Reimagining
the Civic Commons

Value Capture in the Commons

Tools for sustaining our public places while benefiting existing communities

Our parks, libraries, trails, and community centers have the potential to change our cities—and our nation—for the better. By bringing together people from all backgrounds, the public places we all share can combat the trends of declining trust and increasing economic segregation that are dividing Americans. But due to underinvestment and apathy, all too often these civic assets are not currently providing the connective tissue that binds us together and anchors neighborhoods.

Reimagining the Civic Commons intends to be the first comprehensive demonstration of the power of the civic commons to produce increased and more equitably shared prosperity. A three-year, national initiative with projects in five U.S. cities, Reimagining the Civic Commons is advancing a vision for renewed and connected urban public places.

Reimagining the Civic Commons is working toward four main goals, one of which is value creation. We believe that investing in the civic commons can encourage additional investments in neighborhoods, foster local businesses, and change the perception of safety.

As we create public places that all of us want to occupy, the value of nearby real estate may increase. However, as the value of real estate increases, few civic assets have systems in place to benefit from the value they deliver in neighborhoods. And in fast-growth markets, neighborhoods are at risk of becoming unaffordable for current residents.

This raises important questions: As the civic commons is reimagined and property values begin to rise, can some of that value be captured and reinvested into the community? How do we do this in a way that sustains the operations of public places that catalyzed value creation? And how can we capture and distribute a portion of this new value—in real estate, local business, jobs, and more—in a manner that benefits local residents?

We designed this toolkit with these questions in mind. It serves as a resource for neighborhoods, municipalities, non-profits, and philanthropic organizations grappling with how to sustain operations, reinvest in communities, and ensure equitable access for all through investment in the civic commons.

Many of the tools are well-established, with significant applicability to civic assets. Others are ideas that leading national experts have begun exploring. Together, they provide a variety of options that those of us working to revive public assets can use to both sustain operations and benefit the people who live nearby.

Value Capture Process

Invest in Public Places → **Increase Nearby Real Estate Value** → **Capture New Value** →

- Benefit existing residents
- Sustain and improve public places

Navigating this toolkit

The tools are divided into three main categories

Value Capture Mechanisms
Summaries of established tools, including key considerations when utilizing, how these tools may be applied to capturing value from civic assets, and examples of the tools in use.

Emerging Tools
Brief descriptions of existing value capture tools that could be reimagined to apply to civic assets and new tools being explored nationally.

Indirect Value Creation Methods
Additional tools for value creation, emphasizing hyperlocal strategies to ensure economic, physical, and environmental health.

Each tool includes visual designations to help you determine good options for your city or neighborhood. The designations indicate typical scenarios in which the tools may apply and typical approaches for applying them.

Scale
The geographic area that the tool impacts.

Block

Neighborhood

City

Market Strength
The strength of the market at the time an investment is made. This refers only to the market strength of the geographic area the tool is impacting.

Strong Market

Stable Market

Weak Market

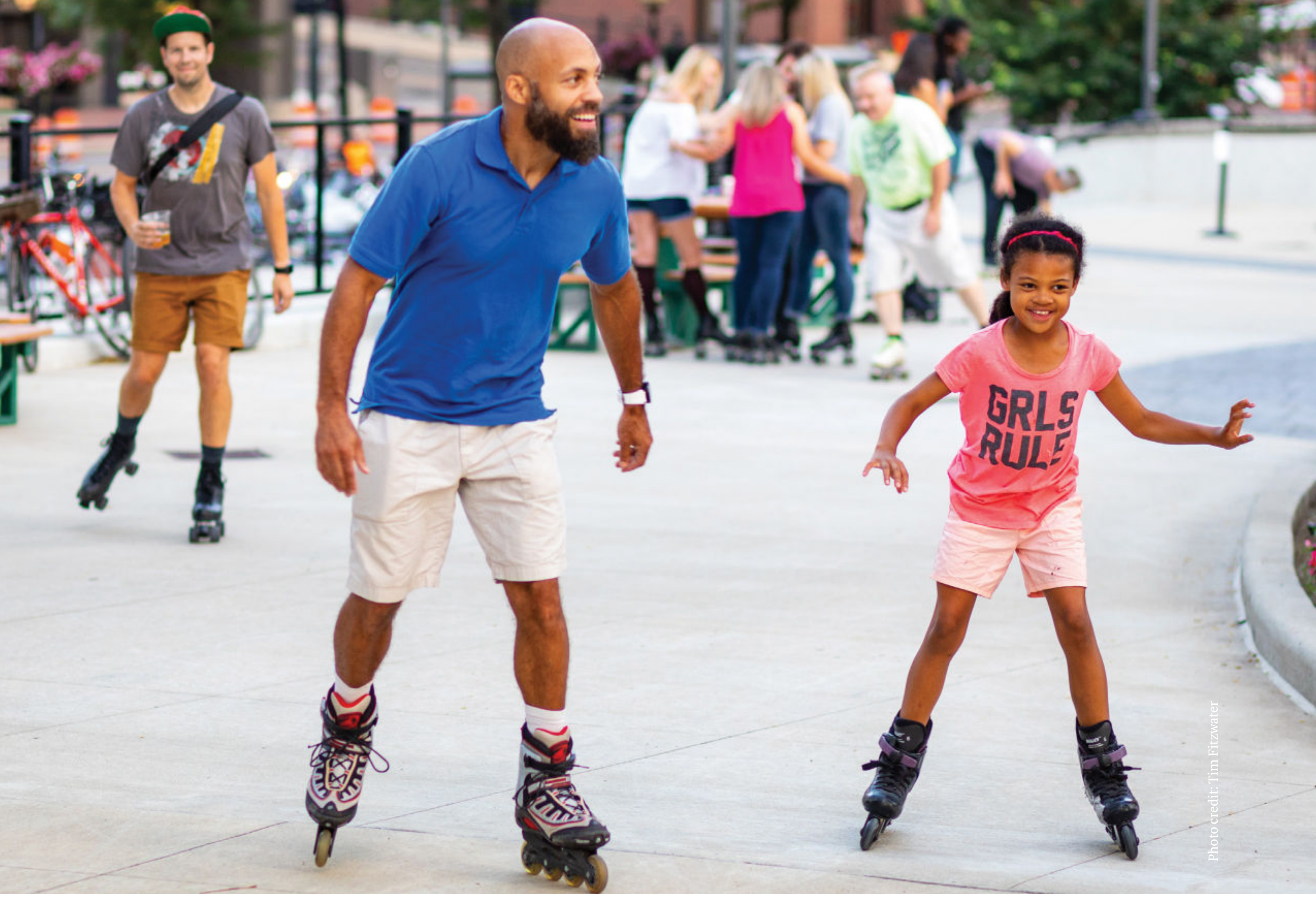


Photo credit: Tim Fitzwater

Financing Mechanism

The approach used to generate or capture value.

Tax or Assessment

Monetization of Public Assets

Monetization of Non-Public Assets

Policy Change Required

The type of local public policy change typically required to implement a tool.

