Tranzinfo hot topics

Fact sheet – Value capture

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Part of the Tranzinfo Hot Topics series, this fact sheet offers a selection of recent material on value capture, a form of infrastructure funding that taxes individuals and/or businesses that benefit through increases in property or other values created as a result of government investment in infrastructure such as public transport.

What price value capture?
Terrill, M & Emslie, O, Grattan Institute, 2017
Value capture is the name given to a policy whereby governments "capture" some of the windfall gains for landowners that result from building a new piece of infrastructure, and use the money to help fund the project. The apparent fairness of value capture may be an illusion, because it is hard to apply to infrastructure such as roads and hospitals where the benefits tend to be spread more broadly. There is nothing fair in the beneficiaries of rail projects paying extra tax while the beneficiaries of road and other projects do not. Value capture schemes are also less efficient than broad based taxes because they require more precision in valuation and create opportunities for corruption. While many financiers are keen on "tax increment financing", the arguments for them are specious. Ultimately such innovative financing mechanisms cost governments more than borrowing for themselves, don't necessarily improve risk management, and still involve taxing landowners. As a result, an additional broad-based, low-rate property tax on all land may be a better option for governments seeking to fund major new projects.

Framework for land value capture from investments in transit in car-dependent cities
McIntosh, JR, Newman, P, Trubka, R & Kenworthy, J, Journal of Transport and Land Use, vol. 10, no. 1, 2017, pp. 155-85
This paper demonstrates how to facilitate infrastructure projects by optimizing land-use change through a case study of Perth, Western Australia. A five-step framework for assessment is proposed that enables transit business cases to extend project funding for integrated transit and land-use projects, especially in car-dependent cities.

Value capture: options, challenges and opportunities for Victoria
Infrastructure Victoria policy paper, 2016
This paper focuses on the mechanisms for capturing the indirect benefits of infrastructure decisions and planning changes. Evidence shows that when government invests in new infrastructure, significantly upgrades assets or makes some types of planning changes, major windfall gains can be realised by some private landowners and businesses (i.e. value is created). Value capture can increase the equity and efficiency of infrastructure funding by 'sharing' or 'capturing' a portion of windfall gains to help pay for infrastructure, rather than funding projects entirely from general government revenue.

Using value capture to help deliver major land transport infrastructure: roles for the Australian government
Department of Infrastructure and Regional Development, Australia, 2016
The purpose of this paper is to outline a range of value capture approaches, and seek feedback on how the Australian Government could use its various policy and funding levers to stimulate the use of value capture in the development and delivery of transport infrastructure. The paper sets out evidence of the relationship between transport infrastructure and the benefits that flow from it, before turning to a consideration of different mechanisms to implement value capture (including those used in other countries). More importantly, it highlights the challenges and opportunities value capture presents.

Harnessing value, delivering infrastructure: inquiry into the role of transport connectivity on stimulating development and economic activity
Parliament of Australia, Standing Committee on Infrastructure, Transport and Cities, 2016
Improving transport connectivity, and finding innovative ways to pay for transport infrastructure, is essential to the future development of Australia's cities and regions.
Value capture represents the most equitable method to fund infrastructure, with the added benefit of relieving demands on consolidated revenues. Long term master planning and sustainable funding through value capture can only be achieved through the alignment of the three tiers of government, land owners and developers.

Capturing value: advice on making value capture work in Australia
Infrastructure Australia, 2016
This report provides guidance to governments and the private sector on how value capture can be applied in the Australian context. It argues that value capture can work in Australia and should be regularly considered for all public infrastructure projects, but with realistic expectations about the role it can play in funding the infrastructure we need. Both this paper and the Australian Infrastructure Plan highlight the importance of diversifying the available sources of infrastructure funding and the need for high quality and long-term strategic planning of future infrastructure projects.

[Technical paper on value capture: final report]
SGS Economics and Planning, Australia, 2016
Infrastructure Australia has requested a technical paper that will: 1. Define the value capture mechanisms relevant to transport or other relevant projects; 2. Provide detailed analysis of each mechanism, including how and at which stage of the project cycle each contributes funding and/or financing to projects, as well as from which source funds are drawn; 3. Critically assess the applicability (including positives and negatives) of each approach in the Australian context; 4. Note barriers to implementation of various mechanisms for capturing value; and 5. Discuss in which circumstances each mechanism is most appropriate, with specific attention to the Australian context.

[Land value uplift from light rail]
Murray, C, University of Queensland, 2016
This study of the Gold Coast light rail project by a University of Queensland researcher aims to calculate the size of nearby land value gains attributable to the project.

[Guide to value capture financing for public transportation projects]
TCRP research report 190, TRB, 2016
Identifies the requirements necessary for successful value creation through transportation infrastructure investment and capturing a portion of that value through specific value capture mechanisms. It includes six case studies that provide practical examples of successful value capture from public transportation investments.

