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Understanding the potential of Value Capture in Light Rail funding

- Alternative funding and financing for urban renewal
- Value capture internalises the positive externalities of public investments, allowing public agencies to tax the direct beneficiaries of the investment
- In practice this means that some portion of tax and property value revenues that increase as a result of the public's investment in light rail for example, are pledged to help pay for the project.
- Therefore this is not a new tax, rather it simply captures some of the uplift tax revenues or land values above a business in usual revenue that result from well conceived and implemented public projects. A portion of this incremental revenue is then allocated into dedicated accounts to help fund the project.
- The Gold Coast model that uses a flat rate broad based mechanism is more a funding levy than a true "value capture" method.
- Value capture is not just a funding mechanism, its also decision making tool to promote long term sustainable growth and development
- When properly applied value capture is a wholistic approach to infrastructure investment and economic development that recognises that well planned and delivered public transport investments, like light rail generates increases in tax revenues and property values that can be shared to help close the widening funding gap.
- Research has found that public tax revenues over 30 years for the Mandurah Rail Line in Perth increased revenues to the value of 30% of projects cost
- SKM did a retrospective study of the Adelaide Glenelg Tram extension found that if value in job and economic uplift from the project could have been captured it could have paid for the cost of the extension project
- Value Capture requires an understanding of the local economy and needs integrated land use and transport planning and identify the public realm improvements associated with the project
- Value Capture typically relates to a specific area that will experience an uplift in development activity as a result of infrastructure like light rail
- Summarising over 120 studies of the impact of transport infrastructure on property values shows the average was 12% growth above business and usual before the new infrastructure. But studies show many projects had far greater impacts
- Real importance in having a detailed understanding of local drivers of the economy and how to leverage these through intelligent transport planning and urban design.
- Positive outcomes in city shaping, uplift and creating new value won't happen on their own, they need supportive public policies and need they incentives from all levels of public sector as well as the private sector (i.e. Public-Private Partnerships)
- There are a number of different methods that can be used to capture the new value created. Choose the value capture revenue source carefully: e.g. stamp duties (inefficient and distorts markets) versus land taxes (encourages productive use)
- Denver in the USA is a powerful example of partnership in delivery and positive impact of public transport infrastructure.
- Denver now has ongoing program to build 200km of light rail, with a significant amount of funding coming through value capture. Far more development was built before the early stages of light rail was even delivered, than was estimated in the feasibility study, in part because there was project certainty

*Please check against video recording
Summary of Speaker presentation Joe Langley*



Lord Mayor's Light Rail Summit

among the development community. The value capture funding component came from an increase in the quantum of property taxes not an increase in the rate of the property taxes.

- The debate that we're not having in Australia is what's happening with revenues? what is happening with property values? Who is the beneficiary of these? And who should be sharing in that? There is a fairer way to do things and value capture is a proven way of impacting the overall funding of a project
- Need to ask, who are the beneficiaries of rising property values as a result of light rail investment and who is paying for the light rail investment?
- "Take-aways"
 - Long term transport plans must be linked with long term funding plans and lock that funding in
 - Precinct-based planning and consideration of value capture
 - Use incentives to attract private invest and better design
 - Need strong urban renewal policy and powers