

New Funding Source for Mass Transit under the SMART Plan

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We have previously written about the need for new funding solutions for public transportation, including mechanisms that capture the added value of mass transit on [adjacent properties](#). Last week, consistent with our recommendation, Miami-Dade County adopted an [ordinance](#) that creates a “Transportation Infrastructure Improvement District” in order to capture the added value of new community assets (in this case, new [mass-transit corridors](#)) and invest those funds back into the assets. Districts such as the Transportation Infrastructure Improvement District, remain innovative and appropriate ways of funding existing or new community assets without raising taxes.

The new ordinance is a form of tax-increment financing (TIF), which works by calculating the amount of new taxes attributable to a new development, and then earmarking that amount for a particular purpose. A TIF does not impose new taxes—there is no new millage. Nor does a TIF require the government to divert any pre-existing taxes for the new project—it utilizes only the taxes that would not exist, but for the new community asset, and is therefore a revenue-neutral financing mechanism. In brief, the TIF operates by drawing an imaginary line around the new community asset and calculating the current real-estate taxes generated by property in the designated area—that amount is considered the base amount. Going forward, the base amount is subtracted from taxes collected in the designated area, which will increase based on the positive impact of the new asset on property values. The difference, or the “tax increment,” is attributed to the new community asset and is used to either fund operations or new capital improvements.

The County’s new TIF ordinance will almost certainly not generate sufficient revenue to fund the entire multibillion-dollar SMART Plan. However, the TIF can be used in conjunction with other sources of public financing, and in conjunction with private financing through a P3, to complete the financing picture for the County’s new mass transit system.

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