



U.S. Department
of Transportation
**Federal Highway
Administration**



Value Capture Strategies and Public-Private Partnerships

FHWA's Every Day Counts Initiative
June 9, 2021



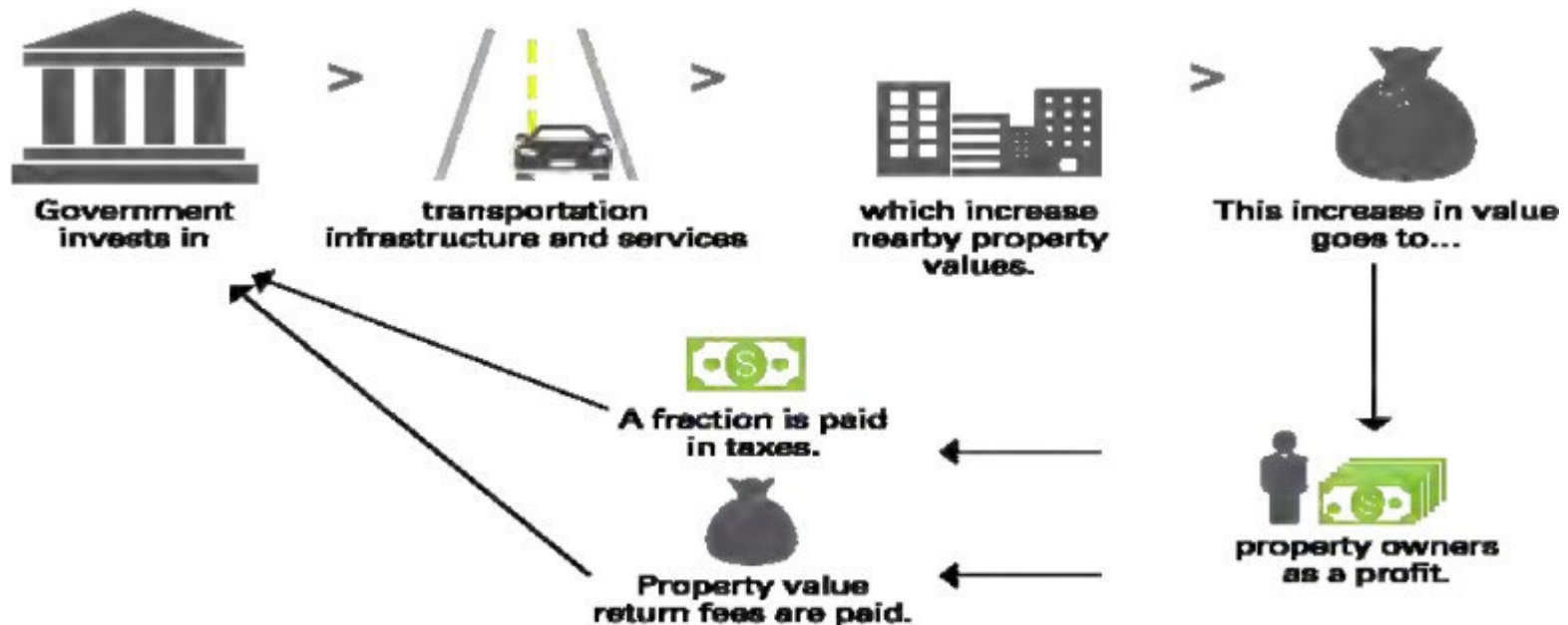
U.S. Department
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Value Capture Overview

What is Value Capture (VC)?

“Value capture” refers to toolbox of strategies used by public agencies to share portion of increased property or other adjacent value created as result of public infrastructure investment



Source: NCHRP Research Report 873

Value Capture Can Fund Project Capex and O&M and Foster Sustainable Development



Value Capture



Value capture projects can recover up to 50% or more of overall project costs

Can support multimodal projects



Revenues captured are a portion of the benefit landowners receive

Facilitates better land use and transportation planning



Creates sustainable revenue sources

TIFs don't raise taxes; they expand the tax base



Can fund capital projects, as well as maintenance and operations

Appropriate for all roads, from Interstate highways to local roads



There are techniques available appropriate to urban, suburban, and rural settings

Promotes efficient land use



Value Capture Strategies & Public-Private Partnerships

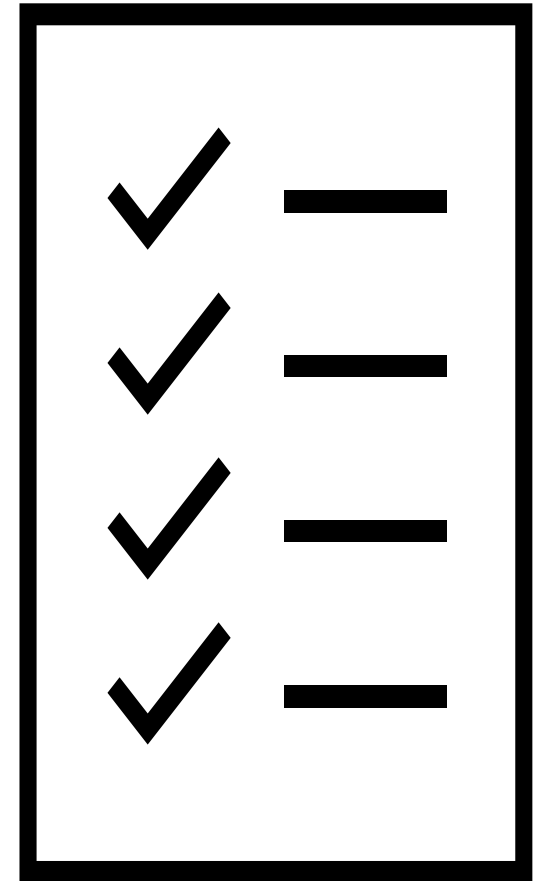
Public-private partnerships (P3s) are about optimal risk transfer

Public ←————→ **Private**

- **Design**
- **Build**
- **Finance**
- **Operate**
- **Maintain**

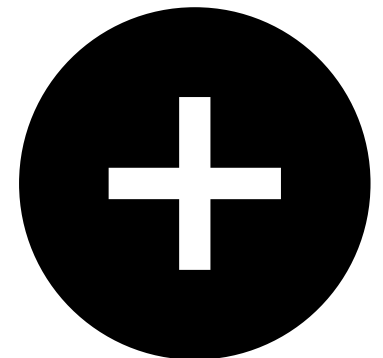
P3s are memorialized in contractual agreements or similar documents

- P3s are contractual agreements between public agency, such as transportation department, and private entity, identifying:
 - Project delivery method
 - Funding source(s)
 - Financing (if appropriate)—yet, not purpose of P3
 - Term—usually 20+ years
 - Penalties and rewards



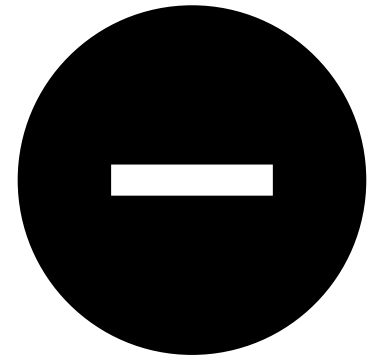
Benefits of P3s

- Provide O&M resources and facilitate life-cycle cost management
- Allocate risks to partner more capable of managing it
- Incentivize innovation, improved quality, efficiencies
- Provide greater price and schedule certainty
- Access private capital
- Advance projects despite government debt limitations



