

Center for Accelerating Innovation



Value Capture:

Capitalizing on the Value Created by Transportation

Presenters

Stefan Natzke, Office of Planning, Environment, & Realty,
FHWA

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Consulting Group (formerly FDOT)

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
- Case Study
- Q&A/Do you know?



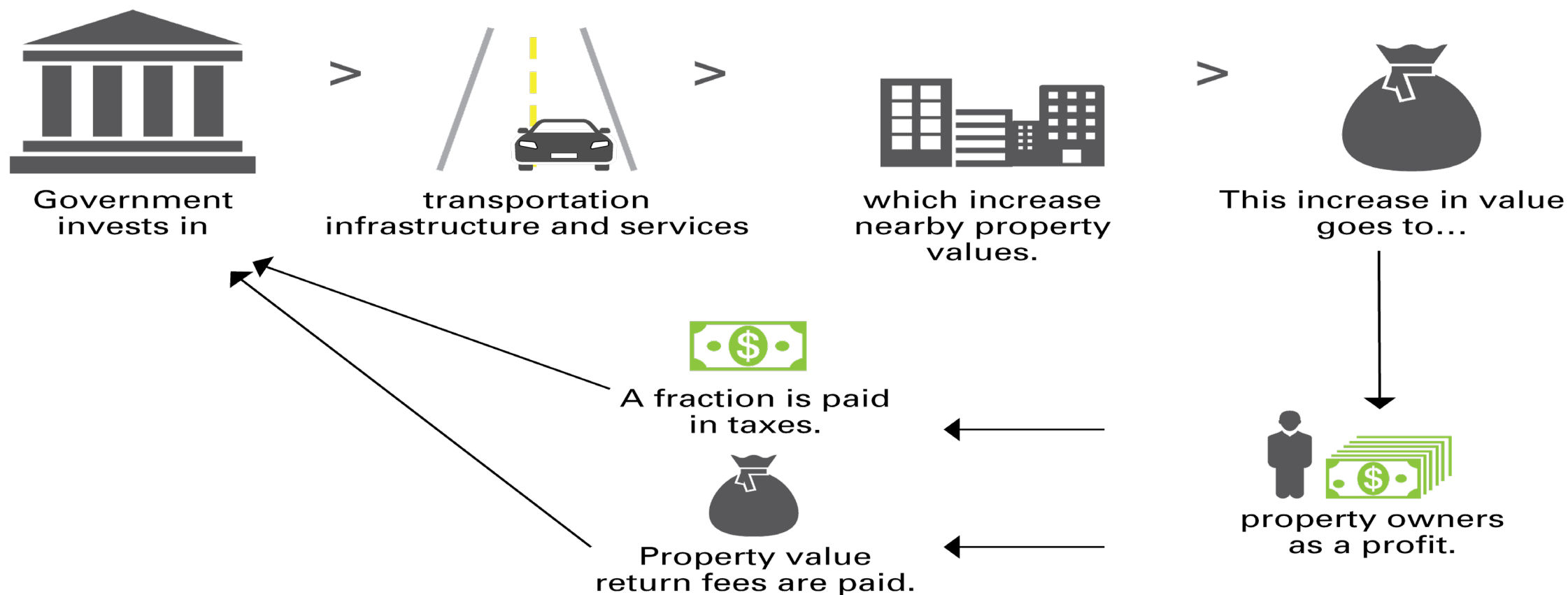
What is the EDC-5 Value Capture initiative?

EDC 5 Value Capture Initiative

Promotes the use of value capture techniques 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?

