



## How-To Brief No. 11: HOW TO COMMUNICATE INNOVATIVE INFRASTRUCTURE FUNDING THROUGH VALUE CAPTURE TO EXECUTIVE DECISION-MAKERS

*Executive decision-makers are critical to building support for new policies or processes. Agency staff and project sponsors can communicate the benefits and economic development opportunities of value capture in order to build leadership support. Value capture mechanisms are a type of public funding and financing where increases in the property values and economic activities generated by public transportation investments are recovered to repay the cost of the transportation improvements.<sup>1</sup> Articulating value capture as a means for funding and implementing transportation improvements provides executive decision-makers with knowledge of the achievable goals and benefits.*

### **Key Takeaways**

- > Executive decision-makers are important project champions because they can allocate agency resources, leverage relationships, and spearhead stakeholder outreach to advance the implementation of value capture techniques.
- > Agency staff can develop the support of key decision-makers by:
  - Conveying how value capture techniques align with the agency's mission and broader equity and public policy goals.
  - Demonstrating that staff and project sponsors understand the issues, liabilities, and benefits associated with a the proposed value capture technique and are prepared to successfully manage the technical aspects of implementation.
  - Articulating implementation needs in terms of agency resources and capacity as well as ways the decision-maker can become a champion and advocate for the value capture implementation internal to the agency and externally to win stakeholder support.
  - Creating a simple fiscal impact statements to demonstrate revenue potential.
  - Adopting and sharing best practices from peer experiences with similar projects.

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<sup>1</sup> Value capture revenues are used to finance transportation infrastructure by connecting the benefit of the infrastructure investment with the cost to provide it. Value capture comes in many forms: tax increment revenue, land value tax, special assessment district, development impact fee or mobility fees, and/or joint development.

## Gaining the Support of Decision-Makers

A research-based assessment of a transportation project's funding needs, goals, and benefits can identify a set of applicable value capture techniques to help fund the project. However, the support of executive decision-makers is necessary to progress a funding opportunity into a fully implemented value capture-supported project. Executive decision-makers can devote resources, rally interagency support, approve budgets for internal staff or external consultants, leverage relationships with other agencies or municipalities, and spearhead stakeholder outreach critical to successful value capture implementation. By engaging executive decision-makers, particularly at the outset, sponsors can gain the approvals and support necessary to move forward with value capture implementation.

Communicating with executive decision-makers about value capture for the first time can be challenging, especially if their support is uncertain. Executive decision-makers may anticipate opposition from within the agency or from external stakeholders whose support and cooperation is needed for them to carry out their leadership duties. Agency heads are responsible for a wide range of executive tasks, and elected leaders often have a wide range of legislative issues before them. Demands on their time and attention require them to rely on the expertise of their technical staff to attend to details. Fortunately, it is not necessary for decision-makers to be value capture experts themselves. Instead, agency staff and project sponsors can communicate the needs, benefits, and fairness of value capture to executive decision-makers. This provides them with the necessary information to:

- Allocate resources.
- Obtain necessary approvals.
- Engage business, developers, and political leaders.
- Address stakeholder concerns.
- Highlight the broad benefits of value capture to the community and businesses.

This how-to brief is designed for municipal or agency staff who have identified the need for value capture to close funding gaps for key projects, as well as those interested in using value capture to fund infrastructure in a more equitable way. It provides a process for fostering executive decision-maker support and identifies resources agency staff can use to develop content for communications with decision-makers. It is a companion to:

- How-to Brief No. 12: How-to Generate Stakeholder Support, which addresses how agency staff can develop a broad base of support among public and private sector stakeholders.
- How-to Brief No. 6: How to Overcome Barriers to Value Capture, which describes the potential barriers to implementation and how to improve chances of success.

## Developing Support for Value Capture among Executive Decision-Makers

Decision-maker support for value capture is needed for a wide range of reasons:

- Exploring opportunities to use value capture to close funding gaps.
- Implementing value capture technique for the first time.
- To support an infrastructure program through value capture.

