Value Capture: An Overview

Eric Rothman

President

HR&A Advisors, Inc.

October 15, 2012

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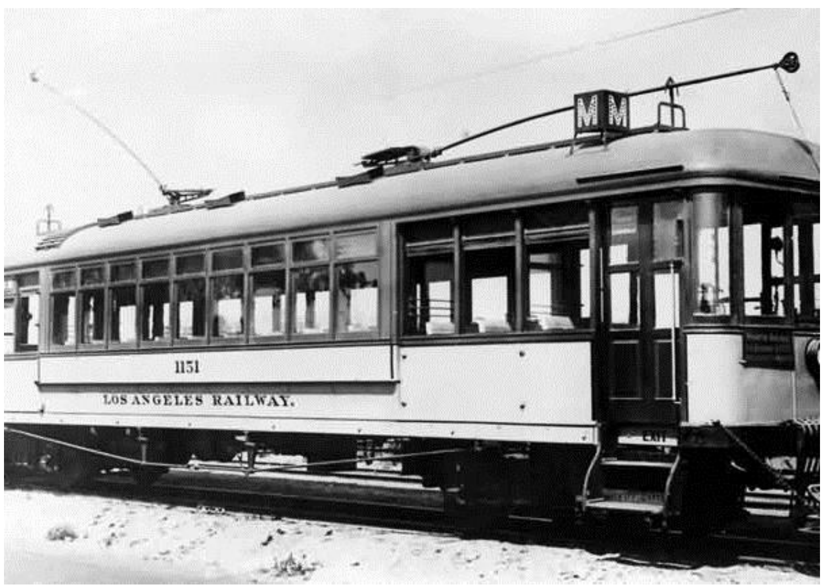
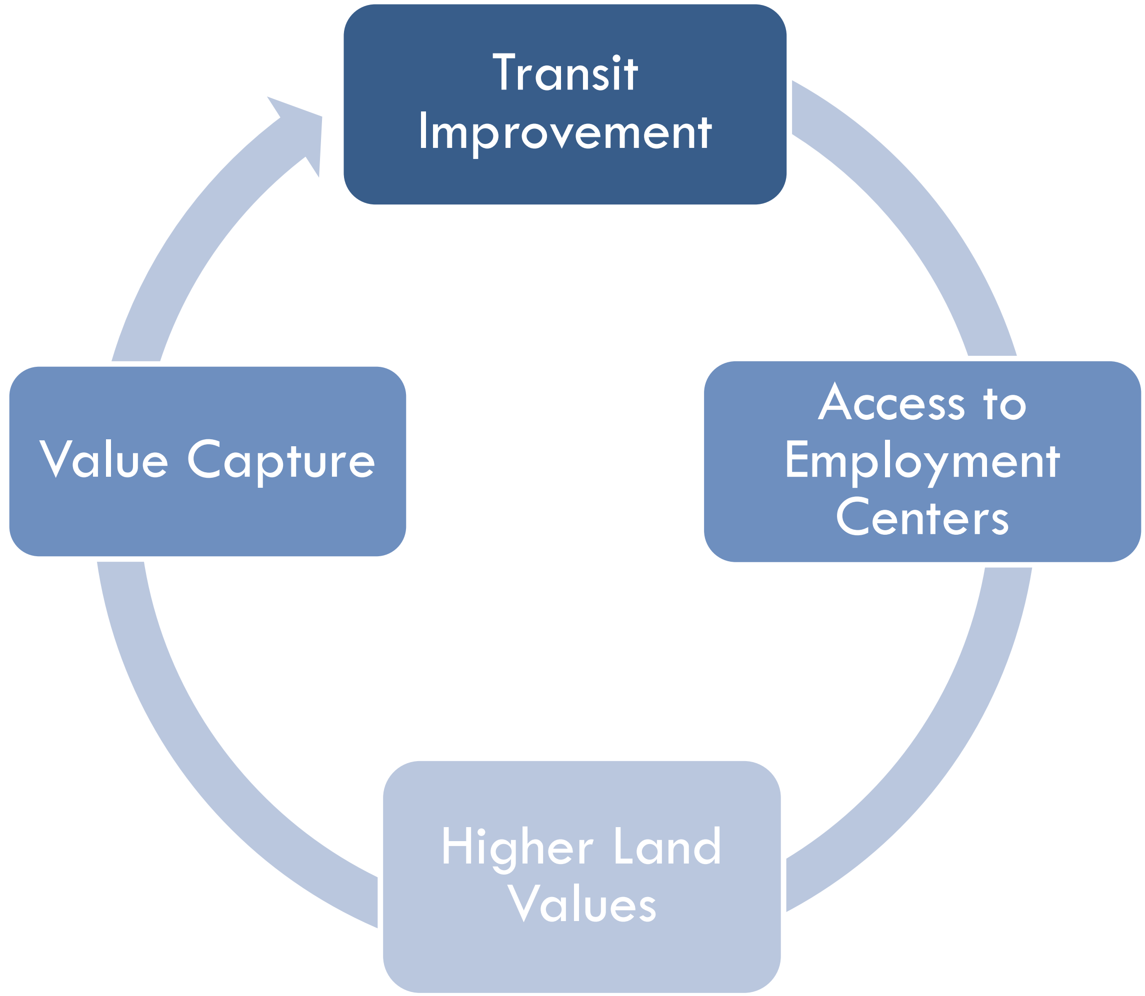
Rail~Volution

