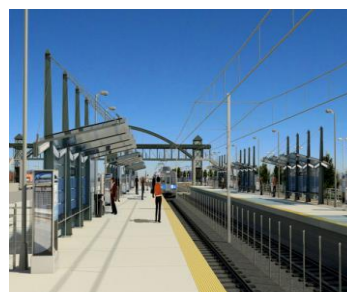




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Value Capture:

Capitalizing on the Value Created by Transportation

Speakers



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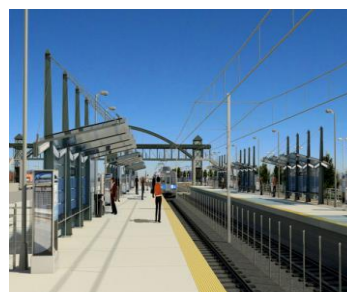
Agenda

- What is the EDC-5 Value Capture initiative?
- Why is Value Capture needed?
- Value Capture Overview and Benefits
- Project Examples
- FHWA Role in Value Capture Initiative
- Q&A



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What is the EDC-5 Value Capture initiative?

What is Every Day Counts (EDC)?

State-based model to identify and rapidly deploy proven but underutilized innovations to:

- Shorten the project delivery process
- Enhance roadway safety
- Reduce congestion
- Improve environmental sustainability

EDC Rounds are on two-year cycles:

- Initiating 5th Round (2019-2020) with 10 innovations
- To date: 4 Rounds, over 40 innovations

