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**VALUE CAPTURE PROGRAMMING TO SUPPORT A  
REGIONALLY SIGNIFICANT TRANSIT PROJECT FOR THE  
BERKELEY-CHARLESTON-DORCHESTER COUNCIL OF  
GOVERNMENTS (BCDCOG)**

**Committee:**

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BERKELEY-CHARLESTON-DORCHESTER COUNCIL OF  
GOVERNMENTS (BCDCOG)**

**by**

**Nathaniel James Waggoner, B.A.**

**Report**

Presented to the Faculty of the Graduate School of  
The University of Texas at Austin  
in Partial Fulfillment  
of the Requirements  
for the Degree of

**Master of Science in Community and Regional Planning**

**The University of Texas at Austin**

**May 2011**

## **Dedication**

This report is dedicated to the Soldiers of Charlie Company, 1<sup>st</sup> Battalion 26<sup>th</sup> Infantry who endeavored to bring critical services and infrastructure to the people of Adhamiyah, Iraq from August 2006 to October 2007 and to my wife, Haley Waggoner for her continual love and support.

## **Acknowledgements**

I wish to thank the following agencies and individuals for their support and contributions to the project. Any errors remain the author's responsibility.

### Individuals:

- Pete McRae, Vice President, Prevailing Trends Inc.
- Scott Polikov, Principal, Gateway Planning Group

### Academics

- Holley Hewitt Ulbrich, Professor Emerita of Economics at Clemson University and Senior Fellow of the Strom Thurmond Institute

### Corporations

- HNTB Architecture, Engineering, Planning and Construction Services

### South Carolina Local Government Officials

- BCD Council of Governments
- Berkeley County
- Charleston County
- Dorchester County

**Value capture programming to support a regionally significant transit project for the Berkeley-Charleston-Dorchester Council of Governments (BCDCOG)**

Publication No. \_\_\_\_\_

Nathaniel James Waggoner, M.S.C.R.P

The University of Texas at Austin, 2011

Supervisor: Kent Butler

This report outlines five criteria common to successful value capture programs that support transit; 1) predictable need/unmet demand, 2) authority and capacity to achieve policy adoption and implementation, 3) the financial feasibility of the project, 4) the level of concurrent planning that support the project and lastly 5) the projects level of significance.

This report will focus on a logical approach to evaluating the possibility of employing a value capture strategy within the jurisdiction of the Berkeley-Charleston-Dorchester Council of Governments (BCDCOG) using the given criteria. The suggested value capture strategy that emerges from this evaluation recognizes the existing and potential value capture mechanisms that could support a regionally significant transit project if budgeting and select revenues are synergized in the context of the regional plan.

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## **Chapter 1: Introduction**

### **OVERVIEW**

This report provides select national and international examples of value capture schemes that support transit infrastructure in order to highlight the various forms of public and private ventures and note the flexibility of those arrangements. These select examples demonstrate the range of partnership options and allocated risk; ranging from special tax instruments, government land and transit development, joint development, private transit provision with public subsidy and private land donation to facilitate government transit facility improvement. From the value capture examples provided, this report draws out five key components common to all case studies, 1) predictable need/unmet demand, 2) authority and capacity to achieve policy adoption and implementation, 3) the financial feasibility of the project, 4) the level of concurrent planning that support the project and lastly 5) the projects level of significance. The purpose of the report then is to evaluate the opportunity to use value capture on a transportation project of regional significance in the BCD region of South Carolina, in light of the five common criteria.

This report will focus on a logical approach to evaluating the possibility of employing a value capture strategy within the jurisdiction of the Berkeley-Charleston-Dorchester Council of Governments (BCDCOG) using the given criteria. The suggested value capture strategy that emerges from this evaluation recognizes the existing and potential value capture mechanisms that could support a regionally significant transit project if budgeting and select revenues are synergized in the context of the regional plan.

The ability of the BCDCOG Region to realize a vision for sustainable development and growth will require the most efficient harnessing of current fiscal capacity; but it also will require reforms both at the local and state levels for any meaningful plan implementation to be realized. The realization of a bold vision for growth calls for a robust capacity to match directly local tax and fee revenues with the particular investments needed for a sustainable future.

### **KEY CONCEPTS AND IDEAS**

There are many factors shaping the regional fiscal and land use policies provided in this report. Although the foundations for the recommendations are not discussed at length in the body of this document, it is important to acknowledge and understand their origin and utility. Many of the supporting principles and theories are found in academic and professional literature and reflect the state of comprehensive planning profession. Several of the concepts below simply provide background information on the current state of region and are key to understanding the rationale for this report.

- a. The BCDCOG is currently completing *OurRegion OurPlan*, which is the region's first, comprehensive long-term planning effort.
- b. The BCDCOG has experienced increasing population growth in the region, which has resulted in heightened demand for infrastructure demand.
- c. State and local governments are experiencing a growing need to be self-reliant, requiring them to explore local revenue streams.

- d. Transportation investments shape land use and should be planned accordingly.
- e. Land use mixes, densities and intensities all have an influence on residents' travel patterns and behaviors. Therefore, it is important for policy makers, planners and private investment entities to evaluate the effects urban design and form have on commuters.
- f. Observed travel patterns influence the choice and design of public transportation investments.
- g. Smart Growth principles offer the ability to accomplish mutually multiple objectives, often planned as independent goals, through concurrent land use and transportation planning.
- h. The Berkeley-Charleston-Dorchester Council of Government's primary function is regional coordination and is therefore the right entity to organize a focused value capture strategy that can support a regionally significant transit project.

#### **ORGANIZATION OF THE REPORT**

Chapter 2: This chapter provides an overview of the principles of Value Capture, a discussion of the positive impacts to property value adjacent to infrastructure improvements, specifically selected national and international case studies demonstrating the various value capture techniques used to finance transit improvements.

Chapter 3: Chapter 3 presents data gathered from several public documents which reflect the stated growth priorities from constituents within the BCD region across multiple planning entities. Criteria for inclusion and consideration of the stated preferences in this report are based on the outreach demonstrated by the studies themselves. For example, qualitative data included in Chapter Three of this report is taken from the BCDCOG 2005 Long Range Transportation Plan (LRTP) and stated growth objectives from the BCDCOG Sub-Regional Cluster Workshops held in October 2010 (BCDCOG, 2005)(HNTB, 2008). Both the LRTP and Sub-Regional Cluster Workshops gathered input from community outreach efforts.

Chapter 4: The ability of local jurisdictions to promote value capture is embodied in land use and taxing policy statues. This chapter outlines current authority for the three counties in the BCD region as well as a discussion on the factors paramount in achieving policy adoption and implementation.

Chapter 5: This chapter explores the fiscal capacity of the local jurisdictions in the BCD region to support value capture strategies, focusing on the health of the local tax base from a historical perspective as well as an analysis of current tax revenue.

Chapter 6: Future land use and transportation system design are often separate functions of local jurisdictions' long term planning which produce inefficient, separate land uses

and promote reliance on single commuter trips and congested roadways. This section of the report demonstrates the value of concurrent planning.

Chapter 7: This chapter emphasizes the impact value capture programming can have on an entire region and further promotes transit as an opportunity to create that impact when coordinated by a regional entity such as the Berkeley-Charleston-Dorchester Council of Governments.

Chapter 8: Finally, this chapter suggests a project in the BCD region which, if implanted and funded using value capture mechanisms, could further the mutually supportive objectives of increased mobility and economic growth.

## **Chapter 2: Value Capture**

### **INTRODUCTION**

Value capture is a financial model for funding infrastructure improvements that capitalizes on the value added to an area as a result of improvements made to its infrastructure. It recognizes that with each infrastructure investment—most notably transportation—some marginal improvement or marginal decline occurs in the value of the surrounding land and development. The resulting change in value can be attributed to a change in access, improved utilities, aesthetics, or other appreciable aspects. Value fluctuation as a result of transportation improvements typically comes in the form of safety, reliability, access, noise or mobility. When the impact is perceived as positive and there is a resulting (or anticipated) increase in the value of land in the area surrounding the improvement, the added value can be harnessed or “captured” to provide financial support for the improvement itself or for other improvements that need to be made to further support the area or development. Some sort of institutional mechanism for collecting or capturing the added value is also required.

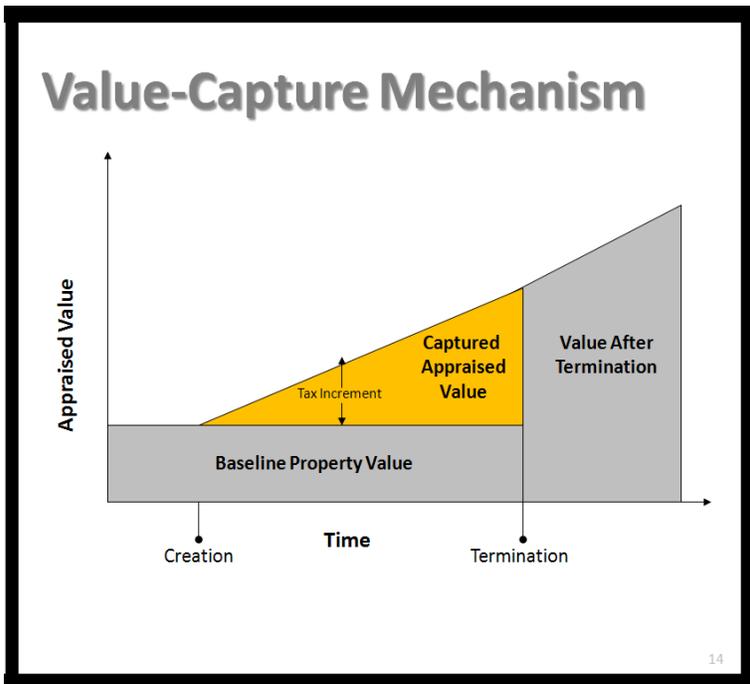


Figure 1-Incremental Value, Innovative Financing Initiative, NCTCOG 2010

The increased tax base that results from the integration of transportation improvements and adjacent induced development can be captured and earmarked or applied to pay for the constructed improvements. Rather than directing the increase in property or sales taxes into the general fund of the municipality or county, jurisdictions can leverage the new base to finance the initial transportation improvement proactively. A third option, which further increases the appreciable value of the area is to reinvest in further capital improvements in the area such as connecting streets and public spaces needed to link the surrounding neighborhoods to the rail station or interchange.

## **HISTORY OF VALUE CAPTURE**

Value capture is gaining popularity in public infrastructure provision and private development interests; however, as a theoretical concept value capture has been discussed in academic circles for more than 200 years. Value capture theories have their origin in public finance theories first introduced in France in the 18th Century (Spengler, 443-445). Within this century, Henry George is credited with his argument that taxing land according to its value instead of labor or capital would be both more just and more economically efficient. In his book, *Progress and Poverty*, Mr. George saw how technological improvements and more importantly, public services positively affected the value of land. His theory concluded that the better the public services, the higher the rent (as more people value that land).

Today, value capture practices are firmly grounded in local governments in the United States and major cities around the world. Empirical evidence abounds as to the potential for positive impacts on property adjacent to transit facilities. Consequently, there are volumes of professional reports examining the practice of value capture.

<u>Land Use</u>	<u>Range of Property Value Premium</u>	
Single Family Residential	+2% w/in 200 ft of station (San Diego Trolley, 1992)	to +32% w/in 100 ft of station (St. Louis Metrolink Light Rail, 2004)
Condominium	+2% to 18% w/in 2,640 ft of station (San Diego Trolley, 2001)	
Apartment	+0% to 4% w/in 2,640 ft of station (San Diego Trolley, 2001)	to +45% w/in 1,320 ft of station (VTA Light Rail, 2004)
Office	+9% w/in 300 ft of station (Washington Metrolink, 1981)	to +120% w/in 1,320 ft of station (VTA Light Rail, 2004)
Retail	+1% w/in 500 ft of station (BART, 1978)	to +167% w/in 200 ft of station (San Diego Trolley, 2004)

Table 1-Valuation of Property Adjacent to Transit Facilities, Center for Transit Oriented Development, 2008.

This report does not provide a literature review or an analysis of data supporting value creation; however, some of the data presented in related value capture studies is provided in order to demonstrate key components and emphasize critical factors leading to the success of select value capture case studies. The most comprehensive value capture literature review can be found in *The American Journal of Economics and Sociology*, titled, "Financing Transit Systems Through Value Capture" by Jeffrey Smith and Thomas Gihring. The annotated bibliography covers extensively literature on three vital aspects of value capture for transit financing purposes:

- Prospects for cost recovery
- Effects of transit facilities on property values
- Lessons from developing countries

## **VALUE CAPTURE SCHEMES THAT SUPPORT TRANSPORTATION FINANCE**

Local governments in the United States and abroad support transportation infrastructure and services through a number of sources including their general fund. Money allocated from an entity's general fund is justified by a general benefit principle. Yet many governments struggle to define general benefit in a way that satisfies their constituents. Identifying this general benefit is difficult, as it is hard to differentiate the public benefit from the benefits received by individual members of the public. Because of the difficulty in relating the general benefit principle to all members of society, governments choose to raise revenue through direct user charges in the form of gas taxes, vehicle mileage traveled (VMT) charges, vehicle sales taxes or vehicle property taxes, wheelage charges, or tolls, depending on how driving benefits are measured. For transit passengers, the corresponding financial instruments would be fares or permits. These methods of revenue generation or recoupment allow the responsible entities to rationalize the dedication of special revenues for transportation.

Apart from direct users and the general public a third group benefits from transportation service and facilities improvements: adjacent property owners. Both commercial and residential property owners benefit from the advantages of their enhanced location. According to the Center for Transportation Studies Technical Report CTS09-18, the local governments in the United States have adapted the following policies to incorporate the gains to property owners:

- Land-Value Taxes (LVT) (or split-rate property taxes) may be levied to capture the general increase in the price of land due to enhanced accessibility;

- Tax Increment Financing (TIF) may be used because improved transportation facilities will contribute to the growth of property tax within a TIF district;

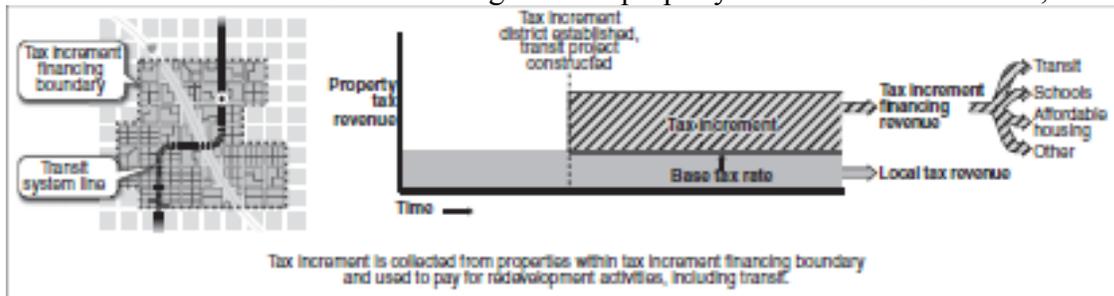


Figure 2- Tax Increment Financing District Example, GAO, 2010

- Special Assessments (SA) may be levied if the direct special benefits for some properties due to transportation improvements exceed those that accrue to the general public, and can be clearly identified and measured within a special assessment district. Special assessment districts are more difficult to establish, and the assessments are more difficult to collect during a weak economy. Property owners in the vicinity of transit may be less likely to voluntarily contribute fees toward a project if they see a decline in their property value. However, there is evidence to suggest that the strong economic conditions that precede a downturn help facilitate implementation of a project that was funded in part by a special assessment district; and

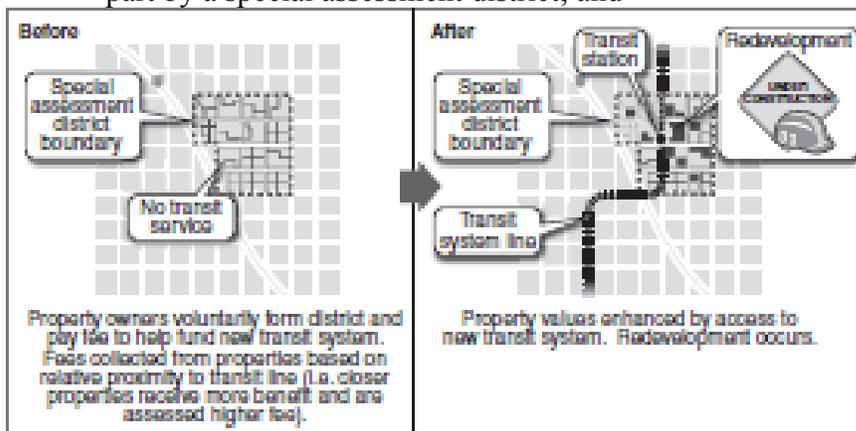


Figure 3-Development Impact fee example, GAO, 2010

- Transportation Utility Fees (TUF) may be collected if the utility of transportation improvements is measured with the proxy of property types or sizes. Others would impact developers:

- Development Impact Fees (DIF) or impact taxes pay for enhanced off-site infrastructure; Negotiated Exactions require developers to forfeit part of their land in exchange for off-site transportation benefits. Revenue raised through development impact fees is directly dependent on new development projects. Because new development generally slows down during a weak economy, development impact fees may yield little or no revenue. Timetables for collecting the total revenue needed to support a transit project will likely be longer than originally expected because of the weak economy and lack of new development.
- Joint Development (JD) involves collaboration with the public sector to simultaneously improve transportation while developing land; or

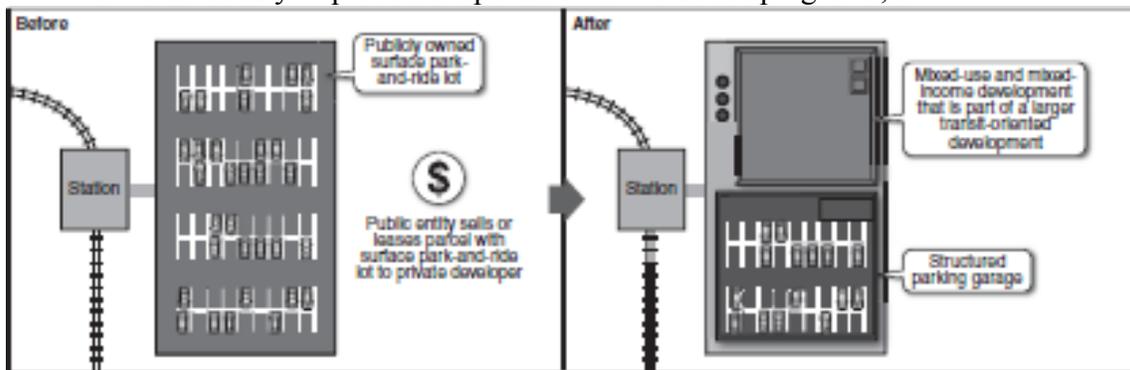


Figure 4-Special Assessment, GAO, 2010

- Air Rights allow development on top of existing or new transportation facilities in exchange for a financial contribution or future additional property and income taxes.

**ALLOCATION OF BENEFITS AND RECOUPMENT OF COSTS**

The first step in forming a value capture program requires the implementing agency to define the set of benefitted users (or area) and the anticipated general benefit. Identifying the users is an important step in value capture mechanisms that support transit because transit services have a dynamic and distributed set of consumers; and several instruments within the framework of value capture can be used to raise revenue directly

from the customer. Adding to the complexity of identifying transit users is the principle that transportation improvements create benefits for the public within the whole jurisdiction. This conclusion emerges from the idea that the enhanced transportation infrastructure may lead to increased economic activity or environmental gains such as reduced air pollution or social equity benefits such as improved job access for working-class people. Even more challenging for an entity employing a value capture program is fully valuing the benefits broadcast by transit improvements. Because the cost of transportation for a contributing entity should be proportional to the benefits received, different instruments of transportation finance may be designed to match different categories of transportation benefits and the different ways in which these benefits are measured. As the table below, constructed by the Center for Transportation Studies shows, the beneficiaries can fall under three broad categories: direct users of transportation, the general public, and property owners within the vicinity of improved transit facilities.

Given that transportation improvements have the ability to create value for numerous stakeholders, employing entities should work to maximize the number of contributors. The value capture policies presented in this report are complimentary and can be combined to ensure that all value recipients are included. However, the combined total value captured cannot exceed the total benefits received. Case studies indicate that most local governments overcome the imbalance by collecting revenue from the direct users of transportation facilities as they receive the bulk of their benefits through the use of improved facilities. This model has an added bonus in that the corresponding special

revenues raised through direct user fees are best suited for ongoing operation and management (O&M) expenses. General revenue funds are also capable of supporting upfront capital, operation and maintenance costs as the growth of the general tax base occurs through the life cycle of a transportation facility. Capital costs can also be borne by property owners as their gains due to transit facility improvements are not realized until completion and utilization. For example, capital costs associated with land acquisition are generally a point of negotiation with property owners.

Transportation utility fees (TUF), however, are more closely related to the daily usage of facilities and therefore may be more suitable for O&M cost recovery or support. It should be noted that any financial instrument can be used for any cost occurring at any time with appropriate planning and use of debt financing instruments. An agency could use ongoing revenue to pay back debt acquired to pay for capital costs, or could charge a one-time fee to fund an annuity to pay for ongoing costs. This is somewhat more complicated than the pay-as-you-go mechanism many jurisdictions prefer to reduce transaction and interest costs, and also disassociates benefits from costs.