- Using value capture to support a high-profile project or project that may attract significant stakeholder attention (and potentially, opposition).
- Addressing opposition to value capture, including after it has been successfully implemented (e.g., due to a change in market conditions or infrastructure needs).
- Continuing the use of a value capture technique or relevant enabling legislation is set to end or expire.

Although there may be multiple reasons or situations where a value capture champion is needed, the following two implementation scenarios demonstrate the role of the agency or project sponsor in developing the support of agency directors and/or elected leadership.

### Scenario 1 (Project Motivated)

There is a planned project that needs the support of value capture to move forward. Financing and funding discussions are important and timely to the success of moving the project forward.

The communication should begin with a focused introduction to value capture as a concept (“beneficiary pays”); then explain how value capture meets the funding requirements; and finally, describe the merits and benefits of the selected technique. The executive decision-maker will need to know how important stakeholders are affected and the best outreach to educate and gain their support. They will also need to know what resources and collaborations (with other agencies, jurisdictions, private parties) are necessary, and confirmation that the technique is legally possible.

**To gain initial support.** Staff or champions (team members leading or pushing for the success of the project) can share examples of success on previous local projects or projects in peer jurisdictions and solicit the executive’s questions for research and consultation. Staff can review the Value Capture Toolkit (how-to briefs, case studies, legal brief, or FHWA handbook) for answers to the executive’s specific concerns that can be presented concisely.

### Scenario 2 (Long-Term Funding Needs)

The municipality or agency needs to explore the broad use of value capture to fund transportation.

In this case, staff should use the Self-Assessment and Capability Maturity Matrix tools and involve the executive in that process at a high level. This will introduce them to the concept of value capture and describe what will be required of them and the agency in terms of staff, budget, and outreach.

**To gain initial support.** Review and share the Quick Start Guide with the executive to provide a summary of the implementation process. Then focus on sharing examples that demonstrate outcomes from similar communities or how value capture furthers other local planning goals, such as economic development, mobility, and affordability.

In both scenarios, the lead agency staff must be able to provide technical support and understand the executive's needs and motivations. Champions, must be able to demonstrate how the proposed value capture advances these needs and does not introduce unexpected liabilities.

## Information the Decision-Maker Will Need

Elected officials, agency heads, and other key decision-makers typically have broad legislative or administrative responsibilities and many demands on their time and attention. As a result, communications regarding value capture should be concise and focused on information that the decision-maker needs to know to understand and have confidence in the proposed implementation. Communications should include information executive decision-makers will need to marshal and allocate resources, form partnerships, and champion the proposed implementation to stakeholders.

## Goals, Vision, and the Business Case for Value Capture

Successful value capture implementation techniques align with regional planning and transportation goals (see How-to Brief No. 10: How to Select the Appropriate Value Capture Technique). It is important to identify planning needs and highlight how an appropriate value capture technique can be a fair method for realizing benefits sooner or on a larger scale. Such planning goals can include replacing aging infrastructure, connecting neighborhoods, improving active transportation access, and supporting resilient communities.

As discussed in How-to Brief No. 12: How to Generate Stakeholder Support for Value Capture, value capture techniques must be accepted as fair by both private and public stakeholders. Although fair may be subjective, fair value capture techniques are objectively those that:

- Advance transportation goals such as safety, mobility, accessibility, or connectivity.
- Complement, or at least do not undermine, other policy goals, such as the preservation of affordable housing.
- Remain equitable to both public and private stakeholders.

Yet as infrastructure investments create travel benefits for the general population, they also often create concentrated private benefits for certain property owners and businesses. The business case for a value capture implementation demonstrates the value and magnitude of the private benefits and identifies the share that can be fairly harnessed to help pay for the infrastructure (see How-to Adopt a Business Case Mindset Brief). Decision-makers should understand the business cases for value capture and use them when engaging the private sector. The process for making the business case is:

1. Identify the economic benefits of necessary infrastructure, including who will receive windfall private benefits from public investments.<sup>2</sup>

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<sup>2</sup> Benefits from increased land values that are result of public land-use or other polices and investments

2. Quantify the magnitude of windfall private benefits to individuals based on socioeconomic factors, including the local real estate market.
3. Determine a practical and equitable way to capture appropriate shares of private benefits while avoiding techniques that:
  - a. Distort the local real estate market (e.g., make distressed properties more costly to develop, or greenfield land artificially cheap to develop).
  - b. Diminish the potential value of infrastructure – and revenue to be captured.
  - c. Undermine public policy goals, such as growth management, fiscal responsibility, environmental sustainability, and equity.
4. Communicate the value of infrastructure and related value capture implementation in creating that value to stakeholders, including affected property owners, developers, and businesses.

