Forum on Innovative Financing

April 30, 2012
3 to 6 p.m.
Chicago Cultural Center
This event is generously sponsored by Wintrust Community Banks/Wintrust Commercial Banking, Hunt Companies, and Loop Capital.
# Value Capture Case Studies

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Welcome

Gone are the days of easy credit, seemingly inexhaustible resources, and dizzying growth. Having moved beyond the initial crisis mode of the recession, we can see the past more clearly. The “good old days” are illusory; rapid economic growth had masked far deeper problems across Chicagoland. Even absent tax increases, government revenues climbed fast in the late 1990s through early 2000s, thanks to a productive manufacturing sector, the technology boom, the housing bubble, good times on Wall Street, and consumer spending. No matter that much of this “growth” rested on mounting debt and artificial value created by the stock market.

These trends fueled hastily and sometimes poorly planned local community investments that yielded diminutive returns. During the “boom,” we spent on the present and didn’t take time to fully measure the impact of our decisions. Nor did we plan for the future, all but ignoring the long-term maintenance needs of what we were building. Now, the future is here, and we are experiencing crumbling infrastructure across our region, and an inability to fund sorely needed maintenance, let alone expansion.

The upside is that the recession has forced policy makers to identify strategies to navigate the “new normal.” Even as the economy struggles, our growing regional population is demanding smarter investments to expand and improve transportation options, create more quality housing near jobs and transit, and conserve our energy and water. Given the scarcity of public funds available to make even the most essential of these infrastructure investments, governments have begun to tap innovative financing tools to supplement traditional funding sources. These tools can address aging infrastructure problems and constrained budgets.

Financing mechanisms such as public-private partnerships and infrastructure banks can raise large new sources of untapped capital, deliver projects sooner, and enable innovation. Well-written agreements can create incentives for efficiencies and shift risk to private investors, who can bear responsibility for cost overruns or revenue shortfalls. An infrastructure bank also has the added benefit of a creating a replicable framework for future investment plans. Other tools such as value sharing instruments connect the benefit of an investment with the cost to provide it, allowing the public and private sectors to share rewards created beyond the original project. Mechanisms such as tax increment financing, special assessments, and impact fees can drive sustainable development, expand transportation options for commuters, conserve energy, and conserve our limited and valuable water resources.

But this is not “free money.” Just like a general obligation bond that must be repaid to Wall Street investors, using these tools will require a reliable source of funding as collateral and taxpayers could be on the hook if returns fall short. That makes it even more important that potential investments are chosen based on their ability to generate much-needed economic growth, improve our global competitiveness, and promote community livability and sustainability.

By rethinking how (and where) we invest in our communities and rewarding the public and private sectors for working together to more efficiently and effectively deploy resources, we can regain the Chicago region’s competitive edge, secure good jobs, and shape a new era of sustainable economic prosperity that supports cities’ and regions’ growth plans.

Sincerely,

MarySue Barrett
President
Metropolitan Planning Council
Value Capture Case Studies

What is value capture?

At MPC’s November 2011 roundtable on innovative financing tools for transportation funding, the Brookings Institution’s Rob Puentes offered sage advice for elected officials and policy makers: “We’ve run out of money. It’s time to start thinking!” he said.

Fifty-five years ago President Eisenhower signed the first federal transportation bill into law, spurring an unprecedented era of transportation construction. Today, most of that infrastructure has reached beyond its useful life, and returning it to a state of good repair – much less expanding it to serve a growing population and new economic realities – will require hundreds of billions of dollars. What’s more, as consumers continue to choose fuel-efficient vehicles over gas guzzlers, less frequent trips to the pump mean even fewer dollars to replenish the nation’s bankrupt Highway Trust Fund.

With the advancement of the federal long-term reauthorization stuck in Congress, and no increase for traditional transportation funding sources like the gas tax on the table, it’s up to states, cities, and regions to think differently about how to fund transportation projects. One tool in the transportation funding toolbox is value capture.

Because well-planned transportation investments increase people’s access to desirable destinations, locations near these investments command higher land prices, benefiting land owners and developers; studies of the Chicago region show a 10 percent to 20 percent increase in land values near transit stations. Value capture mechanisms are a type of public financing where increases in the private land values generated by public transportation investments are “captured” to repay the cost of the public investment. Using value capture mechanisms to finance new or existing transportation infrastructure connects the benefit of the infrastructure investment with the cost to provide it.

Types of value capture mechanisms:

- **Tax Increment Financing**: A special district created during a development period, where the tax base is frozen at the predevelopment level (on the assumption redevelopment would not occur in the area without public investment or intervention). Property taxes continue to be paid, but taxes derived from increases in assessed values (the tax increment) resulting from new development either go into a special fund created to retire bonds issued to originate the development, or leverage future growth in the district.

- **Land Value Tax**: An additional tax solely on the land value of a property, without regard to improvements on the property.

- **Special Assessment**: An additional tax or assessment on the full value of a property, usually paid by property owners within a defined district Special Assessment District or Special Service Area that benefits from the improvement.

- **Development Impact Fee**: A one-time fee charged to a development based on a justifiable relationship between the impact of the proposed development and the improvements it makes.

- **Joint Development**: A municipality or agency utilizes land it owns, often in the form of surface parking lots or excess rail right-of-way, for a redevelopment project and then shares profits.

MPC’s new series Value Capture Case Studies will highlight ways in which cities and regions across the country are using value capture mechanisms to fund transportation plans. These case studies will present novel learnings for the Chicago region as it grapples with how to pay for necessary transportation improvements. This series is intended to spur creative thinking and fresh ideas turning Chicago’s transportation plans into reality.
Denver’s Historic Union Station

- Tax Increment Financing

The word “no” was not an option when Denver officials began planning to restore the city’s Historic Union Station, built in 1914. According to Frank Cannon, it took that kind of “can do” thinking to piece together the nearly $500 million in funding needed to redevelop the transit hub as the center point of a new transit system and vibrant neighborhood in downtown Denver. Ultimately, the project tapped nine different sources, including an inventive use of two federal loan programs repaid with Tax Increment Financing (TIF) revenues, and a public-private partnership.

Denver Union Station will serve as the hub of the region’s new FasTraks transit system, a $7 billion, 12-year program to build 122 miles of new commuter and light rail, 18 miles of bus rapid transit service, 21,000 new parking spaces at rail and bus stations, and enhanced bus service across the eight-county Regional Transportation District (RTD). FasTraks transit lines will be fully built in 2020.

The revitalized Denver Union Station and adjacent community sits on a former rail yard. After extensive renovation and expansion, Denver Union Station will connect the FasTraks light rail, commuter rail, and intercity rail, as well as local, regional, and intercity buses. By 2015, when renovation is scheduled to be complete, 200,000 passengers will travel through the station each day. Yet the station is also envisioned as much more than a transit hub; it is also the core of a vibrant, pedestrian and transit-friendly neighborhood. Plans call for a private developer to build a brand new neighborhood of housing, retail, restaurants and offices on 20 acres of currently vacant land owned by the RTD. In total, 42 acres of vacant land in downtown Denver, including the station and adjacent land, will be developed.

Financing the restoration of Union Station was a feat unto itself. Beginning in 1995, a collaboration between the station’s owners (a consortium of three private partners), the City and County of Denver, Colorado Dept. of Transportation (CDOT), RTD, and U.S. Environmental Protection Agency initiated a feasibility study for bringing the building back to life. The Union Station Transport Development Company (USTDC) was formed, funded partly by the RTD, City and County of Denver, CDOT and the private owners. In 1999, the project received a planning grant for projects that link transportation, community and preservation through the Federal Highway Administration’s Transportation and Community and System Preservation Pilot Program (TCSP). Following the TCSP grant, Denver was awarded a $500,000 Transportation Enhancements grant to construct a bicycle facility at Union Station. After purchasing the station in 2001, the RTD, CDOT, City and County of Denver, and the Denver Regional Council of Governments formed an Executive Oversight Committee to develop a master and finance plan. Following a three-year public input process, the master plan was finalized in 2004.

In 2004 voters in the eight-county RTD approved a sales tax increase of 0.4 percent (4 pennies on every $10) to finance the FasTracks transit project. Because rehabilitation Union Station was a critical element of the FasTracks system, it, too, was “fast tracked.” In 2006, The Union Station Neighborhood Company (USNC) – a collaboration of Continuum Partners, LLC and East West Partners – were selected as the private developer to oversee planning, development, financing, design and construction for the 20 acres of RTD land surrounding Union Station. USNC also purchased the land from the RTD.

In 2008 the Denver City Council created the Denver Union Station Project Authority (DUSPA) to finance, acquire, own, design, renovate, and maintain the transportation and public infrastructure parts of Union Station. DUSPA is a nonprofit, government-owned corporation authorized to issue debt for the project. That
debt is only payable from the project. As the transit components of the project are completed, they will be transferred to the RTD who will own and maintain them.

In tandem with the creation of the DUSPA, the Denver City Council approved a 30-year TIF district (called Metropolitan Districts in Colorado) comprised of the entire Union Station and surrounding 20 acres. **Tax Increment Financing** is a special district created during a development period, where the tax base is frozen at the predevelopment level (on the assumption redevelopment would not occur in the area without public investment or intervention). Property taxes continue to be paid, but taxes derived from increases in assessed values resulting from new development (the tax increment) either go into a special fund created to retire bonds issued to originate the development, or to leverage future growth in the district.

The property taxes generated in the TIF district will go toward the debt services on two federal loans; a $145.6 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and a $155 million Railroad Rehabilitation and Improvement Financing (RRIF) Loan. This financing structure is unique in that it is the first time the U.S. Dept. of Transportation combined a TIFIA and RRIF loan for a single project.

Total financing sources include:

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<tr>
<td>RRIF Federal Loan</td>
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Making this $500 million investment to redevelop its historic Union Station will generate myriad benefits for Denver, including an annual economic return of $3 billion, 31,272 short-term construction jobs, and almost 20,000 long-term jobs. Twenty acres of an abandoned rail yard will become a new vibrant neighborhood surrounding the transit hub. Ten acres of new public plaza will be constructed, as a full $32 million of the $500 million budget was spent on public spaces. Traffic congestion will be reduced and new housing, business and activity centers will come to life. The rehabilitation of Denver Union Station is a perfect example of how a region – leaders and taxpayers alike – came together around a shared vision to creatively finance a project that will transform the city and region for centuries.

**Washington, D.C. Metro expansion to Dulles Airport**

- Special Assessment

One of the nation’s largest transit projects to use value capture financing is the [Dulles Metrorail expansion](#) in the Washington, D.C. region. The Dulles Corridor in northern Virginia west of the nation’s capital is home to Dulles International Airport and Tysons Corner, a massive retail shopping and employment center. Projections show that over the next 25 years, the population in the corridor will grow by 45 percent and employment by 63 percent. The increases in travel demand that correspond with this kind of growth will strain the already overburdened traffic system, resulting in more gridlock and environmental degradation, and threatening local economic opportunities and livability.
As part of the solution to maintain the corridor’s quality of life and regional competitiveness, the Washington Metropolitan Area Transit Authority (WMATA) is constructing a 23-mile extension of the existing Metrorail system to Dulles Airport and to Tysons Corner, Reston and Herndon (Tysons Corner alone draws 120,000 workers each day). The extension is estimated to cost $5.2 billion and will be built in two phases.

Unlike the Chicago region, where sales taxes are a major revenue generator for transit, WMATA has no permanent funding source and relies on federal, state and local appropriations and fare box revenues. Consequently, funding a major rail extension requires “out-of-the-box” thinking. Two mechanisms used to fund the Dulles Metrorail extension are the special assessment value capture tool and sharing Dulles Toll Road revenues, including a toll rate increase.

A special assessment is an additional tax or assessment on the full value of a property, usually paid by property owners within a defined Special Assessment District that benefit from a specific public improvement. Because the rail expansion will benefit businesses in the corridor and their customers, commercial landowners petitioned to establish a special assessment district to fund the local share of Phase 1 and 2 construction.

Chapter 15 of the Code of Virginia allows commercial and industrial property owners to petition the Virginia Board of Supervisors to be taxed to raise funds for transportation improvements in their area. At least 51 percent of property owners, measured by land area or assessed value, must approve the taxing district. On Jan. 21, 2004, more than 64 percent of commercial and industrial property owners around Tysons Corner, measured by assessed value, petitioned to create the Phase 1 Dulles Rail Transportation Improvement District. All funds will go toward the Metrorail extension.

Following a public hearing, the Phase 1 District was established on Feb. 23, 2004. Commercial and industrial (not residential) real estate owners in the Phase 1 assessment zone around Tysons Corner will be charged an additional 22 cents per $100 of assessed value (in addition to normal property taxes). There is a $400 million cap on the amount that can be raised through the Phase 1 special assessment.

