USING VALUE CAPTURE TO HELP DELIVER MAJOR LAND TRANSPORT INFRASTRUCTURE
Roles for the Australian Government

Discussion Paper | November 2016
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Director - Publishing and Communications
Communications Branch
Department of Infrastructure and Regional Development
GPO Box 594
Canberra ACT 2601
Australia

Email: publishing@infrastructure.gov.au
Website: www.infrastructure.gov.au
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Ministers’ Foreword

The case for building more high quality transport infrastructure in Australia is strong. The productivity and efficiency of our economy, and our collective quality of life, depends on people and goods being able to move about efficiently and quickly. As our population continues to grow and our cities become larger, the need only increases.

The Australian Government already plays a key role in supporting the delivery of this crucial infrastructure. But we want to explore how we can do more, and we want your feedback to help us do so.

The Turnbull Government is providing record spending to infrastructure with over $50 billion committed to projects all around Australia. The commitments range from major urban projects such as the Gateway Motorway North upgrade in Brisbane, the North-South Corridor in Adelaide and Stage 2 of the Gold Coast Light Rail, to a number of targeted sub-programs that address specific policy objectives such as improved safety, access in regional areas and higher heavy vehicle productivity. Similarly, state governments are investing large amounts, particularly as the New South Wales and Victorian Governments recycle public capital held in assets such as energy grids and ports towards new transport infrastructure projects.

Alongside these significant government investments, user charges are also assisting to fund a number of new infrastructure projects across the country, such as Sydney’s WestConnex and NorthConnex and the Toowoomba Second Range Crossing in Queensland.

But around Australia, the need for further transport infrastructure projects is greater than can presently be funded using these well-understood taxpayer and user based funding sources. Infrastructure Australia’s recently released Australian Infrastructure Plan lists some 977 potential projects around the country, many of which have not progressed to the stage of funds being allocated or construction commencing.

For these reasons the Turnbull Government has a strong interest in making greater use of another potential source of funding for new infrastructure projects. This is aligned with the Government’s Principles for Innovative Financing that were released earlier this year. As part of the Principles we committed to assessing all projects for their suitability for innovative financing arrangements and new revenue streams – including equity, loans, government guarantees, user charging and value capture.

Value capture is a term used to describe a range of funding and financing mechanisms which seek to leverage the broad range of benefits (such as uplift in property values and labour force accessibility) which can be generated by new or upgraded transport infrastructure.

As Prime Minister Turnbull said last year, when announcing a Commonwealth grant contribution towards Stage 2 of the Gold Coast Light Rail:

[A grant such as this] …is not the only way the Federal Government can or should support infrastructure. In the future, we want to look at more innovative approaches…to look creatively at how we capture the value that arises from the increase in property values and the improvement in the utility of adjacent land from the building of infrastructure like this. This might be by owning part of the land or it might be from some sort of differential rating arrangement.¹

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 – and seeks feedback on some potential responses to those challenges. The responses discussed are ones which focus on collaboration and cooperation with the community, business and all levels of government.

This paper acknowledges and builds on the Commonwealth House of Representatives Standing Committee on Infrastructure, Transport and Cities’ Inquiry into the role of transport connectivity on stimulating development and economic activity. Through this Inquiry, the Government received more than 75 detailed submissions from industry, academics and the wider public, with a strong focus on opportunities to use value capture. These have been valuable contributions to the development of this discussion paper and show the depth of interest in this matter.

The paper also complements the Government’s Cities Agenda. Through City Deals we will leverage the Government’s infrastructure investments to deliver stronger economic growth by opening up opportunities and creating jobs. Better integrated land use and infrastructure planning outcomes of City Deals will help to maximise the benefits of infrastructure and opportunities to capture some of this value.

But crucially, this paper seeks your views. By laying out the case and some of the implementation options ahead of us, we trust this paper will generate further ideas from other governments, from industry and the community.

Please take the time to read this important discussion paper and the questions raised and to respond with a submission. Our aim is to obtain ideas and feedback to assist in developing a Commonwealth Government approach to increasing the use of value capture in funding new infrastructure around Australia.

The Hon. Paul Fletcher MP
Minister for Urban Infrastructure

The Hon. Angus Taylor MP
Assistant Minister for Cities and Digital Transformation

16 NOVEMBER 2016
Executive Summary

When new or improved infrastructure is delivered by governments, many different groups benefit. However, when the project is funded by governments entirely out of general taxation revenue, all taxpayers share the burden of paying for the infrastructure – even though many of them will not use or directly benefit from it.

By identifying and quantifying the value created from the development of the new infrastructure, and connecting it with the costs of the infrastructure, value capture mechanisms can help governments deliver projects through a fairer model. By better linking projects and beneficiaries, this approach can also encourage better land use planning and improved infrastructure investment decision-making.

There is ample evidence that well planned public infrastructure can create benefits for businesses, households and government. For example, Melbourne’s City Link is estimated to have created land value improvements of nearly $30 billion. Further benefits are also created through the link between transport and growth in productivity; transport can drive market competition, increase access to labour markets and support agglomerations of businesses and local markets, thereby generating economic activity. The Sydney Orbital Network has been estimated to contribute about $2 billion a year to the economy and the Perth Freight Link is forecast to generate $8 billion of improved productivity benefits over 30 years.

