

RED LINE TASK FORCE
Meeting Summary
July 27, 2011
DISCUSSION SUMMARY

MEMBERS: Mayor John Woods, Mayor of Davidson, Chair
Mayor Jill Swain, Mayor of Huntersville
Mayor Jeff Tarte, Mayor of Cornelius (Absent)
Bill Thunberg, Mooresville Representative
Carroll Gray, Lake Norman Transportation Commission
Iredell County Representative (Vacant)
Commissioner Harold Cogdell, Jr., Mecklenburg County, Vice Chair (Absent)
Mayor Anthony Foxx, Mayor of Charlotte

CATS

STAFF: Carolyn Flowers, CEO, Director of Public Transit
John Muth, Deputy Director for Development
Dee Pereira, CFO, Assistant Director of Public Transit
Eric Hershberger, Budget Manager
Brian Nadolny, North Corridor Project Manager
David McDonald, Transit Planning Manager

OTHERS: Jack Flaherty, NCDOT
Jim Schumacher, Assistant City Manager
Bill Coxe, Huntersville Transportation Planner
Scott Greer, Charlotte City Finance
Mark Briggs, Parsons Brinckerhoff
Gerry Vincent, Huntersville Assistant Town Manager
Paul Morris, Greenleaf Strategies
Karen Floyd, Cornelius Planning Director
Neil Burke, Mooresville Transportation Planner
Leamon Brice, Davidson Town Manager
Andrew Warfield, Lake Norman Citizen

Meeting time 4:00 p.m. – 5:00 p.m.

- I. **Call to Order**
The meeting was called to order by the Chair at 4:05 p.m.

- II. **Approval of June 22, 2011 meeting summary**
The meeting summary was approved.

III. Information Items

Paul Morris gave an update on the Economic Development Roundtable Discussion held earlier in the day in Cornelius. The purpose of the meeting was to bring together local agencies focused on regional economic development policies. The discussion helped merge the focus of Transit Oriented Development (TOD) with the improvements to freight operations. With this new way of thinking about the project and expanding it from a transit project to an economic development project, it helps to expand the potential benefits created from the investment.

The discussions during the meeting were productive. With this new focus on Freight Oriented Development (FOD), there will be additional technical work that needs to be developed, and the group will be providing this data over the next month. It is important to capture this potential, especially with statewide initiatives on rail logistics and multi-modal facilities.

Paul then gave an update on the Draft Value Capture Report which was distributed and discussed at the last Financial Working Group meeting. Paul reviewed a presentation on mechanisms, practices and prospects for stimulating economic development and funding commuter rail (attached).

Value capture is a tool that can be used to obtain funding on this project because the project is a catalyst for development, and because a portion of the development that follows would be unlikely to occur without it. Value capture strategies are defined as financial mechanisms that harness and guide unique and extraordinary increases in economic value generated by transit infrastructure investments which help to fund public improvements in transit or related infrastructure. Paul reviewed the eight revenue mechanisms that could be utilized:

One-time funding sources

- Joint development (partnering with the private sector)
- Development impact fees (access to transit)
- Air rights (retain ownership to the land)
- Negotiated exactions (individual contracts)

Ongoing funding sources

- Tax increment financing
- Special assessment districts
- Land value tax
- Transportation utility fees

Paul emphasized the need for regional collaboration and to suspend local interests for the larger regional goals. He also mentioned that developers have stressed the need for certainty and predictability in order for them to invest in the corridor.

The consultant team recommended the following priority order for how to employ and combine the eight value capture mechanisms along the North Corridor for greatest effectiveness:

1. Tax increment financing
2. Special (tax) assessment districts
3. Joint development (including air rights and negotiated exactions)
4. Development/utility fees

5. Land value tax

The next product would be to create the maximum benefit potential from these sources and put them in ranges. The Red Line Task Force voted on moving forward with studying these recommendations.

Paul handed out a draft outline for a Red Line Policy Memorandum for achieving integrated TOD/FOD in the corridor (attached). This memo will address three key concepts for project success:

1. An economic development strategy
2. A dual-benefit corridor: goods and people
3. A network benefit best suited to a unified approach

These key questions will be discussed by the financial working group and the task force over the next couple of months. Greenleaf will create a 10 to 15 page memo in the next week of draft policy recommendations. It will be distributed for local input, as all the jurisdictions will need to weight in and support the recommendations of the policies.