A similar petition by commercial and industrial property owners in the Reston and Herndon areas was approved in December 2009 creating the Phase 2 Dulles Rail Transportation Improvement District. Phase 2, which will build the line through Reston, Herndon, and Dulles Airport, will be funded in part with a special assessment of five cents per $100 of assessed value in the Phase 2 zone in 2010, rising to 20 cents per $100 of assessed value in 2013. The Phase 2 special assessment is capped at $330 million. Importantly, these funds generated by the special assessment districts in Phase 1 and 2 will cover the local match needed to leverage federal dollars and service debt.

The Metropolitan Washington Airports Authority (MWAA) is managing the Dulles Metrorail extension. MWAA is partnering with Dulles Transit Partners, a private sector entity formed by Bechtel Infrastructure and Washington Group International (now URS) to complete design and construction of Phase 1. Upon completion of each phase, MWAA will transfer ownership of the rail line to WMATA.

Toll revenues also will fund rail extension

In 2009, the Virginia Dept. of Transportation transferred ownership of the Dulles Toll Road (DTR) to MWAA on the condition that toll road revenues fund the construction of the rail extension. Policy mandates that any available revenues from the toll road must be used to finance transportation improvements within the Dulles Corridor once debt service and operating expenses are paid.

Automobile toll rates on the DTR had not been increased since 1984. In November 2009, MWAA voted to increase rates by $0.25 in 2010 and then two additional 25-cent increases in 2011 and 2012. One hundred percent of the toll increase will be dedicated to the metro rail expansion. Overall, Dulles Toll Road revenues will fund $2.8 billion or 52 percent of the rail expansion project.

The new line begins at the existing East Falls Church Station. En route to Dulles International Airport, the rail will serve Tysons Corner, Herndon and Reston Virginia, eventually reaching the airport and beyond to two Loudoun County locations. When finished, passengers will be able to travel directly between Loudoun County, Va., and downtown Washington, D.C. Phase 1 will extend service 12 miles, adding four stations from the East Falls Church Station, through Tysons Corner and Reston. Scheduled completion of Phase 1 is in
2013 and Phase 2 is slated for completion in 2017. It will extend the line an additional 11 miles and add six stations with a stop at Dulles International.

The Dulles Metrorail extension is a textbook example of combining non-transit agency resources to finance a major transit expansion. Using value capture and other innovative financing, such as sharing toll revenues with transit, a project in the works for decades will be accomplished.

**Portland’s Cascade Station and Light Rail to PDX**

- Joint Development
- Tax Increment Financing

*Portland’s MAX Red Line was built 10 years ahead of schedule due to an innovative financing scheme that required no new taxes or federal or state dollars.*

Since the 1980s, plans have been on the books – specifically through a regional comprehensive plan – to build light rail to the Portland International Airport (PDX). Between 1990 and 2000, the urgency to do so grew even greater, as PDX had become one of the nation’s fastest growing airports, doubling passengers from 6 million to 14 million. The increase in plane passengers resulted in auto congestion around the airport, and while frequent bus service connected downtown Portland and the airport, it only accounted for a small number of total trips.

To pave the way for the regional light rail plan, when Interstate 205 was designed and constructed in the early 1980s, a portion of the median right of way was reserved for transit. However, due to project costs and the length of time expected to obtain federal dollars, the regional plan called for actual rail construction closer to 2010.

That all changed in 1997, when Bechtel Enterprises approached the City of Portland, Port of Portland, and Tri-County Metropolitan Transportation District of Oregon (TriMet) to jointly develop the airport light rail line and **Cascade Station**, a 120-acre plot of land on the way to the airport. Under a Joint Development, the private and government entities cooperate on planning and funding to deliver transit-oriented development (TOD), usually located on government owned land.

In 1999, the Cascade Station Development Company (a development team consisting of Bechtel, the investor, and Trammel Crow, the real estate developer), Port of Portland (the entity that oversees the airport), City of Portland, Portland Development Commission, and Tri-Met signed the joint development agreement. The $125 million, 5.5-mile light rail extension would have four stations, two of which would be located on the Cascade Station development site. Bechtel would contribute $28.2 million to fund the light rail line and in return would receive an 85-year lease to develop all 120 acres of land at Cascade Station, without paying rent to the City. Bechtel would also receive the $125 million design-build construction contract for the light rail without have to go through a competitive bidding process. Total compensation to Bechtel would be the value of its design-build construction contract ($125 million minus their contribution of $28.2 million) and any profits resulting from its real estate development efforts at Cascade Station.

**Total Cost of Light Rail Construction : $125.8 million**

**Financing:**

- **City of Portland:** $23.8 million
  - Partially funded light rail construction of 2.9-mile segment from downtown
  - Financed through Tax Increment Financing
• **TriMet: $45.5 million**
  - Partially funded light rail construction along the 2.9 mile-segment from downtown
  - Funded through general fund, which comes from 0.64% payroll and self-employment taxes. Also will receive all fare box revenue

• **Port of Portland: $28.3 million**
  - For development of rail station inside airport terminal and 1.2-mile segment of the line to the airport
  - Funded through Passenger Facility Charge ($3 per passenger charge assessed to airlines for each passenger boarding through PDX)

• **Bechtel: $28.2 million**
  - Received 85-year lease to develop 120 acres of land at Cascade Station
  - In place of paying rent at Cascade Station, funds 1.4-mile segment of rail line, two stations, and an overpass
  - Can renew the lease at market rents for 14 years after expiration
  - Received the $125.8 million design-build construction contract for the light rail without having to go through a competitive bidding process.
  - Also received $500,000 each from Port, Transit Agency, and City for engineering studies, which Bechtel matched
  - Financed through a Transit Agency bond, which Bechtel assumed the responsibility to repay

**Two factors that created a development opportunity for the land include its designation as an Urban Renewal Area and Portland’s Urban Growth Boundary regulations.**

**Tax Increment Financing**

Cascade Station lies within the Airport Way Urban Renewal Area, which operates similar to a Tax Increment Financing (TIF) district. Property tax collections within the area are divided into two parts: taxes applied to the assessed value of the district at the time it was created, and taxes applied to the increase in value after the district was created. Taxes collected on the frozen tax base continue to be distributed to all taxing jurisdictions, including the city, county and school districts. Taxes collected on the increased value are only collected by the city for reinvestment in the area.

The Airport Way Urban Renewal Area was designated in 1986, allowing the City of Portland to use the TIF funding accrued to date to fund its contribution to the project. It issued bonds to raise funds repaying the debt services from the TIF revenues, meaning it did not have to use general budget revenues or increase taxes to fund its share of the project.

**Urban Growth Boundary**

An Urban Growth Boundary (UGB) is a mapped line that separates land that can be developed from land where development is prohibited, to promote density and infill, stop sprawl, and protect farm land and open space. Portland UGB, created in 1979, has resulted in higher land values and smaller land parcels in the city. As a result of the UGB, Metro Portland’s population has grown by 50 percent since 1973, while its land area has only grown by two percent.

The UBG has resulted in a scarce number of large contiguous tracks of land to build large-scale retail developments. Consequently, the 120-acre parcel at Cascade Station was extremely valuable to private investors and developers. It was even more appealing with the planned light rail line to the airport.
Opening Day

The line opened in Sept. 2001, one day before the terrorist attacks of Sept. 11. Plans to hold a ceremony to open the line were cancelled and ridership fell below projections for the first year. Ridership eventually recovered, but the downturn in the economy after the Sept. 11 attacks and the effects on Portland’s real estate market made it difficult to attract the transit-oriented development planned for Cascade Station. Plans to include small-scale retail development did not materialize, mostly because residential development was not permitted on the site due to Federal Aviation Administration regulations about housing near an airport. Eventually, the developers asked to change the plans to include big box retail stores. In 2005, the Portland City Council approved zoning changes to allow for larger retail uses. Since the revision, an IKEA has leased space, two hotels (Aloft and Hyatt) have been built, and many other tenants and restaurants have moved in. The commercial side of the development is 96 percent leased. Train ridership to the development has grown from 550 arrivals and departures a week to 6,000 since IKEA opened. Cascade Station is already the future home for the Portland headquarters of the Federal Bureau of Investigation, chosen for its access to light rail, transit, freeways, and ability to accommodate security concerns.

Trammel Crow, the project’s real estate developer, bought out Bechtel’s shares in the project in 2006. Some reports say Bechtel was struggling after the initial development failed, and needed to sell despite beginning to attract big boxes.

In the end, the public sector accomplished most of its original goals for the Cascade Station joint development. The light rail line was constructed without any state or federal funding, allowing for an expedited process 10 years ahead of what the regional plan called for. Though Cascade Station has not generated the job creation or small-scale retail development originally envisioned, when fully built out it has the potential to create an estimated 7,600 more jobs with an annual payroll of almost $200 million and $2.4 million in additional revenue annually for the City of Portland.

Atlanta BeltLine

- Tax Allocation District (similar to Tax Increment Financing)

Atlanta is widely known for its traffic gridlock and suburban sprawl. Over the last few decades, growth in region’s low-density suburbs has extended greater metropolitan Atlanta’s reach nearly to Chattanooga, Tenn. The average commuter in Atlanta spends 127 minutes on the road every day or more than 10.5 hours each week. This pattern of growth has resulted in unbalanced development and congested roads, and has strained the region’s economy and quality of life. Absent a plan to manage future growth, traffic gridlock will only get worse as the region is expected to gain 3 million people and 1.6 million jobs by 2040.

Recognizing that Atlanta’s economic future was dependent on counteracting sprawl and reducing congestion, in 2005 the Atlanta City Council, Fulton County Board of Commissioners, and Atlanta Public School Board of Education approved the Atlanta BeltLine Redevelopment Plan, a comprehensive redevelopment and mobility project that will build a network of public parks, multi-use trails, workforce housing and transit. The BeltLine will increase the overall health and livability of the entire region over the next several decades, by targeting growth to infill areas in the south and west near transit and open space. The $2.8 billion BeltLine is the most ambitious public works project in the city’s history and one of the largest and most comprehensive urban redevelopment efforts underway in the United States. It will connect people with place – specifically, Atlanta’s urban core.

The $2.8 billion budget will build:

- **Transit:** A 22-mile loop of rail transit, using mostly abandoned former rail lines, through 45 neighborhoods surrounding Atlanta’s urban core, with anticipated daily ridership of 73,000 people;
• **Trails:** A 33-mile network of multi-use trails;

• **Parks:** Nearly 1,300 acres of new parks and green space that will increase Atlanta’s total green by nearly 40 percent; and

• **Affordable workforce housing:** More than 5,600 new units of affordable workforce housing.

In total, the 6,545 acres of redevelopment (approximately seven percent of the city’s land area) will create more than 29,000 new housing units, 30,000 new permanent jobs, 48,000 temporary construction jobs, 5.3 million sq. ft. of office space, over 1.3 million sq. ft. of retail space, and 5.2 million sq. ft. of industrial space.

The project is funded through philanthropic, and local, state, and federal public funds, including $1.7 billion in Tax Allocation District (TAD) dollars. Created in 2005 as part of the redevelopment plan, the 6,500 acre BeltLine TAD is the primary local source of funding for the project and operates the same way as a tax increment finance (TIF) district.

**Atlanta BeltLine Inc., in partnership with the City of Atlanta,** is the entity tasked with managing, securing funding and implementing the Atlanta BeltLine. Spending of BeltLine TAD bonds is approved by the Atlanta City Council, who approved the Atlanta BeltLine Redevelopment Plan with extensive community engagement and input. The redevelopment plan outlines the 25-year vision for the project. In July 2006, Atlanta City Council approved the BeltLine Five-Year Work Plan, including priorities, goals, organizational structure, and a $427 million budget for the project’s first five years.

As part of the Community Engagement Framework authorized by the BeltLine legislation, the **Tax Allocation District Advisory Committee** (TADAC) was created to advise on how TAD funds are used. This committee is comprised of technical experts and community leaders and is managed through Atlanta BeltLine, Inc. The TADAC makes recommendations to the Atlanta Development Authority and the City on the issuance, allocation and distribution of tax allocation proceeds within the BeltLine Development Area; monitors the effective and equitable distribution of the BeltLine Redevelopment Plan; and measures the impact of the BeltLine.

**How the Atlanta BeltLine’s TAD works**

**TIF financing (TAD and TIF are used interchangeably in Atlanta) is a useful value capture funding mechanism for promoting community development without raising taxes.** A TIF district is created early in the development period, when the area is still considered “blighted” or economically depressed. The tax base is frozen at the predevelopment level, with the assumption redevelopment would not occur in the area without public investment or intervention. Property owners continue to pay taxes, but the “tax increment” – tax revenues derived from increases in assessed values that result from new development – is either funneled into a special fund created to retire bonds issued to finance the development, or is used to leverage continued community revitalization by attracting additional private investment.

