Orenco Station in Portland, Oregon is a successful Transit Oriented Development. Proximity to transit often increases property values, reflecting improved accessibility and reduced automobile transportation costs in such areas.

Abstract
This paper summarizes the findings of nearly 100 studies concerning the impacts of transit service on nearby property values, and the feasibility of capturing this additional value to finance transit improvements. The results indicate that proximity to transit often increases property values enough to offset some or all of transit system capital costs.

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Introduction

Experts generally offer three bits of advice to people shopping for a home or business: location, location, location. Why is location so important? A number of factors come into play. People generally don’t want to live near a noisy factory, hazardous waste site or other LULU (“locally undesirable land use”). Some neighborhoods are considered safer or more prestigious. One of the most important factors is accessibility, that is, the ease with which people can reach services, activities and other important destinations. Home buyers want to know that the house they purchase is located within reasonable commute distance of work and sufficiently close to shops and public services such as schools and medical offices. Business managers want to choose a location that is easy for customers and employees to reach.

A particular location’s accessibility is affected by both its proximity to people and activities, and by the quality of transportation serving it. In rural and suburban areas this depends primarily on automobile travel conditions, so locations along a major roadway, or even better, at the intersection of two major highways, is considered optimal. This is why businesses tend to line highways, and suburban home advertisements often claim “Just 20 minutes from town!”

In urban areas, transit access can also be important. By its nature, transit accessibility is more concentrated. Transit users generally walk a few blocks from their origin to a stop or station, ride a bus or train, and then walk a few more blocks to their destination. Transit riders generally don’t want to walk more than a quarter mile. As a result, locations within a quarter mile radius of a transit line or station are considered to have better access than in other areas, providing benefits to residents and businesses due to reduced transportation costs and access to a larger pool of potential services, jobs, customers and employees.

For example, people may recognize that by locating near a busway or transit station they can commute by transit and avoid the cost of a second car. Quality transit service can leverage additional economic benefits. Transit-oriented communities tend to have better walking conditions and more clustered commercial activities than communities that are more automobile-dependent, and they often have lower parking requirements that provide additional consumer savings. Several studies indicate that residents of multi-modal neighborhoods spend significantly less in total on transportation than residents of automobile dependent communities (McCann, 2000; Litman, 2004). Quality transit service can also reduce the burden of chauffeuring non-drivers, and insuring that people will have adequate access if for any reason they cannot drive, for example due to a physical disability or poverty.

Similarly, many businesses want to locate near bus routes and transit stations to attract employees and customers, and to reduce their parking costs. All else being equal, convenient transit service increases an employers’ potential employment pool, and many types of retail businesses want to take advantage of the concentrated pedestrian traffic around transit stations.

Of course, as with any infrastructure project – be it a transit system, a public park, a highway or a school – there may be negative impacts that reduce the location value for some people. Some people move away from highways to escape the noise and smog, and some people move away from playgrounds to escape the shrill voices of kids at play. But for the market overall, positive impacts tend to outweigh the negative impacts, increasing overall property values.
The value of accessibility has been well studied by the disciplines of urban economics, land economics and urban planning. In general, the more accessible a location, the higher its property values, all else being equal. For many years these experts assumed that transit accessibility was being displaced in importance by automobile accessibility, but in recent years there has been increasing recognition of the potential importance of public transit, and therefore the potential that proximity to quality transit service can increase nearby property values (Litman, 2002). Note that this increase in property value only reflects a portion of the total benefits of public transit: those that are directly perceived by the person who is buying or renting a building. There are usually additional benefits to other people and to overall economic productivity.

Proximity to transit can affect property values in three somewhat different ways, one negative and two positive. First, being located very close to a transit station or along a transit line tends to have negative, including noise and air pollution from trains, and increased automobile traffic from users. These nuisance effects may reduce residential property values very close to a transit station or rail line.

Second, it gives one location a relative advantage over other locations, attracting residential and commercial development that would otherwise occur elsewhere in the region. This is an economic transfer.

Third, transit can also increase overall productivity by reducing total transportation costs (including costs to consumers, businesses and governments of for vehicles, parking and roads) and providing a catalyst for more clustered development patterns that provide economies of agglomeration, which can reduce the costs of providing public services and increase productivity due to improved accessibility and network effects (Coffey and Shearmur, 1997). Although these productivity benefits are difficult to quantify, they can be large: just a few percentage increase in property values, a few percentage reduction in automobile and parking costs, or few percentage increase in business productivity in a community can total hundreds of millions of dollars.

Proximity to transit tends to be particularly important for:
- Retail businesses that serve transit riders.
- Employment centers that attract many commuters, such as offices, medical centers and educational facilities.
- Recreational and entertainment activities that attract large crowds.
- Residents who cannot drive, or prefer to use alternatives.

These potential economic benefits from improved transit services raise intriguing prospects. Is it feasible that public transit systems could be partly funded by capturing a portion of the increased property values? This is consistent with the concept of land value taxation promoted by Henry George (Lincoln Institute). Many planners and economists, including Nobel laureate William Vickrey, suggests that cities could benefit by funding transit system development costs and a major portion of operating costs from land value capture, that is, by taxing a portion of the additional value of adjacent properties that result from transit accessibility.
A number of published studies have investigated the concept of value capture to fund transit. Most researchers examining these value affects limit their data to properties within transit corridors (i.e., within about 500 meters of a transit stop or station, that is, the distance that people are typically willing to walk). Tideman and Borhart both maintain that this perspective underestimates the full impact. A greater capital improvements revenue base would be available to transit agencies if rising land values within an entire region were appropriated through a general land-based property tax.

There are many examples of potential or successful land value capture to fund transit. R. T. Meakin notes that Hong Kong’s rail transit system receives no subsidy, all costs, including interest on bond indebtedness, are paid from land rents derived from development in station areas. W. Rybeck estimated the added land values sequential to the development of Washington D.C.’s Metro, and found a surplus of incremental value. D. Riley, who studied the London tube extension, also found that surplus values were generated.

Of course, not every transit improvement provides significant land value increases. Only if there is latent demand for proximity to transit are substantial increases in property values likely to occur. In recent years there has been growing support for transit oriented development (a component of New Urbanism and Smart Growth), which results when a transit station provides a catalyst for mixed-use, walkable land use patterns, sometimes called an urban village. This type of land use pattern can provide many benefits to residents, businesses and society, including improved accessibility, reduced consumer transportation costs, reduced traffic congestion, reduced parking costs, reduced accidents, plus environmental and health benefits (Litman, 2004).

A number of factors can support this type of development, including supportive land use development policies, overall transit service improvements, and other mobility management strategies, all of which can work together to make transit oriented development and transit use more attractive to consumers and businesses, and more cost effective (“Transit Oriented Development,” VTPI, 2004).

A substantial portion of the capital costs associated with constructing public transit facilities is land acquisition. This cost could be effectively reduced if ground rents were collected. That is, when the public sector captures incremental land values through the general property tax and through special levies on land holdings in transit corridors, less value remains for private owners to capitalize into price. This dampening of land prices helps to reduce land acquisition costs.

Other possible revenue sources include joint-development, and the leasing of sites near stations. Localities can adopt other forms of “green” taxation such as congestion pricing and vehicle emission permit fees to help fund transit systems. For example, London recently introduced a congestion charge for driving downtown, and many cities use parking revenue to help fund local transportation services.

