



Value Capture

WEBINAR SERIES: INNOVATION IN PRACTICE | WEBINAR 11

December 12, 2018



Webinar Logistics



PowerPoint Presentation available on BATIC Website



Submit questions in Q&A box



Webinar will be available on BATIC website

BATIC Institute

In-person Services

- Peer Exchanges
- Training Seminars
- Workshops

Online Services

- Customized Website
- Interactive Webinars

Quick Turnaround Research

TRANSPORTATION

FINANCE

- Bond Financing
- Federal Credit
- Public Private Partnerships
- Other Finance Tools

Visit our website at: <http://www.financingtransportation.org>

Webinar Overview

**Introduction to Value
Capture**

**Value Capture Application
for Roads, Highways, and
Bridges**

**Value Capture Application
for Transit**

**Questions Submitted by
Webinar Participants**

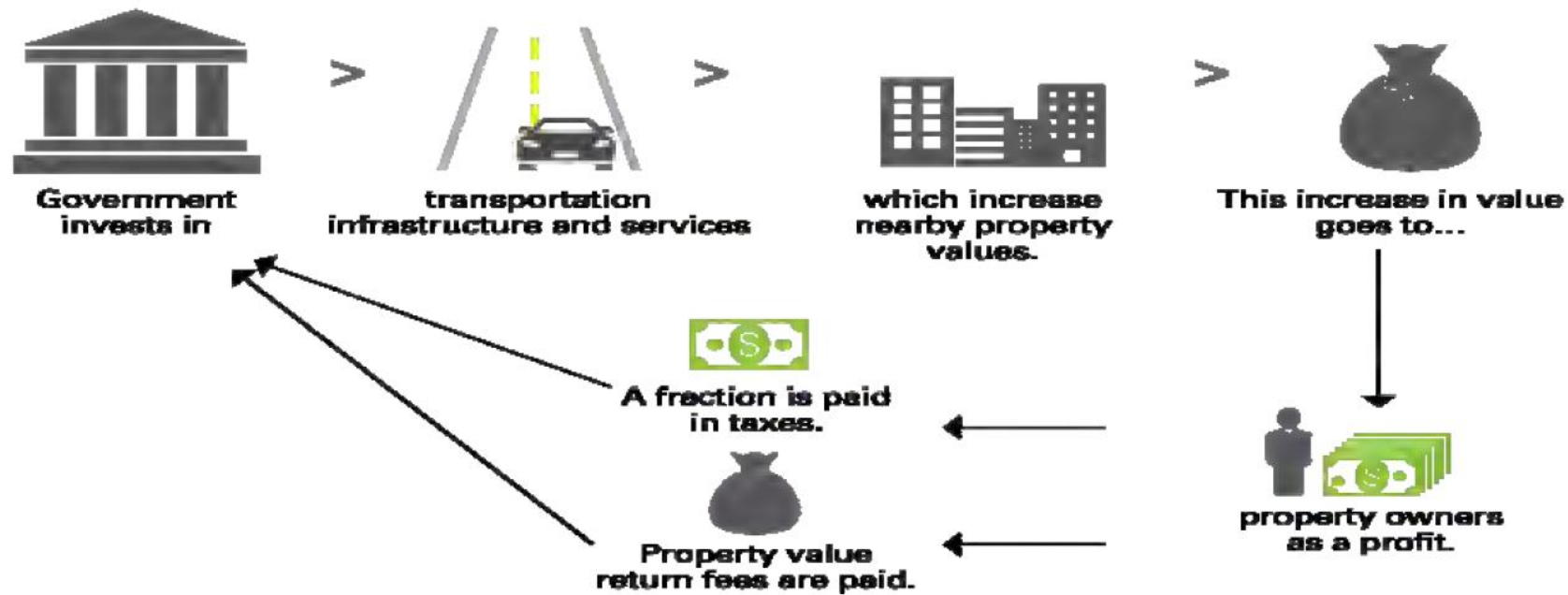
Value Capture and Transportation Projects

An Introduction

Stefan Natzke, National Systems and Economic
Development Team, FHWA
Sasha Page, IMG Rebel

What is a Value Capture?

