LCRT Lowcountry Rapid Transit

BCDCOG BERKELEY-CHARLESTON-DORCHESTER COUNCIL OF GOVERNMENTS

Value Capture Toolkit

April 2021

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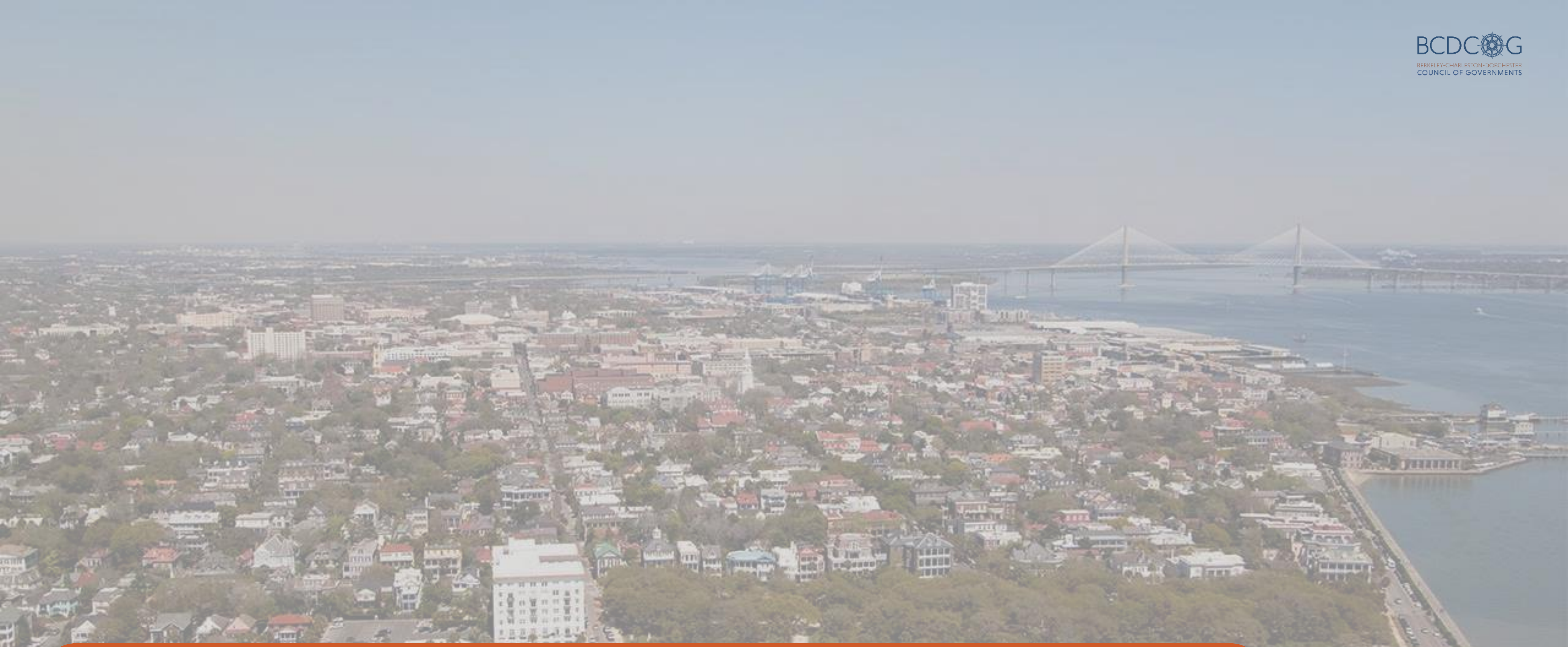

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Overview

LCRT INTRODUCTION | DEFINING VALUE CAPTURE | VALUE CAPTURE SOURCES

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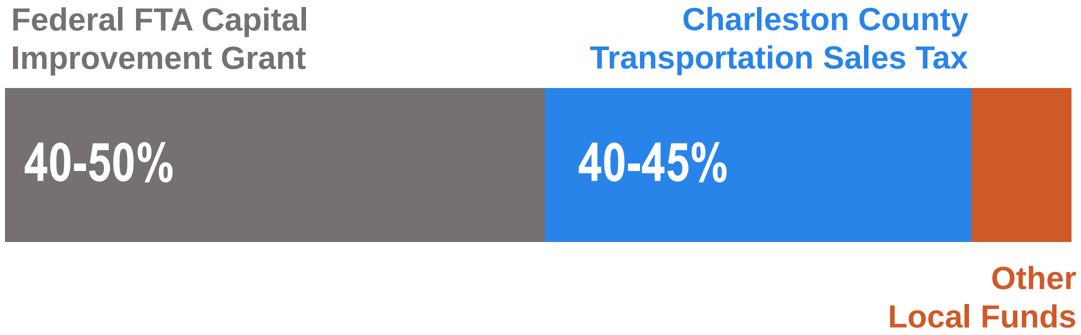
LCRT Project Introduction

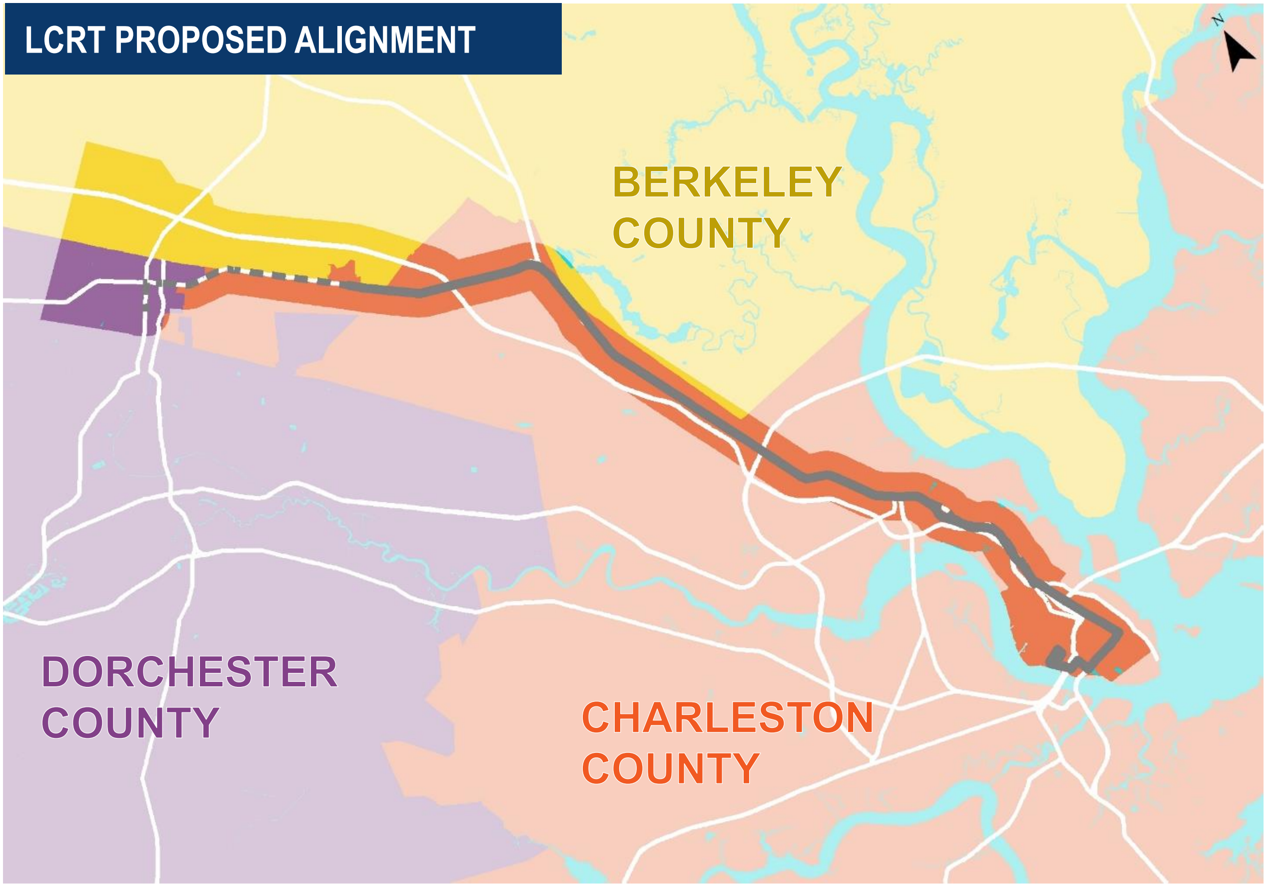
LCRT is an opportunity to transform the BCD region with a new best-in-class transit improvement

The Berkeley-Charleston-Dorchester (BCD) Region has embarked on a series of studies to evaluate the feasibility of a new transit line to improve regional connectivity. The BCDCOG is now preparing an FTA Capital Improvements Grant (CIG) application to fund the Lowcountry Rapid Transit (LCRT), a best-in-class bus rapid transit (BRT) system. The LCRT would improve access to jobs throughout the region while providing significant quality-of-life and built environment enhancements within the communities the LCRT will serve.

As of late 2020, funding for the LCRT is expected to include a combination of federal grants and funds collected from a half-cent sales tax approved by referendum in Charleston County in 2016, along with other federal and local sources as needed.

Estimated LCRT Project Sources:





Source: BCDCOG, HDR, SB Friedman

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LCRT Project Costs

CIG program funds are limited to capital costs directly related to the transit line

If the LCRT secures CIG funding, the funds would be limited to direct capital needs related to the development and operations of the transit line. Funds can be used for construction of the LCRT stations and technology, necessary upgrades to the roadway, intelligent transport systems (ITS), and operations and maintenance facilities.

