

Center for Accelerating Innovation

U.S. Department of Transportation  
Federal Highway Administration

**On-Ramp to Innovation**  
every day counts

**Value Capture:**  
Capitalizing on the Value Created by Transportation

Center for Accelerating Innovation

**Presenters**

Lindsey Svendsen, Office of Real Estate Services, FHWA

Jim Thorne, Office of Planning, FHWA

Ken Atkins, Contract Administration Engineer, FHWA Technical Services Team (former Osceola County), Osceola County, FL Case Study

Eric Bourassa, Director of Transportation Division, Metropolitan Area Planning Council (Boston). Assembly Square, Somerville MA Case Study

EDC

Center for Accelerating Innovation

**Agenda**

- What is the EDC-5 Value Capture initiative?
- Why is Value Capture needed?
- Value Capture Overview and Benefits
- FHWA Role in Value Capture Initiative
- Case Studies
- Q&A/Do you know?

EDC

Center for Accelerating Innovation

U.S. Department of Transportation  
Federal Highway Administration

**On-Ramp to Innovation**  
every day counts

**What is the EDC-5 Value Capture initiative?**

Center for Accelerating Innovation

**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

EDC

Center for Accelerating Innovation

**What is Value Capture?**

Source: NCHRP Research Report 873


EDC

Center for Accelerating Innovation

### Example: Value Capture Funds Corridor Improvement

Virginia Route 28 Transportation Improvement District

- District formed in 1987 jointly by Loudoun 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](https://www.fhwa.dot.gov/ipd/project_profiles/va_route28.aspx)

EDC

Center for Accelerating Innovation

U.S. Department of Transportation  
Federal Highway Administration



## Why is Value Capture needed?

1

Center for Accelerating Innovation



EDC

2

Center for Accelerating Innovation

### The Case for Value Capture

- Federal funding availability
- Local project funding
- Untapped revenue source
- Equitable
- Sustainable economic development

EDC

3

Center for Accelerating Innovation

### FHWA Roles in Value Capture Tools

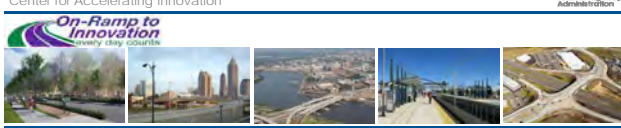
- FHWA seeks to improve consideration of **all** revenue and finance options in the project development process
- FHWA seeks to **build capacity for consideration and implementation** of revenue options/value capture tools
- USDOT's Build America Bureau offers **innovative financing** through the TIFIA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

EDC

4

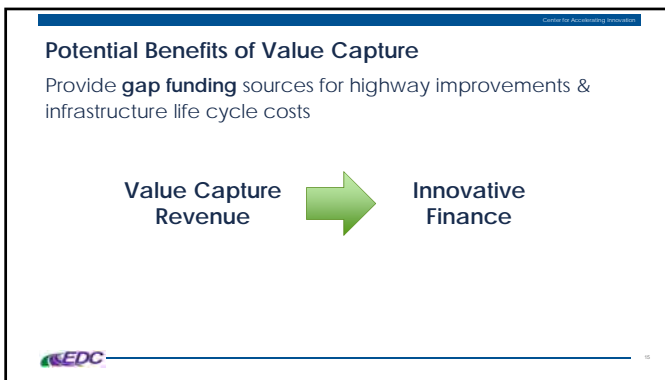
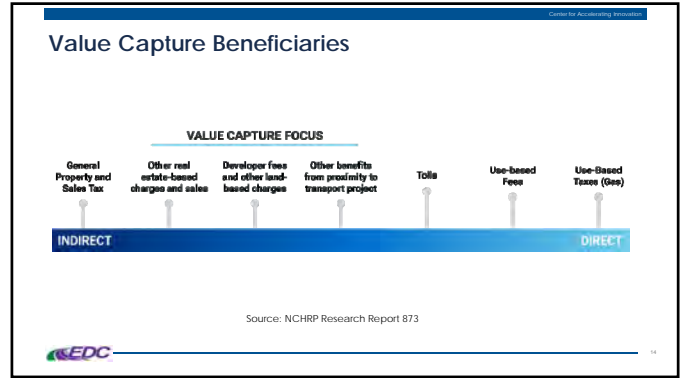
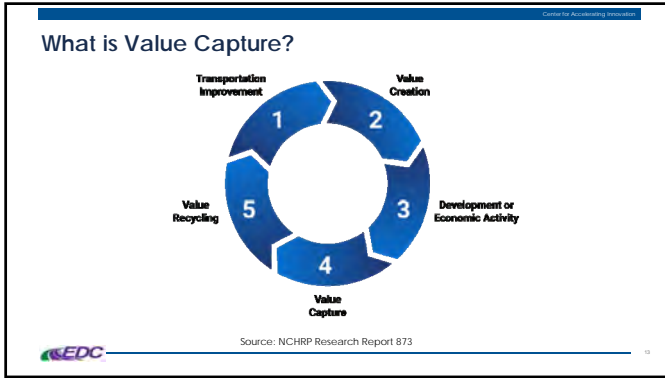
Center for Accelerating Innovation