Limitations of P3s

- High transaction costs; typically, most beneficial for large projects, but there are exceptions
- Complex procurement presents risks
- Public agency needs technical capacity to manage development, procurement, negotiations, and contract oversight
- Project delivery method, not a funding source; clearly defined revenue stream required
- Private partner requires reasonable return on investment



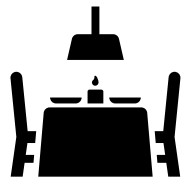
VC funds; P3s realize

VALUE CAPTURE

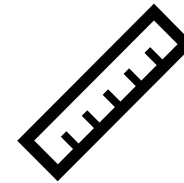
PUBLIC-PRIVATE PARTNERSHIP



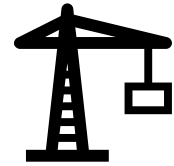
Joint
Development



Commercial
Revenues



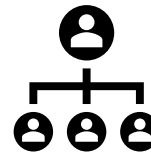
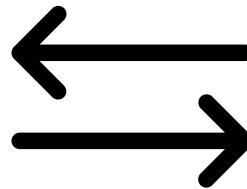
Design



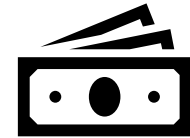
Build



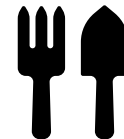
Special
Assessments, Tax
Increment Finance



Operate



Finance



Maintain

VC & P3 Examples

Project	Value Capture Role	Nature of P3
<p>Klyde Warren Park</p>	<ul style="list-style-type: none"> Public & private funding, including from nearby and regional Dallas businesses (~Negotiated Exactions) Public improvement district (PID) assessments on property owners (Special Assessment) Park commercial revenues (Joint Development) 	<ul style="list-style-type: none"> Project Delivery: Design-bid-build Funding: 50/50 public/private for construction; City, foundation, PID for O&M O&M responsibility: City, foundation and PID

VC & P3 Examples (cont'd)

Project	Value Capture Role	Nature of P3
I-95 Service Plazas	Food, beverage and gas sales (Joint Development)	<ul style="list-style-type: none"> • Project Delivery: Design/Build/Finance/Operate/Maintain • Funding: Concessionaire-funded, taking all commercial risk on future revenues • O&M responsibility: Concessionaire

VC & P3 Examples (cont'd)

Project	Value Capture Role	Nature of P3
Denver Union Station - Transportation	<ul style="list-style-type: none"> • Land sales (Joint Development) • Special Assessment District • Tax Increment Finance 	<ul style="list-style-type: none"> • Project Delivery: Various • Funding: Value capture and Federal/State/local grant sources • O&M responsibility: Public
Denver Union Station – Historic Station	<ul style="list-style-type: none"> • Station Commercial Revenues (Joint Development) 	<ul style="list-style-type: none"> • Project Delivery: Design/Build/Finance/Operate/Maintain • Funding: Commercial revenues • O&M responsibility: Private

Project Example Representatives

- Jody Grant, Founder & Board Chair; Klyde Warren Park, Dallas, Texas
- Deborah Sharpless, CFO of Maryland Toll Authority; Maryland I-95 Travel Plazas Redevelopment
- Brenden Morgan, Senior Manager, Debt & Investments; Regional Transportation District; Denver Union Station Redevelopment

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KLYDE WARREN
PARK

**A Presentation For
FHWA Everyday Counts
Innovation National Virtual Peer Exchange**

June 9, 2021



Jody Grant
Chairman of the Board
Woodall Rodgers Park Foundation



Location: Dallas, Texas

Challenge: A depressed highway that physically and emotionally separated Downtown and the Dallas Arts District from the thriving Uptown area, which was impacting economic growth.



Artist rendering by Michael McCann 2006

Project: Create a 5.2 acre deck park over a depressed freeway in the urban core of Dallas

Partners: City of Dallas, TxDOT, Woodall Rodgers Park Foundation

Funding: \$112,000,000

Ownership

City of Dallas

Development Funding

City of Dallas

\$20M

Texas Department of
Transportation

\$20M

American Recovery and
Reinvestment Act

\$17M

Private Funds

\$55M

Ongoing Funding

Tunnel Maintenance

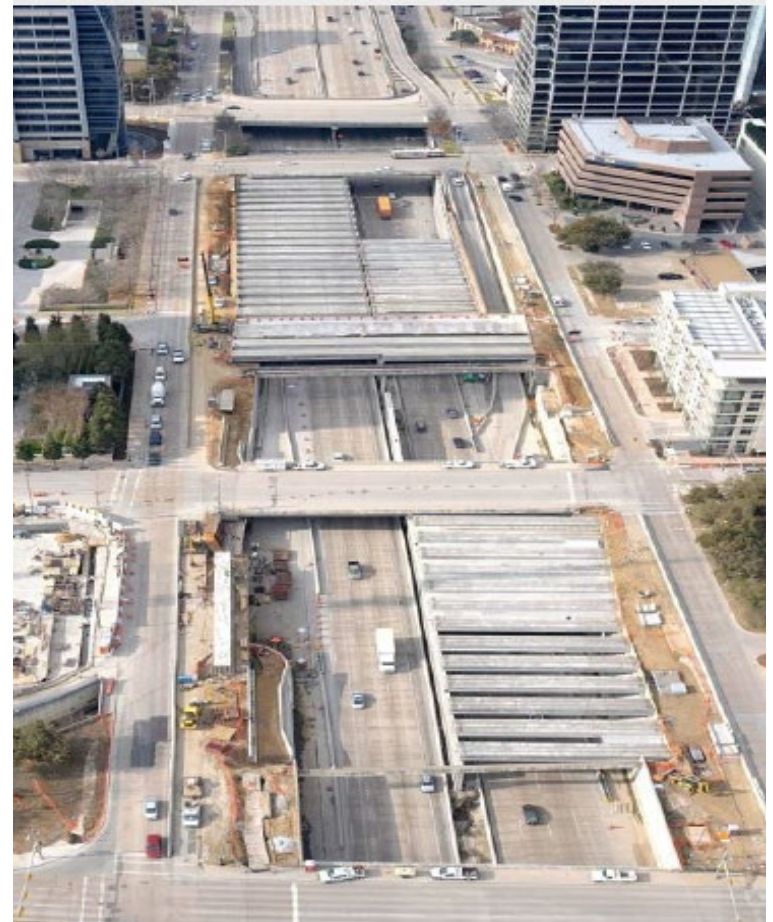
- City of Dallas

Safety, Custodial, Maintenance,
Programs and Events:

- Foundation (\$3-4M)
- Public Improvement District (\$1.5M)
 - Created in 2014
 - 660 property owners
 - Assessments paid via City of Dallas property taxes

Construction Overview:

- Spanned 8 lanes of existing freeway with a deck
- Relocated major telephone, electrical, water, and gas lines
- Installed drainage system and site utilities
- Waterproofed the deck
- Built park amenities on top of the deck including restaurant, performance pavilion, children's park, dog park, and multiple fountains
- Covered freeway became a tunnel with illumination, ventilation, and fire/life safety



Jacobs



OJB | THE OFFICE OF
LANDSCAPE ARCHITECTURE
JAMES BURNETT



fluidity



MCCARTHY

BJERKE MANAGEMENT SOLUTIONS
DEVELOPMENT PROGRAM MANAGEMENT



Eight years after the first conversation, the Park opened in 2012 to critical acclaim.