Zoning Change

District Creation

Change in Revenue Policy

About the Value Capture Forum

In March 2018, leading national experts convened at the Value Capture Forum, an event hosted by the Civic Commons Learning Network.

The group's mission:
To share their knowledge and expertise around established tools that have captured and redeployed investments in land, real estate, infrastructure, human capital, and other areas.

The key questions posed were as follows:
- What value capture tools are currently being deployed?
- Where can they best be replicated?
- What new and creative partnerships or entities should we be considering?

This document summarizes the Value Capture Forum conversations with the goal of framing how these tools may apply to public assets in cities nationwide.

Value Capture Mechanisms

The following section highlights existing tools and mechanisms for capturing and redeploying real estate value. The preferred structure, governance, and distribution methods will vary within each jurisdiction or collection of assets, and not all tools will be applicable in each locality.

1. Special Assessment Districts

Neighborhood | **Tax or Assessment** | **Strong or Stable Market** | **District Creation**

Special assessment districts (SADs) apply an additional tax on properties within a defined geographic area in order to fund a specific public improvement project.

In many cases, property owners must consent to the additional tax, with the understanding that they will benefit from the public investment upon its completion.[1] The assessment may remain constant over the term of the assessment, or it may vary over time. SADs are often created in areas that are already economically stable but are looking to make additional investment in infrastructure.[2] They are composed of groups of property owners and include a governing body.

SADs are most frequently established to fund public projects that are already underway. This may incentivize land owners to commit to an additional assessment: establishing a SAD may speed up the project's timeline because it is typically more efficient than assembling public funds.

Potential Application to the Civic Commons

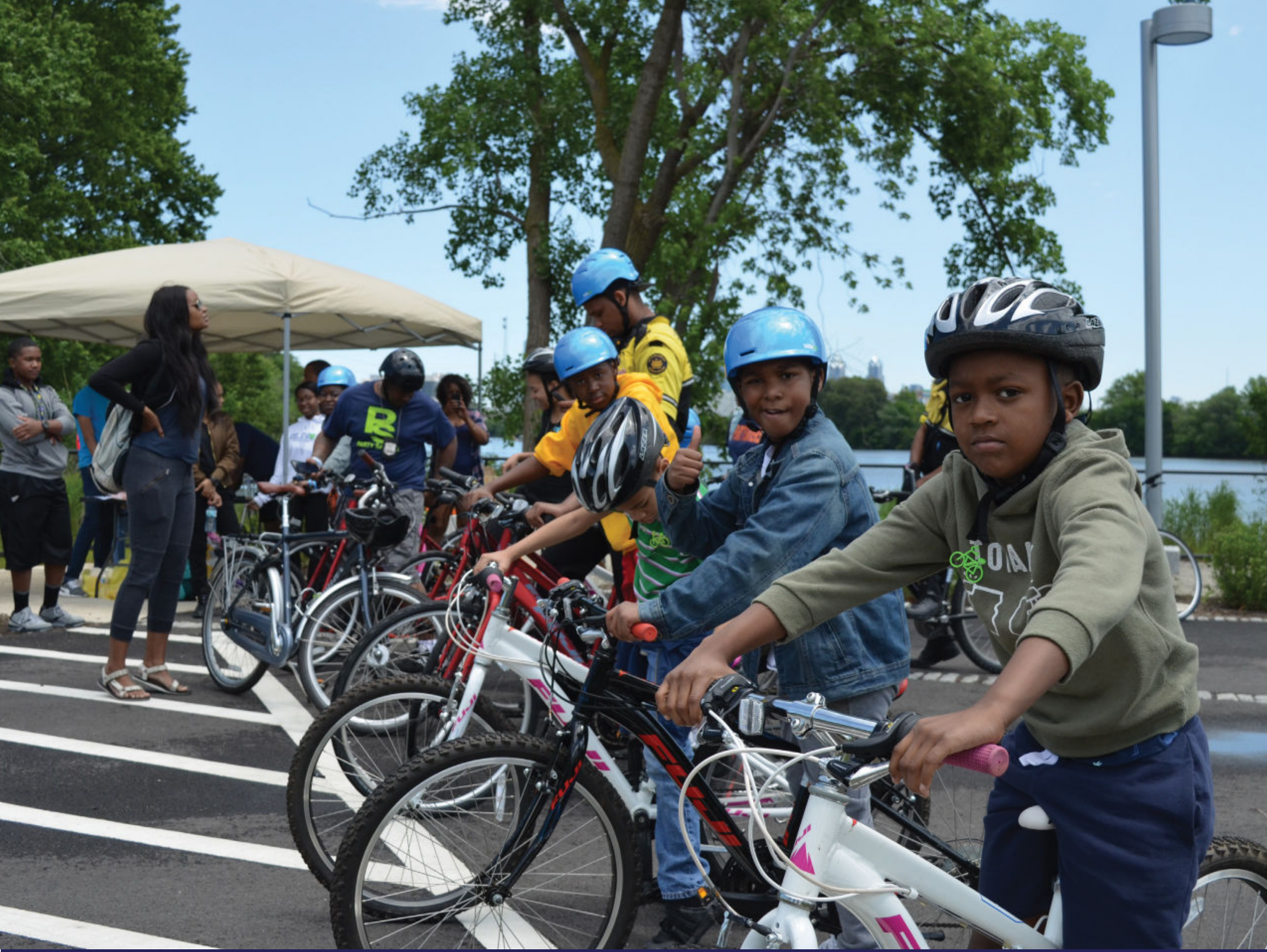
Many SADs control, maintain, and program civic assets and public spaces within their boundaries, including parks, alleyways, sidewalks, and parking lots. While district assessments can provide a portion of operating and maintenance costs, many SADs actively program spaces with fee-generating events, temporary leases for retail and commercial activity, fundraisers, and sponsorships to augment budgets. A key role of a SAD is to manage and curate the assigned civic assets and to ensure that the assets are integrated into the vision of the district.

Key Considerations

Coordination of Property Owners
SADs are easiest to implement when there are only a few land owners in the area. This is not often the case in urban contexts, where additional coordination and outreach are required to get land owners to commit to an increased tax rate.

Coordination of Jurisdictions
It's not uncommon for SADs to cross district boundaries, requiring increased coordination between the various jurisdictions involved. Jurisdictions may encounter discrepancies in their property valuation methods or schedules.

Zoning as a Negotiating Tool
To garner private sector support for increased property assessments, municipalities sometimes offer zoning concessions that allow for increased density on properties within the SAD. This practice can be controversial.



Case Study

University City District (UCD) in Philadelphia is a strong example of the power special assessment districts have to physically, economically, and socially transform communities.

UCD is a SAD bringing together anchor institutions, small businesses, and residents. They share the common goal of creating opportunity and improving economic vitality and quality of life in the University City area of West Philadelphia. Their initiatives range from transforming public spaces to conducting economic development research.

One of UCD's most successful public space projects is the Porch at 30th Street Station. Unveiled in 2011, the Porch transformed a parking lane and empty sidewalk outside the nation's third busiest train/transit station into a vibrant, pedestrian-friendly open space. Complete with colorful furniture, abundant greenery, food and beverage options, and space for performances, the new space has become a destination for residents, workers, and visitors alike.