As new development occurs on the BeltLine, spurred by the public investment in transit, open space, and affordable housing, land values will increase generating additional property tax revenue. Beginning in 2005, all of the incremental property tax revenue from that new development will go into the BeltLine TAD fund. It will be used to pay off the principal and interest on the bonds issued to fund the capital investments in the BeltLine over the 25-year project period.

Property taxes in the City of Atlanta are split between the City, Fulton County, and Atlanta Public Schools, who all approved the TAD. They also agreed to continue to receive the same 2005 level of property tax revenue within the BeltLine TAD for the next 25 years, at which point the TAD will expire.

It’s a win for the three government entities: Land in the BeltLine TAD was comprised of parcels of underutilized or abandoned industrial properties that did not generate considerable property tax revenues.
Value Capture Case Studies

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V (the TAD boundaries were created to avoid the inclusion of existing single-family homes). When the TAD expires after 25 years, they will receive the entire tax revenue generated by properties within the BeltLine TAD, but at a tax base projected to be approximately $20 billion higher than in 2005, as a result of the redevelopment associated with the BeltLine.

**How will TAD funds be spent?**

The Atlanta BeltLine Redevelopment Plan guides spending of BeltLine TAD bonds. The money will be used to invest in land acquisition, trails, green space, brownfield cleanup, transit, and transportation improvements. The Atlanta City Council requires that 15 percent of TAD bond proceeds are set-aside to capitalize a housing trust fund that will build 5,600 affordable workforce housing units in the corridor. The new affordable housing units are intended to ensure working families can afford to live near the BeltLine; the units will be marketed to service sector workers, including firefighters, police officers, teachers and nurses. To keep housing costs within reach for middle-class families, the Atlanta Land Trust Collaborative (ALTC) is working to establish community land trusts in the project area. These trusts will keep homes prices attainable by separating the price of homes from the price of the land that are built upon. The trusts buy and hold land permanently, while allowing the homes themselves to be bought and sold by residents with limited incomes.

Schools in the Atlanta BeltLine TAD also will benefit directly by the project, with $10 million in funding for construction of recreational facilities or athletic fields at school sites, subsidized or free transit rides for APS students, and $150 million for educational programming paid in $7.5 million installments in years six through 25 of the life of the TAD.

To date, several trails and parks have opened to the public, which will serve to attract new development that will provide the necessary density to support transit. TAD bond proceeds provided $8.8 million in capital to seed the BeltLine Affordable Housing Trust Fund. Right of way acquisition and transit design and engineering is underway. The first leg of transit is projected to start running by 2015.

**Heath Impacts**

To better understand the health impacts of the BeltLine, a Health Impact Assessment was conducted by the Georgia Institute of Technology’s Center for Quality Growth and Regional Development. An HIA is an emerging practice that aims to bring a greater understanding of human health consequences to public policy and decision-making. For example, Atlanta’s HIA indicates that the Atlanta BeltLine’s 1,300 acres of parks, 33 miles of trails, $45 million in streetscape and intersection improvements, and 22-mile transit extension will create greater opportunities for people to become physically active. The redevelopment will give 11,000 residents direct access for the first time to a park, and it will connect an additional 127,000 people to transit. As a result, it will improve access to employment opportunities, services, healthy foods, and recreational facilities and potentially increase daily physical activity, such as walking or biking to work or transit.

The Atlanta BeltLine project is another great example of how value capture mechanisms can be used to fund a significant development through innovative financing. The BeltLine will change the face of Atlanta, spurring economic growth and creating a more vibrant and livable Atlanta region.

**San Francisco’s Transbay Transit Center**

- Tax Increment Financing
- Special assessments
- Development impact fees

In 2030, the city of San Francisco is forecasted to have a total of 829,000 jobs, a 44 percent increase from 2005. People follow jobs, and traffic congestion all too often follows people. Realizing the high costs of traffic congestion to the economy and the environment, San Francisco planners embarked on one of the nation’s largest transit infrastructure projects, the renovation of the downtown Transbay Terminal. The new Transbay Transit Center or “Grand Central of the West” will coordinate the Bay Area’s numerous transit systems, increase
capacity and accessibility, and create one of the most transportation-rich-neighborhoods in the region.

The former Transbay Terminal is an archaic bus facility that is seismically unsound and unable to house underground train platforms. The redevelopment will create a modern, multimodal transportation hub that will centralize the Bay Area’s 11 transit systems, extend existing Caltrain rail to key job centers, and serve as the future terminus for the High-Speed Rail route planned for San Francisco to Los Angeles. The Transbay Transit Center also will anchor a new transit-friendly neighborhood just south of San Francisco’s Financial District, including a 5.4 acre rooftop park and a 1,000-foot-tall office tower that will become the city’s tallest building.

Opened in 1939 as a train station, the Transbay Terminal’s construction was funded by Bay Bridge toll revenues. In 1959 the terminal was converted to a bus-only facility, and in 1989 it was severely damaged during the Loma Prieta Earthquake, resulting in the closure of several bus platforms. Because population, job growth and traffic congestion placed a growing demand on transit, in 1997 city leaders began to discuss a modern renovation of the facility. The passage of Prop H by San Franciscans in 1999 required city officials to fund and build a Caltrain downtown rail extension to a new or rebuilt terminal on the site of the Transbay Transit Terminal, turning the renovation plan into reality.

The Transbay Joint Powers Authority (TJPA), a historic collaboration of Bay Area government, development and transportation agencies, is leading the renovation. TJPA will design, build, operate and maintain the new Transbay Transit Center and associated facilities, extend the existing Caltrain commuter rail 1.3 miles into the new transit center, and make accommodations for California’s future High-Speed Rail.

The project consists of three interconnected elements:

- **Phase 1 - $1.6 Billion:** Replacing the former Transbay Terminal at First and Mission streets and construction of new bus storage facility (completed by 2017)

- **Phase 2 - $3 Billion:** Extending Caltrain and California High-Speed Rail underground from Caltrain’s current terminus at 4th and King streets into the new downtown Transit Center (funding still being secured, projected completion in 2018)

- **Ongoing:** Creating a new neighborhood with homes, offices, parks and shops in the 40 acres surrounding the new Transit Center
  - 2,600 housing units (35 percent affordable)
  - 1.2 million sq. ft. of office/hotel space
  - 60,000 sq. ft. of retail

Once constructed, the new Transbay Transit Center will accommodate more than 100,000 passengers each weekday and more than 45 million people per year, adding an estimated 10,000 daily transit trips in the Caltrain corridor by 2030, about 80 percent of which will be diverted from auto travel. The final environmental impact statement estimates that the project will reduce vehicle miles traveled by 260,000 miles per day and reduce emissions by 28,200 tons per year. The project will generate more than 125,000 construction jobs and 27,000 permanent jobs.

**Overall funding**

Redevelopment of the Transbay Transit Center and development of the surrounding neighborhood are being financed in part through Tax Increment Financing, specifically 1.4 billion in property taxes (tax increment) over 45 years of which **$171 million will be used to repay a federal TIFIA loan** used for the Transit Center construction. The development plan identifies – and a proposal is currently in the works – to generate additional funds for the project through special assessments (called a Mello Roos in California) and development impact fees.

Other local, state and federal sources make up the rest, including sharing of regional bridge toll revenues. This approach makes sense because additional transit capacity to downtown San Francisco will alleviate traffic on the city’s already congested bridges.
Transbay Transit Center Phase 1 and 2 Secured Funding Sources

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Transit-rich neighborhood development

An important part of the redevelopment of the Transbay Transit Center is the creation of an adjacent vibrant community. Since the construction of the original terminal in 1939, the area south of San Francisco’s financial district has been a mix of light industrial and commercial office space. When the Loma Prieta earthquake hit San Francisco in 1989, parts of the terminal that connected it with the Bay Bridge had to be torn down, freeing up public land parcels. These parcels were converted into parking lots. Today the area is a blighted neighborhood consisting of the deteriorated bus terminal, parking lots, and underutilized parcels of state-owned land.

Realizing the development potential of this area, in no small part due to its enviable location downtown next to the waterfront, Financial District, and Transbay Transit Center, The San Francisco Redevelopment Agency is moving forward with a transit-rich neighborhood development plan. Adopted by the City of San Francisco in 2005, the redevelopment plan will create 2,600 new homes (35 percent of which will be affordable), and new office and retail space. The redevelopment will transform the area into a vibrant mixed use neighborhood with public parks, plazas, tree lined widened sidewalks, and high-density retail and housing all connected to public transit.

The development of the new Transbay Transit Center, office tower, and surrounding neighborhood is a great example of using value capture mechanisms to fund both a transportation project and the surrounding transit-friendly neighborhood. The end result will be a neighborhood that connects people to places, commands higher land values due to the increased transit access, has decreased traffic congestion and air pollution, accounts for projected population and job growth, and creates a thriving business community that will grow San Francisco’s economy.
Public-Private Partnership Profiles

Canada Line

**Location:** Vancouver and Richmond, British Columbia, Canada

**Project Sponsor:** Canada Line Rapid Transit, Inc. (CLCO), a subsidiary of TransLink (Greater Vancouver Transportation Authority)

**Private Partner:** InTransitBC: A joint venture between SNC-Lavalin (SNC), Caisse de Dépôt et Placement du Québec (CDPQ), and British Columbia Investment Management Corporation (bcIMC)

**Project Delivery:** Design, Build, Finance, Operate, Maintain

**Cost:** C$2.051 billion (all dollar amounts are in Canadian)

**Funding Sources:**

- Government of Canada: C$450 Million
  - Funding Program: Canada Strategic Infrastructure Fund
- Province of British Columbia: C$252 million
- City of Vancouver: C$30 million
- Private Consortium (InTransitBC): C$720 million
- Greater Vancouver Transportation Authority (TransLink): C$333 million
- Vancouver Airport Authority: C$259 million
- Sale of Bridgeport Parkade (parking capacity): C$5 million
- Net Interest: C$2 million

Building a light rail connection between the Vancouver International Airport and the cities of Vancouver and Richmond has long been a goal of transportation planners in British Columbia (BC). The corridor is home to one-third of the region’s jobs and more than two million people, with an expected population growth of one million by 2035. The corridor has seen growth of 20,000 cars a year; average commuter trip times increased by 36 percent between 1996 and 2006. The existing transportation infrastructure cannot handle demand; impacting the regional economy, environment, and quality of life.

Though plans for a rail line between the Vancouver International Airport and the cities of Richmond and Vancouver have been in place for decades and were part of TransLink’s Transportation Plan for 2000-2005 (TransLink is Metro Vancouver’s regional transportation authority), only when Vancouver was awarded the 2010 Winter Olympic games did the project get moving. Even with the promise of the Olympics, TransLink voted against the project twice, arguing the agency could not afford to build the line. Eventually the urgency of the Olympics won funding commitments from the province of British Columbia, which agreed to give funds for the rail line with the condition that it was a public-private partnership (PPP). The airport authority, cities of Vancouver, and Ottawa, as well as the federal government of Canada also committed public funds.

In 2005, TransLink partnered with the private consortium, InTransitBC, a joint venture between SNC-Lavalin (SNC), Caisse de Dépôt et Placement du Québec (CDPQ), and British Columbia Investment Management...
Corporation (bcIMC), to help finance, design, build, operate and maintain the rail. InTransitBC took on the remaining C$720 million financial burden and the risk associated with construction and ridership.

Canada Line Rapid Transit Inc (CLCO), an independently governed subsidiary of the regional transportation authority – TransLink – is responsible for fare setting, fare collection, and operational guidelines. CLCO was established by the agencies funding the transit line to oversee project design, procurement, construction and implementation.

InTransitBC is obligated to construct the line for a fixed price and is responsible for any budget overrun. During construction, InTransitBC will receive payments based on defined milestones; however these payments will be insufficient to meet the full cost of constructing the line, hence InTransitBC’s C$720 million financial commitment. They will recover this commitment over the 35-year operation and maintenance period during which they will receive performance payments from TransLink and the Province of BC. The payments will cover operating and maintenance costs and provide a return on InTransitBC’s financial commitment.

Performance payments to InTransitBC during the operation period are based on arrival times, ridership, and quality of operations. This is where the risk comes in. InTransitBC must meet performance metrics, or payments will be reduced, impacting their profits:

- 70 percent of each payment is based on availability.
  - InTransitBC is required to operate an average of approximately 40 trains per hour.
- 20 percent is based on quality of the service delivered
  - Trains must be accessible, comfortable and convenient. General repair and cleanliness of vehicles and stations, and vehicle and station safety is also a factor
- 10 percent is based on achievement of ridership forecasts
  - Established every five years, forecasts may be changed once per year.