ITS upgrades to support BRT

Roadway expansions and guideway structures

Stations and bike/ped connections

+ Operations and maintenance facilities

Image Source: HDR

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Value Increase of Transit

Studies have shown that proximity to transit (including BRT) increases nearby property values

Studies have shown that proximity to transit (including BRT) has a direct impact on nearby property values. A study of seven cities around the country [1] revealed that property near transit (within a half-mile radius) had a higher rate of appreciation than property without walkable access to transit. According to the US DOT, when government funds new infrastructure, individuals, commercial businesses and landowners in the area will directly benefit without having directly contributed to the cost of the investment. Value capture tools provide the opportunity to capture some of the value created as a result of new infrastructure. The captured value can be used to support the capital or operating expenses associated with the transit investment or can be reinvested back into the community to fund additional projects.

WITHIN A HALF-MILE OF TRANSIT:

RESIDENTIAL MEDIAN SALE PRICE INCREASE:

+4-24%

MULTIFAMILY RENT INCREASE:

+2-14%

OFFICE MEDIAN SALE PRICE PER SQUARE FOOT INCREASE:

+5-42%

[1] Cities include Boston, MA; Eugene, OR; Hartford, CT; Los Angeles, CA; Minneapolis-St. Paul, MN; Phoenix, AZ; and Seattle; WA. Transit analyzed includes rapid rail, commuter rail, and BRT. Eugene and Hartford are the two BRT-only samples.

Source: American Public Transit Association, National Association of Realtors, “The Real Estate Mantra - Locate Near Public Transportation” October 2019, US DOT

The Role of Value Capture

Value capture is a mechanism to tap the new real estate value driven by public realm investments

Value capture is a set of mechanisms and funding tools that work by capturing additional revenues from the catalytic impact of public investment, such as transit. As an example - after a public improvement is put in place, nearby property values increase, resulting in additional property tax revenues. Value capture mechanisms are designed to leverage this increase in value and invest it back into the communities, spurring additional public and private investment. Value capture sources can be used not only to fund the transit improvement itself, but also for a variety of uses such as housing, public spaces, streetscape improvements or multimodal infrastructure improvements.

VALUE CAPTURE PROCESS:

INVEST IN PUBLIC TRANSIT

INCREASE NEARBY VALUE

CAPTURE NEW VALUE & REINVEST

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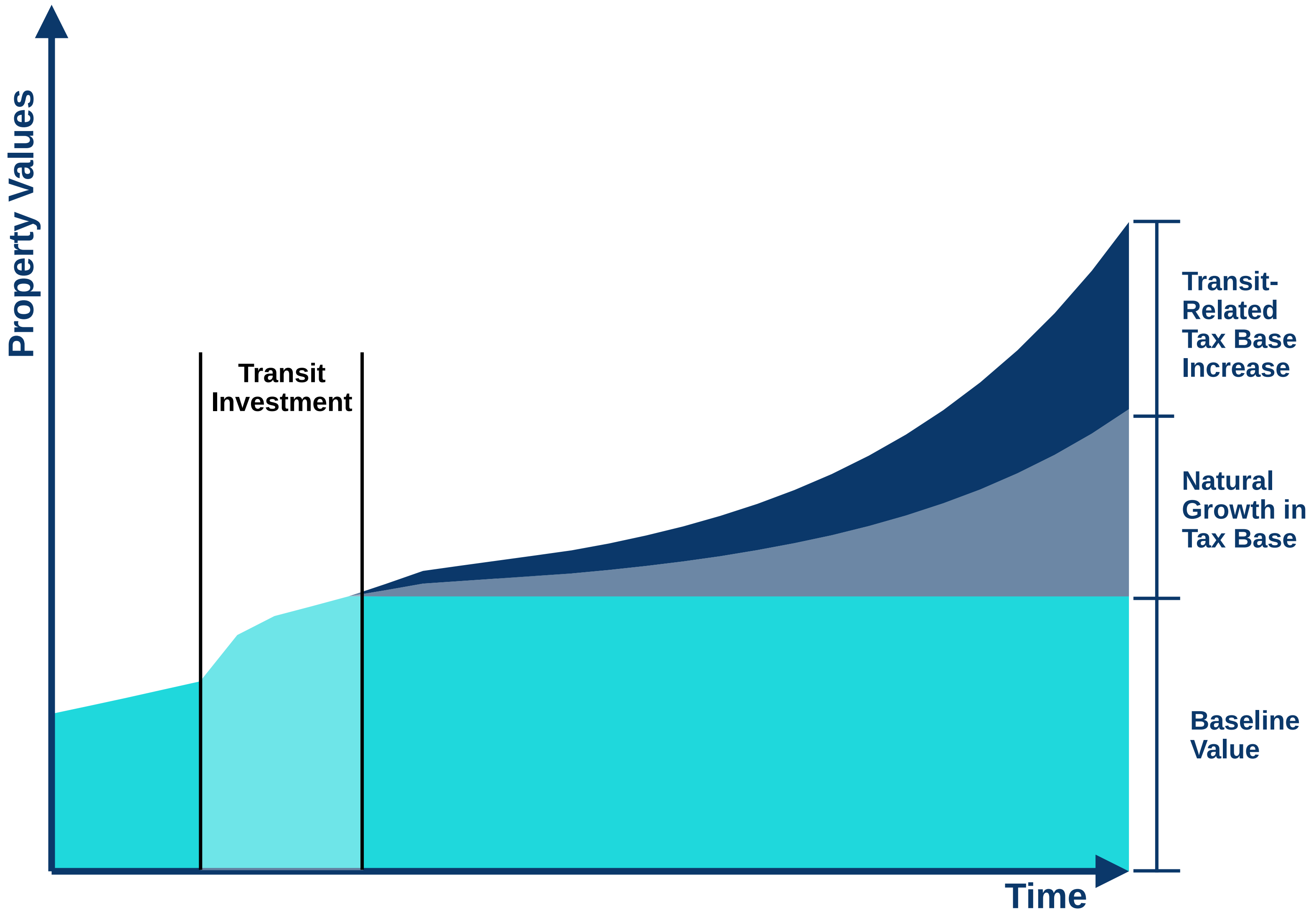
How Value Capture Works

Value capture capitalizes on future value generated from public investment

Prior to the implementation of a value capture mechanism, the local jurisdiction collects a baseline level of revenues generated from existing taxes. With significant public improvements or private investment, such as LCRT, it is expected that these improvements will generate an increase in property values over time. This increase can be in part attributed to transit investment.

The future increment generated can then be used to pay for additional improvements if captured by a value capture mechanism in place prior to the increase.



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Value Capture Benefits

Leveraging value capture can improve the user experience by improving public realm quality

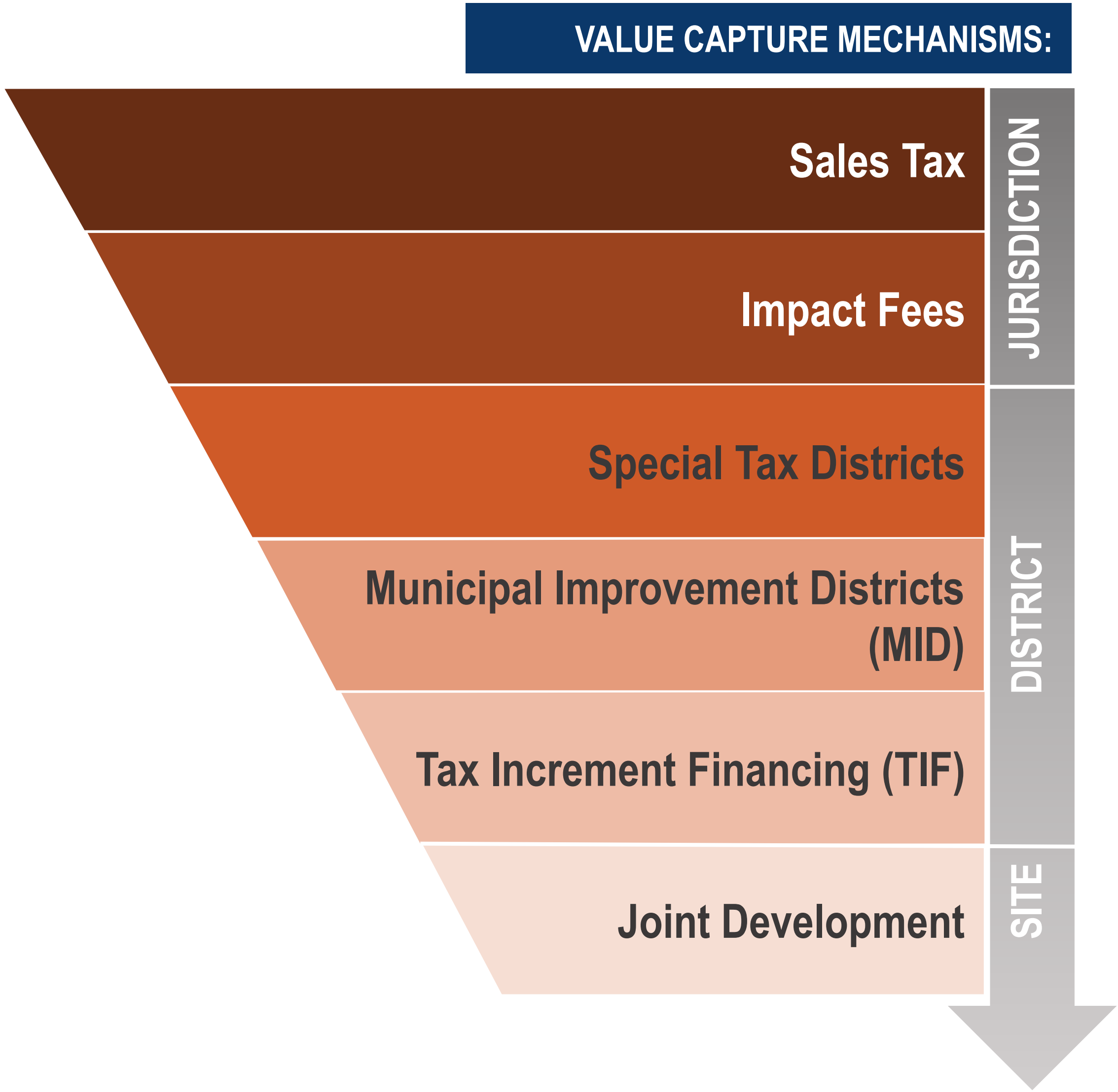
Value capture mechanisms can be used to fund a variety of enhancements along the proposed LCRT alignment, beyond the transit improvement itself. Value capture can be used to support transit-oriented development, affordable housing, additional public realm improvements or multimodal infrastructure paths. These additional investments can be mutually beneficial with the LCRT by increasing transit ridership, improving the quality of life for residents, and enhancing the public realm.