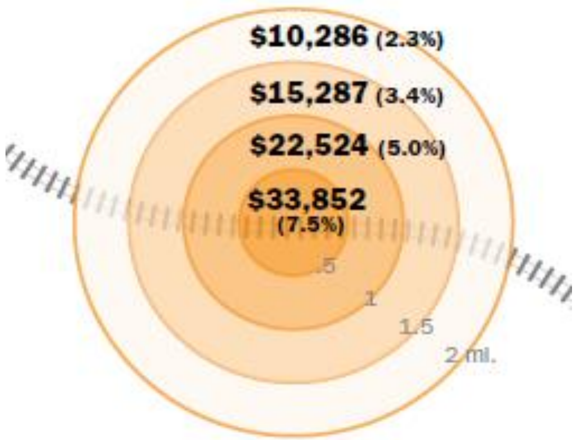
Transit investment benefits nearby property owners and developers

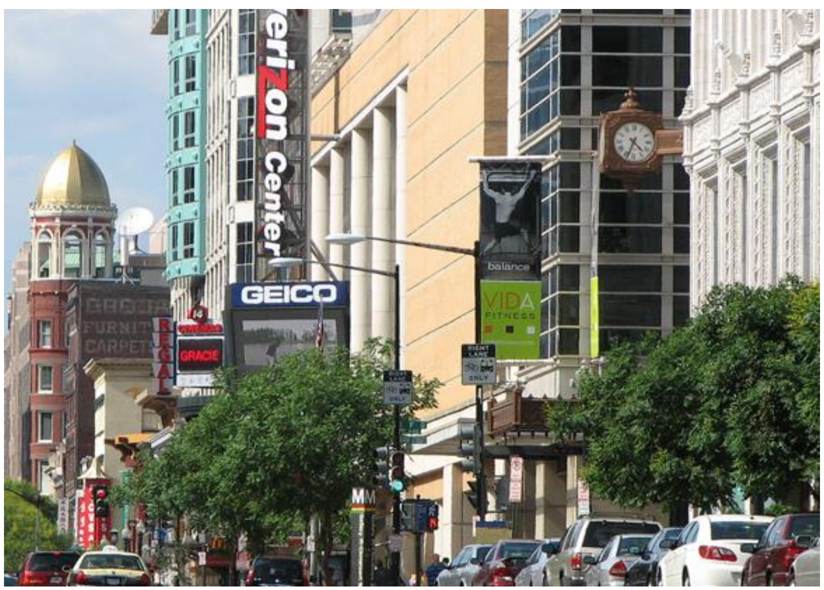
Many early 20th Century Streetcar systems (like that of Los Angeles), were funded by real estate developers to create "Streetcar Suburbs".





