

Transit and Economic Development

Value Creation and Value Capture



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Pre-Investment Conditions

Rosslyn Pre-Orange Line



Current Conditions

Rosslyn Post-Orange Line



Thoughts

- Before we can get to value capture, we have to understand value creation.
- Meaning of value creation varies: Redistributive Transfer vs. Generative growth.
- Value of capitalized user benefits typically exceeds incremental economic development benefit.
- This may matter to policy makers and funders, it may not to financing interests.

Transit Benefit is Capitalized in to Land Values

Traditionally Measured Benefits

- Travel Time Savings
- Other User Costs Reductions
- Access/Mobility Improvements
- Congestion Reduction
- Emissions Reduction
- Safety Improvements

Incremental Economic Development

- Agglomeration Economies
- Amenity Value

Observing Value Creation via Changes to Property Values

The screenshot shows the ArcMap interface with the 'Select By Location' dialog box open. The dialog box is titled 'Select By Location' and contains the following settings:

- I want to: select features from
- the following layers:
 - Census Tract Boundaries
 - LRT_STOP_Buffers
 - taxlots
- that: are within a distance of
- the features in this layer: LRT_STOP
- Use selected features (3 features selected)
- Apply a buffer to the features in LRT_STOP
 - of: 0.5 Miles

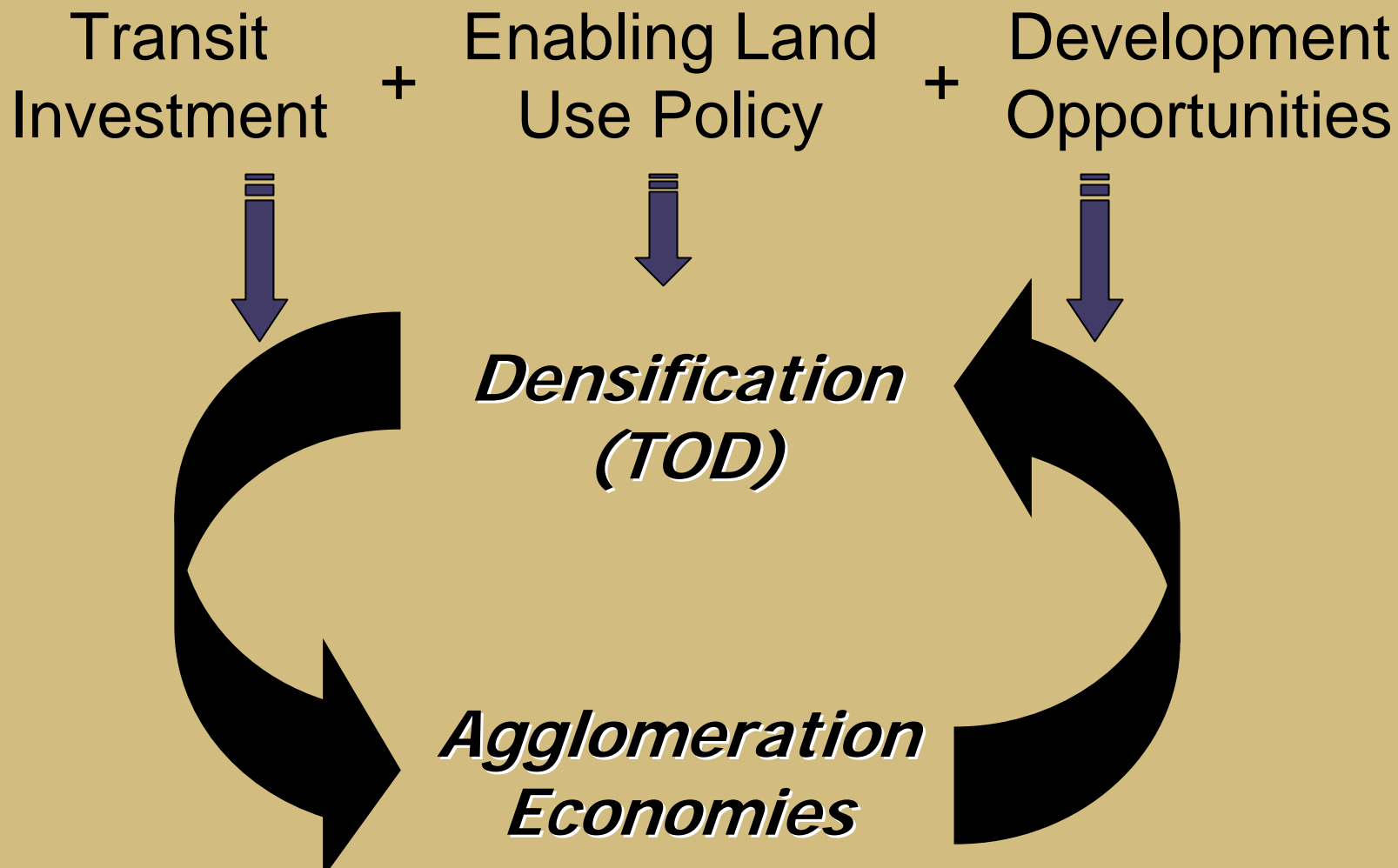
The 'Preview' section of the dialog box contains the following text: 'The red features represent the features in LRT_STOP. The highlighted cyan features are selected because they are within a distance of the red features.' Below this text are three small diagrams illustrating the selection process for Points, Lines, and Polygons.