IV. Discussion

Carroll Gray asked what priorities need Mecklenburg and Iredell County participation. Mark Briggs answered that the tax increment financing option would be more affective with county participation. Mayor Foxx asked whether there were examples of tax increment finance districts over multiply jurisdictions. Mark Briggs answer that there were, and that a Joint Power Authority must be created across jurisdictions. The consultants' report will talk about examples across the country.

Mayor Swain mentioned that two important issues of the project include a positive relationship with Norfolk Southern and to study the potential for foreign investment in the project. Paul Morris said that they will be reporting on that investment potential this fall. Carolyn Flowers said that there is foreign interest and funding out there. She said that they are waiting to hear about the funding gap and need to know the repayment source. Then we will be able to look at alternative delivery methods.

Mayor Foxx asked if operating costs are factored in the funding plan. Paul Morris said that they are looking at direct and in-direct capital costs now, and that an operations plan will be a conversation in the near future. Carolyn Flowers said that CATS is monitoring the federal formula funding program. Formula funding is critical for the operations of all transit services. Mayor Foxx said that he is encouraged by the work that has been done by the task force and is optimistic that this effort can create a funding solution.

V. Action Items

1. Create Draft Red Line Policy Memo

Greenleaf

VI. Adjourn

The meeting was adjourned at 5:10 p.m.

NEXT RED LINE TASK FORCE MEETING: WEDNESDAY, AUGUST 24TH AT 4:00 P.M. IN CONFERENCE ROOM #266.

RED LINE TASK FORCE MEETING

July 27, 2011

Name	Organization	Email
Brian Nadolny	CATS	bnadolny@charlotten.c.gov
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Karen Floyd	CORNELIUS	KFloyd@cornelius.org
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Scott Greer	Charlotte/Finance	SGreer@CharlotteNC.gov
John Woods	DAVIDSON	johnwoods@ci.davidson.nc.us
Carroll Gray	LNTC	CGGray@bellknox.net
Anthony Fox	Charlotte Mayor	Mayor@charlotten.c.gov
Bob Brubaker	Town of Morrisville Rep	BBrubaker@egmaru.com
MARK BILIGES	Parsons Brinckerhoff	mbiliges@pbworld.com
Andrew Warfield	Lake Norman Citizen	andrew@lakernorman.tizen.com

CHARLOTTE NORTH CORRIDOR—RED LINE COMMUTER RAIL PROJECT

POLICY MEMORANDUM: ACHIEVING INTEGRATED TOD/FOD IN THE NORTH CORRIDOR

DRAFT OUTLINE

1. Policy Considerations for the Red Line
 - 1.1. An Economic Development and Job Creation Focus
 - 1.2. Dual Benefiting Investment Strategy
 - 1.2.1. Freight – Goods
 - 1.2.2. Transit – People Movement
 - 1.3. Regional Network Benefit (*car metaphor*)
 - 1.3.1. Purpose and Need
 - 1.3.1.1. Origin and Destination
 - 1.3.1.2. Functionality
 - 1.3.1.3. Critical Mass and Expandability
 - 1.3.2. Unified vs. Segmented
 - 1.3.2.1. Project Valuation (costs and revenues)
 - 1.3.2.2. Project Delivery
 - 1.3.2.3. Project Administration
2. Applicability and Transferability
 - 2.1. NCDOT guidance on cross jurisdictional effectiveness in transit
 - 2.2. Statewide Multi-modal Logistics and Mobility Mission
3. Reference Case Studies: How have other regions handled these policy questions?
 - 3.1. Midwest and Northeast History
 - 3.2. Northwest, Southwest and Southeast (Recent) Precedents
 - 3.3. Texas Initiative
4. Conclusions and Recommendations
 - 4.1. Key Policy Inputs to the Project
 - 4.2. Issues for Implementation
 - 4.2.1. Public Private Partnering with Railroads
 - 4.2.2. Impacts of Potential Success
 - 4.2.2.1. North (Iredell Line) to I-40 and Lowe's Corp Dist. Center
 - 4.2.2.2. West (Gaston Line) to Gastonia
 - 4.2.2.3. Southeast (Union Line) to Monroe
 - 4.2.3. Next Steps/Key Questions

