



Research Notes

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Alternative Local Financing Mechanisms

A research project was recently completed that explored the use and potential for alternative local financing mechanisms (e.g. transportation impact fees). Mechanisms were evaluated on the basis of yield/revenue potential, equity, efficiency, cost and ease of administration, transparency, and political and legal feasibility within the context of Interchange Area Management Plans (IAMPS).

The focus of the study on interchange applications reflects the policy and planning attention that have been directed toward these facilities, resulting in growing collaboration between ODOT and local governments. These plans identify state and local transportation system improvements necessary to ensure that interchange facilities perform as intended over their design life. Local governments are required to identify improvements with committed funding to mitigate for identified effects on interchange performance.

The financing mechanisms that were investigated included: transportation impact fees, tax increment financing, value capture financing, local improvement districts, transportation corporations, state infrastructure banks, local option transportation taxes, fair share mitigation, and transportation concurrency.

Literature was reviewed to appraise the advantages and disadvantages of each financing mechanism evaluated, and, where applicable, highlight examples of their use in Oregon. Financing mechanisms were then assessed for suitability for funding interchange-related improvements.

The assessment was based on established public finance criteria and was structured to account for differences in locational and land use contexts that research and past planning experience indicated were relevant to financing decisions on interchange improvements.

As part of the research, two case studies were investigated to illustrate examples of approaches taken by ODOT and local governments in planning for and financing interchange improvements. Both case studies covered the preparation and content of Interchange Area Management Plans. However, the planning and development contexts involved in these efforts were substantively different.

It was found that choices of financing mechanisms need to be sensitive to location and development context-specific conditions. Thus, while some alternatives exhibit characteristics that generally favor their use in given circumstances, none of the financing mechanisms predominates over the others, even considering the relatively narrow focus of the study on interchange area applications. Also, as illustrated in one of the case studies, conditions may lead to the use of multiple mechanisms.

A final report was produced in March and was designed to serve as a handbook for planners and decision makers, explaining how financing mechanisms work, describing how they have been applied, and presenting issues to be considered in making financing decisions.



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The final report for this project was published in March 2010 and is available on the Research Section web page:
http://www.oregon.gov/ODOT/TD/TP_RES/docs/Reports/2010/Financing_Mechanisms_for_Capital_Improvements.pdf