

What is Value Capture?

Exploring Funding
Options For
Undergrounding Caltrain

Value Capture Overview

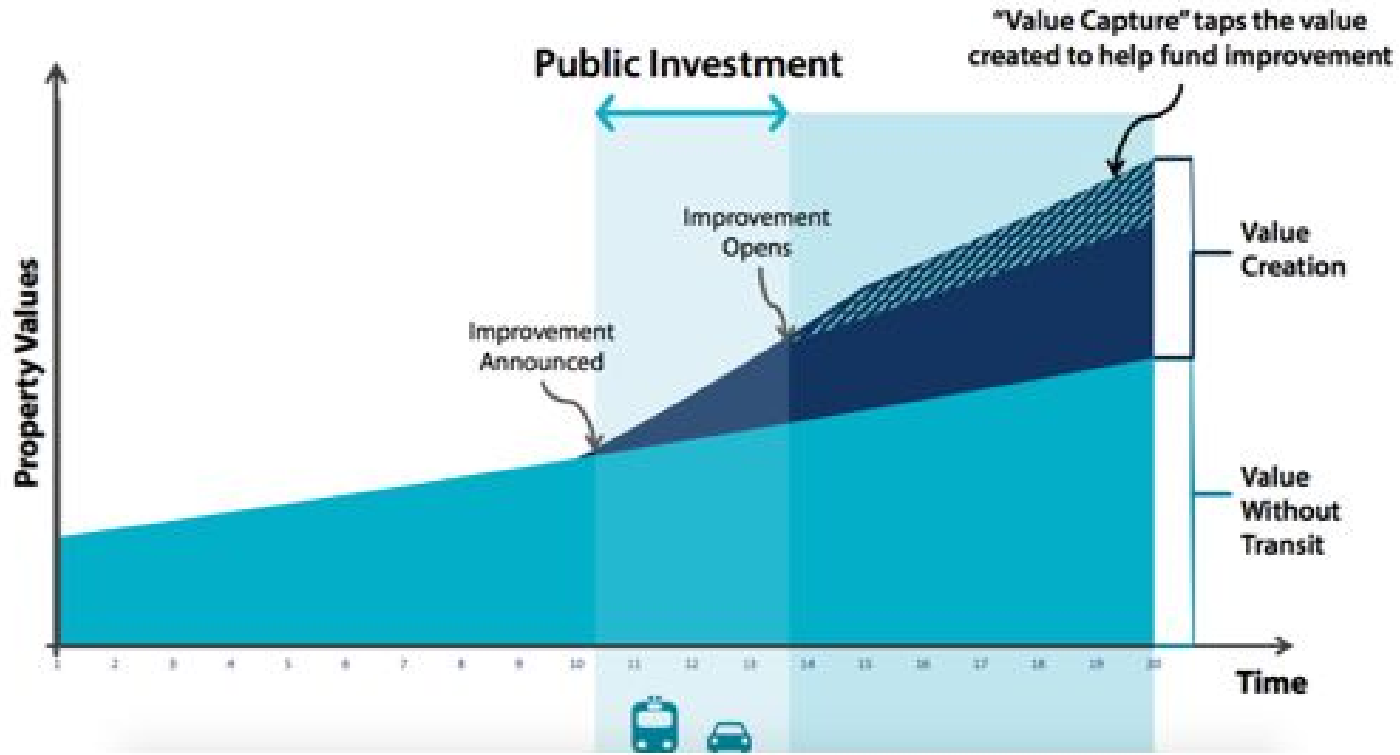
Traditionally, value capture is thought of as a method of funding infrastructure developments or improvements by recovering all or some of the added property value to surrounding buildings. Studies demonstrate that proximity to transit often increases property value.* Thus, the city can take the increase in value and put it towards funding the infrastructure project. Value capture is often a retroactive process for paying for projects that lessens the strain places on individual taxpayers.