Charlotte to Mooresville North Corridor Redline Rail Project

VALUE CAPTURE

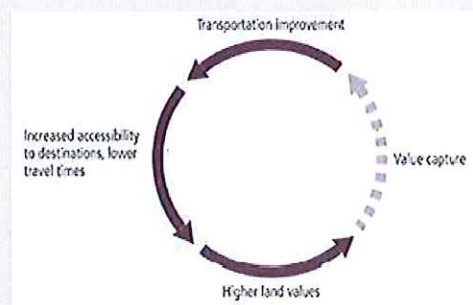
Mechanisms, Practices and Prospects for Stimulating
Economic Development & Funding Commuter Rail

Paul Morris & Mark Briggs
July 26, 2011



Value Capture & Economic Development

- The Theory: Value capture explained
- The Details: Eight value capture mechanisms
- The Questions: Policy concepts for the Red Line
 - Discussion

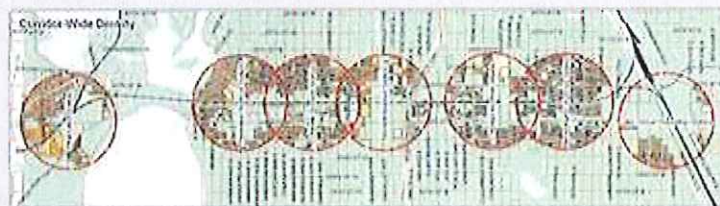




Value Capture Defined

Value capture strategies are financial mechanisms that **harness and guide unique and extraordinary increases in economic value generated by transit infrastructure investments** to help fund public improvements in transit or related infrastructure.

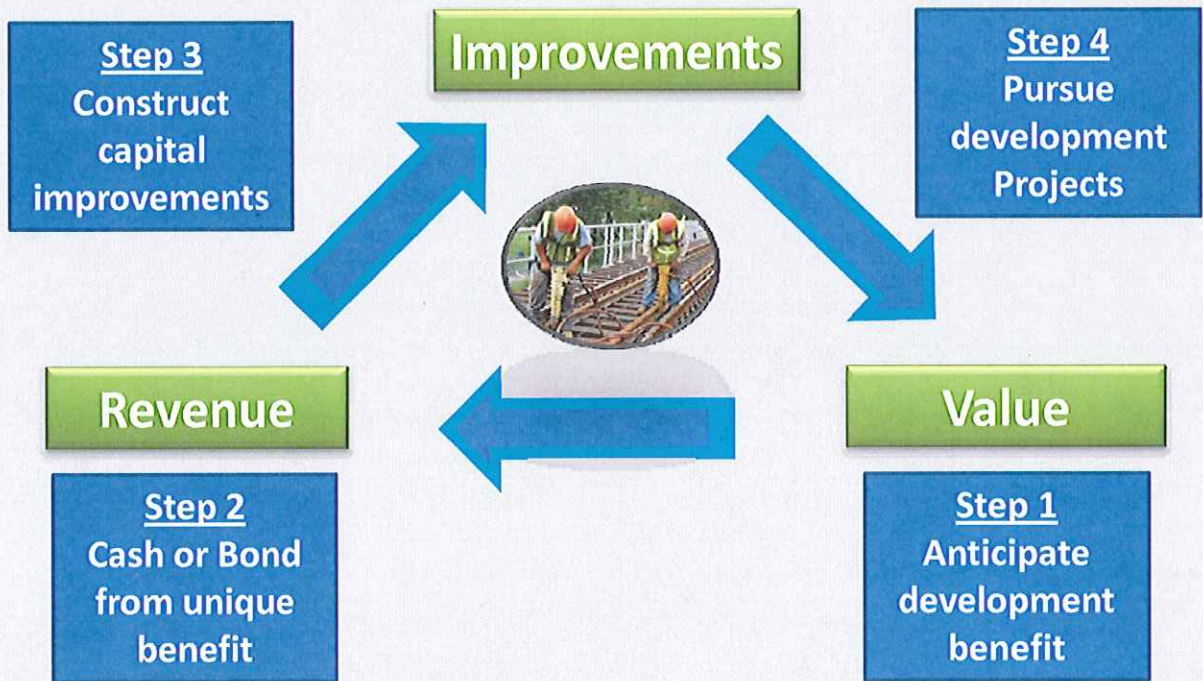
Both public and private sectors must benefit.
Only works if market demand for proximity exists.



