



CONNECT NORTHERN CALIFORNIA

BART Board Update

Value Capture

Thursday, October 14, 2021



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DRAFT-DELIBERATIVE



Context for Consideration of Value Capture

- For Link21
 - Factoring value capture into planning, design, development
 - Applicability to new facilities, existing system
- BART-wide implications
 - Board goal to leverage private value to deliver a range of community/regional benefits
 - Consistency with (and improvement upon) existing policies and practices
 - Identify opportunities for existing assets
- Financial Stewardship
 - Maintaining the system and preserving it for the future AND optimizing the financial potential of all assets for the benefit of the system/riders
 - Role of non-fare or ancillary operating revenues in supporting BART's mission and key policy priorities, such as equity
- Value Capture is one element of a comprehensive funding/finance strategy



Value Capture Goals

Investment of public funds into transit infrastructure creates inherent economic value on several different levels, including job creation, Gross Domestic Product (GDP) growth, increased property value, and direct mobility benefits

The goals of a proactive value capture strategy are to:

- **Optimize the value created** by the investment, through early engagement with and consideration of stakeholder interests and by incorporating value capture into the planning, design, construction and operation phases of the program
- **Optimize the capture of that value for public benefit** through a combination of land-based mechanisms and ancillary revenue generators.



Objectives for Value Capture Work

- Develop Value Capture program, including delivery strategy
 - Integrate value capture in funding strategy for capital and Operations & Maintenance (O&M) costs
- Identify policy and other changes that could benefit Link21 and other BART/CCJPA operations/capital improvements
 - Resolve gaps and inconsistencies in policies that could impede success of strategy (priority)
 - Identify potential long-lead time initiatives, such as statutory changes
- Capturing value and increasing non-fare revenues are part of *active stewardship* of taxpayer dollars
 - Maintain the system and preserving it to optimize for the future
 - Non-fare revenues help maintain/grow service and keep fares affordable
- Consider the equity implications of value capture
 - Use funds to invest in equity strategies
 - Develop plans in concert with anti-displacement and other policies



Existing Constraints to Pursue Value Capture

Proposition 218 (1996)

- Greatly limits ability of local governments to impose new taxes, assessments, and property-related fees and charges
- Special taxes (taxes with a specified purpose) require **two-thirds supermajority**
- Allows assessments only for direct/special benefits, not for general benefits
- Special benefit assessments cannot be imposed if there is a majority protest of affected property owners
- Complicated process to determine value of special benefit

Proposition 26 (2010)

- Expanded the definition of “taxes” to include payments that were previously considered “fees” or “charges”, increasing the number of revenue proposals subject to higher approval requirements
- Previously considered fees or charges that required a general majority would now be considered “taxes” would require a **two-thirds supermajority** vote by both houses of legislature (for state proposal) or local voters (for local proposals)



Potential Land-Based Value Capture Mechanisms

Mechanism	Description	Use of Funds	Estimated Revenue Potential
Mello-Roos Community Facilities Districts (CFD)*	Special tax district formed when property owners in the area agree to impose a tax to fund infrastructure improvements	Capital/O&M Costs	Could support issuance of \$10-750 million in bonds (30-year term) per station area
Tax Increment Financing (TIF)*	Participating taxing entities in an Infrastructure Financing District (IFD) share an agreed upon portion of their property taxes on incremental assessed value increases of properties	Capital/O&M Costs	Could support issuance of \$25-250 million in bonds (30-year term) per station area
Property Taxation: Ad Valorem*	Taxes levied on real property as a % of the assessed valuation of properties	Capital Costs	Measure RR supports issuance of \$3.5B in bonds
Property Taxation: Parcel Taxes*	Flat tax on real property that generally does not vary in respect to size of parcel	Capital/O&M Costs	\$25-\$200 million annual revenues for the 9-county Bay Area
Air Rights	Air rights (also called transferable development rights) are sold or leased under a competitive process to a private entity to develop the air space above a facility	Capital/O&M Costs	\$10-\$250 million in upfront revenues per station area

* These mechanisms require a vote to be implemented and may require legislative changes



Value Capture / Revenue Generation Mechanisms

Mechanism	Description	Use of Funds	Estimated Revenue Potential
Joint Development	Land development that occurs in a partnership between a public agency and private developer, possibly including other entities such as a local government	O&M Costs	BART's Transit-Oriented Development (TOD) program generates \$1.9 million in lease revenue annually, and has leveraged \$200 million in other BART infrastructure. Planned TOD could contribute an additional \$1.9 m annually in next 5 years
Parking Revenues	Parking fees, including monthly passes	O&M Costs	\$30-50M/year
Advertising	Link21 could create the opportunity to amend or negotiate additional advertising contracts for new inventory/methods of advertising	O&M Costs	Up to and additional \$10M/year (dependent upon number of new stations/riders and other factors)
Concessions	Revenue from leasing retail space at station. Can be tied to equity goals, for example by providing favorable leasing terms for local small businesses	O&M Costs	TBD – major source of non-fare revenue internationally (Japan, U.K.)



Link21 Value Capture Timeline



Next Steps for Value Capture

- Policy/legislative
 - Identify opportunities for legislative changes
 - Undertake a comprehensive review of existing BART policies and standards to determine whether changes would be required to support value capture
 - Review zoning and land use regulations in the Megaregion to determine potential impacts on value capture
- Funding
 - Assess federal funding and financing opportunities, including any limitations
- Forecasting/analysis
 - Work with Transportation Demand and Land Use (TDLU) consultant to advance the value capture strategy and identify specific opportunities
 - Include value capture in business case
- Position for Federal Support
 - Work with US Department of Transportation (USDOT) Build America Bureau to optimize strategies and secure support

