

LC 1632
A bill authorizing the creation of Transit Benefit Districts

- Talking Points -

Summary Points

- A new source of funding is needed to support transit-oriented development in new rail transit corridors that does not impact the budgets of local jurisdictions.
- A Transit Benefit District (TBD) is a special assessment district circumscribing rail transit station areas. Proceeds from the captured share of land value gains attributable to rail access are used by local jurisdictions to finance public works supportive of transit oriented development (TOD).
- Capturing land value increments has dual purposes: (1) to finance public place-making capital improvements that support TOD; (2) to improve transit ridership and impede land speculation in station areas.
- Place-making improvements include right-of-way improvements, the enhancement of street connectivity and feeder transit connections, bicycle & pedestrian amenities, public art, parks and plazas. Revenue may also be used for gap financing of the development of replacement or additional below-market rate housing.
- The gross revenue collected from all property owners within a TBD is determined from annual county assessments. Each year's levy base is the total land value increase over and above the increase that would occur without the transit location and improvements.
- Each parcel's annual levy is proportional to derived benefit in the form of imputed income from land holdings. Measurable benefits are in the form of (i) capitalized land value, or (ii) additional building capacity resulting from an up-zone to TOD densities.
- A TBD is similar to a local improvement district (LID), whereby a contiguous group of property owners share in the cost of installing new infrastructure. (ORS, Chap. 223) There are, however, important features that distinguish a TBD from a local LID:
 - ✓ The implementation of TBDs is specific to (i) the construction of new LRT lines or streetcar lines, and (ii) the designation of selected transit station areas for TOD, otherwise known as "transit communities."
 - ✓ TBDs circumscribe parcels located within a ¼ mile radius of a transit station; that is, they are limited to approximately ½ square mile in size.

- ✓ The levy base is limited to annual land value increments, specifically the growth in real market assessment that can be attributed to the presence of transit improvements. Building value is excluded.
 - ✓ Normally, TBDs are designated at the time that a new rail transit line is officially announced; levies are collected annually beginning in the first year.
 - ✓ Participation in a TBD levy scheme is obligatory. As a practical measure, TBDs need to be mandatory because station areas designated for TOD are integrally linked to a region-wide transit system, where all property owners receive location benefits regardless of their level of interest in participating.
 - ✓ Revenues from property levies may be used to finance public improvement bonds, or alternatively a local city council may decide to adopt a pay-as-you go approach to funding capital improvements within a district.
 - ✓ Unlike an LID which is cost-driven, the TBD approach is market-driven. This means that in high or low-performing districts, TOD will take a few or several years to evolve. Hence, planned public improvements should be prioritized by a local planning department and constructed as levy funds become available.
- The TBD is a progressive alternative to conventional LIDs because it captures only “unearned” increments, that is the speculative value of properties; it does not create disincentives to private investment by capturing building value, and discourages speculative land holding. It is a self-perpetuating mechanism because the installation of TOD infrastructure further boosts site values – which in turn raise additional revenue.
 - The TBD as a funding source can complement other regional TOD incentive programs, but without public revenue losses that accompany a “menu of concessions” given to private developers to induce development. This will help to reduce the cost of implementing programs such as Metro’s TOD/Centers program.

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