An Overview of Land Value Creation and Capture
Tools: Social Housing and Transit

David Amborski
School of Urban & Regional Planning
Ryerson University
Outline

- Land Value Capture Concept
- Land Value Creation and Capture
- Overview of Land Value Capture Tools
- Exploring the Tools
- Social Housing Application: TCHC
- Transit Applications
- Summary and Conclusions
Land Value Capture Concept

- Methods to Capture “Unearned Increments”
- Theory underlying ‘Unearned Increments’ identified by neoclassical economist David Ricardo
- Ricardo and “economic rents”
- 19th Century Policy Controversy
Land Value Creation and Capture

- **Creation**
  
  **Supply**
  - Enhancing the Public Realm
  - Infrastructure Investment

  **Demand**
  - Increasing Population and Incomes

- **Capture**
  - By either the Public or Private Sector
  - Public Sector Capture requires use of “the tools”
Why Use Land Value Capture?

- Theoretically Sound!
- Application of the ‘Benefit Principle’
- Generates revenue for the Public Sector
- Example: The Henry George “single tax movement” ...... “Site Value Taxation”
Overview of the Tools

- Betterment Taxes
- Density Bonuses
- Development Charges/ Impact Fees
- TIF Tools
- Special Taxes/Assessments
- Public Land Leasing
- Partnerships in Station/Facility Development
Betterment Taxes

- **England**
  - Long History for tax on gains in land values (Middle Ages, an Act in 1427)
  - London County Council Act 1895 permits “improvement charges” in “betterment areas”
  - Uthwatt Report 1942, a betterment levy of 75% on increases in site value

- **Columbia**
  - Contribucion de Valorizacion, a Betterment Levy that has been collected since 1921
  - Bogata currently has about $1 billion of public works based on this levy.
Density Bonuses

The General Application

- Increased floor area/height in exchange for public benefits either “in kind” or cash

Specific Policy Applications

- Ontario: “Section 37 Contributions”
- British Columbia: “Community Amenity Contributions”
Development Charges

- **The General Application**
  - Service Pricing rather than a Land Development Tax

- **Specific Policy Applications**
  - Ontario, British Columbia, developing in Halifax Region
  - Ontario: permitted under DC Act
    - GO DC
    - Included for other transit in many jurisdictions
Development Charges

- **Issues and Applications**
  - Used mainly for rolling stock
  - Not applied based on area specific DC applications
  - General large and increasing quantum of DC’s, surpassing $50,000 for SF detached housing
TIF Tools

- **Broad US Applications**
  - 48 States since 1952 (California)

- **Canadian Applications**
  - Ontario: TIEG and TIF (2006 Act)
  - Alberta: Community Revitalization Levy
  - Winnipeg: small TIF initiative
Special Taxes/Assessments

- “Site Value” Taxation
- Land Speculation Tax (Ontario 1970’s)
- Local Improvement Charges
- Property Tax Surcharge in benefiting zones
- Special Area Assessments
Public Land Leasing

- **Issues and Applications**
  - Maintains land in public sector, controls development/built form
  - Raises revenue and captures value

- **Examples and Potential**
  - Boston MassPort lands, Silverline Station to airport
  - Potential TTC Surplus Lands
  - GO Parking Lands
Social Housing: TCHC

- Don Mount Court
- Regent Park
- Alexandria Park
- Lawrence Heights
Regent Park Case

- One of the first Urban Renewal/Public Housing Projects in Canada (1950)
- 69 Acres
- 12,500 people

TCHC Stats:
- Ave HH income $14,233
- Ave length of tenancy 9.9 years
Regent Park Redevelopment

- 5,100 new units
- Approximately 3,300 market units (including affordable ownership opportunities)
- Replace all 2,083 RGI units
  - 1,583 on site
  - 500 in east downtown
Additional Benefits

- Arts and Culture Center
- Aquatics Centre
- Community Centre
- Child and Youth Hub
- Central Park
- District Energy System
- Retail Facilities
- Employment Benefits for existing residents
Retail Facilities

- Sobeys
- Tim Hortons
- RBC
- Rogers
Employment Opportunities

- Total Local Hires through employment center: 329 (since opening as part of phase I)
  - 100 in the construction trades
  - Sobeys 86
  - Tim Hortons 40
  - RBC 14
Key Aspects of the Project