Funding Mechanism	Beneficiaries		Measurement of Benefit	Finance Instrument	Cost Type		
					Upfront	Ongoing	
<b>General Revenue</b>	General public		General tax base growth	General fund allocation; property tax; transportation sales tax	●	●	
<b>Value Capture</b>	Restricted non-user beneficiaries	Landowners	Land value growth	Land Value Taxes	●	●	
			Property tax growth	Tax Increment Financing	●		
			Assessed special benefits	Special Assessment	●		
			Transportation utility	Transportation Utility Fees		●	
	Developers	Off-site development opportunities	Development Impact Fees	●			
		Off-site access benefits	Negotiated Exactions	●	●		
		Development privileges	Joint Development	●	●		
		On-site development opportunities	Air Rights	●	●		
	<b>User Fees</b>	Users of transportation facilities	Vehicle operators	Gas consumption	Gas taxes	●	●
				Mileage	Mileage-based charges	●	●
Vehicle units/types				Vehicle sales tax; license tab fee; wheelage charges	●	●	
General access rights			Tolling		●		
Demand-controlled access rights			Congestion pricing		●		
Rights to incur environmental impacts			Transportation environmental taxes/fees		●		
Passengers		Ridership	Fare or permits		●		

Table 2-Value Capture in the General Framework of Transportation Finance, CTS 2009

**VALUE CAPTURE CASE STUDIES THAT SUPPORT TRANSIT**

There are numerous examples of value capture schemes organized to support value capture across the country. The United States Government Accountability Office (GAO) produced a report in July 2010 outlining the federal role in supporting local value capture strategies, “Public Transportation: Federal Role in Value Capture Strategies for Transit is Limited, but Additional Guidance Could Help Clarify Policies.” This report provides an important catalogue of national value capture programs. In addition to

outlining the types of transit programs financed through local efforts, the report also details the different types of revenue collection employed. The table below, provided in the report provides a data summary of select major transit infrastructure projects funded in part using value capture strategies. Although the projects listed in Table 1 below are not explained at length, their level of impact will be explained in chapter seven, level of significance.

(Dollars in millions)

Project name (status)	Value capture strategy(ies)	Amount of revenue generated through use of value capture strategy(ies)	Total project cost	Value capture revenue as a percentage of project costs
Atlanta Beltline (planned)	Tax increment financing	\$1,700	\$2,800	61%
Seattle South Lake Union streetcar (completed)	Special assessment district	\$25	\$53	47%
Portland streetcar (completed)	Tax increment financing and special assessment district	\$41	\$103	40%
San Francisco Transbay Transit Center (in progress)	Tax increment financing and special assessment district	\$1,400	\$4,185	33%
Washington Metro's NY Avenue Station (completed)	Special assessment district	\$25	\$110	23%
Dulles Corridor extension (in progress)	Special assessment districts	\$730	\$5,250	14%
Los Angeles Metro Red Line, Segment One (completed)	Special assessment districts	\$130	\$1,420	9%
Seattle Bus Tunnel (completed)	Special assessment district	\$20	\$500	4%

Table 3- National Use of Value Capture to Support Transit, GAO, 2010

Research completed by Shaun Tooley of the University of Texas in his professional report, *Innovative Transportation Finance: Value Capture Techniques Applied in the State of Texas*, provides additional, smaller transit projects supported by local tax increment financing programs:

1. California – TIF for housing in transit station areas
2. Georgia – TIF used for transit infrastructure (stations) and TOD infrastructure
3. Illinois – TIF used for transit infrastructure (stations)
4. Maryland – TIF used for TOD infrastructure supporting transit (stations, parking garages, streets, sidewalks)
5. Massachusetts – TIF used for housing & TOD infrastructure in transit station areas
6. Minnesota – TIF under development for transit

7. Oregon – TIF for rail infrastructure (streetcar)
8. Pennsylvania – TRID (TIF mechanism) for TOD & transit infrastructure (TRID is new and currently been used for conducting studies but presents the best legislation to replicate).

In addition to Tooley’s case examples, another significant value capture case study lends considerable insight and applicability to the BCDCOG, which is the focus of this study: the new transit line extension from Washington DC to the Dulles International Airport.

### ***Washington, DC- Value Capture with Assessment District***

The following national example of value capture to support transit infrastructure is a model that accomplishes all five common criteria for project success that are discussed at length in the subsequent chapters of this report.

Currently, the Metropolitan Washington Airports Authority (MWAA) is constructing a 23-mile extension of the existing Metrorail system. The extension, which will be operated by the Washington Metropolitan Area Transit Authority, will extend services from east Falls Church to Washington Dulles International Airport and west to Ashburn. The project will provide high-quality, high-capacity transit service in the Dulles Corridor. According to the The Dulles Corridor Project Website,

. . . new Metrorail service in the corridor will result in travel time savings between the corridor and downtown D.C., expand the reach of the existing regional rail system, offer a viable alternative to automobile travel and support future transit-oriented development along the corridor. (The Dulles Corridor Project Website, 2010)

### ***Predicted or Observed Need***

Since its opening in 1962, the Washington Dulles International Airport has provided private and commercial air travel to the nation's capital. Passenger demand was present almost immediately, and in 1964 the Federal Aviation Administration (FAA) published a transit study outlining the need for the airport to reserve the median of the Dulles International Airport Access Highway for a future transit line: *Extension to the Dulles International Airport* (The Dulles Corridor Project Website, 2010).

*Authority and Capacity:*

Major factors contributing to the overall success of the project are enthusiasm and support of both public and private entities within the corridor. According to the The Dulles Corridor Project Website, the Washington Metropolitan Area Transit Authority (WMATA), Metropolitan Washington Airports Authority (MWAA), and Dulles Transit Partners are supported by:

- Virginia Department of Rail and Public Transportation (DRPT).
- The Federal Transit Administration (FTA)
- Federal Aviation Administration (FAA)
- Virginia Department of Transportation (VDOT)
- Fairfax County
- Town of Herndon
- Loudoun County

*Financial Feasibility:*

The project is financed through the application of special assessments and the collection of ad valorem taxes. Phase One funding, estimated to be \$2.6 billion, will come from toll revenues generated by the Dulles Toll Road and from owners of commercial property who have formed a special tax district in Tysons Corner.

Approximately \$900 million is expected to be funded through a Full Funding Grant Agreement issued by the Federal Transit Administration (FTA). At the local level, commercial landowners in the Tysons Corner area of Fairfax County have voluntarily created a special commercial tax district to fund the local share of Phase 1. The commercial tax district has been generating funds for the project. There is a \$400 million cap on the amount that can be raised through the tax district. In addition, the Virginia Transportation Act of 2000 dedicated \$75 million to the project. The remainder of the project will be paid for using revenues generated by tolls on the Dulles Toll Road.

*Concurrent Infrastructure Planning:*

Infrastructure planning began in 1985, with the completion of the Dulles Corridor Transit Development Feasibility Study by the Urban Mass Transit Administration, which is now the Federal Transit Administration. The study examined a number of private sector funding strategies for transit and concluded that a combination of mechanisms could be used to develop funding for a Dulles Corridor rail line. Therefore, the line was determined to be financially feasible. The project is highly synergistic as it combines economic incentives for land development that supports increased density along the transit corridor, which in turn support economic redevelopment in a once blighted area.

*Level of Significance:*

Because of its proximity and service to the nation's capital, the project enjoys an international level of significance.

*Resulting Value:*

Since July 2004, commercial properties in the District have been charged an additional \$0.22 per \$100 of assessed value on top of the base rate of \$1.13. The district is expected to generate up to \$400 million (15% of total) for the construction of the Wiehle Avenue Extension.

## **CONCLUSION**

The principal surrounding value capture (property value increases resulting from service improvements) originated in academic circles more than two centuries ago. Recently, local jurisdictions have incorporated these principles in an effort to address infrastructure needs amid decreasing federal and state funding opportunities. The most common forms of value capture schemes employed to support transportation finance by local governments are land-value taxes (LVT), tax increment financing (TIFs), special assessments (SA), transportation utility fees (TUFs), development impact fees and joint development agreements. Local governments have employed one or a combination of several value capture schemes based on benefits received and proportional cost allocations among participating entities.

The evidence that property values increases resulting from transit improvements is abundant, and there are numerous national examples that demonstrate the utility of locally applied value capture strategies. In particular, the Dulles Corridor Project is a successful example of the application of a special assessment to support transit infrastructure and is a model that accomplishes all five common criteria for project success that are identified in this report. The project has a catalogue of studies demonstrating the mobility needs of the area dating back to the 1950s ((1) predicted or

observed need)). The Dulles Corridor Project is an excellent case study in public and private partnerships and demonstrates the need for each entity ((2) authority and capacity). Strengthened by the public and private partnerships, the project has gained financial support from government and private entities alike, making the endeavor possible ((3) financially feasible). Because mobility needs in the area were identified so long ago, the involved public agencies have been planning mutually supportive development in the corridor and the private sector has responded, in large part, because of the stability and predictability brought about by synchronized, long-term efforts ((4) concurrent infrastructure planning. Lastly, the Dulles Corridor project has enjoyed success because of the impact tourism and mobility have on the nation's capital and the airport that supports the area. Washington Dulles International Airport is vital to the nation's governance, economy and image ((5) level of significance).

## **Chapter 3: BCDCOG's Unmet Demand or Predictable Need**

### **INTRODUCTION**

The first parameter included in nearly all successful value capture programs is a clear demonstration of need. Transportation systems' provision requires both immediate and long term planning and therefore responsible agencies are charged with addressing current concerns as well as anticipating future demand. The challenge most transportation agencies and local governments face is providing a level of service that satisfies users while at the same time allocating funds for future improvements. If the level of service experienced by the user (i.e. taxpayers) is unsatisfactory, governments will not be successful in convincing users to support future transportation expenditures.

Local governments across the country rely primarily on long-range transportation plans and comprehensive planning to direct infrastructure provision and ultimately future growth. These two critical documents are supported by various technical studies ranging from surveys of environmentally sensitive areas, to vehicle miles traveled and transportation infrastructure to population and economic growth. All of these indicators are presented to the public for their consumption and input. The resulting documents should incorporate the technical survey aspects and the qualitative input from residents and systems' users.

The failure that most local governments make in comprehensive planning is marrying the observed demand and future needs with the qualitative preferences given by the public at large. This chapter will focus on two long-range planning resources produced in the last six years that demonstrate the BCD Region's transportation and

growth needs as well as the public's stated desires, the Long Range Transportation Plan (LRTP) and the Regional Growth Plan (*OurRegion OurPlan*). The following chapters will discuss the authority and capacity to achieve the stated objectives outlined in the two documents. In reviewing these bodies of work, this chapter will draw out related needs and public desires across the two documents and will lay bare opportunities to address the region's unmet or future transportation needs.

### **LONG RANGE TRANSPORTATION PLAN (LRTP)**

The 1962 Federal-aid Highway Act required metropolitan area transportation plans and programs to be developed through a continuing, cooperative, and comprehensive (3-C) planning process. According to the Federal Highway Administration's website,

Transportation planning should reflect the community's vision for its future. It should also include a comprehensive consideration of possible strategies; an evaluation process that encompasses diverse viewpoints; the collaborative participation of relevant transportation-related agencies and organizations; and an open, timely, and meaningful involvement of the public. Transportation planning requires a comprehensive, holistic look at the needs and the future of the region and its inhabitants. (FHWA, 2010)

The FHWA requires transportation planning processes to be organized and directed for all urbanized areas by metropolitan planning organizations (MPOs). BCDCOG serves as the MPO for the three county region and is therefore responsible for transportation planning. As such, the transportation plan constructed by the BCDCOG must address, at a minimum, the Census Bureau defined urbanized area and the area expected to become urbanized in the next twenty years. Transportation planning should

provide information, tools, and public input needed for improving transportation system performance.

### **Charleston Area Transportation Study (CHATS)**

The Charleston Area Transportation Study is the BCDCOG's regional long-range transportation plan. The long-range plan serves two major functions. First, it records the community's collective vision and goals for the regional transportation system. Second, it is the plan that guides the project prioritization and expenditure of federal transportation funding. The most recent CHATS LRTP was adopted in 2005. It evaluates transportation system planning from 2004 into the year 2035. It forecasts mobility needs of the region's population twenty-five years into the future and charts a course for providing transportation facilities and services to meet that demand. It also identifies deficiencies in the current transportation system and currently unmet mobility needs in the region. Furthermore, the plan provides an objective way to decide which transportation projects are scheduled for implementation and recommended for funding.

### ***Stated Need and Strategies to Improve Transit***

This report draws on one important aspect of the long-range plan, Transit Issues to be Addressed, which is located in Chapter Seven of the 2005 CHATS LRTP update. This section catalogues the stated, historic transit challenges facing the region. According to the report, the issues were identified through public outreach, as well as through discussions with Charleston Area Regional Transit Authority (CARTA) and the Transportation Plan Advisory Group (TPAG). The issues identified were:

- Institutional issues
- Service issues
- Funding issues

Funding challenges are a primary reason why local governments are turning to value capture programming therefore the CHATS LRTP stated need requires further analysis and may provide further insight as to the type of improvements needing limited funding. Although Charleston County voters have approved a sales tax referendum that would create a dedicated source of transit revenue, transit-funding issues for service outside of Charleston County still pose a need. Although revenue from a successful sales tax referendum would help to fund transit operations, rail or another major investment in the future would likely require a separate referendum to raise additional revenue. Additionally, the report notes a need to identify other revenues sources, specifically mentioning value capture related ideals, “The positive economic development impacts due to transit need to be actively touted in the local community” (pg. 16). Chapter seven of the 2005 LRTP also includes a section titled, “Strategies to Enhance Transit” which is another indicator of current need and future demand.

According to the update, “Over the coming years, the primary goal for transit will be to enhance services to increase attractiveness and more fully integrate services into the multimodal transportation framework of the region” (pg. 16). Strategies recommended in chapter seven include improvements to the following:

1. Existing service enhancements
2. Facilities, equipment, and amenities
3. New modes and technologies
4. Institutional and funding strategies

The recommended strategies to improve transit are dominated by the need to support the tourism industry in the region. This ideal also supports the fifth critical element of successful value capture programs, Level of Significance, which will be discussed in length in subsequent chapters. However, it is important to note here that both the improvement to facilities, equipment and amenities, as well as the need to address institutional and funding strategies, can be addressed through a comprehensive value capture program oriented to serve transit facilities.

Two large proposed projects are included in 2005 LRTP Transit Improvement Strategies, the completion of the North Charleston Intermodal Center and the Charleston Visitors' Reception and Transportation Center. Plans for the North Charleston Intermodal Center were rejected in 2002, when the sales tax referendum providing local funds was overturned. However, as of October 2010, the Charleston Area Regional Transportation Authority (CARTA) was scheduled to receive \$6,020,126 in grant funding through a new transit initiative called the State of Good Repair Program awarded by the U.S. Department of Transportation. This facility will serve as a vital hub linking local, regional, and intercity transit services. Although the facility did not rely on local funding for completion, it does exemplify the region's need for greater transit options and access.

The second project proposed in the 2005 CHATS LRTP is the regions Visitor Center. Originally intended to serve in part as a hub for local transit service, the center does not adequately serve this need. According to the LRTP,

“...an opportunity exists to reexamine the role of the Center and the immediate surrounding area. A true Transit Center, with passenger information services and other amenities, would be beneficial to the entire system. Potential solutions for

establishing a Transit Center, perhaps as part of the Visitors' Transportation and Reception Center, should be examined" (pg 17).

The evidence provided above demonstrates the region's need and desire to increase transit opportunities in areas that serve key economic interests, such as the Visitor Center. The LRTP does well to identify transportation gaps however; the plan fails to identify a local funding source. This suggested improvement solidifies the justification of employing a value capture strategy if the following four criteria also fit.

Another example of the need for transit improvement to meet current and predicted need is embodied in the LRTP's Institutional and Funding Strategies, also located in chapter seven of the CHATS 2005 update. Among the recommended strategies is the suggestion to actively participate in promoting transit-supportive land use. LRTP calls for CARTA to work closely with local jurisdictions to make sure that transit service is considered in future development projects. According to the LRTP,

"Potential exists for large-scale development and redevelopment in the region, and the proposal review process should include an assessment of provisions to support transit use, such as passenger waiting facilities (i.e., shelters), pedestrian access to transit, adequate street design for transit vehicles, and in larger developments, dedicated transit facilities" ( pg. 18).

Still another demonstration of the need for new funding streams found in the 2005 CHATS LRTP update is the recommendation to incorporate the transportation local option sales tax from Dorchester and Berkeley Counties to support transit outside of Charleston County. Although the local option sales tax to support transportation inside the three county region will be discuss in chapter five of this report, it is important to note

the opportunity to possibly combine all three counties' local option revenue into a value capture program in a joint development arrangement.

**Regional Comprehensive Planning, *OurRegion OurPlan***

In 2009, the BCDCOG authorized funding for a regional planning initiative, titled *OurRegion OurPlan*. In October 2010 a series of four public community workshops were held to inform citizens of the status of the regional process and to solicit current views regarding the needs and opportunities for the region. Although not entirely representative of the whole region, the meetings were attended by nearly 100 residents. The purpose of the workshops was to engage the public, collect residents' opinions of the region's most important issues, identify actions necessary to realize the vision and ensure the region's success, and to complete the vision plan for Berkeley-Charleston-Dorchester. From the four workshops, the top twelve issues were divided among seven distinct categories.

1. Transportation / Transit
2. Intergovernmental Cooperation
3. Jobs / Housing Balance
4. Open Space / Environmental Preservation
5. Planned and Coordinated Growth
6. Infill / Reuse/ Redevelopment
7. Livable / Sustainable Communities

The community workshops served the important purpose of outlining the residents' desires for future growth as well as their current concerns. These stated desires also justify future expenditures. In support of this report, the following section will focus on the residents' stated top priority, transportation and transit access. The workshop attendees were asked to participate in group mapping exercises to pinpoint transportation

challenges at the sub-regional level. At the end of the mapping exercise, participants at the table selected the top ideas, projects, or policies that they believed to be critical to achieving their mapped vision of preferred centers, corridors and green areas. Each participant table then shared these top ideas with the larger group, creating a list of approximately ten ideas, projects, or policies per workshop. Across the four workshops, 38 ideas and projects were identified, with some overlap between the workshops. Overall, the issues can be grouped into thirteen distinct categories. Each table & participant prioritized their top three ideas, projects, or policies. Transportation priority ideas and projects for each workshop are listed below according to their ranked importance.

In the area surrounding Summerville, of participants' top three concerns, they recommend a rail with trails network throughout the region along the CSX and Norfolk Southern Lines and commuter rail from Summerville to Downtown Charleston. In the Goose Creek area, participants' number one priority was to implement a commuter rail connecting Goose Creek, Summerville, Charleston. Their second recommendation was to improve I-26 from Summerville to Charleston with bus rapid transit, light rail, or other transit modes and improve regional connectivity on I-526, hwy 176 and hwy 78 using bus rapid transit and light rail. Participants from North Charleston recommended a range of transportation options including light rail, bike paths, water taxi as well as providing priority to multi-modal (transit) transportation along I-26 to Summerville. Lastly, participants from the Mt. Pleasant area recommended that development occur in areas already well connected to transportation infrastructure.

## CONCLUSION

The first parameter included in nearly all successful value capture programs is a clear demonstration of need. Local governments are well capable of collecting technical data; however, they are challenged in translating their scientific approaches into practical, consumable information for their constituents. Local governments provide this data in two important documents, Long Range Transportation Plans and Comprehensive Planning. In the Berkeley-Charleston-Dorchester region, the CHATS LRTP provides an evaluation of the current transportation system, catalogues demand and forecasts future needs. The most current update from 2005, contains important indicators of unmet need and future demand. Specifically, chapter seven discusses current needs and offers strategies to improve transit. The most important need identified in the 2005 document is the need to address a lack of funding streams. The chapter also calls for improvement to transit facilities and equipment. Among the facilities recommended for improvement is the Charleston Visitor's Center and Transit Hub. The 2005 update also included strategies to improve the region's transportation needs. The recommended strategies to improve transit are dominated by the need to support the tourism industry in the region. This ideal also supports the fifth critical element of successful value capture programs. Key to this report and transit improvement in the area is the recommendation to increase transit-supportive land uses and combine local option sales taxes, more specifically, to synchronize projects funded by the counties' transportation taxes.

The region's long-range growth plan, *OurRegion OurPlan* also emphasizes the need to improve transit in the area. The plan is not yet complete and is currently

gathering data. However, the regional and sub-regional workshops provided insight into resident's concerns for the area. To date, the number one issue raised by BCD region citizens is transportation. In addition to identifying the concerns, participants have offered solutions or suggestions for ways to improve their number one concern. Access to multiple modes of transportation, as well as transit-oriented development, are key suggestions offered by BCD residents. Value capture programming is one tool BCD local governments, private businesses and residents can employ to meet current transportation demand and future system requirements.