In the past, private developers often built transit systems to urban fringe neighborhoods and recouped the capital costs from the sales of developed sites (still common practice in Japan). Such profits from land residuals are commonplace in the private sector, but could reasonably be extended to the public domain – where local government covers the financial risk and the cost of
building transit systems. Cervero, et. al. (2004) state that a central element of joint-development amounts to a *quid pro quo*, whereby private developers’ benefits from transit accessibility are capitalized into higher rents and occupancy rates, and transit agencies’ capital funding is enhanced through cost sharing mechanisms.

To date, most studies of value capture financing for transit focus on U.S. cities, where low density development and auto-dependency predominate. Studies have begun to emerge from developing countries, where denser cities and a more even modal split can be found (Cervero & Susantono, Gutman, Nakagawa & Matsunaka, Prest, and Tsukada). Some of these authors have noted that while progressive legislation may be on the books, the practical means of capturing site values for transit projects is hampered by inadequate land registration records and lagging assessments.

Previous summaries and bibliographies of transit financing through value capture have been compiled by the U.S. Subcommittee on the City (1980), Pickett & Perrett (1984), Huang (1994), the Transportation Research Board (1998), Diaz (1999), Lewis & Williams (1999), NEORail II (2001), and Jonathan Hack (2002). The following is an annotated list of studies that the authors recommend as worthy reading.
Financing Public Transportation

The Los Angeles Metro Rail Special Benefit Assessment District survived a challenge in court, and contributed $130 million per year to the cost of retiring LA Metro bonds.

The report features sections on buses, trains, and roads. The application of market forces and competition may decrease the public cost of transport and decrease traffic congestion in the U.K. Thus far, policies addressing market forces have been confined largely to bus service where deregulation has produced little change in service levels. Although public savings have been realized in large urban areas, the tendering process has led to major increases in county council costs and public transport staff. Market forces have not been effectuated in the railway system in the same way; large subsidies are still required. Tighter financial targets, the disposal of surplus land, and the subcontracting of work have all been undertaken, as have improvements in administration. Construction of new railways is being funded in part by the consequent increase in land values, an example being the London docklands railway. Four methods are discussed: allocating the subsidy to specific purposes; paying the subsidy via a third party; separating the operation of railways from the provision and maintenance of infrastructure; and privatization. Methods to commercialize road infrastructure include: urban parking management, the financing of new highway construction from tolls, and road pricing. (From Transport and Road Research Laboratory in TRIS Database under “Taxing Property Values for Transit”)

This paper examines the potential to raise capital for funding public transport development through the use of land value capture programs. A literature review of studies that examine examples from Australia and abroad has been undertaken to do this. Among the mechanisms considered are development land taxes, systems of property rating, taxation models and specialised loans. These are considered alongside other funding measures such as statutory charges, CBD parking levies, business rate supplements and recent international methods of congestion charging.

The “geo-bond” financing mechanism features the capture of land rent as distinct from other capture devices that may include the building component of assessed value. Using the Broadway station area of Sound Transit’s proposed LINK light rail line, the author employs a model simulating the tax effects of (i) a general land value property tax and (ii) a land value gains tax within the transit benefit district itself. The LVT produces the desired development incentive effects, as it shifts the burden off buildings in this “main street” setting. The gains tax targets the difference between the annual assessed land value increase and the revenue derived from the general property tax within the half-mile radius benefit district. Given the rapid rises in values in
recent years, “a land value gains tax combined with a hypothecated general LVT can raise as much as $118 million to support the necessary transit improvements. At a minimum, about $24 million could be raised from an incremental gains tax alone.” Sound Transit estimates station and street improvements (excluding right-of-way acquisition) construction costs at $80 million.


Special Assessment Districts (SAD) by local governments, once used extensively, fell out of favor during the Great Depression. Yet by the 1970s, the tool was making a comeback. In 1913, Los Angeles, Oakland, Portland, and Kansas City raised 20% of their budgets from SADs. When the Depression wiped out land value, civic bonds became difficult to pay off and lost their ratings. Then, by 1972, the cities over 100,000 population that had SADs in effect (about 5% of all local jurisdictions), funded an aggregate 12% of their budgets through this method. With regard to the use of the Land Value Tax (LVT), the editors questioned the effectiveness of Pittsburgh’s experience in shifting the property tax rate from buildings to locations, citing a 1973 Price Waterhouse study (written before the rate differential was increase to 6:1, land to improvements). Nevertheless, the solid results from using the LVT for developing Waikiki Beach, Hawaii were also noted.


In Japan, urban rail transit projects are suffering from cost burden due to the current financing system’s dependence on borrowed money from loans and bonds that are repaid mainly by fares. The transit fund cannot bear increased expenditures from accelerated construction demand and the rising cost of land acquisition. This paper reexamines the financing system and analyses the possible means of raising revenues. From the viewpoint of the benefits principle, the author examines the imbalance between those who bear the costs and those who receive the benefits, using Japanese examples.


The author cites several transit systems. Copenhagen, Denmark, is funding a line to a new suburb by selling off public land for the development, privatizing development, and collecting more property tax revenue from the higher ensuing land values.


A Local Improvement District is a special property assessment to pay for capital improvements benefiting a defined area. In Portland, Oregon, it is designed to collect some site rent (attributed increases in land values) to fund transit-related improvements such as street paving, streetscape amenities, and trolleys. In a required-by-law election, affected downtown owners unanimously approved the LID, and are assessed by square footage of land (excluding buildings), with greater weight given to frontage within 100 feet of transitways. The LID is paying off $1.5 million in bonds over 20 years, comprising over a quarter of the $5.5 million total project cost.
9) Ito, M., *Establishing New Measures to Construct New Railroad Lines*, JTERC Reports, Vol. 11, Japan Transport Economics Research Centre, Tokyo, Japan, March 1989. This study examines the New Joban railway line in the northeastern area of Tokyo. It estimates land values of properties along the corridor, with and without the rail line, and calculates the resulting increment. Methods of ensuring that a region receives an adequate return on its investment are discussed. Included are (i) local taxes for a Railroad Construction Fund; and (ii) reduction of station construction costs, either by setting up a trust company to construct a combination of station retail outlets, or by making the developer or local companies responsible for some of the costs. For rural areas, the author recommends a system of integrated development, ensuring that development of residential, educational and cultural facilities along the line keep pace with rail construction. Also included are suggested methods by which problems of acquiring railway land can be overcome. (See IRRD 857359 in Transport Research Laboratory on TRIS Database, “Taxing Property Values for Transit”)

10) Ridley, T.M., and J. Fawkner, *Benefit Sharing: the Funding of Urban Transport through Contributions from External Beneficiaries*, Report from the 47th Congress, International Union of Public Transport, Lausanne, 1987. “Specific improvement assessments” funded the first 35 km of Milan, Italy’s Metro. The special levy is assessed on properties within 500 m of stations. This form of LID had raised 36 billion lire, but following its initial success the levy was replaced by a real estate transfer tax that feeds into the local general fund.