On the economic development side, UCD has taken on an initiative called the West Philadelphia Skills Initiative. The Skills Initiative is UCD's response to an ongoing dilemma. In West Philadelphia, high unemployment, low earnings, and low education attainment exist directly adjacent to University City, the region's "economic powerhouse," with 80,000 jobs, $4 billion in construction activity since 2015, and $1 billion in annual research investment. The Skills Initiative uses a six-step process to engage employers, recruit unemployed West Philadelphians, provide job training, match employees with employers, and provide post-placement support. Since its 2011 inception, the initiative has engaged almost 800 adults and youth and generated $15.4 million in wages for previously unemployed West Philadelphians.[3]

2. Tax Increment Financing

Neighborhood

Tax or Assessment

Stable or Weak Market

District Creation

Tax increment financing (TIF) is a tool municipalities use to spur development in economically distressed or underdeveloped areas.

Although the requirements for establishing a TIF district vary across jurisdictions, they are often formed in areas where properties are demonstrably blighted, vacant, or otherwise distressed but where the potential for growth is strong. In general, this is an effective tool for weaker or stable neighborhoods within cities where the overall market is strengthening.

Unlike special assessment districts, TIF programs do not increase tax rates, but rather capture the additional tax revenue generated when properties increase in value. After a TIF district is established, property tax revenues from the district are split between the existing tax districts (e.g. public schools, parks) and a fund for special projects inside the TIF district, with a focus on investments that could attract new economic activity.[4] The existing tax districts continue to receive property taxes generated from the base value of properties in the district. The increment value, or the additional tax collected from properties in the district that increased in value, goes into a fund for economic development projects within the TIF district.

Cities and towns often borrow against a district's future property tax revenues to help fund public projects, including civic assets. The municipality may opt to sell bonds secured against the district's expected revenues in order to help start construction immediately on projects predicted to increase real estate value in the TIF district. The bonds are repaid over time using the tax increment funds.

The use of TIFs has expanded to forty-nine states since California created the first TIF district in 1952.[5] Allowable uses for TIF funds vary from state to state. Some of the more common TIF-funded projects involve infrastructure improvements like streets, sewers, rail stations, and parking garages. Some states allow TIF funds to go toward environmental remediation, land acquisition, or planning expenses. In other cases, TIF funds may be used to directly subsidize private development expenses.[6] A common rule of thumb for many municipalities is the "but for" provision, which assumes that "but for" the TIF program, development would not have occurred.[7]

The structure of TIF programs vary among municipalities, too. Different cities have different requirements for what constitutes a TIF district (e.g. a certain percentage of properties must be considered blighted), how incremental revenue many be used, and how long a TIF district can exist.

Potential Application to the Civic Commons

When investments in civic commons assets, like parks, are implemented together with strategic rezoning efforts, local residents and businesses may benefit from considerable increases in property value. One such example is the proposed Park Increment Recapture (PIRC) for the Brooklyn Bridge Park in New York City. With PIRC, the city is funding park operations using a percentage of property tax revenue increases generated in rezoned areas near the park. In this way, PIRC capitalizes on the increased property values and subsequent increased property tax revenues generated by park investment and rezoning. Importantly, PIRC is not a new tax, does not increase tax rates, and does not draw from existing city resources. Instead, it is strategically targeted at new value directly generated from park investment and subsequent rezoning. Furthermore, PIRC creates an incentive for all parties to complete the civic commons investment quickly, as all parties directly benefit from the investment.

Key Considerations

Transparency
TIF budgets and growth forecasts are not always published for public review, which precludes the public from evaluating the potential merits or pitfalls of a particular TIF project. TIF programs often have limited or no public participation.

Defined Scope
A municipality should only create a TIF district for an area that meets specific, pre-determined criteria, such as a certain percentage of blighted or vacant properties. A TIF district should have clear start and end dates to ensure it remains a temporary economic development solution. TIF districts are not meant to exist in perpetuity, but rather to jumpstart economic development by providing a temporary incentive system.

Accountability
Many TIF laws do not require performance reporting to determine if project goals were met. Some jurisdictions may use TIF funds to advance "pet projects" without inviting any public comment or participation.

Competing Interests
A TIF district retains control of incremental tax revenue for a period of time, initially restraining the flexibility of municipality-wide public funds for other uses.

Case Study

In Portland, Oregon, TIFs have proven to be highly effective at generating tax revenue for the city.

The city has dedicated 40 percent of the tax revenue generated by TIFs in urban renewal areas to subsidize affordable housing. Since 2010, this has generated almost $250 million for affordable housing and has led to the construction and rehabilitation of thousands of units.

This has been especially beneficial for areas like the Pearl District, a section of the River District, the city's largest urban renewal area. The River District TIF area has generated over $83 million in tax revenue and has been responsible for the creation of 2,400 affordable units. In the Pearl District, which has been experiencing rapid development, this has been particularly effective at preserving affordability in the area.

When compared to other methods of affordable housing production, TIF financing in the Pearl District has outperformed the most popular methods. In fact, the number of affordable units generated in the Pearl District through TIF assistance has exceeded those produced by inclusionary housing programs in all but a few cities.

Portland's plan to use TIF funds for affordable housing is desirable for two reasons. First, TIF funding doesn't cost developers any additional money or add to the development process. Second, TIF generates revenue from both the value of new investment and the appreciation of existing properties and structures.[8]

3. Land Control

Block or Neighborhood

Monetization of Non-Public Assets

Stable or Weak Market

A direct way to capture increases in real estate value is by controlling land parcels.

A mission-based community development organization (CDO) can acquire and maintain ownership of land as a tool to advance community objectives, such as ensuring long-term housing affordability, providing affordable retail or office space for local businesses, and programming and maintaining civic spaces.

The CDO can provide a sense of permanent community control and deeply engage community members in decision-making processes. The governing board could be made up of representatives of neighborhood associations, business districts, philanthropies, and local government. The CDO could be the controlling entity of available public land around the civic asset investment as well as key parcels that are privately held and purchased by the CDO. In addition, mission-based CDOs have the ability to access debt and transact, and they have the flexibility to deploy an integrated approach with multiple tools.

One CDO structure is a community land trust (CLT). A CLT ground leases land to prospective buyers. Ground leasing gives prospective buyers the right to develop the land or acquire physical structures on it, but not to acquire the land itself. Since the value of land typically increases at a faster rate than the value of built structures, CLTs keep housing and other structures affordable. When the lessee of the built addition sells the structure, the lessee receives their investment paid to date plus a portion of the structure's increase in value (typically 25%). The CLT receives the remainder of that equity.[9] CLTs can also own rental and commercial properties. In contrast to many city covenants, which last anywhere from 15 to 40 years, CLTs keep land permanently affordable. CLTs also prevent blight by requiring the owners of homes and other structures on CLT land to adhere to established maintenance standards. Many CLTs also provide home repair and financial literacy programming to members.

