Days after Hearing



- TRZ adopted/designated by order/resolution

## 4. Operation

### Every Year after TRZ Adoption

- Tax increment transferred into account

### Monitoring, Evaluation Become Critical

- Not a legal requirement
- Optimizes revenue, payment streams
- Monitoring information valuable
  - E.g., if revenue is below expectations, develop insights to activate contingency plan

## 5. Termination

### Dissolution of TRZ

Dec. 31 of compliance year with contractual requirement

**OR**

### Dissolution of TRZ

Dec. 31 of the 10th year after establishment if not used

# TRZs: Opportunities

Partnership opportunities  
(common goal)

Multimodal networks  
(resulting from project scope)

Easier to operate  
compared to other finance mechanisms

**Opportunities**

# TRZs: Limitations

**Limitations**

Constitutional  
restrictions on  
counties

SIB: only cost-  
effective lending  
Institution

# Active TRZs – 14 in Planning or Operation Phase (2017)

TRZ Name and Location	TRZ Type	Date Established
City of El Paso TRZ No. 2	Municipal	December 2010
City of El Paso TRZ No. 3	Municipal	December 2010
City of El Campo TRZ No. 1	Municipal	December 2012
Town of Horizon City TRZ No. 1	Municipal	November 2012
City of Socorro TRZ No. 1	Municipal	October 2012
City of San Marcos TRZ No. 1	Municipal	December 2013
Cameron County, TRZ No. 6	County	December 2015
Hidalgo County TRZ No. 2	County	December 2011
El Paso County TRZ No. 1	County	December 2012
Hays County TRZ No. 1	County	December 2013
Port of Beaumont TRZ No. 1	Port Authority and Navigation District	December 2013
Port of Arthur TRZ No. 1	Port Authority and Navigation District	December 2013
Sabine-Neches Navigation District TRZ No.1	Port Authority and Navigation District	December 2013
Port of Brownsville TRZ No. 1	Port Authority and Navigation District	December 2013

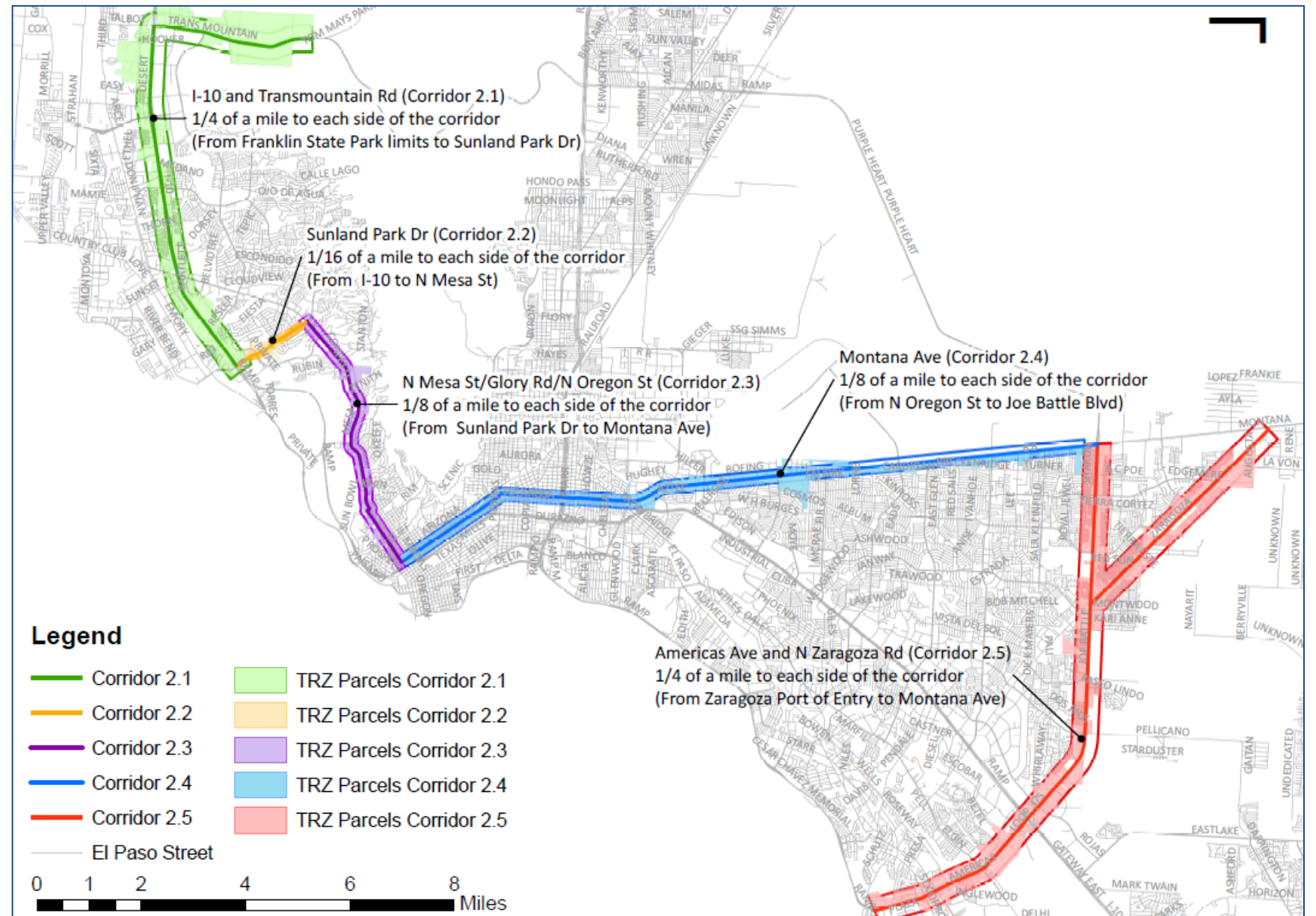
# Active Texas TRZs: City of El Paso TRZ