## **Chapter 4: BCDCOG's Authority and Capacity to Implement Value Capture Programming**

### **INTRODUCTION**

This chapter outlines current authority to implement direct value capture programs for the three counties in the BCD region. This portion of the report evaluates the local governments' capacity to implement value capture programs by focusing on factors paramount in achieving policy adoption and implementation such as land use and taxing policy statutes. Another critical aspect of a local government's ability to implement a value capture strategy is the level of coordination that exists between the individual sub agencies and departments responsible for long range planning. This section suggests the benefits of effective coordination between public entities and also evaluates the role of public-private partnerships in delivering value capture programming, offering lessons learned from successful and unsuccessful case studies. Authority to implement indirect value capture tools is pertinent to this chapter. The physical components of indirect value capture tools are examined in chapter five, Financial Feasibility Analysis as they relate directly to each county's fiscal health.

In addition to evaluating the region's capacity to achieve value capture programming, this chapter also assesses the regional government's ability to achieve Smart Growth principles. The principles of Smart Growth will be discussed at length in chapter six, Concurrent Infrastructure Planning.

**AUTHORITY**

There are two forms of direct value capture authorized under South Carolina statutes, tax increment financing districts and residential improvement districts (special assessments). Tax increment financing is the most common form of value capture utilized in the BCD region. However, several other indirect value capture tools authorized by South Carolina law can help harness or strengthen value capture programs in the area. Direct value capture opportunities are valuation increments specifically tied to the assessment of physical property. In the case of South Carolina statutes, these direct value capture opportunities stem from real estate property. Indirect value capture opportunities are those increments that are collected in part, because of increased economic activity such as development or tourism services that spurred by public investment or amenities. For example, sales tax increases in and around popular tourist destinations in historic Charleston Harbor can be focused in a reinvestment strategy for property and services surrounding the Harbor because the Harbor helps attract tourists to the area. The indirect value capture tools below could involve dedicating accommodations/hospitality taxes or local transportation taxes to projects that advance the Regional Plan.

<b>Value Capture Type</b>	<b>Direct</b>	<b>Indirect</b>
Tax Increment Financing (TIF)	X	
Municipal and Residential Improvement Districts	X	
Impact Fees		X
Local Accommodations Tax		X
Local Hospitality Tax		X
Property Tax		X

Table 4-Direct and Indirect Value Capture Tools Authorized in the BCD Region

### **Tax Increment Financing**

The South Carolina Legislature empowered cities to create tax increment financing (TIF) districts in 1984; counties were given TIF authority in 1999. Instead of flowing into the general fund of a local taxing jurisdiction, a TIF district captures the tax revenues for a period of years. This period is determined by the increased taxable value of the assessed property within the district, for investments in that district. After the temporal expiration of the TIF district or after the targeted revenue amount has been raised, all future tax revenues from the increased value of the property flow back into the general fund of each participating taxing jurisdiction.

The TIF revenues are measured (usually) by the millage rates of all the overlapping taxing districts. Since 1999, the consent of the overlapping taxing districts is required in order to include their portion of millage in the TIF revenues. In other words, without the consent of the overlapping taxing districts, only the millage of the local government creating the TIF district can be used to generate TIF revenues.

According to South Carolina law, eligible tax revenue sources that can be captured in the TIF include:

- Property tax
- Payments in lieu of taxes (PILOTs)
- Utility revenues
- Assessments
- Redevelopment project revenues

Below is an example of a TIF District revenue calculation in accordance with state law:

<b>Tax Increments Generated over a TIF District's 23-Year Lifespan</b>						
<b>Year</b>	<b>1</b>	<b>5</b>	<b>10</b>	<b>15</b>	<b>20</b>	<b>23</b>
<b>Total EAV of parcels within TIF district</b>	\$45,060,000	\$55,073,605	\$66,042,149	\$78,807,119	\$94,958,979	\$108,879,965
<b>Base EAV</b>	\$45,000,000	\$45,000,000	\$45,000,000	\$45,000,000	\$45,000,000	\$45,000,000
<b>Incremental EAV</b>	\$60,000	\$10,073,605	\$21,042,149	\$33,807,119	\$49,958,979	\$63,879,965
<b>Consolidated property tax rate</b>	8%	8%	7%	8%	5%	8%
<b>TIF increment</b>	\$4,800	\$805,888	\$1,472,950	\$2,704,570	\$2,497,949	\$5,110,397
<b>Compensation to School District # X</b>	\$0	\$187,500	\$187,500	\$187,500	\$187,500	\$187,500
<b>Net TIF increment</b>	\$4,800	\$618,388	\$1,285,450	\$2,517,070	\$2,310,449	\$4,922,897
<b>Cumulative TIF increment</b>	\$4,800	\$1,421,923	\$6,777,912	\$16,379,994	\$28,545,339	\$38,715,863

Adapted from Weber & Goddeeris, *Tax Increment Financing: Process and Planning Issues*

Table 5- Example of Tax Increments Accrued, Adapted from Weber & Goddeeris, 2007

Financing options are flexible according to state statutes. State law authorizes bonds and allows for special assessments, subject to separate overlaid assessment provisions outlined SC Code 12-37. Pay as you go and short-term tax anticipation notes are other common practices for financing infrastructure investments within TIF districts. Bond financing requires a sponsoring public agency to issue public bonds. Bond debt is paid through the collection of future increment-generated tax revenue. This approach places the risk of performance of the TIF district on the public sector. Under a “pay as you go” or “reimbursement” approach, the developer pays for the infrastructure subject to the incentive and is reimbursed by the local jurisdiction as increment generated tax revenues are collected. This approach places the risk of the performance of the TIF district on the developer. The reimbursement approach is often difficult in TIF districts with a large number of small landowners who cannot collectively raise enough capital to facilitate any meaningful infrastructure investment. Accordingly, TIFs for redevelopment

areas not controlled by a single landowner typically require the issuance of public bonds to finance the targeted infrastructure for the project.

Although TIF programs offer flexible financing options, TIF programs are highly sensitive to economic conditions. The use of tax increment financing is hindered by difficulty in selling bonds on the market at a favorable interest rate due to a weak local economy. As the GAO report from 2010 notes in interviews with local governments with TIF projects,

“Specifically, officials from several governments told us their transit projects are (or were) delayed or postponed until the agency was able to issue bonds at a favorable interest rate” (27).

In terms of the types of investments that could support the implementation of a value capture scenario that supports multiple growth objectives, the following types of projects could be funded through a TIF:

- Bike lanes and trails
- Curb & sidewalk work
- Drainage facilities
- Environmental remediation
- Force mains
- Land acquisition & relocation
- Park improvements
- Parking structures
- Pathways that facilitate intermodal transportation
- Pedestrian bridge systems that link commercial centers to transit systems
- Public buildings
- Publicly owned & maintained utilities
- Street construction & expansion, traffic signals & related equipment

In addition to value capture, TIFs allow a jurisdiction to bargain for exactions (e.g., affordable housing, greater public amenities, etc.) in speculative or “hot” development

areas. More generally, TIFs provide local jurisdictions the flexibility to enter into partnerships with developers to undertake the type of development that better fits the vision of the community and ultimately the regional preference for growth over time.

### **Municipal Improvement Districts**

Improvement districts allow for the special assessment of additional revenues over the current property tax for a particular location in which a district is created. Improvement districts also allow for the issuance of debt for investments in infrastructure for the benefit of the district.

The state allows for the creation of Municipal Improvement Districts for investments in a wide range of infrastructure including malls, parkways, parks, recreation facilities, athletic facilities, pedestrian facilities, parking facilities, parking garages, and underground parking facilities. Taken in the aggregate, infrastructure may be designated by the governing body as a 'system' of related projects. Also, the governing body of a municipality, after due investigation and study, may determine that improvements located outside the boundaries of an improvement district confer a benefit upon property inside an improvement district or are necessary to make improvements within the improvement district effective for the benefit of property inside the improvement district.

This authority confers broad powers to create assessments and to issue bonds for a broad range of improvements, including those outside the boundary of the district that benefit the district. Any value capture scenario for *OurRegion OurPlan* will rely on sustainable neighborhoods as a key component, regardless of which value capture tool is employed.

### **Residential Improvement Districts**

Similar to the Municipal Improvement Districts, the state allows for the creation of Residential Improvement Districts that enable special assessments against assessed property values and the issuance of public bonds to pay for public infrastructure improvements. Like the Municipal Improvement District, things incidental to an improvement including, but not limited to, planning, engineering, and acquisition of necessary easements and land may be eligible for expenditures.

### **CAPACITY**

#### **Survey of State Land-Use and Natural Hazards Planning Laws, 2009**

In April 1998, the Institute for Business and Home Safety (IBHS) published its Summary of State Land Use Planning Laws and updated the summary again in 2002. The studies conducted by IBHS focused on local planning, where land-use regulations are enacted and implemented, and not on regional planning. This report evaluates the importance individual states place on land-use planning and the requirements the states place on local jurisdictions.

South Carolina	Are There Guidelines for a State Plan?	Do the Guidelines Include a Land-Use Element?	Do the Guidelines Contain a Hazard Mitigation Element?	Code Citation for State Planning Enabling Legislation	Strength of State Role	Are Local Plans Mandated by State Law?	Jurisdictions Covered	Must the Plan Be Formally Adopted?	Internal Consistency Required	Vertical Consistency Required or Assisted?	Horizontal Consistency Required or Assisted?	Does State Specify or Suggest Elements of Local Plans?
	Yes	Yes; 2L	Yes; 2L	CLSC 6-29	2	Yes; 6F	Coastal	Yes	Yes	Require; 10H	To some degree; 11D	Specify
Notes:												
2L The Coastal Division of the South Carolina Department of Health and Environmental Control is responsible for overseeing the state's comprehensive coastal management plan. State law severely restricts development within the 40-year coastal erosion zone. Like North Carolina, South Carolina also has a Mountain Ridge Protection Act that limits development on protected mountain ridges and forbids local governments to permit tall buildings and structures in these locations.												
6F In coastal areas, local governments must prepare beachfront management plans. If they fail to do so, the state must impose its own plan.												
10H The verticality requirement applies to local comprehensive beach management plans.												
11D Any municipality or county that chooses to plan must consider "potential conflicts with adjacent jurisdictions and regional plans or issues." (Section 6-29-510)												
Adopted from Survey of State Land Use Planning Laws, IHBS, 2009												

Table 2-Analysis of Integration between State and Local Plans, IHBS, 2009

Although the report evaluates the hazard mitigation element mandated by the State of South Carolina, it also provides an important analysis of the role of the state in planning as well as the level of integration between state and local plans. One can deduce reasonably that the same level of interaction between the state and local jurisdictions conveys to all areas of comprehensive planning including transportation.

### Smart Growth

In 2006, the Lincoln Institute of Land Policy initiated a study to evaluate the effectiveness of statewide smart growth programs beginning in 1990 through the year 2000. The intent of the study was to examine the effectiveness of various policies in achieving five commonly shared Smart Growth objectives 1) promote compact

development; 2) protect natural resources and environmental quality; 3) provide and promote a variety of transportation options; 4) supply affordable housing and; 5) create net positive fiscal impacts. The research completed by the Lincoln Land Institute is important to this report because of the in-depth analysis it provides regarding South Carolina's local government's ability to implement strategic planning initiatives, specifically transportation.

The study focused on four states with well-established Smart Growth programs (Florida, Maryland, New Jersey and Oregon) and four states (Colorado, Indiana, Texas and Virginia) as cohort comparisons. The above-mentioned states were included in the study because of the similarities in population growth and the differences in their land use regulations at the state level.

### **State versus Local Regulation**

Among the numerous performance measures evaluated, one of the more important analysis the study provided concerns the land use regulatory framework embodied in state and local law. Each state's regulatory framework was rated according to its level of statewide consistency, the specificity provided for each growth objective, its individual capacity to achieve those growth objectives and the stringency of its local regulations.

**Local Planning Effectiveness**

		LOCAL PLANNING EFFECTIVENESS		
		LOW (3)	MODERATE (4-5)	HIGH (6)
AGGREGATE CONSISTENCY (Internal, Vertical, and Horizontal)	HIGH (9)	NJ	AR, MN, WA	DE, FL, MD, ME, NV, OR, PA, RI
	MODERATE (6-8)	CT, MO	GA, HI, KY, MT, VT, WI	CA, SC, WY
	LOW (3-5)	AL, IA, IN, KS, LA, MI, ND, NH, NM, NY, OH, OK, WV	CO, IL, MA, MS, NC, NE, TX	AK, AZ, ID, SD, TN, UT, VA

Sources: Institute for Business and Home Safety (2007); Foster and Summers (2005).

Table 7-Index of local planning effectiveness and aggregate consistency, IBHS, 2007

South Carolina, along with California and Wyoming, received a high score of six. The ranking was based on the sum of two scores: first, the presence or absence of a state mandate for local plans, and second, whether formal adoption of the local plan is required.

**Aggregate Consistency**

South Carolina was given a moderate ranking in regard to overall consistency between state and local planning. The Lincoln Institute of Land Policy study defines aggregate consistency according to three parameters, internal, vertical and horizontal in the following manner:

### Internal

The integration of local or regional land use plans, typically the conformance of zoning ordinances and the zoning map with the plan itself. In some states, the zoning map indicating future placements of infrastructure must be generally or specifically consonant with the plan.

### Vertical

Oversight of local and /or regional plans by higher-order governments. Such consistency can be achieved either by top-down prescriptions that provide the standard of sufficiency for local plans, or by adjusting regional or state plans to accommodate local plans.

### Horizontal

The content of local plans is coordinated with those of adjoining jurisdictions overseen by co-equal governments. This may also entail a broader requirement for regional coordination, in which the state defines regions and designates the coordinating agency (such as a regional planning council)” (Burby and May, 1997)

## **PUBLIC SECTOR COORDINATION**

Coordination among public-sector entities can facilitate the implementation of projects using value capture strategies because such projects generally require the involvement of multiple public entities with different authorities. The ability of each entity to partner and work effectively is driven primarily by its governing statutes, but it is also facilitated or retarded by its internal organization and culture. However, positive interaction and productive relationships between governmental agencies is paramount to accomplishing value capture programming, as noted by the 2010 Government Accounting Office Report,

“Specifically, transit agencies are responsible for building, maintaining, and operating transit, but need to coordinate with local and state governments that generally have authority over taxation, land use, and development. For instance, when tax increment financing is involved, transit agencies—which generally do

not have taxing authority—often have to coordinate with local taxing authorities to help establish a tax increment financing district and dedicate a portion of the tax increment toward a transit project. In addition, because high-density zoning around transit stations helps optimize the value available for capture, transit agencies often work with local zoning authorities to modify zoning regulations to allow for higher-density development. Zoning regulations may also need to be modified to allow for mixed-use development, particularly in joint developments “(GAO, 2010).

The 2010 report also notes the challenges local governments can encounter when dealing with multiple public entities,

Some transit agency officials told us that they have successfully coordinated with local governments when using value capture strategies, while others have faced challenges. For example, officials told us that transit projects have been successful because of effective coordination with local governments to rezone areas surrounding the transit project to allow for more dense development, while effective coordination with redevelopment agencies helped dedicate some of the tax increment collected from the urban renewal area to transit projects and transit-oriented developments. Moreover, some transit agencies in California have created joint powers authorities—partnerships with local jurisdictions, which allow multiple public entities to operate collectively. Through such authorities, officials told us that the partners can collaborate to establish common goals and ensure that the design for the transit project is integrated with the surrounding development (GAO, 2010).

#### **PUBLIC- PRIVATE PARTNERSHIP**

Public entities are increasingly partnering with private equity and development interests to accomplish complex infrastructure projects. The transportation field is an area that has also seen an increase in public-private partnerships. Among the touted benefits of these relationships are increases in technical skills available across the partnership, increased planning efficiency as a result of added technical capacity, increased access to capital and in-kind land contributions. The GAO report also provides examples of the benefits that stem from the partnering of the public and private in the chapter titled, *Several Factors that Can Facilitate or Hinder the Use of Joint Development and Other*

*Value Capture Strategies to Fund or Finance Transit.* The chapter notes that financial support from the private sector is key to the development of the project as well as support from adjacent private property owners.

“Transit agency and local government officials told us that support from private developers advances the implementation of projects that incorporate the use of value capture strategies. For instance, private or nonprofit developers or other public sector partners must have an interest in partnering with a transit agency to develop the area around a transit station for joint developments to occur. Several officials from transit agencies and local governments that we spoke with emphasized that the support of private developers, typically financial support, was critical to implementing their projects or developments. For example, officials from a few transit agencies said that the upfront funds provided by the private developer for one of its joint developments helped fund the transit infrastructure, including the parking structure and other transit station improvements. Another official from a different transit agency said that in-kind land contributions (paid in lieu of a monetary development impact fee) will be critical to implementing a planned transit project. Furthermore, an official from one county government noted that substantial interest from developers has allowed the county to be more selective about which transit projects it undertakes because it can focus on projects with the highest priority and revenue generation potential. Some officials stressed that the private developer’s long-term support was critical to the success of their joint developments because publicly funded infrastructure projects may take longer than a typical developer is accustomed to..

According to several transit agency and local government officials, the support of private property owners in the vicinity of their transit project was critical to the establishment of a special assessment district, which in turn was critical to the financial feasibility of the project. In one instance, the special assessment district—which was established while the transit project was still in the planning stage—could have dissolved at two points because of delays in acquiring other funding. However, the property owners petitioned to maintain the district and the fees. Without this support, a sizeable funding source for the project would have been eliminated. Another local agency official told us that the support of one property owner, who was a majority owner in a proposed special assessment district, was critical to bringing a project to fruition. In contrast, officials from another transit agency told us that opposition from property owners surrounding a planned transit station prevented the establishment of a special assessment district. The transit agency then had to downsize the project because the available funding was less than anticipated” (GAO, 2010).

## **EXISTING TAX INCREMENT FINANCING DISTRICTS IN BCD REGION**

There are more than nine TIF districts that are in various stages of development or implementation in the BCD Region. Currently there are two large, active TIF districts in the cities of North Charleston and Mount Pleasant.

This section focuses on the largest, most complex and nationally recognized TIF district in the region, the Noisette Redevelopment Project. This project is a tremendous example for the region and accomplishes all five criteria for success: (1) predictable need/unmet demand, (2) authority and capacity, (3) financially feasible, (4) concurrent infrastructure planning, (5) level of significance.

### ***Noisette TIF District***

The Noisette Tax Increment Financing District is a 565-acre mixed-use development project at the center of the Noisette Community redevelopment program. The creation of the North Charleston Noisette Community Master Plan, which was completed in 1996, was spurred on in a large part due to the closure of the Charleston Naval Base in 1993. Following the Comprehensive Planning efforts, the Noisette project began in December of 1997 with the formation of the project's vision statement:

“Redevelop an existing portion of a City to create a tangible example, a place that incorporates the Principles of Sustainability in residences, commercial buildings, and public areas to improve the economy, quality of community, and the environment.”(Noisette Project Report, Executive Summary, pg 10)

From 1997 to 2000, the Noisette Company developed the project at the City's request, expanding the project's purview from a five square block area to nearly 3,000 acres.

In 2001 the City of North Charleston, in partnership with the Noisette Company, hosted community meetings to discuss redevelopment plans. North Charleston City Council and the Redevelopment Authority (RDA) pledged support for the Noisette project. The RDA promised to transfer base property to the city for purchase by Noisette Company. Following the purchase of the former naval base property, the City of North Charleston approved an off-base TIF. The project was further aided by a federal grant of \$35 million to redevelop Horizon Village, an affordable new neighborhood in the southeast corner of the Noisette community.

In 2004, RDA and the city approved a Tax Increment Financing District plan for the area surrounding the former naval base. The plan called for the city to sell general obligation bonds to investors, using the money from the bonds to build the infrastructure needed to encourage companies to build in otherwise unattractive areas, like the old base. The bonds and interest were repaid through property taxes coming from the new development in the TIF districts. In this design, the City of North Charleston benefited from the new growth and infrastructure in areas that would otherwise have remained empty.

The TIF District created in 2004, supported the re-development of Oak Terrace Preserve (OTP), originally built as temporary housing for WW II shipyard workers in the Park Circle neighborhood. However, by 2000, the homes were in poor condition, were served by failing outdated infrastructure, and continually faced drainage challenges. The city purchased the land for \$4.7 million dollars, with a vision to transform it into a sustainable, attractive community. Although The City of North Charleston owns the

property, the Noisette Company managed the project. At completion, the dense (6.9 units/acre) 55-acre project will provide 374 single family homes at prices available to families at 70% of median family income. Total project costs are estimated at \$13.4 million dollars.

## **CONCLUSION**

South Carolina law allows for two direct value capture mechanisms, including Tax Increment Financing (TIF) and improvement districts. In addition to TIFs and improvement districts, this study suggests that other additional sources of revenue can be harnessed for value capture under local policy. These could include dedicating accommodations/hospitality taxes or local transportation taxes on projects that advance the Regional Plan, or direct private contributions, or public-private partnerships.

The state of South Carolina and its local jurisdictions enjoy a moderate level of consistency between state and local land use planning. The report completed by the Institute for Business and Home Safety in 2009, provides a study of an important analysis of the role of the state in planning as well as the level of integration between state and local plans. One can deduce reasonably that the same level of interaction between the state and local jurisdictions applies to all areas of comprehensive planning including transportation. Further, the Lincoln Institute of Land Policy's 2009 analysis of South Carolina's local planning effectiveness was complimentary. The report gave local jurisdictions in South Carolina the highest rating. The reports by both the Institute for Business and Home Safety and the Lincoln Institute of Land Policy indicate that local

jurisdictions in South Carolina have the capacity to implement successful value capture programs.

