

Transit Value Capture Coordination: Best Practices & Recommendations

PI: Stephen E. Schlickman

Researchers: Tom Bothen, Janet Smith, Jordan Snow,
Yittayih Zelalem

Research Assistants: Jenny Kane, Andrew McCoy,
Jane Wilberding

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Project scope

- Investigate current value capture examples and develop best practices for coordinating between:
 - Transit system capital investment planners
 - Local taxing authorities
 - Private developers benefitting from proximity to transit
- Such coordination maximizes the effectiveness of value capture efforts

Project Scope cont.

- Particular interest in large old rail transit systems' redevelopment projects
- Have tens of billions of capital reinvestment backlog
- Need to leverage every financial opportunity
- Has emphasized efforts to effectively apply value capture strategies

Project tasks

- Literature review
 - Survey of commonly used value capture tools
 - Assessment coordination (not much found)
 - Evidence of transit impact on property values
- Case studies
- Synthesis of review and case studies for best practices on coordination

Literature review summary

- Definition of value capture for transit
 - Value capture is a tax mechanism, agreement or concession
 - Justified by and sometimes indexed to the increase in property value transit provides
- History of use
 - Original value capture concepts originated in late 19th century
 - Use for transit steadily became more common through late 20th century

Literature review summary

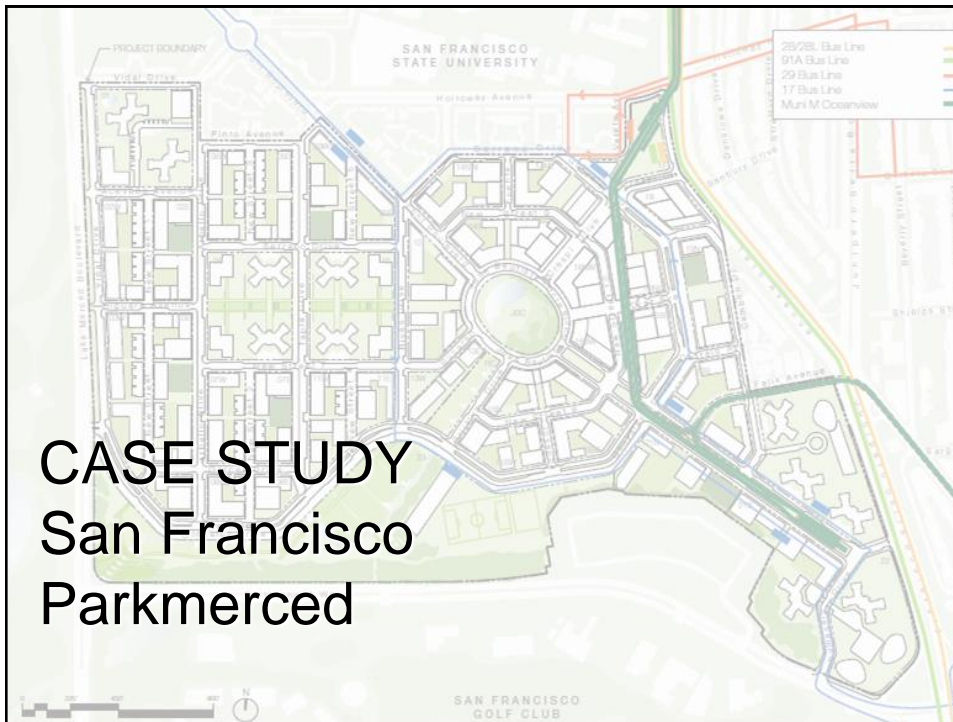
- Current status of value capture for transit
 - Two main forms of value capture:
 - Ongoing tax or fee directly tied to attributes of properties
 - Special Assessment District (SAD)
 - Tax Increment Financing (TIF)
 - Floor Area Ratio (FAR) Marketplaces
 - Upfront extraction/contribution
 - Joint Development (JD)
 - Project cost-sharing
 - 2010 GAO survey of transit properties revealed widespread use of JD and tax-based tools, but relatively low overall revenue benefit

Case study selection criteria

- Informal survey of “old” rail cities
 - MTA, SEPTA, MBTA, CTA, WMATA, MARTA
- Evidence of prominent value capture use
 - Preliminary phone interviews
 - Research of previous case studies
- Willingness and ability to grant access to coordinating parties
 - City, MPOs, private partners, community orgs

Case study finalists

- New York
 - Hudson Yards project, FAR market funding
- Washington, DC
 - NoMa-Gallaudet Univ. station, special assessment
- San Francisco
 - Parkmerced redevelopment, JD/developer concessions
- Chicago
 - Various station and track rehabilitation projects, TIF districts



