U.S. Department of Transportation
Federal Highway Administration

CENTER FOR
INNOVATIVE FINANCE SUPPORT

# How-To Brief No. 14: HOW TO MANAGE REVENUE COLLECTION, MONITORING, AND REPORTING FOR VALUE CAPTURE

*Administrative processes and procedures for value capture are important for long-term operations. These processes can ensure collections are proceeding and revenues are consistent with projections and can provide warnings for shifts in economic activity that may require mitigation. Often, existing municipal, regional, and state government services can be leveraged to support and monitor the performance of a value capture implementation. This brief describes strategies to manage revenue collection, monitor performance, and report revenue for value capture.*

### Key Takeaways

- **Leverage existing systems and expertise.** Value capture techniques may have different collection mechanisms and require different forms of legal authority for collection. If legal authority exists, use existing collection mechanisms and available staff. Tie collection mechanisms to existing policies or other triggers—for example, collection at time of permitting or property tax collection.
- **Monitoring.** Evaluate project risks including political, financial, and real estate market risks. Monitor collections for variations and shifts in economic activity that may impact overall collections. Set performance measure targets and thresholds for implementing mitigation strategies. Periodically review policies and policy administration of value capture to avoid market distortions and for future rate adjustments.
- **Reporting** is critical for communication and generating stakeholder support. Distilling the benefits and outcomes of a value capture implementation provide the justification for expansion or future utilization to generate transportation funds. Good reporting can be achieved by leveraging existing regulatory required financial information and planning documents to demonstrate total collections and transportation outcomes for the community.

## Introduction

With careful upfront planning, research, and stakeholder engagement, the focus of a proposed value capture technique can shift from the planning to the administration of implementation. Approaching the initiation and administration of a value capture technique does not mean that stakeholder support, market, financial, and legal challenges are behind you. Therefore existing operations and administrative practices can be leveraged along with new processes to ensure that the necessary information is available to monitor cash flow and payments, performance metrics are available for stakeholders, and the value capture implementation is meeting the legal and regulatory requirements. Efficient collection, effective monitoring, and robust reporting enable municipalities and agencies to:

- Prepare mitigation strategies if revenues fall short.
- Bolster stakeholder support for continuation, renewal, or expansion of value capture.
- Communicate that the implementation meets statutory requirements.

This brief describes the collection, monitoring, and reporting practices that support successful value capture implementation.

## Collection Mechanisms

Some value capture techniques can leverage existing municipal or county tax collection systems. Others may require modification to local ordinances, new staff capacity and systems, or interagency agreements to facilitate collection; other cases may require state support. Therefore, it is important to first identify the resources needed according to the preferred value capture techniques being considered. Isolating the techniques will allow you to investigate a narrow set of collection and supporting mechanisms necessary for a successful implementation.

### Step 1: Determine Collection Needs and Identify Existing and Needed Resources

Many value capture techniques 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 methods and financial instruments required to generate needed revenue.

When the value capture technique has been identified, review the project funding needs, legal and regulatory requirements, and the estimated revenue potential. Use this information to create a funding and financing plan. Determine how projected revenues will meet the transportation project funding needs. The planning should address:

- Does the municipality, agency, or state have fee or tax collection authority? Will tax collection require the creation of a new office or agency?
- Does the enabling legislation require the creation of a partnership with a managing independent authority to collect, manage, or oversee the value capture technique?
- Will the revenue come through direct payments with the private sector through leases from joint development, asset recycling, or sponsorships? Direct payments will probably require new or special agreements.
- Will the value capture technique require financing? Financing may be required when value capture technique revenues are tied to incremental property value growth over time and will grow slowly, or if funding is needed sooner for the value capture–funded transportation improvements. Is there access to capital markets, state infrastructure banks, the ability to

issue debt, or other financial mechanisms to meet the revenue and expenditure goals? Confirm that collection mechanisms will meet requirements for issuing debt or financing.