Image Source: Renaissance Planning Group

Lowcountry Rapid Transit

Typical Value Capture Mechanisms

A wide array of value capture mechanisms could benefit the LCRT



The BCD Region can leverage a toolbox of possible strategies to fund additional public improvements outside of the CIG program or fill any potential LCRT project gap.

Value capture sources can be deployed at different geographies and require different levels of public participation.

Some sources, such as **Sales Taxes** and **Impact Fees**, are broad-based and implemented at the jurisdictional level (county or municipality). **Special Tax Districts**, **Municipal Improvement Districts (MID)**, and **Tax Increment Financing (TIF)** are generally considered district- or neighborhood-level tools. Finally, value capture can also be site-specific through **Joint Development**.

Evaluation of Potential Value Capture Sources

There are multiple criteria to consider when deciding between value capture mechanisms

In this report each potential value capture source is characterized using the following criteria:

REGULATORY CHANGE REQUIRED

- Is the tool currently allowed under state or local legislature?
- Are state or local changes required to enable the tool or to use it for public transit improvements?

No regulatory change required | Zoning change required | Legislative update required

USAGE OF FUNDS

- Are there restrictions around the use of funds generated by the tool?
- Can funds only be used for certain purposes and/or in certain geographic areas?

Transit infrastructure | Transit-oriented development | Streetscape and public realm | Multimodal infrastructure | Affordable housing

APPROVAL PROCESS

- Does implementation require potentially challenging public approvals, such as a referendum?
- Is there capacity to carry out sufficient public engagement?

No public approval required | Public engagement required | Referendum required

ORDER OF MAGNITUDE

- How much money can the tool generate under existing legislation?
- Does the amount of funds justify the level of effort required to enact?

Low revenue generating potential | Mid-level revenue generating potential | High revenue generating potential

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Value Capture Sources

SALES TAX | IMPACT FEES | SPECIAL TAX DISTRICTS | MID | TIF | JOINT DEVELOPMENT

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Sales Tax

Sales taxes allow for broad-based revenue generation, but require public referendum

LCRT EVALUATION

No regulatory change required

Transit infrastructure

Referendum required

$$$ High revenue generating potential

AT A GLANCE:

WHO PAYS UPFRONT:

COUNTY

WHO GENERATES REVENUE:

RETAIL CONSUMERS

WHO BEARS THE RISK:

COUNTY

SOURCE OF FUNDS:

SUPPLEMENTAL SALES TAX RATE

TOOL OVERVIEW

Sales taxes are imposed on the sale of goods and certain services. South Carolina legislature allows for counties to levy additional sales taxes via public referendum to fund specific public improvements. Revenues are collected and distributed at the county level. Sales taxes are one of the most common forms of revenues for transit agencies.

KEY CONSIDERATIONS

- The Sales Tax burden is split between residents and visitors
- Most sales taxes are not noticeable enough to change customer behavior
- Sales taxes are dependent upon economic growth and will decline during economic downturns
- Sales taxes are seen by many as inequitable because of their regressive structure that places a higher burden on low-income residents

IMPLEMENTATION

- County governing body conducts a referendum on the question of implementing an additional sales tax levy within the County area
- Referendum may be approved with a simple majority, but gathering sufficient public support can often become a major implementation hurdle

Source: State of South Carolina Legislature

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Sales Tax

Sales taxes have been levied at the county level to fund transportation improvements

LCRT EVALUATION

No regulatory change required

Transit infrastructure

Referendum required

High revenue generating potential

CASE STUDY: BCD REGION TRANSPORTATION SALES TAXES (TST)

South Carolina allows for multiple optional sales taxes at the county level with a maximum rate of **1%** for each additional tax. Optional sales taxes currently include:

- Local Option Sales Tax (LOST)
- Capital Projects Sales Tax
- School District Sales Tax
- Transportation Sales Tax (TST)
- Education Capital Improvements Sales Tax

Charleston County is leveraging the transportation sales tax to help fund LCRT. A dedicated amount of collections from the 2016 referendum are being directed to LCRT. In 2016, Charleston County voters approved an additional half-cent Transportation Sales Tax increase with a share of the revenues set aside for LCRT improvements within the County. Charleston County's half-cent TST's expire in 2029 and 2041, respectively.

Berkeley and Dorchester both have existing TSTs in place as well. While a portion of the Charleston County TST is being used to fund transit, the Berkeley and Dorchester County TSTs are primarily used to fund roadway improvements and will expire in 2021 and 2030, respectively.

A TST set-aside in Dorchester County could be an effective way to fund LCRT Phase 2. For Phase 1, a TST set-aside in Berkeley County is challenged by the limited geographic overlap of the proposed LCRT alignment. Due to the limited overlap, the LCRT would only directly benefit a small portion of Berkeley residents and would be difficult to include in a countywide referendum.

Sales Tax in Place as of 06/2020: 6.0% South Carolina base tax plus:

County	LOST	Capital Projects	School District	Transportation Sales Tax	Edu. Cap. Improvement
	Up to 1.0%	Up to 1.0%	Up to 1.0%	Up to 1.0%	Up to 1.0%
Berkeley	**1.0%**	-	-	**1.0%**	-
Charleston	**1.0%**	-	-	**1.0%** (two 0.5% taxes)	**1.0%**
Dorchester	-	-	-	**1.0%**	-

Transportation Sales Tax Detail:

County	Date Passed	Duration	Amount to be Collected
Berkeley	2014	7 years (or until total is collected)	$230M
Charleston	2004 (first 1/2 cent)	25 years (or until total is collected)	$1.3B
	2016 (addt. 1/2 cent)	25 years (or until total is collected)	$2.1B
Dorchester	2005	25 years	$125M

Source: Charleston County, South Carolina Department of Revenues

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Impact Fees

Impact fees are designed to offset the cost of public improvements required by new development

LCRT EVALUATION

Legislative update required

Multiple uses

No public approval required

Low-level revenue generating potential

AT A GLANCE:

WHO PAYS UPFRONT:

MUNICIPALITY/COUNTY

WHO GENERATES REVENUE:

PRIVATE DEVELOPERS

WHO BEARS THE RISK:

N/A [1]

SOURCE OF FUNDS:

FEES ON PRIVATE DEVELOPMENT

TOOL OVERVIEW

Impact fees are upfront financial payments imposed as a condition of development approval to pay for a proportionate share of the cost of system improvements needed to serve future users of the development. The impact fees must reasonably relate to the proportionate share of the cost of the system improvements as outlined in the municipality's long-range plan or capital improvements plan.

KEY CONSIDERATIONS

- A rational nexus needs to exist between the fee and service, fees cannot be charged for improvements above and beyond current infrastructure service levels
- Impact fees are negatively viewed by developers
- Only works in relatively strong markets; collections are dependent upon new development
- The impact fee pay-as-you-go (PAYGO) structure is not well-suited for upfront financing

IMPLEMENTATION

- Municipality/county publishes long-range plan or capital improvements plan to assess current public infrastructure service delivery standards
- Municipality/county conducts impact fee study, then drafts and adopts an impact fee ordinance

[1] There is no upfront or long-term risk if the improvement is structured as pay-as-you-go

Source: Stantec, State of South Carolina Legislature

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Impact Fees

In South Carolina, legislative change may be required to use impact fees for public transit

LCRT EVALUATION

Legislative update required

Multiple uses

No public approval required

Low-level revenue generating potential

CASE STUDY: SOUTH CAROLINA IMPACT FEES

South Carolina grants municipalities and counties the ability to collect impact fees on new development to fund any necessary expansion of existing public infrastructure. Impact fees are typically a one-time upfront payment made during the entitlement process, paid by the developer to the local government as a condition of development approval. This arrangement is intended to ensure developers pay a 'fair share' of the infrastructure cost burden triggered by the development.

Fees can be spent on a variety of public infrastructure and improvements categorized as "public facilities," including roadways and transportation, utilities, stormwater, police and fire protection, and parks.

To date, twelve jurisdictions in South Carolina have enacted impact fee ordinances, including Berkeley and Dorchester counties and the municipalities of Charleston, Summerville, Goose Creek, and Mount Pleasant.

South Carolina legislature **does not** specifically include public transit, multimodal infrastructure, and affordable housing as eligible costs. However impact fees may be used for public infrastructure to support these projects, which could include roads, bridges, and rights-of-way. To fund these transit projects directly, however, a legislative change may be required.

Impact fees have been used nationally to fund improvements to support transit infrastructure and may be able to in South Carolina with a more expansive definition of 'public facilities.'

SOUTH CAROLINA IMPACT FEE ELIGIBLE COSTS

- Water supply production and treatment;
- Wastewater collection and treatment;
- Solid waste and recycling facilities;
- Roads, streets and bridges, including rights-of-way and traffic signals;
- Storm water infrastructure;
- Public safety facilities, including law enforcement, fire, emergency medical and rescue, and street lighting;
- Capital equipment and vehicles (exceeding $100,000 in value);
- Parks, libraries, and recreational facilities; and
- Public education facilities for grades K-12.