Agency staff can use an executive summary of the business case to demonstrate the feasibility and soundness of the proposed value capture implementation to decision-makers whose support is needed. Furthermore, the decision-maker can use key elements of the business case to articulate the value of the proposed transportation project to private sector partners, other agencies, jurisdictions whose cooperation is needed, and stakeholders. Organizing a business case should be the first stage of communicating value capture implementation to executive decision-makers, as project sponsors can organize support and prepare to adopt new decision-making frameworks with new responsibilities, processes, and priorities throughout the agency.

The following benefits of value capture for transportation projects should be communicated to executive decision-makers.

1. **Value capture accelerates project delivery.** Value capture techniques can bring revenue to a project before or during the project implementation, closing funding gaps and providing matching funds for grants.
2. **Value capture can generate sustainable long-term revenue.** Value capture techniques can provide a sustained revenue source to support operations and maintenance or finance transportation improvements.
3. **Value capture 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.
4. **Value capture supports economic development and 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.<sup>3</sup>

Project sponsors and champions should be familiar, at a high level, with the array of value capture techniques available (see: How-to Brief No. 10: “How to Select the Appropriate Value

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<sup>3</sup>Center for Innovative Finance Support, Federal Highway Administration. “Value Capture: Capitalizing on the Value Created by Transportation.”

Capture Technique). This will enable project sponsors to answer questions the executive decision-maker may have about why the proposed technique best meets project needs or why it was selected over another.

### Institutional Capacity and Resources for Value Capture

Executive decision-makers have the authority to allocate, request, or budget the appropriate staffing or consultant support to explore the legal possibilities, determine the financing or collection instruments, approve public engagement initiatives, authorize market studies, and communicate the business case. These resources may not be available in a single department, municipality, or agency and therefore require executive decision-makers to either create a plan to acquire the resources or create partnerships with other departments or agencies to pursue value capture. Researching the skills and level of effort will be important in describing the staffing and potential consultant needs to the decision-makers. Table 1 presents a summary of the agency capacities and resources needed for common value capture techniques.

**Table 1. Local Implementation Needs and Resources**

Implementation Needs	Description of Local Needs and Resources
Legal support	Legal counsel familiar with land use law and with experience in municipal finance is advantageous to definitively identify value capture techniques that can be used locally. Legal counsel will be able to evaluate proposed value capture implementations to ensure they satisfy statutory requirements. Legal counsel will be able to establish the legal basis, precedent, and supporting evidence to avoid potential legal challenges or invalidation.
Strong finance and property assessing services	Value capture will require revenue collection, property value assessment, and accounting staff support and systems from jurisdictional offices covering finance, auditing, and assessments. These staff and resources are needed during the exploration, implementation, and operations phases of any value capture pursuit. These skills will be important to determine the appropriate techniques and financial instruments required to generate needed revenue.
Strong public engagement and political support	Support from the public, policymakers, and local politicians can expedite implementation and maintain the use of value capture in the future. Clear messaging on the benefits (including equity), transparency on where and how funds will be spent, and where value is extracted from are important aspects of outreach and education. Cross neighborhood or jurisdictional projects will require support from multiple communities and leadership. Close political ties across communities are essential for any cross-jurisdictional projects.
Motivation and the business case	Make the business case, by communicating the value the proposed infrastructure creates and the benefits of funding it through value capture, to stakeholders who will now be asked to contribute a fair share. Articulating the benefits and economic development potential can be key motivating factors to generate or maintain support.

