Value Capture: Capitalizing on the Value Created by Transportation

Value capture presents an opportunity to meet funding challenges for transportation projects at a local and State level.

Value capture refers to a set of techniques that take advantage of increases in property values, economic activity, and growth linked to infrastructure investments to help fund current or future improvements.

BENEFITS

- **Accelerates project delivery.** Value capture techniques can bring revenue to a project prior to or during the project implementation.
- **Generates sustainable long-term revenue.** Value capture techniques can provide a sustained revenue source to support operations and maintenance or finance transportation improvements.
- **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.
- **Supports economic development & 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.

Value capture returns a portion of land value created by transportation to be used for future investments.

Techniques

The following techniques demonstrate powerful tools that can address funding gaps.

Developer Contributions include Impact Fees and Negotiated Exactions. They are one-time charges collected by local governments from developers to offset the cost of infrastructure and services necessitated by new development.

Special Assessments include Special Assessment Districts, Business Improvement Districts, Sales Tax Districts, and Land Value Taxes. These are additional fees or taxes assessed on businesses or residents in specified geographic areas benefiting proximity to a highway or other transportation facility or corridor.

Fees include Transportation Utility Fees which are similar to a utility fee and are assessed based on how individual businesses and households use transportation facilities.

Incremental Growth includes Tax Incremental Finance, Transportation Reinvestment Zones, and Tax Allocation Districts. These mechanisms allocate back to infrastructure from some specified portion of increased property tax revenues fostered by new infrastructure - often for a specified period of time.

Joint Development includes At Grade, Below Grade, and Above Grade (or Air Rights). This is the sale or lease of land or air rights on or adjacent to transportation facilities. This can include donations of land or other in-kind resources from the private sector in ongoing commercial operations.

Concessions include Asset Recycling. This is the sale or lease of government-owned assets - such as toll roads or bridges - to private-sector investors/ operators.

Advertising and Naming Rights are the sale of advertising space or naming rights on a transportation facility. Note: Commercial uses within Interstate Highway System right of way, including rest areas, is prohibited by law; however, they may be allowed on toll facilities and in transit stations.

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On-Ramp to Innovation
every day counts

A new or improved highway that connects to economic activity will benefit adjacent parcels. Similar parcels without those connections do not increase in value.

STATE OF THE PRACTICE

States such as California, Colorado, Florida, Georgia, Massachusetts, Missouri, Ohio, Oregon, Pennsylvania, Texas, and Virginia, as well as the District of Columbia, are using value capture options successfully. The following are examples of different value capture applications supporting highway improvements across the United States:

- Several small towns in Oregon have instituted transportation utility fees through monthly utility bills that fund programs paying for local road maintenance and safety projects.
- The Cap at Union Station project over I-670 in Columbus, OH, is an example of joint development and right-of-way use agreements to improve traffic operations and transform the void caused by I-670 into an urban streetscape with retail shops and restaurants.
- California's Orange County Transportation Corridor Agencies (TCA) are using development impact fees to generate funds that have provided seed capital for transportation facilities and continue to be an integral feature of TCA's debt management strategy.
- In Texas, the Fort Worth City Council established transportation impact fees in July 2008 on new development projects to help fund transportation improvements. In April 2013, the council approved a transportation impact fee increase on new single-family homes.
- In Illinois, the city of Chicago used tax increment financing districts to fund a variety of projects, including street improvements, transit stations, and neighborhood redevelopment.
- In Missouri, residents of four counties approved the creation of a transportation development district that levied a dedicated sales tax mileage in their district to generate half the funding for expansion of a 52-mile upgrade to U.S. Highway 36, widening it from two to four lanes.
- Salina, KS, with a population of less than 50,000, is combining the value capture strategy of a tax incremental finance property tax with a community improvement sales tax and private funding for its $154 million downtown redevelopment project.

RESOURCES

FHWA EDC-5 Value Capture: Capitalizing on the Value Created by Transportation
https://www.fhwa.dot.gov/innovation/everydaycounts/edc_5/value_capture.cfm

FHWA Center for Innovative Finance Support – Value Capture https://www.fhwa.dot.gov/ipd/value_capture

U.S. Department of Transportation
Federal Highway Administration

For additional information, please contact:

Stefan Natzke
FHWA Office of Planning, Environment, and Realty
(202) 366-5010
Stefan.Natzke@dot.gov

Thay Bishop
FHWA Center for Innovative Finance Support
(404) 562-3695
Thay.Bishop@dot.gov