CLCO will collect and retain fare revenues from the system and make payments to InTransitBC. Forecasts show the net new revenues generated by the line will cover the availability payments and performance payments during the operating period.

**Ridership greater than projected**

Construction of the Canada Line began in October 2005. It officially opened on Aug. 17, 2009, three months ahead of schedule. The 16-station, 11.8-mile line uses an automated, driverless rapid transit system that operates both below and above ground. It has 16 stations, two bridges, and connects with the existing Expo and Millennium transit lines to serve the region as part of the SkyTrain metro network. Currently, trains run every four to eight minutes during peak hours, with the ride from either endpoints, taking about 25 minutes.

Ridership has been greater than projected. The original ridership goal of 100,000 passengers per day by 2013 was reached in May 2010. During the 2010 Winter Olympics in February 2010, an average of 228,190 people used the train line each day. This was 118 percent more than anticipated. Ridership is currently running at around 110,000 passengers per day. In 2010, total ridership was 38.4 million.

To meet transportation needs while Canada Line planning was underway, a bus rapid transit service was put into operation along the corridor in 2001. This service, which carried approximately 20,000 passengers a day, ceased operation when the Canada Line began operation in the fall of 2009.

The Canada Line is the largest PPP implemented in Canada and the first rail rapid transit PPP in the continent.

It has met a considerable amount of praise. It received the Gold Award for Infrastructure from the Canadian Council for Public-Private Partnerships in 2009 and was named one of the 100 most innovative and socially significant infrastructure projects around the world by Infrastructure Journal.
Lessons Learned

P3 Canada Fund

Though federal funding came from the Canadian Strategic Infrastructure Fund, the federal government of Canada has taken a national approach to PPPs by forming the P3 Canada Fund, operated by PPP Canada. PPP Canada was formed in 2008 and operates with an independent Board of Directors reporting through the Minister of Finance to Parliament. The P3 Canada Fund is a C$1.2 billion federal fund to improve the delivery of public infrastructure through PPPs. The fund receives applications from provincial and territorial governments and awards grants on a merit-based system with the objective of supporting PPP infrastructure projects across 16 categories, that generate significant public benefits, including water and transportation infrastructure. Each infrastructure project considered by the P3 Canada Fund must contribute to one of: fostering economic growth; supporting a cleaner environment; and/or promoting stronger communities. Read More »

The amount of the funding support, in combination with any other direct federal assistance, may not exceed 25 percent of the project’s direct construction costs. The P3 Canada Fund is part of the Building Canada Plan and Canada’s Economic Action Plan.

Improved environment

The ridership capacity of the Canada Line is equivalent to that of 10 major road lanes. According to the British Columbia Ministry of Transportation and Infrastructure, the Canada Line will eliminate 14,000 tons of greenhouse gas emissions annually when running at capacity. Any trees removed must be replaced with approved trees of a certain species and diameter.

Property values

According to Landcor Data Corporation, the Canada Line will increase residential property values. If property values generally increase, homes closest to the stations (500-800 meters) will see values increase by 10 to 20 percent. If overall property values decline, those homes closest to transportation improvements will decline 10 to 20 percent less.

Land use coordination

The Canada Line was developed with transit-oriented development (TOD) as one of the guiding principles. That said the rail is intended to serve, and not shape, land use while encouraging mixed-use development and livability. The Canada Line is expected to spur housing development in areas along the line. The City of Vancouver has adopted the EcoDensity principle and is planning for higher densities around certain station locations. The EcoDensity Charter, commits the City to make environmental sustainability a primary goal in all city planning decisions-in ways that also support housing affordability and livability.

Value for Money

During the competitive bidding process of the Canada Line, CLCO was required to complete a value for money assessment, comparing the cost of building the system to what it would have cost the public sector or Public Sector Comparator (PSC). The PSC is a hypothetical concept based on realistic assumptions.

The evaluation considers the differing amounts of incremental ridership revenues generated relative to the revenues that would be generated if the system was built with a PSC. This was done by comparing the net cost of the proposals (gross cost less their forecast incremental ridership revenue) over the 35-year term. For example, a system that cost $1,600 million and that generated $300 million of incremental ridership revenue would have a net cost of $1,300 million. This proposal would be preferred to a system that cost less to build and operate at $1,550 million but only generated $200 million of incremental ridership revenue, resulting in a net cost of $1,350 million, $50 million more than the first system.

Analysis shows that InTransitBC was able to build the Canada Line for $92 million less than what it could have cost the PSC to build. The expected ridership revenue of the InTransitBC build is $148 million greater than with the PSC. The higher forecast ridership revenue for the project is due to more accessible station designs, train design, and more frequent train service.
Dallas-Fort Worth I-635 Managed Lanes (LBJ Expressway)

**Location:** Dallas/Fort Worth, Texas (TxDOT)

**Project Sponsor:** Texas Dept. of Transportation

**Private Partner:** LBJ Infrastructure Group, LLC – a joint venture of Cintra, Meridiam Infrastructure, and Dallas Police and Fire Pension System

**Project Delivery:** Design/Build/Finance/Operate/Maintain

**Cost:** $2.626 billion

**Funding Sources:**
- Cintra, Meridiam & Dallas Police and Fire Pension Funds - $665 million in equity
- Private activity bonds - $615 million
- Transportation Infrastructure Finance and Innovation Act loan - $850 million (that investors will service and pay)
- TxDOT funds - $496 million

The LBJ Express, Interstate 635 in Dallas/Fort Worth, Texas, is a major headache for drivers and transportation officials. Originally built in 1969, it was designed to carry 180,000 vehicles; by 2009 that number reached 270,000. Projections show that without action, by 2020, traffic demand is estimated to exceed 450,000 vehicles per day. Currently, the highway is congested at all times, whether it is rush hour or not.

In 1987, the Texas Dept. of Transportation (TxDOT) started thinking about reconstructing the expressway to alleviate congestion and harmful emissions from idling cars; however, it was determined that without outside help, TxDOT could only finance about $1 billion, less than half of the cost of reconstruction. The agency decided that without a private partner to help with financing, given the size and scope of the project, reconstruction would be delayed for years or possibly forever. So TxDOT partnered with the LBJ Infrastructure Group, LLC, (LBJIG), a public-private partnership composed of Cintra, Meridiam Infrastructure, Dallas Police and Fire Pension System, and contractor Trinity Infrastructure, to design and build the 17-mile expressway, after which LBJIG will operate and maintain the system. Described as the most comprehensive and complex project of its type in the country, the LBJ Express will be reconstructed, turning the LBJ/I-635 Corridor from an eight-lane free expressway, to a multi-level 18 to20- lane complex of free and priced travel. It is anticipated that road capacity will double. Construction will run from 2011 through 2016.

Reconstruction includes:
- Construction of six new managed lanes (mostly subsurface) along I-635 from I-35E to US 75
- Construction of six new elevated managed lanes along I-35E from Loop 12 to the I-35E/I-635 interchange
- Reconstruction of the eight existing lanes and four parallel access road lanes along I-635

Once construction is completed, drivers will have the choice to remain on the free, main lanes or to opt for new express, variably priced, managed toll lanes. The tolls will vary depending on traffic conditions, type of vehicle, and number of passengers in the vehicle. The dynamic pricing system will allow the tolls to be adjusted as frequently as every five minutes based on traffic levels to maintain a steady 50 mile-per-hour (mph) flow of traffic. Tolls will range from 15 cents per mile during low traffic volumes to 55 cents per mile during rush hour. Vehicles with two or more people will pay half.

**TxDOT transfers risk, shares profits**

The concession agreement, or lease, formally began on Sept. 4, 2009, and will last 52 years, during which time LBJIG will construct, operate and maintain the roadway. At the end of the lease term, the operation and
maintenance responsibility for the roadway will be returned to TxDOT. The Dallas Police and Fire Pension System, one of the investors, is the first U.S. pension fund to invest directly in the construction and maintenance of a major road project.

LBJIG has contracted with the North Texas Tollway Authority (NTTA) to collect tolls on the LBJ Express. After subtracting NTTA administrative costs, remaining toll revenues will be used to pay debt service, maintenance, and operations. Any revenue left will be LBJIG’s profit from the project. To the extent that toll revenues exceed specified levels, LBJIG will share profits with TxDOT based upon an agreed internal rate of return for equity.

In partnering with LBJIG, TxDOT has shifted the construction and revenue risk from the taxpayer to the private sector. For example, if ridership demand for the toll lanes doesn’t materialize, it is LBJIG that must deal with the revenue loss, not TxDOT. In fact, LBJIG is liable for payment (ranging from 25 to 100 percent of tolls collected) to TxDOT if average speeds in the managed lanes fall below 50 mph.

During the five-year overhaul, the construction philosophy is to “keep traffic moving,” with a minimum of four lanes open in each direction during peak traffic times, and at least one frontage road lane open for access to existing businesses.

**Lessons Learned**

**Cost savings**

LBJIG used just $445 million of the $700 million in public funds made available by the State of Texas to help bidders finance the project. The group benefited from favorable terms it was able to negotiate on its repayment for the $850 million federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan. LBJIG may defer 75 to 100 percent of required debt payments for up to 25 years, if toll revenues are insufficient to cover operations and maintenance, senior debt service, and potential revenue sharing with Texas.

**Air quality**

Vehicle emissions created by heavy congestion make Dallas’ air quality below national standards. Steady traffic flow in the corridor will mean fewer idling vehicles, reduced vehicle emissions, and improved air quality.

**Jobs**

LBJIG estimates that direct construction and operation will result in 1,500 jobs. In addition, TxDOT cite FHWA estimates that for every $1 billion in highway investment, 27,800 jobs are supported, meaning the investment ripple effects could create almost 70,000 jobs across the economy.

**Need for mass transit?**

The Texas Transportation Institute ranks the Dallas/Fort Worth area as the fourth most congested among large urban areas in the U.S., causing local drivers to burn 106 billion gallons of extra fuel per year and waste countless hours delayed in traffic. According to the [LBJ Express web site](https://www.txdot.gov/lbj/express) there is no way to re-build the expressway to handle the eventual demand for the LBJ, which will be 450,000 vehicles per day by 2020. Even upon completion, the roadway would be outdated. TxDOT officials believe the managed lanes will keep traffic moving through the corridor, making for an easier commute, but investing public transit could be more economical, efficient, and green. [Dallas Area Rapid Transit](https://www.dart.org) (DART) operates rail and bus service that connects a 700-square-mile service area around Dallas. The rail system has expanded twice in the past five years and should double in size by the end of 2014. Currently DART’s network of rail and bus services moves more than 220,000 passengers per day, but still a small percentage of the 2.7 million daily commuters. Investing in reliable and accessible rail and bus would be the answer to end the horrific congestion in the Dallas area.
Melbourne’s CityLink

Location: Melbourne, Australia
Project Sponsor: Melbourne City Link Authority
Private Partner: Transurban, a joint venture between Transfield and Obayashi Corporation
Project Delivery: Design, build, finance, operate, and maintain

Cost: AUS $2.2 billion

Funding Sources:
- $510 million equity
- $1.3 billion bank loans
- $51 million subordinate debt
- $350 million bonds

By 1995, residents and officials of Melbourne, Australia, had reached their limit with traffic congestion. Highways terminated on the fringes of the city, causing gridlock on residential and urban streets that were handling traffic up to 80 percent greater than capacity. With no alternative routes, freight trucks had to travel through the central business district, exacerbating congestion. Traffic had become so severe it was harming the city’s social, environmental and economic well-being.

With the help of the private sector entity Transurban, a joint venture between Transfield and Obayashi Corporation, CityLink solved Melbourne’s traffic congestion problem. Opened in 2000, CityLink is a 13-mile electronic toll road that links three major highways around the city. Transfield designed and built CityLink over four years at a cost of $2.2 billion. The company will operate and maintain the tollroad through 2034, after which it will return CityLink to the State of Victoria.

CityLink reduced traffic congestion in Melbourne by building two links that bypass the central area and connect three highways to the north, south and west. You will not find a single toll booth on CityLink. It is one of the world’s first fully electronic toll roads, allowing drivers to use the system without slowing or stopping to pay tolls. CityLink processes more than 720,000 tolls every day, all while drivers experience a steady traffic flow.