- Comprehensive Mobility Plan 2008 ~ \$1 Billion
- TRZ Contribution: \$70M (7%)
- TRZ Boundaries Designation:
  - 1/16 to 1/4 of a mile, depending on location
  - TRZ No.2: 4,434 Acres
  - TRZ No.3: 5,513 Acres

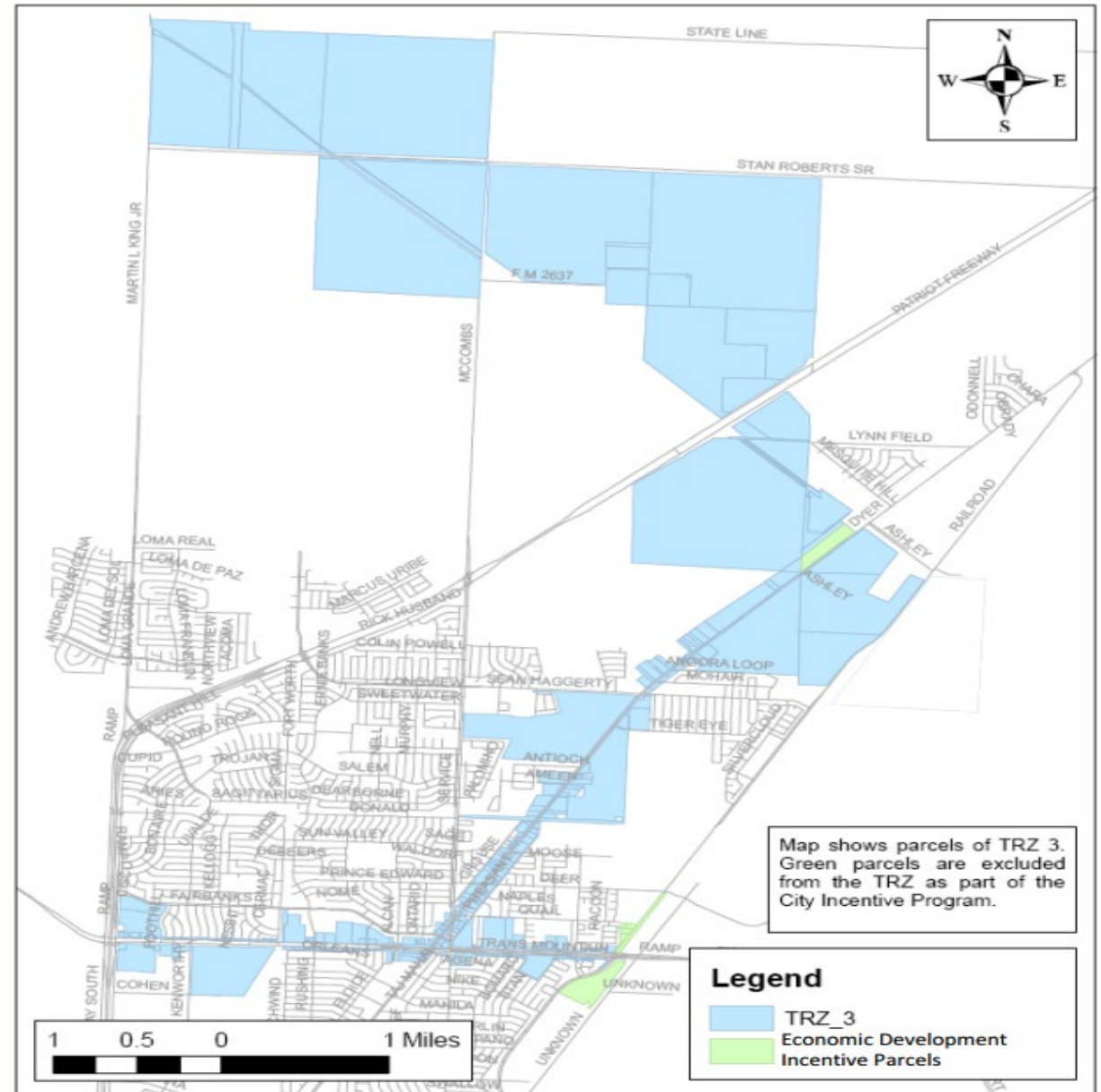




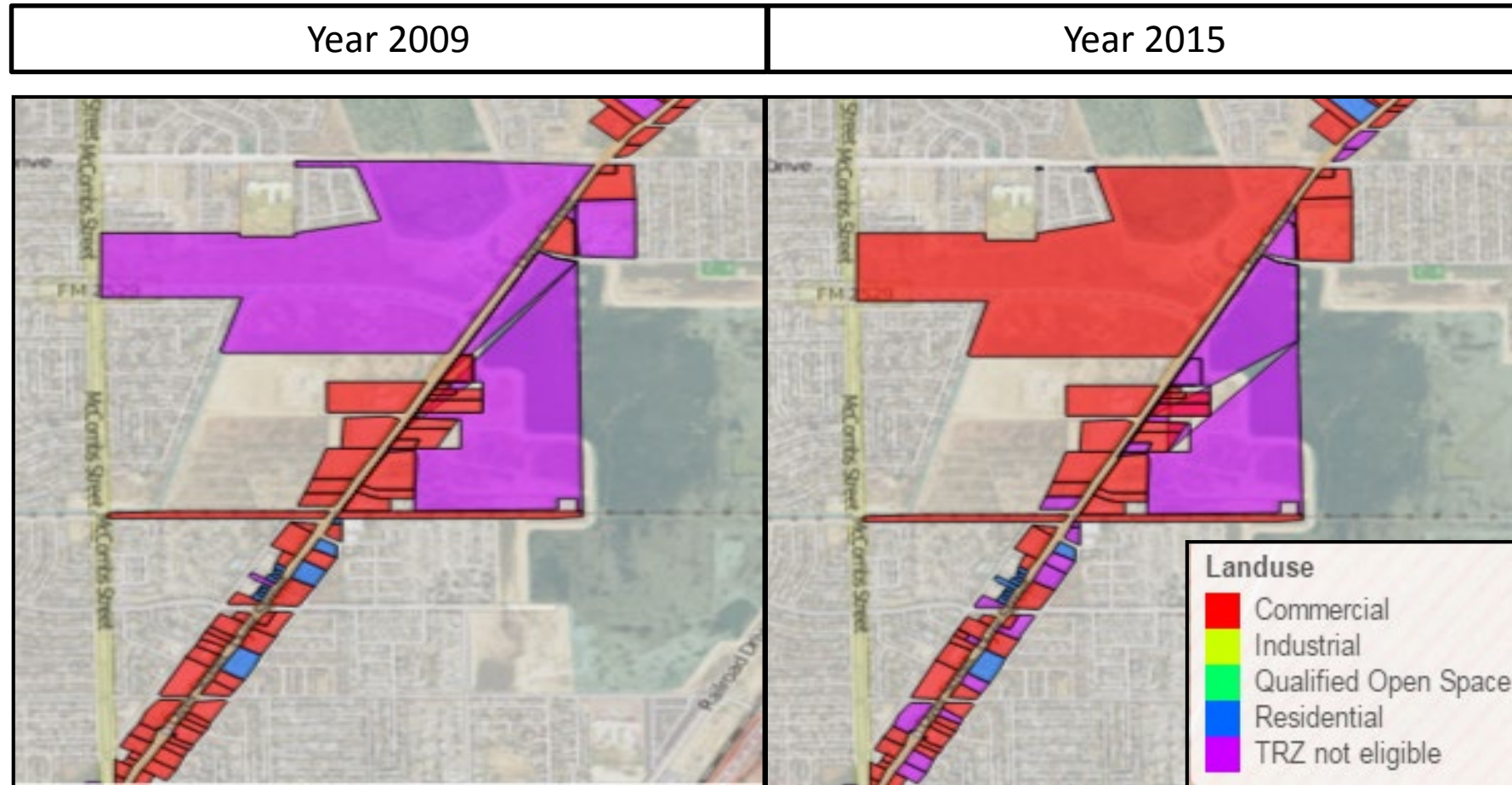
# Transportation Reinvestment Zone No. 2