Source: Post and Courier, Stantec, State of South Carolina Legislature, Town of Mount Pleasant

Impact Fees

In Atlanta impact fees have been used to fund multimodal infrastructure

LCRT EVALUATION

- Legislative update required
- Multiple uses
- No public approval required
- Low-level revenue generating potential

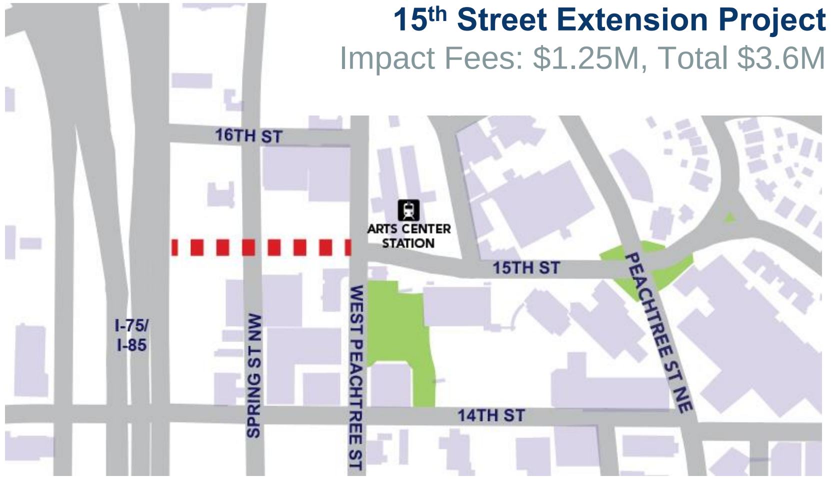
CASE STUDY: ATLANTA 15TH STREET EXTENSION PROJECT

Impact fees have been used to fund a significant portion of a soon-to-be completed multimodal infrastructure project in Midtown Atlanta. The 15th Street Extension Project involves the extension of 15th Street by two blocks to relieve traffic congestion and provide enhanced pedestrian and bicycle access to the Arts Center MARTA heavy rail station. The extension includes sidewalk-level bicycle lanes that connect to the area's existing bike lane network and run parallel to widened sidewalks and planting/furniture zones. The dedicated bike route encourages the use of bicycles and scooters to access other modes of transit.

Georgia impact fee law authorizes the use of impact fees for the project. $1.25M in City of Atlanta impact fees have been allocated to fund 35% of the project's $3.6M in total cost. Other sources include the Georgia Department of Transportation and local funds from the Midtown Improvement District. Construction is expected to begin in the second half of 2021.

15th Street Extension Project

Impact Fees: $1.25M, Total $3.6M



Source: FHWA Center for Innovative Finance Support, Midtown Alliance

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Special Tax Districts

Residents can approve special tax districts to fund additional services not otherwise provided

LCRT EVALUATION

- No regulatory change required
- Multiple uses
- Public engagement and referendum required
- Mid-level revenue generating potential

AT A GLANCE:

WHO PAYS UPFRONT:

MUNICIPALITY OR DEVELOPER

WHO GENERATES REVENUE:

PROPERTY OWNERS

WHO BEARS THE RISK:

PROPERTY OWNERS

SOURCE OF FUNDS:

SUPPLEMENTAL PROPERTY TAX RATE

TOOL OVERVIEW

County and municipal home rule governments in South Carolina are authorized to create **Special Tax Districts** to fund district-specific government services and operations. Special district taxes are additional taxes levied on property owners to fund specific improvements within the area. Additionally, in South Carolina, county councils can directly designate a special tax district in unincorporated areas provided that the area comprises the entire unincorporated area of the county.

KEY CONSIDERATIONS

- Support is unlikely for improvements that have no significant benefit to property owners. May be more likely to obtain support for operations and maintenance of public realm in station areas.
- Tax is additive to current assessment tax, tool does not require taxable value growth unlike other increment-based mechanisms such as TIF
- Not well suited for economically challenged areas where an additional tax burden would further financially challenge taxpayers

IMPLEMENTATION

The special tax district must be approved by existing property owners through one of two public processes:

1. By petition of at least 75% of the resident freeholders who own at least 75% of the assessed valuation of property to be included in the district; or
2. By petition of at least 15% of the voters residing within the proposed special tax district, followed by a referendum within the proposed district approved by a majority of voters voting in the referendum.

Source: Howell Linkous & Nettles, State of South Carolina Legislature, South Carolina Association of Counties

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Special Tax Districts

Using Special Tax Districts to fund transit has become increasingly common over the last 10 years

LCRT EVALUATION

- No regulatory change required
- Multiple uses
- Public engagement and referendum required
- Mid-level revenue generating potential

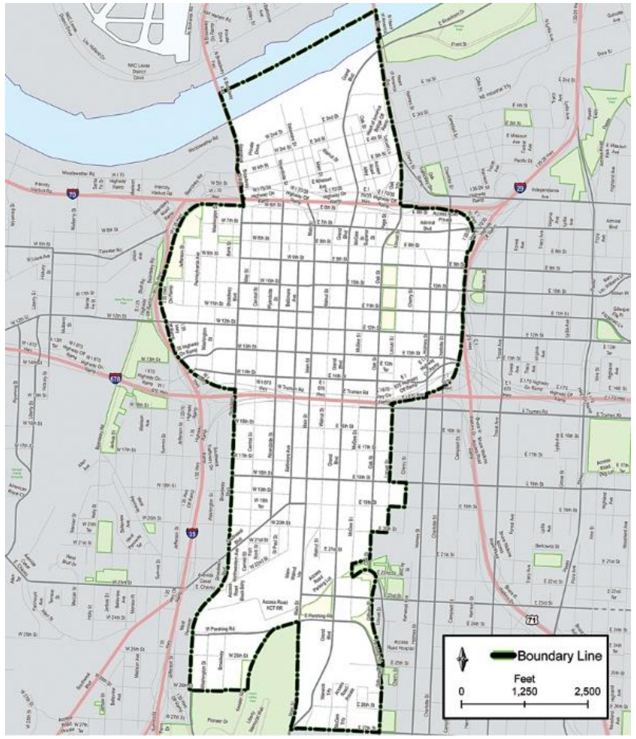
CASE STUDY: KANSAS CITY, MO STREETCAR TRANSPORTATION DEVELOPMENT DISTRICT (TDD)

While South Carolina state legislature allows for special tax districts to be used to pay for transportation investments, this use is uncommon in practice. However, there are national examples of special tax districts deployed to fund transit. Special assessments are most optimal in strong markets that can support additional taxes in exchange for additional public amenities.

Notably, a new special tax district was used to fund a significant portion of the Kansas City Streetcar, which began operations in 2016. In 2012, property owners voted to approve the formation of the Kansas City Streetcar Transportation Development District (TDD), which, in addition to a 1-cent sales tax levy on sales within the district, also levied an additional tax on commercial, residential, exempt, and city-owned property to pay for streetcar capital funding and ongoing operations. Since the opening of the initial line in 2016, voters have approved an expansion of the TDD to fund a second phase of the streetcar system.

Other cities and regions including Atlanta (GA), the Dulles Corridor (VA), Tampa (FL), Portland (OR), Seattle (WA), San Francisco (CA), and Montgomery County (MD) have all used special tax assessments to fund streetcars over the last decade.

Kansas City Streetcar
TDD: $63M, Total $102M



Voters within the Kansas City Streetcar TDD approved its formation in 2012

Source: Kansas City Business Journal, Kansas City Regional Transit Alliance, U.S. DOT

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Municipal Improvement District (MID)

MIDs levy special assessments on property within a district to finance public improvements

LCRT EVALUATION

No regulatory change required

Multiple uses

Public engagement and referendum required

$$ Mid-level revenue generating potential

AT A GLANCE:

WHO PAYS UPFRONT:

MUNICIPALITY

WHO GENERATES REVENUE:

FUTURE PROPERTY OWNERS

WHO BEARS THE RISK:

BONDHOLDERS

SOURCE OF FUNDS:

SUPPLEMENTAL PROPERTY TAX ASSESSMENT

TOOL OVERVIEW

A **Municipal Improvement District (MID)** is a special assessment that can be imposed on property to fund public improvements within a district. Assessments are levied proportional to the total costs of improvements to be funded through a bond issuance. South Carolina has different MID statutes for county and municipal governments, but all limit improvements to those publicly owned, which can include public facilities; pedestrian, transit, and road improvements; stormwater infrastructure; and related land acquisition. MID bonds be used to finance both the capital and operating expenses of these improvements. The law also allows for the use of MIDs to fund affordable housing. MIDs do not allow for the funding of privately-owned improvements or privately-held public services.

KEY CONSIDERATIONS

- Assessments are levied proportionate to the required improvements and the assessment can change annually based on repayment requirements
- Due to property owner consent requirements, MIDs are well-suited for cases with either few owners or where there is significant buy-in related to the public improvement.

IMPLEMENTATION

- Draft eligibility study and improvement plan to be passed by municipality

Municipal Improvement District (MID):

- County statutes: Requires consent of 66% of all property owners within district
- Municipal statutes: Requires consent of 50% of all property owners within district

Residential Improvement District (RID):

- County and municipal statutes: Requires consent of all property owners within district

Source: Howell Linkous & Nettles, State of South Carolina Legislature

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Municipal Improvement District (MID)

MIDs have been used throughout the state to finance public infrastructure

LCRT EVALUATION

No regulatory change required

Multiple uses

Public engagement and referendum required

Mid-level revenue generating potential

CASE STUDY: SOUTH CAROLINA MUNICIPAL IMPROVEMENT DISTRICTS

Throughout South Carolina, MIDs have been established to fund public infrastructure improvements to benefit existing and future property owners. In most cases, special assessments fund a portion of the improvements through the issuance of bonds. Due to referendum requirements, MIDs in South Carolina have more commonly been used to finance public infrastructure for large, single site master-planned developments under single ownership.

In Rock Hill, SC, the **Riverwalk MID** was established to fund a significant amount of public infrastructure as part of the master development of the Riverwalk community. The Riverwalk MID was created within an existing TIF district such that the annual special assessment was used both to finance public improvements such as parks and recreation facilities and as revenue to support the debt service on the TIF bonds to pay for larger public infrastructure improvements such as roadways and sewers. In addition to the tax increment bonds, special assessments are expected to generate revenue to support $29M in MID bonds for the project.