THEORY



Value Capture: How it Works



THEORY



Stakeholders and Their Roles

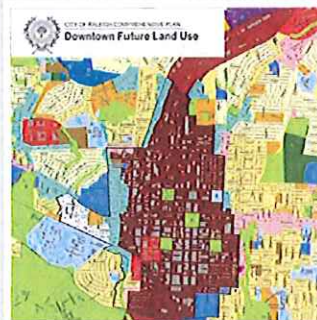
Stakeholder	Role in Value Capture
Local transit agencies/operators	Build and operate transit systems
DOTs and MPOs	Build, operate and direct funds for transit
Local governments	Collect taxes, provide facilities, control land use
Private developers	Develop associated property
Property owners	Pay taxes

THEORY



System-Wide Influences – Getting it Right

- Land use development policies
 - Transit service improvements
- Mobility management and urban design strategies
 - **Regional collaboration**



THEORY



Value Capture - General Mechanisms

- **One-time funding sources**
 - Joint development
 - Development impact fees
 - Air rights
 - Negotiated exactions
- **Ongoing funding sources**
 - Tax increment financing
 - Special assessment districts
 - Land value tax
 - Transportation utility fees



DETAILS



Joint Development

Transit facility co-located with private real estate development, where the private sector partner may provide the public sector facility or make a financial contribution to public sector partner to offset its construction cost.

May include Air Rights.

Pros	Cons
Efficient (voluntary transaction)	Administratively complex
Politically palatable	Works only for the most profitable stations

DETAILS



Development Impact Fees

One-time charges collected by local governments from developers to finance new infrastructure and associated services. Typically associated with capacity benefits and calculated based on a formulaic basis – timing triggered by growth.

Pros	Cons
Efficient	Not a primary source of revenue
Politically palatable	Can discourage development if fees are perceived as too high

DETAILS



Air Rights

A form of joint development in which development rights above (or in some cases below) transit facilities are used to generate an increment in land value.

Pros	Cons
Efficient	Narrow tax base
Benefit equity	Fluctuating amount of revenue
Politically palatable	Administratively complex

DETAILS



Negotiated Exactions

Negotiated exactions are one-time developer charges, like development impact fees, but they do not use a formulaic process and are typically not applied to off-site infrastructure.

Paid in the form of in-kind contributions or in-lieu fees.

Pros	Cons
Efficient	Not a primary source of revenue
Social equity	Can discourage development if fees are perceived as too high
Politically palatable	

DETAILS



Tax Increment Financing

A mechanism allocating unique increases in total property tax revenues toward public investment within a designated district.

This is not a new tax and does not require a tax rate change.

Pros	Cons
Benefit equity	Highly dependent on mode, location and market demand
Politically feasible	Concerns over geographic equity
Can potentially generate large increment	Good potential (but limited track record) for transit

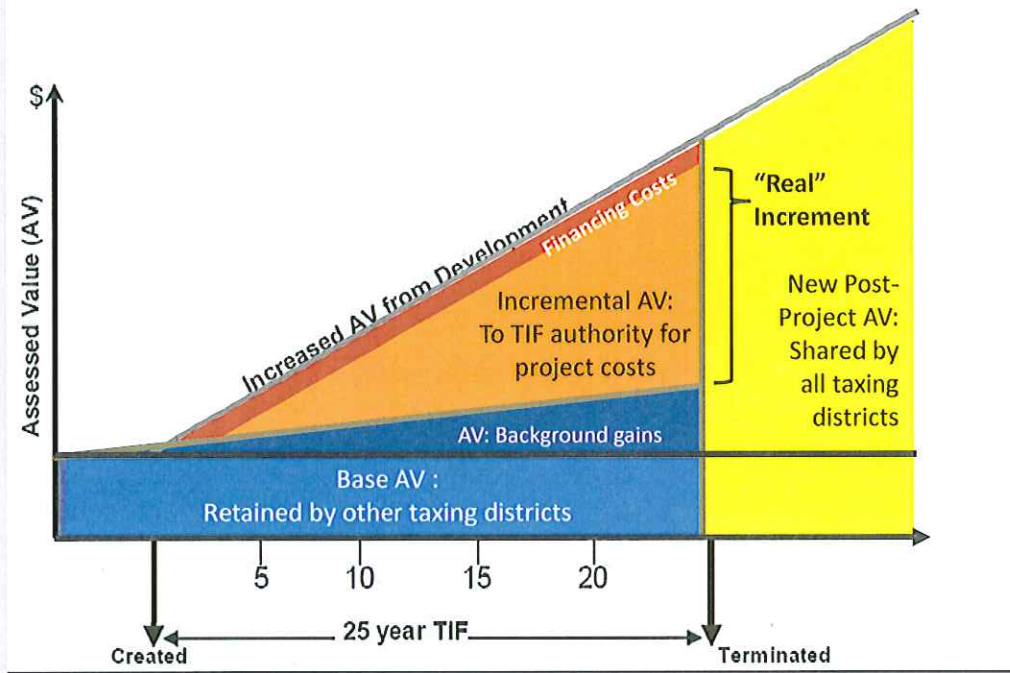
Recently approved in North Carolina. Requires state approval.