“Value capture” refers to a toolbox of strategies used by public agencies to recover a portion of the increased property value created as a result of public infrastructure investment.



EDC 5 Value Capture Initiative

- Promotes the use of value capture mechanisms as part of a mixed funding and innovative finance strategy to accelerate project delivery and provide equitable funding for sustainable transportation investments
- Clearinghouse for best practices/lessons learned:
 - EDC-5 Value Capture Sessions:
https://www.fhwa.dot.gov/ipd/value_capture/resources/value_capture_resources/edc-5_resources.aspx.
 - Project Profiles:
https://www.fhwa.dot.gov/ipd/value_capture/project_profiles/
 - Factsheets:
https://www.fhwa.dot.gov/ipd/fact_sheets/
 - Value Capture Resources:
https://www.fhwa.dot.gov/ipd/value_capture/resources/value_capture_resources/default.aspx

Background

- Current transportation funding sources are inadequate to fund transportation needs.
- The Federal gas tax has lost its purchasing power by nearly 40% since 1993.
- Increased fuel efficiency and reduced growth in VMT has further eroded the growth in fuel tax revenues.
- The Federal share of transit expenditures has fluctuated between 17%-19% over the last ten years.
- The share of Federal highway expenditures has fluctuated between almost 27% and 18% in the same time period.

Supplemental Funding Sources

- General Fund transfers have kept the Highway Trust Fund solvent.
- Exploring new funding sources, such as the mileage based user fee
- Innovative financing is used to deliver large capital projects, leveraging private capital or existing sources using financing mechanisms, such as:
 - Transportation Infrastructure Finance and Innovation Act (TIFIA)
 - Railroad Rehabilitation and Improvement Financing (RRIF)
 - Private Activity Bonds
 - State Infrastructure Banks
 - Section 129 Loans
 - Leasing

Value Capture Mechanisms

- **Developer Contributions**

- Impact fees
- Negotiated exactions and ongoing developer contributions

- **Transportation Utility Fees (TUFs)**

- **Special Tax and Fee Approaches**

- Special assessment district
- Sales tax district
- Business improvement district
- Land value tax

- **Advertising and Naming Rights**

- **Incremental Growth Approaches**

- Tax increment financing (TIF)
- Transportation reinvestment zones (TRZ)

- **Joint Development**

- ROW use agreements
- Concessions and leasing
- Airspace (above or below)
- Parking
- Fiber-optic leasing
- Pipelines or other utilities not addressed by utility accommodation

Examples of Value Capture

- Atlanta Beltline
- Washington, D.C. I-395 Capitol Crossing
- Osceola County Florida, Transportation Impact Fees & Funding
- Assembly Square, Somerville MA
- Texas Transportation Reinvestment Zones