Assessed values in the surrounding area have more than doubled in the past seven years
\$415 million in property taxes benefit the city, county, schools and hospitals
(2013-2020)



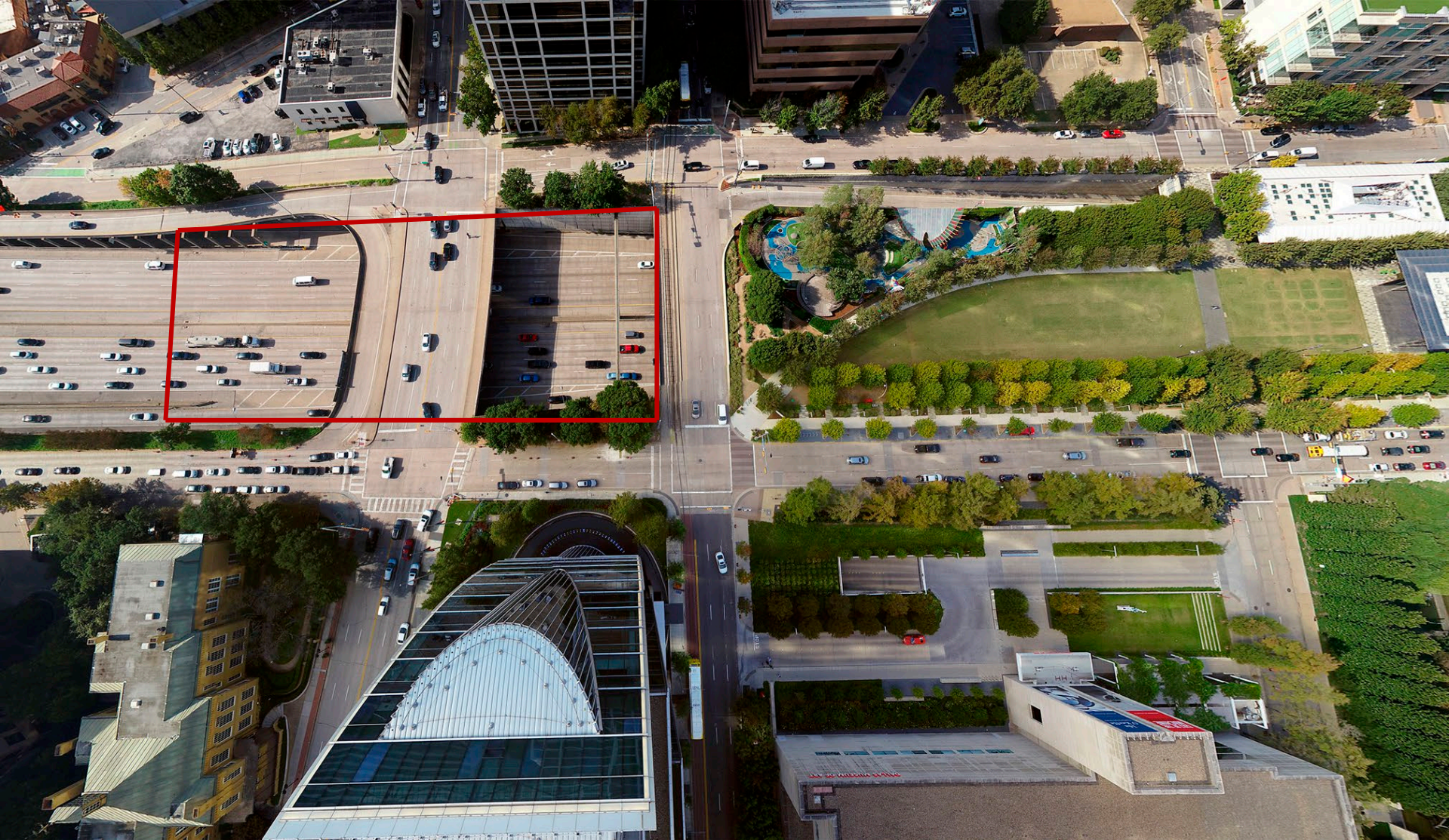
More than 1 million visitors each year from every neighborhood in Dallas and around the world



Lessons Learned



FUTURE EXPANSION



Project: Create a 1.7 acre extension of the Park over the last recessed portion of the freeway

Partners: NCTCOG, City of Dallas, TxDOT, Woodall Rodgers Park Foundation

Funding: \$100,000,000 via NCTCOG, City of Dallas, and private donors



3 story pavilion includes public gathering space,
special event space, and rooftop terrace



37,000 square foot lawn will be home to festivals, markets, a holiday ice rink, and other special events

Phase 2.0 Estimates

- 1.1 million additional visitors per year
- \$175 million in additional local spending
- \$2.7 billion increase in property values
- \$75.6 million in additional property taxes per year





Questions?



KLYDE WARREN
PARK



RTD's Union Station

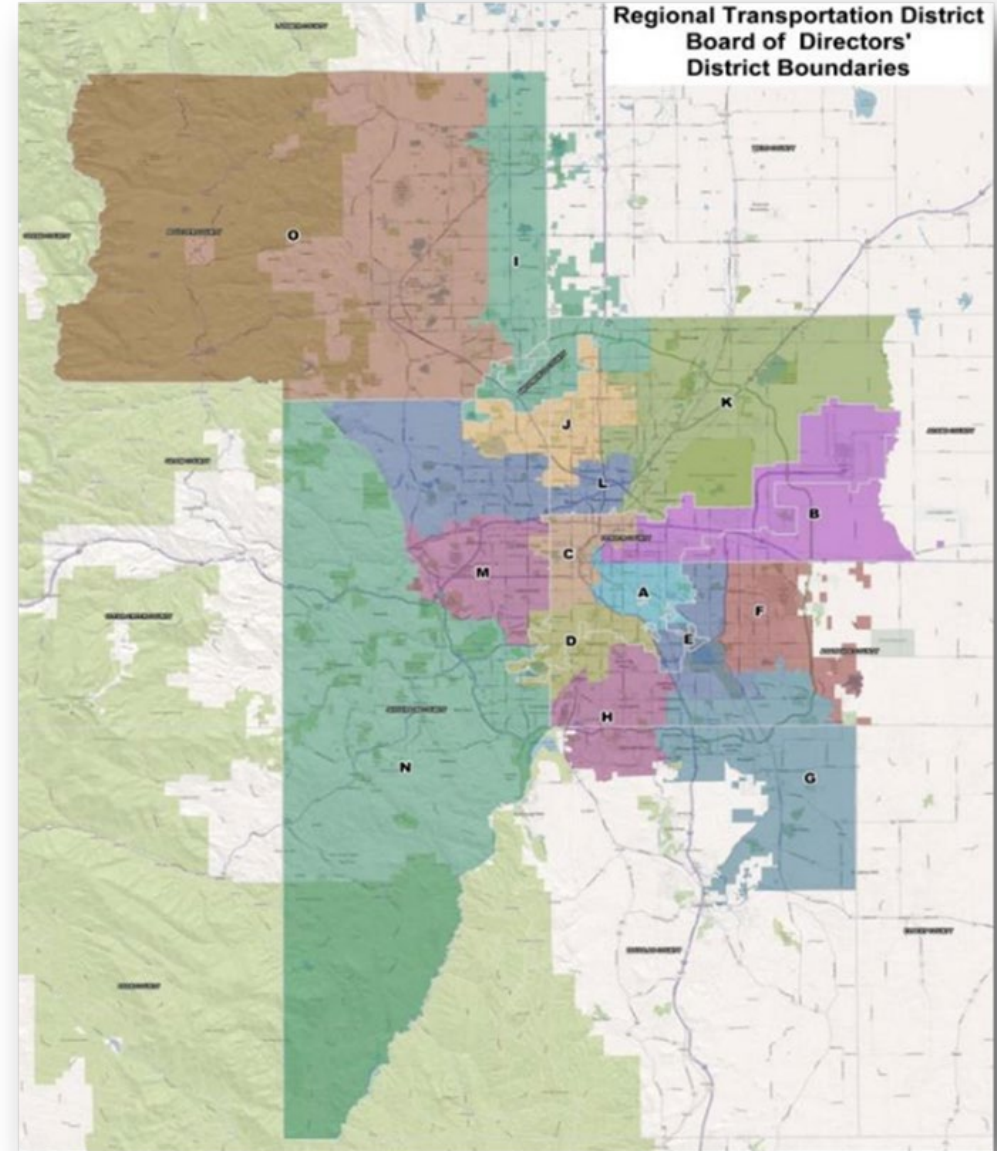
Brenden Morgan, Sr. Manager of Debt and Investments