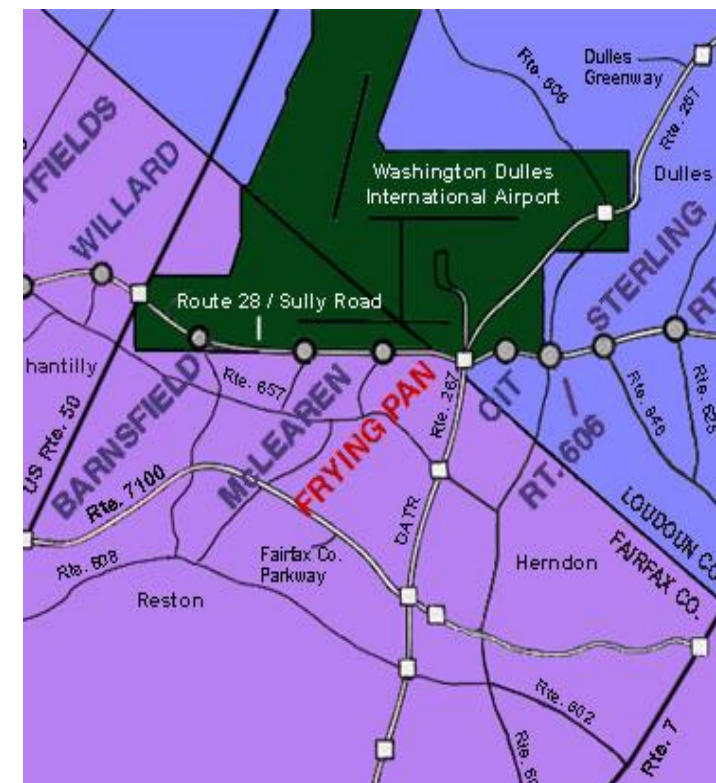


Source: NCHRP Research Report 873

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

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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