## Step 2: Determine the Capacity of Existing Resources and Where and How to Strengthen Capacity

From the initial finance plan and needs assessment, assess the capabilities and resources available.[1] Some resources or capacity may have to be created internally, sourced from other partners, or acquired. Other municipal departments, regional agencies, the state, or private consultants may help fill the gaps, depending on the level of effort required and the cost. Considerations when building or acquiring these resources are:

- Try to keep administrative costs down so you can realize more revenue and minimize collection costs.
- If you plan to use more or other techniques, determine the associated staffing or outsourcing needs.
- Are the administrative services needed infrequently, periodically, or frequently?

Systems or services required include budgeting, assessment, appraisal, and land cadaster. Particularly for the land value tax, tax increment financing (TIF), and special assessment districts value capture techniques.

## Step 3: Create a Transparent Process for Businesses, Residents, and Consumers

Create a transparent process with clear guidelines for businesses, residents, consumers, and others impacted by the value capture collections:

- Publish and communicate collection schedules and guidelines.
- Consider aligning the collection process with other important triggers—leverage or create collection mechanisms that work well with other processes, for example, municipal assessing, tax collection, and billing systems.
- Align payment schedules and triggers for developers and districts (e.g., collection when permits received or with property tax collection). This helps the agency plan revenue availability and helps developers plan for value capture expenditures.
- Avoid creating loopholes by limiting complexity and providing clear guidance.
  - Identify dates, late fees, payment options, and schedules for payment.
  - Create clear payment schedule options, and if alternative payment schedules are allowed, create incentives for early payment of funds and penalties for late fees.
  - Define indices for adjusting rates over time to account for inflation and use specific tables or series names, for example, the Bureau of Labor Statistics (BLS) Consumer or

[1] See FHWA, "Public Agency Self-Assessment Tool for Value Capture Implementation" to perform assessment and view results of Capability Maturity Matrix

Producer Price Index series, Engineering News Record Construction Cost Index, Federal Funds Rates, or Bureau of Economic Analysis (BEA) GDP Price deflator.

— Clearly define discount rates and interest rates for multiyear payments.

— Consider other regulatory checks to ensure that rates and collections are consistent with goals of the value capture, such as periodic evaluation of property values, review of economic conditions, cost of infrastructure, and fees relative to cost recovery needs.

For example, Boston has the option to review and adjust exaction rates for inflation every 36 months and offers two payment options for the housing fund contribution: upon receiving building permits or for seven years on the anniversary of permit issuance (equal payments).

## Monitoring

Monitoring is good governance and provides transparency for the value capture implementation while creating opportunities for communication with stakeholders. Monitoring is also critical for evaluating progress and determining whether revenue generation is meeting expectations and withstanding legal challenges and can provide early warning to administrators if collections fall behind or if other problems arise.

Ill-suited or poorly implemented value capture can be critiqued for creating market distortions—by making development more expensive through fees or exactions, developers may build less. Therefore, periodic market studies and planning analysis are important for implementing a successful value capture strategy.

### Creating or Adapting Monitoring Practices

Although many departments or municipalities already perform annual monitoring for budgeting and financial audits, consider other monitoring practices as well. Monitoring should evaluate progress and outcomes achieved against established benchmarks, thereby establishing a feedback loop to refine planning, programming, and future target-setting decisions. Monitoring involves using performance data to obtain key insight into the effectiveness of decisions and identifying where adjustment is needed to improve performance.[2]

FHWA's Transportation Performance Management Capability Maturity Model suggests project or program-level monitoring be created for "tracking program and project outputs, and their effects on performance outcomes." With flexibility in mind, insights from monitoring can be used for "midstream adjustments and [to] guide future programming decisions". Insights can have relevance for short-term and long-term performance and decision making. The monitoring systems should incorporate, at a minimum, financial and accounting management, interagency coordination, performance measures, and communications.

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[2] Transportation Performance Management Capability Maturity Model, Office of Transportation Performance Management, Federal Highway Administration, Washington, DC, September 2016 (https://www.tpmtools.org/wp-content/uploads/2016/09/tpm-cmm.pdf, accessed February 10, 2021).

