

Webinar Presenters

- Stefan Natzke, National Systems and Economic Development Team, FHWA
 - Sasha Page, IMG Rebel
 - Julie Rabeux De Hoyos, Project Finance, Debt & Strategic Contracts Division, Texas Department of Transportation
 - Raymond L. Telles, Executive Director, Camino Real Regional Mobility Authority
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What size project make the most sense for increment-based financing?

Kryn Sausedo -- We looked at this with different transit projects across the city. Obviously there is a lot of transit and development that occurs around transit in the city, but we found that a project that can generate greater than \$10 million to \$12 million in added assessed value is necessary to pencil out, meaning that around \$800 million dollar in funds generated over 20 years available to fund transit stop improvements. The floor, for us, is a project that generates \$12 million in increment.

What are crucial components of a feasibility study for a TRZ?

Julie De Hoyos – The main components we recommend for study are the geographical size of the zone and the width of each side of the project ("the band" alongside the project). Most importantly, communities should look at the percentage revenue of the city or taxing jurisdiction that is anticipated. We also recommend communities look at a thirty-year revenue estimate of cash flow, which helps communities understand what financing options are most appropriate and what they can leverage for the project.

Are there key factors that you evaluate when determining whether a value capture technique is feasible?

Kryn Sausedo – The first thing to look at is whether the project pencils. In an urban area, like Pittsburgh, the implications of gentrification and the political discussion that comes with new development is something to consider. So, we also look at how affordable housing may be incorporated when using value capture to capture the benefit of development.

From a roads and highways perspective, what are the best value capture techniques for these projects?

Sasha Page – For roads and highways, impact fees are a logical option, particularly for local roads which are used extensively around the country. Joint development and use agreements – we see a lot of interesting projects with fiber optics. For instance, the Pennsylvania Turnpike leased their right of

way for fiberoptic use. There are a couple of examples of airspace value capture. A well-known example of airspace rights being used is with I-90 in Massachusetts. This project used a deck over the highway, which made sense because the area was dense and the local real estate values are high enough that the expense of decking was feasible. The incremental growth approaches do work, as seen in Texas. Special assessment taxes are more appropriate for transit and rail projects, like Dallas Metrorail. Advertising and naming rights also apply more toward to transit rather than highways, though I'm sure there are exceptions to that. Transportation utility fees are more appropriate for transit because these are fees that are paid to fund ongoing O&M costs.

Is there guidance available to help state DOTs and localities identify the factors when determining the boundaries of a value capture technique?

Sasha Page – There are legal issues to consider that impact the geographic boundaries of a increment-financing based value capture technique. A special assessment or tax district, for instance, by law may need to demonstrate how accrued value within the zone materially benefit the properties within the zone. In many projects, a good rule of thumb is to create a zone ½ to ¼ mile away from the transportation improvement; but with new mobility changing the transportation network, this rule of thumb is shifting. Dallas Metrorail, for instance, found that a zone within ½ mile or greater worked because riders were using new mobility options, such as an Uber or bikeshare, for the last mile around transit stations. In the case of special assessment districts, property owners are required to vote and approve of the taxing mechanism, so local policy and jurisdictional approval requirements impact the zone boundaries to a significant degree.

When you think about what makes a project that uses value capture successful, what are the five most important words that come to mind?

Julie De Hoyos – Communication, monitoring, planning, and two concepts - "not a new tax", and "not requiring a new board".

Kryn Sausedo – Guarantee, non-abatement, public benefit – communicating the benefit to the public, which may seem obvious but can be challenging, "but-for" – does this project happen if the TRID/TIF monies do not exist?; and communication.

Sasha Page – Understanding the real estate market; understanding whether the existing zoning is appropriate and fits into the goal of the value capture technique; appropriateness – is the technique appropriate given the circumstances?; outreach – echoing what my fellow panelists said about communication with the public; and partnership – projects involve at least two, if not three or four, different agencies and landowners, and it's difficult to execute value capture without their support and cooperation.

Apart from the Atlanta Beltline, do you have examples of value capture for projects that were primarily bike/ped?

Sasha Page – Value capture and bike/ped is an emerging area of research. There are anecdotal examples around the country that show that bike/ped facilities attract similar types of development that transit does and that most likely value capture can, in the future, be a way to help fund some of

those projects. The Underline in Miami is an example of a similar linear park with bike/ped elements that has been funded in part with impact fees (<https://www.theunderline.org>), a form of value capture. It is very conceivable in the future that value capture techniques like naming rights and joint development are used for developing bike/ped facilities.