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Free Report Asks: Can Land “Value Capture” Help Fund Transit Projects?

Mineta Transportation Institute’s research investigates five mechanisms, recommends policy.

San Jose, Calif., May 10, 2012 – The Mineta Transportation Institute (transweb.sjsu.edu) has released its newest research report, [*Decision Support Framework for Using Value Capture to Fund Public Transit: Lessons from Project-Specific Analysis*](#). The research investigates the viability of land “value capture” (VC) to help generate revenue for transit provision. Five VC mechanisms are evaluated in depth, including tax increment financing (TIF), special assessment districts (SADs), transit impact fees, joint developments, and air rights. The report includes policy recommendations. Principal investigators were Shishir Mathur, PhD, and Adam Smith, MUP. The free 200-page report is available for PDF download from transweb.sjsu.edu/project/1004.html

“This report reviews five VC mechanisms and evaluates the performance of each one through numerous case studies using several criteria,” said Dr. Mathur. “These criteria include enabling legal environment, stakeholder support, institutional capacity, revenue yield, revenue stability, and equity. We also developed a decision-support matrix to help policy makers, local governments, and transit agencies decide which mechanism or which combination of mechanisms would meet their needs.”

He noted that the federal government has reinforced the need to integrate land use with transportation and to provide public transit. However, fiscal belt-tightening at all levels of government has made it more urgent to identify alternate funding sources for public transportation. He said funding transit is especially difficult because transit typically requires large subsidies. Value capture is one possible funding source. Based on the “benefits received” principle, VC captures public infrastructure-led increases in land value.

The report had several findings. Among them:

- Revenue yield from TIF and SADs is likely to be the highest among the five VC mechanisms.
- Local governments often use a combination of two VC mechanisms. For example, TIF and SAD fund the Portland OR Central Streetcar Project, while TIF and joint development fund Contra Costa Centre Transit Village in Contra Costa County CA and the Ground Transportation Center in Cedar Rapids IA.
- Using TIF requires significant institutional capacity, community support, and agreement among taxing agencies.
- Transit impact fees are rarely used. Their use benefits from state- and local-level enabling legislation, robust nexus studies, a strong real estate market, and developer support.
- Transit impact fees and SADs must be carefully designed and implemented to minimize inequities.
- Strong real estate markets, significant institutional capacity, and clear policy guidelines are needed to undertake joint development.

The authors recommend that local governments and transit agencies consider using VC mechanisms to fund public transit. Then they can leverage the income generated from these mechanisms to secure federal and state funds. Further, jurisdictions should determine the existence of enabling legal environment, stakeholder support, and institutional capacity before deciding which one or which combination of VC mechanisms to use. Finally, the agencies responsible for implementing the VC mechanisms would benefit from clear political direction and policy guidelines that balance a jurisdiction's transit funding needs with other competing objectives.

The complete report includes 19 figures and 34 tables. Free copies can be downloaded from transweb.sjsu.edu/project/1004.html

ABOUT THE AUTHORS

Shishir Mathur, PhD, is an associate professor of urban and regional planning at San Jose State University. He has over 16 years of experience in academia, corporate sector and consulting. Dr. Mathur's body of work includes more than 50 book-length manuscripts, book chapters, journal articles, working papers, conference papers/presentations, and consulting projects in urban economics, housing markets, public finance, growth management, land use planning, transportation planning, urban design, emergency management, and systems analysis. His work has been published by Urban Studies, Housing Policy Debate, Brookings Institution, Lincoln Institute of Land Policy, and Ashgate. Dr. Mathur holds an undergraduate degree in architecture, and a Masters degree and a PhD in urban planning. For more information, see <http://works.bepress.com/shishirmathur/>.

Adam Smith, MUP, is a graduate of the Master of Urban Planning Program at San José State University. His professional interests include transportation and land use planning, parking policy, transportation finance, transportation demand management, GIS applications for urban and regional planning, and urban design.

ABOUT THE MINETA TRANSPORTATION INSTITUTE

The [Mineta Transportation Institute](http://www.minetainstitute.org) (MTI) conducts research, education, and information and technology transfer, focusing on multimodal surface transportation policy and management issues, especially as they relate to transit. MTI was established by Congress in 1991 as part of the Intermodal Surface Transportation Efficiency Act (ISTEA) and was reauthorized under TEA-21 and again under SAFETEA-LU. The Institute has been funded by Congress through the US Department of Transportation's (DOT) Research and Innovative Technology Administration, by the California Legislature through the Department of Transportation (Caltrans), and by other public and private grants and donations, including grants from the US Department of Homeland Security. DOT selected MTI as a National Center of Excellence following competitions in 2002 and 2006. The internationally respected members of the MTI Board of Trustees represent all major surface transportation modes. MTI's focus on policy and management resulted from the Board's assessment of the transportation industry's unmet needs. That led directly to choosing the San José State University College of Business as the Institute's home. Visit transweb.sjsu.edu or Twitter [@minetatrans](https://twitter.com/minetatrans)

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