11) Rybeck, Rick, “Using Value Capture To Finance Infrastructure And Encourage Compact Development,” *Public Works Management & Policy* (http://pwm.sagepub.com), April 2004, pp. 249-260. This article discusses the theory and practice of value capture. It describes how transportation investments often increase nearby land values, including a review of empirical studies of this effect. This increased value can choke off urban development, pushing new growth to cheaper sites remote from these investments. This “leapfrog” development creates a demand for infrastructure extension that starts the process over again. Transportation infrastructure, intended to facilitate development, thus chases it away. The resulting sprawl strains transportation, fiscal, and environmental systems. Several jurisdictions around the country utilize a value-capture technique embedded in their property tax to help finance infrastructure and motivate affordable compact development. They reduce the tax rate on assessed building values and increase the tax rate on assessed land values. The resulting compact development should facilitate better transportation and accommodate economic growth with reduced fiscal and environmental costs. This technique’s ability to foster affordable compact development might help bridge the gap between those who advocate growth boundaries and those who fear the impact of growth boundaries on affordable housing. The author is an attorney with a master’s degree in real estate and urban development, has served as the Deputy Administrator for Transportation Policy and Planning within the District of Columbia Department of Transportation since 1997.
Using a case study of Orange County, New York, the authors state the case for shifting transit subsidies from the present system of general taxes to land value taxes, arguing that it is realistic to think of self-financing transit improvements from LVT. Joint development programs coupled with permissive zoning to encourage high density “pocket communities” near transit stations would increase land values that can be recaptured to pay for the capital costs of rail infrastructure.

This study ranks several taxing methods for funding transit. The one found to distort economic activity the least is the gasoline tax, followed by the property tax. The least desirable method of raising revenues is a higher onboard fare, followed by a payroll tax. Taxes on income, parking, and sales produce moderate distortion effects.

The authors provide an overview of the potential use of value capture techniques. Included is a general set of criteria for state and local officials to evaluate the applicability of value capture to specific funding situations. A series of techniques in communities of various sizes is provided, along with a decision support methodology based on a set of 63 indicators to evaluate specific value capture proposals. Techniques include: special assessment districts, donations, negotiated investments, public / private partnerships.
Prospects for Cost Recovery


This case study in south metropolitan Philadelphia offers an interdependent set of models of modal choice, station choice, and travel savings using the economic law of market areas. These models (i) spatially separate auto users from transit users, (ii) spatially separate the users of station A from the users of station B, and (iii) spatially connect the loci of all points where the user saves an equal amount of money from using transit over auto. All of these models yield hyperbolas that bend around the stations on the line. The station choice model is tested using auto access data for all suburban stations of the line for a morning rush hour (13,000 observations), and assumes the station chosen most often from any given location is the preferred station. The savings model is tested by postulating that residential sales price is a function of the characteristics of the property, the neighborhood, distance from the CBD, and savings (using over 1,300 real estate transactions from 1980). Each dollar of daily savings is found to add $443 to the value of the property. If rents fell elsewhere, such loss was not deducted. The benefit to non-transit census tracts (less congestion and shorter travel times) was not added in; if it were added, savings would be 30% higher. Without it, $4,581 could be captured per single family home. Within the transit census tracts, this adds up to $279.5 million, or 117.9% of the construction cost of the Lindenwold Line, the right-of-way of which did not need to be purchased. Buying the land and constructing bridges would have raised the cost to $820 million, of which captured land rent could have paid one-third (unless all rent were captured, which would drop land’s price to zero). In order that the costs are borne by the beneficiaries, land value should be captured at the time it is created, that is, between the announcement of a new improvement and its actual opening.


This study concentrated on Washington, DC and Atlanta, GA. It also noted that Toronto, Canada’s Yonge Street Subway increased property tax revenue by $5 million annually, while the annual cost of servicing the subway’s bonds was $4 million.


Transportation improvements and investments change zone-to-zone travel times and costs. This researcher’s model forecasts changes in land values. The forecasts are determined annually and by small geographic zones in a metropolitan area. The Chicago application shows that under 1970 conditions, capitalized land value changes are nearly 36-40% of the capital cost of rail rapid transit proposals then proposed for Chicago’s southwest side. Similar calculations for bus systems appear more promising. Anas suggests a one-time lump sum property assessment rather than an increase in the land tax rate, since that latter would lower “site values”. This would lower selling price, while the value remains the same (what buyers are willing to pay: price plus tax).

This study shows how value capture could have been used to finance a 9-mile portion of the New York State interstate highway system. The added increment of land value attributed to the Northway sector amounted to 11 times that of the cost of right-of-way acquisition, road and bridge construction. Batt concludes that the windfall gains in land value that fell to private landowners could easily have paid off the bonds issued to build the project. Furthermore, the added taxes from value capture assessments in the highway corridor removes the invitation to land holders to speculate on their sites. Directing some of the gains to mass transit also indirectly compensates for the cost of smog and other pollutants emitted from cars.


This paper provides specific examples of how, and to what degree, urban transit investment (principally light rail) has stimulated urban regeneration and created private opportunities for private sector investment in transit corridors, notably around transit stations. The case studies provided are derived from a review of research to date that showcases recent examples of LRT investment in Europe and North America.

**European cities:**

1. Tyne & Wear Metro, Newcastle, U.K.: 55 km./44 stations:
   - House prices increased 2% within 200 meters of metro stations.
   - Retail activity or office developments in proximity to stations does not appear to be directly linked to LRT.

   - Development of 20 500 sq.m of offices and services in City centre.
   - Yet, no evidence of urban development outside City centre.

3. London Docklands Light Railway: open 1987, 13 km./16 stations; Beckton & Lewistan extensions totalled 50 km and cost 424 million pounds:
   - A priori assessment proved correct: 50% of capital cost was recaptured through transport costs reduction, reduction in congestion and in accident, while 50% was recaptured through overall office development and job creation.

4. Croydon Tramlink, South-London (opened May 2000, 28 km. From Croydon to Wimbledon/38 stations):
   - Economic impact yet to be felt.

5. LRT in Strasbourg, France (built 1991-94):
   - Between 1994 and 1995, park-and-ride schemes near the city centre resulted in an increase of 100% of transit system users and draw shoppers from outside the metropolitan area.
   - Pedestrianization around adjacent Place Kleber helped create larger and more accessible activities.

   - Price of property located within walking distance of the nearest railway or metro station increased 7,5% over other locations.
   - Impact was most significant at a distance of 500-750 m., as opposed to adjacent locations, where values dropped.
• In the best locations, dwelling prices raised by 11%.

7. Vienna S-Bahn, Austria (opened 1962, 14 km.):
• Districts located along S-Bahn corridor have witnessed increases in number of new housing units of 18.7% over 10 yr. period, as opposed to 4% and 10% in more remote locations.

8. Nantes, France:
• Between 1985 and 1995, 25% of new offices, 13% of new commercial premises and 25% of new residential dwellings were built adjacent to LRT.

North American Experiences:
• While useful from a transit standpoint, Baltimore LRT system failed to spur retail activity in downtown area.

10. Portland Metropolitan Express (started in 1986, 15 miles/32 stations, plus plans for 18 miles expansion):
• Since 1986, $1.9 billion in property development in the immediate vicinity of line.

11. St-Louis, Missouri (opened 1993, 18 miles/18 stations):
• To date, development spurred by transit system totals $530 millions and includes major projects.
• A $1.5 billion expansion to LRT is expected to have a $2.3 billion impact on business sales.

12. San Diego Trolley, California, a LRT which connects downtown area to Tijuana, Mexico (40 miles/34 stations):
• Since construction, some 4 million sq. feet of Class A office space has been added to downtown area, with population growing from 0 to 20 000 persons.

• Between 1959-1964: 90% of all new office spaces and 40% of apartment buildings in Toronto took place along the metro lines.
• Tax assessment values near City centre stations rose by 45% and by 107% around suburban stations, as opposed to 25% elsewhere.
• Office space rents adjacent to the stations average 30% more than average for the City as a whole, while office rents within 500 m. of stations rose by 10% more than average.