DETAILS



Tax Increment Financing: how it works

TIF Assessed Value (AV) Over Project Life



DETAILS



Special Assessment Districts (SAD)

A self-imposed additional tax assessed on properties that are expected to see a benefit due to a new nearby transit facility. Increasingly used to fund a portion of the transit system itself vs. operating costs.

Pros	Cons
Economically efficient	Relatively little revenue generated
Equitable	May have political issues
	Relevant legislation in NC set to sunset in 2013

Recently approved in North Carolina. Requires state approval.

DETAILS



Land Value Tax

A tax on the value of land in the vicinity of a public transport amenity. Captures general benefits (not assigned to a particular project). Can be levied on land or buildings, but usually confined to the land.

Pros	Cons
Economically efficient	Slightly regressive (ability to pay)
Can create incentives for compact development	May have political issues
	Limited application (hybrid of conventional land tax techniques)

DETAILS



Transportation Utility Fees

Fees assessed on property characteristics related to transportation demand. Treats transportation networks like a utility, similar to other local services such as stormwater or wastewater.

Pros	Cons
Efficient (shift burden from residential to commercial)	Difficult to enforce
Stable revenue	
Promotes equity if benefit link can be established (difficult)	

DETAILS



General Considerations For Value Capture

- Coordination between multiple jurisdictions
- Accessing funds administered by local governments
- Support from private developers and property owners
- Project location and design
- Current macroeconomic conditions
- Legal considerations
- Federal transportation policies



DETAILS



Value Capture Recommendations for the Red Line Commuter Rail

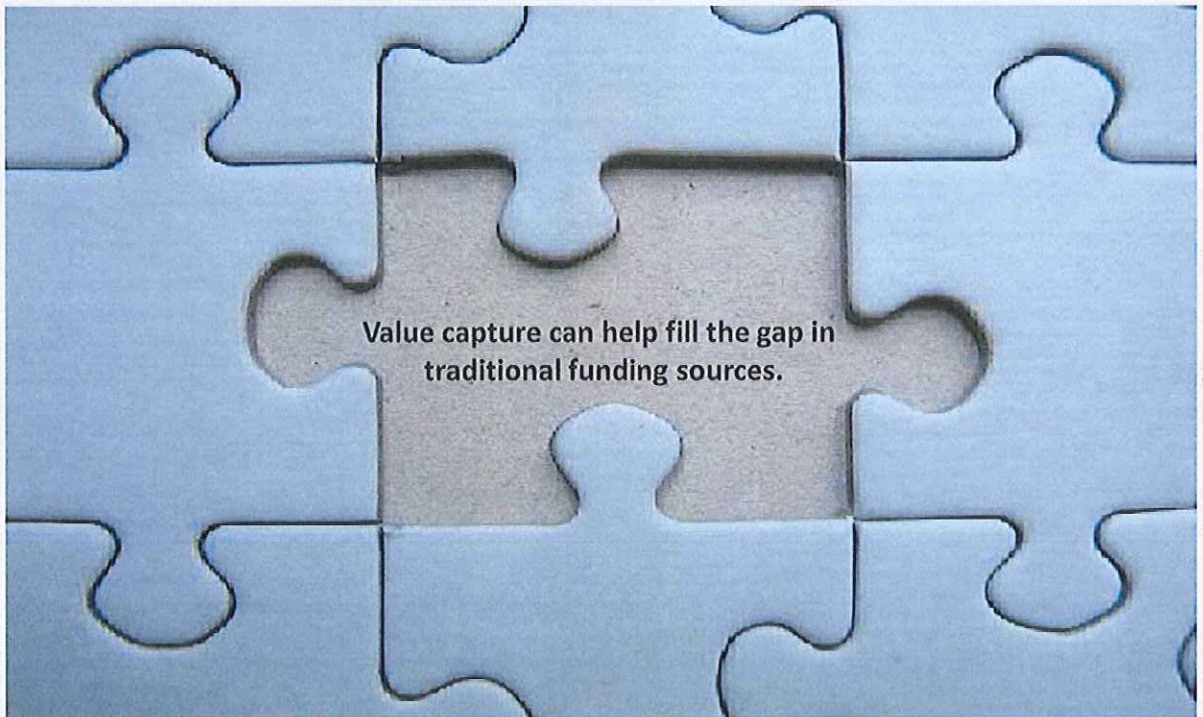
We recommend the following priority order for how to employ (and combine) the eight value capture mechanisms along the North Corridor for greatest effectiveness:

1. Tax increment financing
2. Special (tax) assessment districts
3. Joint development (including air rights and negotiated exactions)
4. Development/utility fees
5. Land value tax

DETAILS



The Bottom Line: Filling the Gap



Value capture can help fill the gap in traditional funding sources.

DETAILS



Policy Concepts for the North Corridor

Three key concepts for project success—Red Line as:

- 1. An economic development strategy**
- 2. A dual-benefit corridor: goods and people**
- 3. A network benefit best suited to a unified approach**



POLICY



An Economic Development Strategy

The Red Line project can provide:

- A service to draw new businesses and residents to the North Corridor
- An attractive alternative location to I-77
- Long-term logistics opportunities via connections to the north

...over time, enhance its **regional economic development** leadership position.



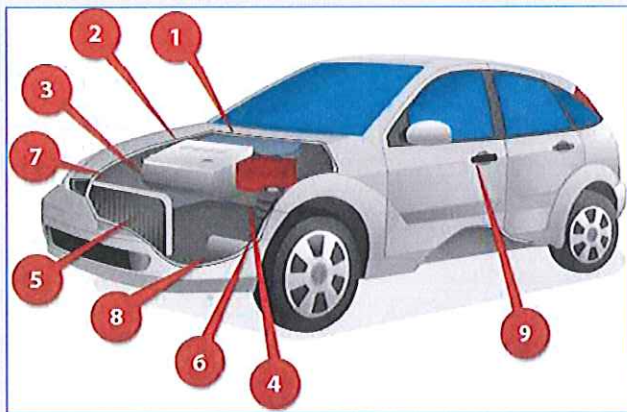
Dual Benefit Corridor: People and Goods

Freight and Transit Oriented Development (FOD and TOD)

- The Norfolk Southern line currently is the major north/south rail freight route – **logistics opportunity**
- Locations for industrial development dependent on rail service can enhance the economic development of the region – **companion to I-77**
- Joint development opportunities are common with transit and freight locations – **capturing all value**



Network Benefit: Building One Car



Each jurisdiction purchases a part of the car. The car only runs when everyone has contributed their part.

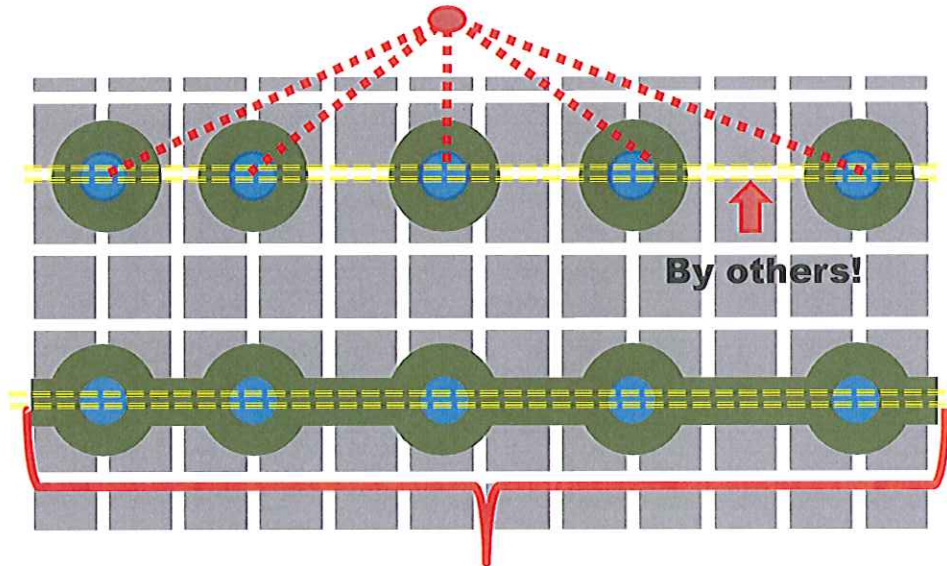
Each car part is different, and part each is essential.