Other well-established structures include community development corporations (CDCs) and neighborhood improvement districts (NIDs).

Potential Application to the Civic Commons

As investments are made into civic assets, a non-profit CDO can harness value for the benefit of a district as a whole by controlling key parcels around that investment and managing an inclusive process to react to market pressures. When planning the design of a park, library, trail, or community center, it would be critical for the CDO to acquire nearby property early in the process. This would help capture the most value to deploy toward the operations of the asset while also ensuring that existing residents can stay and thrive in place and enjoy the coming amenity.

Key Considerations

Dependence on Additional Funding
Many CDOs will depend on additional funding sources (municipal, state, philanthropic) unless a revenue-generating model is created.

Access to Property
In high-cost cities, acquiring land can be difficult if CDOs are bidding against for-profit developers. Many CDOs receive land from municipalities in exchange for 99-year affordability requirements. Another option is to grant the CDO right of first refusal when the city is selling assets.

Management Continuity
CDOs may also struggle to continue operations after a management transition and risk dissolution if a clear secession plan is not in place.

Idea: National Land Conservancy

A key limitation of a community development organization (CDO) capturing value through land control is that it relies on public land being available around a civic commons investment. When public land is not available, there may be a need to find the capital to control key parcels. Here we suggest the creation of a national land conservancy that is funded by national philanthropy to help the local CDO control land. The national organization can be the vehicle through which local capacity within a CDO is created. Furthermore, a national funding pool can incentivize local government and local philanthropy to leverage such a resource. An national land conservancy can also act as an aggregator of subsidized financing options for the CDO to help spur development around the civic commons.

Case Study

Opening in 2019, the 11th Street Bridge Park will connect Washington D.C.'s Anacostia neighborhood to the Capitol Hill neighborhood across the Anacostia River.

Until now these neighborhoods have been geographically, economically, and racially segregated. With some areas east of the river experiencing child poverty rates in excess of 50 percent while areas west of the river thrive, the newly proposed Equitable Development Plan is set to provide much-needed change.

Most importantly, the 11th Street Bridge Park seeks to change the narrative of the typical development process by engaging and collaborating with all stakeholders, including community members, government officials, business owners, and policy experts. This engagement and collaboration helped the Bridge Park and its partners receive actionable recommendations from stakeholders across three key areas: workforce development, small business enterprise, and housing. For housing, stakeholders recommended creating a community land trust as a strategy to protect vulnerable residents from the potential negative impacts of increased investment in the district. In the case of the 11th Street Bridge Park, the creation of a CLT would allow the targeted acquisition of vacant, blighted, and tax-delinquent properties for the purpose of creating and preserving affordable housing opportunities for residents in the district.[10]

4. Sale or Lease of Public Land

Block or Neighborhood

Monetization of Public Assets

Strong or Stable Market

Cities can capture value by ceding control of public land to private developers through a ground lease or outright sale, with the condition that civic space be integrated into the development plan.

Funds from the sale or ground lease of public land can help cover the cost of deferred maintenance, fund future operating expenses, or pay for the development of new civic spaces. Developers also benefit, often receiving financing from city economic development authorities and federal New Market Tax Credits.[11] While many examples stipulate that civic space must be integrated into development plans, the Brooklyn Bridge Park model created a revenue generator for the rest of the park by setting aside a portion of the public land for development into a hotel and residential units. Both of these options can yield a sustainable operating model for a large public asset.

Potential Application to the Civic Commons

Libraries in particular face an increasing number of challenges that threaten their future as effective, well-utilized, and welcoming public spaces. Many libraries occupy old buildings with aging infrastructure, lack adequate space, and face maintenance crises caused by decades of insufficient capital funding.[12] Private development can be an attractive solution to ameliorate those issues. Libraries in land-constrained markets with excess development rights may be sitting on extremely valuable land. For example, New York, Chicago, Milwaukee, and Washington D.C. have all turned to the private development market to build housing on top of public libraries.

Key Considerations

Balancing Public and Private Priorities

A common concern is that developers will have too much of a say in the design of ancillary civic spaces, potentially shrinking the civic program to make room for components that generate higher revenues.

Public Pushback

Often there may be public pushback when a proposal includes public land no longer hosting public use.