For more information: <https://www.fhwa.dot.gov/innovation/>

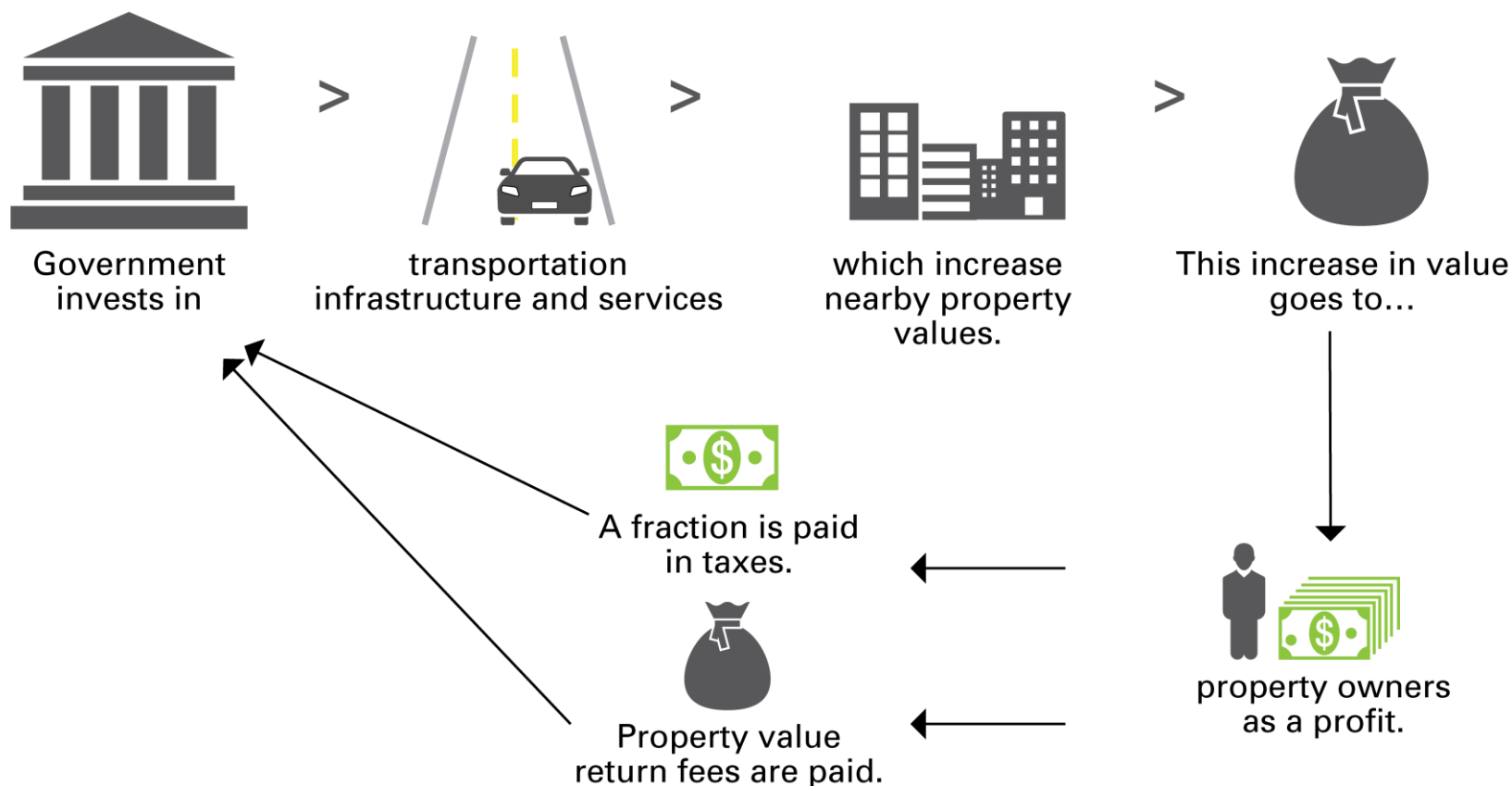
FAST Act, Sec. 1444

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



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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

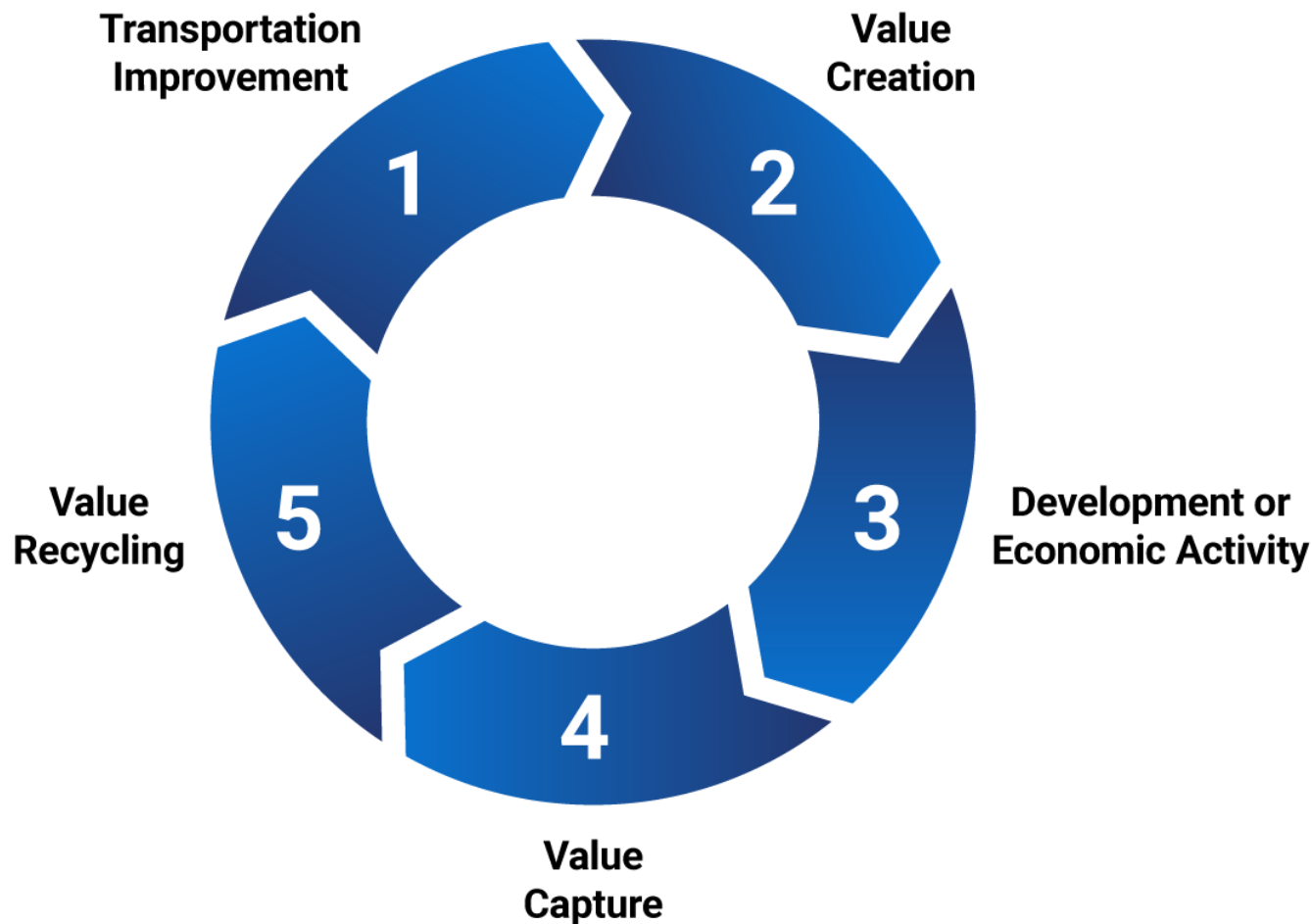
- FHWA seeks to improve consideration of **all** revenue and finance options in the project development process
- FHWA seeks **to build capacity for consideration and implementation** of revenue options/value capture tools
- USDOT's Build America Bureau offers **innovative financing** through the TIFIA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