14. Chicago LRT:
• Chicago Transit Authority estimates that maintaining a “good repair” scenario in its transit system would yield $4.6 billion in additional business sales, 41 209 jobs over 20 years and annual tax revenues of $154 million.
• Overall, Chicago authority projected that return on capital investment in LRT was $6 for every $1 spent.

15. Dallas Area Rapid Transit (DART):
• The value of property nearby the DART lines is 25% higher than similar real estate elsewhere in the area.

16. Other cities:
• In Atlanta and Washington DC., real estate developments around transit stations command a premium of between $3 and $4 per sq. foot.

This study evaluates rail transit benefits based on a comprehensive analysis of transportation system performance in major U.S. cities. It finds that cities with large, well-established rail systems have significantly higher per capita transit ridership, lower average per capita vehicle ownership and annual mileage, less traffic congestion, lower traffic death rates, lower consumer expenditures on transportation, and higher transit service cost recovery than otherwise comparable cities with less or no rail transit service. It finds that monetized benefits exceed rail transit costs several times over. This indicates that rail transit systems provide economic, social and environmental benefits, and these benefits tend to increase as a system expands and matures. This report discusses best practices for evaluating transit benefits. It examines criticisms of rail transit investments, finding that many are based on inaccurate analysis.


This book examines various economic benefits from public transit, including improved mobility, reduced congestion and increases in nearby property values. They conclude that, “The public realizes $5 in cash savings for each tax dollar invested in transit services.” On page 141, they display a chart that clearly correlates transportation mobility with national wealth (and elsewhere with household wealth).


The authors repeat the findings of Tsukada and Kuranami (below) that in Japan private railroads manage real estate within rail corridors, and thereby enhance profits.


Among several systems noted in this survey, Miami's Metrorail raised enough site rent to cover 25% of its total capital cost ($116 million).


London’s Jubilee extension cost £3.5 billion, and raised the nearby land’s rental value by £1.3 billion. Public collection of 25% of that increase would pay off the Jubilee in 20 years. In the vicinity of Edinburgh, Scotland, developers are co-funding a new line on an old right-of-way.


In his report to Congress, this former staff to Sen. Paul Douglas noted that Washington, DC’s Metro in 1981, after some $3 billion in expenditures, was 40% complete and had generated over $2 billion in land value. In January 2001, after $9.5 billion in expenditures, the completed system had generated between $10 and $15 billion in new land value.

Taking into account more than just the property selling price, this researcher considers how a transportation project changes the returns to land, labor and capital, compared to the project’s costs: 1) the increase in privately collected rent – i.e., the increase in the selling price (and lease value) of land; 2) the increase in taxes on land; 3) the decrease (more usual than an increase) in its value, because capital can't be moved (as land rose in value but building fell in value); 4) the change in taxes on existing buildings; 5) the taxes on new buildings erected in response to the transportation improvements; 6) the cost of extra public services for the added buildings (unless there are user fees); 7) the extra tax revenue if there’s a sales tax or a wage tax which reduces land values; 8) the savings in travel time if low fares reduce congestion; 9) reduced smog; and 10) the loss of human happiness from uncompensated personal adjustment to the change in the built environment. The sum of these 10 items is compared to the transportation system costs.


Precise location in the transit facility-property value relationship is found to be crucial. In one New York station, moving a concession stand a mere 20 feet doubled the rent the transit system collected from the vendor.


From page 81: Burkhardt and Howard summarize historical evidence. “Major land value increases occurred in many station areas of New York City’s expanding transit system in the early 1900s.” From page 124: Donald Richmond states, “The (Toronto Transit) Commission … experience…suggests that the long-term land-leasing program can completely recover land acquisition costs over a reasonable time period.”
Effects of Transit Facilities on Property Values

29) Al-Mosaind, Musaad A., Kenneth J. Duecker, and James G. Strathman, “Light Rail Transit Stations And Property Values: A Hedonic Price Approach,” *Discussion paper 92-04, Presented at Transportation Research Board 72nd Annual Meeting, Center for Urban Studies, School of Urban and Public Affairs, Portland State University, December 1992.* Proximity to LRT stations may improve the accessibility of residents to the CBD and the rest of the urban area, and may also result in transportation cost savings. These effects show up in higher property values. However, in the absence of attention to design qualities, LRT stations may impose negative externalities, depreciating nearby home values. Which of these two effects predominates? In metropolitan Portland, Oregon, two distance models to LRT stations were compared. The first showed a positive capitalization in sale prices for homes within 500 m (1600 ft or 1/4 mi) walking distance. This effect was equally felt for all homes within that distance zone. The second model found a statistically weak negative price gradient for homes within the 500-m zone. This implies a positive influence of proximity, where homes are priced about 10% higher. Zoning for higher density around stations also raised site values.


31) Armstrong, Robert J., “Impacts of Commuter Rail Service as Reflected in Single-Family Residential Property Values”, *Transportation Research Record, 1466 (1994): 88-97.* Single-family residential properties in metropolitan Boston, Mass, are examined. Results indicate that there is an increase in single-family residential property values of approximately 6.7% by virtue of being located within a community having a commuter rail station. At the regional level there appears to be a significant impact on single-family residential property values resulting from the accessibility provided by commuter rail service.

32) Barker, William G., “Bus Service and Real Estate Values”, *68th Annual Meeting of the Institute of Transportation Engineers, Toronto, Ontario, 1998.* (Available from ITE, 1099 14th Street, NW, Washington DC 20005-3438 U.S.A.). Real estate developers and lending institutions are not willing to base investments on the location of easily changed bus routes. However, the availability of local bus service does increase the value of at least some urban real estate.

Study of land values in Boston, Atlanta, Chicago, Portland and Washington DC found that a decrease from three to one kilometer distance from transit stations increases rents by $19 per month, and housing values by $4,972.


This study examines the effects of transit access, measured in ground distance to the nearest station, on residential rent levels. From over 250 observations of 81 apartment complexes, the authors find that rents decrease by 2.4% to 2.6% for each one-tenth mile in distance from a Metro station in Washington, DC.


“Rents at the BART housing projects are higher than those of nearby projects.”


This is a hedonic rent study of office buildings in the Atlanta area from 1990 to 1996. Part of the rent differences among office buildings is due to differences in wage rates, transportation rates, and proximity to concentrations of office workers. The convenience of face-to-face meetings facilitated by office agglomerations is also reflected in office rents, providing evidence that agglomeration tendencies continue to be important in explaining office concentrations, despite the ability of information technology designed to reduce the need for some such contacts.


Increases in land rents show up in higher property taxes, not only in property selling prices. The author quotes President Franklin D. Roosevelt supporting value capture.


Found that properties between one and three miles of a rail transit station in Atlanta, Georgia have a higher value than otherwise comparable properties located more than three miles away, but properties within a quarter mile of a station are worth 19% less than homes beyond three miles.

This comprehensive guidebook describes various technical methods for measuring the economic impacts of transit investments, including changes in adjacent property values. It also includes a summary of research findings on the increases in property values found around BART stations in the San Francisco Bay area. Results are summarized in the table below. Tables 9.6 – 9.10 list 15 studies dating from 1970 to 1996 that calculate the premium effect of transit investments, measured in unit area of property.