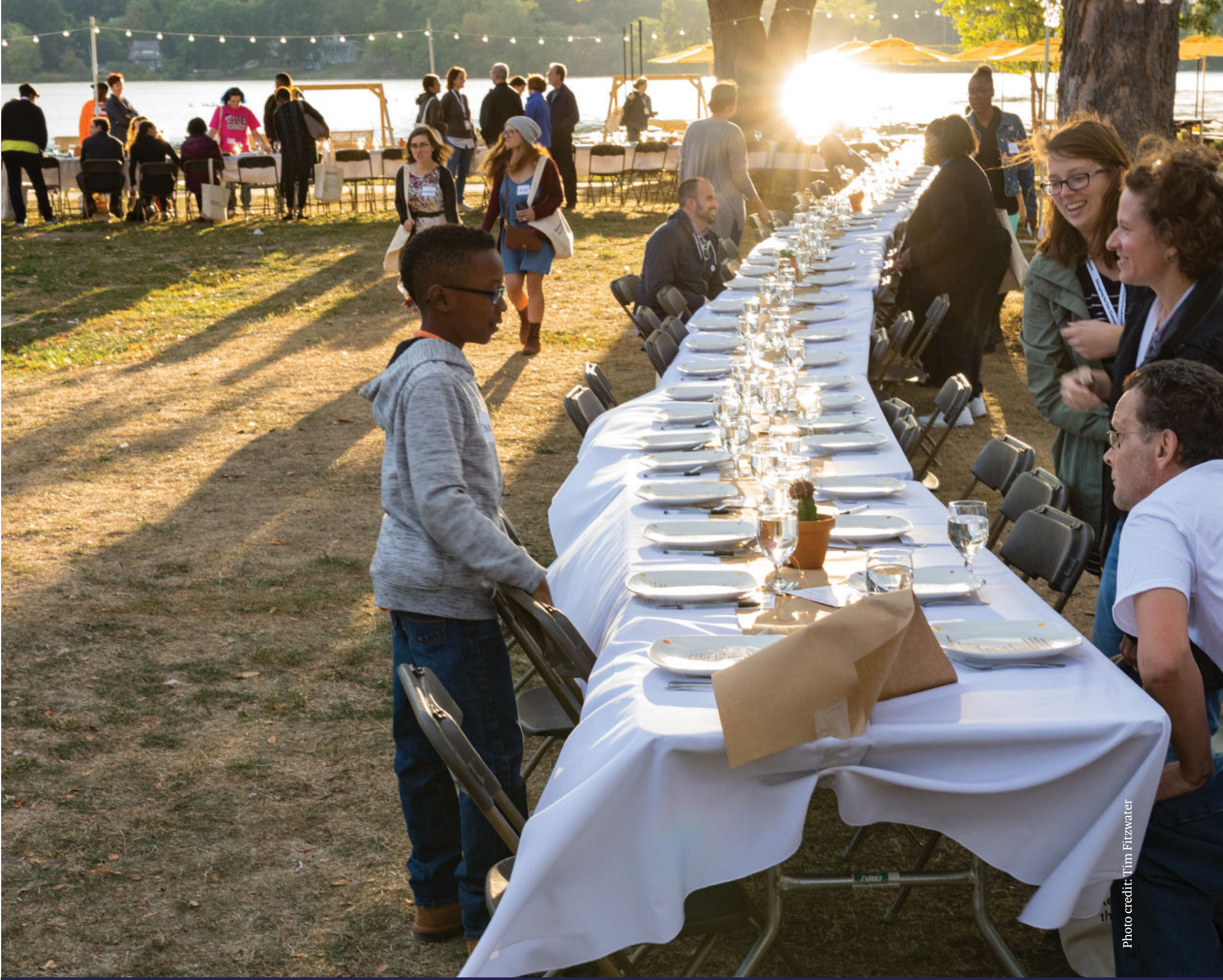


Photo credit: Tim Fitzwater

Case Study

Created under the condition that it be self-sustaining, the Brooklyn Bridge Park is a great example of how the strategic sale or lease of public land can generate both initial and ongoing funding for a civic commons investment.

Although New York State provided the land for the park, over 96 percent of the park's operations and maintenance funding comes from ground lease and PILOT (payment in lieu of taxes) revenues, while the remaining 4 percent comes from park concessions. By ground leasing the land, the park both retains ownership of the land and secures a long-term funding stream for park operations and maintenance.

Given the high value of land in New York City, the ground lease option proved to be more valuable than all alternative options considered by the Brooklyn Bridge Park Corporation (BBP). In fact, the nine alternative options considered, including a Park Improvement District, commercial real estate development, and additional fees and parking, were only estimated to provide between $2.5 million and $7 million in funding, less than half of the park's more than $16 million operating budget. Furthermore, the ground lease option only required leasing 9 percent of the park's land.[13]

5. Land Value Taxation

City | Tax or Assessment | All Markets | Change in Revenue Policy

Under the typical property tax regime in the United States, property owners pay a tax that is tied to the total value of land and improvements on each piece of property.

But because investing in a property causes its assessed value and property tax level to rise, taxes on improvements can discourage investment. This system also creates very low holding costs for vacant land. If a lot is unimproved or is kept for a low-value use like site storage or parking, the owner may pay little in property taxes.

With a land value tax (LVT), all or a large portion of the property tax applies only to the value of the land, not the improvements. Land value taxation is "a way to tax speculation and vacancy while shifting the burden of property taxes in a way that promotes greater affordability."[14] Speculative real estate developers may purchase vacant, underdeveloped land in hopes that a surge in nearby development will increase the value of their property. LVTs discourage this type of speculative land holding by requiring property owners to pay a significant tax regardless of how well or poorly the land is used.

Many local tax assessment systems already have separate estimates of the value of land and improvements. A land value tax can be implemented by establishing different tax rates for land and for improvements. Under the LVT, land would be taxed at a higher rate than improvements. Land value can be established by a combination of looking at comparable sales of vacant properties.

Because states typically set the criteria for assessing property, land value taxation would likely require enabling legislation on the state level.

Potential Application to the Civic Commons

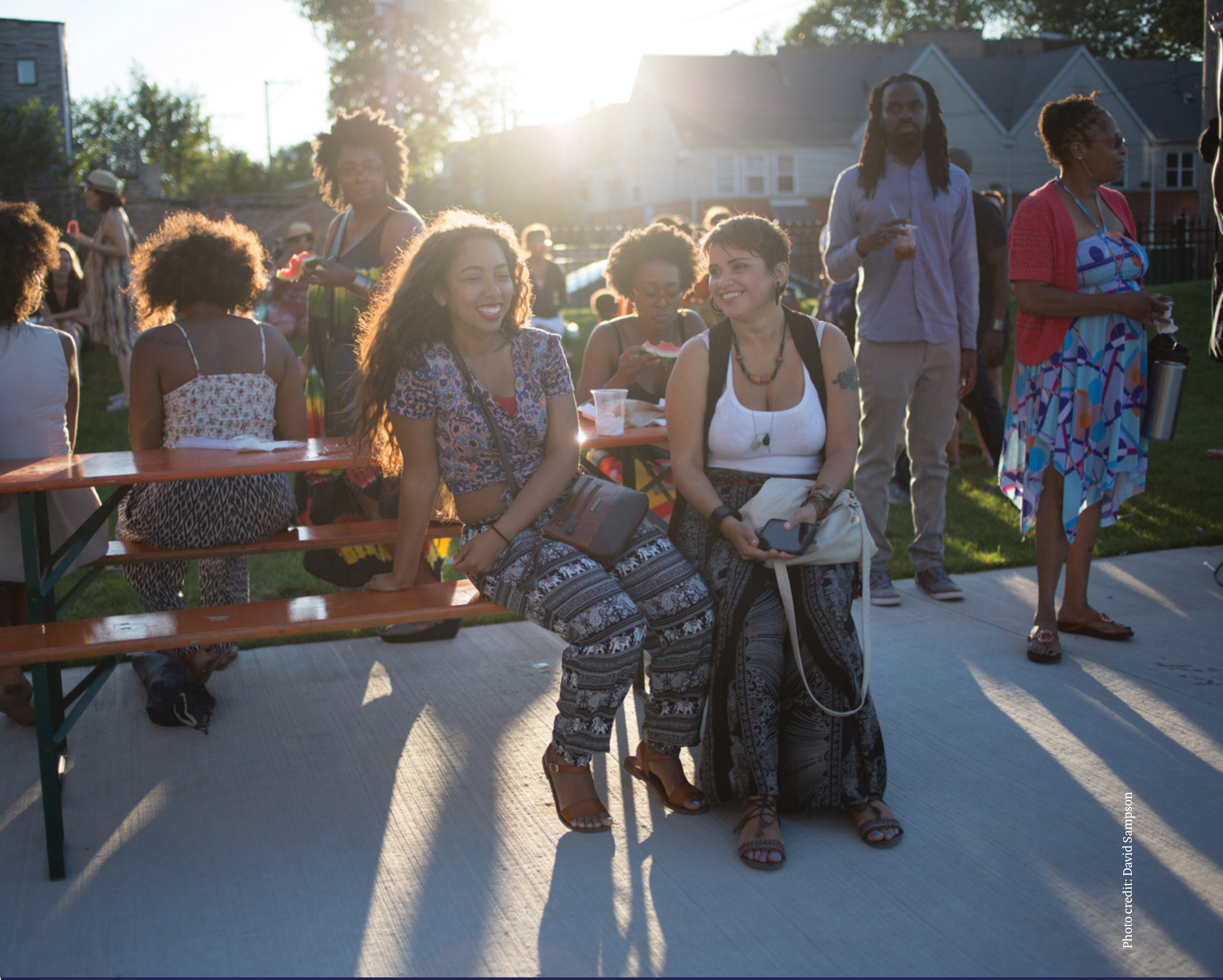
Investments in civic assets often increase nearby land value. LVTs would allow municipalities to capture a portion of the value of positive spillover effects and inject it back into the public spaces that boost land values. They are a way to redistribute a portion of land value from individual property owners to the civic assets that boost land value.[15]

There is well-established research on the positive effect of park and trail investments on the value of adjacent properties. Construction of the High Line in New York City and 606 Trail in Chicago both increased the value of nearby property. If a portion of that value increase were recaptured through higher land value taxes, those revenues could support the operation, maintenance, and debt service costs of parks.

