What Can TOD Finance and Value Capture Really Do?

Moderator: Nadine Fogarty, Strategic Economics

Hilary Franz, Futurewise

Eric Rothman, HR&A Advisors

Andrew Knudtsen, Economic & Planning Systems

Mark Briggs, Parsons Brinckerhoff

Karl Stundins, City of Dallas

Rail-Volution 2013
Value Capture

Capturing growth in property values generated by transit investments to pay for transit and TOD
The Panelists

- Nadine Fogarty, Strategic Economics (Moderator)
- Hilary Franz, Futurewise
- Eric Rothman, HR&A Advisors
- Andrew Knudtsen, Economic & Planning Systems
- Mark Briggs, Parsons Brinckerhoff
- Karl Stundins, City of Dallas
What can TOD finance & Value Capture really do?
WA’s Central Puget Sound region has an enormous opportunity to leverage $18 billion transit investments....

Example: Bel-red Corridor in Bellevue, WA

- Between Downtown Bellevue & Redmond, home to Microsoft
- 900 acre brownfield redevelopment
- Leverages $2.8 billion Sound Transit East Link light rail expansion
- Infrastructure Cost: $300 million
- 5000 new housing units by 2030.

Spring District, Bellevue, WA
...but we need new financing tools to do it right.

- 2/3 cities need to update infrastructure
- 54% cities cutting infrastructure funding to balance budget

W/o new tools or funding, development will go where land is cheaper.

VCF can keep transit station construction competitive with areas with cheaper land.

<table>
<thead>
<tr>
<th>Land Use</th>
<th>Range of Property Value Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family Residential</td>
<td>42% to 18% within 2,540 feet of station (San Diego Trolley, 2001) to +45% within 1,350 feet of station (VTA Light Rail, 2004)</td>
</tr>
<tr>
<td>Condominium</td>
<td>+2% to 18% within 2,540 feet of station (San Diego Trolley, 2001) to +35% within 100 feet of station (St. Louis MetroLink Light Rail, 2004)</td>
</tr>
<tr>
<td>Apartment</td>
<td>4% to 10% within 2,540 feet of station (San Diego Trolley, 2001) to -120% within 1,350 feet of station (VTA Light Rail, 2004)</td>
</tr>
<tr>
<td>Office</td>
<td>+10% within 500 feet of station (Washington Metropolitan, 1981) to +107% within 200 feet of station (San Diego Trolley, 2004)</td>
</tr>
<tr>
<td>Retail</td>
<td>-11% within 500 feet of station (BART, 1975) to +107% within 200 feet of station (San Diego Trolley, 2004)</td>
</tr>
</tbody>
</table>

Source: Center for Transit-Oriented Development
Washington State needs a sustainable and equitable Value Capture Financing tool.

How to make VCF work for us.

Protect school funding.

Prevent sprawl by requiring set aside for conservation & limiting location to urban & transpo centers.

Prevent “Blight” abuse.

Provide set aside for affordable housing.

Clear public benefit is needed or voters will reject it.

Provide set aside for affordable housing.

Clear public benefit is needed or voters will reject it.

“Sure, we need affordable housing—just so long as it doesn’t come at the expense of anaffordable housing.”

November 1985 General

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Party</th>
<th>Votes</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td></td>
<td>337015</td>
<td>41.42%</td>
</tr>
<tr>
<td>No</td>
<td></td>
<td>476600</td>
<td>58.58%</td>
</tr>
</tbody>
</table>

Ballot Title:
Shall counties and cities be permitted to finance public improvements through tax revenues resulting from increased values of benefited properties?
Thank you!

Hilary Franz
Executive Director

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What can TOD finance and Value Capture Really Do?

Eric Rothman
President
HR&A Advisors, Inc.
October 2013
Transit, and TOD, must create value in order to capture value.
Value capture typically requires new development to succeed.

<table>
<thead>
<tr>
<th>Value Capture Strategy</th>
<th>Development</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint Development</td>
<td>New</td>
<td>Transit Agency</td>
</tr>
<tr>
<td>Negotiated Exactions</td>
<td>Existing/New</td>
<td>Private</td>
</tr>
<tr>
<td>Special Assessment Districts</td>
<td>Existing/New</td>
<td>Private</td>
</tr>
<tr>
<td>Development Bonus</td>
<td>New</td>
<td>Private</td>
</tr>
<tr>
<td>Air Rights</td>
<td>New</td>
<td>Transit Agency/Private</td>
</tr>
<tr>
<td>Tax Increment Financing</td>
<td>Existing/New</td>
<td>Private</td>
</tr>
<tr>
<td>Development Impact Fees</td>
<td>New</td>
<td>Private</td>
</tr>
<tr>
<td>Transportation Utility Fees</td>
<td>Existing</td>
<td>Private</td>
</tr>
<tr>
<td>Land Value Tax</td>
<td>Existing/New</td>
<td>Private</td>
</tr>
</tbody>
</table>
Value capture works where new development is feasible, with positive land value.
Value capture requires real estate, capital markets and PPP capacity to craft and execute strategies.
Thank You