Lessons Learned

As intended, CityLink has achieved a range of social, economic and environmental benefits: Traffic flows better around downtown Melbourne. Vehicle access to the downtown, port, airport and rail facilities has improved. And the environment around the Yarra River has been enhanced through developing unused docklands into a residential and business district that is mainly accessible by public transit rather than cars and providing a large amount of land for open space. Average travel times have been improved by 10 to 20 minutes, resulting in $187 million in travel time savings. Additionally economic benefits include:

- 6,000 to 8,000 jobs have been created during the construction phase.
- More efficient movement of vehicles, which lowers highway maintenance costs by more than $3 million per year.
- Freight savings of $50 million per year.
- Fewer accidents, saving approximately $13 million per year.
- Industrial benefits in excess of $40 million per year including increasing the efficiency of warehouse operations, improving links between industrial zones, and creating more flexible labor markets.
• Enhanced property values of $25 to $30 million.

The environmental benefits of CityLink include more than two million trees, plants and shrubs that were planted along the toll road and its new bike and pedestrian paths.

CityLink has changed the lifestyle and landscape of Melbourne, setting a benchmark for public-private partnerships to deliver vital infrastructure projects. It is a valuable model for the Chicago region, as we plan to advance priority projects like the Elgin-O’Hare Expressway and western bypass around O’Hare Airport.

**EagleP3, a section of Denver’s comprehensive transit expansion, FasTracks**

**Location:** Denver, Co.
**Project Sponsor:** Regional Transportation District
**Private Partner:** Denver Transit Partners: Fluor (10%), John Laing (45%) and Uberior (45%)
**Project Delivery:** Design, Build, Finance, Operate, Maintain
**Cost:** $1.64 billion
**Funding Sources:**

- Government contribution: $1.14 billion construction payments and $44 million pre-completion service payments
- Equity: $54.3 million
- Debt: $397.8 million in Private Activity Bonds
  - Underwriters: Barclays Capital and Bank of America Merrill Lynch

With a population that’s expected to grow by 154 percent by 2020, Denver’s Regional Transportation District (RTD) knew residents needed improved transportation options if the quality of life that attracts people to the city was to remain. Rather than build another highway that would eventually be congested, the RTD began FasTracks, a $7 billion, 12-year program to build 122 miles of new commuter and light rail, 18 miles of bus rapid transit service, 21,000 new parking spaces at rail and bus stations, and enhanced bus service for easy, convenient bus/rail connections across the eight-county district.

Due to the sheer size of FasTracks, the six new rapid transit corridors and three existing corridor extensions are built and financed in stages. Most of the funding is generated from a voter-approved sales tax increase of 0.4 percent (4 pennies on every $10), passed in 2004. Since the tax was approved, the RTD has been pursuing innovative financing options through which they can leverage local dollars to obtain efficient outcomes. Financing includes federal New Starts and other grants, Transportation Infrastructure Finance and Innovation Act loans (TIFIA), sales tax bonds, local contributions, and Public Private Partnerships (PPP).

**Eagle P3**

The RTD pursued PPP’s to implement many of the FasTracks projects, including Denver Union Station, North Metro and I-225 corridors, as well as the East Corridor, Gold Line and commuter rail maintenance facility. These three projects, East Corridor and Gold Line (known as Eagle) and commuter rail maintenance facility, or Eagle P3, were collectively accepted by the Federal Transit Administration as part of its Public-Private Partnership Pilot Program (Penta-P). The Penta-P allows the RTD to partner with a private company or consortium to design, build, operate, maintain and finance the Eagle P3 under a single contract. The project is the first of its kind to move forward within the Penta-P pilot program, which allows for private participation in the financing of public transit infrastructure. Historically, transit projects have been funded by the public sector through a combination of federal, state and local transportation funds.
The RTD chose Denver Transit Partners (DTP), a private consortium led by engineering firm Fluor and Australian investment bank Macquarie Capital, to deliver the Eagle P3. DTP will design, build, finance, operate, and maintain the 22.8-mile East Corridor and the 11.2-mile Gold Corridor. The East Corridor will connect downtown Denver’s Union Station with the Denver International Airport, while the Gold Corridor will connect commuters with the western suburbs. RTD will set and retain all assets and revenues generated from transit fares, advertising, and parking. The concession period will last 34 years, with a five-year design/build period and 29 years of operation and maintenance. In return, RTD will make availability payments monthly to DTP based on availability and performance of the Eagle P3. In total, RTD will pay DTP $5.5 billion in service payments over 29 years in exchange for operating and maintaining the rail lines. All corridors of the Eagle P3 are scheduled to open in 2016.

Lessons Learned

Cost savings
DTP can build the two lines for about $300 million less that the RTD’s most recent cost estimate for the project.

Economic Impacts

More than 1,000 direct jobs and 1,500 indirect jobs will be created during the construction phase of the Eagle P3. The project will result in more than 300 permanent jobs.

The 12-year design and construction period of all FasTracks projects will create an average of 6,213 direct and indirect jobs annually resulting in almost $3 billion in additional wages for the Denver economy and $90 million in state income taxes. This will generate $2.4 billion in additional consumer spending and $46.1 million in state and local sales taxes.

Operations and maintenance of the FasTracks system will result in a total of 2,573 jobs each year due to the direct, indirect, and induced impacts of FasTracks expenditures on operations and maintenance after build out. This will add over $150 million annually in wages and salaries to the metro Denver economy.

Land use coordination

Denver coordinated the first phase of light rail development (1994 to 2000) in accordance with their “Light Rail Station Development Program,” created to encourage transit-oriented development and mixed-use around light rail stations. The RTD FasTracks plan promotes these concepts while also encouraging and enhancing local plans.

Light rail, commuter rail, and improved bus service increase the transportation choices for Denver residents, enable high-density development, and reduce urban sprawl and traffic congestion. Travel time per commuter will be reduced by as much as 600 hours each year.

Growing industry

The Eagle project also has implications for the larger industry that’s growing around private investments in public infrastructure projects in the US. The public sector has been able to leverage private investment in public highway projects, but until now, the transit sector has not followed. Nicholas Hann, the managing director at Macquarie who’s leading his team’s equity participation in DTP, believes the transit sector will catch up. “I’m absolutely confident [the Eagle P3] will be a landmark transaction in the delivery of US transit projects. The cost savings that RTD is seeing are actually quite typical of those achieved in public-private partnerships.”

The Eagle P3 was named the North American Transport Deal of the Year by Project Finance Magazine.
Port of Miami Tunnel

**Location:** Miami, FL  
**Project Sponsor:** Florida Dept. of Transportation (FDOT), Miami Access Tunnel, LLC (MAT), Miami-Dade County, City of Miami  
**Private Partner:** Miami Access Tunnel, LLC (MAT): Meridiam Infrastructure Finance, S.a.r.l. (90 percent equity partner) and Bouygues Travaux Publics, S.A. (10 percent equity partner)  
**Project Delivery:** Design/Build/Finance/Operate/Maintain

**Cost:** $1.1 billion

- Design and construction - $607 million  
- Financing and other capital costs - $195.1 million  
- Special Purchase Vehicle Costs/Insurance/Operating & Maintenance during construction - $59.6 million  
- Reserves - $41.2 million  
- State development cost - $209.8

**Funding Sources:**

- Senior bank debt - $341.5 million  
- Transportation Infrastructure Finance and Innovation Act Loan: - $341 million  
- Equity contribution - $80.3 million  
- FDOT milestone payments during construction - $100 million (total)  
- FDOT development funds - $209.8 million

Miami leaders had a problem: The Port of Miami brings billions of dollars in economic activity to the region each year, but the only way for the 16,000 trucks, cruise line busses, and cars to get to the port is to travel through downtown Miami. Not only does that cause major congestion downtown and present a pedestrian safety hazard, it restrict the port’s ability to grow and drives up costs for port users.

To solve the congestion problem, the Florida Dept. of Transportation (FDOT), Miami-Dade County, and City of Miami partnered with Miami Access Tunnel, LLC (MAT) to build the Port of Miami Tunnel, a $1.1 billion, 3.6-mile, four-lane tunnel under Biscayne Bay that will allow easy access to the port directly from Interstate 395. The tunnel will remove thousands of commercial trucks and cruise line busses from local streets, improving traffic flow and safety for vehicles and pedestrians in downtown Miami, and allow quick access to the port. Construction began in May 2010 and is expected to be completed in May 2014. MAT will design, build, finance, operate, and maintain the 42-foot diameter tunnels.

**Lessons Learned**

**Innovative Financing**

The Port of Miami Tunnel was a particularly challenging public-private partnership (PPP) to put together; the global economic crisis temporarily cancelled the project in 2008, the final procurement phase took almost four years, a tunnel-boring machine big enough to bore the twin 42-foot tunnels under Biscayne Bay had to be manufactured and transported from Germany, and ironing who was responsible to pay for damages if a hurricane struck during construction or the tunneling contractor ran into a problem digging under Biscayne Bay.

FDOT completed the deal because they remained flexible during a fragile investment market. After the original equity partners pulled out, FDOT accommodated Meridiam Infrastructure as the lead contractor’s choice for an equity partner. When the monoline insurance market vanished and the private activity bond market weakened, FDOT turned to the Transportation Infrastructure Finance and Innovation Act (TIFIA) federal loan program for funding. The project would not have been completed without this federal support.
Innovative Program Delivery

Because the tunnel will not be tolled, FDOT will repay MAT through construction milestone and availability payments. The Port of Miami Tunnel is the nation's second transportation concession to use this type of payment structure, which compensates the PPP developer for an achieved level of service and distributes risk between government stakeholders and private partners. In addition to the $100 million in construction milestone payments, MAT will receive a $350 million payment upon completion of construction. FDOT will also make availability payments to the company during the maintenance and operations portion of the contract. These payments will begin once the tunnel opens to the public and will continue for the remainder of the 35-year agreement. If the roadway is in disrepair or the tunnel is not open for use, MAT will not receive full -- if any -- payment for that period. The tunnel will be returned to FDOT in first-class condition at the end of the contract in October 2044.

Economic Benefits

The economic benefits of the Port of Miami Tunnel cannot be overstated. The Port currently provides 176,000 jobs, $6.4 billion in wages, and $17 billion in economic output for the region. Port-tunnel construction will bring an additional 600 direct jobs and another 33,000 jobs to the region as a result of that spending.

Expansion of the Panama Canal will be completed in 2014 and will dramatically increase the amount of Asian cargo unloaded on the East Coast. The Port Tunnel will be able to handle the additional traffic associated with the canal expansion, which also will benefit the industrial real estate market. According to Jones Lang LaSalle, "The expansion of the Panama Canal could be a game-changer for South Florida industrial real estate … We expect to see an increase in demand for industrial space to accommodate the increased volume of container traffic flowing through the Port of Miami. The increased trade will also lead to expansion of ancillary businesses not directly tied to the Port such as customs brokers, freight forwarders and logistics firms, all who will need additional warehouse and office space in Miami."

Further, eliminating the port traffic from downtown streets will allow downtown Miami’s continued development. Since 2002, downtown Miami has realized almost $13 billion in new development and an almost 60 percent increase in population.

Bond Buyer named the Port of Miami Tunnel Project the 2010 Deal of the Year and Project Finance International named the Port of Miami Tunnel its 2009 Americas P3 Deal of the Year.

I-495 Capital Beltway HOT/HOV lanes

**Location:** Fairfax County, VA  
**Project Sponsor:** Virginia Dept. of Transportation  
**Private Partner:** Capital Beltway Express, LLC - Joint venture between Fluor and Transurban  
**Project Delivery:** Design/Build  
**Cost:** $1.93 billion

**Funding Sources:**

- Private activity bonds - $586 million
- TIFIA loan - $585 million
- Commonwealth of VA grant - $409 million
- Private equity - $349 million

The Capital Beltway (I-495) in northern Virginia has been synonymous with congestion for decades. When I lived in DC, I avoided driving on the Beltway because no matter the time of day or day of week, I was guaranteed to sit in traffic. To alleviate the congestion and frustration, the Virginia Dept. of Transportation (VDOT) developed an innovative tolling and finance plan to improve travel options for commuters. Teaming up with the private company Capital Beltway Express, LLC, a consortium of Transurban and Fluor, VDOT is
building two new high-occupancy toll (HOT)/high-occupancy vehicle (HOV) lanes running in both directions along the entire 14-mile length of the Beltway on the Virginia side.

The project also will replace more than $260 million of aging infrastructure, including more than 50 bridges and overpasses; construct new sound walls to double existing noise reduction tools for surrounding neighborhoods, and new carpool ramps connecting I-95 with the Beltway to create a seamless HOV network; and upgrade 12 key interchanges and new access points at Merrifield and Tyson’s Corner, Virginia’s largest employment center. The project will lower commute times, congestion, and emissions, and increase the speed and reliability of bus trips on the system. Construction will be complete in 2013.