Key Considerations

Separating Value

Practically, it is difficult to separate the value of land from the value of improvements made to the land.[16] There is no perfect valuation system for land alone.



Case Study

In cities like Harrisburg, Pennsylvania, legislators are taking advantage of a split-rate property tax or land value tax to both disincentivize land speculation and generate additional tax revenue for the city.

The method has been implemented in Harrisburg and 20 other Pennsylvania cities. Between 1982 and 2010, Harrisburg witnessed several positive outcomes from its land value tax policy. The taxable value of properties increased from $212 million to $1.6 billion, the number of residential units in the city sharply increased, and vacant structures in the city fell by 80 percent.[17]

In 1989, Pittsburgh increased the tax on land value to six times the tax on land improvements. Eight years later, a review of the practice found that it produced significant revenues for the city while causing no harm to the local economy. Although the practice was successfully challenged in court by wealthy homeowners in Pittsburgh, it has continued to show promise in cities like Harrisburg.[18]

6. Monetizing Savings From Green Infrastructure

Any Scale

Monetization of Public or Non-Public Assets

Any Market

Green infrastructure can create a wealth of benefits that extend beyond environmental stewardship.

Solar panels, green roofs, trees, bioswales, permeable pavement, water harvesting, and other stormwater management practices are all examples of green infrastructure.

Green infrastructure can produce long-term revenue streams that can create value for cities and neighborhoods. With solar infrastructure, for instance, power purchase agreements (PPAs) provide investors with rights to the revenue produced by the solar system for up to 20 years. While, in cities where stormwater trading programs exist, developers can meet stormwater retention requirements by purchasing credits from another property that exceeds the minimum requirements.[19] For example, a high-rise developer building on a small urban lot might only be able to use the roof or underground space for stormwater retention. But if they instead want to include a rooftop deck and underground parking as part of the development, it might make economic sense to buy stormwater credits from someone who built stormwater management practices with the intention of selling credits.

Potential Application to the Civic Commons

Incorporating green infrastructure into civic asset projects can make each asset work double time by offering environmental and financial value. By developing a revenue-producing asset, green infrastructure can return the upfront investment over time in the form of an ongoing revenue stream. This revenue can supplement public space maintenance over the long term. Stormwater credits and power purchase agreements for solar are mechanisms civic institutions can consider when thinking about additional ways to monetize their assets.

Civic assets can also realize cost savings by using energy efficient building practices. For example, green roofs keep buildings cooler in the summer and reduce the need for air conditioning, which can equate to annual cost savings. These savings could then be used for operations of the assets.

Green infrastructure can also create placemaking benefits when designed in a way that allows people to enjoy them. Parks and water features are examples of green infrastructure that can double as public spaces. Multiple studies have shown that public spaces have significant physical, psychological, and emotional impacts on people who spend time in them. For instance, tree canopies have been linked to increased property values and positive health impacts.[20]

Key Considerations

Governance Structure

Typically, civic institutions are not in the green infrastructure business (it is not their core expertise), so they will likely seek third party ownership models. Options for operational partnerships include local community development corporations (CDCs) or quasi-governmental energy authorities. Options for investors include community development financial institutions (CDFIs) and foundations through program-related investment (PRI) and mission-related investment (MRI) instruments.

Difficult at a Small Scale

Projects need to be large enough to drive economies of scale on the cost side of building the green infrastructure. For example, jurisdictions considering stormwater credit programs need to have enough demand for the credits to justify the startup costs and administration of the program.

Case Study

In the coming years, Philadelphia's Centennial Parkside CDC (CPCDC) will become responsible for the maintenance and programming of Centennial Commons, a redesigned section of Fairmount Park.

In preparation for this increased responsibility, the CPCDC piloted the creation of team of clean-and-green ambassadors. The ambassadors are previously unemployed residents of the neighborhood who work on public space maintenance and ecological restoration. Ambassadors have expressed an increased confidence due to holding a job that allows them to demonstrate their care for their neighborhood and their fellow residents.

The CPCDC is aiming to fund this maintenance program with revenue from a solar power purchase agreement. A planned solar project will supply energy to two local civic assets, the Please Touch Museum and the Philadelphia Zoo, producing an estimated $135,000 in revenue annually. It is projected that $45,000 of that annual revenue would be dedicated to the ambassadors for the maintenance of Centennial Commons while $95,000 would be dedicated to other CPCDC efforts to benefit neighborhood residents.

In addition, the solar project is catalyzing partnerships that can help establish a framework for understanding how effective this solution is at spurring a sense of ownership among residents. The solar project and the relationships it's cultivating aim to support development without displacement, demonstrating that when resources and decisions are controlled by the community, public spaces are enhanced and residents can stay in place.

Emerging Tools

Along with the tools outlined above that are already in use in cities across the country, there are opportunities for exploring emerging mechanisms that could be used for capturing and redeploying value to benefit the civic commons and nearby residents.

Block **Monetization of Public or Non-Public Assets** **Strong Market**

1. Transferable Development Rights

Transferable development rights (TDR) are a mechanism through which the public sector and other civic institutions can generate revenue, especially in markets with a scarcity of developable land. With TDR, a landowner can sell their development rights to another property owner. The unused floor area then transfers to the buyer's property, allowing them to build a taller or larger building than local zoning would otherwise allow. At the same time, the height of the seller's property becomes capped permanently. Transferring unused floor area from public land to a nearby property owner can generate revenue to help cities accomplish multiple goals, such as maintaining designated landmarks, conserving environmentally sensitive areas, or generating revenue to be used for other public purposes. TDR has been tested and shown to be effective in densely populated cities with a scarcity of land.

Critics of TDR and those wary of new development speculate that transfers may result in densities that contradict city zoning regulations.[21] The use of TDR to develop supertall pencil towers in Manhattan, for example, drew community concern. At the same time, many Manhattan religious institutions have employed this tactic to fund institutional needs such as deferred maintenance, operating budgets, and planned expansions.

Neighborhood or City | Monetization of Public Assets | Strong or Stable Market | Change in Revenue Policy

2. Technology for Dynamic Pricing

Dynamic pricing allows governments to charge real-time prices for the infrastructure services citizens use, such as roads and parking. With dynamic tolling, municipalities can adjust toll rates depending on the time of day or the number of vehicles on the road. With parking, sensor-powered dynamic parking systems collect data on empty spaces, and parking operators can use that data to adjust pricing based on demand.[22] Dynamic pricing encourages consumers to think about social costs and benefits more than with static pricing. With dynamic models, consumers have the choice to balance the tradeoffs of using certain services at certain times. For example, although a commuter may opt to pay higher tolls to drive to work during rush hour, someone else may elect to travel at off-peak hours in order to save money. In this regard, sensor-powered dynamic pricing could mitigate traffic congestion while potentially increasing revenue for the municipality to invest back into public assets. As technology advances, there are many opportunities to consider how this model may be further applied to civic assets directly.