**Financial and accounting management.** The financial and accounting systems required for value capture techniques vary—they may be tied to land value or special districts or may cross municipal boundaries. Financial and accounting support can be provided by a single agency or department or can be shared across jurisdictions. Staff should be able to perform business and financial accounting, manage internal budgets, administer government grants, communicate with state infrastructure banks and financial institutions, and collaborate with private and public partners—or should be able to acquire the skills.

**Interagency coordination.** Working relationships with municipal planning organizations and local planning authorities may need to go beyond traditional transportation planning and prioritization. Dialogues with partners should include discussion of how value capture techniques may fit the needs of other planned projects and the progress of existing value capture projects or programs. Data sharing is important for interagency coordination and future support of value capture.

**Performance measures.** Value capture revenues can be used in a pay-as-you-go fashion, where funds accrue then are used for transportation projects. In some cases, revenue can be borrowed against through municipal bonds or a state infrastructure bank. In any case, revenue receipts should be monitored relative to projections to refine future projections and to provide early warning if receipts trail repayment schedules or funding needs. Setting goals and thresholds enables the time necessary for adjustments or implementing a backup plan to ensure that the revenues needed are available without undue burden on the backing organization or agency.

**Communications.** Strong communication practices and platforms are important for maintaining relationships with public and private partners. Communication should target leadership, partners, stakeholders, and the public. Communications should highlight overall revenue generation, benefits from transportation projects funded, and other regional goals met through the value capture implementation. Financial reports, project and value capture websites, quarterly or annual reports, and press releases are common communication tools. Performance measures should be articulated in messaging and platforms with interpretations of the outcomes, and explanations of contributing factors (e.g., real estate conditions, inflation, or over- or underestimated projections). The communication strategy should focus on what monitoring information can help in creating or maintaining relationships with private sector and public stakeholders on projects involving value capture. Leadership should be comfortable in communicating the monitored and reported benefits to constituents.

## Monitoring for Risks

Some value capture techniques involve market risk, which can affect the ability to generate adequate revenue to fund the project. Market risk may be related to unexpected responses or inadequate buy-in from stakeholders. An implementing agency should anticipate potential ways in which stakeholders may respond to the project or value capture technique, plan for how to address a funding shortfall, and create contingency plans, as they do for navigating an economic or real estate market downturn.

Prepare for the possibility of a downturn from the project's inception, anticipating potential ways in which stakeholders may respond to a downturn, planning for how to address funding shortfalls, and creating contingency plans. Preparation for a potential market downturn will require a detailed understanding of the local and larger real estate markets. Through monitoring value capture fees or performance, alternative or backup measures can be put on standby or implemented if revenue is insufficient to make debt payments or meet future project funding needs. Alternatively, monitoring can find market distortions resulting from the value capture's administration. For example, monitoring ensured positive outcomes for the following localities by providing critical information that demonstrated the need to adjust the program:

- **Pasco County, Florida.** When Pasco County realized that its impact fee program could disincentivize certain types of development in some areas, it established a program to reduce mobility fees for certain land uses.[3]
- **Atlanta.** The Atlanta BeltLine tax allocation district has faced significant funding shortfalls due largely to the Great Recession in 2008 and the COVID-19 pandemic-induced recession in 2020. In 2021 the City of Atlanta passed legislation authorizing a special service district (SSD) along the Atlanta BeltLine to fill the funding gap. This is a targeted tax district within the tax allocation district in which commercial and multifamily property owners agreed to increase property taxes by two mills to continue funding the BeltLine.[4]
- **Biddeford, Maine.** The City of Biddeford, Maine, used an innovative form of joint development to design, fund, construct, and operate a downtown parking structure and related pedestrian amenities that were recognized as important for the city's downtown vitality and economic development. Initial projections indicated that parking revenues would be insufficient to cover the full cost of the facility, so an allocation from an existing TIF district was used to close the gap. As an added measure of risk mitigation, the city formed a special assessment district encompassing downtown commercial properties that levies an assessment only if parking revenues fall below 90 percent of projections. This funding plan allowed the city to keep its promise to complete the project without residential property taxes. The special assessment is levied only if the city is required to make stabilization payments to the developer under the terms of the joint development agreement. Proper monitoring is important for the activation of the special assessment district to mitigate risk for the city.[5]