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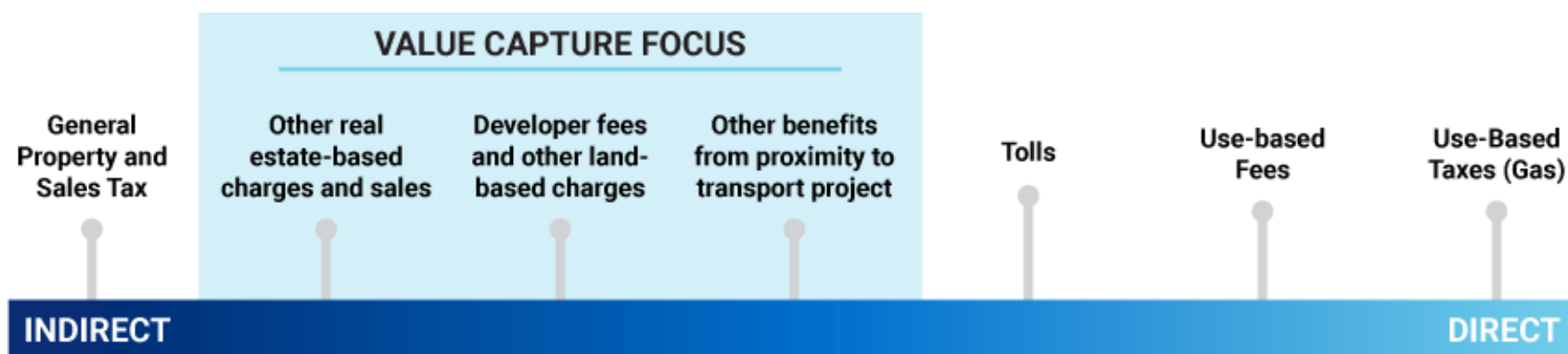
Value Capture Overview & Benefits

What is Value Capture?



Source: NCHRP Research Report 873

Value Capture Beneficiaries

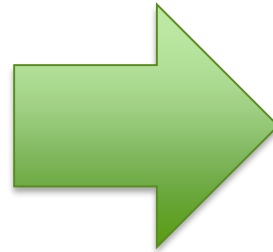


Source: NCHRP Research Report 873

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**



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Value Capture Mechanisms

How is the Value Captured?

- Developer Contributions
 - ✓ Impact fees
 - ✓ 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




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Select Project Examples

Beltline Tax Allocation District Atlanta, Georgia

- Value Capture: Tax Allocation District (TAD)
 - ✓ Adopted in 2005; Sunset in 2032
 - ✓ Length: 25 years
 - Scope: Redevelopment 6,500 acres area
 - Project Cost: \$2.8 billion
 - Funding:
 - ✓ TAD: \$1.7 billion
 - ✓ Federal: \$725 million
 - ✓ Private: \$60 million
 - ✓ Locals: \$287 million
 - Finance: Tax-exempt bonds
- 
- The map illustrates the Atlanta BeltLine project, a multi-use trail system encircling Atlanta. It shows the project's extent from the city center to the suburbs, with various segments highlighted in different colors. Key locations marked include Westside Cemetery, John White Park, Adams Park, Kosta Park, Atlanta BeltLine Tours, Atlanta-Fulton County Stadium, and Atlanta-Fulton County Stadium. The map also shows major highways like I-75 and I-20, and the Atlanta-Fulton County Stadium. Two circular insets show people walking and running on the trails. A small inset map shows the location of Atlanta in Georgia.
- Source & Photo Credit