In 2001, the Town Council of Mount Pleasant approved the **Patriots Point Improvement District** to implement a series of improvements including the widening and redesigning of Patriots Point Boulevard, sidewalk and pedestrian improvements, and stormwater infrastructure. Special assessments, mostly from existing commercial property owners in the district, generated $3.6M of the estimated $5.1M cost, the remainder was contributed by Mount Pleasant.

A MID could be an effective solution for funding transit improvements and public infrastructure within a number of the master-planned developments proposed along the LCRT alignment, such as Magnolia or Laurel Island. MID revenues could be used to fund station infrastructure, multimodal paths, other public realm improvements, or affordable housing within these developments.

Patriots Point Improvement District
MID: $3.6M, Total: $5.1M

Riverwalk
MID: $29M

Source: City of Rock Hill, Government Finance Review, Livingston v. Town of Mount Pleasant

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Tax Incremental Financing (TIF)

South Carolina enacted TIF for municipalities in 1984 and extended it to counties in 1999

LCRT EVALUATION

No regulatory change required

Multiple uses

Public engagement required

Mid-level revenue generating potential

AT A GLANCE:

WHO PAYS UPFRONT:

VARIES (MUNICIPALITY OR PRIVATE DEVELOPER)

WHO GENERATES REVENUE:

PROPERTY OWNERS

WHO BEARS THE RISK:

MUNICIPALITY & PRIVATE DEVELOPERS

SOURCE OF FUNDS:

PROPERTY TAX

TOOL OVERVIEW

Tax Increment Financing (TIF) is a mechanism that uses increases in real estate values and property taxes to pay for new infrastructure improvements and other forms of direct public assistance. TIFs require the designation of a geographic district where incremental property taxes are collected and subsequently spent. After a TIF is identified and adopted by the local legislature, the amount of property taxes within the district becomes the **"base assessed value"** and is frozen for the life of the TIF.

As property taxes within the TIF district increase over time, any taxes collected based on assessed value growth over the base assessed value (known as the **"increment"**) are allocated to the TIF fund until the TIF district expires. TIF funds can be spent on public improvements, typically either as grants distributed directly to non-profit entities or bonds leveraged by a public entity to fund a public project. To bond against TIF revenues, the transit agency may require credit enhancements, such as the pledging of farebox revenues, the purchase of a credit-risk premium, or other sources of revenue.

KEY CONSIDERATIONS

- Best suited in areas with low current assessed value and high potential for expected future growth

IMPLEMENTATION

- Draft TIF eligibility study and redevelopment plan must be passed by municipality. The eligibility study must demonstrate that a district contains the presence of certain physical factors that are contributing to the area's decline
- In South Carolina, there are different eligibility requirements for "blighted areas," "conservation areas" and "sprawl areas"

Source: CDFA, Good Jobs First, State of South Carolina Legislature, U.S. DOT

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Tax Incremental Financing (TIF)

14 current known TIF districts in the BCD Region mostly fund infrastructure and stormwater improvements

LCRT EVALUATION

No regulatory change required

Multiple uses

Public engagement required

Mid-level revenue generating potential

CASE STUDY: BCD REGION EXISTING TIF DISTRICTS

JURISDICTION	TIF NAME	START YEAR
City of Charleston	King Street Gateway	1993
	Waterfront Park	1995
	Magnolia	2000
	Cooper River Bridge	2007
	Horizon	2008
	West Ashley	2016
	Church Creek Drainage	2019
City of North Charleston	City Center	1991/1996
	Charleston Naval Complex	1996
	Noisette	2001
	Ingleside	2011
Dorchester County/Town of Summerville	Oakbrook	2020
Berkeley County	Goose Creek	1996
	Hanahan	1998

Source: City of Charleston, City of North Charleston, City of North Charleston 2015 Comprehensive Plan Review, City of Charleston, Dorchester County, Ingleside, The Post and Courier, Town of Summerville

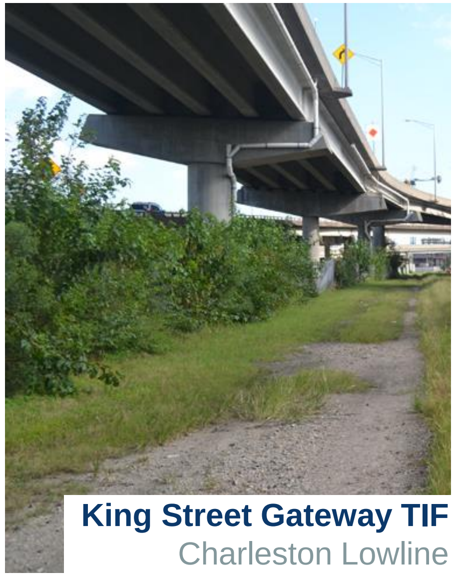
As of 2020, there are 14 current TIF districts in the BCD Region. TIFs have been designated at both the municipal and the county levels.

While there is significant precedent for the use of TIFs in the BCD Region, their ongoing viability has been challenged by feasibility and implementation concerns.

In the **City of Charleston**, a significant portion of the downtown is within an existing TIF district, and these districts have directed a sizable percentage of the downtown taxable value away from the City's core taxing agencies. Any new TIF district is likely to face political opposition until existing districts expire. In recent years, the use of TIF in the City of Charleston has shifted away from economic development towards the exclusive funding of flooding mitigation. The most recent TIF in the City of Charleston, the Church Creek Drainage TIF, only received sufficient political support because it will be used to alleviate flooding issues in the West Ashley neighborhood.

In **North Charleston**, there is precedent for the use of TIF districts in the 1990's to fund large public improvements such as the Charleston Area Convention Center, but many areas in North Charleston have limited property value growth that limits the viability of TIF.

The only recent precedent of the use of TIF for economic development is in the Town of **Summerville**, where the City and Dorchester County recently implemented a TIF district in anticipation of significant growth and redevelopment of the Oakbrook neighborhood to the southeast of downtown.



King Street Gateway TIF
Charleston Lowline

Ingleside TIF
Master-planned community

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Tax Incremental Financing (TIF)

National case studies have used TIF funding to finance a significant portion of project costs

LCRT EVALUATION	No regulatory change required	Multiple uses	Public engagement required	Mid-level revenue generating potential

CASE STUDY: TIF FOR TRANSIT INFRASTRUCTURE

Though there is limited historic use of TIF funds in the BCD region to fund transit improvements, TIF has been used extensively throughout the country for this purpose, and TIF funds often represent a significant portion of a project's overall capital stack.

For example, in Milwaukee, $59M in TIF funds were used to fund almost half of the $128M total cost of Phase 1 of the Milwaukee Streetcar project. In Denver, $155M in TIF proceeds were allocated to the rehabilitation and expansion of Denver's Union Station as a hub for its light rail and regional rail systems. A significant portion of the costs of the West Lake Corridor commuter rail expansion in Lake County, IN are also to be funded using TIF.

In the BCD region, a new TIF district could be designated to provide a funding source to support public improvements beyond what can be included within the CIG program. For example, a TIF can finance the development of a transit center and/or transit stops at specific locations along the alignment, along with any additional roadway or pedestrian infrastructure improvements that may be required. Complications may arise in areas along the LCRT alignment where there are overlapping jurisdictions.

West Lake Corridor Extension (Indiana)
TIF: $327M, Total $933M

Denver Union Station
Sales Tax: $145M, TIF: $155M, Total: $500M

Milwaukee Streetcar Phase 1
TIF: $59M, Total: $128M

Source: U.S. DOT

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Tax Incremental Financing (TIF)

Transit TIFs provide additional flexibility to fund transit improvements

LCRT EVALUATION	No regulatory change required	Multiple uses	Public engagement required	Mid-level revenue generating potential

CASE STUDY: CHICAGO CTA RED PURPLE MODERNIZATION TRANSIT TIF

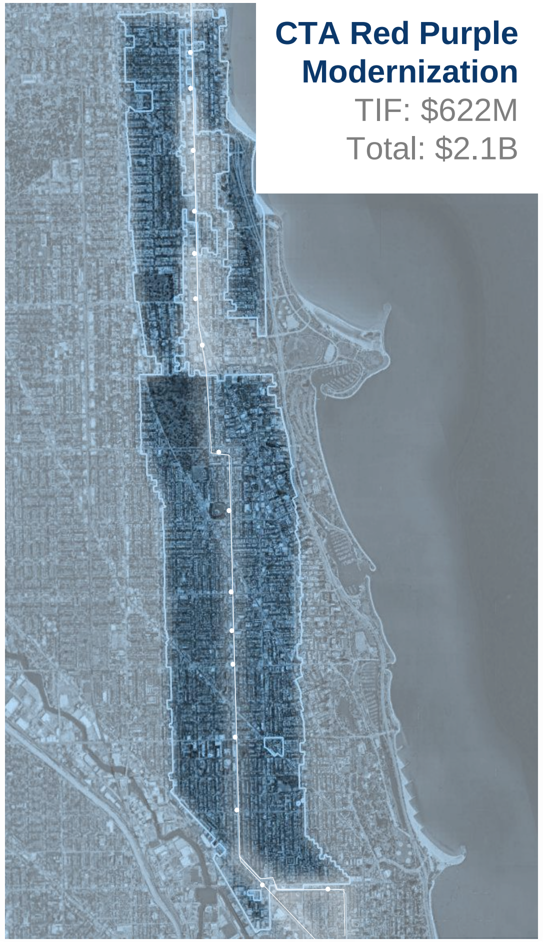
Though currently not allowed by South Carolina Law, **Transit TIFs** are a type of TIF that can be specifically deployed to fund transit improvements. Unlike traditional TIFs, Transit TIFs have less stringent eligibility requirements, but there are more requirements on the eligible project costs - which can only include costs associated with specific transit improvements.

Transit TIFs are still uncommon and have only recently been used in Illinois, one of the first states to enact Transit TIF legislation.