Value Capture Application for Roads, Highways, and Bridges

Transportation Reinvestment Zones in Texas

Julie Rabeux De Hoyos

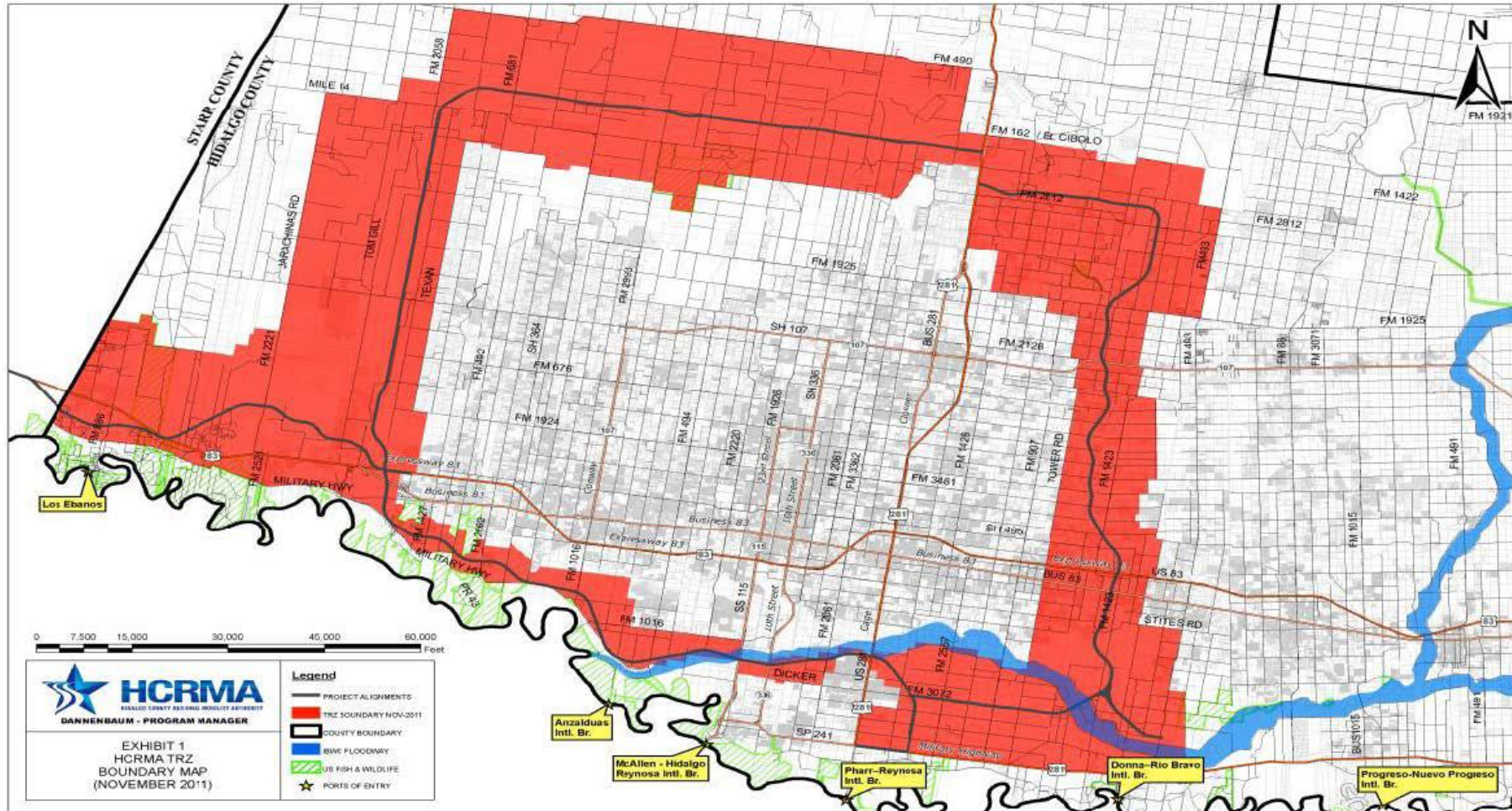
Project Finance, Debt & Strategic Contracts Division
Texas Department of Transportation

What is a Transportation Reinvestment Zone (TRZ)?

A TRZ is a specific contiguous zone around a planned transportation project that is established as a method to facilitate capture of the property tax increment arising from the planned project.

- Created in the 2007 legislative session (Senate Bill 1266) as a value capture method for transportation projects
- House Bill 563 (2011) introduced significant changes that increased implementation flexibility. Previously tied to Pass Through projects, but have steadily gained interest since the tool became more flexible.
- Statute Governing Transportation Reinvestment Zones (TRZs): [Texas Transportation Code Chapter 222 Sections 106-111](#)
- Currently there are three taxing entities that can create a TRZ in Texas: County, Municipality, and Port Authority/Navigation Districts

Hidalgo County TRZ No 2



What is a Transportation Reinvestment Zone?

- Why use a TRZ and how do you find the appropriate project?
 - Allows a community to capture both existing economic growth as well as expected growth generated from the transportation project.
 - A TRZ can be used in conjunction with other financing mechanism to fund a transportation project.
- Why haven't they been used more?
 - Has only been detached from Pass Through Toll project since 2011
 - Communities are familiar with TIRZ/TIF
- What's the difference with a TIRZ
 - TIRZ/TIF typically used to support non-transportation tools, primarily seen in urban areas.
 - A TRZ does not require a board.

How are TRZs used to finance transportation projects?