U.S. Department of Transportation  
Federal Highway Administration



## Value Capture Overview & Benefits

5



- ### Potential Benefits of Value Capture
- Facilitate access to **ongoing revenue stream** to Local Public Agencies
  - Accelerate** project delivery & safety Improvements
  - Induce **private investment**




- ### How is the Value Captured?
- Developer Contributions
    - Impact fees
    - Negotiate Exaction and Ongoing developer contributions
  - Transportation Utility Fees (TUFs)
  - Special Tax and Fee Approaches
    - Special assessment district
    - Sales tax district
    - Business improvement district
    - Land value tax

Center for Accelerating Innovation

### 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

 21

Center for Accelerating Innovation

### How is the Value Captured? (cont.)


- Advertising Rights and Sales
  - ✓ Naming rights
- Other
  - ✓ Transportation Corporation (TC)
  - ✓ Section 63-20 Corporation

 22

Center for Accelerating Innovation

### 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

 23

Center for Accelerating Innovation

### 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

 24

Center for Accelerating Innovation

### 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


 25

Center for Accelerating Innovation



### 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

 26

Center for Accelerating Innovation


U.S. Department of Transportation  
Federal Highway Administration

## Federal Roles

Center for Accelerating Innovation

## 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



Center for Accelerating Innovation


## 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



Center for Accelerating Innovation

## 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.



Center for Accelerating Innovation

## 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



Center for Accelerating Innovation

## Value Capture Activities

- Webinars
- Workshops
- Peer Exchanges
- Case Studies
- Sponsorships (local, regional, & national events)
- Technical Assistance
- Website (Clearinghouse)




Center for Accelerating Innovation

## 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](https://www.fhwa.dot.gov/ipd/value_capture/resources/value_capture_resources/default.aspx)
  - Project Profiles: [https://www.fhwa.dot.gov/ipd/project\\_profiles/](https://www.fhwa.dot.gov/ipd/project_profiles/)
  - Value Capture Mechanism Factsheets: [https://www.fhwa.dot.gov/ipd/fact\\_sheets/](https://www.fhwa.dot.gov/ipd/fact_sheets/)

EDC

Center for Accelerating Innovation

U.S. Department of Transportation  
Federal Highway Administration

On-Ramp to Innovation  
Every Day Counts



## Case Study – Osceola County Florida


### Transportation Impact Fees & Funding

Ken Atkins, FHWA

EDC

Center for Accelerating Innovation

## Osceola County Case Study



John Young Parkway/Osceola Parkway Interchange

EDC

Center for Accelerating Innovation

## Osceola County Overview

- Named for Indian leader Osceola
- Created in 1887
- Covering 1,506 square miles
- Population grew to 47,619; 88.5 % increase from the 1970 census; and by 55.8 % in 2010
- Infrastructure was not equipped to support growth
- The impact fees were finally approved in 1989

EDC

Center for Accelerating Innovation

## Value Capture Advances Roadway & Bridge Program

- Projects bundled using Alternative Contracting Methods (ACMs)
- Countywide 11 projects with 13 bridges
  - Bridges were part of roadway projects
- 1 billion dollar program – started w/ bundling \$350-million
- 100% locally funded by Value Capture -impact fees

EDC

Center for Accelerating Innovation

## The Results

- Most accelerated program in Nation
- 11 Major Roadways in 1-year
- Returned \$80 million to local economy in first 4 months of construction
- 11 times previous production
- Returned 36 million dollars in savings to the County's budget
- Start of design to ground breaking as fast as 15 months
- Saved numerous local contractors from going out of business

EDC

### Value Capture Advances Roadway & Bridge Program

- Osceola County impact fees are assessed on new development to provide funding for the County to create improvements needed to serve that development's users
- Impact fees are assessed at the time a building permit is issued and are paid prior to the issuance of a Certificate of Occupancy
- See: [https://www.fhwa.dot.gov/ipd/alternative\\_project\\_delivery/defined/bundled\\_facilities/case\\_study\\_osceola\\_county\\_bridge\\_roadway.aspx](https://www.fhwa.dot.gov/ipd/alternative_project_delivery/defined/bundled_facilities/case_study_osceola_county_bridge_roadway.aspx)