The background map shows a city street grid with several red lines and polygons representing the 'LRT_STOP' layer. Cyan lines and polygons represent the features selected based on the 'Select By Location' criteria. The map also shows green areas representing parks or open spaces and blue lines representing water features.

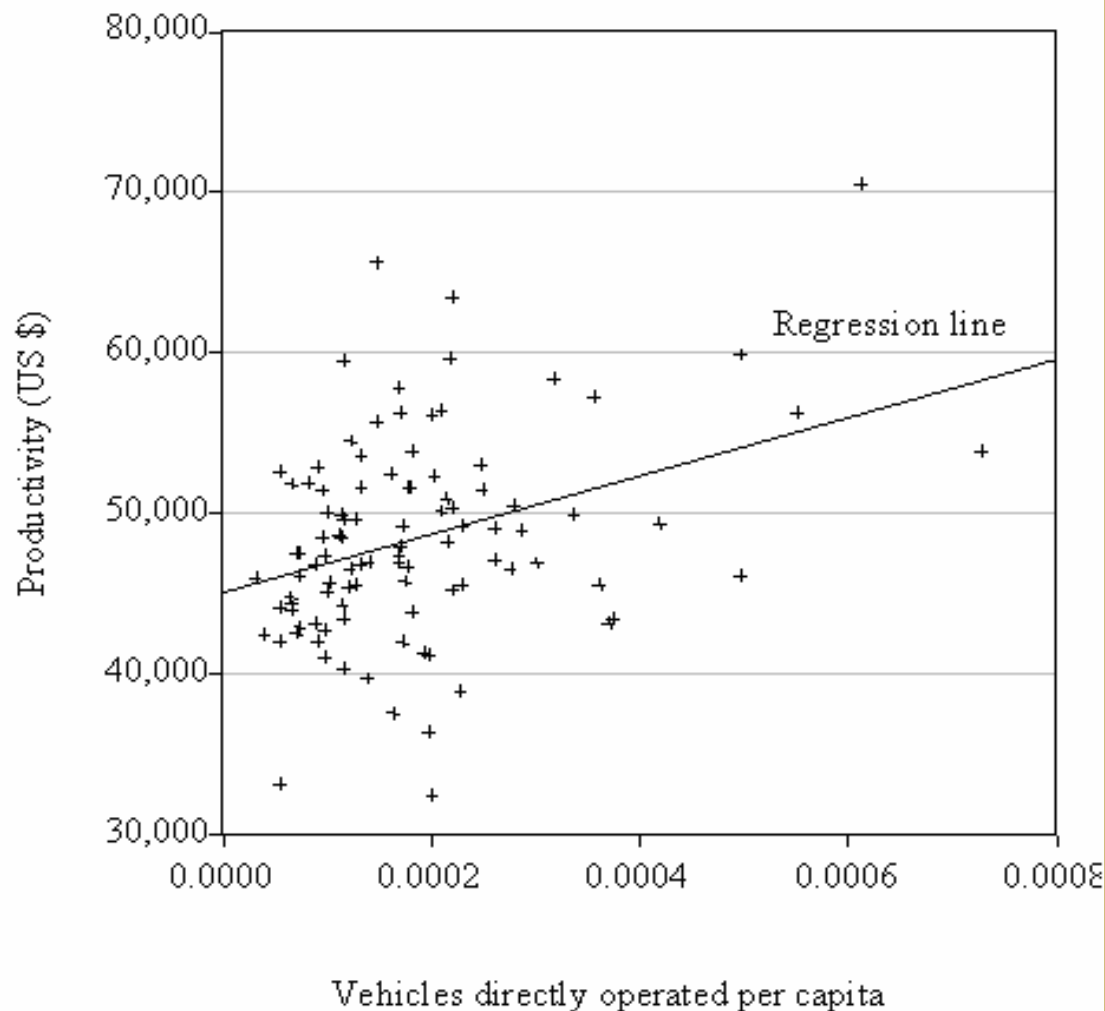
Evidence of a Proximity Premium

System	Year	Res/ Com	Premium	Distance Measured (Ft)
San Diego Trolley	2002	R	10%-46.0%	var.
Santa Clara County Light Rail	2002	R	45.00%	1/4 mile
BART	1999	R	15%-26.0%	var.
Chicago	1997	R	20.00%	var.
Sacramento Light Rail	1995	R	6.20%	900
Santa Clara	1995	R	-10.80%	900
Boston	1994	R	6.70%	var.
Atlanta MARTA	1993	C	11 to 15.1%	300
MAX	1993	R	10.60%	1/4 mile
Metrorail	1993	C	13.70%	300
Metrorail	1993	C	12.30%	300
Philadelphia	1993	R	7.50%	var.
Portland MAX	1993	R	10.60%	1,500
San Diego Trolley	1992	R	2.00%	200
San Diego Trolley	1992	R-Rental	5.00%	200
BART	1991	R-Rental	5.00%	1,320

On Incremental Economic Development



Evidence of Agglomeration Economies



Result: 10% increase in transit leads to 0.2% growth in productivity.

Notes:

- Productivity = Value added / Employment
- Presence of transit = Number of vehicles directly operated (in maximum service) per capita
- Data set includes the 100 densest MSA.
- Data sources: BEA, National Transit Database

Final Thoughts

- Transit investments may not lead to incremental economic development value equal to the cost.
- It is much clearer that gross property value increases can often exceed costs.
- In communities where this is sufficient justification, a property value-based value capture solution may be successful.
- Distinction between Transfer and Generative seems to matter to FTA.
- Cities may be better off focusing on the kind of development, rather than regional economic impacts.