- A local government with a created TRZ can use the captured funds directly toward a transportation project or as a pledge for a method of financing (for cities and ports that could include bond issuance).
- Tax Increment Bonds
 - Tax increment bonds can have high costs due to ratings when compared to other municipal debt mechanisms.
- TxDOT State Infrastructure Bank (SIB) Loans
 - The SIB program allows borrowers to access capital funds at or lower-than-market interest rates.
 - GO backstop required.
 - Work eligible for the program's funding includes: planning and preliminary studies; feasibility, economical and environmental studies; right of way acquisition; surveying; appraisal and testing; utility relocation; engineering and design; construction; inspection and construction engineering.

TRZ Implementation Process



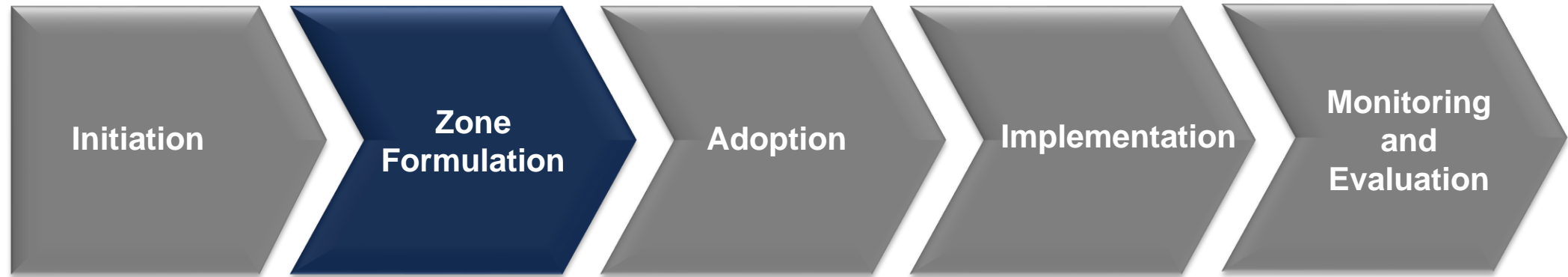
TRZ Implementation Process



Initiation:

- Project identification
- Preliminary feasibility analysis/ Research of property values under consideration
- Developing stakeholder relations

TRZ Implementation Process



Zone Formulation:

- Define boundaries, zones, parcels
- Establish benchmark year for tax increment collection
- Refine feasibility study

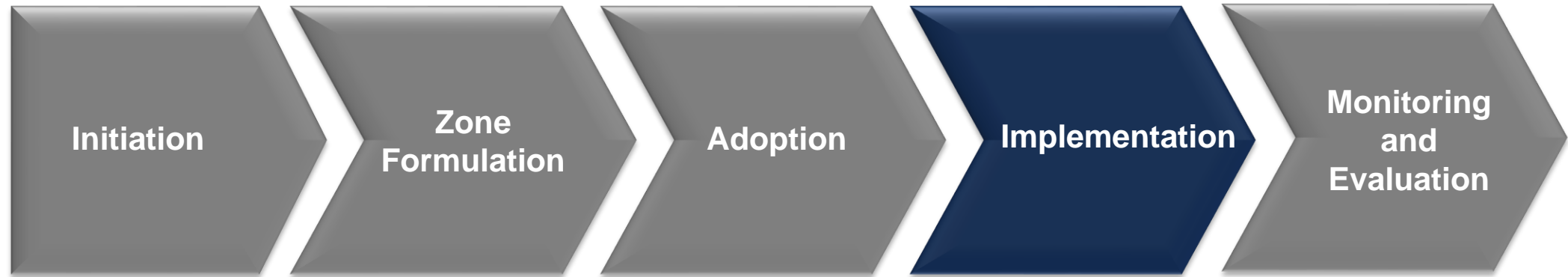
TRZ Implementation Process



Adoption:

- Public hearings – 30 days before proposed adoption, and 7 days notice before the hearing
- Ordinance (Municipal TRZ); or, Order of the Commissioner’s Court (County TRZ)

TRZ Implementation Process



Implementation:

- Determination of TRZ financing aspects
- Establish mechanisms for funding/partnerships (Inter-local agreements, partnerships with RMA's etc.)