The $2.1B Chicago Transit Authority (CTA) Red Purple Modernization project on the North Side of Chicago is the first significant use of a Transit TIF. Numerous obstacles existed that prohibited the City from establishing a traditional TIF in the area that required transit improvements, including the presence of multiple existing TIFs and the lack of traditional TIF blighted eligibility criteria. The state legislature approved a legislative change in 2016 that permitted a new type of TIF, the Transit Facility Improvement Area (TFIA). TFIA's differ from traditional TIFs in that;

- The TIF duration was extended from 23 to 35 years
- TFIA eligibility does not require "blighted area" designation
- Instead of having the entire tax increment flow into the TIF, school districts continue to receive their entire proportional share of the increment generated. The remainder is split between the transit improvement (80%) and other taxing districts (20%).

Similar legislative changes would be required in South Carolina to establish a transit TIF within the BCD region. Such a legislative change would greatly enhance the value generating potential of the LCRT line. However, the benefits of a transit TIF would still be limited by the presence of existing TIFs.



Source: SB Friedman, U.S. DOT

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Joint Development

Joint development leverages public land to fulfill public goals and objectives

LCRT EVALUATION

- No regulatory change required
- Multiple uses
- No public approval required
- Low revenue generating potential

AT A GLANCE:

WHO PAYS UPFRONT:

PUBLIC SPONSOR AND PRIVATE DEVELOPER

WHO GENERATES REVENUE:

PUBLIC SPONSOR AND PRIVATE DEVELOPER

WHO BEARS THE RISK:

PUBLIC SPONSOR AND PRIVATE DEVELOPER

SOURCE OF FUNDS:

PUBLIC SPONSOR'S ASSETS & PRIVATE DEVELOPER

TOOL OVERVIEW

Joint development as it relates to transit is a strategic partnership between the public and private sectors to maximize the utility and value of the transit system and adjacent real estate. Joint developments are coordinated between a public agency and a private developer. Public agencies can use publicly-owned land to require private developers who are interested in the site meet specific objectives through development. Objectives could include increased density, integration with an adjacent transit line, or other public purposes.

KEY CONSIDERATIONS

- Requires identification of potential public sponsor entities (municipality, transit agency, etc.) and tolerance for risk
- Ability to carry out joint development depends on administrative capacity

IMPLEMENTATION TYPOLOGIES

Public entities interested in joint development may either issue a developer request for proposals (RFP/Q) or directly negotiate the transaction with a particular developer. Joint developments typically fall into one of the following three categories:

Ground/Air Rights Sale	• Public sale of land to developer • No public ownership stake in private development • Public entity receives one-time proceeds	LOW RISK / LOW CONTROL
Ground/Air Rights Lease	• Public coordinates a long-term land lease to a developer (45+ years) • Continued public ownership stake on land/air rights • Public receives ongoing lease revenue stream	
Joint Venture w/ Equity Participation	• Public directly contributes land or equity to project • Public retains an ownership stake in land and private development • Ongoing equity distributions from operations and at sale go to the public entity	HIGH RISK / HIGH CONTROL

Source: UNC School of Government, U.S. DOT

L C R T | Lowcountry Rapid Transit

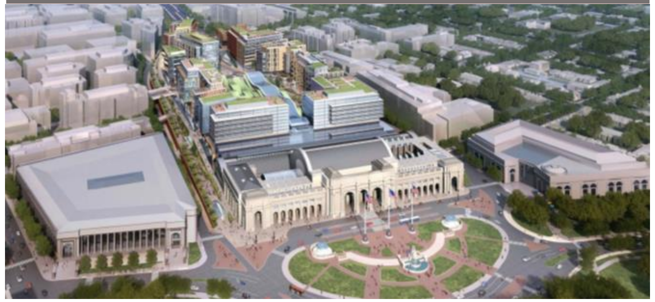
Joint Development

Joint development can help to achieve larger planning or economic development goals

LCRT EVALUATION

- No regulatory change required
- Multiple uses
- No public approval required
- Low revenue generating potential

CASE STUDY: JOINT DEVELOPMENT FOR TRANSIT

	Ground/Air Rights Lease	Joint Venture	Ground/Air Rights Sale
	ONE CANAL Boston, MA	**NEW CARROLLTON TOD** New Carrollton, MD	**BURNHAM PLACE** Washington, DC
			
Project Status	Complete	Under Construction	Proposed
Planning Processes & Unlocking the Market Potential	▪ Development sites identified through planning processes ▪ Plans & zoning overlays provide guidance to private market	▪ TOD planning efforts triggered developer solicitation ▪ Public entity found development partner for joint development	▪ No formal plan existed prior to disposition ▪ Developer pursued planning efforts with public entities and stakeholders
Deal Structure / Revenue	▪ 99-Yr Air Rights & Ground Lease ▪ One-time payment of $13M	▪ 98-Yr Phased Ground Leases ▪ Revenue from Operations and Proceeds from Capital Events (~$44M)	▪ Air Rights Sale $10M
Use of Revenue	MBTA maintenance and operations	Structured parking, bus facilities, and pedestrian walkways	Amtrak operations
Developer Solicitation	RFP / Negotiated Transaction	RFQ / Negotiated Transaction	Public Auction

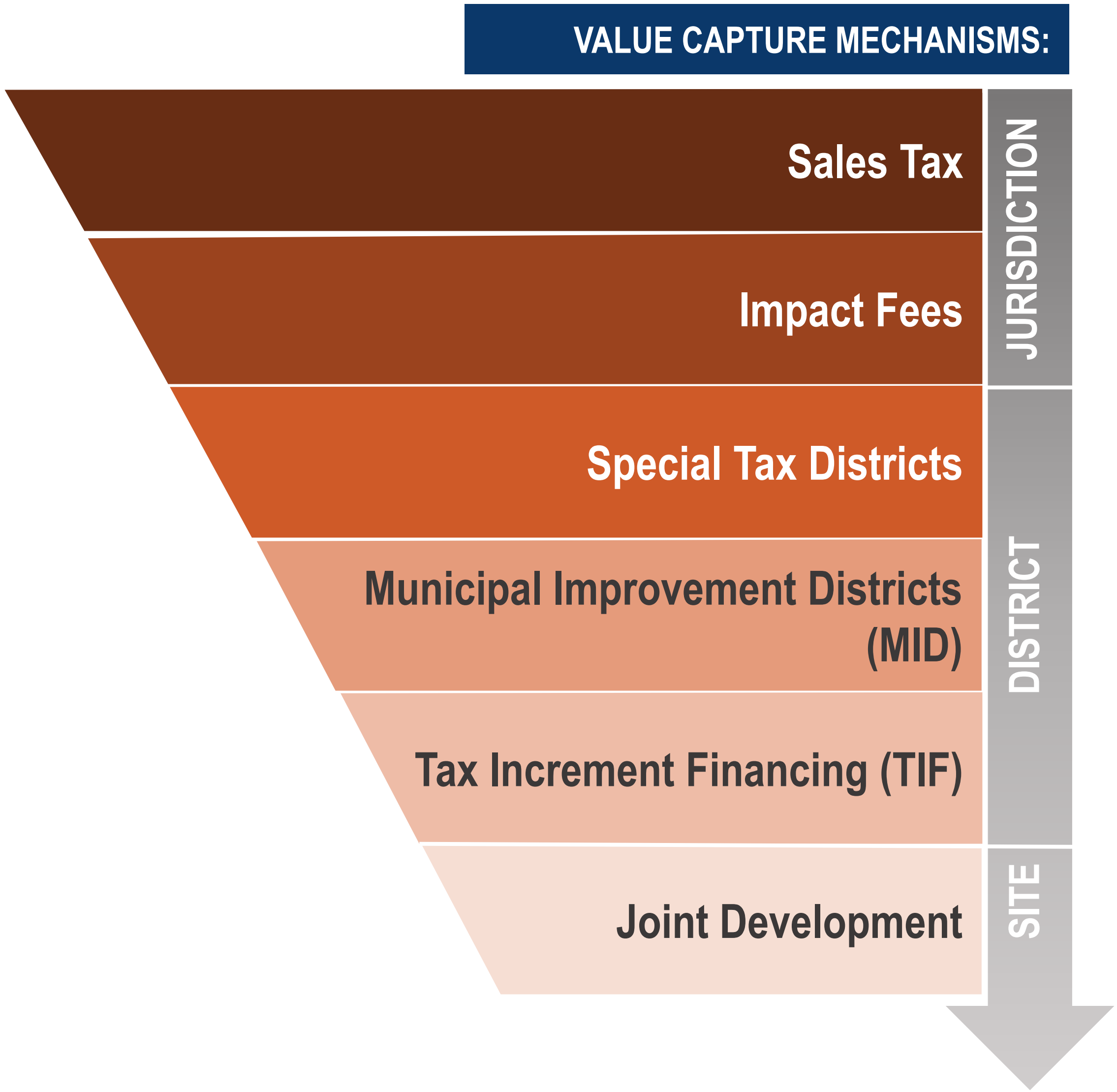
Source: SB Friedman, U.S. DOT

LCRT Value Capture Opportunities

TAKEAWAYS | IMPLEMENTATION SCENARIOS

Conclusions

Proactive planning is required now to identify how and where value capture can be leveraged for LCRT



Six potential value capture mechanisms have been identified to fund transit-related infrastructure improvements based on local and national precedent. However, proactive planning is required now to identify which value capture mechanisms are most feasible and most appropriate for the different planning and development goals of LCRT.

SPATIAL CONSIDERATIONS AND TIMING

Because value capture mechanisms are all geared toward different geographies and have different timing constraints, the public goals are critical to identifying the appropriate mechanism.

RELEVANT PUBLIC ENTITIES

Except for joint development opportunities on COG-owned land, BCDCOG has no direct implementation ability. Close coordination with counties, municipalities, neighborhoods, and individual property owners will be required to identify plausible value capture solutions along the LCRT.