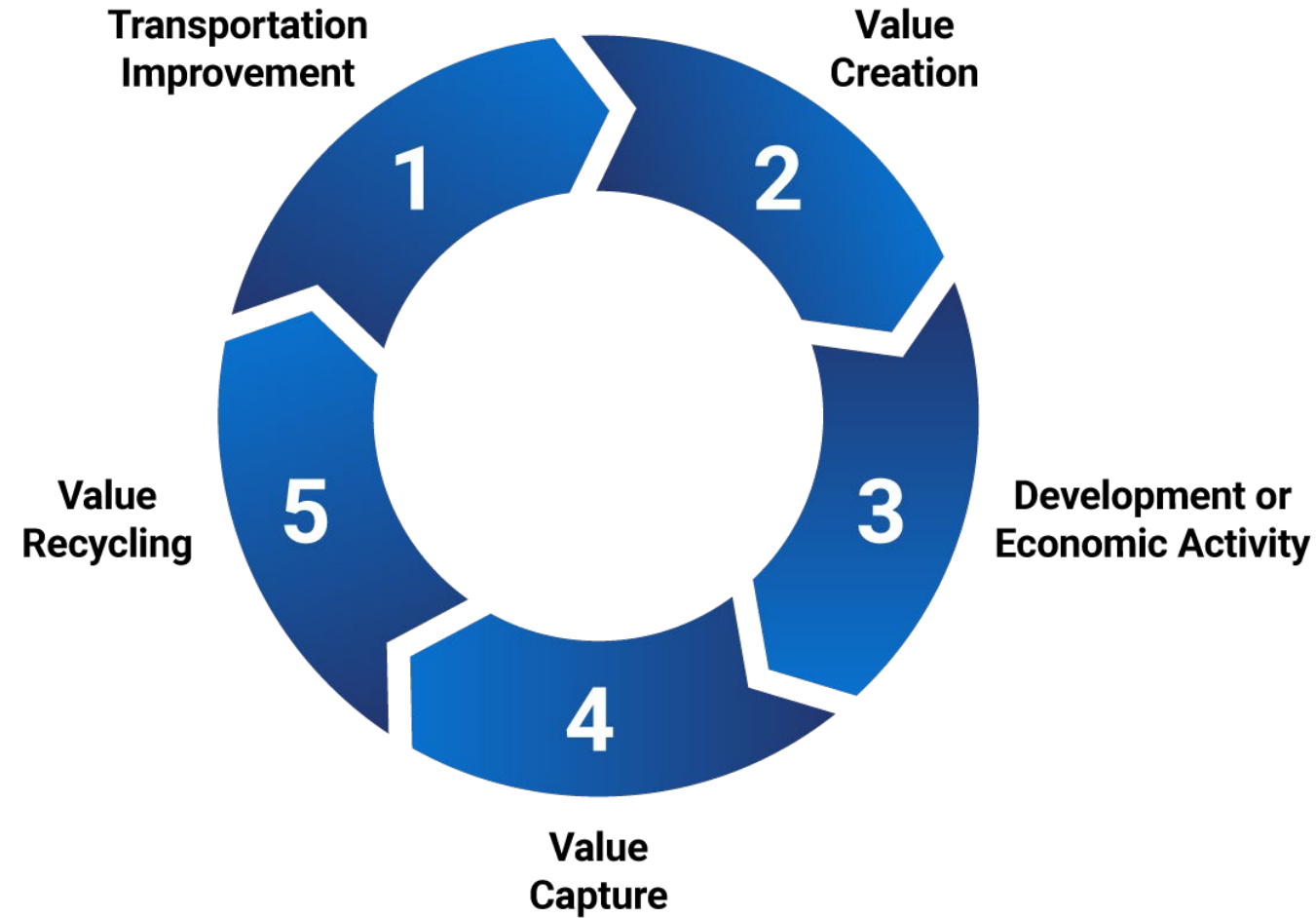
FHWA Roles in Value Capture Tools

- 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



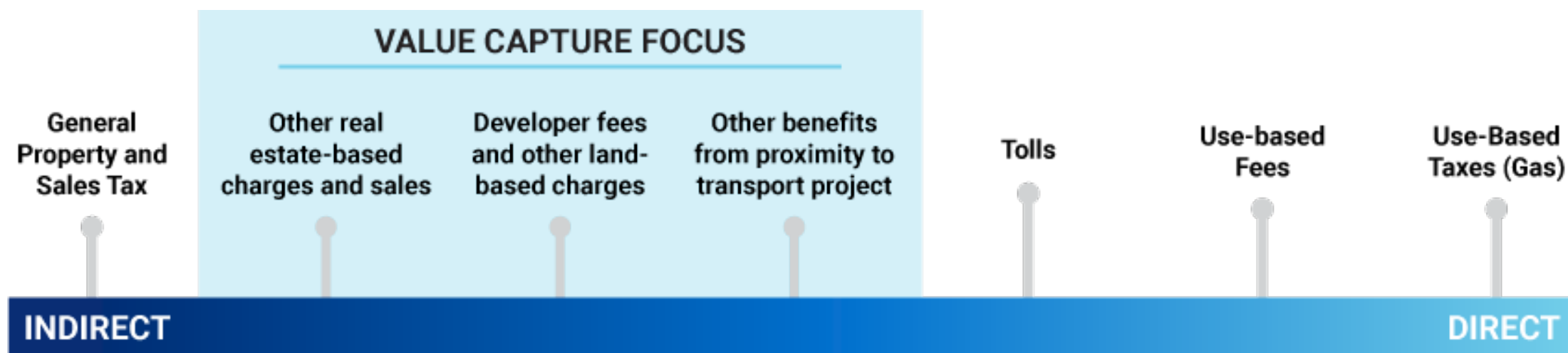
Value Capture Overview & Benefits

What is Value Capture?