# Transportation Reinvestment Zone No. 3

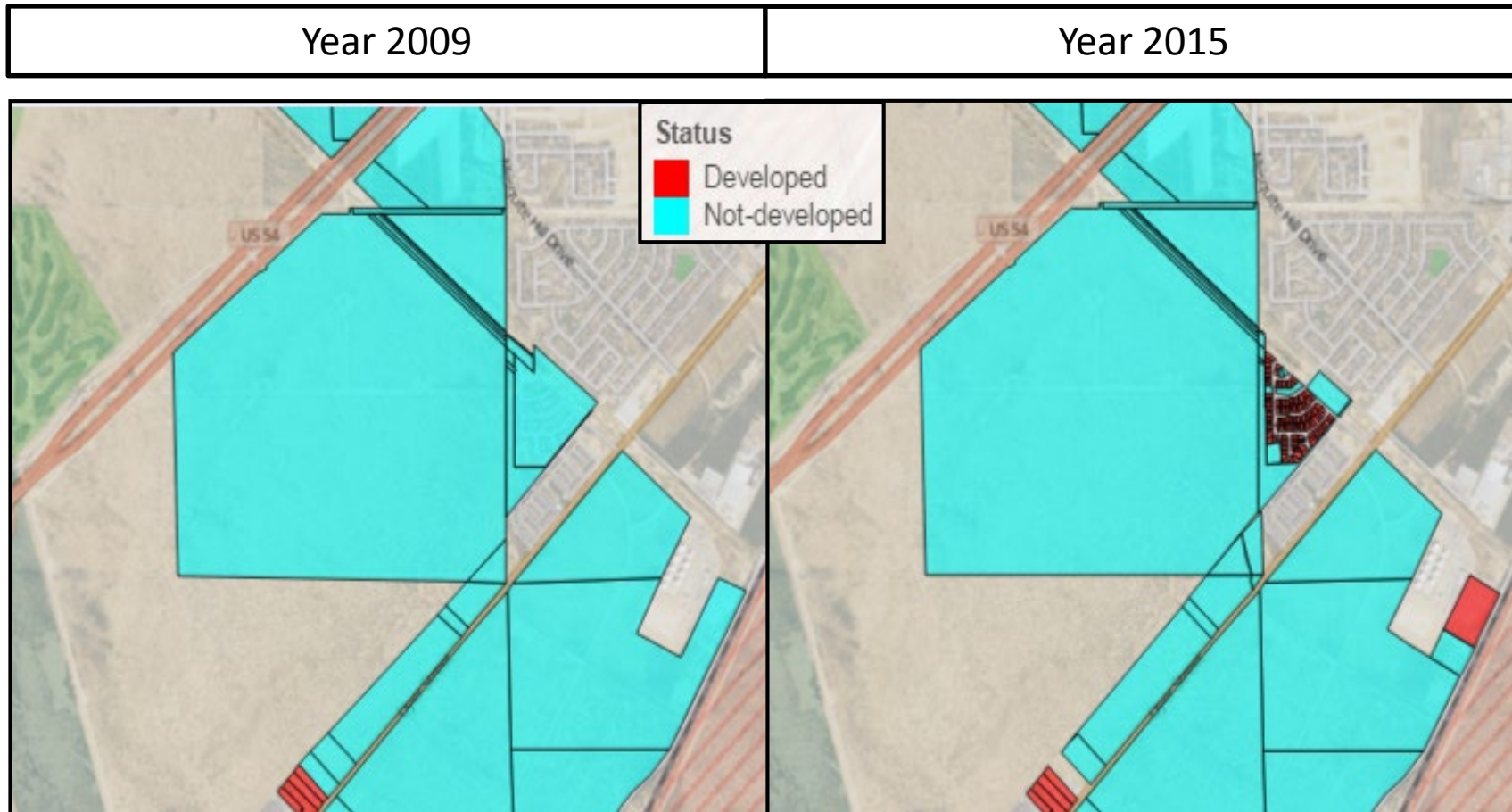


