



# Value Capture

## *Unlocking real estate value for transit agencies and developers*

Value capture offers public agencies and private developers a means of financing transit projects from the increased tax revenue generated by private development associated with public transit. Increasingly, value capture is an important tool for real estate developments that attempt to align a variety of community development objectives with private motive and profit. Harnessing the potential for a joint development, transit-oriented development or public-private project to generate revenue through value capture requires an understanding of the broad spectrum of motivations, constraints and abilities of the stakeholders engaged in the development process.

Revenues generated by value capture mechanisms are an influential component of project economics, particularly in the transit context or when there is a gap between the existing funding and financing and development costs. The cooperation of taxing entities, property owners, developers, government agencies and end users is also vital to securing the revenues projected by value capture methods.

WSP USA guides clients to better compete in today's economy by providing a unique combination of infrastructure advisory and management consulting services. We help our clients procure, develop, manage, finance and invest in their programs and projects. WSP offers the full range of value capture advisory to both public and private sector entities, providing expertise throughout the project development cycle.

## Our services

WSP applies value capture tools to meet our clients' critical funding needs on complex infrastructure projects. Innovative financing structures may use tools such as tax increment financing, special assessments, air rights and joint development, which can help close funding gaps or repay investments in public infrastructure.

We offer extensive expertise in projecting development potential, providing market analysis, tax projections and preliminary bond analysis, developer selection and pro forma analysis, air rights and ground lease structures, securing federal and state transit funding and providing the economic analysis to support the selected program. Our core value capture services include:

- **Structuring and Analysis:** In addition to building development projections and performing pro forma due diligence, WSP provides advice on value capture mechanisms and coordination with taxing entities. On behalf of our public sector and private sector clients, we analyze market conditions and ground lease terms to determine project feasibility.
- **Tax, Bond, and Assessment Revenues Projections:** We are skilled at analyzing the projected tax, bond and assessment revenues associated with projects utilizing value capture mechanisms. We also conduct outreach to landowners and provide an economic analysis to build a fulsome business case for development.
- **Funding and Finance Plans:** Our team complements our fiscal analysis with a deep understanding of federal and state funding options. WSP supports clients in developing funding and financing plans that help both private and public entities reach their development goals.
- **Joint Development Services:** For both public sector clients, like transit agencies, and private sector clients, such as real estate developers, we have experience in facilitating the implementation of joint development opportunities. The depth of insight required to instruct clients in the successful navigation of the joint development process and harness its potential to generate revenue requires an understanding of the broad spectrum of motivations, constraints and abilities of the stakeholders engaged in the development process.

WSP excels at developing the business case: projecting the benefits, substantiating the findings, coordinating the taxing entity and private sector outreach, building consensus, structuring the financing program and navigating the approval processes.

## Our experience

### POTOMAC YARD VALUE CAPTURE ANALYSIS

Over the past several years, our team of real estate finance experts has analyzed the feasibility of using a combination of value capture mechanisms to finance a new Metrorail station at Potomac Yard in Alexandria, Virginia. The financial feasibility study compared several station locations, development scenarios, value capture strategies and financing options to support the development of a preferred public-private partnership development strategy. With a combination of special district financing, net new tax revenues and developer contributions, our analysis showed the \$240 million station to be self-financing.

### BART SILICON VALLEY EXTENSION PHASE 2

For a project that extends Bay Area Rapid Transit (BART) from the East Bay to San Jose and Santa Clara, WSP is currently coordinating the work for Santa Clara Valley Transportation Authority's (VTA) development of four stations, three of which are underground in San Jose. Those include downtown and the Diridon Station, where California High-Speed Rail, Amtrak, BART, VTA and the California Department of Transportation will be served by the same station complex, incorporating a planned \$6 billion Google development at the site.

### MIDTOWN MIAMI DEVELOPMENT FINANCIAL FEASIBILITY

For a private property owner, our work included evaluating the development a pro forma analysis and establishing the need for public assistance on the development of a 56-acre abandoned railyard in Midtown Miami. The City of Miami and Miami-Dade County wanted a major new mixed-use development on the largest vacant parcel in the county. The result included a \$76 million tax increment bond to support a public parking structure and \$30 million assessment bond to build the backbone infrastructure, as none existed on the railyard site. The result to date is the development of major multistory retail space and residential units that "wraps" the parking structure and the first four condominium towers in what will be a \$1.6 billion project when completed.

### ECONOMIC AND FISCAL IMPACT ANALYSIS, CALIFORNIA HIGH-SPEED RAIL AUTHORITY

WSP developed an economic impact analysis to determine total historical and forecast jobs and economic output supported by the California High-Speed Rail program. The results of the analysis were used to inform decision makers, stakeholders, state legislators and the public of the project's benefits. The analysis is updated biannually for the Authority. Building on the initial findings, we recently completed a detailed fiscal impact analysis, estimating state and local tax revenue generated by the project, including revenues from income taxes, sales and uses taxes, and corporation taxes at the state level; and sales and use taxes, property taxes and various business taxes at the county and local level.

### CITY OF DETROIT REAL ESTATE ECONOMIC AND FISCAL IMPACT ANALYSIS

On behalf of a private developer, WSP conducted an economic benefits study for a proposed \$1 billion urban real estate development project to help make the case for state and local economic development incentives. The economic impact analysis combined traditional input-output modeling with an innovative visitor-spending model to determine the project's potential impact on the surrounding area. In addition, the analysis translated the projected economic benefits into state and local fiscal impacts that would result from the projected economic impacts. This portion of the analysis examined property, sales and income taxes, distinguishing between revenues captured by the City of Detroit and those captured by the State of Michigan. Lastly, WSP conducted a value capture feasibility study that analyzed the project's potential for funding through a public-private partnership model.

### ONE BELLEVUE PLACE REDEVELOPMENT

Outside Nashville, an 80-acre regional mall had sat virtually abandoned for 20 years. The private property owner and joint venture developer retained us to evaluate their pro forma analysis and verify their assumptions and establish the gap in the financing for the project. We then assisted them in negotiating a public financing package from Metropolitan Nashville (the city and county consolidated entity). Bonds totaling \$17 million were issued to cover a portion of the costs associated with the demolition of the existing facility.



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