Source: NCHRP Research Report 873

Value Capture Beneficiaries

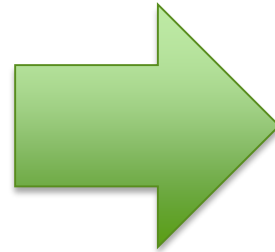


Source: NCHRP Research Report 873

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 technique

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 Role

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

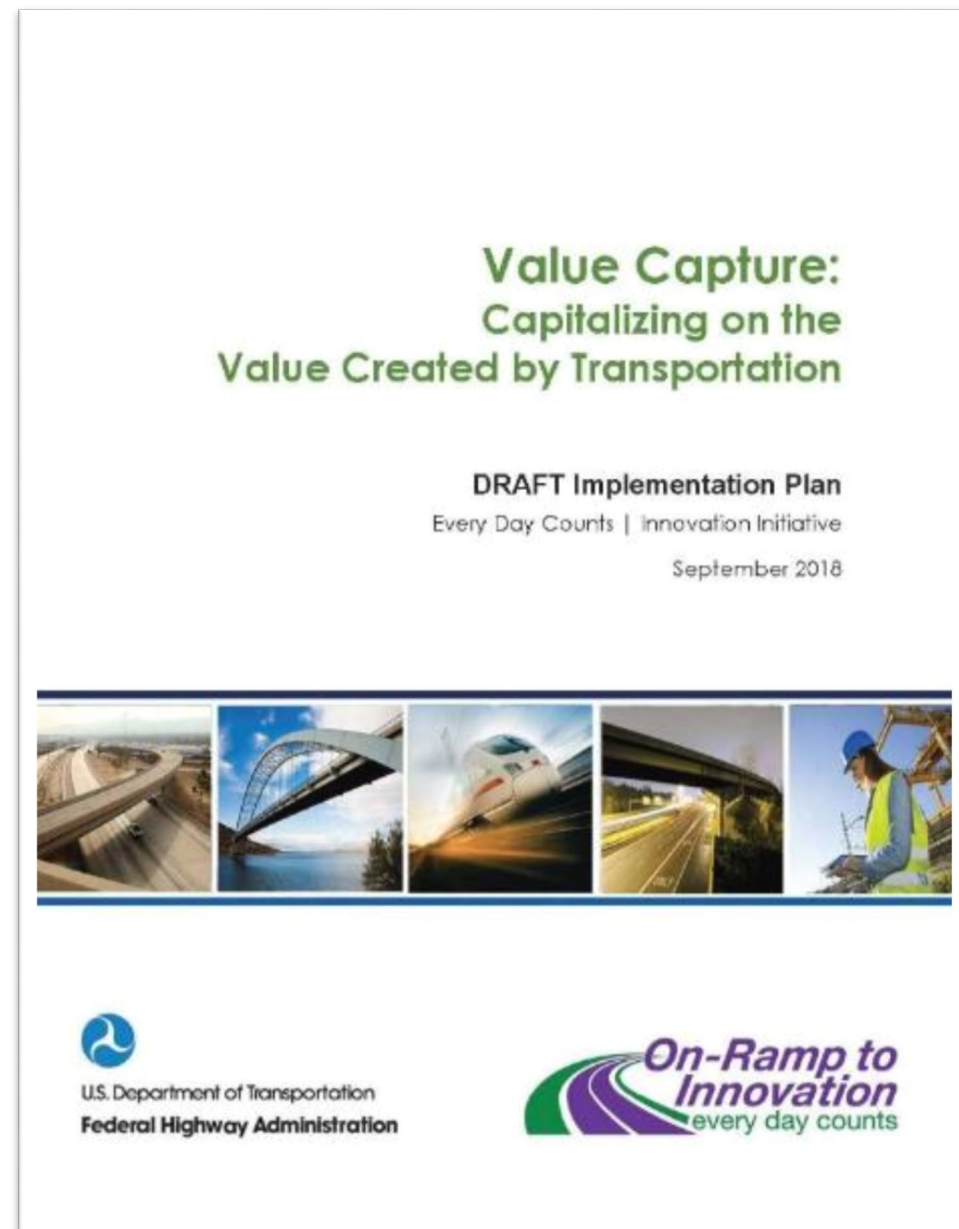
- **Communication** – Developing the tools to help FHWA staff and others promote Value Capture to local public agencies (Value Capture Guidebook)
- **Technical assistance** – Providing technical assistance to local public agencies interested in pursuing Value Capture (Peer Program)
- **Clearing House** ([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 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
 - ✓ Project Profiles:
https://www.fhwa.dot.gov/ipd/project_profiles/
 - ✓ Value Capture Technique Factsheets:
https://www.fhwa.dot.gov/ipd/fact_sheets/



Case Study

Miami Rental Car Facility, Leon Corbett



Case Study in Value Capture: Miami Rental Car Facility

Every Day Counts 5 – Portland
Nov. 8, 2018



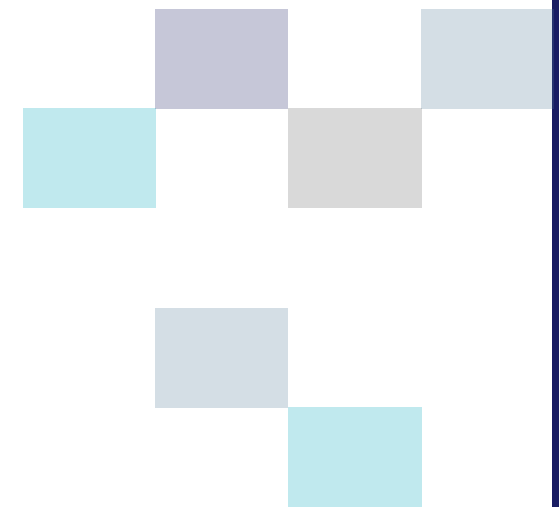
**WHEELS ON THE BUS GO
ROUND AND ROUND... 🚌**