37

### Minimize The Frustration

- Periods of Dynamic Growth Are Frustrating
  - Crowded Roads
  - Developers were frustrated w/ County
  - Poor Levels of Service
  - Locals were frustrated w/ changing culture
- Strategic Planning Minimizes The Problems
- Vision of The End Product Helps

38

### The Single Greatest Obstacle - Transportation

- The Quality of Commerce and Lifestyle Both
- Depend On Adequate Transportation Systems
  - Upgrade of Existing Roads Needed
  - Planning For Future Roadways
  - Integration Of Transit; Include Future Transit Patterns
- Pathways, Bikeways, and Trails; Pedestrian Mobility

39

### Transportation Impact Fee Background

- Approved in 1989
- Implemented in 1990
- Last update in 2007
- Suspension/ moratorium in 2011 & Repealed 2012
- Replace with Mobility Fee, effective date June 22, 2015



### Impact Fee Definition

- One-time capital charge to new development
- Covers the cost of new capital facility capacity
- Implements the Capital Improvement Plan



41

### Why Impact Fees?

- Revenue source for new infrastructure needed due to growth
- Revenue is generated as growth occurs
- Equity
  - ✓ Those who create the need pay for it
  - ✓ Equitable in terms of impact of each land use
  - ✓ Equitable by limiting burden on existing population
- Growth Management Tool




42

Center for Accelerating Innovation

### Why Impact Fees?


- Maintain/ Restore Level-of-Service Standards (LOS)
- Calculate cost of growth
- Potential large developments
- Most needed when:
  - ✓ Expected future growth; Potential revenue sources
  - ✓ Limited funding



Center for Accelerating Innovation

### Transportation Impact Fees

- Roadway-based
- Multimodal approach in the Cities requires a minimum of:
  - ✓ City's Comprehensive Plan to include mobility goals/strategies
  - ✓ A Capital Plan for bicycle lanes and sidewalks
  - ✓ A map of local collector roads as wells bicycle lanes and sidewalks




Center for Accelerating Innovation

### Impact Fee

**Pros:**

- Proportionate to the benefit
- No voter approval is required
- Does not go against other revenues
- Frees up general revenues for maintenance/operations




Center for Accelerating Innovation

### Impact Fee

**Cons:**


- Can only be used for capital addition projects
  - ✓ Frees up more general revenue
- Revenues must be spent for specific capital facilities
- Need to demonstrate that fee is related to costs of facilities and demand generated by development
  - ✓ Revenues fluctuate with development activity



Center for Accelerating Innovation

### Legal Requirements


- Must adopt Level of Services (LOS) standards
- Must apply same standard to existing and new development
- Can apply higher standard if financial plan in place
- Must be spent on facilities for which collected
- Cannot spend on operations and maintenance
- Must be spent in reasonable time period (within 6-7 yrs.)



Center for Accelerating Innovation

### Transportation Mobility Fee

Transportation system charge on development that allows local governments to assess the proportionate cost of transportation improvements needed to serve the demand generated by development projects.


$$\text{MOBILITY FEE} = \frac{\text{Additional transportation demand from development}}{\text{Identified cost for transportation improvements to mitigate associated development impact}}$$




Center for Accelerating Innovation

### Mobility Fee Requirements


- May not be used to deny, time, or phase an application
- Revenue collected is used to implement needs of local gov't plan
- Comply with rational nexus test
- Cannot fund existing transportation deficiencies
- Consistent with enabling legislation Section 163.3180



Center for Accelerating Innovation

### Section 163.3180 New Tools and Techniques

- Long-term strategies to facilitate development patterns that support multimodal solutions
- Area wide level of service standards not dependent on any single road segment function or multimodal level of service standards
- Exempting/discounting impacts or impact/local access fees of locally desired development (i.e. urban, MMTDs, redevelopment, mixed use, or affordable housing)
- Primary prioritization of ensuring a safe, comfortable, and attractive pedestrian environment with convenient interconnection to transit



Center for Accelerating Innovation

### Benefits

- Provides an alternative to concurrency
- Allows greater flexibility in use of collected funds
- Funds transit supportive capital improvements & operations
- Promotes compact, mixed-use development
- Supports the development of new tools & techniques




Center for Accelerating Innovation

### Distinguishing Features

- Trip basis of fee – How is the trip accounted? (ends vs. length)
- Cost basis of fee – What is included in the cost calculation?
- Disposition of expenditures – How are the collected funds spent?
- Credits and discounts – What project elements reduce cost of fees?

