

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 underling ‘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
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 be used, infill development, land readjustment

Copenhagen

- 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

London: Docklands

- 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, £ 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 off 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