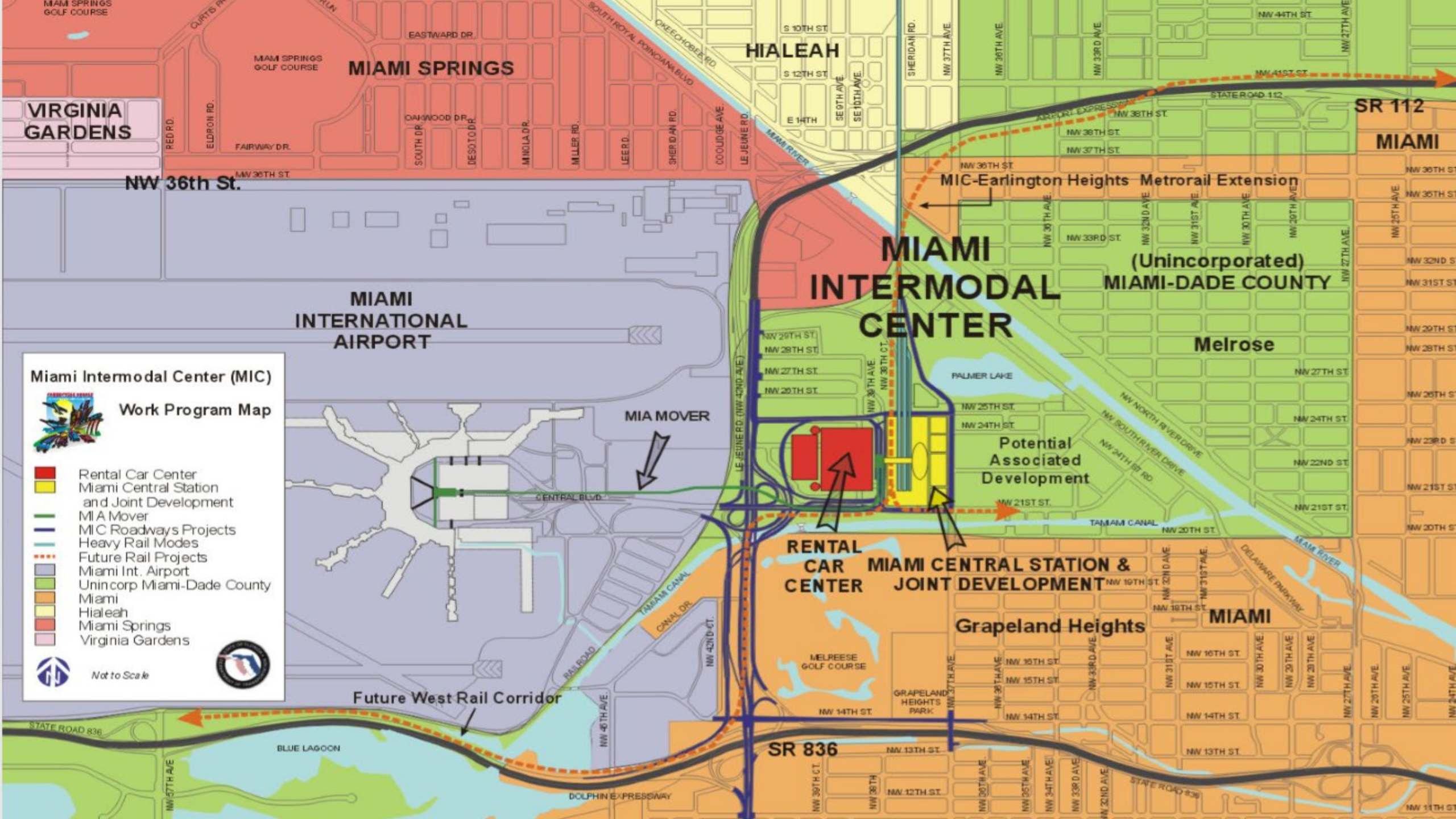


DISCUSSION ROADMAP



- ♦ Miami Intermodal Center (MIC) Mega Project
- ♦ Rental Car Facility Component of MIC
- ♦ Funding and Financing Innovations
- ♦ Performance Metrics
- ♦ Pros and Cons of Value Capture
- ♦ Wrap Up





Miami Intermodal Center (MIC)



Work Program Map

- Rental Car Center
- Miami Central Station and Joint Development
- MIA Mover
- MIC Roadways Projects
- Heavy Rail Modes
- Future Rail Projects
- Miami Int. Airport
- Unincorp Miami-Dade County
- Miami
- Hialeah
- Miami Springs
- Virginia Gardens



Not to Scale



Future West Rail Corridor

MIA MOVER

RENTAL CAR CENTER
MIAMI CENTRAL STATION & JOINT DEVELOPMENT

Potential Associated Development

(Unincorporated)
MIAMI-DADE COUNTY

Melrose

Grapeland Heights

MIAMI

HIALEAH

MIAMI SPRINGS

VIRGINIA GARDENS

SR 112

MIAMI

MIAMI
INTERMODAL
CENTER

MIC-Earlington Heights Metrorail Extension

SR 836

STATE ROAD 836

BLUE LAGOON

DOLPHIN EXPRESSWAY

MELREESE GOLF COURSE

GRAPELAND HEIGHTS PARK

STATE ROAD 836

DELAWARE PARKWAY

TAMIAM CANAL

MIAMI RIVER