Coordination among public-sector entities can facilitate the implementation of projects using value capture strategies because such projects generally require the involvement of multiple public entities with different authorities. Positive interaction and productive relationships between governmental agencies is paramount to accomplishing value capture programming. Similarly, public entities striving to implement value capture programming must understand and appreciate the role the private sector plays in land development and the local economy. Financial support from the private sector is key to the development of the project and from adjacent private property owners.

In the BCD region there are several examples of effective value capture programs. Currently there are two large active and seven proposed TIF districts. In particular, the Noisette Redevelopment project in the City of North Charleston is a highly successful, nationally recognized public-private partnership which embodies all five criteria common to other successful, national value capture programs.

## **Chapter 5: Financial Feasibility Analysis**

### **INTRODUCTION**

The financial feasibility of any capital improvement or infrastructure project is one of the most important aspects determining success. Value capture programs are very sensitive to both historic and projected economic conditions. As the Government Accounting Office, notes in a 2010 report analyzing the federal role in value capture strategies,

“Unfavorable economic conditions can hinder the implementation of transit projects that incorporate the use of value capture strategies, as well as the ability of value capture strategies to raise revenue.” (pg. 26).

In order to evaluate the ability of local governments in the BCDCOG to financially support value capture programming, this chapter reviews the state and local government fiscal structures. This chapter is dedicated to assessing revenue sources, the programs they fund, their reliability and the possibility of coordinating their expenditures in a more focused approach in order to finance or augment a value capture program that supports a regionally significant transit project in the BCD region. Specifically, this chapter explores the collection and allocation of special revenue funds including hospitality and local accommodations taxes. These could be coordinated to finance transit that services the tourism industry. Further opportunity lies in the coordination of each county’s local option sales tax designed to enhance transit.

### **HISTORICAL OVERVIEW OF THE STATE AND LOCAL FISCAL STRUCTURE**

A review of the State’s historic taxing policy is important for several reasons. Primarily, a review of the history of South Carolina’s taxation policy illustrates the

origins of the current tax structure. A review highlights lessons learned, helps evaluate the previous trends in revenue and provides an outlook for future revenue collection and levels.

The most comprehensive body of work on the topic of South Carolina's taxation history is an academic report produced at the Strom Thurmond Institute of Government and Public Affairs by Ada Louise Steirer and James C. Hite, titled, "*Historical Development of South Carolina's State and Local Revenue System.*" A brief excerpt from their work is below:

"Until 1920 all levels of government in the state relied almost completely on taxation of personal and real property. By 1951, South Carolina made changes in its revenue system that produced its current state tax structure of fees and excise taxes, personal and corporate income taxes, and a sales and use tax. By the 1940s the property tax became the main source of support for county and municipal governments and school districts.

The influence of social, political, and economic changes in South Carolina on the evolution of the revenue system are placed in historical context. From 1920 to 1990 a series of independent tax study commissions and studies provided guidance and recommendations to policymakers. These groups provided the kind of in-depth information that was needed to help the General Assembly to produce a system that today is characterized as equitable and balanced -- an income tax and sales and use tax at the state level and the property tax at the local level.

However, South Carolina's revenue system is under stress today. The revenue structure has been significantly altered in the past 20 years in response to various interest groups seeking tax relief from income taxes and property taxes. The authors close their report with the observation that so many piecemeal changes have been made to the revenue system since 1990 that its equity and balance and ability to provide sufficient revenue are in jeopardy. Since it was at just such times in the past that the South Carolina legislature turned to study commissions to make comprehensive assessments of its revenue system, the authors suggest that it may now be time to reinstate the historical tax study commission model. That model focused on maintaining a balanced and equitable revenue system which provided adequate revenue to meet state and local needs while also ensuring that the revenue system was not out of line with the systems of other southern states. The legislature approved an accommodations tax in 1984, and the local option sales tax was made available for adoption by local option in 1990. Local hospitality taxes, local accommodations taxes, and special purpose local sales taxes have been added as local revenue options in the last decade. After court rulings that said municipalities could enact hospitality fees and other taxes without state approval, the General Assembly in the Fiscal Authority Act of 1997 limited local revenue sources to those approved by the legislature and put other limitations on local government's powers to raise revenue". (Hite and Steirer, 1).

## **CURRENT STATE CONTEXT**

Today, South Carolina is in the third year of negative revenue growth (2009-2010) and revenue is down \$660 million dollars entering into FY 2010-11. The South Carolina's Board of Economic Advisors (BEA) has cut revenue estimates seven times in the last eighteen months. Since 2006, South Carolina has cut nearly 24% of the state budget. South Carolina now relies on the sales (47%) and personal income (40%) taxes for a total of 87% of state revenue. However, this has proven problematic as South Carolina sales tax revenue has decreased (despite two increases since 1984) due to an increase in the number of sales tax exemptions; a shift from products to services (few are taxed), shifts in sales to Internet, and because personal income tax collections have not kept up with growth. (Municipal Association of South Carolina, 2010).

Regarding the future of taxation policy at the state level, Hite and Steirer note

*“As South Carolina moves forward into the twenty-first century, the existing revenue system must contend with an economy shifting from manufacturing to services, an aging population with its impact on government revenues and expenditures, continued questions about the equity of its system for funding education, and costly identified infrastructure needs, among other issues. In this economic climate, changes in the tax code that alter the state's revenue stream warrant careful consideration”*(p.47).

**BCDCGOG COMMON TAXING STRUCTURE AND OWN SOURCE REVENUE**

The three counties within the BCDCOG region have a similar tax collection and allocation structure. Variation occurs primarily in the collection and allocation of special revenue, as well as collection rates for fees and charges, as reflected in proprietary funds. Below is a description of the structures that are similar across all three counties, followed by a description of the variation of collection/allocation by county.

**Tri-County General Fund Structure**

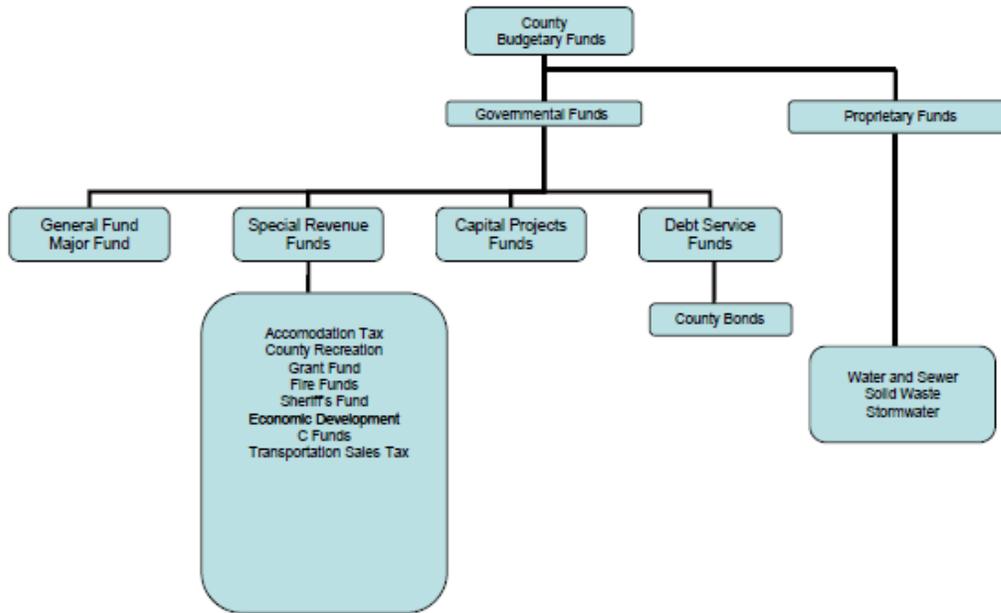


Figure 5-Common Fund Structure for Berkeley, Charleston and Dorchester Counties

**Governmental Funds**

***General Fund***

The General Fund is the general operating fund of the County and reflects for all financial resources except for those required to be accounted for in another fund such as

the Special Revenue Fund, Capital Projects Fund, Debt Service and Proprietary Fund.

The General Fund is supported by revenue and transfers from:

- Ad Valorem Taxes
- Local Government Fund
- Emergency Medical Services Charges

The County Assessor, County Auditor, and the state calculate the taxable value of the county's real property, personal property, and motor vehicles. The County Auditor applies the appropriate millage rates for the various taxing entities in the county to determine the ad valorem taxes. The treasurer collects the ad valorem taxes for all of the taxing entities in the county and remits the collections in the following month. The real and personal property taxes are billed annually in September and are due the following January. The counties' motor vehicle taxes are billed annually during the month when the taxpayer's license registration is due for renewal.

The County receives funds from the State of South Carolina to subsidize its operations. This funding was created to reduce the pressure on property taxes and to provide a predictable source of revenue for county and municipal budgeting. In Fiscal year 1992, the aid to local subdivisions replaced and consolidated many other taxes allocated by the state. These taxes included the alcohol beverage tax, the bank tax, the beer and wine tax, the brokers' tax, the gasoline tax, the income tax, and insurance license fees.

The state determines the local government fund based on 4.5 percent of the state's General Fund revenues for the State's last completed fiscal year. Changes in the State's overall economy are not reflected in these revenues until two years after the change. The

SC General Assembly reduced individual counties' appropriations by \$699,594 during FY 2010 due to a revenue shortfall. The budgeted Local Government Fund reflects an estimated 12.8 percent decrease from the current year budget.

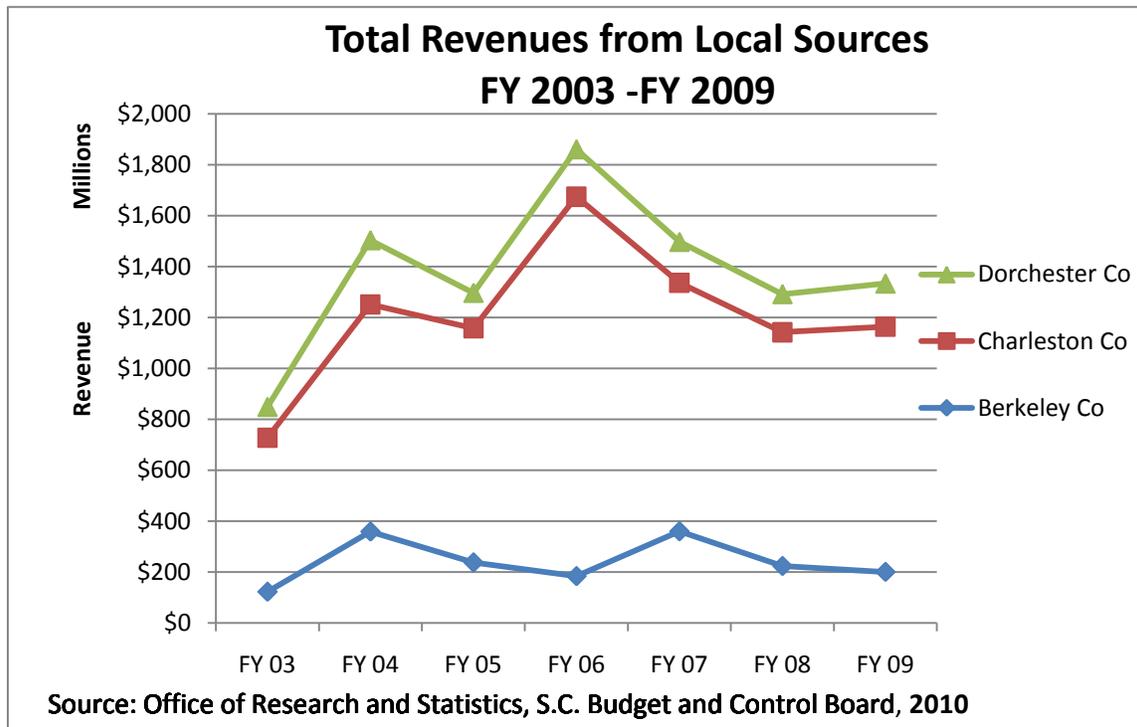


Figure 6- Total Revenue Allocated to General Funds in the Three County Region

***Special Revenue Fund***

The Special Revenue Funds are used to account for revenue sources that are restricted by law to fund specific functions or activities of government. These include grants, fire and other special purpose fees, and economic development. Revenue collected by activities in the Special Revenue category generally support the Debt Service Fund and the Capital Projects Fund. Special Revenue Funds present a great opportunity to

augment a large, regionally significant transit project primarily financed through value capture.

- Local Option Sales Tax
- Transportation Sales Tax
- Accommodations/Hospitality Tax
- County “C” Funds

### ***Capital Projects Fund***

The Capital Projects Funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds. This fund could play a significant role in a joint-development agreement between the local jurisdictions and private development interests. For example, jurisdictions within the BCD region could leverage funds from their respective capital projects funds to pay for the right of way for a transit service if commercial interests were significant enough to support development along the right of way. Although the current economic conditions have caused a downturn in each county’s funds, the graph below illustrates that Charleston and Dorchester Counties have the greatest opportunities to contribute.

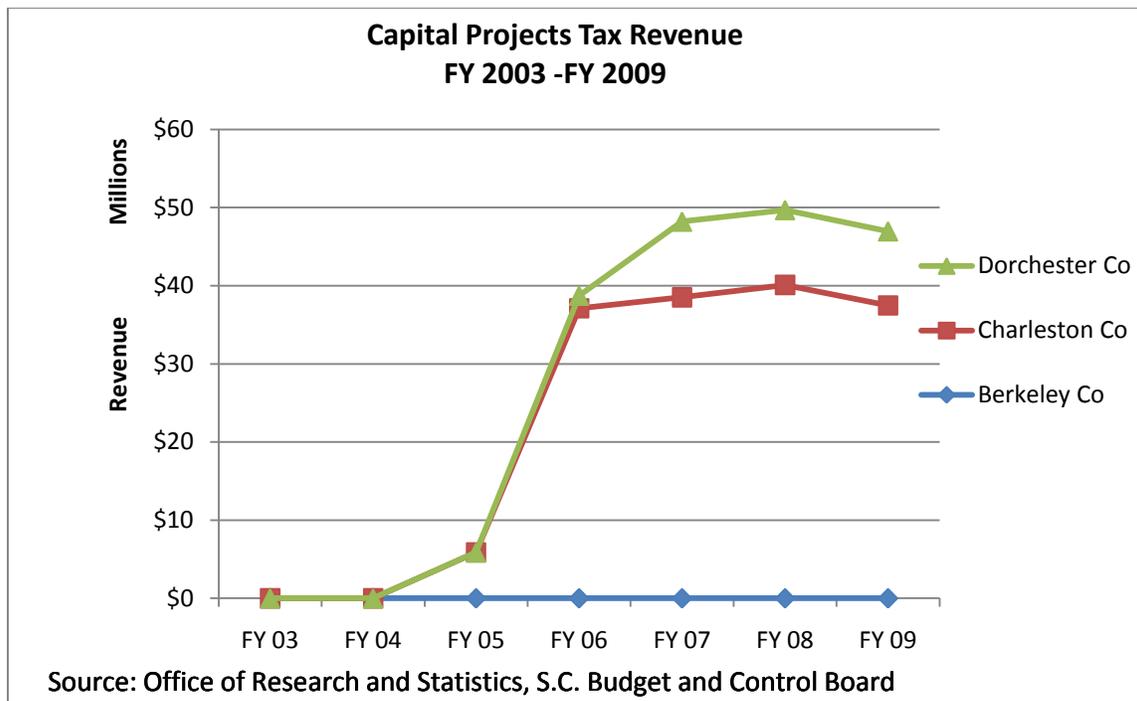


Figure 7- Capital Projects Tax Revenue for the Three County Region

***Debt Service Fund***

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The county’s Debt Service Fund was established and is maintained in accordance with acts passed by the General Assembly of South Carolina authorizing the sale of general obligation bonds of the County.

**Proprietary Funds**

The Proprietary Fund also includes the Enterprise Funds and the Internal Service Funds. Enterprise funds account for those operations financed and operated in a manner similar to private business or where the county has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management

accountability. The Water and Sewer Fund accounts for the sale and distribution of potable water, the operation of sewer treatment plants, pumping stations and systems for the collection and treatment of sewage. The three major enterprise funds, Solid Waste, Storm Water, and Water and Sewer, fund vital county operations and capital improvements and are balanced against individual capital plans. While still under the governance of County Council, these proprietary/enterprise funds operate as separate business components of the County Government, which are fully funded by rates, user fees, and grants. The water and sewer fees consist of origination fee, tap fee, impact fee and water charges. Internal Service funds account for operations that provide services to other departments or agencies of the County, or to other governments, on a cost reimbursement basis.

Development Impact Fees are authorized by South Carolina law and are embodied in SC Code 6-1-910. A governmental entity imposing an impact fee must provide in the impact fee ordinance the amount of impact fee due for each unit of development in a project for which an individual building permit or certificate of occupancy is issued. The governmental entity is bound by the amount of impact fee specified in the ordinance and may not charge higher or additional impact fees for the same purpose unless the number of service units increases, or the scope of the development changes. The amount of additional impact fees is limited to the amount attributable to the additional service units or change in scope of the development. The impact fee ordinance must:

- (1) include an explanation of the calculation of the impact fee, including an explanation of the factors considered pursuant to this article;
- (2) specify the system improvements for which the impact fee is intended to be used
- (3) inform the developer that he may pay a project's proportionate share of system improvement costs by payment of impact fees according to the fee schedule as full and complete payment of the developer's proportionate share of system improvements costs;
- (4) inform the fee payor that:
  - (a) he may negotiate and contract for facilities or services with the governmental entity in lieu of the development impact fee as defined in Section 6-1-1050;
  - (b) he has the right of appeal, as provided in Section 6-1-1030;
  - (c) the impact fee must be paid no earlier than the time of issuance of the building permit or issuance of a development permit if no building permit is required.

SC Code 6-1-1070 outlines shared funding among units of government through inter-local agreements.

Water and Sewer revenues are estimated based on historical trend and consideration of any new subdivisions or major projects that would generate additional revenue. Consideration is also made for the reduction of revenue due to a decrease in building due to the economy.

The Solid Waste Fund accounts for the operation and maintenance of the County collection sites and contracts for the collection and disposal of solid waste for county residents. The counties charge a user fee to real property owners and certain commercial and governmental entities to provide funding for the county's recycling, solid waste, and disposal efforts. The user fee for residential property owners is included in the County Auditor's annual tax bill for origination and impact fees.

These include revenue generated by those operations that are financed and operated in a manner similar to a private business or where the County Council has

decided that the determination of revenues earned, expenses incurred, and/or net income is necessary for management accountability.

Proprietary Funds offer the possibility to local governments to provide development incentives for projects that best serve the needs or preferred growth of any participating jurisdiction. Jurisdictions wishing to promote transit could use the flexibility afforded them in state statutes to entice private sector capital through the waiver of impact fees. For instance, if a local jurisdiction wanted to promote infill development around a proposed transit station, the public entity could waive the storm and wastewater management fees as the infrastructure is already in place to serve the new development.

#### **OWN SOURCE REVENUE**

The five main contributors to local government revenue in South Carolina, in order of their level of contribution are fees and charges, the general sales and use tax, property tax, individual income, and the corporate income tax.