November 7, 2023

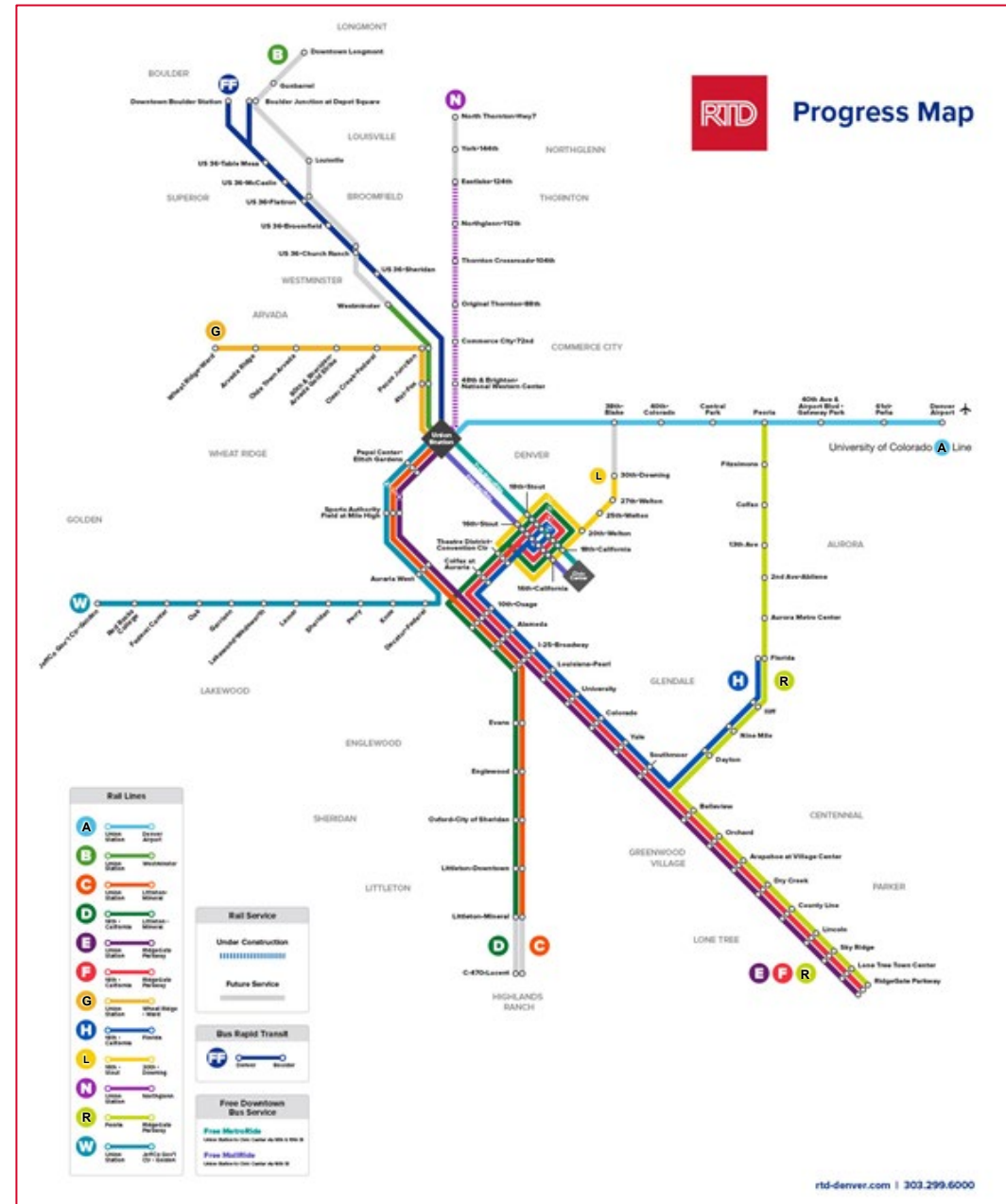
RTD Profile

- Operates public transportation in Denver/Boulder metro area
- Created in 1969 by Colorado General Assembly
- Region of 3.1 million people
- 2,342-square-mile service area
- 40 cities in 8 counties
- 15-member elected board



RTD by the Numbers

- Annual Ridership(2019): 105 million
- 12 rail lines in operation
 - 8 light rail
 - 4 commuter rail
- 1 BRT line
- FlexRide Microtransit
- Uber/Lyft Collaborations
- 4 future rail extensions (unfunded)
- 2,700 employees



FasTracks Program

- Major transit expansion project in the Denver metro area approved by voters in 2004 supported by 0.4 percent sales and use tax
- 122 miles of new light rail and commuter rail
- 18 miles of bus rapid transit (BRT)
- 31 new Park-n-Rides, 21,000+ parking spaces
- Enhanced bus network, transit hubs
- Redevelopment of Denver Union Station
- 57 new rail and/or BRT stations
- Opportunities for transit-oriented communities



Redevelopment of Denver Union Station

Element #1: Expand Denver's transportation network

- In 2008, the Denver Union Station Project Authority (DUSPA), a single purpose entity, was established by the City and County of Denver (CCD), Regional Transportation District (RTD), Colorado Department of Transportation (CDOT), and the Denver Regional Council of Governments (DRCOG)
- DUSPA's scope included:
 - Improve and expand light rail, commuter rail, and regional bus facilities
 - Improve plazas and pedestrian connections surrounding Denver Union Station
- In 2009, Trammel Crow Companies is hired by DUSPA as Owner's Representative to administer the design and construction of the project
- In 2009, Kiewit Western awarded design-build contract



Historic Building Redevelopment

- **Element #2: Renovate and redevelop Denver Union Station historic building**
- In 2001, RTD, in collaboration with CCD, CDOT, and DRCOG, purchases building
- In 2012, RTD enters into 99 year lease with Union Station Alliance (USA) to redevelop, improve, maintain, and operate the historic building
- RTD retains ownership
- Require broad public access and 24/7 activation
- Hotel, retail, restaurant and commercial elements
- Gross revenue sharing with RTD
- USA responsible for O&M and capital replacements