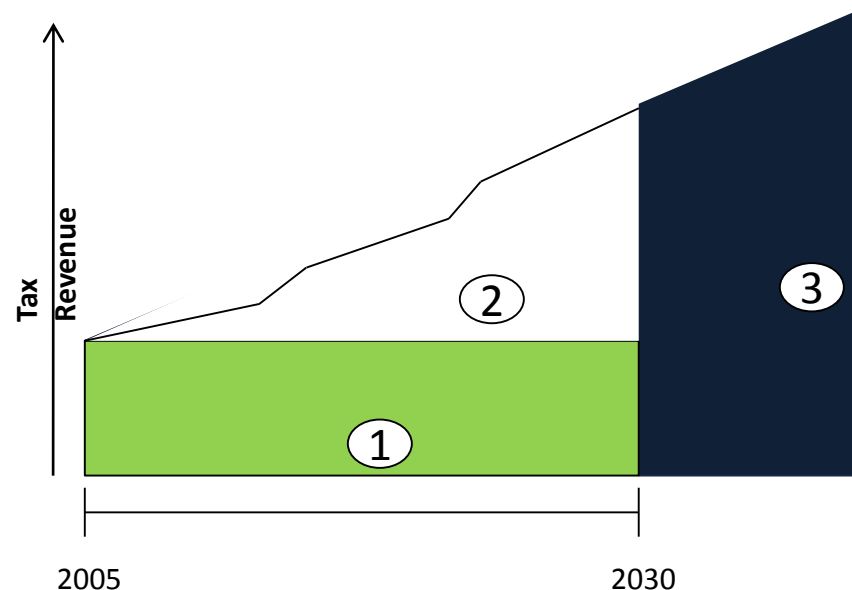


Source & Photo Credit: Atlanta Beltline Inc.

Beltline Tax Allocation District Atlanta, Georgia

How does TAD work?

- Adopted 2005 tax revenue level for 25 years
- Additional tax revenue helps pay for the BeltLine
- 2030 receive all tax revenue, which is higher than it would have been without Beltline



Key Benefits:

- Social: 5,600 Affordable Housing Units
- Economic: \$20 billion in new economic development including 30,000 permanent jobs & 48,000 temporary construction jobs
- Environmental: Reduce Carbon foot print by 665,000 metric tons annually

Capitol Crossing Air-Right Development Project, Washington, D.C.

- Value Capture: Joint Development – Air Right
 - ✓ Sold the right to develop the property to Property Group Partners (PGP) in 2012
 - ✓ Value \$120 million
- Scope: Seven-acre decked development site above I-395
- Project Cost:
 - ✓ \$1.3 billion development
 - ✓ \$270 million transportation improvement
- Funding:
 - ✓ 100% paid by developer



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

Capitol Crossing Air-Right Development Project, Washington, D.C.

How Is Capitol Crossing Value Capture?

- \$40 million generated in annual real estate tax
- Created 8,000 permanent jobs & 4,000 construction jobs

Key Benefits:

- Reconnected the Capitol Hill & East End district
- Environmental sustainability
- >30% of the housing will be made affordable
- >51% of new jobs will be filled by District residents



Photo Credit to Property Group Partners

Impact Fees

Osceola County, Florida

- Value Capture: Impact Fees
 - ✓ Created in 1987
 - ✓ Covering 1,506 square miles
- Scope: Bundled 11 road projects with 13 bridges in Osceola County
- Project Cost: \$350 million
- Funding: 100% locally funded through Value Capture (impact fees)



Impact Fees

Osceola County, Florida

How do Impact Fees work?

- No voter approval is required
- One-time capital charge to new development
- Covers the cost of new capital facility capacity
- Impact fees are assessed at the time a building permit is issued & paid prior to the issuance of a Certificate of Occupancy

Benefits

- Nine out of every 10 construction dollars going to local contractors
- Projects were bundled in a CM/GC program to speed up delivery and save money (\$36 million saving)

Hillsboro, Oregon Transportation Utility Fees (TUFs)

- Value Capture: Transportation Utility Fees (TUFs)
 - ✓ Applies to all residents and businesses
 - ✓ Paid by property occupants rather than developers
 - ✓ Paid on an ongoing (monthly) basis for maintenance
- Scope: Street maintenance fee, road use fee, or Street utility fee
- While it is termed a “utility fee” there is no direct link to facility usage (only trip estimates)



Photo Credit to City of Hillsboro

Hillsboro, Oregon Transportation Utility Fees (TUFs)

How do TUFs work?