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<tr>
<td><strong>Land Use Type</strong></td>
<td><strong>Distance From BART Station (ft)</strong></td>
</tr>
<tr>
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<tr>
<td></td>
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<td>1,000-1,500</td>
</tr>
<tr>
<td></td>
<td>2,000-2,500</td>
</tr>
<tr>
<td>Multi-Family</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0-1,300</td>
</tr>
<tr>
<td></td>
<td>1,300-2,500</td>
</tr>
<tr>
<td>Offices</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0-1,300</td>
</tr>
<tr>
<td></td>
<td>1,300-2,000</td>
</tr>
<tr>
<td></td>
<td>2,000-2,500</td>
</tr>
<tr>
<td>Retail</td>
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<tr>
<td></td>
<td>0-500</td>
</tr>
<tr>
<td></td>
<td>500-1,000</td>
</tr>
<tr>
<td></td>
<td>1,000-2,500</td>
</tr>
</tbody>
</table>

This table summarizes how property values change with proximity to BART stations for different types of land uses.


In addition to public-private cost sharing and the lease revenues derived from commercial space in rail stations, joint development projects generate more fare revenues as they stimulate more transit trips. This study examines how transit investments affect office market indicators. Evidence shows that J-D projects create measurable land value increases and other associated benefits. Among five dependent variables studied, office rent levels are most closely correlated with transit factors – especially ridership. Other benefits associated with transit centers are low vacancy rates, higher absorption rates, and larger office building size. In conclusion, urban rail transit will significantly benefit land use and site rents only if a region’s economy is growing and supportive programs such as permissive zoning are in place.
Cervero’s study evaluated apartment rents (most studies evaluate housing prices). Around the three BART stations studied, most residents lived in multi-unit complexes of 20-60 units, were young adults, professionals earning incomes comfortably higher than around some other stations, living alone or as couples, but without children (DINKs), most of whom owned just one car, not one car apiece. The housing near two of the stations those residents lived in did lease at building rents that were 10%-15% higher; around the third (Richmond) no rent premium was found. Cervero did not explain if any characteristic of that neighborhood was different: more industrial or surrounded by lower-income residents or what. He concluded that, “In theory, the existence of a rent premium for multi-unit projects suggests value capture mechanisms (e.g., forming benefit assessment districts) could be used to help finance rail systems.”

Hedonic price models show that nearness to light rail and commuter rail stops substantially add value to residential parcels. Large apartments within ¼ mile of LRT stations command land value premiums as high as 45 percent. Such market profits provide a potential source of local revenue from value capture programs.

This study models the value effects of proximity to light rail and commuter rail stations, as well as freeway intersections, in Santa Clara County, California. Substantial capitalization benefits to commercial-retail and office properties were found, on the order of 23% for a typical commercial parcel near an LRT stop, and more than 120% for commercial land in a business district within a quarter mile of a commuter rail station.

This is a comprehensive review of literature on transit oriented development. Topics include: Definition of TOD, agency roles, impacts and benefits on land markets, supportive policies and regulations, the use of value capture financing, and station area design supportive of TOD. The authors suggest that transit boards might share in the land-value benefits derived from proximity to transit by participating in joint development as well as value capture.

Proximity to transit stations account for a 10.5% home price differential. This confirms the findings of Al-Mosaind et. al. (see Ref. 25). They conclude that the positive effects outweigh the negatives.
46) Damm, David, Steven Lerman, Eva Lerner-Lam, and Jeffrey Young, “Response of Urban Real Estate Values in Anticipation of the Washington Metro,” *Journal of Transport Economics and Policy*, (September 1980): 315-335. The authors draw conclusions from reviews of earlier studies of value capture financing, showing that in response to new transit lines, land values are enhanced in centers of concentrated activity and in predominantly undeveloped areas. Their Metro case study demonstrates that the values of retail properties are highly sensitive to proximity to transit stations. This suggests that retail areas are better suited for value capture policies.

47) Debrezion, Ghebreeziabiher, Eric Pels and Piet Rietveld, *The Impact of Rail Transport on Real Estate Prices: Empirical Study of the Dutch Housing Market*, Tinbergen Institute (http://www.tinbergen.nl/discussionpapers/06031.pdf), 2006. This study used a hedonic pricing model to analyse railways impacts on house prices. The railway relevant features considered are: 1. distance to railway station, 2. frequency of railway services at the station, and 3. distance to the railway line, reflecting potential noise and other disturbance effects. Correcting for various other house price determinants we find that dwellings very close to a station are on average about 25% more expensive than dwellings 15 kms or more distant. This percentage ranges between 19% for low frequency stations and 33% for high frequency stations. A doubling of frequency leads to an increase of house values of about 2.5%, ranging from 3.5 for houses close to the station to 1.3% for houses far away. We find a negative effect of distance to railways, probably due to noise effects: within the zone up to 250 meters around a railway line prices are about 5% lower compared with locations further away than 500 meters. As a result of the two distance effects, the price gradient starts to increase as one moves away from a station, followed by a gradual decrease after a distance of about 250 meters. Two railway station references were used the nearest and most frequently chosen station in the post code area. Our estimations reveal that this distinction is important. In many cases the traveller does not choose the closest station. This indicates that railway station accessibility is a more complex concept than one might think. It involves competition between railway stations.

48) Diaz, Roderick B., “Impacts of rail transit on property values,” *Commuter Rail/Rapid Transit Conference, Toronto, Ont.*, American Public Transit Association, 1999. The author summarizes recent North American studies examining the impact of 12 rail projects, including both heavy rail and light rail. Several variables contributing to positive and negative changes in property values are identified. In Miami, home values near stations increased by up to 5 percent (Gatzlaff, 1993). In Toronto, nearby home value increases averaged $2,237 (Bajic, 1983). In general, proximity to rail increases accessibility, which is the primary factor in rising property values. www.apta.com/info/online/diaz.pdf (From “Rail transit and property values” in *Information Center Briefing*, Number 1 - March 2001, at www.apta.com/info/briefings/briefings_index.htm).

49) Dunphy, Robert T., *The Cost of Being Close*, ULI Working Paper 660, Urban Land Institute, October 1998. In Southern California, real estate consultant Larry Netherton compared examples of comparable housing for sale at different distances from a central business area. Buyers would have to travel another 15 to 30 minutes to trim $10 to $15 per square foot off the price of a house. In Orange County, two similar upper-end housing projects were compared, one near major employment,
retail, and cultural centers, and the other 20 miles away from employment centers. The closer-in units sold for an average of $599,400, the distant units sold for $320,000 – a difference of about $280,000, or $14,000 per mile, or $11,200 per minute of extra commute time. In more distant Riverside County, the closer-in project was priced at $214,900, while a same-sized, similar house 20 miles farther out sold for $141,900. The differential here was $73,000 total, or $3,600 per mile, or $2,400 per minute of extra commute time.