Eric Rothman
President, HR&A Advisors, Inc.
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Value Capture for the Rest of US

Presented by

Andrew Knudtsen
Managing Principal

Economic & Planning Systems, Inc.
Potential and Approach depends on:

1 - Market Context

2 - Market Maturity

2002
45 DUs/Acre

2012
90-120 DUs/Acre
Revenue Depends on Net Value Increase - Premium

1 - Residential Development
5% to 20% Rent Premium

2 - Commercial Rents
12% to 15% Premium within ¼ mile
Case Study – Urban Redevelopment

Denver Union Station
• Regional Transit Hub
• Value Capture
  • Downtown Dev. Authority
  • Metropolitan District
• $734 Million in Real Estate Value
• 1,700,000 commercial sq. ft. is more than twice the 10-year projection
Case Study – Suburban Development

RidgeGate
- 3,500-acre master planned community
- Three light rail stations planned
- 15 million SF of office/commercial, 7,000 DUs
- Attracted Charles Schwab (2,500 jobs in 476,000 SF urban office campus)
- Value Capture Tools:
  - Public Improvement Fee (PIF)
  - Sales tax revenue sharing agreement
  - Metropolitan District
What Can TOD Finance/Value Capture Do?

by Mark Briggs
Parsons Brinckerhoff
All About Private Sector

Potomac Yard - Joint Development

- 69.07 Acres
- Existing: 600,000 sf Retail

Proposed: 7.5M sf Mixed Use

Transit Oriented Development - Tyson’s Corner

- Step 1: Anticipate development benefit
- Step 2: Cash or Bond from unique benefit
- Step 3: Construct capital improvements
- Step 4: Pursue development projects

Tax Increment Financing

Revenue

Value

Improvements

- Declining Property Values
- Tax Base For Distribution

TIF Start Date

Increment Available For Development

TIF End Date

Tax Base For Distribution + Base Increment
Value Capture Supporting Transit Corridor

Dallas - Forth Worth
Capital Markets want Certainty

Joint Powers Authority
- Tax Increment Revenues
- Assessment District Revenues
- State Contribution
- Transit Revenues
Support for Bonds or Availability payments

- Revenue Bonds
- Availability Payments

Joint Powers Authority

- Tax Increment Revenues
- Assessment District Revenues
- State Contribution
- Transit Revenues

PPP Framework Strengthening and Start-Up Stage
- Feasibility Study and Transaction Design Stage
- Transaction Process Stage
- Contract Management and Capacity Building Stage

Public Private Partnerships
Understanding the Limits of Value Capture in Dallas

What Can TOD Finance Value Capture Do
October 22, 2013
Value Capture Source of Project Help in Dallas/Not a Transit Funding Source

- Where TOD Projects work in Dallas
  - Intersection of **strong real estate market and rail line**
  - **Mockingbird Station**
    - Well regarded project
    - Popular but not a true financial success
    - In strong real estate market
- Projects need subsidy to offset cost of structured parking – even in strong real estate markets
- The need to subsidize TOD projects limits availability of funds from captured value to use elsewhere

Source: mockingbirdstation.com
Value Capture Used to Foster Redevelopment in Dallas

• TOD TIF District –
  • Created in 2007
  • Linked sites in favorable markets in northern portion of City to less favorable sites in southern part of City
  • Much of northern development occurring without public help (and not necessarily related to rail service)
  • Initial value loss after creation – due to city-wide economic factors; Now value up $81M/44% over base

• Lancaster Urban Village
  • Not feasible without assistance
  • Located at LRT station and VA Hospital
  • Project required nearly 100% subsidy – HUD Section 108 loan, HUD 221(d)(4) loan, TIF, PPP grants, NMTC
Value Capture Source of Project Help in Dallas/
Not a Transit Funding Source

• Why is the use of Value Capture limited in cities like Dallas:
  • **Wide open spaces** – few physical limits to development – reduces amount of premium rent for transit locations;
  • **Youth of light rail system** – great strides over last 20 years in developing system but even people on light rail line depend on cars for many day-to-day activities – reduces amount of premium rent for transit locations;
  • **Rental differential at TOD sites not sufficient to justify additional costs of project** (structured parking, high-rise construction);
  • **Little value carryover** to sites not exactly at TOD site – little additional value to capture.
  • **Cities will want to keep any extra revenue generated.**

Specific questions: feel free to contact me at Karl.Stundins@dallascityhall.com
Thank you!