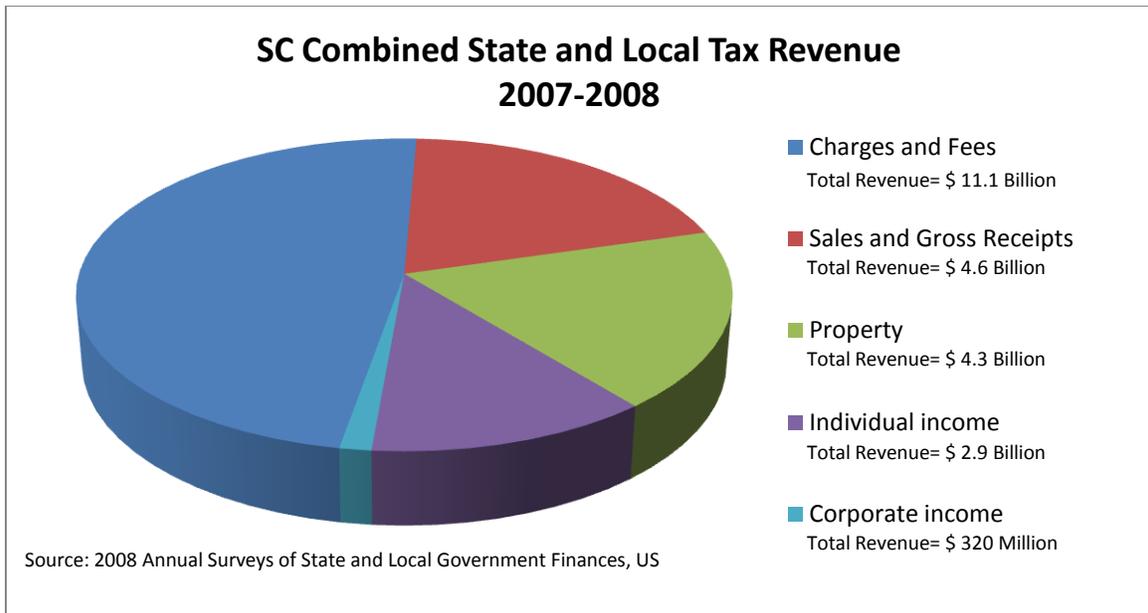


Figure 3- SC Combined State and Local Tax Revenue, S.C Budget and Control Board, 2009

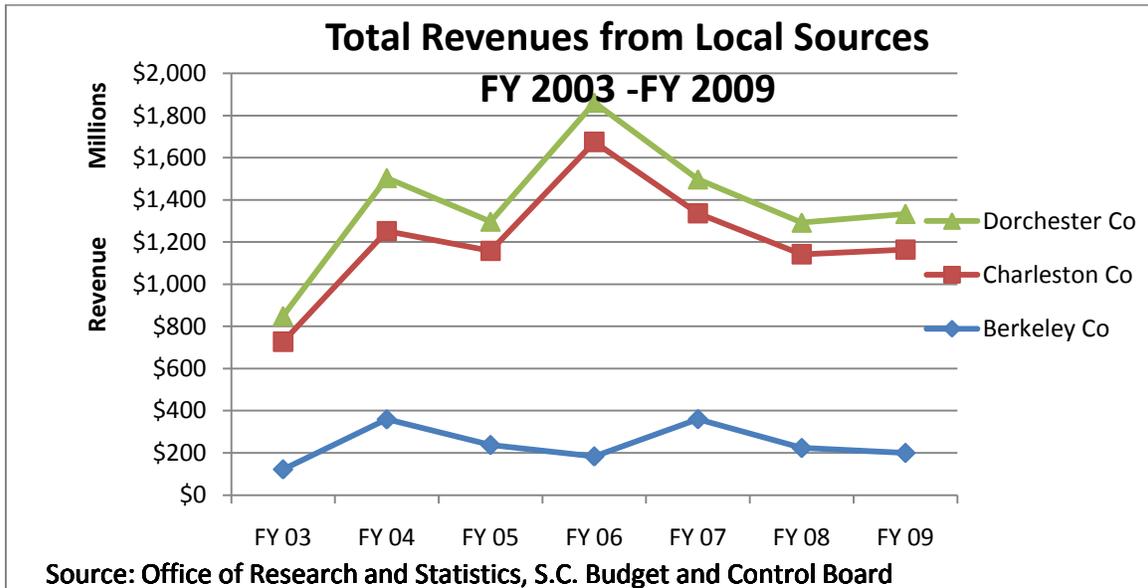


Figure 9-Total Revenue from Local Sources, S.C Budget and Control Board, 2009

## **Charges and Fees**

South Carolina relies heavily on fees and charges as compared to most other states. As a percentage of own source revenue (revenue excluding federal aid), fees and charges make up 28% of South Carolina state revenue, compared to an average of 14.2% nationwide. Per person, South Carolina collects an average of \$873 per person in fees and charges, compared to \$493 in the average state (Ulbrich, 2005). “The largest and fastest growing revenue source for governments in South Carolina is charges and fees, which includes licenses, permits and service charges, also referred to as impact fees. The largest contributor to fees and charges collected by the state of South Carolina are hospital charges; totaling \$2.2 billion out of the roughly \$6.2 billion total for charges and fees. The magnitude of hospital charges is unique to South Carolina and is driven by the fact that South Carolina is among the states with the greatest reliance on charges and fees in the country. South Carolina has a much higher share of state and local government hospitals than the national average. In 2002, for example, 28 percent of hospital beds in South Carolina were in government hospitals compared with 16 percent nationally. Similarly, 25 percent of all hospital admissions in South Carolina were to government hospitals relative to 14 percent nationally. This larger than average occurrence of government hospitals explains South Carolina’s reliance on hospital charges and therefore its reliance on charges and fees in general. Figures 4 and 5 illustrate the steady increases in total charges and fees relative to both total revenue collections and personal income.” (Ulbrich, 2005) The other major contributing fees and charges collected by the

state and local governments are sewage, sea and inland port facility usage, solid waste management fees.

Impact fee refers to a payment of money imposed as a condition of development approval to pay a proportionate share of the cost of system improvements needed to serve the people utilizing the improvements (SC Code 6-1-920). Impact fees play an important role in helping local jurisdictions regulate growth. Below is a list of impact fees levied by the local jurisdictions in the BCDCOG region.

<b>Jurisdiction</b>	<b>Impact Fees</b>	<b>Negotiated Development Exactions</b>
<b>Berkeley</b>	Water (\$475) & sewer (\$1,250); Transportation-Yes (Ordinance 06-11-75)	Yes
<b>Charleston</b>	City of Charleston (water & sewer) and City of Mt. Pleasant (fire, police, sewer); Transportation-No	Yes
<b>Dorchester</b>	Transportation-Yes (in Development w/ Council-2 <sup>nd</sup> reading approved)	Yes

Table 8- Impact Fees and Negotiated Development Exactions

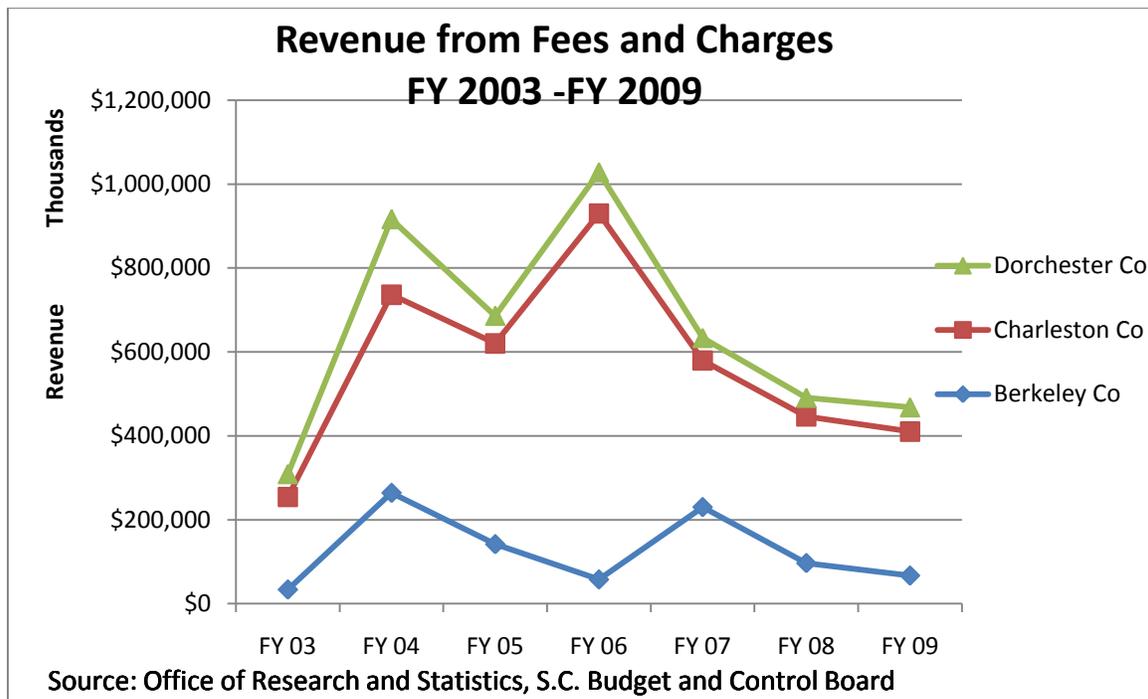


Figure 10- Revenue from Charges and Fee in the Three County Region

### Sales and Gross Receipts

Sales tax is an umbrella category that includes different forms of sales tax ... retail sales tax, sales tax on services and vehicles. Although the general sales tax is primarily levied on tangible goods, there are certain services that are subject to sales tax in South Carolina. A six percent sales and use tax is assessed on retail sales; counties may adopt by referendum a one percent local option sales tax that is to be used largely for property tax relief, and an additional one to two percent sales tax that is to be used for capital projects, infrastructure improvements and schools. In addition, a two percent hospitality tax may be assessed on prepared foods. They include laundry and dry cleaning services, some communications services, electricity, restaurant meals (which combine tangible goods with services), and leases of some personal property, but not automobiles

(Ulbrich, 2005). Vehicles purchased and titled in South Carolina are subject to sales tax unless exempt. The tax is 5% of the sales price up to a maximum of \$300.00. Growth of sales tax revenue has lagged behind growth of personal income in South Carolina and nationally. Inclusion of more services in the tax base will bring sales tax revenue growth more in line with growth of personal income (Ulbrich, 2005). In South Carolina, the service sector accounted for about 47 percent of state GDP in 2008. South Carolina has a smaller service sector than many other states.

South Carolina counties, upon local referendum, are authorized to impose various local option taxes in addition to the 6 percent sales tax imposed by the state. These include the local option sales tax, capital projects sales tax and a transportation tax, accommodations tax and hospitality tax. Voters in all three counties in the BCDCOG region have approved the imposition of an additional one percent local sales tax support transportation as well as property tax relief.

<b>Jurisdiction</b>	<b>Local Accommodations Tax- %Imposed</b>	<b>Local Hospitality Tax - % Imposed</b>	<b>Sales Tax/Toll for Transportation / % Imposed</b>	<b>Local-Option Sales Tax / % for Property Tax Rollback</b>
<b>Berkeley</b>	Entire County 2%	Monks Corner 2%	Yes - 1 % (passed 11/4/08)	Yes - 100%
<b>Charleston</b>	Entire county area - 2%; City of Charleston - 2% (4% total); Mt. Pleasant - 1% (3% Total); Kiawah Island - 1% (3% Total); Isle of Palms - 1% (3% Total); Folly Beach - 1% (3% Total)	City of Charleston - 1%; 2% if alcohol served in the establishment; North Charleston - 1%; 2 % if alcohol served in the establishment; Mt. Pleasant - 2%	Yes - ½ cent (passed 11/2/04)	Yes - 100%
<b>Dorchester</b>	Entire county area - 2%; Summerville - 1% (3% total)	No	Yes - 1% (passed 11/04)	

Table 10- Local Option Taxes Levied in the Three County Region, SC Assoc of Counties, 2010.

These local options sales taxes provide a tremendous opportunity for better coordination at the regional level. Currently, each county and its respective Transportation Commission select transportation projects individually. The BCDCOG is an appropriate sized entity that could lead coordinated transportation investments leveraging a three county transportation sales tax.

### **State Accommodations Tax**

The state accommodations tax, passed in 1984, levied a 2 percent tax on the rental of rooms within the state (SC Code 6-4-10, SC Code 12-36-920). The law defined travel and tourism as "the action and activities of people taking trips outside their home communities for any purpose, except daily commuting to and from work." The Act set up three tiers of counties that dictate expenditures and ensures all counties receive a minimum distribution amount. Originally set at \$50,000 the minimum distribution amount increases each year by 75% of the previous year's percentage increase in state accommodations tax revenue collections. For example, if the collections increased by 8 percent, the minimum distribution would increase by 6 percent (75 percent of 8 percent). Over the years, the compounding effect has increased the minimum distribution from \$50,000 to \$149,404 for FY 2009.

#### ***Counties with collections of \$50,000 or less***

The county and the municipalities within it receive the amount of tax revenue collected within their jurisdiction. The supplement received by the county to reach the minimum distribution amount is divided among the entities (county government and municipalities within the county) based upon population.

#### ***Counties with collections of more than \$50,000 but less than \$400,000***

The county and the municipalities within it receive the amount of tax revenue collected within their jurisdiction. In addition, counties in this tier receive a supplement. Originally set at \$15,000, the supplement amount increases each year by 75 percent of the previous year's percentage increase in collections. Over the years, the compounding

effect has increased the supplement to \$43,242 for FY 2009. The supplement is divided among the entities (county government and municipalities within the county) based on population.

***Counties with collections \$400,000 or more***

These counties contribute to a fund used by the state treasurer to ensure all counties in the first tier receive the minimum distribution and all counties in the middle tier receive the supplement. The state treasurer determines the amount needed to be withheld to make these distributions. FY 2009, the treasurer withheld 20 percent of the collections. The 13 counties in this third tier contributed \$3,445,831 to supplement the remaining counties. Any excess funds withheld are returned each August to the contributing counties. The funds are distributed back to the jurisdictions based upon their percentage of collections within the county.

<b>South Carolina 2% Accommodations Tax Revenue Distribution, Full Fiscal Year 2009-2010</b>						
<b>Local Government Entity</b>	<b>DOR Collections less 2% to SCATR and less DOR/TERC Admn Fees</b>	<b>Total Withheld for Distribution to Other Counties</b>	<b>Amount Distributed to Other Counties</b>	<b>Amount Returned by Treasurer's Office</b>	<b>Amount Received from Other Counties (Supplement)</b>	<b>YTD Amount Received</b>
BERKELEY COUNTY AREA	\$354,140.45	\$0.00	\$0.00	\$0.00	\$41,634.00	\$395,774.45
CHARLESTON COUNTY AREA	\$8,426,765.20	\$1,605,352.69	\$766,676.32	\$838,676.37	\$0.00	\$7,660,088.88
DORCHESTER COUNTY AREA	\$103,045.53	\$0.00	\$0.00	\$0.00	\$41,634.00	\$144,679.53
* Denotes a municipality that may have received revenue in more than county.						
Source: SC State Treasurer's Office						

Table 11- Accommodations Tax Revenue Distribution, SC State Treasurer's Office, 2010

As the table above indicates, Berkeley and Dorchester Counties are classified as Tier 2 Counties, collecting more than \$50,000 but less than \$400,000 while Charleston County collects more than \$8 million dollars in Accommodations Tax and therefore more than \$1.6 million dollars to support other counties in South Carolina. The cities of

Charleston, North Charleston and Summerville may have received funding from both of the counties in which they lie.

The revenue allocated to each county can play a vital role in supporting capital infrastructure related to tourism as it is an industry that spans all three counties in the BCDCOG. Airports are an important example of the industry's impact on the region. Tourists wishing to visit Monks Corner may arrive by air at the International Airport in N. Charleston; using tourism related facilities in one county while generating sale tax revenue in another. Therefore, it is important for each jurisdiction to understand the amount collected by the state and then re-allocated for expenses within their authority, so that capital improvement expenditures account for this funding stream. It is possible, through coordination at the COG level, that Charleston County, which received over \$7.6 million dollars in accommodations tax revenue, focus a greater share of available funds on the support of tourism related infrastructure, which is more costly and allows Berkeley County or Dorchester County to direct spending to other facets of tourism.

The SC Code allows for the following tourism expenses:

- Advertising and tourism promotion to develop and increase tourist attendance through publicity
- Arts and cultural events promotion
- Construction, maintenance, and operation of facilities for civic and cultural activities, including construction and maintenance of access and other nearby roads and utilities for the facilities
- Criminal justice system, law enforcement, fire protection, solid waste collection, and health facilities when required to serve tourists and tourist facilities. The amount is based on the estimated percentage of costs directly attributed to tourists.
- Public facilities such as restrooms, dressing rooms, parks and parking lots used to service tourism
- Tourist shuttle transportation
- Control and repair of waterfront erosion

- Operation of visitor information centers

***Local Accommodations Tax and Local Hospitality Tax***

As part of the Local Government Fiscal Authority Act of 1997, the General Assembly authorized both the Local Accommodations Tax (SC Code 6-1-500) and the Local Hospitality Tax (SC Code 6-1-700). Municipal or county councils can impose the taxes by ordinance. The local entity, not the state, is responsible for collecting the revenue.

The local accommodations tax is levied on the rental or charges for accommodations. The cumulative rate may not exceed 3 percent. If the municipality has not already imposed a 3 percent local accommodations tax, the county may impose a tax up to 1.5 percent without consent of the municipal council. To go beyond 1.5 percent within the municipal limits, the county must receive the municipal council's consent by resolution.

Council must use the revenue exclusively for the following purposes:

- Tourism-related buildings including, but not limited to, civic centers, coliseums, and aquariums
- Tourism-related cultural, recreational, or historic facilities
- Beach access, beach re-nourishment, or other tourism-related lands and water access
- Highways, roads, streets, and bridges providing access to tourist destinations
- Advertisements and promotions related to tourism development
- Water and wastewater infrastructure to serve tourism-related demand

During the 2001 Legislative Session, Senate Bill 349 was signed into law by the Governor, effective July 18, 2001. This bill amended the Accommodations Tax statute. It establishes an eleven-member Tourism Expenditure Review Committee, provides for withholding funds for misappropriated expenditures, and provides for penalties for failure

to file annual reports on time. This committee serves as the oversight authority on all questionable tourism-related expenditures. The Accommodations Tax Reporting form, the Advisory Committee Membership form, and the Tourism Region form are due by the first of November every year. Information compiled by the South Carolina Department of Parks, Recreation and Tourism is available the following FY. The BCDCOG should evaluate specific uses of revenue by the jurisdictions within the BCD Region in order to determine projects that could be supported by more than one entity.

A county or municipality may impose a hospitality tax on the sales of prepared meals and beverages. The cumulative total of the tax may not exceed 2 percent. A county may impose a 1 percent hospitality tax within the municipal limits, without the municipal council's consent if the municipality has not already imposed the maximum 2 percent. The municipal council must consent, by resolution, for the county to impose a local hospitality tax more than 1 percent within the municipal limits.

Council must use the revenue generated by the local hospitality tax exclusively for the following purposes:

- Tourism-related buildings including, but not limited to, civic centers, coliseums and aquariums
  - Tourism-related cultural, recreational or historic facilities
  - Beach access, beach re-nourishment or other tourism related lands and water access highways, roads, streets and bridges providing access to tourist destinations
  - Advertisements and promotions related to tourism development
  - Water and wastewater infrastructure to serve tourism-related demand
- Charleston County collected more than \$900,000 in state accommodations tax.

Charleston deposited all funds into the Enterprise Fund (Municipal Assoc of South Carolina, 2009). Berkeley and Dorchester Counties do not collect a hospitality tax

however revenue from the state accommodations tax indicates that tourism related revenue is feasible within the two counties and should be considered as a possible source to support infrastructure. The BCDCOG is an appropriate sized entity that could lead coordinated tourism related investments leveraging a three county local accommodation and hospitality sales tax.

### Property Tax

Property taxes are based on the application of millage rates to assessed value. See Appendix 1 for examples of property tax calculations for each of the three counties. The table below illustrates the total amount of assessed property, base millage rate, value and millage cap for each county and provides a ranking in comparison to the 43 other counties in South Carolina.

	<b><u>Berkeley County</u></b>		<b><u>Charleston County</u></b>		<b><u>Dorchester County</u></b>	
<b><u>Tax Data</u></b>	<u>Value</u>	<u>Rank</u>	<u>Value</u>	<u>Rank</u>	<u>Value</u>	<u>Rank</u>
<b>Assessed Property 2008</b>	\$700,054,161	9	\$2,935,123,692	1	\$487,551,524	13
<b>County Base Millage Rate 2009</b>	0.05	43	0.0544	42	0.0768	33
<b>Value of One Mil 2009</b>	\$594,000	10	\$2,702,398	1	\$488,072	13
<b>Millage Cap FY11</b>	2.3%	3	1.6%	10	2.0%	6

Source: South Carolina Association of Counties,  
 Accessed 2 October 2010. <http://www.sccounties.org/counties/county-statistics.aspx>

Table 12- Property Tax Assessments and Millage Rates for the Three County Region

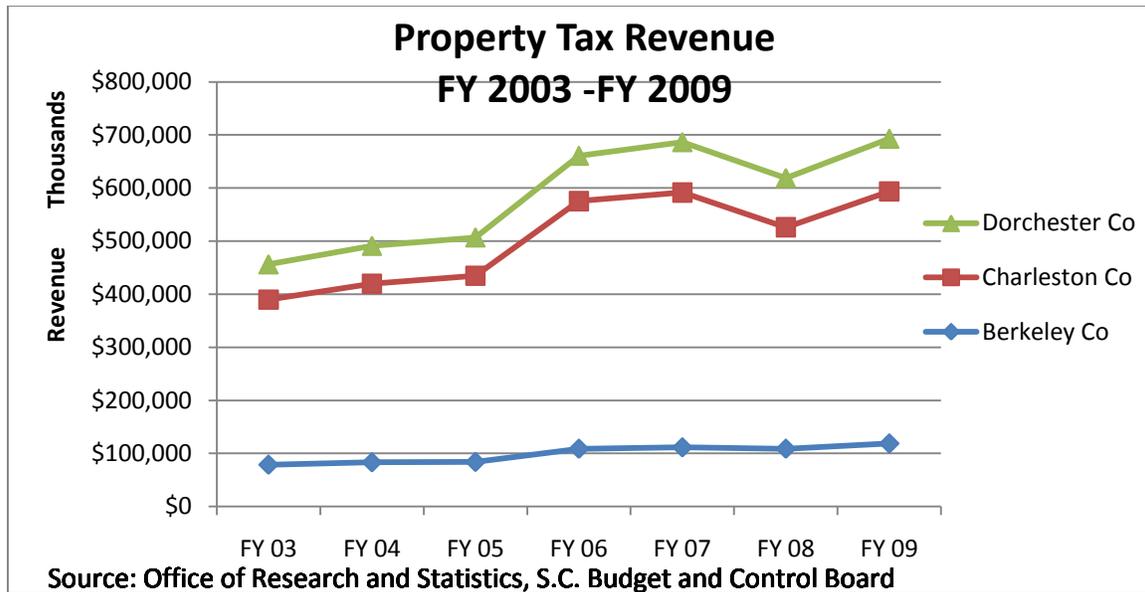


Figure 11- Property Tax Revenue in the Three County Region

### *Assessment Caps*

In 2006, South Carolina's General Assembly passed Section 6-1-320(B), a companion bill to Act 388 (the sales tax for property tax swap) which imposed assessment caps on real taxable property of all kinds.