**No two mobility fees are the same!**



U.S. Department of Transportation  
Federal Highway Administration

Center for Accelerating Innovation





### Case Study – Assembly Square, Somerville MA


Eric Bourassa, Boston Metropolitan Area Planning Council

U.S. Department of Transportation  
Federal Highway Administration

Center for Accelerating Innovation



### Value Capture Case Study: Assembly Square, Somerville Massachusetts



Eric Bourassa  
Director of  
Transportation Planning  
Metropolitan Area  
Planning Council -  
Boston  
October 24, 2018  
[ebourassa@mapc.org](mailto:ebourassa@mapc.org)

### The Value Capture Concept

Capturing growth in property values generated by public improvements to pay for public improvements

### Value Capture Tools More Commonly Used In Massachusetts

- Negotiated Developer Contributions
- Tax Increment Financing (District Improvement Finance Program)
- Joint Development & Air Rights
- Advertising & Naming Rights
- Infrastructure Investment Incentive Program (I-Cubed)

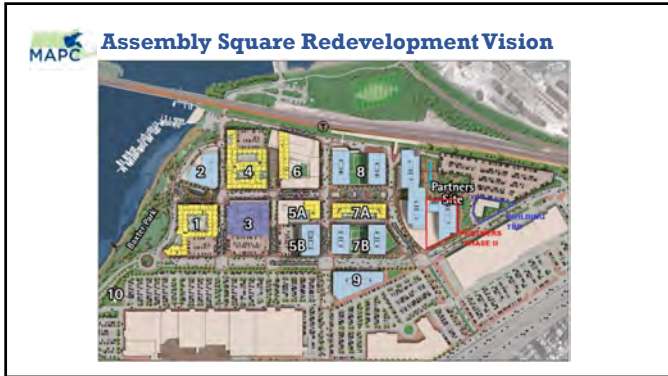
### Tax Increment Financing

### Infrastructure Investment Incentive (I-Cubed)

- A Massachusetts program that allows the state to borrow \$600 million for public infrastructure.
- Maximum of 3 projects per municipality and no municipality can use more than 31% of the funds.
- Infrastructure financing applications must be between \$10 and \$50 million. Can be applied for in stages.
- Main qualifier is that the infrastructure project has to create net new state tax revenue beyond what the state is borrowing. Types of revenues include:
  - 1. Payroll/Income Taxes
  - 2. Sales Taxes
  - 3. Hotel Taxes
  - 4. Business Taxes
  - 5. Construction Wages and Sales Taxes on Construction Materials
- Project must be approved and certified by the Commonwealth after a rigorous review process by a consultant and the Department of Revenue including projected coverage of debt service by net new tax revenues of 1.5x.

### Assembly Square Somerville

### Assembly Square – 1995



**Development**

- Federal Realty Investment Trust
- \$1.5 Billion of private investment
- 500,000 SF retail (80 stores)
- 2,100 residential units
- 2 Million SF office space
- 155 room hotel

**MAPC Infrastructure Needed**

- Internal Roads and Streetscape
- Water and Sewer
- New MBTA Orange Line Station

**Value Capture Mechanisms Used**

- \$25 Million TIF District to support road access (\$14 Million in ARRA)
- \$40 Million of I-Cubed for streetscape and utility improvements.
- \$15 Million developer contribution for new Orange Line Station (half the cost).

**MAPC**





**When and Where to Consider Using Value Capture**

Limited Value Capture Potential	Strong Value Capture Potential
Weak real estate market	Strong real estate market
Limited development potential	Significant development potential
Project perceived as creating limited new value for property owners and developers	Project creates significant value for nearby properties
Multiple jurisdictions	One (or a small number of) jurisdictions
Many property owners	Relatively few property owners
Significant competing needs and limited municipal resources	Strong municipal fiscal position
Lack of political support	Political support and municipal capacity
Projected revenues insufficient to justify transaction costs	Projected revenues of sufficient scale to justify transaction costs
Limited availability of other funding sources and debt financing	Availability of other funding sources and debt financing

**MAPC**



Center for Accelerating Innovation

U.S. Department of Transportation  
Federal Highway Administration

Questions & Answers


Center for Accelerating Innovation

U.S. Department of Transportation  
Federal Highway Administration

Do you know? Value Capture Techniques

Center for Accelerating Innovation


U.S. Department of Transportation  
Federal Highway Administration

Thank You  
Lindsey Svendsen & Jim Thorne

Co-leads: Stefan Natzke: [Stefan.Natzke@dot.gov](mailto:Stefan.Natzke@dot.gov)  
Thay Bishop: [Thay.Bishop@dot.gov](mailto:Thay.Bishop@dot.gov)

Center for Accelerating Innovation

From the Facebook page of Capitol Crossing  
<https://www.facebook.com/search/top?q=Capitol%20Crossing%20construction>



THE MAKING OF A GREAT PROJECT  
Capitol Crossing Construction Animation