Neighborhood or City | Tax or Assessment | Any Market | Change in Revenue Policy

3. Municipal Tax on Excess Capital Gains on Real Estate

A capital gains tax is a tool a government or municipality can use to capture the value generated by the appreciation of real estate. Unlike a transfer tax, which is applied when a property changes hands and is typically based on the sale price of the property, a capital gains tax targets the profit generated from the sale of property. The capital gain is defined as the difference between the original (adjusted) purchase price and the sale price. Municipalities can fine tune the capital gains tax to apply only to gains that exceed the average gains on parcels in the area. These newly generated funds can then be dedicated to civic asset maintenance or affordable housing, which may help both offset potential displacement from rising real estate values and advance residential socioeconomic mixing.[23] In mature strong markets, it may be too late to put capital gains taxation into place as a tool to capture value.

Neighborhood | Monetization of Public Assets | Strong or Stable Market | Zoning Change and Change in Revenue Policy

4. Public Upzoning Market

A public upzoning market is a tool for generating revenue when a change in zoning, such as an increase in height limits, creates additional development opportunities in an area. Rather than granting the new development rights to all existing property owners, an open auction could be created where developers trade or purchase development rights or floor area ratio (FAR) credits. The proceeds would then contribute to a public fund that could be used to improve, maintain, or operate civic assets.

While a public upzoning market is effective at generating upfront revenue, future revenue streams are less predictable. In addition, it would require significant upzoning to work in certain areas and possibly downzoning in other areas to create the market. Upzoning may also be effective in neighborhoods with weak markets if applied proximate to a particular site, such as a new or improved amenity. While this tool has not been widely used in the United States, Latin American cities are experimenting with it.

Indirect Value Creation Methods

Along with increases in real estate value, there are other opportunities to create value through the civic commons in a manner that benefits long-term residents by fostering diverse, mixed-income communities and investing in human capital within the district.

1. Hyperlocal Hiring Practices

Cities are considering hyperlocal hiring practices that engage neighborhood residents in the work of building, restoring, and maintaining civic assets. This practice creates direct value for local residents by strategically bringing jobs to neighborhoods, allowing residents to both live and work locally. By allowing residents to take part in caring for treasured civic assets, they can enjoy increased stewardship and pride of place in their neighborhoods. Hyperlocal hiring practices have already been implemented in multiple US cities. In Detroit, the Greening of Detroit plants trees, creates and maintains green spaces, and provides workforce training programs with the mission of providing economic, environmental, and social benefits to local Detroit communities.[24] In the Fitzgerald neighborhood, Greening of Detroit's Detroit Conservation Corps employed local residents to clean and clear vacant property and overgrown alleys. This prepared for the development of Ella Fitzgerald Park, a soon-to-be-developed greenway, and community hubs such as gardens and recreation spots. In Philadelphia, Green City Works, a subsidiary of local non-profit University City District, hires local residents to provide high quality design-build-maintenance landscaping services to local institutions and businesses.[25] In Chicago, Dorchester Industries, a subsidiary of the Rebuild Foundation, builds on the foundation's existing local workforce development programs to connect South Side residents with contractors, master craftsmen, and artists who provide training in the building trades and creative industries.[26] Dorchester Industries mills felled trees provided by the Chicago Parks District. The wood then serves multiple purposes: it becomes construction material for the reimagining of local civic assets, is crafted into furnishings for existing community assets, and generates revenue as product is exported to other neighborhoods and cities. Each of these projects puts local residents in direct relationship with the assets that make their communities strong.

2. Support for Local Business

In tandem with civic commons investments, cities may want to consider geographically aligned efforts to support existing local businesses or grow new businesses in nearby commercial corridors. Investments in local businesses help ensure that a greater portion of the value created flows into the community.

Such a strategy can result in several benefits for local residents, including:

- More foot traffic to local businesses through increased visitorship to civic assets
- A larger portion of local business dollars staying in the community
- Locally owned businesses being more apt to hire locally
- Civic assets themselves procuring more goods and services locally (vending, landscaping services, etc.)
- Reduction of the carbon footprint produced by transporting and procuring goods and services

In addition to direct support, investments in neighborhood infrastructure can also spur business growth. For example, investing in walkability in neighborhoods where civic assets and independent businesses are close together can create value for both businesses and civic assets alike. While civic assets help attract more visitors to local businesses, local businesses also offer visitors options that may not be available within the assets themselves. When visitors can walk from a business district to a civic asset, visits to those areas becomes even more attractive.

One example of a successful civic commons and local business investment strategy is the work done by Invest Detroit and the Live6 Alliance in Detroit. The Live6 Alliance, a partnership of community, philanthropic, and city stakeholders led by the University of Detroit Mercy, has a place-based investment strategy focused on the development and livelihood of Detroit's Livernois and McNichols (6 Mile) commercial corridors.[27] Some of Live6's projects include small business attraction and retention, real estate development, and local placemaking. Through strategic hyperlocal investment, Live6 has been able to strengthen one of Detroit's most vital commercial corridors and generate value for local residents, businesses, and institutions alike.

3. Social Enterprise Models

To sustain operations while supporting social impact, cities may want to consider social enterprise models. With social enterprise, a nonprofit partner produces goods or services, and a portion of the revenue is invested back into the community to support positive social outcomes. Creating an earned revenue model to support civic assets reduces the dependence on public budget cycles and philanthropic donations.

Social enterprise models are being employed in many different manners. In Toronto, the public-private management team at Scadding Court Community Centre has created a number of social enterprise efforts to support day-to-day operations. This allows membership fees to remain low – only $8 per family per year – while offering a wide variety of free programming. Some examples of revenue streams include hourly rentals from the community center's commercial kitchen, sales of fish and herbs from its aquaponics project to restaurants and community residents, and monthly rentals of stalls by vendors at Market 707, a neighboring street food and retail market. All of these programs benefit neighbors and local entrepreneurs while creating earned income for the community center.

Meanwhile, in Philadelphia the Southeast Asian Mutual Assistance Associations Coalition (SEAMAAC) hosts Vendor Village in Mifflin Square Park. Mifflin Square Park serves as a hub for the diverse immigrant community of residents and business owners in South Philadelphia. For years the park was home to food vendors selling a variety of Southeast Asian delicacies, but when violence occurred in the park in 2015, the informal and unlicensed market was shut down.

SEAMAAC's Vendor Village opened in 2018. It's a properly licensed market, bringing vendors back into Mifflin Square Park as part of a larger revitalization strategy. Part of Vendor Village includes SoPhiE (South Philly East), a food truck shared among five different vendors to display their food and refine their craft. SoPhiE's home is Mifflin Square Park but the food truck also stops at other parks and public spaces citywide. This offers the vendors an opportunity to build out a diverse base of customers while learning how to secure funds, loans and supplies. By demonstrating the success of Vendor Village, the team aims to advocate to the City of Philadelphia and its Parks and Recreation Department to include social enterprises in future public space projects.

