

Value Capture as a Policy Tool in Transportation Economics: An Exploration in Public Finance in the Tradition of Henry George

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Abstract

Value capture is a means by which to finance capital infrastructure, particularly transportation services, in a way that allows for efficient economic performance, simple administration, financial justice, and social facility. Because American society needs to find new means to finance transportation capital investment, particularly public transit, value capture offers an essentially painless opportunity to achieve these goals. It has the ancillary benefit also of concentrating population densities in a way that makes public transit particularly viable. This study shows how value capture could have been used to finance a portion of the New York State Interstate Highway System, a nine-mile stretch of I-87 known as the Northway, from its southern terminus to the point where it crosses the Mohawk River in Albany County. This section is the most heavily traveled area of the Northway and has experienced the greatest contiguous development of any location along the Northway's 178 miles since its construction in the late 1950s. While the right of way and construction costs of this stretch were in the range of \$128 million (current dollars), the additional land value that has been generated on its account within just two miles on either side has totaled \$3.734 billion. This study shows that the capital finance of the Northway, at least in this area, could easily have been done by recapturing these windfall gains that fell to private landowners. One could argue that this added value, the direct result of public investment, should rightfully be returned to the public and should be recaptured to pay off the bonds that were issued to build the project, rather than left for opportunistic speculators to reap private gain. Value capture therefore offers a promising approach for funding future transportation development, leaving fees, that are presently used, to recover operating and environmental costs.

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