

## Value Capture for Transportation in Minnesota



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## The rationale of value capture

- Transportation finance: relate benefits to costs
  - Gas tax → benefits enjoyed by motorists
  - Congestion pricing → collect on cost led by motorists
  - Fare structure design → riders' benefits
  - Value capture → benefits gained by others
    - Land owners, developers, customers, etc.
- Value capture for transportation in MN:
  - "financing new and improved transportation infrastructure in Minnesota through capturing the value of the benefits created."

## Transportation and value creation

- Access creates value
  - Higher land and property price
  - More business activities
  - Economic development
- Value creation: multiple dimensions
  - What kind of project:
    - highway, transit; new exit, new station, new line, extended network
  - To whom: land owners, developers, providers, etc
  - Where: nodes, corridors, networks, radius (distance/time)
  - When: immediate, subsequent, induced value creation

## Approaches of value capture

- Property tax-based approaches
  - Special assessment tax
    - Levied on property in a defined area (S.A.D)
    - Based on the "special benefits" from improvements
    - Widely used in MN cities for adding new roadways
  - Tax incremental financing (TIF)
    - Property tax incremental in a defined area
    - Widely used in Chicago for transit stations
    - Austrian light rail transit system

## Approaches of value capture

- Land-value based approach
  - Land value tax
    - A tax against land value
    - Split-rate property tax
    - Encourages density development
  - “Benefit receipt tax”
    - Levied on land value incremental at the point-of-sale
    - Incremental = market value - assessed value
    - How to measure the value incremental over time?

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## Approaches of value capture

- Exactions and user fees
  - Exactions (or developer contributions)
    - Contributed before a transportation improvement
    - Based on negotiation; not standardized
    - Examples:
      - Japan (private contribution of land for railways)
      - Vietnam (provision of infrastructure in exchange for land use)
  - Development impact fees
    - One-time charge before a new subsequent development
    - To offset the additional public-service costs (impacts)
    - Widely used in CA, AZ, and FL

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## Approaches of value capture

- Market-based approaches
  - Rezoning, selling or leasing
    - Mass Transit and land leasing in Hong Kong
    - “Executive investment offering” in Stone’s Throw
  - Public-private partnerships (joint development)
    - Financing (Equity participation)
      - Amtrak station downtown (Albuquerque)
    - Private construction of public facility
      - Private railroads and real estate development (Japan)
    - PPP in construction and operation
      - London, Portland, Las Vegas...

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## A work plan for the research project

- Value creation
  - Theories, empirical findings, practical methods of assessment
- Value capture strategies

	Efficiency (market distortion)	Equity (horizontal and vertical)	Sustainability (adequacy, predictability, and stability)	Feasibility (political and administrative)
Property-tax based approaches				
Land-value taxes				
Exactions and fees				
Market-based approaches				

- Recommendations
  - Likely a combination of approaches
    - depending on types of transportation
    - Vary in area, time, or mechanism

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