[Of skyrails and skytrains: elevated rail in the Australasian urban transport environment]
Woodcock, I & Martin, S, Australasian Transport Research Forum (ATRF), 38th, 2016, Melbourne, Victoria.
In recent years, elevated rail corridors have regained favour as a way to retrofit public transport infrastructure into mature urban environments. The authors argue that elevated rail provides cost-effective urban public transport corridors capable of delivering high-quality built environments, especially around stations. This paper investigates claims of elevated rail's lower capital costs compared to trenched and tunnelled alternatives using evidence from benchmarked costings from over 20 years of Australian and international transport projects. Beyond construction costs, a range of other costs and benefits associated with the physical outcomes that may be linked to each corridor type are also considered, including: construction disruption, ground level severance and connectivity, future modal interchange opportunities, creation of new public open space, transit-oriented development opportunities and value capture.

[Capturing value: new funding strategies for transport infrastructure]
Langley, J, Australasian Transport Research Forum (ATRF), 37th, 2015, Sydney, New South Wales.
Value capture methods can contribute to better infrastructure decision-making and investment. Although not well understood or widely practiced in

Australia, value capture methods are used extensively overseas to help fund transport infrastructure projects. This paper first explains what value capture is, what common sources of revenue are captured, and the quantum of revenue that can be captured from well-planned and delivered transport infrastructure projects.

[Transport infrastructure and land value uplift]
BITRE information sheet 69, 2015
Land owners along a transport network can benefit as increased values are capitalised into land. Value uplift financing attempts to capture a portion of this by levying the landholders in the catchment areas of new infrastructure. The main problem with this system is that is very difficult to localise benefits in a network. This has led some to propose a broad based land tax instead.

[Transit value capture coordination: case studies, best practices, and recommendations]
Schlickman, SE, Urban Transportation Center, University of Illinois at Chicago, 2015
Describes case studies of projects in Chicago, New York, San Francisco and Washington D.C. and observes how coordination between the relevant parties is conducted and, from the information gathered, a series of conclusions, best practices and recommendations is presented.

[Innovative funding and financing for public transport: a review of alternative, sustainable funding and financing sources]
Australasian Railway Association, 2014
Australian governments must establish alternative funding sources for public transport whilst ensuring that the private sector plays its part in financing the infrastructure the nation needs. Alternative revenue raising tools such as value capture, transit-oriented developments, congestion charging, payroll, sales and fuel taxes and Superannuation funds have been providing dedicated funding sources for transport operations and expansions around the globe for years, some since the early 1900s. To capitalise on the broad benefits public transport provides and continue improving Australia's public transport systems, sustainable, long term funding that allows planned improvements to service offerings and the expansion of existing infrastructure is vital. This paper explores a selection of funding and financing mechanisms currently implemented around the globe. Rather than recommend one over another, the intention is to spark debate and highlight the innovative options that could be implemented to ensure long-term investment in Australian infrastructure.

[Road pricing and transport infrastructure funding: reform pathways for Australia]
Deloitte, 2014
Stronger investment and new approaches to funding are required to deliver the growing list of transport projects that are needed across Australia to improve the community's mobility and safety. Funding immediate project priorities will require increased government revenues, a wider application of

user pays, smarter thinking about value capture and innovative private funding, in addition to options such as reinvesting the proceeds from the sale of public assets, to create immediate capacity for urgent priority transport projects.

Using the economic value created by transportation to fund transportation
Vadali, S, NCHRP Synthesis of Highway Practice, no. 459, TRB, 2014
This report presents information on financing mechanisms used by transportation agencies to capture a portion of the economic value created by public investment in transportation infrastructure to fund transportation improvements. The report provides an overview of ten types of "value capture" mechanisms and presents case examples of how transportation agencies have used these mechanisms to help fund specific highway projects. Information used in this study was acquired through a review of the literature and interviews with agency staff involved with implementing value capture mechanisms presented in the case examples.

Value capture mechanisms to fund transport infrastructure
Kemp, A, Mollard, V & Wallis, I, New Zealand Transport Agency research report, no. 511, 2013
Throughout the world, transport infrastructure is increasingly being funded by charges that more closely target the direct beneficiaries of the infrastructure. One form these charges can take is a levy on land owners or developers - ie value capture mechanisms. In New Zealand there are a number of mechanisms that can be defined as value capture mechanisms: development contributions, financial contributions, targeted rates, and other negotiated mechanisms that sit outside of legislation (ie. do not refer to policies contained in a council's long-term plan). This report outlines the experience to date in using these mechanisms and highlights a number of limitations with, and barriers to, the current use of them in New Zealand.

Moving Melbourne: a transport funding and financing discussion paper
Committee for Melbourne, 2012
Moving Melbourne aims to create a conversation for Victoria by examining value capture techniques and other funding options that could be utilised to increase the pool of funds available to invest in critical transport infrastructure projects. The Committee for Melbourne recognises that a large proportion of the community is yet to reach a level of understanding and acceptance around many of these concepts. However, given Victoria's aspirations to improve its liveability and competiveness, this is a conversation that needs to occur. Victoria's infrastructure requirements are well-documented. This paper does not seek to cover this ground, nor does it intend to prioritise one project over another. In that context, examples should be considered exactly as they are: examples, not priorities.

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