The HOT/HOV lanes will operate next to the existing highway lanes and offer users a much faster trip. Car pools (3 +), van pools, buses, and motorcycles may drive in the HOT/HOV lanes for free. Drivers traveling alone or with only one other person have a choice: They can stay in the existing free lanes or pay a toll to travel faster in the HOT/HOV lanes. Tolls will rise and fall based on real time traffic congestion. When traffic is heaviest, the tolls will be the highest. Tolls will range from $.10/mile in off-peak hours to around $1/mile in certain sections during peak hours. This variable toll pricing (also known as congestion pricing) limits the number of vehicles entering the HOT lanes to keep cars flowing freely. Drivers must use an EZ Pass to pay tolls and enter the lanes, making for even smoother traffic flow.

The additional lanes may even entice drivers to take the bus, as added capacity and free flowing traffic due to the HOT lanes will allow buses to operate on fast, reliable schedules.

**Lessons learned**

**Economic benefits**
The project will result in more than just a quicker ride on the Beltway. Stephen S. Fuller of George Mason University found that construction of the express toll lanes will provide a much-needed boost to the Washington-area and Virginia economies. Fuller concluded that the initial direct investment in the construction project will result in 11,800 jobs in the region between 2008 and 2013. The indirect benefits of that spending will generate an additional $8.5 billion in the economy: $2.3 billion for the Fairfax County economy from 2008 to 2013, $2.7 billion for the Washington-area economy, and $3.5 billion for the Virginia economy (as the money is re-spent in local shops and restaurants).

**State legislation**
At a time when transportation dollars are stretched thin, states are increasingly partnering with the private sector to finance new roads and public transit projects. Public-private partnerships (PPPs) can be a resourceful approach to investing in infrastructure projects, offering taxpayers considerable cost savings and shortened delivery time while effectively allocating risk to the private sector. In this case, Virginia would not have had the taxpayer funds available to finance the $1.93 billion project. Only with the assistance of private investment and private bonds, which further leveraged federal TIFIA loan dollars, was Virginia able to combat congestion on the Beltway.

In 1995, Virginia legislators passed the Public-Private Transportation Act, which enabled VDOT to partner with private investors to improve infrastructure and make projects like the Capital Beltway happen. MPC is aggressively pursuing similar PPP enabling legislation in Springfield this session that would grant the Illinois Dept. of Transportation (IDOT) to use innovative financing tools to build infrastructure that would alleviate congestion in the Chicago region. Illinois House Bill 1091 (sponsored by Rep. Elaine Nekritz (D-57th District), which crossed a committee vote hurdle a last week) and Senate Bill 146 (sponsored by Sen. Heather Steans (D-7th District) would enable IDOT to have the option of using PPPs to finance new infrastructure.

**User incentives**
Congestion pricing, a form of transportation demand management, is an efficient and equitable way to rebalance traffic conditions on the road. Successful only if complemented with enhanced transit, it creates incentives for people to travel during less congested times, encourages the use of carpooling and transit, and reduces the enormous waste resulting from traffic congestion. Following our July 2010 report *The Road Less Traveled: Exploring Congestion Pricing in Chicagoland*, MPC is partnering with the Chicago Metropolitan Agency for Planning and Illinois Tollway to identify next steps for congestion pricing in northeastern Illinois, including an additional priced lane on the Jane Addams (I-90) Tollway.
Fact Sheets

Full Cost Pricing for Water

What is it? When the price consumers pay for water is greater than or equal to all of the costs the water utility incurs to provide them with that water.

Utilities bear many costs when they take water from its source (Lake Michigan, the ground, a river) and turn it into the drinking water available at the tap. In general, utilities must cover the costs of:

- Maintaining the water treatment system.
- Operating the water treatment system (which includes the enormous amount of energy used).
- The physical infrastructure of the system (from buildings and pipes to treatment equipment).
- Labor to staff the utility.
- The economic value of the water resources.
- Any past and future expenses.

These costs vary among water utilities, but charging a full cost price would allow them to recover all costs associated with water provision.

What is Conservation Pricing? A rate structure that encourages customers to reduce their water consumption by making it more expensive to use more water or use it at certain times. Some examples of conservation pricing are:

- Increasing block rates: Charge increasing prices for increasing amounts of water used.
- Time of day pricing: It is more expensive to use water when everyone else is using water.
- Water surcharge: Higher rates are charged for water above a certain quantity.
- Seasonal rates: Prices rise and fall according to weather conditions and time of year.

Conservation pricing reduces water use. However, it is only the same as full cost pricing when the conservation price is at least equal to the full cost price. It is possible to design a rate structure that both recovers full costs and provides conservation incentive, but they are not, by definition, the same thing. If a utility designs a conservation rate that does not account for full costs, it will see declining water usage and declining revenue, which could be problematic.

Advantages of Full Cost Pricing

Full cost water pricing in Illinois would ensure the region has a sustainable supply of water for the future by better communicating the value of water resources and infrastructure.

Full cost pricing provides revenue for water utilities.

- It eliminates a utility’s need to rely on government subsidies financed from sales, income, or property tax revenue.
- It ensures water utilities are able to cover their operating and maintenance costs, make investments for the future, and pay down any debt.

Full cost pricing encourages conservation.

- Illinois resident pay about $30 a month for water, several times less than cable, gas, or other monthly expenses.
- Increasing rates to cover the full cost of water provision would lead consumers to invest in products and behaviors that conserve water.

Private water utilities in Illinois such as Illinois American Water or Aqua America must charge for full costs, while public utilities have more flexibility because of government support. According to the Chicago Metropolitan Agency for Planning (CMAP) Water 2050 report, the majority of water systems in Northeastern
Illinois employ two-part rate schedules, which includes a charge that does not vary with water use (fixed charge) and one that does vary with water use (commodity charge). CMAP recommends, for conservation purposes, the charge for water should therefore be separated from the charge to cover non-water expenses.

**Full Cost Pricing Case Study**

**Marin County, Calif. — Marin Municipal Water District (MMWD)**

MMWD is a publicly owned water system serving south and central Marin County. According to the U.S. Environmental Protection Agency, water rates and fees paid by MMWD customers cover the entire cost of providing drinking water. A key component of MMWD’s full-cost-recovery approach is its comprehensive integrated resource management plan. Through its conservation and water recycling programs, MMWD has stabilized demand at close to 1980 levels, despite a substantial increase in population.

Other features of the system:

- Operating costs are covered by monthly service and usage charges.
- Depreciation and debt service are funded from operating revenues.
- The charge for the amount of water used covers the cost of water supply, treatment and distribution, and watershed maintenance.
- MMWD assesses connection fees to recover past and future capital costs related to providing water and increasing system water production capacity.
- MMWD’s large-scale capital improvements have been funded by bond issues and certificates of participation.
- MMWD runs on a two-month billing cycle.

MMWD’s system serves 190,000 people. Northeastern Illinois is much larger by comparison, but this model still serves as a valuable example of how full cost pricing can successfully fund a water utility and conserve water resources.

**Infrastructure Bank**

**Federal Model**

President Obama included a National Infrastructure Bank (NIB) in his federal transportation reauthorization proposal. It would be a targeted mechanism for financing infrastructure projects of national significance through federal bonds and loans. The President’s proposal did not identify specific funding mechanism, but the NIB would leverage private capital.

**NIB Facts**

- $30 billion over a six-year period, at $5 billion annually.
- Multi-modal projects for highway, transit, rail, aviation, ports, and maritime would be eligible.
- The NIB office would be an independent entity residing within the U.S. Dept. of Transportation (USDOT), managed by an executive director, with a board of officials drawn from USDOT and other federal agencies.

**State Infrastructure Banks**

A State Infrastructure Bank (SIB) is an infrastructure investment fund created at the state or multi-state level. Designed to provide states with a new financing capability, SIBs are intended to complement other USDOT funding.

**SIB Facts**

- Created with federal seed money (also known as capitalization grants).
- Offer a menu of loan and credit enhancement assistance (such as lines of credit).
- Give states/locals maximum flexibility regarding project selection and financial management.
- Operate as a revolving loan fund, where the account balance grows through the monthly interest earned and repaid principal and interest payments.
• The National Highway System Designation Act of 1995 established a pilot program to create up to 10 SIBs. The USDOT Appropriations Act of 1997 expanded the SIB program to "at least 10 states," and provided $150 million in general funds to help capitalize the original pilot SIBs and any newly approved ones.
• Any private or public entity may apply for SIB credit assistance, as long as the project to be financed is eligible. (See “Eligibility” below.)
• The amount of assistance provided and terms of the loan depend on the size of the state’s SIB.
• State SIBs vary widely in size, from less $1 million to more than $100 million.
• 33 states have active SIBs.

Advantages
• Provides states increased flexibility for financing infrastructure investments.
• Interest rate is set by the state (maximum at market rate, but typically lower or even 0%).
• Maximum loan term is 35 years (though USDOT will usually negotiate for less).
• State may be willing to take more risk than a commercial bank would for a project with significant public benefits.

Eligibility
To receive SIB funds, project must be eligible for federal aid under Title XXIII or IL of the United States Code (highways and transportation). Private entities also are eligible.

In general, eligible projects include:
• Highway projects such as roads, signals, intersection improvements, and bridges.
• Transit capital projects such as buses, equipment and maintenance, or passenger facilities.
• Bikeway or pedestrian access projects on highway rights-of-way.
• A project also eligible for Congestion Mitigation and Air Quality Improvement (CMAQ) funding.

State Infrastructure Bank Case Studies

Ohio Dept. of Transportation SIB
• One of the 10 original states that formed the SIB pilot program by USDOT.
• $137 million SIB established from the state General Revenue Fund ($40m), Motor Fuel Tax funds ($10m), and Federal Title XXIII funds ($87m).
• Future loans and bonds are provided by utilizing interest earnings and trading bonds.
• Interest rate set at ¾ of the stated prime rate.
• Maximum loan term is 10 years.
• As of FY2008, SIB has issued approx. $324 million in total loans and bonds.
• Highway and transit projects under the Federal Title XXIII Highway Act are eligible for funding.
• Since the beginning of the program, SIB has issued 131 loans and two bonds totaling more than $404 million.
• As of Dec. 2010, SIB had $96 million in cash on hand and $225 million in total assets. The SIB had $88 million in investment earnings and interest on loans.

Source: [http://www.dot.state.oh.us/Divisions/Finance/Pages/StateInfrastructureBank.aspx](http://www.dot.state.oh.us/Divisions/Finance/Pages/StateInfrastructureBank.aspx)

California (I-Bank) – Infrastructure State Revolving Fund

• One of the 10 original states that formed the SIB pilot program by USDOT.
• Established with an approximately $3 million appropriation from USDOT (88.5 % state matching).
• Broad statutory powers to issue revenue bonds, make loans, and provide credit enhancements for wide variety of infrastructure and economic development projects, and other government purposes (which is unique from other SIBs that typically lend only for transport infrastructure).
• Maximum loan term is 30 years.
• Interest rate is fixed for the term of the financing and set at 67% of a tax exempt “A” rated bond, with a weighted average life similar to the I-Bank financing.
• Approaching $30 billion in various financings.
• Mission is to finance public infrastructure and private development that promote economic development, revitalize communities, and enhance the quality of life throughout California.

Source: http://www.ibank.ca.gov/Default.htm

Texas Dept. of Transportation SIB

• One of the 10 original states that formed the SIB pilot program by USDOT.
• Maximum loan term is 30 years.
• Interest rates vary (impacted by risk, security, how projects meet state need, market rates).
• As of May 2011, $449 million in loans have been approved, leveraging more than $3.3 billion in transportation projects.
• Project is required to be on state’s highway system and included in the statewide Transportation Improvement Plan.


Wisconsin Dept. of Transportation SIB

• Established with $1.5 million in federal matching funds and 20% match from state DOT, for a total $1.875 million.
• Maximum loan term is 25 years.
• Interest rate is 2%.
• Currently $700,000 available for loan.
• Funds are available on a “first come, first served” basis.
• To date, there have been eight SIB loans to local communities and a county government. Funds have been used for the construction of multi-functional pedestrian, bicycle and snowmobile bridge for a tourist-oriented community in northern Wisconsin


Florida Dept. of Transportation SIB

• One of the 10 original states that formed the SIB pilot program by USDOT.
• Currently, FDOT operates a federally funded SIB, state-funded SIB, and an emergency state-funded SIB. The federally funded account is capitalized by federal money matched with state money as required by law; the state-funded account is capitalized by bond proceeds and state money only.
• Entities making application must include a proposed rate of interest for the SIB loan or credit enhancement. The final interest rate is subject to negotiation as determined by FDOT.
• As of Sept. 30, 2010, Florida’s combined SIB has approved 64 loans totaling $1.1 billion and leveraging $8.3 billion in total project cost. Twenty-nine of these loans are federally funded and 35 are state funded.
• Project must be included in the state and metropolitan planning organization transportation plan.