Research has demonstrated that transit investment improves property value





Residential Values	**Commercial Values**
+2-20% Premium	+10-30% Premium
Benefits correlate to station proximity & corridor design/ service	Benefits relate to expanded pools of potential employees and clients, as well as reduced commute times

Source: Capturing the Value of Transit, Reconnecting America. November 2008
Financing Transit Systems through Value Capture, Victoria Transport Policy Institute. December 2009
Walk-and-Ride: How MidTOWN DIRECT has affected Residential Property Values within Walking Distance of Train Stations. May 2004

Fundamental Requirements for Successful Value Capture

Healthy Real Estate Markets

Capital Markets

Public-Private Partnership Capacity

Value Capture Strategies

- Joint Development
- Negotiated Exactions
- Special Assessment Districts
- Development Bonus
- Air Rights
- Tax Increment Financing
- Development Impact Fees
- Transportation Utility Fees
- Land Value Tax

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Joint Development

- New, private development of transit-agency owned property to help fund improvements or operations.
- Transit agency sells or leases land to a private development partner.
- The private development partner develops a project and also funds, builds, and/or operates a transit-related investment such as a station and station garage.
- **Case Study**: WMATA – North Bethesda Center/White Flint Station
  - Joint development revenues was 1.1% of WMATA's overall budget in 2010.
  - WMATA to be paid $66M upfront by LCOR out of $850M total project cost.
  - Phase 1 Complete: 312 apartment units.
  - Overall White Flint plan includes Special Assessment, Impact Fees and Density Bonus for transit enhancement.




Sources: LCOR, Transportation Research Board, WMATA FY2010 Budget

Negotiated Exactions

- Transit agency and developers negotiate a payment for service/capital improvements.
- Municipalities can also serve as administrators.
- Applicable for both new and existing developments.
- **Case Study:** Extension of London Underground's Jubilee Line to Canary Wharf
  - In 1992, creditors for Canary Wharf redevelopment agreed to fund £170 million portion of the Jubilee Line extension's £1.7 billion cost.
  - District became London's second largest center for the financial services industry.

Special Assessment Districts

- Generate funds from a special tax or fee paid by property owners and/or businesses within a formally defined area that benefits from a transit investment.
- Frequently used when existing development will benefit, but can apply in new development areas.
- Funds generated from the special assessment are used to build and/or operate the transit investment.
- **Case Study:** King County Metro Transit - South Lake Union Streetcar, Seattle
  - $26M of $50M in capital costs covered by LID assessment but operating costs will not be financed.
  - Air Rights over maintenance facility also used.

Source: University of Washington Urban Form Lab

Development Bonuses

- Allow a developer to build additional density in exchange for funding new transit improvements.
- Transit improvements may include: station capital improvements, elevators/escalators, urban plazas, and maintenance for station entrances.
- **Case Study:** MTA New York City Transit
  - Density bonuses up to 20% granted to new commercial developments at Time Warner Center, One Bryant Park, Citigroup Center and Zeckendorf Towers.
  - Building owners improve and maintain subway entrances and stairways.