CASE STUDY San Francisco Parkmerced

San Francisco \ Parkmerced

- Project information
 - Redevelopment of residential area by Parkmerced Investors Properties, LLC
 - Currently over 3400 units, half garden and half tower and patio units
 - Nearest transit rail stop is Muni M Line, SFSU
 - Redevelopment includes branch of M Line to serve Parkmerced
 - Developer has agreed to initial contribution of \$70 million (to be finalized by 2018)

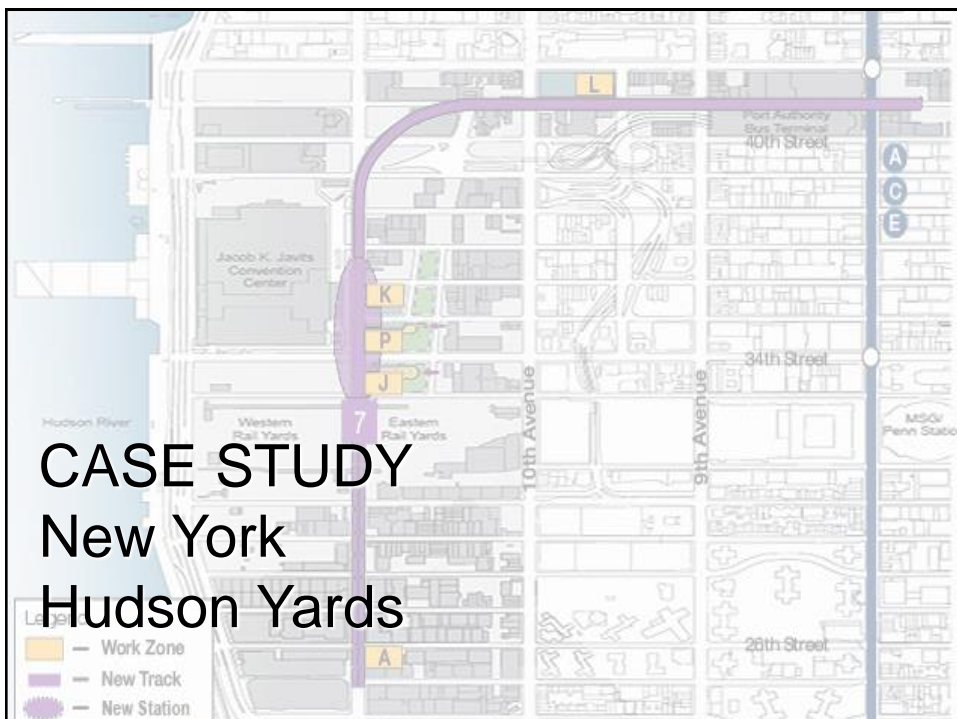


San Francisco \ Parkmerced

- Coordination
 - More than 500 meetings conducted since 2006
 - Main coordinating entities:
 - City Office of Economic and Workforce Development
 - San Francisco Municipal Transportation Agency
 - City Planning & Municipal Executive's Association
 - BART, Caltrans, Association of Bay Area Governments, MTC (the MPO)
 - Community & Advocacy Groups

San Francisco \ Parkmerced

- Coordination, continued
 - Best coordination observed in existing transit and City staff
 - City and SFMTA staff have professional experience in fields beyond transit planning and operations
 - Related to municipal taxation and real estate development
 - Lent credibility when the public agencies approached developers about contributions