TRZ Implementation Process



Monitoring and Evaluation:

- Establish monitoring of TRZ to optimize revenue and payment streams
- Monitor estimated increment revenue vs. actual
- Dissolution of TRZ :
 - December 31 of the year of compliance with contractual requirement or
 - December 31 of the 10th year after establishment if not used for the purpose

Value Capture Application for Roads, Highways, and Bridges

Case Study: Americas Interchange (Loop 375/I-10)

Raymond L. Telles
Executive Director
Camino Real Regional Mobility Authority

The Americas Interchange Project in El Paso, Texas

- Four-level, fully directional interchange between I-10 and Loop 375 - 15 miles east of downtown El Paso, Texas
 - Constructed in 3 phases
 - Phase 1 was completed in 2013
- Phase 1 comprised the construction of 3 direct connectors between Loop 375 and I-10:
 - Southbound Loop 375 to westbound I-10
 - Northbound Loop 375 to westbound I-10
 - Eastbound I-10 to Northbound Loop 375



How was value capture used for the Americas Interchange Project?

- **Americas Interchange – Original Project Cost Estimate**
 - \$141 million – Phase 1 (3 Direct Connectors)
- Transportation Reinvestment Zone No. 2 was created to provide a portion of the total project cost
- 100% of the annual property tax increment (City portion) was set aside for use by the Camino Real Regional Mobility Authority on the Americas Interchange Project (and a second project)
 - All property tax increment generated above the TRZ's base year property tax value are provided to the CRRMA
- **Americas Interchange Project Budget**
 - American Recovery and Reinvestment Act (ARRA) funds – \$96 million
 - Coordinated Border Infrastructure (CBI) funds – \$15 million
 - State Infrastructure Bank (SIB) loan proceeds – \$30 million (TRZ No. 2 revenue served as the repayment source)
 - SIB Loan packaged as a Build America Bond (BAB)

How was a TRZ leveraged to assemble the funding needed for regional transportation projects?

- **2008 Comprehensive Mobility Plan (CMP)**
 - Texas Department of Transportation, El Paso Metropolitan Planning Organization, City of El Paso, CRRMA
 - More than \$1 billion in transportation priority projects – roadways, transit, aesthetics
 - City of El Paso committed up to \$70 million to the CMP from one or more TRZs (local “skin in the game”)
- **City of El Paso created two TRZs in 2010 to support three separate CMP projects**
 - TRZ No. 2 – Americas Interchange – \$30M; Zaragoza Direct Connectors – \$20M
 - TRZ No. 3 – Transmountain Northeast Mainlane Expansion – \$6M
- **City of El Paso TRZ No. 2**
 - City of El Paso assigned 100% of the incremental revenues from TRZ No. 2 to the CRRMA
 - CRRMA pledged the revenues as repayment source for a \$30 million SIB loan

What obstacles were encountered in implementing the TRZ?

- City of El Paso created TRZ No. 1 in 2008 (among the first TRZs in Texas) but it was rescinded in 2010 due to contiguity issues (Ft. Bliss); two subsequent TRZs were created in 2010 to support the Americas Interchange and two other projects
- Original TRZ legislation required the use of a pass-through toll agreement to be tied to the project using TRZ funds; this requirement has since been removed
- TRZ revenues in the early years begin small and see significant increases beginning upon completion of the transportation project; SIB required the City of El Paso to backstop the loan (City's General Fund)
- Public perception is that a TRZ creates a new tax; instead, a TRZ merely serves as a way to legislatively segregate incremental property tax revenues that are increasing due to the implementation of a transportation project