Risks and Responsibilities

	<u>Element #1</u>	<u>Element #2</u>
	<u>Transportation Infrastructure</u>	<u>Historic Union Station Building</u>
Planning & Acquisition	Public	Public
Finance	Public	Private
Design	Private	Private
Build	Private	Private
Operate	Public	Private
Maintain	Public	Private
Capital Replacement	Public	Private

Project Financing (Excluding Historic Building)

Total project cost (excluding Historic Building) - \$482.4 million

- TIFIA loan (final payment 2040): \$145.6 million
- RRIF loan (final payment 2038): \$155.0 million
- RTD land parcels and FasTracks funds: \$74.1 million
- Local, State, and Federal Grants: \$103.5 million
- Other sources: \$4.2 million

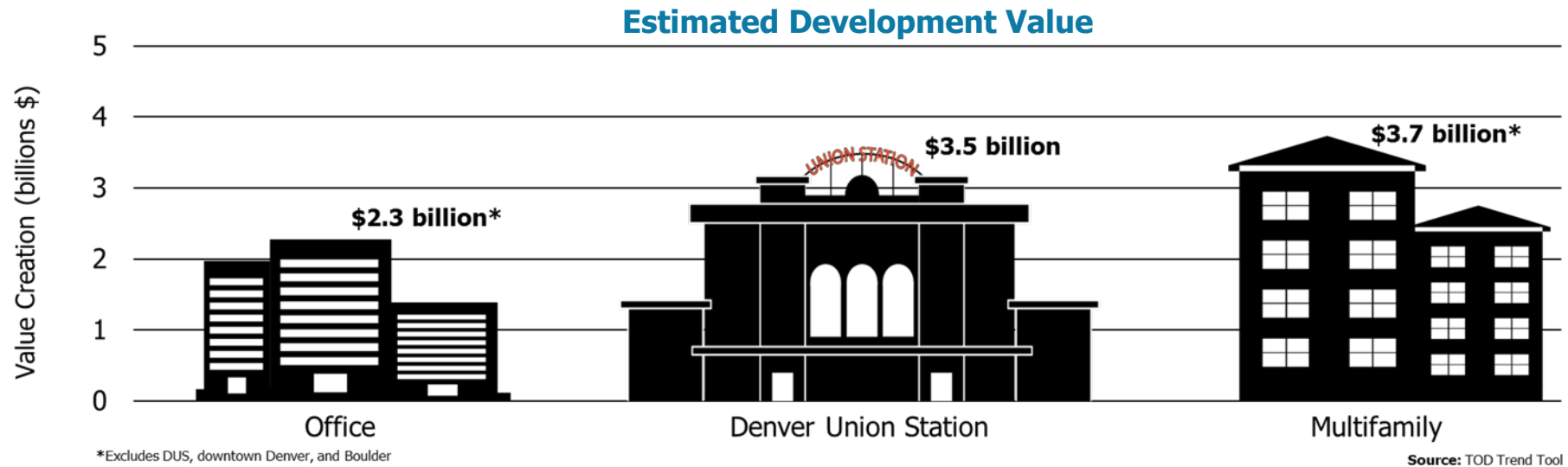
Repayment plan:

- **RTD** – Issued 30-year, \$168 million bond with final maturity in 2040. Payments including interest total \$360.2 million
- **City of Denver** – Pledged sales and property tax revenues generated from neighborhood (including historic building) through 2040. Collections projected to total \$636.6 million



Value Creation in DUS Neighborhood

RTD's nearly **\$500 million** investment in DUS catalyzed **\$3.5 billion** in development value



Value Creation - Real Estate Development

DAVITA WORLD HEADQUARTERS
(2012)
14 Story Office



16 CHESTNUT
(2018)
19 Story Office, Retail



THE GRAND
(2018)
12 & 24 stories, 508 Apartments, Retail



ALTA CITY HOUSE
(2015)
5 Story, 281 Apartments



PANDO APARTMENTS
(Proposed)
12 Story, 222 Apartments



HILTON GARDEN INN
(2019)
233 keys



1900 16th STREET
(2009)
17 Story Office, Retail & Living Space



1601 WEWATTA
(2015)
10 Story Office Building, Retail, Parking



CADENCE APARTMENTS
(2013)
13 Story, 219 Apartments, Retail & Parking



UNION DENVER
(2017)
579 Apartments, Whole Foods Market



UNION TOWER WEST
(2017)
203 keys, 100K Office, 10K Retail



ASHLEY UNION STATION
(2017)
4 Story, 107 Apartments (Affordable)



TRIANGLE BUILDING
(2015)
11 Story Office, Retail



HOTEL BORN & 1881 OFFICE
(2017)
200 keys, 5 Story Office & Retail



PLATFORM
(2015)
21 Story, 287 Apartments



COLORADAN
(2019)
334 Condos, 28K Retail



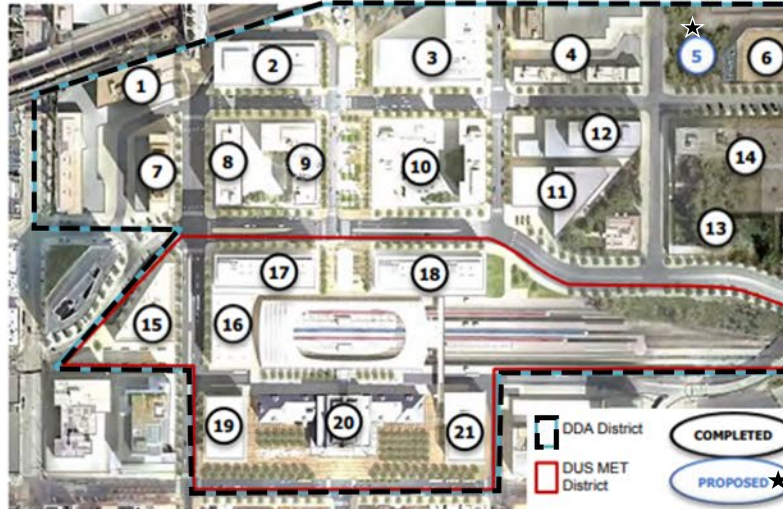
S. WING BUILDING ONE UNION STATION
(2014)
5 Story Office, Retail



DUS HISTORIC BUILDING
(2014)
112 Room Crawford Hotel & Retail



N. WING BUILDING
(2013)
5 Story Office, Retail, Restaurants & Parking



- 3,000 residential units
- 1.9 million SF office
- 250,000 SF retail
- 750 hotel rooms

THE PULLMAN
(2020)
14 Stories, 3K Retail, 164 Apartments



ALARA
(2015)
313 Apartments, King Soopers Grocer



Value Capture - Ongoing

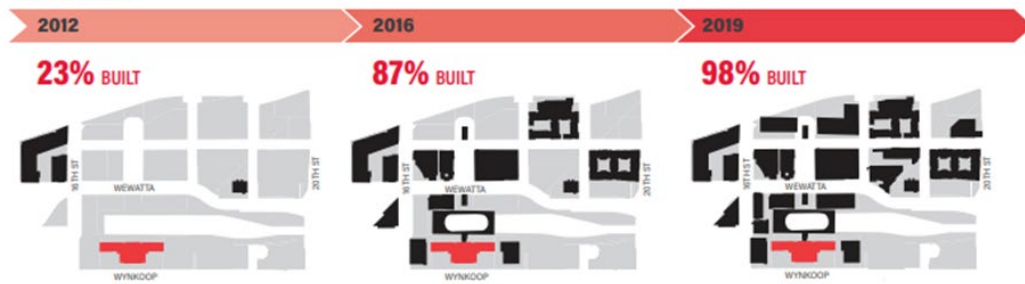
Denver Union Station (DUS) is the multimodal hub of the RTD transit system. The historic station building, built in 1881, was renovated in 2014 with a restored train hall, 112-room Crawford Hotel, and multiple restaurants and retailers. Adjacent to the historic building, RTD has a commuter rail station, a light rail station, and a 22-bay underground bus facility. The restoration of the historic building and RTD's investment in transit infrastructure at the site have catalyzed the largest transit-oriented development in the Denver region with nearly 6 million square feet of space built over the last 10 years.