Together, we achieve a network benefit through regional participation.



Project Delivery: Unified vs. Segmented

SEGMENTED APPROACH *(Independent Parties)*



UNIFIED APPROACH *(Dependent Partners)*

POLICY



Unified Approach: Best Chance for Success

Unified Pros (vs. Segmented)	Unified Cons (vs. Segmented)
More attractive to bond market	Requires greater cooperation
Streamlines negotiations and administration (JPA)	Raises concerns over perceptions of control
Eliminates cross jurisdictional complexities	Requires new way of thinking and acting on local funding
Increases efficiency and likelihood of project delivery	

Note: Segmented and unified approaches are not necessarily mutually exclusive; they can be modified and combined as needed.



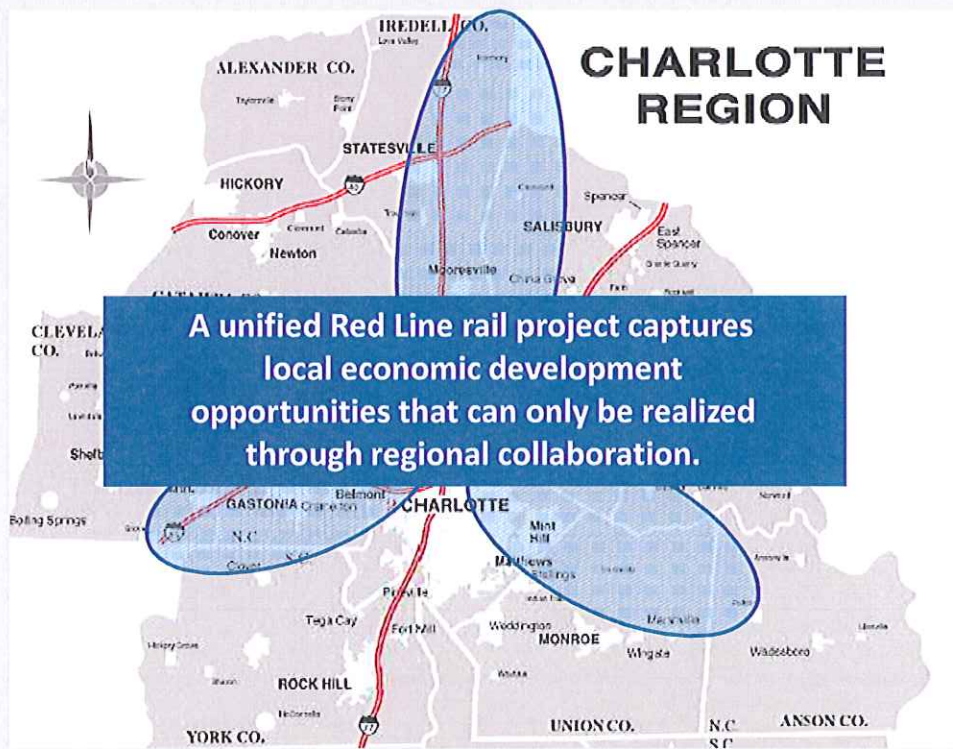
Unified Approach: Joint Powers Agreement

Partnering Jurisdictions can create a Joint Powers Agreement (JPA)

- A boundary is established that incorporates areas from each jurisdiction
- Power to share tax increment revenues and/or assessment district revenues
- Results in a unified benefit rather than a loosely supportive approach
- Increases the viability and flexibility of whatever financing approach is applied



The Bigger Picture



POLICY



Discussion—Next Steps

