UDIA POLICY PAPER

VALUE CAPTURE FOR MAJOR LAND TRANSPORT INFRASTRUCTURE

BACKGROUND

Many Australian cities have developed rapidly beyond the capacity and extent of their transport infrastructure, while governments lack revenue or borrowing capacity to invest in maintaining the amenity of our cities. Governments are therefore looking to capture some of the “windfall” gains that accrue to property owners when new transport infrastructure is built.
However, consistently valuing the “windfall” gain with valuation base data and ensuring equity across time and space will be difficult. Identifying direct and indirect beneficiaries are also problematic.

A cocktail of funding mechanisms will be needed for most infrastructure developments. This is because value capture should only be a contribution to the funding of major projects, may not be applicable to some projects, and it is not only direct beneficiaries that gain from new infrastructure. To overcome the problems of valuation and identifying beneficiaries, indirect value capture mechanisms are preferred.

UDIA POSITION

UDIA only provides in principle support to the concept of “Value Capture” for major land transport infrastructure based on the following policy position:

1. The following criteria must be considered in designing a “Value Capture” mechanism:
   a. additional value has been generated through government investment that increases the capacity for uses;
   b. value is only captured from land owners when and where it is generated;
   c. the proportion of value captured does not diminish the ability for value to be realised;
   d. value is not captured after it has already been realised; and
   e. value is not captured in full “up-front”.

2. “Value Capture” is not:
   a. an upfront tax, levy or charge for general infrastructure funding;
   b. pure “planning gain” (betterment tax) as “Value Capture” is separate in concept and implementation from new taxes, charges and levies; or
   c. a mechanism to fund major trunk and social infrastructure. This is a clear responsibility for government and should always be funded through general revenue.

3. UDIA’s preferred value capture mechanisms are indirect and include:
   a. **Tax Increment Financing** – using future growth in tax receipts, from the incremental increase in property values, in a clearly defined & declared area, as a result of increased amenity brought about by new public infrastructure; or

   b. **Government Owned Lands** – where government has acquired land, or already owns land, that benefits from new infrastructure investment, sells the lands surplus to that required for the infrastructure, for development, at a higher price due to the increased amenity that has or will be delivered. Governments should use the value of infrastructure they have already built through asset recycling to fund new infrastructure.

c. **Private Infrastructure Delivery Agreements** – where the government enters transparent development agreements, on government land, with the private sector, in exchange for the developer partially or fully funding and delivering public infrastructure.

4. If the Commonwealth seeks to capture the uplift in property value:
   a. this must be done through a mechanism like a City Deal, in order to influence or control land use planning where new major land transport infrastructure is being built;
   b. a rigorous and robust valuation methodology must be utilised which has been developed in consultation with industry and stakeholders to ensure that any increases in property prices, unrelated to the infrastructure is netted out; and
   c. any value captured must be offset by any existing State or Regional infrastructure contributions.

WANT MORE INFORMATION?

Go to http://www.udia.com.au, call 02 9262 1214, or email udia@udia.com.au