50)  Fejarang, R. A., “Impact on Property Values: A Study of the Los Angeles Metro Rail,” Transportation Research Board 73rd Annual Meeting, January 1994. In a city such as Los Angeles, value impacts can be caused by regional as well as local behavior. Did the announcement of Metro Rail impact property values? The announcement involved a consortium of federal, state, and local funding propositions that began in 1983 and legislated in 1988. The period studied was from 1980 to 1990 during which plans became actualized. That is, investments were secured and rail transit was under design and construction, but not yet available for riders or for rider-dependent shopping. Isolating exogenous variables was accomplished at both macro and micro levels. Using a pre-test - post-test control group, property values following the period of actualization were found to be significantly different from prior values. Property values near rail lines were found to be significantly different from property values located a distance. (From Transport Research Laboratory)

51)  Garrett, Thomas A., Light Rail Transit in America: Policy Issues and Prospects for Economic Development, Federal Reserve Bank of St. Louis (www.stlouisfed.org), 2004. Hedonic pricing model applied to residential property values in St. Louis found that average home values increase $140 for every 10 feet closer they are to a MetroLink rail transit station, beginning at 1,460 feet. A home located 100 feet from the station has a price premium of $19,029 compared with the same house located 1,460 feet away. This represents a 32% increase in property values. Their analysis also indicated that beyond 1,460 feet, property values increased with distance from MetroLink stations, but this probably location-related reflects other factors not included in their model, such as traffic volumes on nearby streets, rather than proximity to station. Their analysis did not investigate property value impacts on commercial properties, which probably also increase with proximity to stations.

52)  Gatzlaff, Dean H., and Mark Smith, “The Impact of the Miami Metrorail on the Value of Residences Near Station Locations”, Land Economics, Vol. 69 No. 1 (February, 1993). Miami Metrorail began in the mid-1980s, in a city that is largely new and sprawling. The 20 miles of rail line run thru downtown, half to the poorer north, half to the richer south. Neither are considered prime areas for redevelopment. Ridership is relatively low (some stations are in blighted areas). The researchers looked at only houses that had sold before and after Metrorail was completed. The researchers found that the line perceptibly increased nearby site values in the richer neighborhoods, not in the poor areas where new capital still had not ventured.

53)  Goodwin, Ronald E., and Carol A. Lewis, Land Value Assessment Near Bus Transit Facilities: A Case Study of Selected Transit Centers in Houston, Texas, Southwest Region University Transportation Center, Houston, Texas, 1997. Site values in the Houston region were falling due to shrinking incomes and diminished incomes. However, values fell less near bus stops than they did in more distant locations.

By improving accessibility, lessening congestion, and reducing household transportation costs, transit service adds value to residential locations. Observing 96 Chicago-area Chicago Transit Authority (CTA) and METRA stations, Gruen used hedonic modeling supplemented by a literature review and interviews with realtors and other experts on local market conditions. More important than the presence of a transit station is the perception of neighborhood desirability. Still, the proximity of transit does positively affect property values. The price of a single-family house located 1,000 feet from a station is 20% higher than a comparable house located a mile away. Realtors in both the affluent suburban West Hinsdale station area and the gentrifying Logan Square area on Chicago’s northwest side point out that prices have been increasing and that these locations increasingly appeal to younger, higher-income professionals, many of whom commute via CTA or METRA to downtown Chicago. Apartment properties located closer to train stations tend to realize higher rents and occupancy levels than comparable apartments less conveniently located. (www.ggassoc.com from “Rail Transit And Property Values,” Information Center Briefing, No. 1, March 2001, at www.apta.com/info/briefings/briefingsindex.htm).


This report investigates the effect of trams and light rail on travel patterns and economic activity in numerous cities in Europe and North America. It evaluates impacts on residential property prices, office rents and retailing; numbers of shoppers in city centres, car ownership; retail structure and competition between city centres and sub-centres; parking requirements and changes in building and development patterns. Many of these impacts are quantified and compared in tables. This study concludes that urban rail can provide substantial economic benefits with appropriate policies and support.

<table>
<thead>
<tr>
<th>City</th>
<th>Factor</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newcastle upon Tyne</td>
<td>House prices</td>
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</tr>
<tr>
<td>Greater Manchester</td>
<td>Not stated</td>
<td>+10%</td>
</tr>
<tr>
<td>Portland</td>
<td>House prices</td>
<td>+10%</td>
</tr>
<tr>
<td>Portland Gresham</td>
<td>Residential rent</td>
<td>&gt;5%</td>
</tr>
<tr>
<td>Strasbourg</td>
<td>Residential rent</td>
<td>+7%</td>
</tr>
<tr>
<td>Strasbourg</td>
<td>Office rent</td>
<td>+10-15%</td>
</tr>
<tr>
<td>Rouen</td>
<td>Rent and houses</td>
<td>+10%</td>
</tr>
<tr>
<td>Hannover</td>
<td>Residential rent</td>
<td>+5%</td>
</tr>
<tr>
<td>Freiburg</td>
<td>Residential rent</td>
<td>+3%</td>
</tr>
<tr>
<td>Freiburg</td>
<td>Office rent</td>
<td>+15-20%</td>
</tr>
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</tr>
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<td>None-initially negative due to noise</td>
</tr>
<tr>
<td>Nantes</td>
<td>Not stated</td>
<td>Small increase</td>
</tr>
<tr>
<td>Nantes</td>
<td>Commercial property</td>
<td>Higher values</td>
</tr>
<tr>
<td>Saarbrücken</td>
<td>Not stated</td>
<td>None-initially negative due to noise</td>
</tr>
<tr>
<td>Bremen</td>
<td>Office rents</td>
<td>+50% in most cases</td>
</tr>
</tbody>
</table>

This table summarizes how property values are affected by proximity to rail stations in various cities.

This study assesses the impact of proximity to light rail transit on residential property values near stations in Buffalo, New York, where light rail has been in service for 20 years, but population is declining and ridership is decreasing. The researchers construct hedonic models of assessed value for residential properties within ½ mile of 14 Metro Rail stations, including independent variables that describe property characteristics, neighborhood characteristics, and locational amenities. The model suggests that every foot closer to a light rail station increases property values by $2.31 (using geographical straight line distance) and $0.99 (using network distance). Consequently, a home located within one-quarter mile radius of a light rail station can earn a premium between $1,300 to $3,000, or 4 to 11 percent of the median assessed home value. Model results suggest that three independent variables—the number of bathrooms, size of the parcel, and location on the East side or West side of Buffalo—are more influential than rail proximity in predicting property values. Individual regression models for each of the light rail system’s 14 stations suggest that effects are not felt evenly throughout the system. Proximity effects are positive in high-income station areas and negative in low-income station areas. An analysis of the actual walking distance to stations (along the street network) versus the perceived proximity (measured by straight-line distance) to stations reveals that the results are statistically more significant in the network distance than the straight line distance model, but the effects are greater in the straight line distance model, which suggests that apparent proximity to rail stations is an added locational advantage compared to physical walking distance to the station.


The effect of the presence of transportation infrastructure on distant lot values is small, but there are many distant lots, therefore the hedonic method may underestimate incremental site rents. Furthermore, it may be a mistake to regard as exogenous the values attributed to other amenities that developers add in response to accessibility-induced value.


This study observed property values in the Westside LRT corridor in Washington County, suburban Portland, Oregon. The study compared values prior to construction with values at the beginning of LRT operations. Values of parcels located within ½-mile of the line were found to decrease with distance from the stations, but rise with distance from the rail line between stations. Thus, the opposite affects of accessibility and nuisance were deduced.


This study measured ground distance to BART stations in Alameda and Contra Costa Counties, California. The authors found that 1990 single family home prices declined by $1 to $2 per meter distance from a BART station. They did not find a significant impact on home values based on proximity to CalTrain commuter rail stations, although houses within 300 meters of the CalTrain right-of-way sold at a $51,000 discount. No increase in value around commercial / industrial stops was found, but the authors note that commercial property observations encounter significant data measurement problems.