### Recommended Resources to Develop a Communication Strategy

Executive decision-makers may require more details about certain aspects of a proposed implementation before they support or champion it. They may also need guidance on how to communicate the proposed use of value capture to stakeholders, constituents, partner agencies, or even to staff in their own agency. But decision-makers have many demands on their time and attention, so communications, research, and other information about value capture should be concise and focus on examples that are relatable. Describing the key takeaways and how similar projects or programs provide tangible results can help the decision-maker, their staff, and other stakeholders grasp the potential positive outcomes.

Customs and procedures for internal communications, professional relationships, and staff access to executive decision-makers can vary. Project sponsors and staff can use the resources in the Value Capture Toolkit to craft a tailored communication strategy incorporating case studies (or their summaries), information from how-to briefs, and staff and agency capacity and needs from the capacity maturity matrix. Staff can use these to research value capture implementation and provide decision-makers with concise communications materials that:

- Foster a common understanding of value capture and how it supports agencywide missions and goals and promotes taxpayer equity.
- Identify and overcome sources of resistance, uncertainty, or reticence.
- Suggest agency staff to take on new duties, transition away from old duties, and approach job functions from new perspectives.

The resources listed in Table 2 provide a foundation for agency staff and project sponsors seeking to develop materials to communicate value capture or a proposed value capture implementation to executive decision-makers.

**Table 2. The Value Capture Toolkit and Other Key Resources**

Purpose	Description	Link
Value Capture Implementation Manual	This document provides information for state departments of transportation and local public agencies to consider implementing value capture. It covers value capture techniques and features, including developer contributions, transportation utility fees, special taxes and fees, tax increment financing, joint development, and naming rights. It includes making the business case for value capture, as well as overviews of the regulatory framework involved and risk management. Several case studies and examples are provided.	<a href="#">Link</a>
Value Capture Strategies Toolkit for Practitioners	The Value Capture Strategies Toolkit provides resources and information to support the implementation of value capture techniques to supplement traditional infrastructure funding sources. The value capture strategies toolkit is comprised of: publication resource library, value capture analytical tools, innovative finance mechanisms to raise upfront capital, project delivery tools, and case studies. State and local transportation agencies can use this toolkit to advance value capture strategies across the country.	<a href="#">Link</a>
Value Capture Quick-Start Guide for Executives	This Quick Start Guide, in conjunction with the Value Capture Toolkit, is a concise reference guide and a collection of resources to help policymakers and private entities explore value capture as a mixed funding and financing mechanism for transportation projects and programs. The quick start guide covers what value capture is, the forms it can take, resources needed to implement, and lessons learned—from county and municipal applications to statewide programs. The quick start guide provides wayfinding for individuals and organizations with little or no experience with value capture and is still helpful to practitioners with experience using value capture.	<a href="#">Link</a>
Value capture implementation case studies	Case studies provide examples of real-world use of different value capture techniques. The cases include project details, regulatory characteristics, and information on funding and financing, as well as chief areas of collaboration and challenge among stakeholders.	<a href="#">Link</a>
Value capture implementation how-to briefs	How-to briefs address challenges that impede the implementation of value capture practices. These topics will help practitioners understand how to implement the detailed practices or consider better approaches and processes.	<a href="#">Link</a>
Public Agency Self-Assessment Tool and Capability Maturity Matrix	The Public Agency Self-Assessment Tool helps transportation agencies understand the requirements for implementing value capture and assess their readiness to implement.	<a href="#">Link</a>



## Conclusion

Effectively communicating the need for and benefits of value capture to executive decision-makers brings them into the process as allies and champions. This support is important for any value capture implementation and is critical for overcoming barriers and resolving challenges. Decision-makers have a wide range of duties and responsibilities and limited time to devote to any one issue. As a result, executive decision-makers depend on their staffs to provide focused information on why a proposed value capture implementation is appropriate, what agency resources are needed for implementation, and how the decision-maker can communicate with stakeholders to develop partnerships and defuse potential opposition. Agency staff and project sponsors can use the tools in the Value Capture Toolkit to develop concise, effective communications materials that meet the information needs of decision-makers.