# El Paso TRZ No.3 Land Use Change 2009-2015

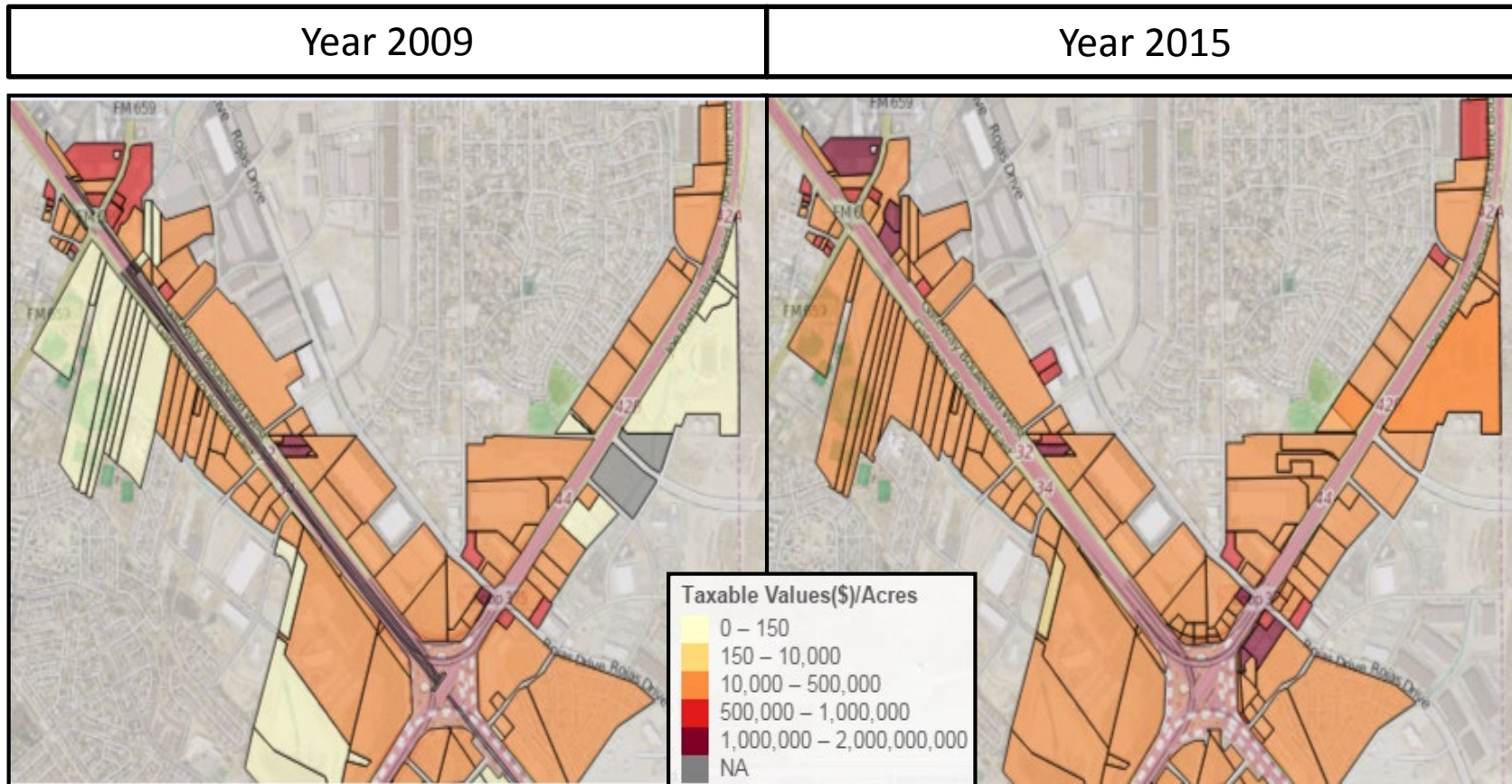




