



Decision Support Framework for Using Value Capture to Fund Public Transit: Lessons From Project-Specific Analysis

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Fiscal belt-tightening at all levels of government has lent urgency to identifying alternate sources of funding for public transportation. Value capture (VC) is one such source. Based on the “benefits received” principle, VC captures public infrastructure-led increases in land value.

Transit impact fees and SADs must be carefully designed and implemented in order to minimize inequities.

Study Methods

This report reviews five VC mechanisms—Impact Fees, Tax Increment Financing (TIF), Special Assessment Districts (SADs), Joint Development, and Air Rights—and evaluates the performance of each mechanism through several case studies using the following criteria: enabling legal environment, stakeholder support, institutional capacity, revenue yield, revenue stability, and equity. Finally, the report develops a decision-support matrix to help policy makers, local governments, and transit agencies decide which mechanism/s would meet their needs.

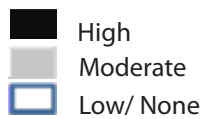
Findings

- 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.
- The use of 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 in order to minimize inequities.
- Strong real estate markets, significant institutional capacity, and clear policy guidelines are needed to undertake joint development.

Decision Support Matrix

Land Value Capture Tool	Decision Criteria											
	New (N) or Existing (E) Development	Benefit Area Size	Existence of Enabling Env.	Existence of Inst. Capacity	Potential for Resident Opposition	Potential for Business Community Opposition	Potential for Developer Community Opposition	Potential for Other Public Agency Opposition	Revenue Yield	Revenue Stability	Potential for Horizontal Inequity	Potential for Vertical Inequity
Impact Fees	N	M/L	High	Moderate	Low/None	Low/None	High	Low/None	Moderate	Low/None	Moderate	Moderate
TIF	E	M/L	High	High	Moderate	Low/None	Low/None	Moderate	High	High	Low/None	Moderate
SAD	N/E	M/L	Moderate	Moderate	Moderate	Low/None	Low/None	Low/None	High	High	Moderate	Moderate
Joint Development and Air Rights	N/E	S/M/L	Moderate	High	High	Low/None	Low/None	Low/None	Moderate	High	Moderate	Low/None

S = Small; M = Medium; L = Large



Policy Recommendations

The authors recommend that local governments and transit agencies consider using VC mechanisms to fund public transit and leveraging the funds generated from these mechanisms to secure federal and state funds. Further, the existence of enabling legal environment, stakeholder support, and institutional capacity should be ascertained prior to 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.

About the Authors

Dr. Mathur 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 the fields of urban economics, housing market, 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 Ph.D. in urban planning. His selected works are listed at <http://works.bepress.com/shishirmathur/>.

Adam Smith is a professional urban planner at Alta Planning & Design in Berkeley CA. His professional interests include land-use planning, parking policy, transportation finance, transportation demand management, GIS applications for urban and regional planning, and urban design.

To Learn More

For more details about the study, download the full report at transweb.sjsu.edu/project/1004.html

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