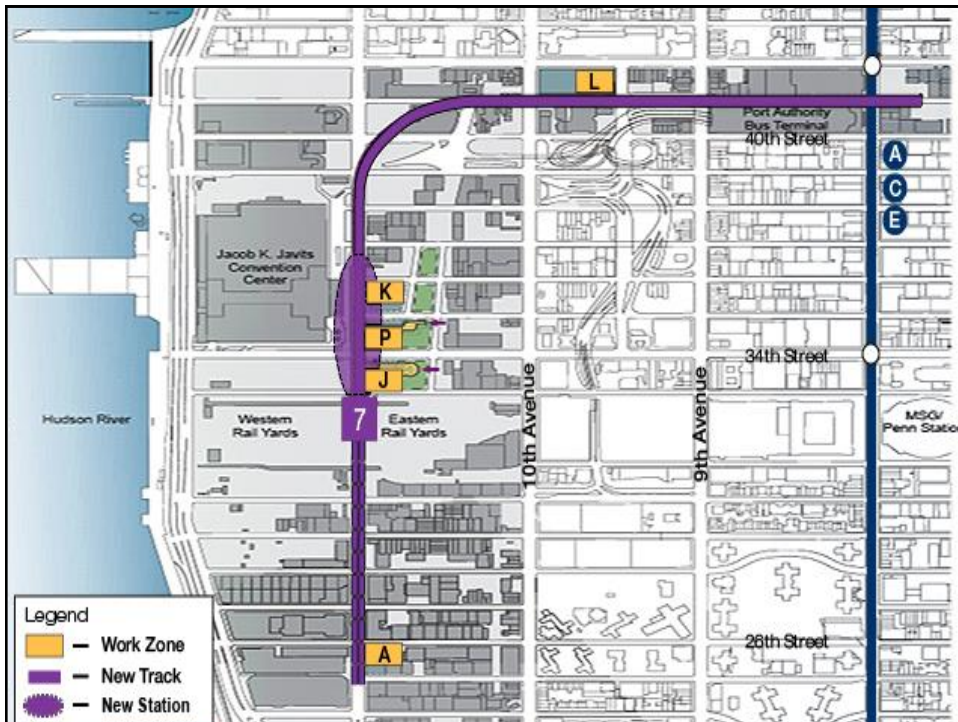


New York \ Hudson Yards

- Project Information
 - Commercial, residential, and retail redevelopment of large area on west side of Manhattan
 - MTA's Hudson Rail Yards are within the area
 - Planning process began in 1988
 - 1990s initial VC effort unproductive
 - Main transit feature is extension of MTA Number 7 line
 - Extension of the line is projected to cost \$3 billion

New York \ Hudson Yards

- Project Information, continued
 - 2005/6 VC mechanisms put in use:
 - FAR market
 - Payments in lieu of taxes
 - Payments in lieu of mortgage recording tax
 - Funds 100% of the Project
 - Highly unusual making it the most ambitious transit VC project undertaken in the country
 - Investment grade ratings from S&P, Moody's, and Fitch

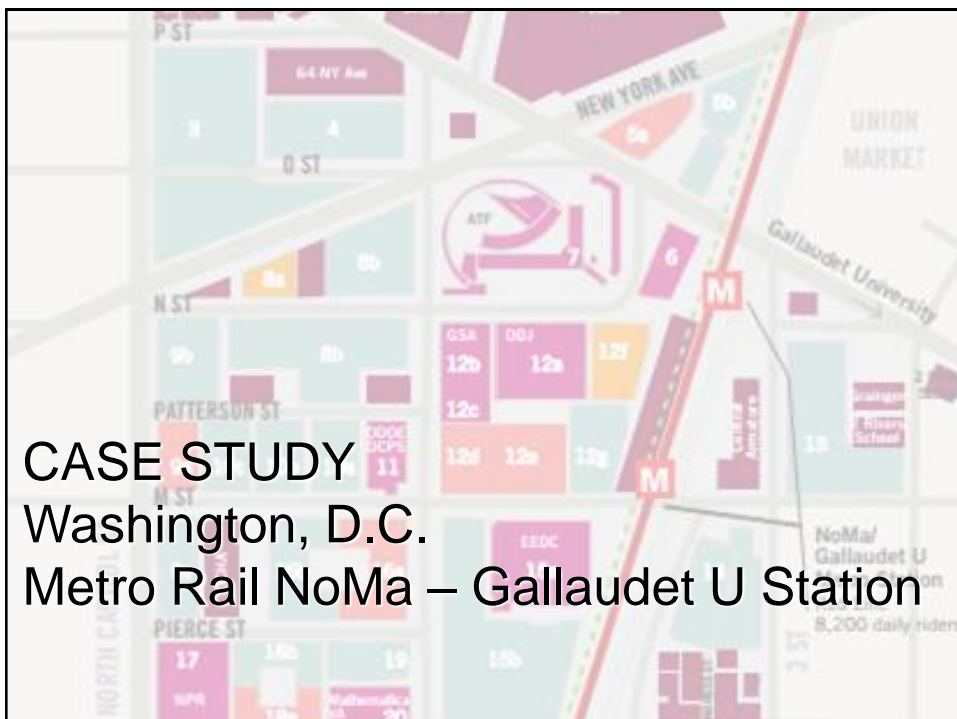


New York \ Hudson Yards

- Coordination
 - City (Planning and OMB) and MTA worked closely from initial planning stages
 - Conducted many joint studies and worked together on re-zoning initiative
 - Creation of two independent, project-specific entities:
 - Hudson Yards Infrastructure Corporation (HYIC)
 - Hudson Yards Development Corporation (HYDC)

