Comprehensive Financial Solutions for City Resilience Conference

Global Best Practices to Raise Capital Through Land Value Capture – Special Assessments

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November 2017
The goal of this session is to introduce the concept of the special assessment LVC tool and how it can fund infrastructure projects.

1. Introduction
2. Overview of Special Assessments
3. Case Study: Funding a New Metrorail Station
4. International Examples and Other Applications
5. Best Practices and Important Considerations
At HR&A, we empower urban communities to address pressing resilience challenges by leveraging urban assets to create value.
We have supported the Rockefeller Foundation’s 100 Resilient Cities Program and led resilience strategies for cities across the U.S.
The Infrastructure & Environment dimension represents many of the types of projects that cities at this conference are seeking to finance.
Many infrastructure projects can positively impact resilience, while also creating value that can be captured to finance these projects.
Overview of Special Assessments
Special assessments are a form of land value capture that have been implemented with different approaches, but with similar goals.

- **Special Assessment**: An additional tax or special rate levied to property owners within a specifically defined geographic area expected to benefit from a public infrastructure investment.

- **Betterment Levy**: A fee/tax levied on land that has gained in value because of public infrastructure investments.

- **Developer Exaction / Impact Fee**: In-kind (land, improvement) or cash contributions by a developer to support infrastructure upgrades.
Care must be taken to create special assessment districts in an **equitable manner** based on value created for landowners.
Funds used from special assessments can be used to fund capital and/or operating costs for infrastructure and local improvements.
Local planning, housing and community development agencies identified the NoMa district as an area for targeted investment.

**Action 29:**

“Create a public-private financing mechanism to build a new Metrorail station...”
The goal was to create a catalyst for development of underutilized land by building transit infrastructure to better connect the community.
The City engaged in an area planning effort for the NoMa district to establish a supportive framework to realize expected value creation.
Feasibility studies for the proposed station indicated a need to identify $25 million in gap funding for construction.

City officials and community members engaged adjacent landowners to participate and contribute.

Original Budget Estimate: $75 Million
The original funding agreement envisioned an equal split of costs, but the City was responsible for the cost overruns for the project.

Original Budget Estimate: $75 Million  Final Cost: Approx. $104 Million

The landowner share was funded through a special assessment over a 30-year term.
The timeline from initial planning to station opening was 8 years, and there has been ongoing new private development since then.

**Total Square Meters of Projects Delivered in NoMa neighborhood**

- **1993**: Strategic Planning
- **1996**: Feasibility Study
- **1999**: City Commitments
- **2002**: Landowner Commitments
- **2005**: Station Ground Breaking
- **2008**: Station Opens
- **2011**: FEDERAL AGENCY HQ
- **2014**: PUBLIC PARK FUNDING
- **2017**: STATION EXPANSION TIF

Source: CoStar
Represents all office and residential projects delivered in NoMa since 1993.
The new Metrorail station opened in 2004, and since then it is become one the busier stations in the system (20th out 91 stations)
The station has been an overwhelming success in bringing increased mobility to an underserved area and catalysing private investment.
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- Over $3 billion invested in the immediate neighborhood
- Full build-out will contain over 2.9 million square meters of mixed-use development
4 International Examples and Other Applications
The cities of Bogota and Manizales, Colombia have and continue use special assessments to finance significant infrastructure improvements. The term applied for in Colombia is *contribución de valorización*, and they have implemented the tool to allocate the **full cost** of these infrastructure projects.
The cities of Bogota and Manizales have used assessments to fund ongoing infrastructure improvements and development.

**Identify Project “Benefit Areas”**

**Adjust based on location, resident income, etc.**

**Assess tax to fund development**
From 1997-2007 Bogota financed 217 public works projects, (over $1 billion USD), through contribución de valorización across the city.
The City of Manizales has funded development of public parks and infrastructure through local assessments.
The special assessment tool can be used to help fund many types of infrastructure, if such projects are designed as public amenities.
Storm water and flood management infrastructure can be transformed into value-creating regional destination parks and public spaces.
5 Best Practices and Important Considerations
There are a number of considerations and best practices that can increase successful special assessment district outcomes:

- Significant engagement should occur with property owners to establish support for proposed projects.
- Assessment levies must be carefully allocated to those who impact or benefit from investments.
- Special assessments may not always fund 100% of project capital requirements, and should be combined with other sources of funding.
- Planning and land use policy must enable value creation to be realized.
- A strong property appraisal process and land database is necessary to implement and monitor collections.
Thank You