## Reporting

Most value capture implementations are subject to accounting, audit, or other financial and statutory requirements. These documents and processes can be leveraged to achieve robust reporting to support current or future implementations. Support from the public, policy makers, and local politicians can expedite implementation and maintain use of value capture in the future. Clear messaging on the benefits (including equity), transparency on where and how

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[3] Pasco County, Florida, "Multimodal Mobility Fee Program Case." https://www.fhwa.dot.gov/ipd/pdfs/value_capture/case_studies/atlanta_beltline_service_district.pdf

[4] Atlanta BeltLine, "Special Service District." www.beltline.org/the-project/special-service-district.

[5] Biddeford, Maine, "Pearl Street Garage and Riverwalk" https://www.fhwa.dot.gov/ipd/pdfs/value_capture/case_studies/pearl_street_garage.pdf

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 jurisdictions are essential for cross-jurisdictional projects and can be bolstered by clear, active communication with constituencies.

FHWA's Transportation Performance Management Capability Maturity Model suggests reporting

> products, techniques, and processes used to communicate performance information to different audiences for maximum impact. Reporting is an important element for increasing accountability and transparency to external stakeholders and for explaining internally how transportation performance management is driving a data-driven approach to decision making. [6]

Reporting for value capture projects should include:

- **Accounting and regulatory documents.** Publish easy-to-find regulatory and accounting documents about the financial health of value capture revenues.
- **How funds are managed.** Provide clear education and messaging on value capture techniques used. This should include how funds are collected, when they are collected, where the funds go, whom the value capture impacts, and how funds are spent. Basic information on the implementation can be important because restrictions may exist on how or where funds can be used. For example, if funds are transferred to a general or transportation fund, there may be fewer restrictions on how value capture funds can be used, whereas if state infrastructure bank financing is part of the value capture, the implementation may be restricted to certain types of transportation projects. Sharing information about the limits and constraints of the program can help set expectations and facilitate future discussion on expanding value capture use in the region.
- **Performance measures.** Dashboards, quarterly reports, and websites can provide the public and private sectors and leadership with up-to-date metrics on how well revenues are performing relative to expectations. Data management and dissemination of performance measures do not have to be complex. Data probably will come straight from accounting and regulatory documents and can be supplemented with other municipal or state-level data.
- **Outcomes.** Although reporting can improve communications, demonstrate good governance, bolster stakeholder support, and provide leaders with important information; reporting should also demonstrate outcomes. Key outcomes may include projects funded, improving project delivery, transportation and other goals met for density, housing, or active transportation. Project websites can demonstrate the benefits of how a project will improve or has improved transportation, enabled the creation of affordable housing, or placed less burden on all taxpayers. They can highlight the mix of benefits created from (1) large real estate project or districts resulting in payments through exactions, community benefits, or transportation utility funds; or (2) the number of transportation projects funded, communities

[6] Transportation Performance Management Capability Maturity Model, Office of Transportation Performance Management, Federal Highway Administration, Washington, DC, September 2016 (https://www.tpmtools.org/wp-content/uploads/2016/09/tpm-cmm.pdf).

they serve, congestion mitigation, safety or environmental benefits, or how they affect last-mile connections.

## Reporting Examples

**ATLANTA**

The Atlanta BeltLine's $4.8 billion estimated cost for completion, its innovative and evolving financing, and its long timeline from 2005 through 2030 demonstrate the need for clear project information and communication. The Atlanta BeltLine's website provides critical information about the projects funded, goals of the BeltLine, financial information, jobs created, private development dollars attracted, square feet of development space, units of affordable housing completed, and progress toward completion. More detailed reporting can be found here: www.beltline.org.