DEVELOPMENT ACTIVITY, 2008-2019



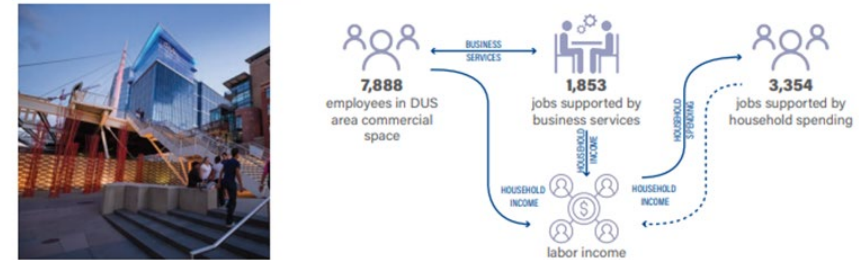
TIMELINE



November 7, 2023

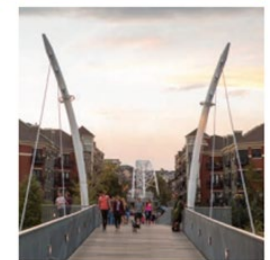
\$1.85 billion EMPLOYMENT IMPACT

Employment in the DUS area generates demand for additional employment in Metro Denver from business-to-business services and worker-household spending. The 13,095 jobs supported by DUS create \$1.85 billion in total regional spending annually.



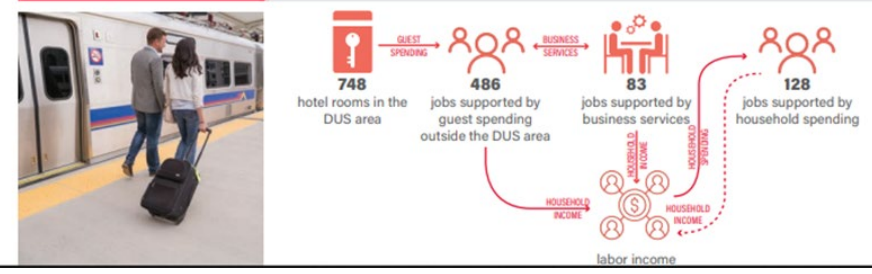
DUS area households generate additional impacts to the Metro Denver economy through daily personal spending. Daily spending creates demand for 2,254 jobs which generates a net impact of \$340 million annually.

\$340 million NET HOUSEHOLD IMPACT



\$80 million NET GUEST IMPACT

Hotel guest spending outside the DUS area supports 698 additional jobs in retail, food and beverage, arts and entertainment, and other sectors. The 698 jobs supported by guest spending then generate \$80 million in net household spending annually.




DUSPA Wind Down

Higher than projected property tax and sales tax revenues from 2012-2017 provided an opportunity to replace original financing with lower cost financing

- RTD issued AA+ rated bonds
- Denver obtained a bank loan

Benefits of the new financing included:

- RTD reduced interest expense over the life of the financing by \$134 million
- RTD Pursuing return of \$29 million RRIF credit risk premium
- Denver reduced interest expense
- Denver was relieved from a moral obligation pledge tied to the original financing
- DUSPA was wound down and retired



FirstSouthwest
A Division of Hilltop Securities

8055 E. Tufts Avenue, Suite 500
Denver, CO 80237
(303) 771-0217 Direct

Memorandum

Jason Simmons
Director
Jason.Simmons@hilltopsecurities.com

Date: February 3, 2017

To: Distribution List

Subject: Closing Memo
Denver Union Station Project Authority
TIFIA and RRIF Loan Payoff and Discharge

LOCATION Butler Snow
1801 California, Suite 5100
Denver, CO 80202
(720) 330-2357

PRE-CLOSING Thursday, February 2, 2017
2:00 p.m. MST

CLOSING Friday, February 3, 2017
9:00 a.m. MST
Dial In (855) 797-9485; Code 86357217

OVERVIEW

On the morning of closing, Zions Bank, as Trustee (the "Trustee") for the Denver Union Station Project Authority, will receive proceeds from the City and County of Denver DDA loan, and the RTD Bonds, in the combined amount of \$281,311,496.63, which will be combined with proceeds on hand in the amount of \$30,384,999.68 to pay off and discharge the TIFIA and RRIF loans as follows:

Proceeds of DDA Loan:	\$187,540,997.75
Proceeds of RTD Bonds:	93,770,498.87
<u>Funds on Deposit with the Trustee:</u>	<u>30,384,999.68</u>
TOTAL	\$311,696,496.30
Amount due to TIFIA:	\$155,855,365.26
<u>Amount due to RRIF:</u>	<u>155,841,131.04</u>
TOTAL	\$311,696,496.30

Questions?



November 7, 2023

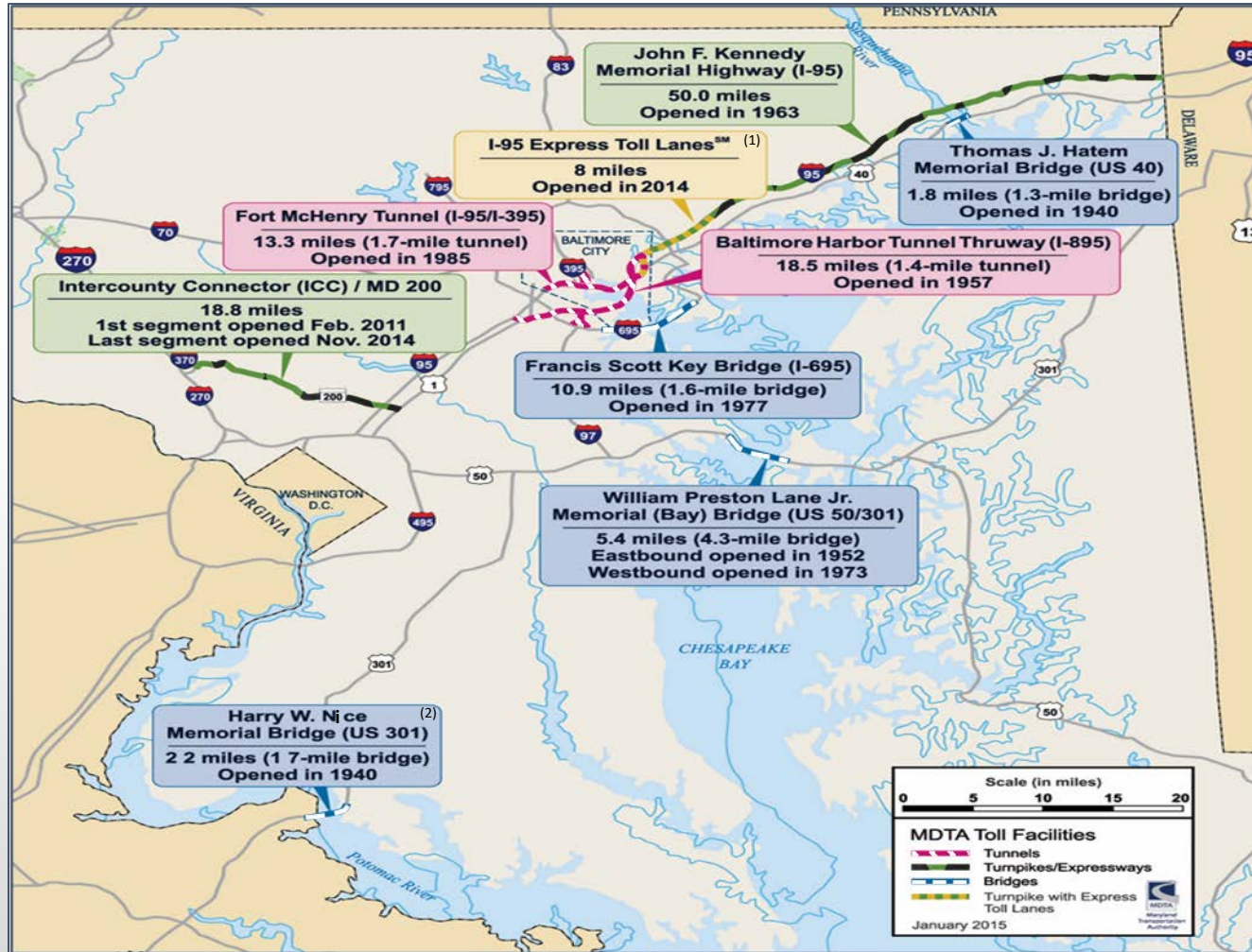
Value Capture & Public-Private Partnerships