- The TUF is based on the estimated number of roadway trips generated by a property

Benefits

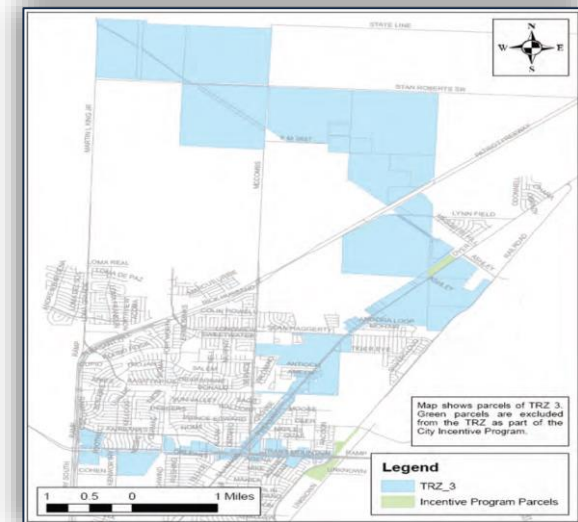
- Saves money and extends the life of pavement by almost 50%, a significant return on the public's investment



Photo Credit to City of Hillsboro

I-10/Loop 375 Americas Interchange El Paso, TX

- Value Capture: Transportation Reinvestment Zones
 - ✓ Texas Legislation, 2007
 - ✓ El Paso established TRZ in 2008
- Scope: I-10/Loop 375 Americas Interchange in the city of El Paso
- Project Cost: \$146 million (phase I)
- Funding:
 - ✓ \$96 million from ARRA
 - ✓ \$30 million in SIB Loan
 - ✓ \$5 million from TxDOT
 - ✓ \$15 million from Border Infrastructure (CBI) funds



I-10/Loop 375 Americas Interchange

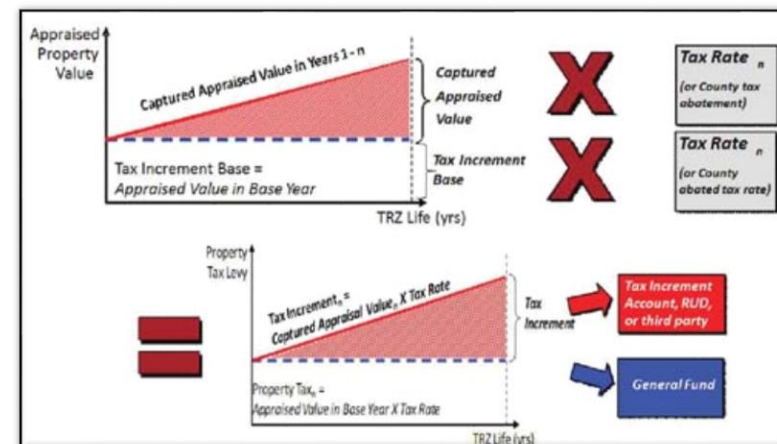
El Paso, TX

How do TRZs work?

- Do not involve new taxes.
- Capture economic growth associated with transportation project
- Dedicate to transportation

Benefits

- Leverage other Federal and State funding source
- Access to Innovative Finance i.e., State Infrastructure Bank Loans



Missouri Route 36/I-72

- Value Capture: Sales & Use Tax Districts/Transportation Development District
 - ✓ Voters approved a half-cent sales tax on all taxable transactions in April 2005 to construct Route 36/I-72
 - ✓ Within the boundaries of the district.
 - ✓ Length 15 years
 - ✓ The four-lane was finished in 2010
 - ✓ Repealed in August 2017 after paid off debt obligation
- Scope: 52 - mile expansion project of U.S. Highway 36 from two to four lanes
- Project Cost: \$75.5 million
 - ✓ \$34.3 million borrowed from Missouri Transportation Finance Corporation (MTFC) in 2008

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 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: Capitalizing on the Value Created by Transportation



Implementation Plan

Every Day Counts | Innovation Initiative

September 2018



U.S. Department of Transportation
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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 Mechanism Factsheets:
https://www.fhwa.dot.gov/ipd/fact_sheets/

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 \$1 million available per year to deploy an innovation not routinely used

<https://www.fhwa.dot.gov/innovation/grants>

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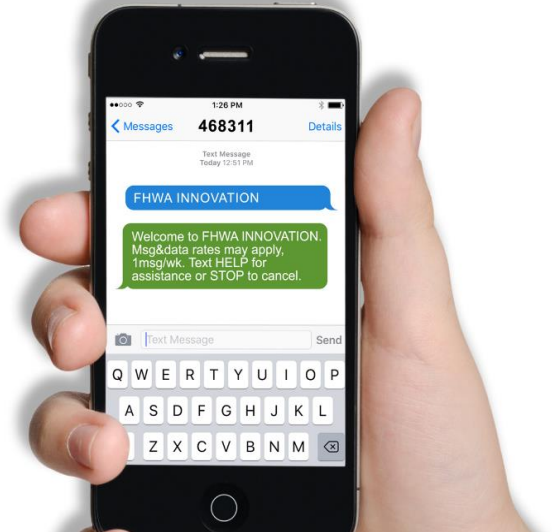
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Questions & Answers

Center for Accelerating Innovation



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Thank You