Value Capture Application for Transit

Case Study: East Liberty TRID

Kryn Sausedo, Project Manager
Urban Redevelopment Authority of Pittsburgh

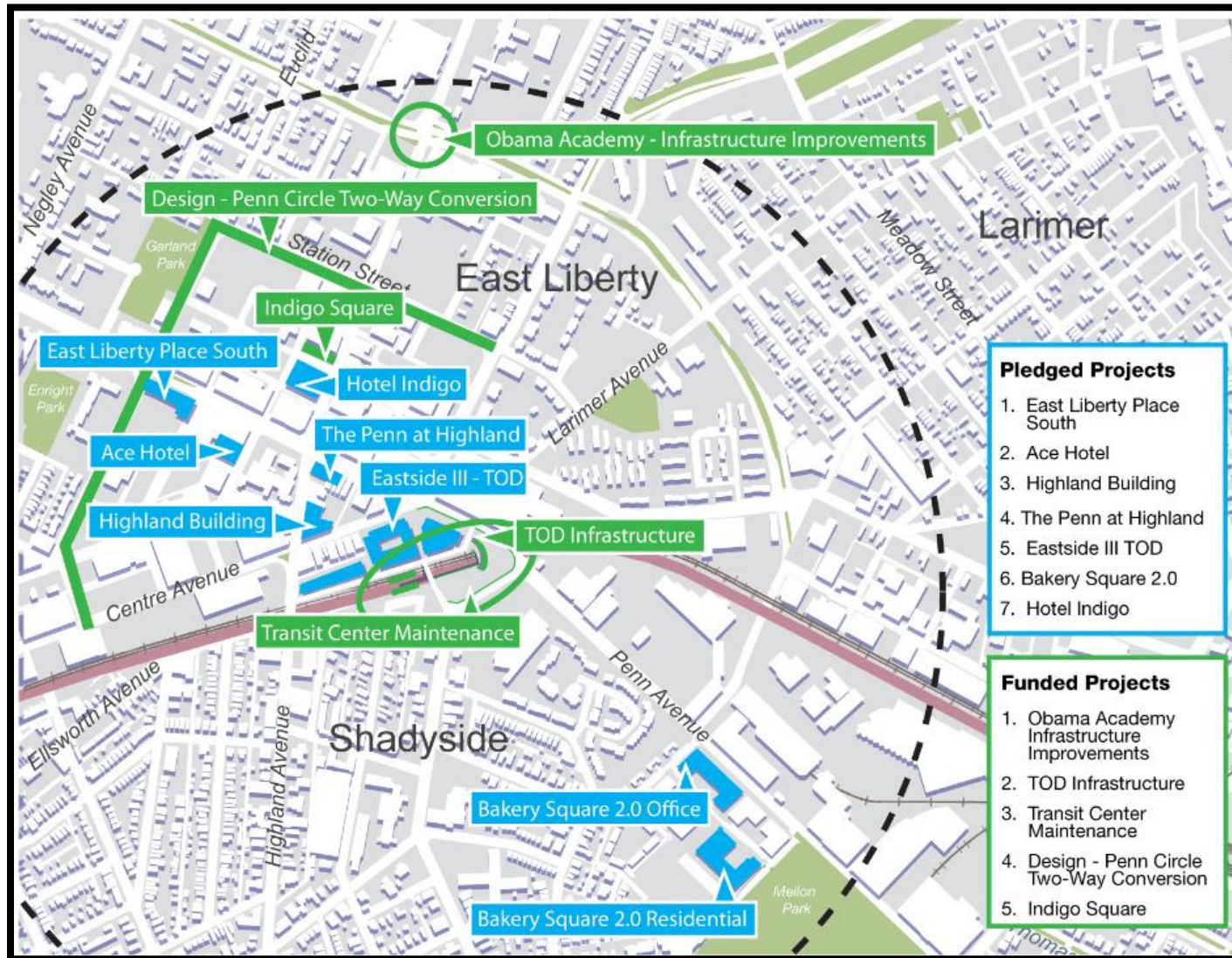
What is the state Transit Revitalization Investment District (TRID) law?

- **Transit Revitalization Investment District (TRID) Act, 2004**
 - Empowering municipalities, counties and public transportation agencies to work cooperatively to establish Transit Revitalization Investment Districts (TRID), including partnerships with the National Railroad Passenger Corporation requiring planning studies, comprehensive plan and zoning amendments and use of existing statutes and techniques to achieve transit-oriented development, redevelopment, community revitalization and enhanced community character through TRID creation; establishing value capture areas as a means to reserve and use future, designated incremental tax revenues for public transportation capital improvements, related site development improvements and maintenance; promoting the involvement of and partnerships with the private sector in TRID development and implementation; encouraging public involvement during TRID planning and implementation; and providing for duties of the Department of Community and Economic Development.

