Bill Batt, Albany, NY, has informed GroundSwell that he is working with Tom Gihring of Portland, Oregon to support a value capture bill in the Oregon Legislature.

Primary authors of Oregon House Bill 3178 are Tom Gihring and Kris Nelson. HB 3178 “Authorizes local governments to propose transit benefit districts covering area within quarter-mile radius of rail stations. Provides that transit benefit districts are eligible for public works projects that support transit-oriented development to be funded by property taxes assessed on increase in land value directly attributable to benefit derived by property from presence of rail station. Section 1 says: (1) For purposes of sections 1 to 5 of this 2011 Act, ‘public works projects that support transit-oriented development’ includes below-market rate housing, right-of-way improvements, the enhancement of street connectivity and feeder transit connections, bicycle and pedestrian amenities and public art, parks and plazas. (2) The governing body of a local government may propose by resolution the area within a quarter-mile radius of a rail station, that is within a transit corridor and the local government’s jurisdiction, as a transit benefit district eligible for public works projects that support transit-oriented development. … Section 3 (1) says: “If the governing body of a local government adopts or enacts a final ordinance or resolution approving the proposed transit benefit district, on each succeeding January 1, the county assessor shall determine the annual levy amount for the district as an amount equal to the total increase in land value directly attributable to the benefit derived by all property within the district from the presence of the rail station at the center of the district. (2) Individual property within the district shall be assessed a share of the total attributable increase in land value.”

The bill is sponsored by the Committee on Revenue and is online at http://www.leg.state.or.us/11reg/measpdf/hb3100.di/hb3178Intro.pdf. The bill was referred to the House Transportation & Economic Development Committee which held a hearing on March 4th. Gihring reports that due to a lack of a groundswell of support for the bill, especially from municipalities and transit agencies, the bill has not gone anywhere as yet. Gihring and Nelson are considering the introduction of a Transit Benefits District study bill next session.

The mechanics of the TBD bill are based on research undertaken by Gihring who found a large volume of literature that promotes the concept of value capture for rail transit projects, but almost nothing describing a practical method for capturing betterment within station areas. Gihring developed a method that combines property tax assessments to calculate the district-wide land value uplift to be captured annually, and capitalized land values of individual district properties to allocate the annual uplift among property owners. The 2-step method seems to work well in a simulation model; nevertheless, it is a work in progress, described in a working paper.

In support of Oregon House Bill 3178, Bill Batt sent a letter on March 2, 2011 to the Honorable Legislators of Oregon as follows:

“HB 3178, the proposed bill to finance public transit services by what is typically called “value capture” has been brought to my attention. I have long been a supporter of such fiscal devices and have done an empirical study of its feasibility and merits myself.

“Capturing the wealth stemming from capital investments is attractive from both efficiency and moral standpoints. From the standpoint of economic efficiency, value capture constitutes a closed loop; the added wealth to locations arising from development is returned to pay for it. The arrangement is morally principled because it recaptures from locations wealth that otherwise becomes simply windfall gains to fortunately situated landowners. Better this means of paying for investments than through measures that tax the earned income of the community’s citizens.

“Public investment in community services, both of a material and intangible nature, raises the value of locations where they are provided, particularly where they can be clearly demarcated. The beneficiaries of transportation services are among the easiest to identify and delineate. It is typically possible to track the patterns of transit users by their places of residence or employment. Less possible but still verifiable are the patterns of traffic on motorways as they relate to particular improvements. It becomes manifestly clear that the market value of land sites relates directly to the presence of such services equally as much as it does to users.

“Unless such plans are poorly conceived and become the fabled “roads to nowhere,” such ventures typically have returns greater than their investment cost. It is these programs that increase the value of community wealth, as much as, and often more than, that which returns to private parties. The grounding of this idea has its roots originally in the thinking of 19th century economist Henry George, but its validity has more recently been demonstrated in the work of our contemporary economists, William Vickrey and Joseph Stiglitz. It has now become part of the mainstream canon of economic thought known as the “Henry George Theorem.” Its claims are most easily validated today by empirical studies employing computers that were unavailable to its originators a century ago.

Value capture studies make clear that recapture of the wealth generated by infrastructure investment is the most financially suitable and politically acceptable means of public support. If it is explained well to the constituencies involved, it should not be a difficult program to introduce to the citizenry. “I urge you to look at the attached study I did a decade ago as well as a recently republished book by Gilbert (continued on page 16)