NW NORTH RIVER DRIVE

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MIAMI INTERMODAL CENTER (MIC)

- ♦ **\$2 billion mega project with multiple components**
 - ♦ **Model for infrastructure development and partnership**
 - ♦ **Partners:**
 - ♦ **FDOT**
 - ♦ **USDOT**
 - ♦ **Miami-Dade County (Transit and Aviation)**
 - ♦ **Miami-Dade Expressway Authority**
 - ♦ **South Florida Regional Transportation Authority**
 - ♦ **Private sector: 16 rental car companies**
- 



\$395M MIC RENTAL CAR FACILITY CONSTRUCTION FUNDING

- ◆ **Financing with TIFIA loans totaling \$270 million**

- ◆ Low interest rate pegged to U.S. Treasury rate
- ◆ Flexible repayment structure
- ◆ Repaid with Customer Facility Charges from rental transactions
- ◆ Contingent rent backstop

- ◆ **Additional Funding**

- ◆ CFC Revenues
- ◆ State Transportation Trust Fund
- ◆ FHWA and FTA





COMPLEXITY OF FINANCING

- ♦ Financial model
- ♦ Third parties (advisor, fiscal agent, verification agent)
- ♦ Annual credit rating surveillance
- ♦ Numerous funds to track
 - an accountant's dream come true!!!