**BOSTON**

The City of Boston collects exactions and community contributions benefits from nonresidential construction projects larger than 100,000 square feet. The Boston Planning and Development Agency website (www.bostonplans.org) provides education primers, research, and information about other contributions that projects make. Projects under construction also now sport "wraps" highlighting the project benefits to the surrounding community (see Figure 1).[7]

**Figure 1. A Wrap on a Project Location**

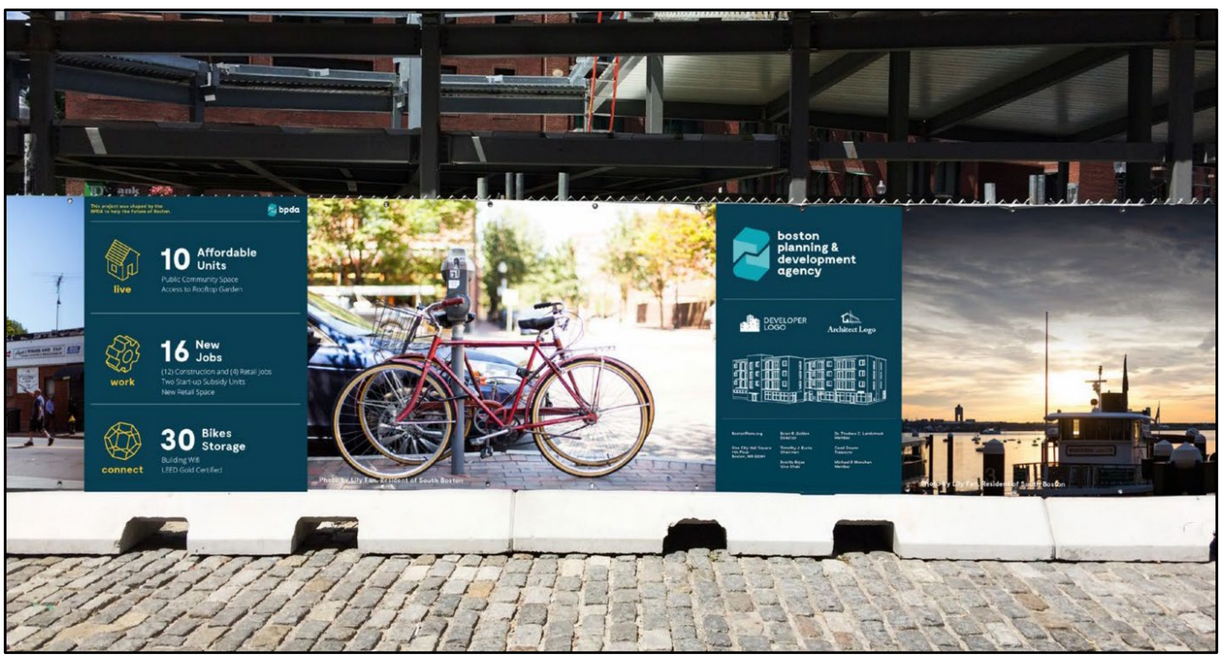


*Photo: Boston Planning and Development Agency.*

[7] Boston Planning and Development Agency, "Building Wraps" http://www.bostonplans.org/projects/development-review/building-wraps

## Conclusion

Value capture implementations that go beyond the typical regulatory requirements for collection, monitoring, and reporting are important for the success of value capture initiatives. Reporting can provide decision makers with the necessary information to monitor revenue collection relative to projections, to showcase outcomes, and to generate stakeholder support for new value capture techniques. Monitoring is important to ensure that the revenue needed for transportation projects is adequate and evaluated against preestablished performance indicators, so if projected revenue collection levels are not realized, program administrators know when to initiate risk mitigation factors. Swift implementation of mitigation strategies, rate reviews, or adjustments will avoid insufficient revenue and mitigate perceived market distortions. Quick action through monitoring and reporting allows for changes to that ensure goals and outcomes are realized, while creating support for value capture.