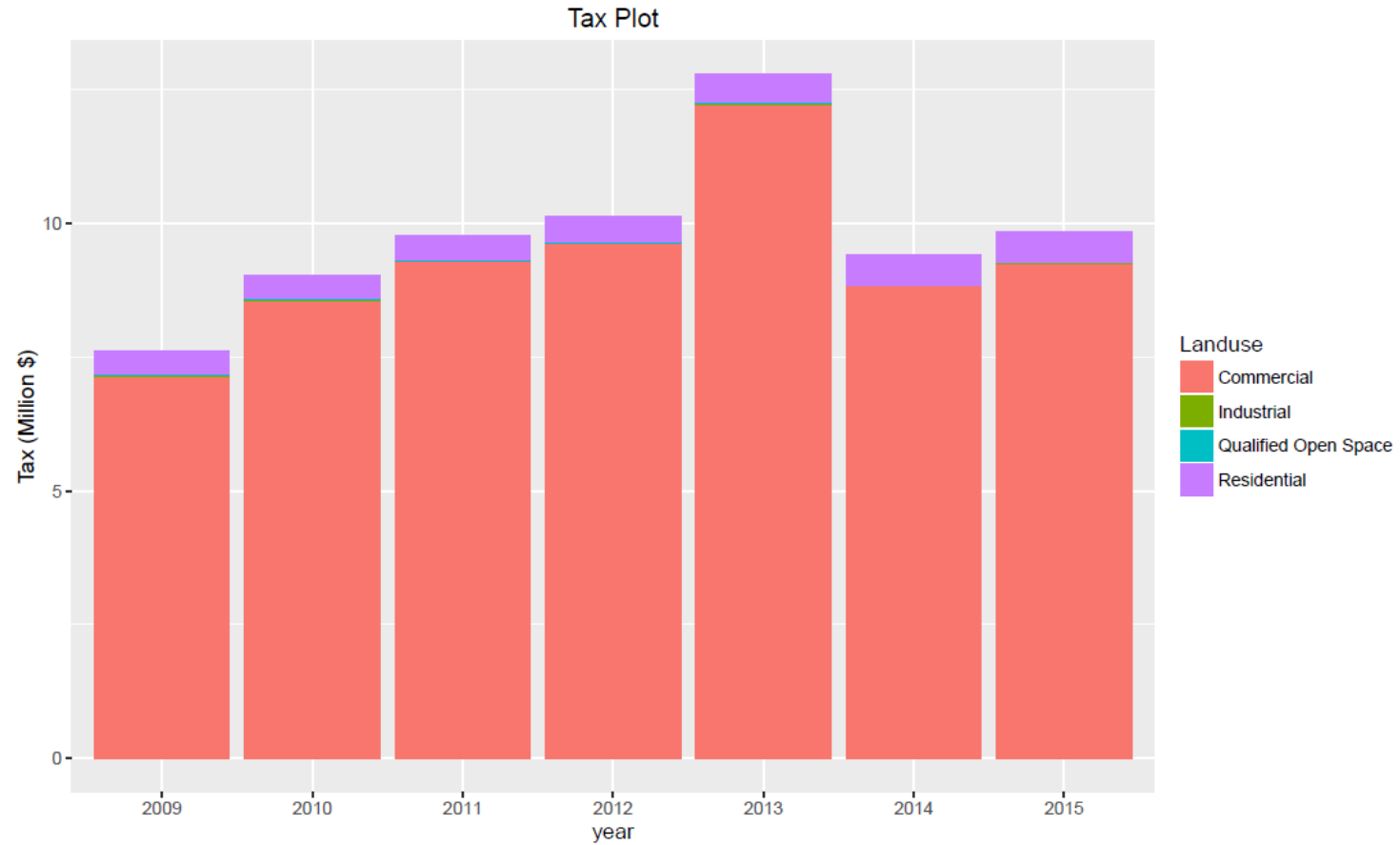
# El Paso TRZ No.3 Development Status 2009-2015