RCF Funds and Accounts

Revenue Fund

Administrative Expenses Fund

Operating Expense Fund

- RCF Operating Expense Account

- Consolidated Busing Operating Expense Account

- MIA Mover Operating Expense Account

- Operating Expense Reserve Account

Debt Service Fund

- Interest Account

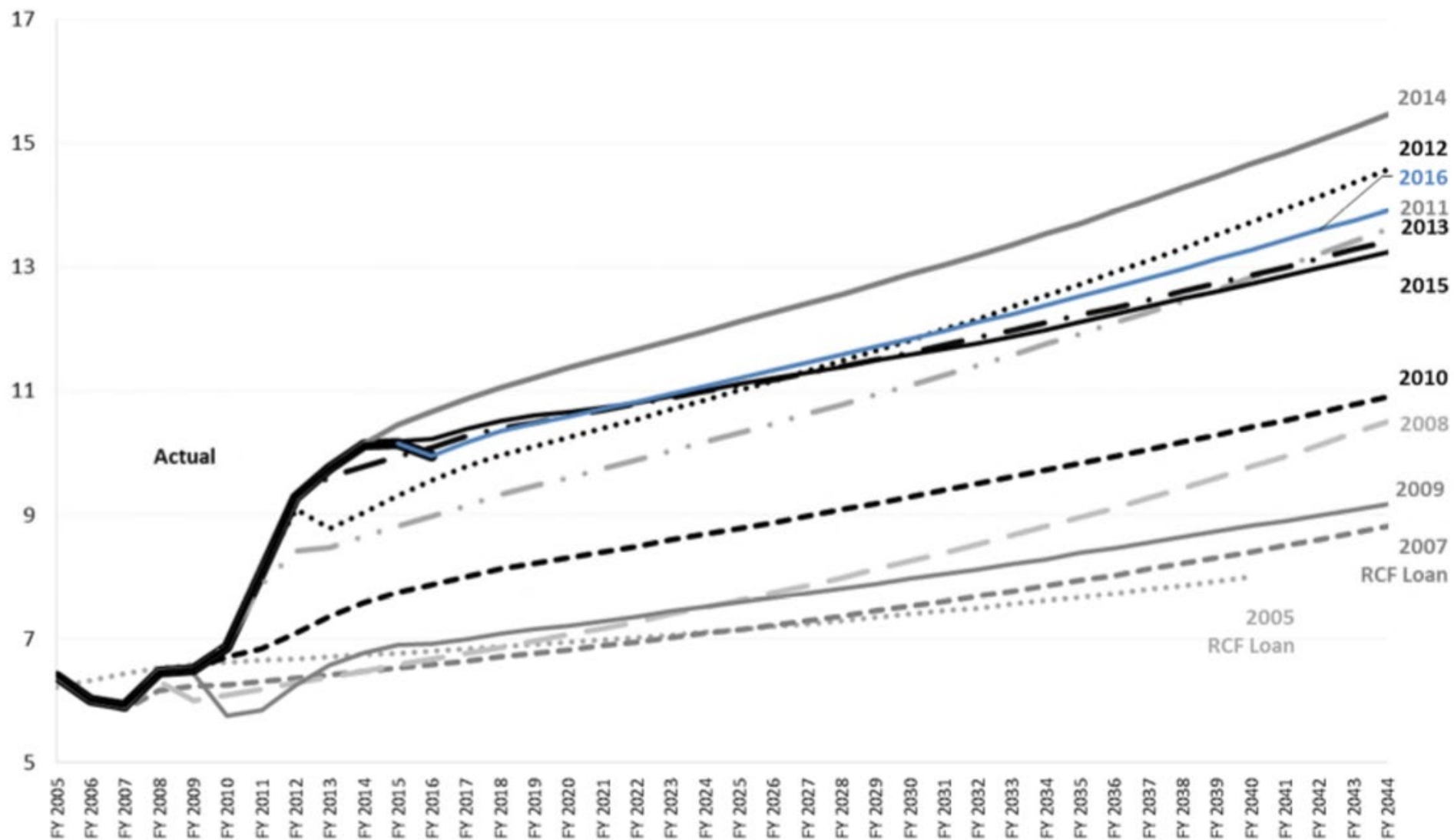
- Principal Account

- Debt Service Reserve Account

Land Acquisition Fund

RCF Secondary Reserve Fund

Millions



PROS AND CONS

♦ Pros

- ♦ Customer Facility Charge revenue stream reduced traditional funding burden
 - Less up-front construction funding for government agencies
 - Long-term support of operations and maintenance costs
- ♦ Leverage public and private partnerships
- ♦ Performance of rental car transactions far exceeding expectations

♦ Cons

- ♦ Inherent risks with isolated funding source (ex. 9/11 delayed start)
- ♦ Complexity of loan and ongoing administrative burden
- ♦ Multiple partnerships add to complexity

WRAP UP



Sources and Credits:

- ◆ Miami-Dade Aviation Department
- ◆ FDOT
- ◆ USDOT/FHWA/TIFIA

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Questions & Answers Session

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Do you know? Value Capture Techniques

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Thank You
Jill Stark & Chip Millard

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From the Facebook page of Capitol Crossing

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