Sources: http://www.dot.state.fl.us/financialplanning/finance/sib2.shtm; http://www.dot.state.fl.us/financialplanning/finance/sibgpc.shtm

Oregon Dept. of Transportation – Transportation Infrastructure Bank

• One of the 10 original states that formed the SIB pilot program by USDOT.
• Interest rates based on the term of the loan, an evaluation of the credit quality of the applicant and other factors relating to the borrower’s repayment ability, and prevailing market rates.
• Maximum loan term is 30 years.
• As of end of FY2009, $51 million has been loaned and there is a $26 million cash balance.
• Approval process based on set criteria/guidelines. Eligible projects must conform to local transportation system, corridor, or other applicable plans; Metropolitan Transportation Improvement Program; or Statewide Transportation Improvement Program (STIP). Other criteria include improving livability and managing traffic growth.


**Land Bank**

**What is it?** An entity that can hold and maintain properties to prevent further deterioration; assemble them for redevelopment and manage associated liabilities; and then convey them to new owners who will ensure their long-term use is consistent with community goals. Land banks around the country have proven to be an extremely effective way to hold, maintain and work to return troubled properties to productive use, when there is no private market interest in them.

**The Benefits of Land Banks**

Many of the region’s communities are dealing with significant numbers of vacant and abandoned properties. They are a destabilizing force, threatening a downward spiral of neighborhood decline and blight. And while these properties create a significant drag on local economic and fiscal health, they also are potentially major assets for business growth, job creation, and neighborhood revitalization. In the Chicago region, there is a growing need for effective, sustainable solutions to turn vacant, abandoned and problem properties into vibrant places. In addition, many communities have portfolios of municipally owned land, but would prefer not to be owners. A regional or sub-regional land bank could be the ideal entity to fill this role.

A number of states have laws that grant specific powers to create effective land banking entities. Illinois does not have such legislation, but a bill currently in the General Assembly would create this enhanced ability. In the meantime, home rule units of government can establish a land bank. Communities also can create a shared land banking entity through their ability to establish intergovernmental agreements (and non-home rule communities can participate as long as a home rule community is also participating). A small group of South Suburban communities recently started working together to establish a sub-regional land bank. The City of Chicago is also exploring the creation of a land bank.

**How a Land Bank Works**

The land bank needs to have staff with the relevant expertise to deal with the unique challenges of problem properties, as well as sufficient flexibility to carry out its public purpose with the speed and efficiency the private market demands. Land banks can be guided by a wide range of strategies, ranging from the following extremes:

- A land bank can serve very narrow target areas and not aggressively pursue problem properties, but rather take on only properties that become owned by a municipality.
- A land bank can serve an entire county and be the automatic recipient of all tax delinquent properties, which would provide a significant inventory of properties in a place like Cook County.

When multiple communities work together on a sub-regional land banking entity, the individual communities can retain their own preferences and strategies by including a variety of property disposition strategies (i.e., the eventual re-use of the property) that can be tailored for each of the member communities. Under such a structure, the participating communities gain the benefits of a shared entity while keeping local control.

**Private Sector Involvement**

While the public sector takes the initial steps to create a land bank, the private sector can be an important partner in at least two ways:
1. As an initial investor, to assist with the acquisition and pre-development of the subject properties, which are then held by the land bank until the properties are ready for redevelopment. The investment could be as a grant, or require a return (below market or market rate) that would hopefully become available upon transfer of the property from the land bank to the developer.

2. Work with the land bank on redevelopment opportunities with the land bank’s portfolio of properties, bringing them back to productive use and generating tax revenue.

**Public Private Partnerships**

**What are they?** Binding agreements between the public and private sectors that allow a private entity to assume significant control of, and risk for, multiple elements of an infrastructure project. PPPs can offer considerable cost savings and shortened delivery time, while effectively allocating risk to the private sector.

At least 30 states, including Indiana, have passed legislation enabling PPPs for designated projects. On May 20, 2011, the Illinois Senate passed the Public-Private Partnerships for Transportation Act (HB 1091), which now awaits the governor’s signature. PPPs, particularly for new public assets such as enhanced transit, will keep Illinois competitive.

**PPPs in Illinois**

While Chicago has made several attempts with PPPs, before this legislation, Illinois has not fully capitalized on the potential that exists for the state. The prospects for greater private investment in transportation infrastructure are growing; reliance on public resources to fund investments is no longer a wholly realistic option. As large shares of state transportation dollars go simply to the upkeep and repair of existing infrastructure, PPPs minimize the need for additional public revenue – and lessen the need for new hefty debt.

The PPP for Transportation Act, which MPC helped draft, will promote the sound development and operation of transportation facilities in Illinois, by authorizing public-private partnerships for the construction of new transportation infrastructure projects and limiting the lease of existing infrastructure assets. Authorizing public-private partnerships will allow Illinois to seek new sources of investment capital, deliver infrastructure improvements more efficiently, and improve our transportation system to better serve the needs of Illinois residents and businesses.

**Three Types of PPPs**

- **Design-Build (DB):** Transfers construction risk to the private sector.
- **Design-Build-Operate-Maintain (DBOM):** Transfers construction risk and responsibility for operations and maintenance to the private sector.
- **Design-Build-Finance-Operate-Maintain (DBFOM):** Gives concessionaire additional responsibility for financing the project.

**Transportation Infrastructure Finance and Innovation Act (TIFIA)**

**What is it?** A program that provides federal credit assistance for qualified projects of regional and national significance. TIFIA was created because state and local governments that sought to finance large-scale transportation projects with tolls and other user fees often had difficulty obtaining financing at reasonable rates due to the uncertainties associated with these revenue streams. TIFIA’s fundamental goal is to leverage federal funds by attracting substantial private and other non-federal investment.

**Eligible Applicants**

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<tr>
<th>State and local governments</th>
<th>Transit agencies</th>
<th>Railroad companies</th>
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<td>Special authorities</td>
<td>Special districts</td>
<td>Private entities</td>
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Types of Credit Assistance

- **Secured (Direct) Loan**: Offers flexible repayment terms and provides combined construction and permanent financing of capital costs. Maximum term of 35 years. Repayments can start up to five years after substantial completion to allow time for facility construction and ramp-up.
- **Loan Guarantee**: Provides full-faith-and-credit guarantees by the federal government backing up a borrower’s repayments to non-federal lender. Loan repayments must commence no later than five years after substantial completion of project.
- **Standby Line of Credit**: A secondary source of funding in the form of a contingent federal loan to supplement project revenues, if needed, during the first 10 years of project operations and up to 10 years after substantial completion of project.

Terms and Benefits

- Terms for each loan are flexible and negotiated between the U.S. Dept. of Transportation (USDOT) and borrower, based on project economics and the cost and revenue profile of the project.
- Interest rates are fixed and equivalent to U.S. Treasury rates.
- Credit assistance is often available on more advantageous terms than in the financial market, making it possible to obtain financing for needed projects when it might not otherwise be possible.
- Borrowers have improved access to capital markets.
- Credit assistance is limited to a maximum of 33 percent of the total eligible project costs.

Eligibility and Requirements

- Project must be of regional and national significance.
- A capital cost of at least $50 million (or 33.3 percent of a state’s annual apportionment of federal-aid funds, whichever is less) or $15 million in the case of Intelligent Transportation Systems.
- The project must be supported in whole or part by user charges or other non-federal dedicated funding sources, and be included in the state’s transportation plan.
- Qualified projects are evaluated by the USDOT secretary against eight statutory criteria that include impact on the environment and the extent to which they generate economic benefits, leverage private capital, and promote innovative technologies.

TIFIA Funding by State

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TOTAL TIFIA Assistance: $6.3 Billion
TOTAL Project Investment: $30.7 Billion
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Transit-Oriented Development Fund

What is it? A pool of funds for pre-development, acquisition, holding, and redevelopment expenses for sites within a radius of transit.

Potential for Chicagoland

CMAP’s GO TO 2040 plan outlines an aggressive set of demands and strategies for increasing stable, affordable housing options near the region’s job centers and transit stops. While numerous existing sources in Chicagoland support TOD, CMAP’s relevant recommendations are:

- Align funding for planning and ordinance updates.
- Implement and expand the Sustainable Communities Initiative program.
- Develop regional infrastructure funding programs for plan implementation.

In 2010, several entities applied for seed money to create a new acquisition/TOD fund through the federal Sustainable Communities Initiative; the South Suburban Mayors and Managers Association (SSMMA) was the only successful applicant. SSMMA now needs to structure its federal grant to leverage private sector dollars for a new TOD Fund. The larger question, for the region, is how to balance the need for something specific to the South Suburbs with the need for a more flexible, regional approach.

Livable Communities Working Group

Since the advent of the Sustainable Communities Initiative, CMAP and MPC have been convening HUD, DOT, EPA, and key local stakeholders to pursue the coordination of federal, state, nonprofit, regional, and philanthropic resources “to support catalytic efforts in the Chicago region that advance the federal Livability Principles and GO TO 2040. This has included:

- Support the selection process for CMAP’s technical assistance program, focusing on how projects fit into larger “catalytic initiatives.”
- Coordinate and provide resources – both technical and financial – to complement and supplement CMAP’s work in communities.
- Identify existing federal, state and other investments already underway in communities CMAP is supporting.
- Identify strong local partners to support projects.
- Leverage CMAP’s efforts to attract additional resources.
- Help build and strengthen relationships with local partners.

Through its technical assistance program, CMAP has identified another six initiatives that warrant the support of this sort of high-level, interagency and public-private partnership. Would a new TOD fund create more efficiency? Would the formalized coordination of existing funds provide more sustainable solutions?

TOD Fund Case Studies

San Francisco Bay Area, Calif. — Bay Area Transit-Oriented Affordable Housing (TOAH)

TOAH is a $50 million public-private collaborative created to encourage inclusive transit-oriented development in the nine-county San Francisco Bay Area. It will provide financing to promote the development of affordable housing, as well as critical services near public transit hubs. The Bay Area’s Great Communities Collaborative (GCC) brings together a diverse set of local nonprofit and philanthropic partners focused on ensuring at least half of the Bay Area’s new homes built by 2030 are in walkable communities in close proximity to public transit, at prices affordable to all. GCC acted as the organizing entity to build the policy and programmatic platform that led to the creation of the TOAH Fund.

In 2011, the Metropolitan Transportation Commission (MTC) approved a $10 million anchor commitment through its Transportation for Livable Communities program. Other TOAH investors include Morgan Stanley and Citi Community Capital, each of which provided $12.5 million; the Ford Foundation and Living Cities, a collaborative of foundations and financial institutions, that invested $3 million each; six community...
development financial institutions (CDFIs), which combined to contribute $8.5 million; and the San Francisco Foundation, which provided $500,000 plus the 2007 seed funding to develop the fund’s business plan.

Denver, Colo. — Denver TOD Fund

The Urban Land Conservancy, Enterprise Community Partners, the city and county of Denver, and several other investors partnered to establish the $25 million Denver TOD Fund. Its purpose is to support the creation and preservation of up to 1,200 affordable housing units through strategic property acquisition in current and future transit corridors. The Denver fund answers a basic real estate conundrum: when the economy is bad, property values are low and ripe for purchase, but access to capital is poor and affordable housing developers are scarce. Denver’s new light rail makes now the opportune time to invest in real estate around proposed transit stations to capitalize on current values and preserve affordable housing.

Transportation Demand Management

What is it? Any action or set of actions designed to influence the intensity, timing and distribution of transportation demand, in order to reduce traffic congestion or enhance mobility.

Congestion Pricing, for example, is an efficient and equitable way to balance traffic conditions on roadways. It provides incentives for people to travel during less congested times, encourages use of carpooling and transit, and reduces the enormous waste resulting from traffic congestion. To be truly successful, a congestion pricing program must be complemented with enhanced transit options.

Congestion Facts

- $7.3 billion lost to congestion every year in wasted time, fuel, and environmental damages.
- 2-1/2 days lost every year, per commuter, sitting behind the wheel stuck in traffic.
- Chicago region is the third worst traffic area in the country.
- Gas tax has lost 33% of its purchasing power since it was last raised in 1993.
- 22 states across the country either operate or are studying congestion pricing to help alleviate the strains of traffic in their regions.
- We can’t build our way out of congestion.

The Road Less Traveled: Exploring Congestion Pricing in Chicagoland

In 2010, MPC, in conjunction with Illinois Tollway and Wilbur Smith Associates, released its study evaluating the potential of congestion pricing to improve mobility, and thereby the competitiveness of the Chicago metropolitan region.