CAPITAL IMPROVEMENT GRANTS (CIG) SCORING CRITERIA

CIG scoring criteria require that there is a concrete framework in place to demonstrate progress towards implementing value capture mechanisms, even if implementation is anticipated to be longer-term. Potential sources should be narrowed down early on based on feasibility and relevance so that they can be pursued further with station area-specific development goals in mind.

Key Considerations by Mechanism

	Overall Considerations	EVALUATION METRICS: Allowed Under Existing Legislature	Usage of Funds	Approval Process	Order of Magnitude
Transportation Sales Tax	Significant source of revenue, when available. Requires substantial public buy-in to broad-ranging capital improvement projects. Transportation sales tax referendums have failed in the absence of effective public engagement. No additional source of TST in BCD Region until current TSTs expire.	No regulatory change required	Transit infrastructure	Referendum required	$$$
Impact Fee	Relatively limited source from both a use and scale of funds perspective. Difficult tool to leverage in depressed markets.	Legislative update required	Transit infrastructure, Streetscape and public realm, Multimodal infrastructure, Affordable housing	No public approval required	$
Special Tax Districts	Flexible tool but requires substantial public approval; better-suited for improvements that serve a narrow geography and have a measurable benefit to property owners, such as public realm improvements and ongoing maintenance & operations.	No regulatory change required	Transit infrastructure, Streetscape and public realm, Multimodal infrastructure	Referendum required	$$
Municipal Improvement District (MID)	Flexible tool but requires substantial public approval; better-suited for improvements that serve a narrow geography. More frequently used in BCD Region in context of master-planned communities under single ownership.	No regulatory change required	Transit infrastructure, Transit-oriented development, Streetscape and public realm, Multimodal infrastructure, Affordable housing	Referendum required	$$
Tax Increment Financing (TIF)	Supports targeted investments, but without state changes that could allow a transit TIF, implementation in Charleston and North Charleston is challenged by lack of political support. Also not suited to areas with limited growth in property value.	No regulatory change required	Transit infrastructure, Transit-oriented development, Streetscape and public realm, Multimodal infrastructure, Affordable housing	Public engagement required	$$
Joint Development	Only value capture mechanism that the BCDCOG can directly control; requires BCDCOG owned land with market potential and coordination with a private entity.	No regulatory change required	Transit infrastructure, Transit-oriented development, Streetscape and public realm, Multimodal infrastructure, Affordable housing	No public approval required	$

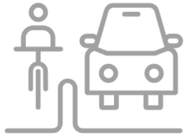
No regulatory change required | Legislative update required | Transit infrastructure | Transit-oriented development | Streetscape and public realm | Multimodal infrastructure | Affordable housing | No public approval required | Public engagement required | Referendum required

Value Capture Opportunities along the LCRT

Value capture mechanisms can be used to fund initiatives outside of the LCRT project budget

Value capture mechanisms can be used to advance public priorities that are not met through the LCRT itself. Throughout the LCRT planning process, a number of public investment priorities have materialized that are not and/or could not be included within the LCRT project budget while still retaining competitive project scoring for the CIG application. Four primary objectives include the creation and preservation of affordable housing, bike and pedestrian bridge improvements not already included in the LCRT budget to provide connectivity over existing rail lines, and structured parking to unlock higher-density development opportunities. Our recommended value capture solutions differ by objective, as will be discussed in greater detail on the following pages.

DIRECT-LCRT OPPORTUNITIES:



BIKE-PED INFRASTRUCTURE

PEDESTRIAN BRIDGES

Tax Increment Financing (TIF) and **Special Tax Districts** can leverage nearby property values to generate new revenues to support public infrastructure projects with the goal of increasing access to transit and supporting additional ridership. Use of either mechanism depends on the market strength and growth potential of the area.

EXPANDED-LCRT OPPORTUNITIES:

AFFORDABLE HOUSING

Joint Development can leverage publicly-owned land near future transit stations to ensure that current and future Lowcountry residents of all incomes have access to transit, jobs, and other regional opportunities through new affordable housing. **TIF** can be leveraged to provide a source of funds to prioritize and support its construction and preservation.

STRUCTURED PARKING

Public entities can leverage publicly owned sites to build parking garages through **Joint Development** agreements which can facilitate both park-and-ride lots or shared municipal garages to unlock higher density development along the LCRT alignment. Construction of structured parking can be subsidized through **TIF.**

LCRT Lowcountry Rapid Transit

Example 1 – Pedestrian/Bike Improvements

Value capture can finance infrastructure to connect communities to proposed station locations

Purpose & Need

Much of the LCRT runs adjacent to a rail line or highway which can complicate pedestrian and bicycle connectivity. Particularly in North Charleston, pedestrian bridges could be appropriate near proposed stations to provide access from existing neighborhoods to the LCRT.

Potential Locations

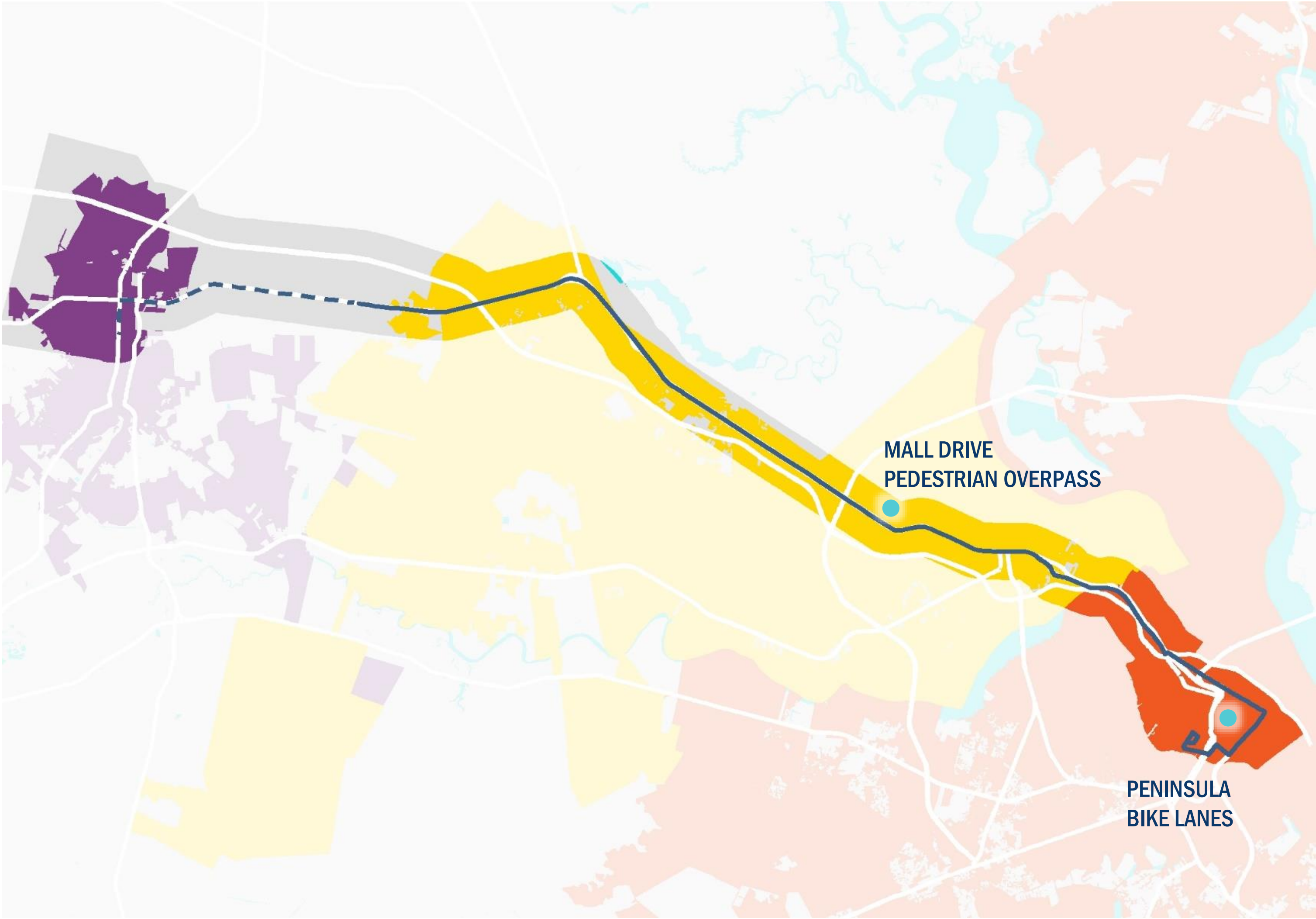
Multiple station locations near the Neck area could benefit from pedestrian bridges including the Stromboli and Mall Drive station areas. In each instance, the LCRT provides access to one side of the rail line. Constructing optimally located pedestrian bridges would provide access to the LCRT from both sides of the rail and increase the number of households within a walkable distance.

There are also opportunities to improve bicycle connectivity both within, and into, the Peninsula.

Potential Value Capture Solutions

Value capture solutions for a standalone pedestrian bridge capital investment could include any of the following:

- **TIF:** TIF could be a good solution for areas which are already experiencing growth.
- **Special Tax Districts:** An additional district-based property tax increase to fund pedestrian improvements would be appropriate for master-planned areas experiencing growth, not recommended for economically distressed neighborhoods.



LCRT Lowcountry Rapid Transit

Example 2 – Affordable Housing

Value capture can provide gap financing for new affordable housing near transit stops

Purpose & Need

Affordable housing is a priority across the BCD region, but particularly along the LCRT. Affordable housing along the transit line would also reduce the cost of transportation for residents and provide access to jobs throughout the corridor.