Maryland Transportation Authority
Maryland House & Chesapeake House Travel Plazas
June 9, 2021



Maryland
Transportation
Authority

MDTA Background



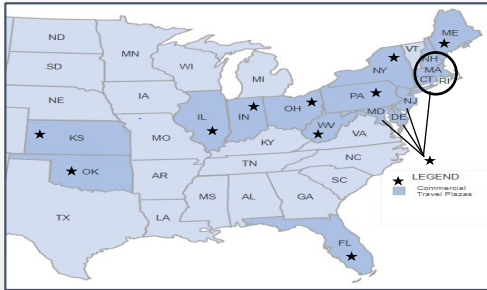
- Responsible for constructing, managing, operating, and improving the State's toll facilities
- Mature, diversified, multi-asset toll system
 - Eight toll facilities, plus the I-95 Express Toll Lanes (ETL), in the Baltimore and Washington metropolitan statistical areas
- Solely funded by toll revenue
 - Independent toll setting authority

(1) I-95 ETL are part of the JFK Memorial Highway facility. 9.5 mile northbound extension project is underway, anticipated completion in December 2024 (7.2 miles) and December 2027 (2.3 miles).

(2) The replacement Governor Harry W. Nice Memorial/Senator Thomas "Mac" Middleton bridge is underway, anticipated completion in early 2023.

Commercialized Travel Plazas

- Enhance the comfort of travelers and drivers and facilitates highway safety
 - Convenient place of rest & stop—passenger and recreational vehicles, buses, tractor trailers
 - Fatigue & Distractions—children, pets, work
 - Driver changes & inclement weather
 - Comfortable, relaxing seating, kids ‘korners’, Wi-Fi
 - Food court, convenience store, restrooms/lavatories
 - Fuel stations—gasoline, diesel, electric charging stations
 - Welcome/Information center



- Located in 16 States/ Commonwealths
 - Common attribute— toll roads
 - U.S. Code, Title 23, §111 limits commercial development on the interstate system when constructed with federal funds

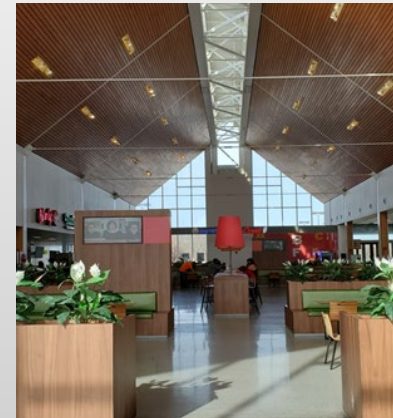
- Highway Safety Benefits

- NHTSA
 - Estimated 91,000 police-reported crashes involved drowsy drivers; leading to an estimated 50,000 people injured and 800 deaths
 - Fatigue is a contributory factor in 2.2 to 2.6% of all fatal crashes annually
- Federal Motor Carrier Safety Administration
 - Fatigue is a factor in approximately 13% of large truck (GVWR>10,000 lbs.) involved crashes



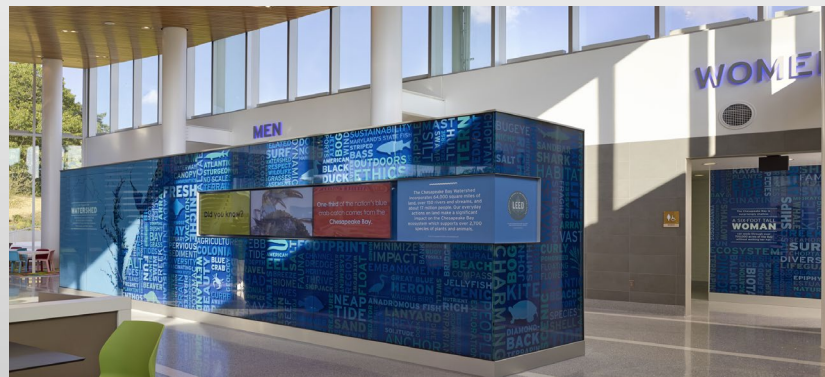
Maryland House

- 49 acres located in the median of John F. Kennedy (JFK) Memorial Highway (I-95) in Harford County, Maryland
- Primary House
 - 42,420 usable square foot facility; (expansion opportunity 5,505)
 - food court, retail, merchandise
 - Seating: 486 indoors and 160 outdoors
 - LEED Silver
 - 104 public lavatories
- Service Center
 - 5,700 square foot convenience store
 - Fueling: 40 car and 4 truck
 - 22 public lavatories
- Parking: 515 auto; 60 truck; 30 buses; (expansion opportunity 79 spaces)
- JFK Memorial Highway Maintenance Workers who lost their lives while serving customers



Chesapeake House

- 59 acres located in the median of JFK Memorial Highway (I-95) in Cecil County, Maryland
- Primary House
 - 29,995 usable square foot facility; (expansion opportunity 9,400)
 - food court, retail & merchandise
 - Seating: 325 indoors and 80 outdoors
 - LEED Silver
 - 77 public lavatories
- Service Center
 - 4,300 square foot convenience store
 - Fueling: 24 car and 4 truck
 - 12 public lavatories
- Parking: 360 auto; 78 truck; 30 buses; (expansion opportunity 86 spaces)
- Maryland Women in Military Service Monument