- 5 five-year reassessments
- Cap of 15 percent over the period between assessments

The legislation not only created assessment caps but also millage caps for local governments and property tax relief for homeowners from taxes for school operations (Ulbrich, 2005). The intent of the millage cap is to protect homeowners from dramatic increases in property taxes due to rapidly appreciating markets. During assessment periods, millage rates are adjusted downward to account for increases in property values in an attempt to make the assessment periods tax neutral while protecting property owners.

**Property Tax Assessment at Year 5**  
**Assuming Varied Rates of Appreciation & No Change in Millage Rate**  
**on a \$200,000.00 Owner Occupied Residence**  
**in BCDCOG Region**

	<u>10%</u> <u>Appreciation</u>	<u>15%</u> <u>Appreciation</u>	<u>20%</u> <u>Appreciation</u>
<b>APPRAISED VALUE</b>	\$216,486.43	\$225,101.76	\$233,971.71
<b>ASSESSMENT RATIO</b> (ASSESSED VALUE IS 4% of APPRAISED VALUE ((OWNER OCCUPIED RESIDENCE))	\$8659.45	\$9004.07	\$9358.86
<b>COMBINED MILLAGE</b>	0.2601	0.2601	0.2601
<i>(FOR CITY OF CHARLESTON AND COUNTYWIDE)</i>			
<b>TOTAL PROPERTY TAX BEFORE EXEMPTIONS</b>	\$2,252.32	\$2,341.96	\$2,434.24
<b>CHARLESTON COUNTY TAX CREDIT:</b>	\$153.71	\$159.82	\$166.12
COUNTY TAX CREDIT x TAXABLE APPRAISED VALUE (.00071 x 200,000)			
<b>CITY OF CHARLESTON TAX CREDIT:</b>	\$153.71	\$159.82	\$166.12
COUNTY TAX CREDIT x TAXABLE APPRAISED VALUE (.00071 x 200,000)			
<b>*PROPERTY TAX RELIEF(PTR)</b>	\$854.69	\$888.70	\$923.72
ASSESSED VALUE ÷ PTR MILLAGE (8,000 x .0987)			
<b>TOTAL TAX</b>	\$1,090.23	\$1,133.61	\$1,178.28
<b>SOLID WASTE RECYCLING AND DISPOSAL FEE (+)</b>	\$99.00	\$99.00	\$99.00
<b>** SOLID WASTE RECYCLING AND DISPOSAL FEE (CREDIT)</b>	\$25.00	\$25.00	\$25.00
<b>TOTAL AMOUNT DUE</b>	\$1,164.23	\$1,207.61	\$1,252.28
<b>Difference at 15% Cap</b>			\$44.67

**\*PROPERTY TAX RELIEF:**  
HOMEOWNERS RECEIVE PROPERTY TAX RELIEF ON SCHOOL BOARD OPERATING TAX FOR THEIR LEGAL RESIDENCE.

Example:

\$8,000 (Assessed Value)

x .0987 (School Board Operating Millage)

\$789.50 (Property Tax Relief)

**\*\* SOLID WASTE RECYCLING AND DISPOSAL FEE CREDIT FOR TAX YEAR 2010 ONLY**

*Model Adapted from Property Tax Calculation Sample, Charleston County Auditor Office*

Table 13- Property Tax Assessment Cap Example

### ***Property Tax Assessment Rates***

Preferential assessment is given to owner-occupied residential property and farm and forestland, both of which are assessed at only four percent of market value (or for farm and forest land, use value, which is much less than market value).

- 6% for rental and commercial property and personal vehicles
- 9.5 % and 10.5% apply to utility and manufacturing property and business equipment (Ulbrich, 2010)

The intention of preferential assessment is to change the distribution of the property tax burden so that more of it falls on business property and less on households. The reasoning for this arrangement is that business firms generate a cash flow from their use of property with which to pay the property tax, whereas households do not. A shortfall in this reasoning is that the property tax on residential rental property is incorporated in the rent by the owner; renters don't explicitly write a check for property taxes, however they do pay those taxes in their monthly rent. Some of the negative impacts of higher assessment rates on utility and manufacturing property have been mitigated by fees in lieu agreements as well as accelerated depreciation and tax breaks on their corporate income taxes for job creation. The categories of property that are most adversely affected by differential assessment in South Carolina are rental and commercial property, which are important to the state's tourism industry and to local governments, because of the additional local revenue generated by sales taxes, accommodations taxes, and business licenses. The other harmful effect is the incentive to qualify for a lower assessment ratio. Owners of vacant land seek to get an agricultural classification, so that they will be taxed at the much lower use value rate. Owners of rental property seek to get it reclassified as owner-occupied to reduce the assessment rate and to qualify for exemption for school tax

exemptions. There has been significant conversion of property to an owner-occupied classification since the passage of Act 388, sometimes by putting the property in the name of another family member. The result of these reclassifications is a substantial loss of local government revenue, particularly to schools. However, as these classifications are in the state Constitution, they are difficult to change and rarely come up for review (Ulbrich, 2010).

### Individual Income Tax

The individual income tax is the primary instrument to raise revenue for the South Carolina state government system. The state's individual income tax is mildly progressive, meaning that the tax rate increases as the taxable base amount increases. A progressive income tax is designed so that people with more income pay a higher percentage of that income in tax than do those with less income. In South Carolina rates range from 4% to 7%, with personal exemptions and standard deductions borrowed from the federal income tax brackets indexed for inflation. Income taxes go into a common fund to pay for government administration, public safety, and other public services.

South Carolina Association of Counties County Statistics as of September 14, 2010						
<u>Income Data</u>	<u>Berkeley County</u>		<u>Charleston County</u>		<u>Dorchester County</u>	
Personal Income (PI) 2008, in 1000s	\$5,163,763	10	\$13,844,611	2	\$3,932,706	13
Per Capita Personal Income 2008	\$30,449	16	\$39,581	2	\$30,765	14
% of U.S. Per Capita PI 2008	0.76	15	0.99	2	0.77	14
Source: South Carolina Association of Counties, Accessed 2 October 2010. <a href="http://www.sccounties.org/counties/county-statistics.aspx">http://www.sccounties.org/counties/county-statistics.aspx</a>						

Table 14- Individual Income Per Capita Index

When compared to the entire nation, South Carolina ranked 37<sup>th</sup> among 50 states and the District of Columbia in terms of taxes as a percent of income in 2008, according to the Tax Foundation. South Carolina's 8.8% of income paid in state and local taxes was lower than the U.S. average of 9.7%. Georgia ranked 16th at 9.9% and North Carolina ranked 20th at 9.8% (The Tax Foundation, 2010).

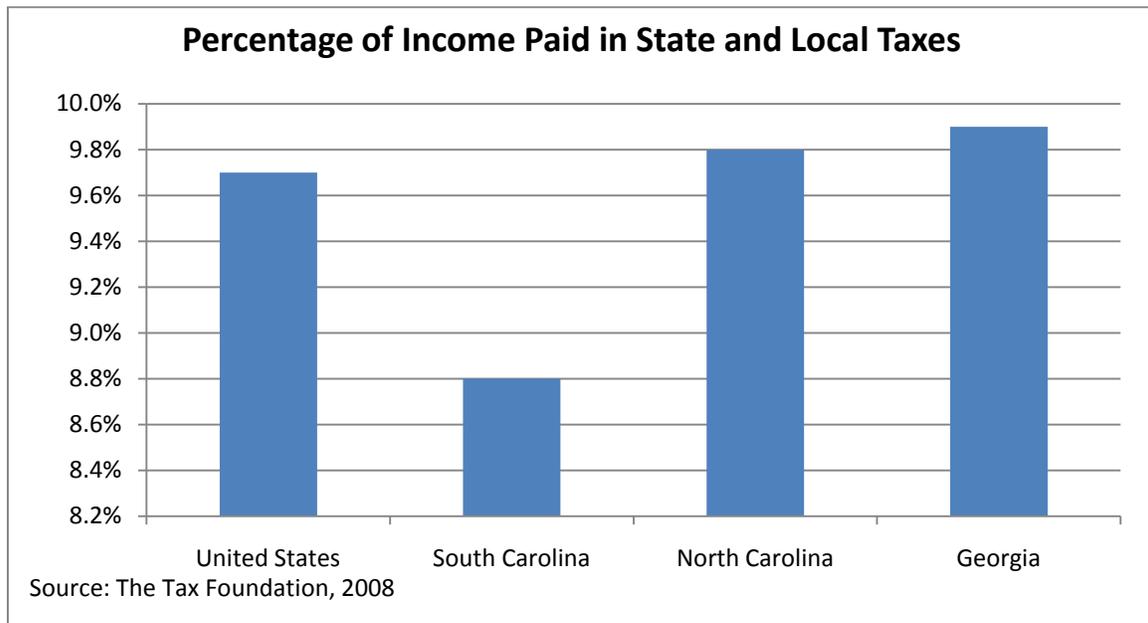


Figure 12- Percentage of Income Paid in State and Local Taxes

### Corporate Income Tax

“The corporate income tax is a relatively small but volatile revenue source. Despite the shrinking role of this revenue source, the annual swings in corporate income taxes can be quite large and are unpredictable. Even though total corporate income tax collections make up a small part of the overall revenue system, the year-to-year swings in collections can account for a relatively large share of the volatility of the revenue system as a whole. Given the volatile nature of corporate profits and the complexity of provisions in the tax code, corporate income tax collections are inherently difficult to explain and predict” (Ulbrich, 2005).

For the fiscal year 2007, The Tax Foundation ranked South Carolina 45th out of the 46 states that collect corporate income tax, collecting an average of \$71 per capita from state and local corporate income taxes (The Tax Foundation, 2010).

## **CONCLUSION**

Prior to 1920, South Carolina's state and local governments collected revenue almost entirely from the taxation of personal and real property. Following reforms to the tax code in 1951, South Carolina introduced changes in its revenue system that are more characteristic of its current state tax structure, including fees and excise taxes, personal and corporate income taxes, and sales and use tax. Overhauls in the tax system in 1951, proved successful. However, South Carolina's revenue system is under stress today as the tax code has been notably altered in the past 20 years by various groups demanding income and property tax relief. Although some relief was provided by the Legislature, some provisions were adopted to include an accommodations tax in 1984, and the local option sales tax by local option in 1990. Local hospitality taxes, local accommodations taxes, and special purpose local sales taxes have been added as local revenue options in the last decade. These additions have proven valuable to the local economies in the BCD region, and could provide further positive impacts at the regional scale if properly coordinated by an entity such as the BCDCOG.

## **Chapter 6: Concurrent Infrastructure Planning**

### **INTRODUCTION**

Smart Growth is by principle, an effort to integrate multiple objectives in project design. Transportation projects offer the ability to incorporate Smart Growth principles in the most fundamental ways however; local governments often overlook the opportunity due to the complexity of accommodating multiple design aspects. Although accommodating housing and work opportunities into the formation of transportation projects does require greater technical considerations, benefits gained are mutually supportive and far outnumber the additional planning requirements. More and more governmental agencies are recognizing how transportation investments shape land development. This chapter outlines the opportunities to incorporate Smart Growth principles through federal, state and local governmental funding streams and highlights examples of concurrent comprehensive planning in the BCD region, which can serve as guideposts for regional and sub-regional planning efforts. The example from Dorchester County demonstrates that the opportunity to conduct concurrent planning lies in each jurisdiction's capital improvement plan, which is an annual event. The annual expenditures should directly support objectives provided in long range planning documents and efforts, such as the Long Range Transportation Plan and the Comprehensive plan.

### **SMART GROWTH PRINCIPLES (EPA DEFINITION)**

There is no one unified definition of Smart Growth. However, the term has been in use in land use planning, advocacy and professional urban design fields since the early

1970s. According to the United States Environmental Protection Agency, “Smart Growth is development that serves the economy, the community and environment all at the same time”. Although there is not a unified definition of the term, there are ten widely accepted principles at the heart of Smart Growth (About Smart Growth, 2011).

1. Mix land uses
2. Take advantage of compact building design
3. Create a range of housing opportunities and choices
4. Create walk able neighborhoods
5. Foster distinctive, attractive communities with a strong sense of place
6. Preserve open space, farmland, natural beauty, and critical environmental areas
7. Strengthen and direct development towards existing communities
- 8. Provide a variety of transportation choices**
  1. Facilitate an adequate mix of transportation modes
9. Make development decisions predictable, fair, and cost effective
10. Encourage community and stakeholder collaboration in development decisions

#### **WHY TRANSPORTATION IS THE CRUX OF SMART GROWTH AND VALUE CAPTURE**

Transportation is a key facet to Smart Growth strategies because, as Susan Handy summarizes, “ transportation investments shape land development outcomes. Land Use mixes, densities and intensities influence travel patterns and behaviors. Travel patterns influence the choice of transportation investments” (Handy 2005).

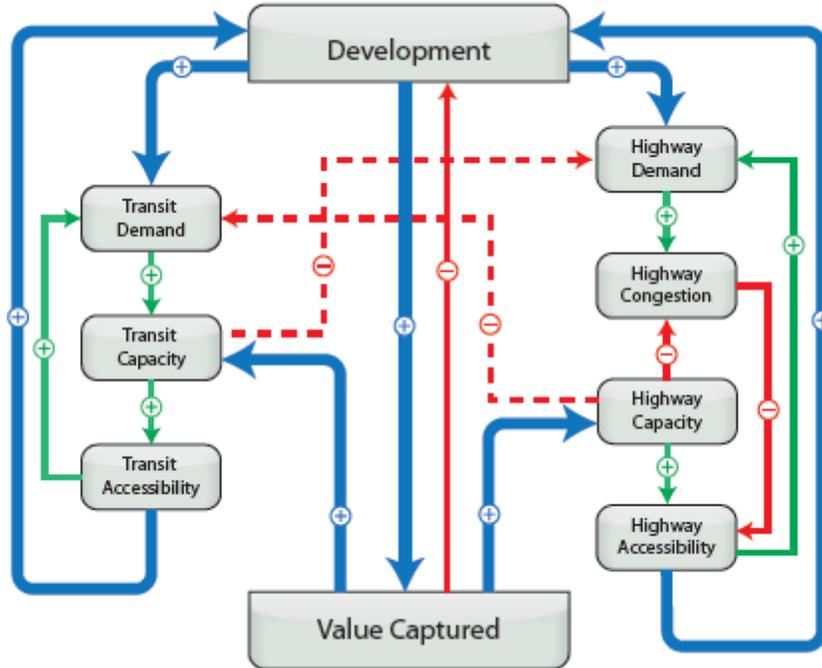


Illustration 1-Feedbacks in systems of transportation and land use, CTS 2009

Congestion, capacity, demand, and accessibility, all factors related to transportation all play important roles in the location determination of all land use forms. As the graphic above suggests, increases in the capacity of each mode in response to rising demand lead to increases in land value, whereas allowing congestion to worsen leads to the opposite effect. This results from disutility consumers experience when travel to choose destinations that are farther away, since consumers must expend resources to access those destinations. Resulting increases in travel time or other travel costs reduce the number of destinations that can be feasibly accessed, given the budgets households are restricted to in terms of money or time. Feedback effects continue when the increases in land value caused by increases in accessibility in a given location lead to a larger amount of development, which again begets higher land values (CTS 2009, pg. I-4).

Smart growth transportation strategies create economic opportunity through a reduction in energy consumption in both the home and automobile. The EPA funded report, *Boiling it Down to the BTUs* succinctly describes the economic savings possible through the increased relationship between transportation and housing choices, “A home’s location relative to transportation choices has a large impact on energy consumption. People who live in a more compact, transit-accessible area have more housing and transportation choices compared to those who live in spread-out developments where few or no transportation options exist besides driving. Choosing to live in an area with transportation options not only reduces energy consumption, it also can result in significant savings on home energy and transportation costs.” (Jonathan Rose Companies, 2010)



Location Efficiency: Household and Transportation Energy Use by Location

Figure 13-Energy Efficiency of Transit Oriented Development, Jonathan Rose Companies, 2010

In addition to reducing energy consumption for consumers, Smart Growth strategies focused on increasing transit options improves mobility and reduces traffic congestion. Portland, Oregon is an example where multiple performance measures help illustrate the effect of the transportation and land use policies that are being pursued to create a dense urban area that is better served by public transportation. The Texas Transportation Institute annual Urban Mobility report, measures among many things, a Travel Time Index and the delay per auto commuter values. The TTI report defines the travel time index as a measure of congestion that focuses on each trip and each mile of travel and delay per auto commuter as A yearly sum of all the per-trip delays for those persons who travel in the peak period (6 to 10 a.m. and 3 to 7 p.m.). This measure

illustrates the effect of the per-mile congestion as well as the length of each trip. It is calculated as the ratio of travel time in the peak period to travel time in free-flow. In the TTI's 2010 report, the travel time index and the delay per auto commuter value both increased since 1982, indicating an increase in congestion. According to the data provided by TTI,

“the Travel Time Index for Portland grew faster from 1982 to 2009 than it has for the majority of the other areas in the Large urban group. Delay per auto commuter, however, has grown at a rate closer to the HB-9 Large area average, indicating that delay has not grown as rapidly as the per-minute travel time penalties have declined. Perhaps the urban growth and transportation policies are encouraging shorter trips and travel on light rail and other modes” (Urban Mobility Report, TTI, 2010).

## **TRANSPORTATION PLANNING**

### **Federal Funding and Oversight**

Federal funding for transportation is limited in how it can be used by state and local governments. The funds cannot be used for routine maintenance and must be used on roads that contribute significantly toward interstate commerce. However there are opportunities to incorporate federal funding in programs which help achieve Smart Growth. For example, federal funds that are dedicated to Enhancements (e.g. streetscaping and beautification) may not be used for other purposes but must be funded solely with state dollars. Each state is required to “match” federal highway funds with state or local funds. As highway projects are completed, South Carolina Department of Transportation (SCDOT) must pay all expenses then seek reimbursement from the Federal Highway Administration. When matching increased federal funding, less money becomes available for South Carolina's highway maintenance budget.

## **State Funding and Oversight**

The South Carolina Department of Transportation (SCDOT) is charged with the responsibility of the systematic planning, design, construction, maintenance, and operation of the state highway system and coordinating mass transit services. SCDOT operates and maintains 41,459 miles of roads and bridges, which ranks as the fourth largest state-owned highway system in the nation according to the Federal Highway Administration. The agency emphasizes the importance of safety, environmental stewardship, and system maintenance and preservation through its “Fix It First” strategy.

Projects may be initiated by: Congress, the General Assembly, Regional Councils of Government (COG’s), Metropolitan Planning Organizations (MPO’s), local government, the SCDOT Commission, or private developers.

Federal law requires each state to establish a fiscally constrained Statewide Transportation Improvement Program (STIP). The SCDOT Commission has established a policy of seeking recommendations from the COG’s and MPO’s for projects to be included in the STIP. This policy was made law in June 2007 (SCDOT, 2009).

State law requires SCDOT to develop a statewide priority list of projects based on financial viability, safety, economic development, traffic congestion, freight traffic, pavement quality, environmental impacts, alternative solutions, and local land use plans. This priority list must be consulted. Before any project in the STIP can move forward to construction, federal law requires that it must undergo extensive review by the environmental resource agencies, local governments, various cultural review agencies, and the general public. Hearings and public comment periods are required by law.

Besides engineering concerns, the plans for each project must consider environmental mitigation, national security, safety, bicycle and pedestrian needs, and consistency with planned growth and development plans.

SCDOT receives the majority of its funding from motor fuel user fees on gasoline and diesel, federal reimbursement, and a small amount of general fund dollars. Act 176 of 2005, also known as the Harrell Bill, redirected fees previously going to other agencies or the general fund to a special non-federal aid highway fund for maintenance purposes. SCDOT also earns interest on its funds held by the State Treasurer. SCDOT does not receive any revenue from county property taxes, local option sales taxes, or capital improvement taxes.

**SC Department of Transportation  
Major Revenues by Source (in Thousands)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Motor Fuel User Fee Gasoline	\$ 319,828	\$ 325,966	\$ 324,920	\$ 313,431	\$ 308,948
Motor Fuel User Fee Diesel	107,267	119,241	119,767	112,053	109,058
Non-Federal Aid	39,240	40,172	26,274	11,895	-
State Appropriations-General Funds <sup>(1)</sup>	6,755	11,465	9,781	1,501	101
Interest Income Highway Fund	10,947	11,759	7,362	5,872	5,068
Interest Income Non-Federal Aid	1,145	778	516	187	-
Total State Sources	<u>\$ 485,182</u>	<u>\$ 509,381</u>	<u>\$ 488,620</u>	<u>\$ 444,939</u>	<u>\$ 423,175</u>
Federal Grants	447,760	438,606	548,600	770,458	821,913
	<u>\$ 932,942</u>	<u>\$ 947,987</u>	<u>\$ 1,037,220</u>	<u>\$ 1,215,397</u>	<u>\$ 1,245,088</u>

Amounts taken from the 406 cash report FM13.