New York \ Hudson Yards

- Coordination, continued
 - **HYIC** holds the debt and collects the revenues
 - Existence is for the duration of the financing period
 - **HYDC** helps the developers coordinate with the city's redevelopment plan
 - Main coordinating entity
 - Staffed by professionals from varied backgrounds and departments



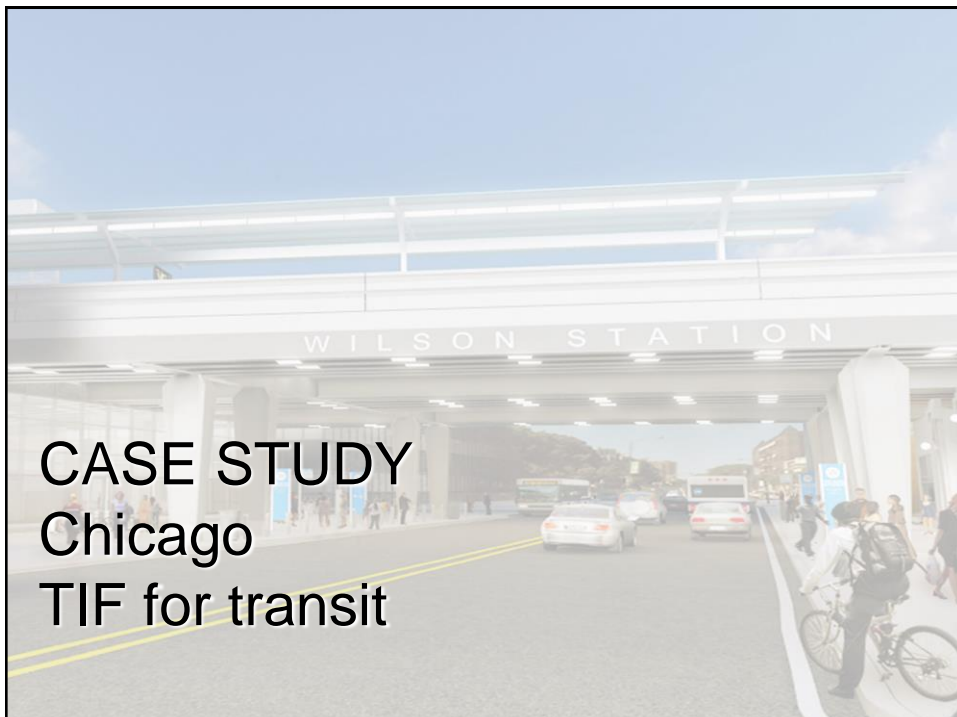
NoMa-Gallaudet U Project Information

- In 1997 the District identified an area north of Massachusetts Ave (NO-MA) as a redevelopment site
- Engaged with WMATA to study possibility of infill station on the Red Line
- Station construction was completed in 2004 and cost \$103.7 million
- \$25 million was provided by a Special Taxing District (similar to SAD)



NoMa-Gallaudet U Coordination

- District's Department of Housing and Community Development led coordination
- Worked with a private civic group called Action 29
 - Represented community interests and helped to communicate with developers
- Set terms for taxing district
- Led to WMATA employing staff with ability to engage District and developers early on in future redevelopment projects



Chicago \ TIF for transit

- Project information
 - Five projects of particular interest
 - Wilson Transfer Station
 - 18th Street Connector
 - Harrison Street Subway
 - Bryn Mawr Station
 - Illinois Medical District Station
 - Ratio of value capture to total project budget ranges from 2% (Wilson) to 100% (IMD)

Chicago \ TIF for transit

- Coordination
 - Differs from other case studies as TIFs are not project-specific
 - Close coordination, especially with developers, not required with TIFs already in place
 - Opportunity exists to expand use of other transit project specific value capture mechanisms
 - Chicago-area developers are amenable to these approaches

Preliminary Conclusions

- All cases utilized human capital and organizational strength
- SF/DC demonstrated that transit systems need staff knowledgeable to engage City and developers
- NYC demonstrates value of stand-alone entities, especially for large projects supported primarily by value capture
- Early coordination presents the opportunity for better developer engagement

Next steps/questions

- Finalize report and constituent publication submissions
- Report will inform a broader survey of transit systems to be conducted in Fall 2014
- Further refine models of intergovernmental and private developer VC coordination

Questions?



Contact

Jordan Snow, MUPP

Research Transportation Planner/Analyst

Urban Transportation Center

University of Illinois at Chicago

jsnow7@uic.edu

(312) 996-9357

www.utc.uic.edu