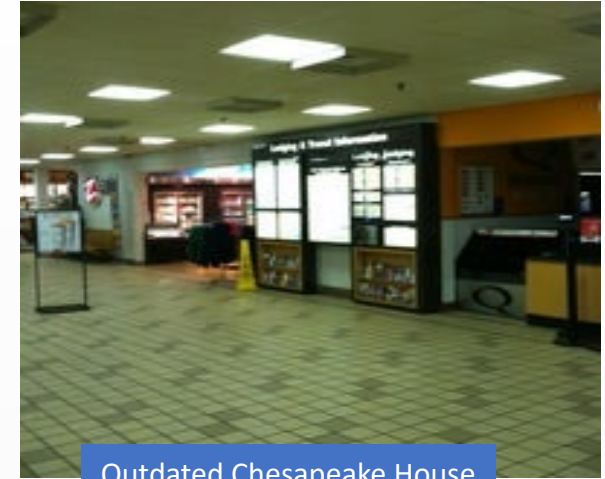


P3 Solicitation

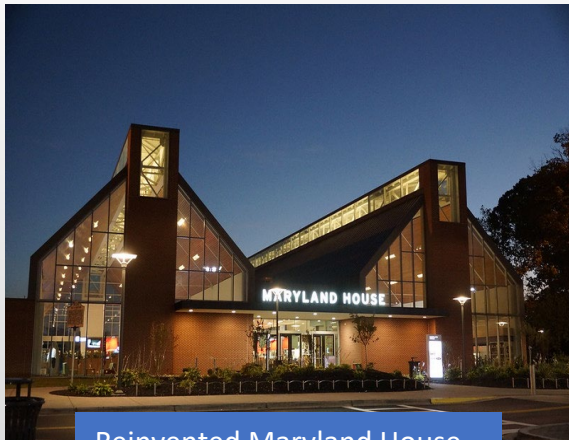


Original Maryland House

- Most traveled highway on East Coast—more than 5 million visitors per year
- Existing facilities outdated & beyond useful life
 - Maryland House opened in 1963
 - Chesapeake House opened in 1975
- 35-year P3 Lease & Concession agreement
 - Design-Build-Finance-Operate-Maintain
- Request for Proposals—Competitive, sealed proposals
 - Customer-driven focus
 - Performance-based model
 - Flexibility for the private sector to innovate on all aspects
 - Selection—most advantageous to the State “Best Value”
- Awarded to Areas USA, MDTP, LLC

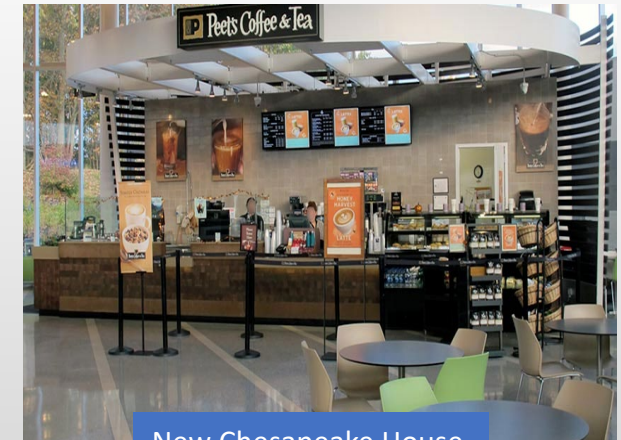


Outdated Chesapeake House



Reinvented Maryland House

Key Milestones & Dates	
RFP Advertised	6/27/11
Contract Awarded	3/7/12
Financial Close & Assumed Operations	9/16/12
New Maryland House Opened	1/16/14
New Chesapeake House Opened	8/5/14



New Chesapeake House






Ideal Project Under the Right Circumstances

Project Goals

- Obtain new or like-new facilities to replace the current Chesapeake House and Maryland House using a public-private partnership
- Ensure that the facility design and operation will provide a positive customer experience
- Provide a fair return to the State, and provide for transfer of the facilities in satisfactory condition at the end of the term

MDTA (Public Agency)		Areas USA (Private Company)
Capital investment of \$56M private funding to redevelop the travel plazas <i>Frees up toll revenue to invest in infrastructure</i>	↔	Right to operate and maintain the travel plazas above current standards for 35 years <i>Accepts operational and revenue risks and rewards</i>
Firm commitment to construct and open 2 new travel plazas by Sept 2014 for a non-controversial project <i>Accelerates delivery without schedule risk or cost overruns and avoids capital funding commitments</i>	↔	Obligation to design and build facilities and invest in retail space as deemed fit by concessionaire <i>Ability to innovate, while assuming design and construction risk</i>
Remediation of existing soils contamination <i>Brings closure to open Environmental case</i>	↔	Commitment from MDTA to fund clean-up efforts in excess of 10,000 cubic yards of material <i>Reduces uncertainty; assumes responsibility for environmental compliance of future facility operations</i>
Avoids responsibilities in a non-core competency (hospitality) <i>Provides excellent customer service by leveraging private expertise</i>	↔	Full control over operations and work practices as long as in contract compliance <i>Accepts operational risks and efficiency returns</i>

Ideal Project Under the Right Circumstances (continued)

MDTA (Public Agency)		Areas USA (Private Company)
<p>Best use of land while providing an annual revenue stream <i>Monetizes the asset and generates modest \$5M annually, plus growth</i></p>		<p>Opportunity to provide retail services in heavily-traveled corridor; all net revenues resulting from operations <i>Accept operational and revenue risks and rewards</i></p>
<p>Relief from future maintenance expenditures required for lifecycle asset management <i>Avoids estimated \$35M in projected expenses</i></p>		<p>Control over timing and nature of system preservation costs as long as standards are met <i>Ability to control design to reduce ongoing operational & maintenance and long-term reinvestment & replacement costs</i></p>
<p>Economic benefit of new investment, new capacity <i>Created 405 construction jobs over construction period</i></p>		<p>Travel demand created by growth in Maryland's tourism industry, recreational activity and business dynamism <i>Accepts risks & benefits of long-term economic growth</i></p>
<p>Achieves second major P3 transportation project <i>Furthers experience for future projects</i></p>		<p>Enters into a long-term agreement to operate destinations with higher customer visibility <i>Expands relevant project experience</i></p>
<p>Right to cancel agreement if concessionaire fails to perform <i>Enforces high standards of performance without additional cost</i></p>		<p>Full control over operations and work practices as long as in contract compliance <i>Accept operational risks and rewards</i></p>

Lessons Learned

- RFP too restrictive and prescriptive – stifled competition and innovation
 - Original RFP issued 3/25/10; 711 pages
 - Prescriptive language felt good to the agency, but was harmful to the project
 - RFP canceled after 7 addendums

Some prescriptive language, particularly with limits/constraints, can be fine, but use sparingly otherwise risk removing potential proposers' ability to innovate, optimize design, constrain costs, and maximize revenue.

- Shifted MDTA core competencies to Concessionaire—results inefficiencies
 - Examples: Overhead Highway Signage; Paving; High Mast Lighting; Snow removal

Reducing future capital and operating expenses can be appealing, but not when those activities are outside the sector's area of expertise; in the long-run costs are higher and customer service suffers.

- Advised contract compliance as two extremes: In compliance & Non-compliance/termination
 - Performance criteria established
 - Not supported by incentives and disincentives

Middle ground exists between areas for improvement vs. non-performance/termination; the ability to entice corrective action and reward excellent performance are critical elements of any performance contract; P3 agreements are no different.

- Value-capture opportunities exist outside of mega and complex projects

Value-capture prospects can be found in projects/services of all sizes and complexity levels

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