- Broad Community Consultation
- All existing residents guaranteed right to new units
- 12 Planning Principles guide the redevelopment
- Phased redevelopment with the Daniels Corporation
Transit Applications

Potential Canadian Applications

Sheppard Subway Private Sector Proposal 1990
- Non-traditional revenues - “Density/Value Charges”

Current Consideration
- Ontario: Metrolinx
- British Columbia: Translink...new real estate division
- Quebec: Societe de Transport de Montreal. (subsidiary Transgesco 2004)
Vancouver: Translink (1998)

- 2007 New Gov’t model to expand the system outside Metro Vancouver
- 2008 created a real estate division with plans to develop property
- The Plan: to purchase land along new routes, increase the value via zoning and partnerships, create high density developments
Vancouver

- Early estimates for the revenue stream were $30 million per year over 10 years
- Canada Line: Vancouver-Richmond-Airport (19 KM) was also to provide opportunities
Montreal: (STM)

- 2004 created Transgesco: subsidiary to enable partnerships with private enterprise for strategic development
- 2006 Transgesco two subsidiaries
  1. Metrocom: mgt and develop commercial areas
  2. Metrovision: digital displays in the Metro
- In 2006 partnership profits $3.3 mil
- STM appears motivated toward property development and land value capture
Transit Applications

- Hong Kong
- Tokyo
- Copenhagen
- London Docklands
- New Delhi
- United States
  - Washington DC
  - Portland Oregon
  - BART
  - Seattle
Hong Kong

- One of few profit making transit operations
- The key is the government public leasehold land system
- 50-70 yr leases above transit stations
- Property development activities captures about 39% of the value added by transit and is about 55% of total agency income
Tokyo

- Largest urban areas in the world served by multiple railway companies
- These companies do not focus on buildings but rather entire new towns for revenue
- In the 1980’s, major development period, real estate investment returns in 50-70% range
- Recently new revenue sources are being used, infill development, land readjustment
The City who needed capital in the early 1990’s was given a long a narrow 310 hectare site by the central government. The new Orestad Development Corp was to develop the 22 km line along with residential and commercial development. Like in Tokyo, transit was as tool to encourage new development. The project faced numerous difficulties including the timing of the development and transit line.
In the 1980s and 1990’s the London Docklands Development Corp (LDCC) proposed land value capture from development to fund the light rail system.

LDCC had the power to acquire land.

The hope was the transit line would spur private investment.

Due to an econ downturn little investment occurred... poor timing....success?

1998 LDCC Annual Report: the light rail system built, L 7.7 private investment, sale of 1,066 acres of land for redevelopment, reclamation of 1,884 acres of derelict land.
New Delhi

- The Rail Land Development Agency (RLDA) in 2006
- The agency will make land which is not required for rail use available for commercial development, this will include the use of air space/rights in selected stations
United States

- US transit authorities rely on special taxation measures, or joint development to fund transit
- Joint development can be cost sharing, revenue sharing, or a combination
- The Federal Transportation Agency (FTA) has guidelines for joint development projects
- These projects must meet specific criteria for Federal funding
United States

- **Washington DC**: Successful Joint development case
- **Portland Oregon (Airport Rail)**: leveraged publicly owned land to fund transit stations
- **BART (West Dublin Station)**: example of jointly developed station
- **Seattle**: Special Assessment Districts as Joint development agreements
US: GAO Study

Findings (55 of 71 responding agencies):

- 32 of 55 agencies responding reporting using some sort of joint development approach to create development at a transit station in order to provide a source of funding for transit

- 19 of 55 agencies reporting using special assessments, TIF’s, and impact fees (DC’s) as a funding source
Summary and Conclusions

- “Land Value Capture” appears to be successful in the TCHC case and can serve as a template for other cities with strong land/housing markets.
- “Land Value Capture’ can raise revenue for transit facilities- theoretically sound and proven.
- However, there are revenue limitations...keep expectations in check!
- There are many tools/applications that may be considered and applied.
Summary and Conclusions

- It is important to carefully select the most appropriate tools/applications to the specific case.
- Hybrids or the way the tool is implemented must be studied and assessed carefully in terms of its impacts (especially on other/non-financial policy objectives).
- Applications may require new legislation or changes to existing legislation.