<sup>(1)</sup> General Funds includes special appropriations for construction projects

Table 45- Major Revenue by Source, SCDOT, 2010

The motor fuel user fee is collected at the rate of 16 cents per gallon. The motor fuel user fee in South Carolina has not been increased or adjusted for inflation since 1987. It does not grow with the price of fuel.

Across the southeastern region, 51% of state source highway funding is derived from sources other than fuel user fees. Examples of dedicated revenues include sales tax on vehicles and general sales taxes. Many states also supplement their highway programs with General Fund revenues; in South Carolina, only 27% comes from non-fuel sources (SCDOT, 2010).

### **Berkeley-Charleston-Dorchester COG Funding and Oversight**

The Berkeley-Charleston-Dorchester COG began transportation planning in 1977 under the direction of then Governor James Edwards. The BCDCOG was appointed to perform the planning and programming functions of CHATS, in cooperation with SCDOT, the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA).

The BCDCOG does not have the authority to raise revenue and must rely on the participating jurisdictions to nominate and allocate funds to support projects. However, the BCDCOG selects the specific road and intersection projects, transit facilities and services, and bicycle and pedestrian facilities that are funded through the Federal ISTEA Program.

“BCD’s regional transportation improvements are financed by various sources, with an increasing gap between available funding and improvement needs. Within the Tri-County area, there are 6,475 different roadways covering approximately 5,000 miles. The majority of these roads are locally-owned and maintained by the counties and communities (72 percent), while the remainder is state-owned (28 percent). While the state-owned roads only comprise a little more than a quarter of regional roadways, the network and connectivity they provide is extensive. Recent practices indicate counties and municipalities paying for improvement and maintenance costs on state owned roads to maintain regional travel”. (HNTB, 2008)

In addition to managing federal funds, the BCDCOG coordinates transportation improvements for modes other than automobiles, such as bicycle, transit and pedestrian facilities. As the main function of the BCDCOGs is federal and state funding coordination and matching, the regional government is perfectly suited to lead a multi-jurisdictional value capture program that supports transit. Therefore, the BCDCOG should adopt policies and future programs that incorporate regionally significant transit programs financed by a multi-jurisdiction value capture program and encourage subordinate, participating jurisdictions to incorporate the program into their respective long range transportation plans. It would then be up to the counties and municipalities to incorporate those long term planning objectives into their capital improvement plans.

### ***CHATS Long Range Regional Transportation Plan (LRTP)***

A long-range regional transportation plan is a federally required document for all metropolitan area. It must be updated at least once every five years in order for the region to stay in compliance with federal regulations. The long range plan serves two major functions. First, it records the community’s collective vision and goals for the regional transportation system. Second, it is the plan that guides the project prioritization and

expenditure of federal transportation funding. It forecasts mobility needs of the region's population 25 years into the future and charts a course for providing transportation facilities and services to meet that demand. It also identifies deficiencies in the current transportation system and currently unmet mobility needs in the region. Furthermore, it is an objective way to decide which transportation projects are scheduled for implementation and recommended for funding.

### **County Funding and Oversight**

Each year approximately \$78.8 million (\$69M + \$9.5M for donor bonus) is transferred to the County Transportation Fund, and approximately \$3.5 million to the Watercraft Fund from the state's motor fuel user fee. The County Transportation Funds are then programmed and spent on projects decided upon by the County Transportation Committees formed in each county. Legislation governing the "C funds" is found in SC Code Section 12-28-2740.

Each County Transportation Committee (CTC) has the option of administering the County's "C" Program or may request the South Carolina Department of Transportation (SCDOT) to administer the County's program. The C Program is a long-established partnership between SCDOT and the 46 counties to fund the improvements of state roads, county roads, city streets and other local transportation projects. A CTC, who manages its own "C" program has the following responsibilities:

- Provide program management, payment of obligations, financial accounting, and project records.
- Comply with all provisions of the state law applicable to the "C" Program.
- Make an annual report to the SCDOT of expenditures in accordance with subsection (D) of Section 12-28-2740 of the S.C. Code of Laws 1976.

- Provide project management, engineering, right-of-way acquisition, and construction services for its projects.

C funds are apportioned to the counties according to Section 12-28-2740(A) of the S.C. Code of Laws 1976, as amended. Donor county funds are apportioned based on a ratio of the county's user fee contribution in excess of its C fund apportionment to the total excess contributions of all counties. (South Carolina Department of Transportation, 2007)

C Funds may be expended to support:

- Highway projects including engineering, construction and field contract management
- Administrative expenses
- The issuance of county bonds or state highway bonds

The only major restriction with the impact to any potential value capture project is the total amount. At no time may more than 300% of the CTC's annual allocation be accumulated without being obligated for specific projects.

The three counties and their respective transportation planning commissions also have the ability to fund projects through the revenue from local option sales tax revenue. To date, no projects have been nominated or funded through the coordination of multiple county local option revenue streams. There is potential for collaboration to support a major transportation initiative using funds from all three counties, nominated and synchronized at the regional council level.

#### **DORCHESTER COUNTY**

Dorchester County's Comprehensive Plan of 2008 is a good example of integrating the efforts of multiple authorities within one continuous document. The 2008

Plan, constructed with help from the BCDCOG staff, covers all seven planning elements required by State Code, as well as two new elements mandated by 2007 legislation: Transportation and Priority Investment. Each of the seven foundations presented in the 2008 plan incorporates one or more of the elements. However, the Dorchester County Comprehensive Plan orders the seven elements differently than other governments in the BCDCOG and places Infrastructure Concurrency as the number two priority for consideration in future growth and land use planning. Throughout the Dorchester Comprehensive Plan there is significant overlap between the seven foundations which reveals not only the interrelationship of each foundation as well as the consideration of the need to plan capital improvements in conjunction with other departments and initiatives. Five particular systems of infrastructure are discussed in the 2008 plan: roads, schools, potable water, sanitary sewer, and fire protection. Transportation planning concurrency is a key parameter in the Dorchester County plan. Goal number one and its related policy implications in the transportation chapter of the Dorchester plan succinctly describes the extent to which the County integrates all department planning efforts,”

***Goal 1-Dorchester County’s communities will be well served by an adequate transportation network that improves in step with growing demand for this valuable public service. Travelers will reach their destinations safely, conveniently, and promptly whether by car, bus, train, bike, or foot.***

**Policy 1.1:** Dorchester County will manage expansion of its transportation system to provide users with multiple route choices to reach their destination. The County will further this policy by requiring connectivity within the road network within its authority to review land developments. This policy, along with Policy 1.2 and 1.4, is detailed in Chapter 7: Community Design.

**Policy 1.2:** Dorchester County will manage growth of the transportation system to ensure that users have mode choice. This means that users will have safe and convenient routes for walking and bicycling short trips, in addition to driving.

**Policy 1.3:** Dorchester County will bring mass transit to its communities to reduce demand upon its roadways. These transit services are commuter rail, express bus service (CARTA), and rural bus service (Tri-County Link). This policy is detailed in Chapter 3: Transportation.

### **Programmed Future Transportation Investments**

Typically, most projects are selected through a prioritization based on the MPO's travel demand model, focusing on mitigation of future congestion. Some MPOs have begun to allocate some of their federal funding through competitive programs to encourage sustainable development. For example, the North Central Texas Council of Governments (NCTCOG) has made some federal Surface Transportation Program Multimodal funds, Congestion Air Quality Mitigation funds and general gas tax funds available to local communities and partnering developers for transportation projects that promote sustainable neighborhood development patterns and transit. A street, transit or pedestrian improvement project will receive priority within the funding allocation if it is demonstrated that the project funding will promote infill development, access to transit, local zoning reforms (i.e., form-based codes) in support of walkable urbanism or reinvestment in downtowns/neighborhood centers.

Such a policy would allow for CHATS prioritization of and funding for projects and communities that are utilizing strategies consistent with the vision of *OurRegion OurPlan*. BCDCOG could then allow value capture mechanisms to be used as the local match for a transportation project, if it is consistent with implementation of the preferred scenario for Our Region Our Plan.

### **CONCLUSION**

Smart Growth is by principle, an effort to integrate multiple objectives in project design. Transportation projects offer the ability to incorporate Smart Growth principles in the most fundamental ways however; local governments often overlook the opportunity

due to the complexity of accommodating multiple design aspects. Although accommodating housing and work opportunities into the formation of transportation projects does require greater technical considerations, benefits gained are mutually supportive and far outnumber the additional planning requirements.

However, transportation is a key facet to Smart Growth strategies because, as Susan Handy summarizes, “transportation investments shape land development outcomes. Land Use mixes, densities and intensities influence travel patterns and behaviors. Travel patterns influence the choice of transportation investments” (Handy, 2005).

Transportation planning and financing is supported at nearly all levels in the BCDCOG region, beginning with federal funds all the way down to local sales tax revenue and is therefore a very challenging undertaking for any sized government entity. However, local governments are becoming increasingly self-reliant in terms of supporting transportation projects as federal and state support has steadily declined over the years. Therefore, it is more pertinent now more than ever, that local governments synchronize capital improvements that serve multiple objectives in order to increase return on investment. Dorchester County’s 2008 Comprehensive Plan update provides a good example of concurrent planning and should serve as a guidepost for other planning efforts in the BCDCOG.

## **Chapter 7: Level of Significance**

### **INTRODUCTION**

It is important to identify the level of significance or impact a value capture program is designed to support. Although the critical nature of project significance is reviewed in the latter half of this report, the level of service or impact a planned project has is an essential parameter included in the project nomination process of most jurisdictions, as was discussed in chapter six of this report, concurrent infrastructure planning. The most common approach in determining project significance is by geographic, physical or jurisdictional boundaries. Other methods for determining the level of significance are the number of agencies, public and private, involved in the planning, financing, construction or management of the project. More difficult but to deduce but equally helpful in understanding a projects impact is the evaluation of cost or economic impact. This chapter provides examples of value capture programs at the neighborhood, corridor, municipal, regional and mega-regional level that support transit and the methods used to categorize the level of significance of each project.

### ***Neighborhood***

Transit projects supported through value capture programs are found less frequently at the neighborhood level as transportation projects are normally planned as systems. However, value capture programs relying on special assessment districts can be tailored to provide reinvestment at the neighborhood level. The New York Avenue station on Washington Metro's Red Line serves as such an example. The station was built between two existing stations and was deigned to be a catalyst for transit-oriented economic development in Washington's North of Massachusetts (NoMa) neighborhood. NoMa is a 35-block neighborhood undergoing a transformation from an industrial area to

one of mixed-use. The Business Improvement District (BID) established to finance the transformation, estimates that the neighborhood will provide over 20-million square feet of commercial and residential space once completed. The \$110 million transportation facility was built using a unique private-public partnership between adjacent property owners, the District of Columbia, and the federal government. Local property owners contributed \$25 million towards the projects through a special assessment district. Locally, the charge is referred to as a Metro Benefit Assessment Fee.

### ***Corridor***

Projects serving specific corridors are more common than neighborhood planned transit project sponsored through value capture strategies. Value capture efforts in Portland, Oregon have funded a streetcar project through an 8.0-mile continuous loop (4.0-mile in each direction) servicing multiple neighborhoods from the Pearl District to the South Waterfront along a north to south corridor on the west side of Portland. The multi-phased streetcar project cost approximately \$103 million with about \$19.4 million raised through a special assessment district (locally referred to as a local improvement district) and \$21.5 million bonded through tax increment financing from the City's urban renewal agency, Portland Development Commission. The Portland Streetcar is owned and operated by the City of Portland.

### ***Municipal and County Level***

The Pleasant Hill BART Station created through a partnership between Bay Area Rapid Transit (BART), Contra Costa County, CA, and the County Redevelopment Agency is a good example of a multiple property transit-oriented

development created through joint powers authority. Funding from the project is collected from special assessments and tax increment financing. The revenue collected by this value capture strategy is used to pay for a variety of public infrastructure improvements at the transit-oriented development site, including the BART patron replacement parking garage, capital infrastructure such as roads and drainage and place making components such as parks, plazas, and street furniture.

***Regional***

A new multi-modal transit center in downtown San Francisco, aptly titled, Transbay Transit Center, will serve eight Bay Area counties and the State of California through 11 transit systems: AC Transit, BART, CalTran, Golden Gate Transit, Greyhound, Muni, SamTrans, WestCAT Lynx, Amtrak, Paratransit and future High Speed Rail from San Francisco to Los Angeles/Anaheim. Although much of the project is still in the planning/conceptual phases, the regional transit hub includes a mixed-use, transit-oriented neighborhood with residential towers, shops, parks, and office buildings on surrounding land. Tax increment financing will be used to repay a \$171 million federal TIFIA loan used for construction of the new transit terminal. A planned special assessment district will be used to fund a portion of the construction and maintenance of public infrastructure and facilities needed for the new development. Upon project completion the new Transit Center provide regional transit service to more than 100,000 passengers each weekday and more than 45 million people per year and make public transportation a convenient and accessible option for everyone who lives, works and

visits the San Francisco Bay Area according to the projects website (Transbay Transit Center, 2011).

## **CONCLUSION**

Identifying the level of significance a transportation project is a rudimentary step involved in project nomination by any comprehensive local planning jurisdictions. Correctly identifying the planned level of impact a transit program is important for several reasons. Primarily, a project's level of significance is related to the number of entities, both public and private, involved in planning and financing the project. As the number of agencies involved increases, so does the level of planning complexity and coordination required. Accounting for and incorporating the strengths and viewpoints of each entity engenders ownership and promotes buy in for each agency. Proactively including various stakeholders provides decision makers the opportunity to address the various concerns prior to project implementation. Secondly, the greater number of agencies, involved the larger pool of resources that can be harnessed. As discussed earlier in chapter four, public entities can provide project legitimacy and can garner public support and private entities can provide honed, precise skill sets not always found in public agencies. Lastly, greater coalitions present the opportunity for wider financing streams. The inclusion of multiple public agencies, as described in chapter six concurrent infrastructure planning, presents the opportunity for coordination of often independent capital budgets.

Any public entity evaluating innovative financing mechanisms to support transit should consider the scope and impact each proposed project can bring. As the examples of this chapter illustrate, value capture can be implemented successful at nearly all levels of local government. Transit infrastructure and services can be improved at the

neighborhood to regional level and the scale of the project should be driven by the desired impact as well as the anticipated level of participation, public and private.

## **Chapter 8: Recommended Value Capture Program**

### **INTRODUCTION**

As the previous chapters highlighted, this project is designed to serve multiple objectives including mobility, congestion relief as well as promote economic activity. This project is intended to serve as an initial catalyst for a system of several other public transit projects throughout the region, which might also be funded using VC methods over time. As such, a regionally significant transit project that follows a value capture program using the proposed five criteria in this report should be coupled with other land use and transit programs. As the national transit projects examples demonstrate, transit projects require enormous amounts of political will and financial support. Because of these constraints, transit systems involving value capture financing are highly dependent on local and national economies and require layered timelines. Project selection and sequence depend on several factors including experience and expertise in dealing with value capture financing, real estate market variables and transportation indicators (all factors incorporated in the five common criteria in this report).

Value capture case studies, academic and professional literature, and conditions in the BCD region indicate that a value capture program that demonstrates the five key components 1) predictable need/unmet demand, 2) authority and capacity to achieve policy adoption and implementation, 3) the financial feasibility of the project, 4) the level of concurrent planning that support the project and lastly 5) the projects level of significance, will be successful. Based on these criteria and the context of the BCD as has been explained in detail in the preceding chapters, this report proposes the following

project as a recommendation for a regionally appropriate transit improvement project with a terminus at the Charleston Area Convention and Visitor's Center. The potential for the Charleston Area Convention and Visitor's Center to be a terminal for a regional transit system was initially investigated in depth by the CARTA 2006 Commuter Rail Feasibility Study completed by Wilbur Smith and Associates.

“The most practical location of a passenger terminal serving downtown Charleston and adjacent districts is the site of the original terminal of the South Carolina Railroad, located just south of Mary Street. A number of places of employment are within reasonable walking distance of this site, including the College of Charleston, the Charleston School of Law, the Children's Museum, and a considerable portion of the King/Meeting Street corridor” (pg. 42).

The Wilbur Smith study provides critical insight regarding future commuter service in the area through a peripheral analysis of demand, cost, and siting. Although the study evaluates only commuter rail and no other form of transit, the information contained therewith in is relevant to other forms of transit, especially right of way and land use implications as well as construction costs.

The Charleston Area Convention and Visitor's Center presents a unique opportunity for regional coordination of local revenue streams, public planning agencies efforts, private development interests and the regional tourism industry. The Visitor Center is located in the old Deans Warehouse between Ann and John Streets at 375 Meeting Street in downtown Charleston. Construction began in 1840 and was completed after several stages in 1856. The Center is one of five railroad buildings known collectively as the “William Aiken House and Associated Railroad Structures” and is listed as a National Historic Landmark District. After an extensive renovation, which

utilized much of the original materials of the building, the Visitor Center opened to the public in May of 1991 (The Charleston Visitor Reception and Transportation Center, 2011). The Center is regulated and governed by the City of Charleston and Charleston County due to its geographic location. However, the Center facilitates economic activity that supports all three counties in the regional government as well as the state as a whole. More important than its jurisdictional boundaries, the Convention Center and Visitors Bureau is situated in a historic district in the City center, an area with budding property values that could be incorporated in innovative financing strategies to support transit to and from this regional destination. This chapter offers a simple feasibility and utility evaluation of a potential transit project using the five criteria common to successful value capture programs outlined in this report: 1) predictable need/unmet demand, 2) authority and capacity to achieve policy adoption and implementation, 3) the financial feasibility of the project, 4) the level of concurrent planning that support the project and lastly 5) the projects level of significance and intended impacts.

#### **PREDICATBLE OR UNMET NEED**

The center has been identified by several comprehensive planning efforts to serve as a hub for local transit service and tourism and conference venue. The Long Range Transportation Plan (LRTP), managed by the BCDCOG, has made several attempts to establish the Center as a regional transportation facility. The latest plan update in 2005 noted,

“...an opportunity exists to reexamine the role of the Center and the immediate surrounding area. A true Transit Center, with passenger information services and other amenities, would be beneficial to the entire system. Potential solutions for

establishing a Transit Center, perhaps as part of the Visitors' Transportation and Reception Center, should be examined" (pg17).

Although the LRTP has identified the opportunity to transform the Center into a regional transit hub, the LRTP has not set forth a comprehensive infrastructure or financing program.

The latest comprehensive planning attempt, *OurRegion OurPlan* also calls for increased funding for multi-modal transit projects. Specifically, the citizens' comments compiled in the making of *OurRegion OurPlan* identified a need to provide transit between the region activity center of Charleston to the outlying bedroom communities, namely Summerville.

Most recently, the Charleston County Council voted unanimously to abandon SCDOT's \$489 million dollar plan to extend I-526 from West Ashley to Johns and James Island connector, also referred to as the Mark Clark Expressway. Since 2007 the state has spent \$12 million dollars on the extension and may try to recoup a portion of the costs from the County according to Post and Courier reporter David Slade's April 15<sup>th</sup> article, "Plan for I-526 Rejected..." This cancellation suggests a change in attitude and desire for alternative mobility solutions by elected officials and constituents in Charleston County.

#### **AUTHORITY AND CAPACITY**

Efforts to finance a transit project through value capture are ideal for the area surrounding the Charleston Area Convention and Visitor's Bureau as the center is already included in the King Street/Gateway TIF District, which was created in 1998. Initially \$14.5 million in TIF backed bonds were issued for capital improvements. The District

has enjoyed success over the last 12 year and recently, an initiative headed by the Mayor of Charleston, requested an extension of the TIF District from 2013 to 2023 to further capitalize on the development interests that the district has experienced (Charleston County, 2011). Development interest has been strong since the districts inception. One example of continued interests is the Midtown Project. According to *The Post and Courier*, the Midtown Project is a completely private venture, that seeks to provide \$150 million dollars of capital to finance the 4.3-acre development which will include 235 luxury hotel rooms, 140 to 205 condominiums, 35,000 square feet of retail space, 8,000 square feet of meeting space. The project also demonstrates the City and County's capacity to achieve successful ventures. In 2004, the city increased the height limitation from 80 feet to 100-ft height to accommodate the development and in 2006, the City re-zoned a portion of the district to allow mixed uses, both efforts designed to excite development (The Post and Courier, 2008).

The challenge that arises a transit project with a terminus at the Charleston Area Convention and Visitor's Bureau is the need to create a joint authority. Regional governments are enabled to create joint development authorities under Title 11 and Title 13 of the South Carolina Code. However, the region has little experience in forming such broad development authorities.

#### **FINANCIALLY FEASIBLE**

The Midtown Project described above is one indicator of the demand for further development within the King Street Tax Increment Financing District. The approval of additional municipal improvements is another. Funding for the project will come from

the additional tax revenue created by the King Street TIF, special federal tax credits, and hospitality and accommodations tax revenue (Frampton, 2010). Continual private development interest coupled with public investment indicate that further improvements, including a transit investment in the district surrounding the Charleston Area Convention and Visitor's Bureau would appear to be financially feasible. Although a transportation investment of this scale and proportion will take seven to ten years to implement and construct, giving the already established district further time to mature and grow, full bond authorization would need to be given and proven feasible at the outset. The first-phase construction bonds would have to be sold at the outset of construction. One of the factors critical to the ability of the project to borrow money is the land use and corresponding density adjacent to the site, which elected and appointed officials have worked tirelessly to promote.