The authors found that within a one-mile radius from the Pleasant Hill rail station in the Bay Area, average home prices decline by about $1,578 for every 100 feet distance from the station. In the area within a one-mile radius from the Forest Hills, 67th Avenue, and Rego Park rail stations, average home prices decline about $2,300 for every 100 feet distance from the station.


In Atlanta’s low value neighborhoods, a transit stop raises value. The reverse is also found, whereby in high value communities, installing a transit stop lowers site value – by nearly the same amount.


Nelson develops a theory of commercial property value with respect to both transit station proximity and the role of policies that encourage commercial development around transit stations without discouraging such development elsewhere. He applies this theory to sale of commercial property in Atlanta’s “Midtown”, located 1 km (.6 mi) north of the downtown edge. Midtown is served by three heavy rail transit stations operated by the Metropolitan Atlanta Transit Authority (MARTA). To encourage transit-oriented development near MARTA stations, the city waives
parking requirements and floor area ratio restrictions. Commercial property values are affected positively by both access to rail stations and policies that encourage more intensive development around those stations. Citywide analysis, measuring access as ground distance to a MARTA station, finds that price per square meter falls by $75 for each meter away from transit stations. Prices rise by $443 for location within special public interest districts (SPIDs). At the time of his study, Atlanta was the most sprawled metro region in the nation, and that the size of the SPIDs was identical to comfortable walking distance from stations, about a 1/4 mile radius. Theoretical and policy implications are explored.


This paper summarizes the results of several previous studies in tabular form. The authors note that varying methodologies make it difficult to compare results. Nevertheless, it is clear that in most cases access to transit systems is valued by property owners. Rail’s influence on residential values is demonstrated more clearly than on commercial uses; however, influence on commercial values appears to vary by: (i) how much accessibility is improved, (ii) the relative attractiveness of locations near stations, and (iii) the strength of the regional real estate market.


Three different methods of analysis are performed on the data collected. Results show an average increase of £360 (1.7%) in the value of properties near Metro stations during the four-month period surrounding the date on which each section of line opened. In reference to related studies, Dvett et. al. found a small but significant positive effect on the value of single-family dwellings at three of the six BART station areas studied. Lerman et. al. found that distance from Washington Metro stations influences property values, the value rising as the opening date nears, and falling if the opening is delayed. The Regional Commission in Atlanta found an associated increase in industrial property values.


The authors review transit impact studies from selected cities across North America. The reviewers find a positive relationship between property values and station location, but also a possible negative impact on single-family homes along the line due to nuisance impacts. Four research reports are summarized: (1) Transit Case Studies for the City of Hillsboro, Oregon, (2) Transit Benefits 2000 Working Papers, (3) Light Rail Transit Impacts in Portland, Oregon, and (4) Impact of the Vancouver, BC Skytrain on Surrounding Real Estate Value.


After one year of Automated People Mover (APM) operation, downtown retail sales grew 8% in Denver, 4% in St. Louis, and 1% in Miami (where patronage of downtown commercial space had historically lagged). Higher retail sales translate into higher site values.
68) Rice Center for Urban Mobility Research, *Assessment of Changes in Property Values in Transit Areas*, Urban Mass Transit Administration, Houston, Texas, 1987. This is a summary of earlier findings from Toronto, Baltimore, Denver, San Diego, and San Francisco. Some transit centers showed a 100% to 300% increase in commercial site values. In Atlanta, 61% of the businesses within 500 feet of a transit stop reported increased sales.

69) Rodríguez, Daniel A., Felipe Targa, “The Value Of Accessibility To Bogotá’s Bus Rapid Transit System,” *Transport Reviews*, Vol. 24, No. 5 (www.tandf.co.uk/journals/tf/01441647.html), 2004, pp. 587 – 610. By estimating spatial hedonic price functions, this paper determines the extent to which access to BRT stations in Bogotá, Colombia currently are capitalized into land values. Results suggest that every additional 5 minutes of walking time to a BRT station reduced rental price 6.8% to 9.3%, after controlling for structural characteristics, neighborhood attributes, and proximity to the BRT corridor. Evaluated at the average walking time to a BRT station, this effect translates into an elasticity of -0.16 to -0.22. Although these estimates cannot be attributable directly to the presence of the BRT system due to the study’s cross-sectional design, they suggest that the land market in Bogotá values access to BRT station locations.

70) Ryan, S., “Property Values and Transportation Facilities: Finding the Transportation-Land Use Connection,” *Journal of Planning Literature, Vol. 13, Issue 4* (May 1999): 412-427. Ryan reviews empirical studies of the relationship between the presence of transportation facilities – highways, heavy rail, and light rail transit systems – and property values. Inconsistencies in findings from this literature over the past several decades are explained. For example, results vary based on whether researchers measure accessibility in terms of travel time or travel distance. Measuring distance yields mixed results in property value effects. Measuring time yields the expected inverse relationship between access to transportation facilities and property values. The delineation of study areas also influences the direction of effects. This study offers a new interpretation of the transportation facility-property value literature, improving the ability to measure relationships and anticipate land-market responses to transport facilities.

71) Sedway Group, *Regional Impact Study*, Report commissioned by Bay Area Rapid Transit District (BART), July 1999. This is a review of studies of the benefits associated with BART service, measured in positive residential and office property impacts. Reported single family home values fell by $3,200 to $3,700 for each mile distance from a BART station in Alameda and Contra Costa counties. Apartments near BART stations were found to rent for 15% to 26% more than apartments distant from BART stations. The average unit land price for office properties also decreased as distance from a BART station increased, from $74 per square foot within ¼ mile of a station to $30 per square foot at locations exceeding ½ mile. Sedway Group, San Francisco, CA at www.sedway.com (From “Rail transit and property values,” Information Center Briefing, No. 1 - March 2001, at www.apta.com/info/briefings/briefings_index.htm).

Voith estimates house value premiums associated with CBD-oriented train service provided by the Southeastern Pennsylvania Transportation Authority (SEPTA). Unlike most previous studies, he documents changes over an extended period, for each year in his 19-year sample. His data include over 59,000 home sales. In 1980 the average sales price was nearly $120,000. Prices declined from 1974 through 1982, bottomed out during 1983 and 1984, and rose steeply from 1985 through 1988. Using hedonic house value regressions, he finds strong evidence that accessibility to the CBD is capitalized into suburban house values. The premium began in 1970 at well over $12,000, declined until 1976, bottoming out at a bit over $5,000, then from 1978 to 1984 averaged nearly $9,000, and at the end of his sample, 1988, reached $20,000 plus. The value of such accessibility fluctuates with the economic health of the city (which is impacted by the City's tax on wages). Between 1981-1988 while employment in the suburbs grew rapidly, so did the premium associated with train service (to the CBD) increase dramatically, indicating that the central city economy still contributes significantly to the overall wealth of communities. Hence, suburban communities may not be able to isolate themselves from central decline.


In Santa Clara County, California, property owners sued the County claiming losses in value from the nearby light rail. To determine the actual effect of the light rail facility on property values, Weinberger examined commercial property rents comparing accessibility to transit and to highway as determinants of rent, and analyzed the effects over time. Controlling for other factors, properties within a half-mile of light rail stations were found to command almost 15% more rent. Highway access, being ubiquitous, offers no particular locational advantage. As the transit system matured, nearby properties accrued greater benefits. But, in times of high demand, so did all other locations command higher rents.