Potential Locations

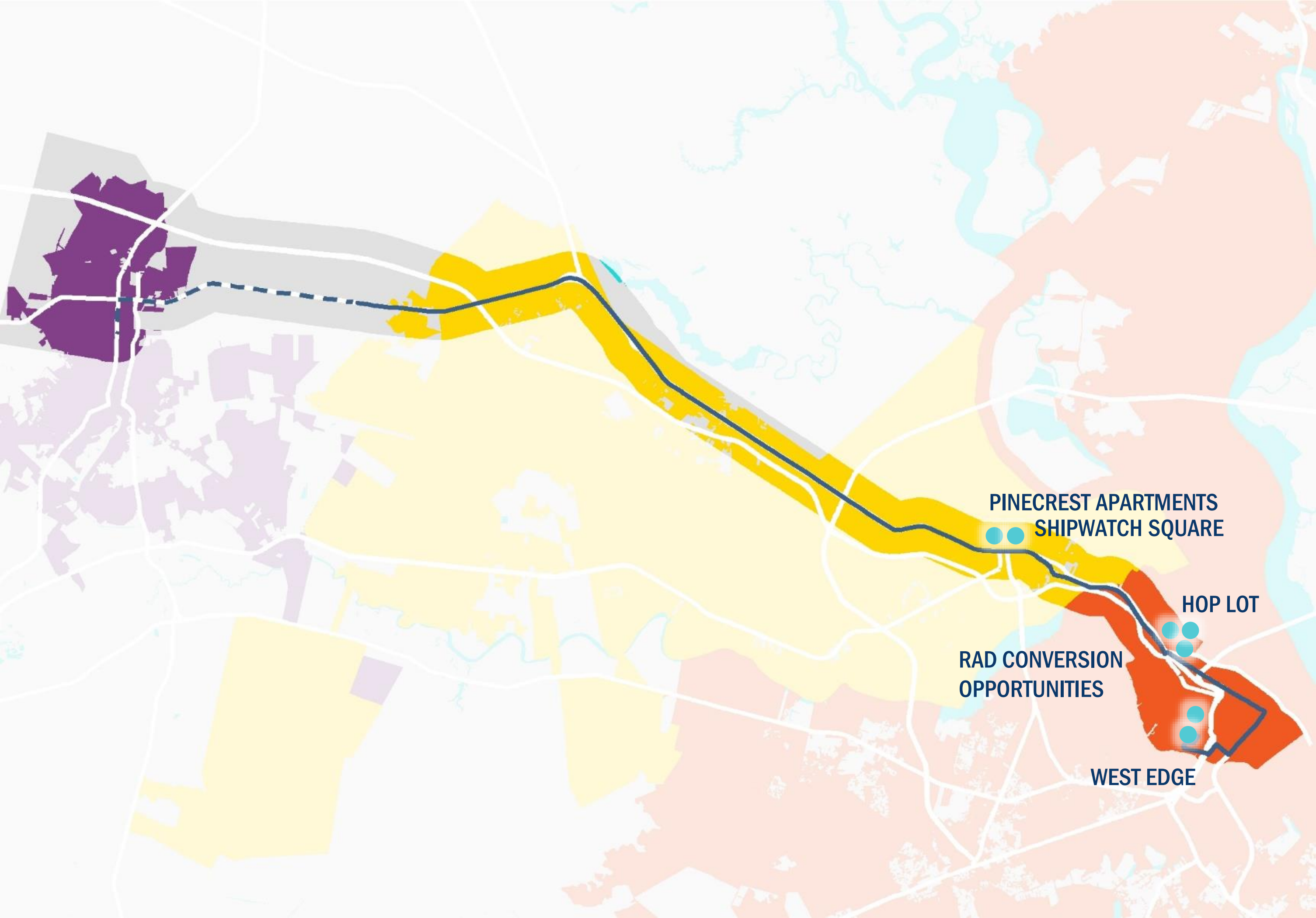
Affordable housing could be built throughout the corridor, but there are several existing nodes of particular interest:

- BCDCOG property currently used as the HOP Park & Ride Lot
- West Edge
- Future Rental Assistance Demonstration (RAD) Public Housing conversion sites
- Shipwatch Square station area

Potential Value Capture Solutions

Most affordable housing is funded primarily through federal sources, including Low-Income Housing Tax Credits. The remaining project gap could be funded with any of the following mechanisms:

- **Joint development:** Public entity leverages public land to allow for a mixed-income project, ideal for HOP lot, RAD conversions, etc.
- **TIF:** Public entity develops TIF district(s) along LCRT and prioritizes affordable housing construction or rehabilitation
- **In-lieu Fees:** Density bonuses currently exist in portions of Charleston. In-lieu affordable housing fees could be increased to closer match the cost of affordable housing construction.



Example 3 – Structured Parking

Subsidizing structured parking supports new park-and-ride locations and denser development

Purpose & Need

Structured parking could have multiple benefits along the corridor: (1) parking decks can serve as a park-and-ride location to increase accessibility to the LCRT and (2) support dense development by constructing a parking garage to reduce the need for private parking.

Potential Locations

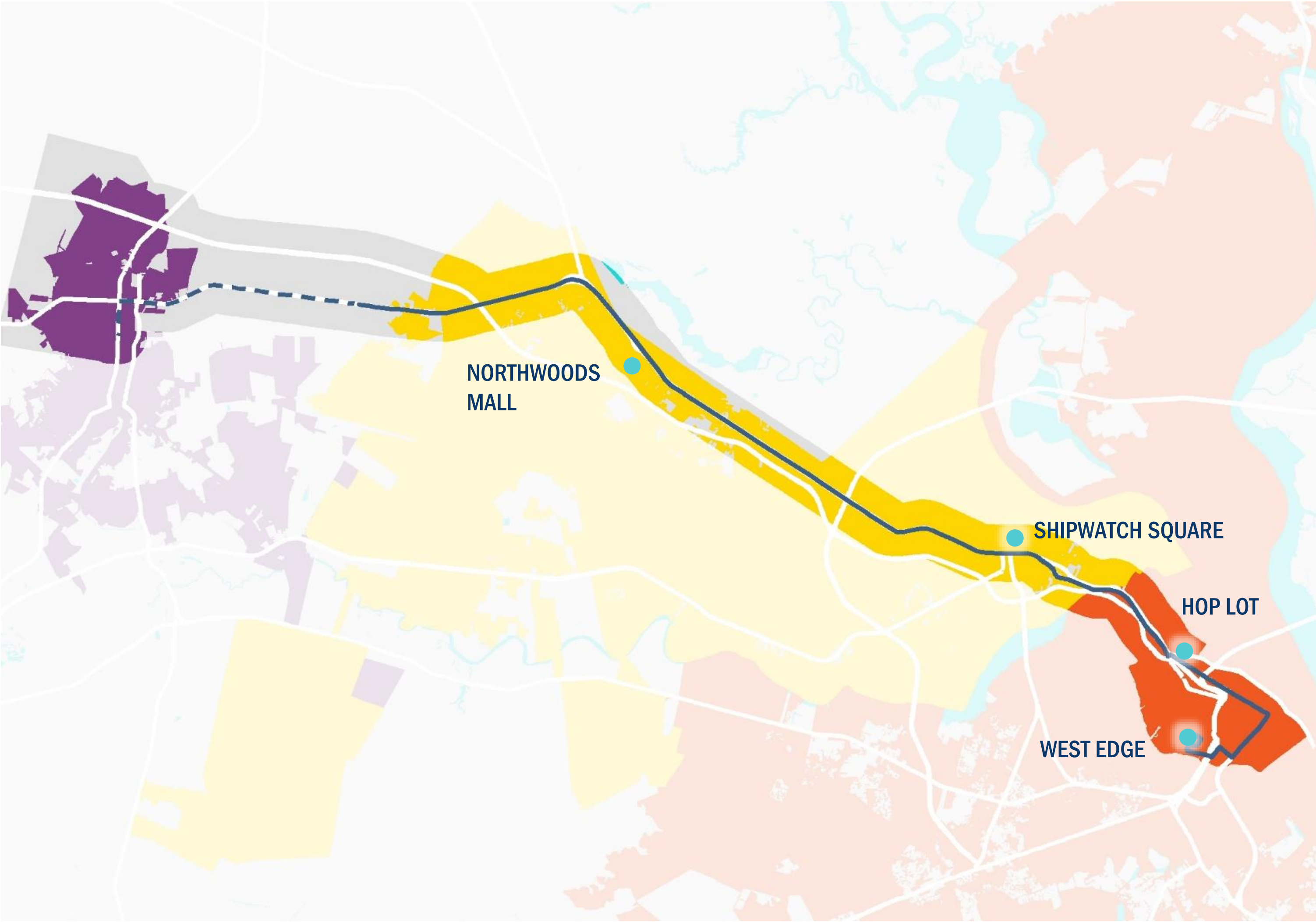
Station areas with centrally located development opportunity sites are ideal candidates for municipal involvement in structured parking. Station areas could include:

- Shipwatch Square station area – publicly owned land available to redevelop
- Northwoods Mall - significant redevelopment opportunity and adjacency to an I-26 interchange on Ashley Phosphate
- HOP lot- parking structure could support denser development and future park-and-ride facility
- WestEdge – opportunity to integrate the LCRT route into a new parking structure

Potential Value Capture Solutions

Funding for structured parking could come from any of the following sources:

- **Joint Development:** Land is used to structure a deal which achieves public goals;
- **TIF:** Construct a public parking structure near a high-opportunity redevelopment site such as Northwoods Mall to reduce parking requirements.



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Limitations of Our Engagement

Our report is based on estimates, assumptions and other information developed from research of the market, knowledge of the industry and meetings during which we obtained certain information. The sources of information and bases of the estimates and assumptions are stated in the report. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the report or to reflect events or conditions which occur subsequent to the date of the report. These events or conditions include without limitation economic growth trends, governmental actions, additional competitive developments, interest rates and other market factors. However, we are available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Our deliverables are intended solely for your information, for purposes of understanding current and possible future housing conditions and considering new municipal policies to address unmet housing needs. The report should not be relied upon by any other person, firm or corporation, or for any other purposes. Neither the report nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan, or other agreement or document without our prior written consent.

We acknowledge that upon submission to the BCDCOG, the report may become a public document within the meaning of the Freedom of Information Act. Nothing in these limitations is intended to block the disclosure of the documents under such Act.

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