This toolkit is intended to provide practitioners with a starting point for framing how to capture the value created by investments in civic assets, both to sustain ongoing operations and to benefit the local population in a way that elevates diversity and affordability. As indicated throughout, not all tools will be applicable to each set of assets, but many can be layered to provide maximum flexibility and sustainability.

We consider this a living document and welcome ideas and feedback from practitioners.

To share your thoughts or questions, please contact Bridget Marquis at bmarquis@u3advisors.com.

Contributors

Omar Blaik
CEO
U3 Advisors

David Blaszkiewicz
President & CEO
Invest Detroit

Dana Bourland
Vice President
The JPB Foundation

Carol Coletta
Senior Fellow
The Kresge Foundation

Joe Cortright
Director
City Observatory

Kimberly Driggins
Director of Strategic Planning
City of Detroit Planning
and Development

Cara Ferrentino
Program Officer
Public Space
William Penn Foundation

Jaime Flaherty
CFO & Managing Director
U3 Advisors

Scott Kratz
Director
11th Street Bridge Project
Building Bridges Across the River

Greg LeRoy
Executive Director
Good Jobs First

Bridget Marquis
Director
Reimagining the Civic Commons
U3 Advisors

Patrick Morgan
Program Director – Philadelphia
Knight Foundation

Kelsey Padgham
Analyst
U3 Advisors

Christopher Scott
President
Centennial Parkside CDC

Aaron Seybert
Social Investment Officer
The Kresge Foundation

Maurie Smith
Senior Associate
U3 Advisors

Donald Taylor-Patterson
Associate
U3 Advisors

Harriet Tregoning
Deputy Assistant Secrectary (Former)
Housing and Urban Development

Jess Zimbabwe
Director
Urban Development
National League of Cities

1. Special Assessment Districts. The World Bank. https://urban-regeneration.worldbank.org/node/19
2. Using Special Assessments to Fund Transit Investments. Urban Land. October 2012. https://urbanland.uli.org/industry-sectors/infrastructure-transit/using-special-assessments-to-fund-transit-investments/
3. West Philadelphia Skills Initiative. University City District. https://www.universitycity.org/
4. Tax Increment Financing: The Need for Increased Transparency and Accountability in Local Economic Development Subsidies. U.S. PIRG Education Fund. Fall 2011. https://www.smartgrowthamerica.org/app/legacy/documents/Tax-Increment-Financing.pdf
5. An Elected Official's Guide to Tax Increment Financing. Government Finance Officer's Association. May 2005. https://www.gfoa.org/sites/default/files/EOGTIF.pdf
6. Tax Increment Financing. Good Jobs First. https://www.goodjobsfirst.org/accountable-development/tax-increment-financing
7. Straying from Good Intentions: How States are Weakening Enterprize Zone and Tax Increment Financing Programs. Good Jobs First. August 2003. http://www.goodjobsfirst.org/sites/default/files/docs/pdf/straying.pdf
8. Cortright, Joe. Lessons from Portland's Use of Tax Increment Financing for Affordable Housing. City Observatory. March 2018.
9. Overview: Community Land Trusts. Community Wealth/Democracy Collaborative. https://community-wealth.org/strategies/panel/clts/index.html
10. 11th Street Bridge Park Equitable Development Plan.
11. New Milwaukee Library Branch on N. King Drive, with Market-Rate Apartments, Moves Forward. Milwaukee Journal Sentinel. October 2017. https://www.jsonline.com/story/money/real-estate/commercial/2017/10/05/new-milwaukee-library-branch-n-king-drive-market-rate-apartments-moves-forward/734749001/
12. Re-Envisioning New York's Branch Libraries. Center for an Urban Future. September 2014. https://nycfuture.org/pdf/Re-Envisioning-New-Yorks-Branch-Libraries.pdf
13. Brooklyn Bridge Park. City Parks Alliance. https://www.cityparksalliance.org/issues-a-resources/funding/case-studies/brooklyn-bridge-park
14. Marquis, Bridget. Capturing Value to Sustain Our Civic Commons. Medium. April 2018. https://medium.com/reimagining-the-civic-commons/capturing-value-to-sustain-our-civic-commons-30ef0db1b24
15. Ozimek, Adam. The Problem With 100% Land Value Taxes. March 2015. https://www.forbes.com/sites/modeledbehavior/2015/03/29/the-problem-with-100-land-value-taxes/#555b0b165349
16. Why Land Value Taxes Are So Popular, Yet So Rare. The Economist. November 2014. https://www.economist.com/the-economist-explains/2014/11/10/why-land-value-taxes-are-so-popular-yet-so-rare
17. Land Value Tax Policy in Harrisburg, PA, U.S., Densification Policy. https://blogs.ubc.ca/rosonluo/2013/04/08/land-value-tax-policy-in-harrisburg-pa-u-s-densification-policy/
18. Bradley, Bill. Why Don't More Cities Tax Based on Value of Land Rather Than What You Put On It?. Next City. August 2013. https://nextcity.org/daily/entry/cities-split-rate-property-taxes-value-capture-land-value-Innovation-lab
19. How To: Stormwater Credit Trading Programs. National Resources Defense Council. February 2016. https://www.nrdc.org/sites/default/files/stormwater-credit-trading-programs-ib.pdf
20. Green Infrastructure and the Sustainable Communities Initiative. U.S. Department of Housing and Urban Development. March 2015. https://www.hud.gov/sites/documents/GREENINFRASTRUCTSCI.PDF
21. A Survey of Transferable Development Rights Mechanisms in New York City. Department of City Planning. February 2015. https://www1.nyc.gov/assets/planning/download/pdf/plans-studies/transferable-development-rights/research.pdf
22. Eggers, William and Paul Macmillan. Gov2020: A Journey into the Future of Government. Deloitte. 2015. https://www2.deloitte.com/content/dam/Deloitte/au/Documents/public-sector/deloitte-au-ps-gov2020-journey-future-government2-130315.pdf
23. Reforming the Property Tax in Developing Countries: A New Approach. Roy Bahl and Sally Wallace. https://icepp.gsu.edu/files/2015/03/ispwp0819.pdf
24. The Greening of Detroit. https://www.greeningofdetroit.com/about-us/
25. Green City Works. University City District. https://www.universitycity.org/greencityworks
26. Dorchester Industries. The Rebuild Foundation. https://rebuild-foundation.org/site/dorchester-industries/
27. Live6 Detroit. http://www.live6detroit.org/about/

Reimagining the Civic Commons is a national initiative to foster engagement, equity, environmental sustainability, and economic development in our cities. By revitalizing and connecting public places such as parks, plazas, trails, and libraries, we aim to demonstrate how strategic investments in our civic assets can connect people of all backgrounds, cultivate trust, and counter the trends of social and economic fragmentation in cities and neighborhoods.

Learn more at www.civiccommons.us.