*<http://www.vtpi.org/smith.pdf>

Land Value Capture Strategies

- **Tax Increment Financing (TIF):** The city redirects future property tax revenue increases (raised by increased property value) and sets it aside in a fund to pay for the transit development.
- **Transit Development Impact Fees (TDIF):** One time fee on new development to offset its impact on the transit system.
- **Special Assessment Districts (SAD):** Special assessments paid by homeowners in the specified district to fund transit development projects.
 - **Similar idea: Mello-Roos Tax** → Tax created on a district to finance infrastructure projects that will benefit that district. Check out a video on it [here!](#)

What is Value Capture?



Our approach is a little different...

Land Sales!

Because the transit already exists, we aren't dealing with an issue of new access or guaranteed increased property value. Instead, undergrounding CalTrain would open up 2,598,347 square feet of land! We want to "capture" the value of the land by selling development rights in order to fund the undergrounding project. With the high property value and demand of Palo Alto, we feel confident that the development rights could help fund a significant amount of the estimated \$1.5 billion cost.

New Development...

Furthermore, new development also has the potential to increase the property value of adjacent homes and businesses, as the opportunity for new retail could add to the attraction.

The new development could consist of options such as...

- New housing
- Affordable housing
- Parking
- Retail and office space
- Green spaces
 - parks, gardens, bike/pedestrian pathways

Example: SF Transbay Transit Center

The ongoing San Francisco Transbay Transit Center is a wonderful example of the type of land value capture we would like to explore. The total cost of the project is estimated to be around \$6.1 billion.

Of that \$6.1 billion, state land sales raised \$515.6 million for the project. The sale of the Salesforce building/lot in downtown SF, located adjacent to the new Transbay Transit Center, raised around \$190 million for the project.

Funding Sources for Transbay Transit Center

Funding Sources

Phase 1 only. Funding for Phase 2 is being secured.

Local

- San Francisco Proposition K sales tax - \$139.3 million
- San Mateo County Measure A sales tax - \$4.5 million
- AC Transit Capital Contribution - \$39.4 million
- Lease & Interest Income - \$3.8 million
- Transferrable Development Rights - \$4 million
- Transit Center District Plan (Mello Roos Community Facilities District) - \$146.6 million
- Bridge financing (loan) - \$154.0 million
- City Financing - \$247.5 million
- Other Local - \$4.1 million

Regional

- RTIP - \$10.2 million
- Regional Measure 1 (RM-1) Bay Area toll bridge revenue - \$54.4 million

- Regional Measure 2 (RM-2) Bay Area toll bridge revenue - \$143 million
- AB 1171 (Bay Area toll bridge seismic retrofitting legislation) - \$150 million

State

- Land Sales - \$515.6 million

Federal

- TEA-21 Earmark - \$8.7 million
- SAFETEA-LU Earmarks - \$53.5 million
- TIFIA Loan - \$171 million
- FRA Rail Relocation - \$2.7 million
- ARRA High Speed Intercity Passenger Rail - \$400 million
- One Bay Area Grant - \$6.2 million
- FEMA Grants - \$0.1 million

To pay for undergrounding Caltrain by solely value capture...

Amount of land freed up	2,598,347	sq ft	2588256	
			Net dollars needed	
Monetization of land needed			\$577 per sf of land	
By sf of building	0.5	0.5 FAR		
	1,299,173	sf of new building		
			\$1,155 per sf of finished building	
	5000	ave. PA lot sf		
# of single family houses	520		\$2,886,451 per unit (if single family)	
	59.6	acres		
	30	RM-30 zoning		
# of condo units	1789		\$838,229 per unit (if condo)	

It would take 520 single family homes sold at \$2.8 million, or 1789 condo units solds at \$838,229 to cover the \$1.5 billion cost.

**All numbers on this sheet are unofficial and should only be used to illustrate ideas and can vary greatly*

However, the funding will likely be a mix of value capture, taxes, municipal/state/federal grants, etc.

Other Value Capture Resources

Want to find out more about value capture? Take a look at these...

- <http://www.vtpe.org/smith.pdf>
- <http://www.transitvaluecapture.com>
- <http://www.metroplanning.org/news/6315/Value-Capture-Case-Studies-San-Franciscos-Transbay-Transit-Center>
- <http://ctod.org/portal/sites/default/files/brookingsValueAddedTIF2009.pdf>