Values of properties adjoining Dallas’s’s DART (www.dart.org) light rail stations grew 25% more than similar properties not served by rail. Proximity to stations appears to be an economic advantage for most classes of real estate, especially Class A and C office buildings, and commercial strip retail outlets. Average occupancy rates for Class A buildings near rail stations increased from 80% in 1994 to 88.5% in 1998, while rents increased from an average $15.60/sf to $23/sf. Commercial strip retailers near the stations experienced a 49.5% gain in occupancy and a 64.8% improvement in rental rates. (from “Rail transit and property values” in Information Center Briefing, No. 1, March 2001, at www.apta.com/info/briefings/briefings_index.htm.)
Lessons From Developing Countries

Berkshire, England successfully privatized the maintenance of roads. Calvo suggests applying this model to developing countries, where central governments are often hierarchical and indifferent to rural areas. “If increases in land value are captured mainly by the local elite or by outsiders, however, there will be little motivation for mass participation in the project.”

Freeway off-ramps raised the rents of nearby offices in Jakarta, Indonesia. Thus, value capture would be fair, but the method is not feasible because land ownership and values are not registered; furthermore, owners can buy off tax collectors.

Hong Kong’s Mass Transit Railway Corp chooses to not sell land but co-develop it. Property rental income financed about 22% of MTRC’s operating cost in 1993.

In the developing world, value generated by a transport system can be significant. However, often cadastre records are missing or lack information on registered owners and the value of parcels. Furthermore, better-off owners “are often influential local politicians”.

R. T. Meakin, in “Hong Kong’s mass transit railway: vital and viable” notes that in Hong Kong the system receives no subsidy. All of its costs, including interest, are derived from rents from land development. “Discussion” by J. Faukner notes that the World Bank requires mass transit (but not roads) to be self-financing, and that lenders should minimize environmental impacts.

This study finds that even distance sites benefit from the presence of roads. It concludes that the first step is to develop self-governing transit institutions (to evade corruption). [Author’s suggestion: transportation vouchers, or even a general citizens dividend, might be more equitable and effective than subsidizing a public transit agency with collected site rent.]
Financing Transit Systems Through Value Capture


Starting in 1926, the City of Bogota charged property owners the anticipated rise in site value (“valorization”) before road construction began. Revenue from these charges declined in the late 1980s as assessments fell behind and as poor landholders could not afford even the lagging assessments. A 1992 valorization had collected 80% of its target by mid 1995. Presumably the city made up the difference with other taxes, since new roads did get built. What worked for roads could work for transit as well. Ortiz concludes that pre-emptive betterment charges for infrastructure would not be needed if a general land tax were working well. Columbia has a municipal land tax rate of 1% and a national rate of 2%, plus a land gains tax of up to 50%, yet land is registered at only 20% of its value.


Prest relates how Uruguay has historically funded roads from land rent. In 1928 the country set up its Permanent Fund for Development and Farm-to-Market Roads, financed by taxes on gasoline, tires, and land value – prorated by distance from the road. Even at a very low rate, 0.125% to 0.65%, the land value tax funded 1/3 of the road construction budget. However, assessments did not keep pace with rising land values, and confusion arose when proximity to more than one road entered into the reckoning. Hence, the LVT fell into disuse.


To win matching funds from the Japanese central government for planned urban rail systems, local governments must raise 35% of construction costs. Some jurisdictions increase the property tax rate to raise this revenue. Taxable value is determined by distance from the rail station and the city center. Another strategy is to develop fallow land along rail corridors. One private rail line earns 18% of its total revenue from real estate (plus 54% from the railway and 28% from other businesses). The authors recommend that transit agencies serve extant demand from riders, coincide construction with an economic upswing, cooperate with the private sector, commit themselves then deliver on their promises, and become competitive with other transport modes.


Studies from Western Europe, North America, and various developing countries show how changes in the organization and financing of public transport affect patronage and urban development. Its general findings could apply, perhaps on a smaller scale, to other improvements in public transport such as busways. It considers funding from: (1) revenues, (2) taxation, (3) land value capture, (4) advantages and disadvantages of assured funding, and (5) the involvement of private capital. Besides improving public conveyance, rapid transit systems can also improve the environment and the 'image' of a city, as well as encourage new urban development and enhance safety. Bus transit deregulation in the UK illustrates how market disciplines can be applied to bus operation, and how privatization might affect public transport. The report offers recommendations for transport planners in Eastern European countries.
Additional Titles Not Annotated


88) Hsu, Kuo-Wei, *The Impact of Mass Rapid Transit Systems on Land Values: Case Study, Taipei*, Chaoyang University, Taiwan, 1996. (Available from: secret@mail.cyut.edu.tw)

89) IEDC, *Economic Development and Smart Growth: Case Studies on the Connections Between Smart Growth Development and Jobs, Wealth, and Quality of Life in Communities*, International Economic Development Council (www.iedconline.org), 2006; available at www.iedconline.org/Downloads/Smart_Growth.pdf. This study evaluates eight case studies of smart growth projects, including transit oriented development, that provide economic development benefits, including increased employment and incomes, tax revenue, business growth and downtown revitalization.


91) Reconnecting America, *Hidden In Plain Sight: Capturing The Demand For Housing Near Transit*, Center for Transit-Oriented Development; Reconnecting America; Federal Transit Administration (www.fta.dot.gov), 2004; available at www.reconnectingamerica.org/html/TOD/newReport.htm. Market analysis finds that a significant portion of households value living near transit stations, and that this is likely to grow due to an aging population and other demographic and real estate trends. Concludes that the market for TOD will exceed supply, resulting in price premiums near transit stations that provide appropriate amenities.


References and Information Resources

American Public Transit Association (www.apta.com) provides information on public transit issues.

Alex Anas, Richard Arnott and Kenneth Small, Urban Spatial Structure, University of California Transportation Center (Berkeley; www.uctc.net), No. 357, 1997.


Harrison S. Campbell, Jr., Urban Land Use: Theories and Models, Department of Geography, University of North Carolina at Charlotte (www.uncc.edu/~hscampbe/landuse/b-models/A-bgrnd.html)


Geonomy Society (www.progress.org/geonomy) is an organization that promotes land value taxation, that is, taxes based on the relative value of a location.

Susan Hanson (Editor), The Geography of Urban Transportation, Guilford Press (New York), 1995.
Financing Transit Systems Through Value Capture


*Land Tenure Center* ([www.wisc.edu/ltc](http://www.wisc.edu/ltc)) serves as a global resource institution on issues relating to land ownership, land rights, land use and the relationship of land to economic development.

*Lincoln Institute of Land Policy* ([www.lincolninst.edu](http://www.lincolninst.edu)) is an independent research and teaching organization for land policy, including land economics and land taxation.


*Transit Station Communities* (www.todcommunities.org) is devoted to encouraging and supporting Transit Oriented Development in the Puget Sound region of Washington State. It provides a variety of technical information.

*Transit Focused Development Website* (www.peak.org/~jbs) provides detailed information resources related to Transit-Oriented Development.

*Transit Oriented Development Website* (www.transittown.org) disseminates best practices, case studies, tools and techniques, and other resources to TOD practitioners.

*Transport Geography on the Web* (www.people.hofstra.edu/geotrans) is an Internet site with information on transport planning and geography.


*Virtual Geography Department* (www.colorado.edu/geography/virtdept/contents.html) is an Internet site with information on geography and planning theory.


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**About the Authors**

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