## **Cost**

The Wilbur Smith Commuter Rail Feasibility study estimates the total estimated capital cost for fixed facilities and equipment is \$27.0 million and \$18.8 million, respectively. The combined capital cost is \$45.8 million (Wilbur Smith, 2006). These estimates are based on construction cost estimates from 2005 and do not necessarily reflect the actual capital costs at the time of construction. Given the current economic distress and the decrease in construction costs, the project may be less expensive than the estimates provided during the construction boom of earlier years. Additionally, these estimates do not include the cost of property acquisition, demolition or utility modifications. Property acquisition is not a parameter which impacts the Convention and Visitors Center as the planned terminus because the Center is already owned and managed by public entities. However, if the Center is the terminal, property will have to be acquired to re-establish a short portion of the former railroad right-of-way in downtown Charleston to reach the Visitor Center. Engineer studies will have to be completed in order to determine exact costs of utility relocation and track construction but the actual costs of retro-fitting the Center are low as the land area immediately to the east of this structure is suitable for passenger platforms for the proposed commuter rail service. Although some rearrangement of the Visitor Center's transit mall and bus holding area will be necessary. The platform area between Mary and Ann streets is long enough to hold a locomotive and three passenger cars.

<b>Table 6. Estimated Capital Costs for Fixed Facilities</b>	
New Tracks and Turnouts	\$4.7 million
Track Turnout and Reconstruction	\$7 million
Grade Crossing Improvements	\$4.3 million
Layover Facility	\$3 million
Stations	\$8 million
<b>TOTAL</b>	<b>\$27 million</b>

Table 16-Estimated Capital Costs for Fixed Facilities, Wilbur Smith 2006

### **Funding Opportunities**

A regional project, although more costly and difficult to coordinate is in some ways, easier to finance as multiple levels of public governments stand to benefit. As the Transbay Transit Center project demonstrates, each taxing authority, city, county or regional entity supported the project through various revenue tools.

#### ***City Level***

The City of Charleston is best poised to lead financing of the Center as the terminus for a regional transit program as it has experience in developing tax increment financing programs, is the controlling authority for the Center and will benefit most from the increased tourism and property tax revenue.

#### ***County Level***

The County of Charleston has the ability to participate through dedication and re-direction of County transportation funds, “C” Funds. It is possible, given County Transportation Committee approval, that some of the “C” Funds be dedicated to acquiring right-of-way and other surface improvements along the proposed transit route.

***Regional Level***

The BCDCOG is the regional body that will lead the three county effort. At the regional level, the BCDCOG has the ability to help coordinate two sales tax funds to support the project, the accommodations/hospitality tax and the transportation local option sales tax.

As discussed earlier in this report, The City of Charleston collects impact fees at the time a building permit is issued for a new construction development. These fees are set as follows:

<p><b><u>Environment Service Impact Fee</u></b> \$82 per residential dwelling unit \$82 per city container used by nonresidential development</p> <p><b><u>Public Safety Impact Fee</u></b> \$79 per dwelling unit \$0.04 per square foot of nonresidential development</p>
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Table 17- Impact Fees, City of Charleston, 2011

New development that supports the transit project can apply for waivers to help defray the cost of this significant project. According to the city’s Impact Fee Fact Sheet,

“A development that does not utilize the service for which the impact fee was imposed, provided however, the fee shall be imposed should the development subsequently utilize the service.”

It can be reasonably argued that this regionally significant project supports multiple planning objectives including urban densification, lowered auto-dependency and increased tax revenue through re-development and should therefore receive reduced or waived impact fee levies. The total benefit accrued through reduced impact fees is dependent on the type and size of development that is proposed and should be more closely evaluated in the overall finance program once preliminary engineering and station design has been completed.

### **Debt Carrying Capacity**

The ability of each entity to assume more debt in support of a region transit system is reported in each County's Comprehensive Annual Financial Report (CAFR). The South Carolina Constitution requires that counties which incur general obligation (general purposes) bonded indebtedness cannot exceed eight percent of the assessed value of taxable property in the county. The Charleston CAFR indicates that the County has approximately \$394 million dollars outstanding long-term debt. Charleston County also enjoys a high rating from Moody's Rating Committee. The current available general obligation debt limit for Charleston County is \$238.9 million. The outstanding debt at June 30, 2010 subject to the states debt limitation is \$184.8 million. This would indicate that the County has additional debt carrying capacity (Charleston County, 2010). Berkeley County's CAFR indicates the County's total long-term indebtedness was approximately \$277 million at June 30, 2010, an increase of approximately \$24 million from the previous year. This increase was due primarily to the issuance of \$27 million in General Obligation bonds during 2010, partially offset by principal payments and other activities (pg. 92). Berkeley County's assets exceeded its liabilities (net assets) as of June

30 by approximately \$305 million for fiscal year 2010 as compared to approximately \$259 million at the prior fiscal year end. (pg.2). Dorchester County, in its FY 2011 Annual Budget reports that as of June 30, 2010, the County is in compliance with the state’s indebted limit of eight percent limit with approximately \$21.1 million available for general obligation financing as of June 30, 2010 (pg. 350).

The table below summarizes the capacity of each county to issue additional general obligation debt as well as a rating provided by Moody’s Rating Committee. A complete capacity evaluation would also include ratings for other debt issuing authorities that may participate in a regional project including revenue bonds issued for enterprise fund operations as well as independent school district in order to develop a more comprehensive picture of participating entities’ capacity and potential collection overlap.

	Berkeley County	Charleston County	Dorchester County
Long Term Debt	\$277 million	\$394 million	\$466 million
Moody’s General Bond Rating	AAAm	AAA	Aa2
Within 8% Tolerance Allowed by SC Constitution	Yes	Yes	Yes

Table 18- General Obligation Bond Capacity, Individual County Comprehensive Annual Financial Reports FYs 2010-2011

**CONCURRENT INFRASTRUCTURE PLANNING**

Several issues will shape development of transit with a terminus at the Convention and Visitor’s Center. These include right of way acquisition, land use controls and a lack of capital improvement planning focused on supporting a transit project.

The leading challenge for transit terminus at the Center is right of way. According to the Wilbur Smith 2006 study, the portion of the Norfolk Southern track (Option 1) closest to the Charleston Visitor Reception and Transportation Center was abandoned in the 1970s and has since been sold to private landowners. One structure has been constructed on the former right-of-way and for service to operate all the way to the Visitor Center, this right-of-way would have to be repurchased and the structure demolished.

As the Wilbur Smith study indicates, land use controls are paramount for project support from the Federal Transit Administration (FTA). The controls immediately surrounding the Center are supportive of increased density and have proven attractive to private development. However, in order for the entire system to be successful, land use policies must be in place along the entire line to encourage these types of developments, which will ultimately increase the attractiveness and success of rail services. By implementing transit-oriented development within a proposed rail corridor, much favor is given to the rail project by the Federal Transit Administration (FTA). For funding purposes, as observed in other recent rail projects, land-use patterns play a key role in helping to secure FTA funding and approval.

Concurrent planning efforts surrounding the Center are difficult to derive from the planning documents utilized by governmental agencies in the area. Evidence of concurrent planning can normally be found in a municipal agency's capital improvements plans, storm water and waste water plans as well as transportation project management documents such as the unified work program is city road maintenance plan. The 2010

update to the Comprehensive is the first indication of comprehensive planning efforts by the City of Charleston. The map below is an agglomeration of multiple planning objectives, driven by land use and supporting infrastructure. Jeff Burns, transportation planner for the Berkeley-Charleston-Dorchester Council of Governments, said that an update to the 2006 study is nearly complete, and that it's been taking so long because the scope was expanded. Planners are looking into land-use plans that could change assumptions about ridership.

"The variable is the future land use," he said. "How are we going to match where people live with where they work and make our existing facilities work" (Slade, 2010).

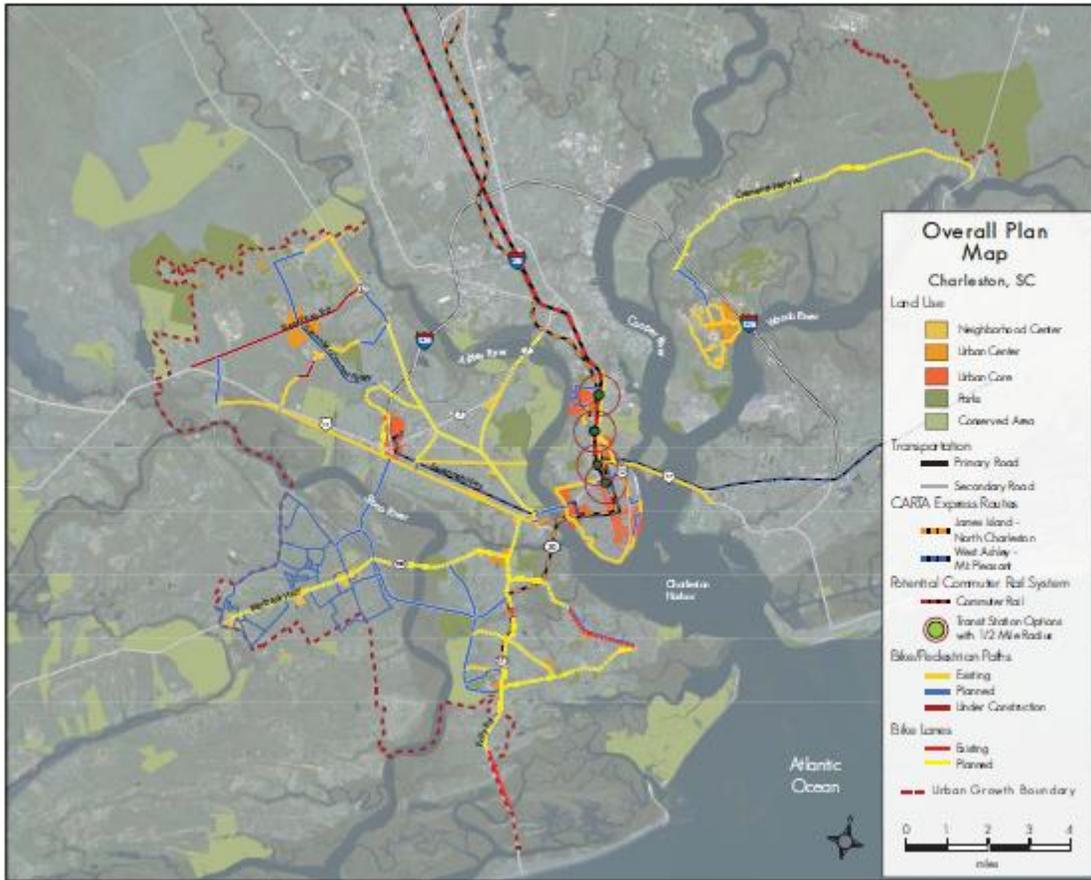


Illustration 2- City of Charleston, Comprehensive Plan Update, 2010

**Adjacent Land Use**

The District has encouraged greater density uses and the responsible governing agencies, namely the City and County Councils have made concessions to support densification. According to the report published by the GAO, in order for value capture strategies to be useful, it is critical that the project be designed with land use zoning that allows for high-density development. High-density zoning is needed around transit infrastructure because it encourages private development—particularly joint development—by increasing the project’s revenue potential, which in turn helps optimize the value available for capture by the public sector (GAO, 2010). The region could

further support development of the regional system by creating more TIF Districts surrounding planned service stops along the transit line extending to Summerville as well as constructing special assessment districts within a specified distance of the service stop, all actions currently within the authority and capacity of local jurisdictions within the BCD region.

However, there is a distinct lack of evidence of synergistic planning efforts for improvements supporting the Convention and Visitors Center. In order to overcome the tremendous coordination challenges that arise from a project of such magnitude, Charleston's Department of Public Service will have to strengthen its relationships with numerous other local and regional agencies including: Charleston County Transportation Committee, Charleston County Solid Waste, Charleston County Public Works, Clean City Commission, Charleston County Emergency Preparedness, Charleston Water Systems (formerly Charleston Commissioners of Public Works), Berkeley County Water and Sewer, South Carolina Department of Transportation and the South Carolina Department of Health and Environmental Control.

#### **LEVEL OF SIGNIFICANCE**

A public transit project, financed through a value capture strategy with a terminus at the Charleston Area Convention and Visitor's Center is most similar to the Pleasant Hill BART Station previously described in chapter seven. The key indicator for the level of significance for this project is the geographic area which the proposed transit line would serve. Previous planning documents, namely the regions Long Range Transportation Plan call for service to extend from the City of Charleston to the outlying

community of Summerville. This type of project will support economic activity throughout the three county region through increased mobility and subsequent property values. Furthermore, land in locations that are deemed regionally significant—areas that are important to a region’s economy, and include employment, commercial, and residential areas—as opposed to locations that are mostly residential in nature, can generate more value, or revenue, through new transit infrastructure or improvements to existing transit service.

#### **RECOMMENDED VALUE CAPTURE STRATEGY**

The proposed regional transit project with a terminus at the Convention Center and Tourism Bureau is aided in part by its inclusion in an already established tax increment financing district. As evidenced by chapter two of this report, tax increments raised in the district are reinvested through multiple mechanisms and have the effect of raising property values within the area. The King Street TIF District has proven to be a profitable endeavor for the City and County of Charleston and has lead responsible agencies to extend the TIF District lifespan an additional 10 years. In fact, tax increment collections have exceeded expectations and provided additional revenue for further improvements. The original TIF District has set the conditions for further development by increasing the future tax base at the expiration of the District in 2023.

#### **Joint Development**

A joint development venture appears to be the most appropriate mechanism to carry the terminus project as the City of Charleston owns and operates the Convention Center. Recall, that joint development (JD) involves collaboration with the public sector

to simultaneously improve transportation while developing land. The City has, in some ways, already laid the groundwork for improvements in the area by relaxing zoning requirements to promote mixed use. The City and region could further promote the construction and financing of the system through right of way acquisition. Furthermore, private development interests in the region have experience with mixed-use development and have demonstrated interest in the historic area surrounding the Center.

## **CONCLUSION**

The Charleston Area Convention and Visitor's Center presents a unique opportunity for regional coordination of local revenue streams, public planning agencies efforts, private development interests and the regional tourism industry. Demand and need for increased mobility and transit choices have been demonstrated, by both the public as well as private development entities. Furthermore, the Center has been identified by several comprehensive planning efforts to serve as part hub for local transit service and tourism and conference venue. The authority and capacity to implement such a value capture strategy to help finance the project already lies within the jurisdictions of the BCDCOG. A transit project with a terminus at the Center already has parameters that support its financial feasibility, as it is located in a historically important area, which is part of a well-structured and successful tax increment-financing district. The biggest challenge in implementing a value capture strategy to support transit is concurrently planning infrastructure improvements near the Visitors Center as well as service stops along the network. Despite the difficulty in coordinating multiple agencies planned improvements, this project has the potential to positively impact residents, commuters, tourists and local businesses across multiple jurisdictions. This type of project will

support economic activity throughout the three county region through increased mobility and subsequent property values and the value capture report published by the GAO indicates that regionally significant projects have the greater likelihood of being successful. Therefore, it may be prudent for the BCDCOG, through its regional coordination efforts and capacities to encourage subordinate jurisdictions to consider synchronizing capital improvements as well as focusing revenue streams to support a regionally significant transit project that can impact mobility, the local economy and promote sustainable development.

## **Chapter 9: Conclusion**

The development of *Our Region Our Plan*, provides the opportunity for Long Term Planning Opportunity in BCD Region. The state, region and subsidiary governments have all experienced population growth in the region, which has caused an increase in demand on supporting infrastructure including its transportation networks. Complicating the growth and demand in the region is steady decrease in federal and state funding. Historically, local governments have been reliant on these funds to maintain and expand transportation services. In the face of decreasing external funding opportunities, regional and local governments are experiencing an increasing need to be self-reliant; requiring them to explore local revenue streams. Value Capture is an emerging infrastructure financing mechanism that offers local governments the ability to address the increasing demand for infrastructure and service through a related, land use based user fee.

As this report and other credible research have demonstrated, transportation investments help shape land uses. The resulting land use mixes, densities and intensities further influence travel patterns and behaviors. Travel patterns influence the choice of transportation investments by local government. Municipalities and counties are gaining and appreciation for the opportunity to accomplish mutually supportive objectives through concurrent land use and transportation planning embodied in Smart Growth.

The Berkeley-Charleston-Dorchester Council of Governments is one of those leading bodies that recognizes the interdependent relationship between transportation, land use and economy. The BCDCOG's primary function is regional coordination and is

therefore the right entity to organize a focused value capture strategy that can support a regionally significant transit project.

Value capture is an emerging concept nationally, however there are examples within the BCD region with parameters sufficient to promote such as strategy. South Carolina law allows for two direct value capture mechanisms, including Tax Increment Financing (TIF) and improvement districts. In addition to TIFs and improvement districts, there are additional sources of revenue can be harnessed for value capture through local policy such as dedicating accommodations/hospitality taxes or local transportation taxes to projects that advance the Regional Plan.

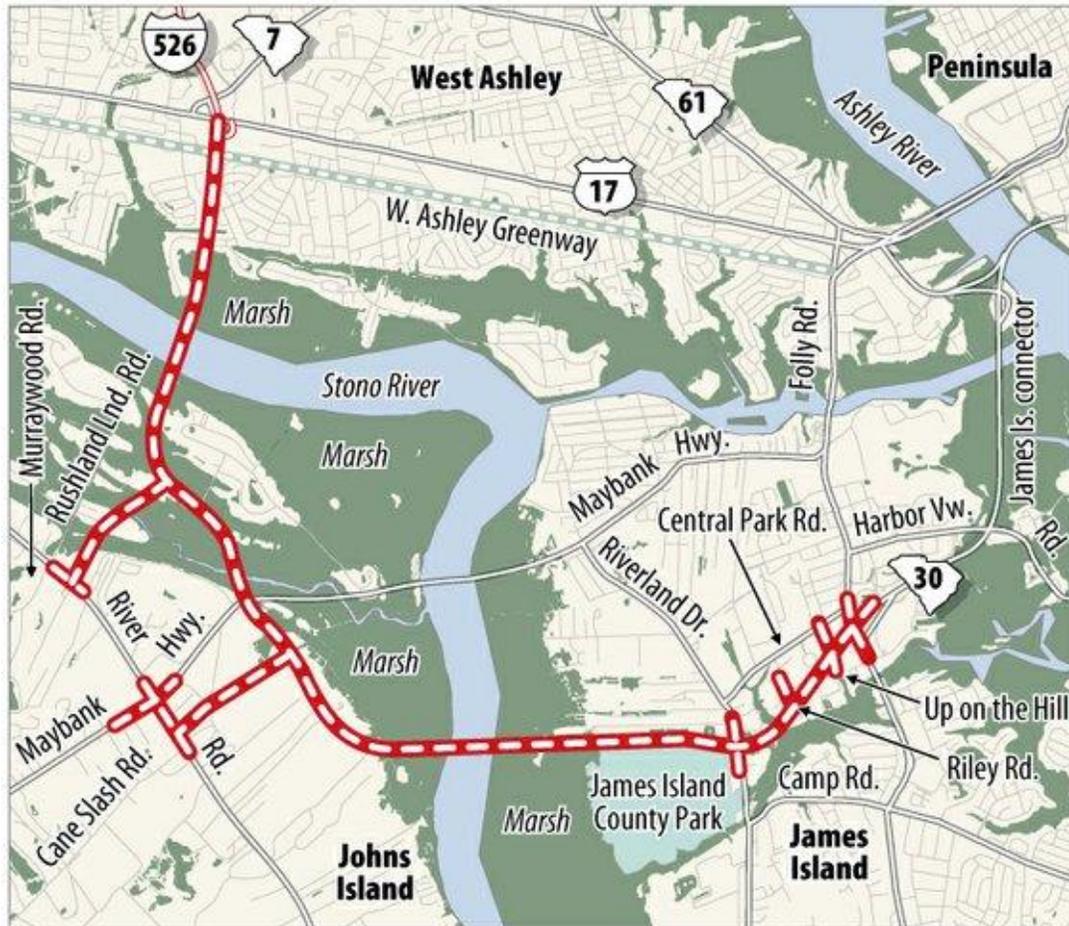
The state of South Carolina and its local jurisdictions enjoy a moderate level of consistency between state and local land use planning. The report completed by the Institute for Business and Home Safety in 2009 provides an analysis of an important analysis of the role of the state in planning as well as the level of integration between state and local plans.

Therefore, the BCDCOG should adopt policies and future programs that incorporate regionally significant transit programs financed by a multi-jurisdiction value capture program and encourage subordinate, participating jurisdictions to incorporate the program into their respective long range transportation plans. It would then be up to the counties and municipalities to incorporate those long term planning objectives into their capital improvement plans.

## Appendix A

# The county rejected this plan for I-526

This is the plan to complete I-526, the Mark Clark Expressway, that was selected by the state Department of Transportation after a lengthy review process. Charleston County Council has voted unanimously to reject this plan and decided that unless the state is willing to discuss different alternatives, they will begin negotiations for a “no build” decision. “No build” would mean no work on the Mark Clark.



“County Rejects I-526 Project”, *Post and Courier*, April 15, 2011

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