What are the advantages of TRID over traditional tax increment financing mechanisms?

- Non-contiguous properties
- Approval process
- Flexible uses

East Liberty TRID Phase 1



East Liberty TRID Phase 1

Sources	Project	Projected Assessed Value	Current Assessed Value As of 11/14/2018
	Ace Hotel	\$5,670,000	\$4,500,000
	The Penn at Highland	\$11,440,000	\$10,801,200*
	Eastside III	\$48,824,190	\$52,500,400
	Bakery Square 2.0 – Office #1	\$24,000,000	\$32,311,700**
	Bakery Square 2.0 – Apartment #1	\$21,000,000	\$24,386,100***
	East Liberty Place South	\$1,800,000	\$3,842,200
	Highland and Wallace Buildings	\$15,005,150	\$15,134,500
	Total	\$127,739,340	\$143,476,100

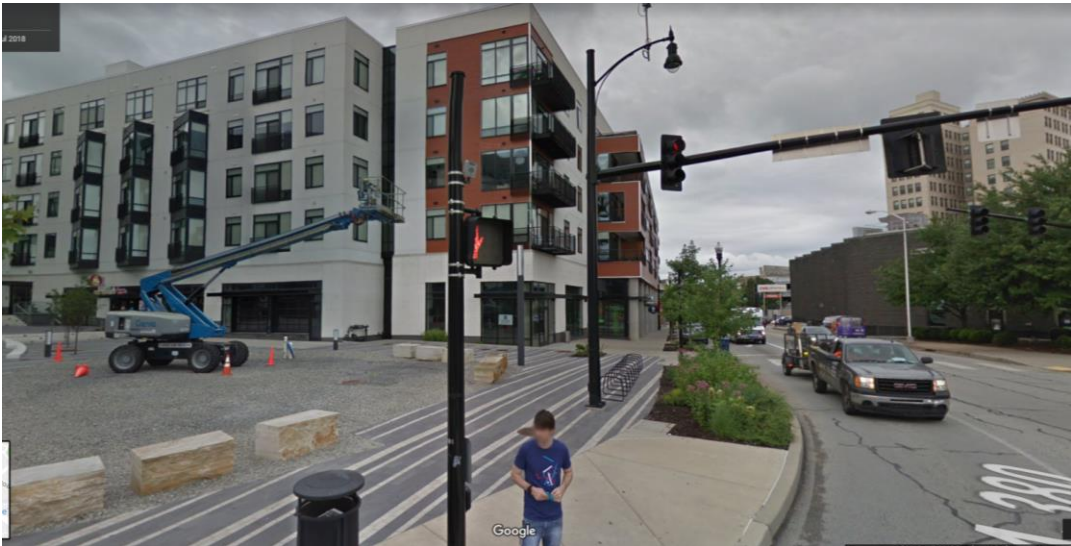
Uses	Project	TRID Allocation	Remaining Funds
	Obama Academy - Pedestrian Improvements	\$1,450,000	\$296,344
	Transit-Oriented Development Infrastructure	\$8,450,000	\$0
	Transit Center Maintenance	\$108,000	Incurred Over Time
	Public Art	\$250,000	\$250,000
	Penn Circle Two-Way Conversion (design)	\$900,000	\$0
	Operating Expenses/Reserves	\$1,050,000	Incurred Over Time
	Total	\$12,206,000	\$546,344

* - County Abatement

** - No Pledged SD Taxes

*** - County Abatement, No Pledged SD Taxes

East Liberty TRID Phase 1



East Liberty TRID Phase 1



Let's hear from you



Wrap-Up

**Thank you for attending
today's webinar**

**The BATIC Institute will post responses
to all questions received today on its website**

**The recorded webinar will also be available
on the BATIC Institute website:**

www.financingtransportation.org

UPCOMING BATIC INSTITUTE OFFERINGS

Advance Construction

Research Report
February 2019

Maintenance of Effort Test

Research Report
February 2019

National Financial Management Symposium

Washington, DC
April 2019