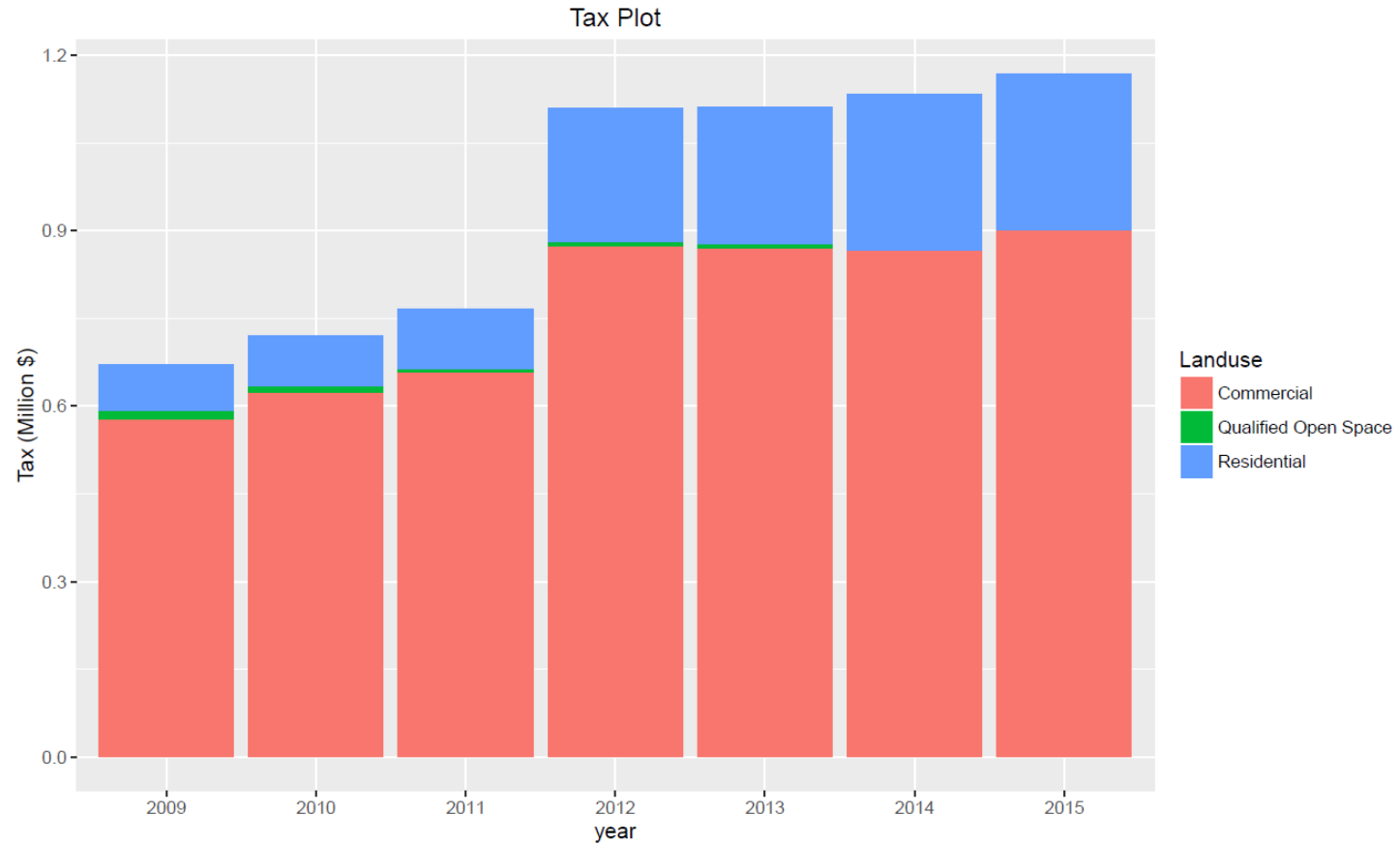
# El Paso TRZ No.2 Taxable Value Change 2009-2015 (partial)



# Taxable Value Increment within TRZ No.2



# Taxable Value Increment within TRZ No.3





# Questions

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# Questions & Answers



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# Do you know? Value Capture Techniques

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**Thank You**  
**Katie Hulbert & Janine Ashe**

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**Thay Bishop:** [Thay.Bishop@dot.gov](mailto:Thay.Bishop@dot.gov)

## From the Facebook page of Capitol Crossing

<https://www.facebook.com/search/top/?q=Capitol%20Crossing%20construction>