Source: Pace University Land Use Law Center

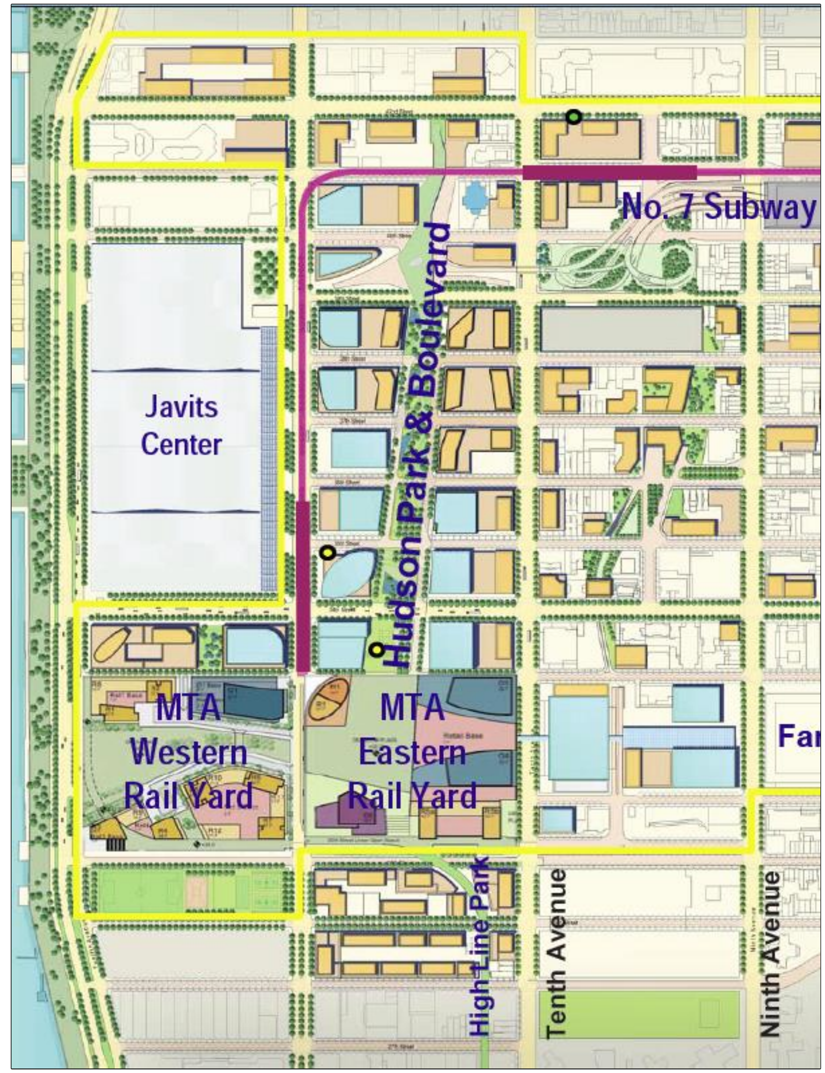
Air Rights

- Transit agencies often sell or lease air rights over stations and railyards to developers.
- Requires zoning controls that provide air rights to transit properties and permit "receiving" sites for new development.
- New air rights will only be feasible in areas with high land values. The value of the air rights must outweigh the cost of the building the deck or platforms above the transit infrastructure.
- **Case Study**: WMATA - Metro Center
  - 400,000 SF office, 380-room hotel and 60,000 SF retail.
  - WMATA leased the air rights, generating $1.6 million annually for the Authority.

Source: Transportation Research Board

Tax Increment Financing

- Allocates incremental change in property and other taxes within a designated district to fund transit improvements.
- TIF works for new development and existing buildings, but capturing future increment requires credit support
- **Case Study**: Hudson Yards, NYC and MTA
    - TIF created for a new Business District to fund $2 billion subway extension (#7 Line)
    - Hudson Yards includes MTA Rail Yards and 300 additional acres – zoned for 28 MSF commercial + 12 MSF residential
    - Development Bonus and Air Rights also used



Source: Hudson Yards Infrastructure Corporation

Development Impact Fees

- One-time fees collected from new development within a specified distance of the transit investment.
- Typically used for roadway, sewer, water, open space, and school infrastructure.
- Impact fees run the risk of increasing development costs and creating barriers to transit-oriented development.
- **Case Study:** Broward County Transit - Transit Oriented Concurrency
    - Program raised $11.8M over the past five years, or 28% of operating and capital costs for transit.
    - 2009-2013 plan eliminates coverage of operating expenses, reduces government contribution for transit.

Sources: Center for Transit-Oriented Development, Center for Urban Transportation Research, Broward County Transit

Which Value Capture strategy is most applicable?

Value Capture Strategy	Development	Ownership
Joint Development	New	Transit Agency
Negotiated Exactions	Existing/New	Private
Special Assessment Districts	Existing/New	Private
Development Bonus	New	Private
Air Rights	New	Transit Agency/Private
Tax Increment Financing	Existing/New	Private
Development Impact Fees	New	Private
Transportation Utility Fees	Existing	Private
Land Value Tax	Existing/New	Private

Key Takeaways

Value Capture has been widely utilized for new rail projects.

Value creation depends on service quality, frequency, and connectivity to a major activity center.

Successful Value Capture mechanisms for rail transit typically yield between 20% and 33% of capital costs.

Value Capture Strategies must be tailored to the project (including local laws) and often used in combination with one another

Thank You

Eric Rothman
President, HR&A Advisors, Inc.
erothman@hraadvisors.com

http://www.hraadvisors.com