Study Assumptions

- Fixed pricing, with cost based on time of day regardless of traffic.
- Model set up for optimal speed (55 mph), not maximize revenues.

<table>
<thead>
<tr>
<th>2020 Modeling Results</th>
<th>Travel time, no CP lane</th>
<th>Travel time, CP lane</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stevenson • I-355 to Circle Interchange (23 mi.)</td>
<td>37 mins.</td>
<td>25 mins.</td>
<td>$4.44</td>
</tr>
<tr>
<td>Jane Addams • IL-31 to I-294 (21 mi.)</td>
<td>51 mins.</td>
<td>24 mins.</td>
<td>$4.97</td>
</tr>
<tr>
<td>Kennedy • I-94 to Ohio St. (7 mi.)</td>
<td>16 mins.</td>
<td>8.5 mins.</td>
<td>$2.19</td>
</tr>
</tbody>
</table>
Parking Pricing, another TDM model, can be static or variable, to reduce vehicle traffic, create parking availability, recover parking facility costs, or generate revenue for other purposes. Variable parking pricing is based on demand. In other words, when parking demand increases, meter rates increase; when demand drops, rates drop.

Parking Pricing Case Studies

San Francisco, Calif. – SFpark

The San Francisco Municipal Transportation Agency received a grant from the U.S. Dept. of Transportation’s Urban Partnership Program to implement SF Park. It is a pilot program that uses demand-responsive pricing to moderate parking availability. It also collects and distributes real-time information about where to locate parking, so drivers can their smartphones to quickly find open spaces. Through the summer of 2012, SFpark will be tested at 5,500 of San Francisco’s 26,000 metered spaces and 12,250 spaces in 14 of 20 city-owned parking garages.

To help achieve the right level of parking availability, which is around 20 percent or one free spot per metered block, SFpark will increase or decrease pricing monthly. If drivers can find parking they will not need to circle the block or double-park, keeping roads clear for public transit and emergency vehicles. Less double-parking and circling also means fewer accidents, safer roads, and reduced greenhouse gasses.

Meter pricing ranges from 25 cents an hour to a maximum of $6 an hour, depending on demand. (During special events, such as baseball games, hourly prices may temporarily exceed the $6 ceiling.) Rates will be changed in increments of no more than 50 cents an hour, up or down. Any price changes will be advertised in advance on SFpark.org, and every SFpark meter will always display the correct rate.

Pasadena, Calif. – Old Pasadena Parking Meter Program

In 1993, the City of Pasadena decided to install parking meters in the Old Pasadena business district. When merchants and property owners objected, meter proponents explained that employees, not customers, occupied many curb spaces. Metering these spaces would open them up for short-term parking and attract more shoppers.

Once the city offered to spend all of the meter revenue on public investments in Old Pasadena, business owners got on board. They agreed to a rate of $1 an hour. After installing the meters in 1993, the city borrowed $5 million to finance the “Old Pasadena Streetscape and Alleyways Project,” using the meter revenue to repay the debt on street furniture, trees, tree grates, and historic lighting fixtures throughout the area. Dilapidated alleys became safe, functional pedestrian spaces with access to shops and restaurants. As the area attracted more pedestrian traffic the sidewalks needed more maintenance, so the city used additional meter revenue to pay for added services. Old Pasadena’s parking meter program has created a “virtuous cycle” of continuing improvements: meter revenue pays for public improvements; public improvements attract more visitors who pay for curb parking; more meter revenue is available to pay for additional public improvements.

In 2001, Old Pasadena’s 690 parking meters yielded $1.2 million net parking revenue (after collection costs) to fund public services. In addition, sales tax revenue in Old Pasadena increased rapidly after the parking meters were installed, and is now higher than in the other retail districts in the city that have free parking.
Value Capture

What is it? A type of public financing where increases in private land values generated by public investments are all or in part “captured” or recouped by the public sector investment.

Value Capture Models

- **Land Value Tax**: An additional tax solely on the land value of a property, without regard to improvements on the property.
- **Special Assessment**: An additional tax or assessment on the full value of a property, usually paid by property owners within a defined district — Special Assessment District or Special Service Area — that benefits from the improvement.
- **Tax Increment Financing**: A special district created during a development period, where the tax base is frozen at the predevelopment level (on the assumption redevelopment would not occur in the area without public investment or intervention). Property taxes continue to be paid, but taxes derived from increases in assessed values (the tax increment) resulting from new development either go into a special fund created to retire bonds issued to originate the development, or leverage future growth in the district.
- **Development Impact Fee**: A one-time fee charged to a development based on a justifiable relationship between the impact of the proposed development and the improvements it makes.
- **Joint Development**: A municipality or agency utilizes land it owns, often in the form of surface parking lots or excess rail right-of-way, for a redevelopment project and then shares profits.
- **Eco District**: A neighborhood or district with a broad commitment to accelerate neighborhood-scale sustainability. EcoDistricts commit to ambitious sustainability performance goals to guide district investments and community action, and track the results over time.

Value Capture Mechanisms Commonly Used in Chicago

**Tax Increment Financing (TIF)**

When an area is declared a TIF district, the amount of property tax the area generates is set as a base EAV amount. As property values increase, all property tax growth above that amount can be used to fund redevelopment projects within the district. The increase, or increment, can be used to pay back bonds issued to pay upfront costs, or can be used on a pay-as-you-go basis for individual projects. Since the City of Chicago began using TIF in 1984, 173 districts have been created, two have expired, and six have been terminated. There are currently 165 active TIF districts in the city.

**How TIF works in Chicago**

1. **Create a TIF and make a plan.**

   Illinois state law only allows TIFs to be established in “blighted,” areas or those in danger of becoming blighted. To determine eligibility, the city hires a consultant to conduct an “eligibility study” of the proposed TIF. If the area meets the state standards, the consultant writes a redevelopment and budget plan that must be approved by the City Council.

2. **“Freeze” the tax base and collect the “increment.”**

   After the TIF is established, taxing bodies (the City of Chicago, Chicago Public Schools, Chicago Park District, etc.) get no new revenue from the TIF; their share of the property tax is “frozen” at the level it was at just before the TIF was approved. The taxes on all the new property value in the TIF district go into the TIF fund to be reinvested in that area.

3. **Spend the money.**

   TIF money can be used for:
   - Planning expenses, such as studies and surveys, legal and consulting fees, accounting, and engineering.
• Acquiring land and preparing it for redevelopment, including the costs of environmental cleanup and building demolition.
• Job training and daycare expenses for companies located within the TIF, or for companies planning to locate within the TIF.
• Renovation and rehabilitation of existing buildings.
• Financing and interest subsidies for the loans a developer takes out to pay for a project.

**TIF by the Numbers**

<table>
<thead>
<tr>
<th>Collected from TIFs (since 1986)</th>
<th>Largest TIFs</th>
<th>TIF Revenue (from 2008 to 2009)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Chicago</td>
<td>Near South ($63m), LaSalle Central ($21m), Kinzie Conservation ($19m)</td>
<td>$4.081 billion, 4.87 %, or $20 million, to $519,715,715</td>
</tr>
<tr>
<td>Suburban Cook County</td>
<td>Hoffman Estates-Sears and Glenview-Naval Air Station ($26m each)</td>
<td>$3.667 billion, 15.9%, or $60 million, to $319,285,053</td>
</tr>
</tbody>
</table>

**Publicly funded TIF investments in Chicago**

- **$762 million**, over several years, to rehabilitate and construct new public schools as part of the Modern Schools across Chicago plan.
- **$560 million** for improvements to streets, alleys, and other neighborhood infrastructure, since 1997.
- **$278 million** to support nearly 11,000 affordable housing units.
- **$198 million**, in 2008 alone, for capital improvements (including CTA).
- **$13 million** in grants to help more than 400 businesses in 40+ TIF districts through the Small Business Improvement Fund (SBIF).
- **$11.5 million** through 181 grants to train 10,417 workers and hire 840 new employees.

**Special Service Area (SSA)**

An SSA is a mechanism to fund expanded services and programs, through a localized property tax levy, within contiguous industrial, commercial and residential areas. The enhanced services and programs are in addition to what the city currently provides to encourage or maintain commercial, industrial, or residential stability within a localized area.

SSA-funded projects could include security services, area marketing and advertising assistance, promotional activities such as parades and festivals, or any variety of small-scale capital improvements that could be financed through a modest property tax levy.

Eligible applicants for participation in the SSA program include established nonprofit development corporations, chambers of commerce, and business groups operating within clearly defined areas.

Chicago has 43 SSAs located across the city.

**How an SSA works in Chicago**

1. Get approval.

Local property owners and/or community organizations work with their aldermen and the Dept. of Housing and Economic Development (HED) to evaluate whether an SSA is the appropriate funding tool for their district, and whether there are local agencies that can sponsor and manage the district. The organizations complete HED’s Capacity Analysis, and HED explains SSAs through presentations to local stakeholders.
2. **Prepare an application.**

After a community process and research, the sponsor schedules a pre-application meeting at least 8-10 months prior to submitting an SSA application to HED. The application should include a boundary map, legal description, taxpayer list, scope of services, budget, and supplemental information about the district.

3. **Seek passage of SSA Establishment Ordinance.**

To defeat an SSA, state statute allows for 51 percent of owners of record and 51 percent of registered voters in the proposed boundaries to submit a petition to the city, within 60 days of a required public hearing. Barring this opposition and with aldermanic support (garnered by evidence of property owner support), the City Council passes an SSA Establishment Ordinance.

### Vehicle Miles Traveled Tax

**What is Vehicle Miles Traveled?** The total number of miles traveled by vehicles.

**What is the VMT tax?** A per-mile fee levied on all drivers traveling on all roads (expressways and local) during peak travel periods. The tax can be varied based on time, distance, and weight and axle of vehicle.

**What is the advantage of a VMT tax?** The motor fuel tax has funded America’s roads for more than 70 years. It has many positive features, the most important being it is easy to pay. However, using the gas tax to fund America’s transportation system has become unsustainable.

- As consumers continue to choose fuel-efficient vehicles over gas guzzlers, less frequent trips to the pump means fewer dollars going into the nation’s already bankrupt Highway Trust Fund.
- The jurisdiction where fuel is purchased often is not the one where travel actually takes place. That means drivers do not pay for the construction and maintenance of the roads on which they drive.

The country needs a new, reliable revenue source to fund the transportation improvements commuters and employers desperately need.

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According to a report by the Congressional Budget Office, over fiscal years 2008 to 2010, federal spending on highways exceeded the revenues available in the Highway Trust Fund, and the government supplemented the fund with about $30 billion from the Treasury’s general revenues. As scheduled increases in federal standards for average vehicle fuel efficiency take effect; dedicated revenues may fall further below spending.

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**Advantages of the Motor Fuel Tax**

- Costs of collection and enforcement are low
- Offers some incentive to restrict fuel use
- No incentive to drive during less congested, off peak hours

**Disadvantages of the Motor Fuel Tax**

- Imposes a larger burden on low-income or rural households
- Does not account for pavement damaged caused by trucks that have become more fuel-efficient
**VMT Tax Case Studies**

**Oregon**

In 2006, Oregon Dept. of Transportation (ODOT) launched a 12-month pilot program to test the technological and administrative feasibility of a VMT tax.

- 91% participants said they would continue paying the mileage fee in lieu of the gas tax if the program were extended statewide.
- Participants in the VMT group decreased miles driven by 12% per day compared to the control group.
- $33 million in capital costs for statewide implementation for service stations, payment stations and on-vehicle device; $1 million annually for ODOT administration.
- Study suggests a statewide mileage fee would generate more revenues than the gas tax because the latter will erode due to improvements in vehicle fuel efficiency.

**Minnesota**

In 2007, Gov. Tim Pawlenty set aside $5 million to study technologies that could move Minnesota off a per-gallon gas tax, onto a VMT tax. Beginning in June 2011, 500 volunteers, in Hennepin and Wright counties, will use GPS-equipped smartphones to record and submit travel information.

**University of Iowa**

University’s Public Policy Center conducted a federally funded study to see how the public would respond to a new mileage-based road user charge system. The results will be presented at a Congressional Hearing in early 2011.

- Study is unique in that it involved 15 states, from California to North Carolina.
- Participants had an on-board computer temporarily installed in their vehicles that collected miles traveled and recorded charges participants would have to pay for their road usage.
- Data was uploaded to a collections processing center and participants were sent mock bills, to give them an idea of how much their driving would cost if a VMT tax was implemented.
- Report concluded a VMT tax offered the following advantages: provides a steady source of funds for maintenance of roads and bridges, helps reduce traffic congestion, and has a low-cost and familiar approach to fee collection.