Value capture is not a new concept. There are some prominent examples of value capture being used in Australia to contribute towards the cost of major public infrastructure works, going back many years. As early as the 1920’s, state governments were using levies on property surrounding new transport links to help fund projects such as the Sydney Harbour Bridge and Darling to Glen Waverley rail extension in Melbourne. Developer charges are commonly used by local government authorities to help deliver utilities for new housing developments. Internationally, value capture is being used to help deliver a wide range of projects from urban renewal works to new major public transport links.

But in spite of its underlying rationale, a considered and comprehensive national approach to value capture has not been widely implemented in Australia. Value capture mechanisms are less well developed than grant funding or direct user charging and are yet to fulfil their potential to provide an efficient and equitable approach to infrastructure development and delivery.

Under Australia’s federal structure, all three levels of government have important roles to play in planning and funding urban development and transport infrastructure. The Australian Government is seeking to take action to support infrastructure investment practices by promoting value capture as a complementary funding approach and a land planning tool that – where appropriate – can result in more infrastructure, better integrated planning between infrastructure and land use needs, increased economic benefits beyond transport objectives, earlier delivery of infrastructure needs and fairer funding models.

Nonetheless, there are a number of opportunities and challenges to consider if we are to make value capture commonplace. In particular, the Australian Government is interested in the views of business and the wider community on how governments can best manage these issues.
Key areas of interest include how governments can:

- ensure that value capture is not an additional tax, but a more efficient and fair allocation of benefits and costs;
- demonstrate the nexus between payments made to support a new piece of infrastructure and the benefits that infrastructure provides;
- collaborate early with beneficiaries to increase the benefits of a project;
- fairly identify who will benefit from a project;
- effectively identify beneficiaries' willingness to pay;
- obtain evidence that end users will not only benefit from the new infrastructure, but value these benefits;
- better integrate project investment decisions into wider land use planning;
- best manage the mismatches in timing between the upfront financing requirements of the project, the uplift in land value and monetary benefits and when beneficiaries materially gain from these uplifts; and
- develop fair and efficient infrastructure investment markets.

Given the challenges and opportunities discussed, this paper sets out a range of possible options for action by the Australian Government to stimulate the use of value capture in the development and delivery of transport infrastructure. This includes:

- working with state, territory and local governments to promote leading practice;
- using the Australian Government’s funding and financing capacity to support value capture strategies;
- strengthening requirements on Commonwealth funding support;
- establishing a specific program for projects with a value capture element; and
- stimulating market-led value capture proposals.

The opportunities and challenges and potential options outlined in this paper are presented for discussion with interested stakeholders (including state, territory and local governments; the transport and infrastructure sectors; the property and construction sectors; and most importantly citizens and residents of Australia). The Australian Government invites and welcomes feedback.

How to provide feedback

Alternatively, you can lodge written submissions by mail at:

The Value Capture Discussion Paper
Infrastructure Investment Division
The Department of Infrastructure and Regional Development
GPO BOX 594
CANBERRA  ACT  2601

Some key terms used in this paper

**Public infrastructure** includes a variety of social and economic infrastructure assets and services where governments play a substantial role in ensuring adequate provision. This includes land transport, ports, airports, energy, communication and water networks and social infrastructure.²

In this paper, the main type of infrastructure discussed is **land transport infrastructure** (roads, passenger rail, light rail, freight rail and other urban transport infrastructure). Land transport infrastructure is well suited to value capture, not just because it is generally owned, funded and managed primarily by governments, but because the benefits it brings are wide-ranging and geographically diverse.

**Funding** refers to how an infrastructure project is paid for – by charges levied on users, by governments out of general revenue, or by other means. **Financing** refers to the financial arrangements that are put in place to provide committed capital to meet the costs of the project as they are incurred. For example, the construction costs of a new motorway might be **financed** with a loan from a bank; but the motorway would be **funded** with the money used to repay the loan, for example, raised by charging a toll to users of the motorway.

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² Productivity Commission, 2014, *Public Infrastructure*
Chapter 1: The Rationale for Value Capture

1.1 The idea of value capture

The core idea of ‘value capture’ is that a new piece of infrastructure such as a freeway or railway line creates economic value – for example, the value of land located near a new station will typically increase – and tapping into part of this value increase offers a source of funds to contribute towards the cost of the project. While this paper focuses on the opportunities around land transport infrastructure, value capture approaches can also be applicable for other types of infrastructure, such as health and education infrastructure.

Understanding the theory and evidence of value creation presents an opportunity for governments to better leverage value increase as a means of funding the capital cost of infrastructure, while sharing the costs with those that benefit the most.

Value capture is an approach to project development that requires integrated land use planning and a sharper focus on end benefits and public objectives leading to better infrastructure and services. It achieves this by aligning value creation to project funding in a way that means that those who benefit most contribute to the infrastructure cost.

Value capture works through both funding and financing. Funding mechanisms are deployed to collect contributions from beneficiaries, sized to represent a fair portion of the incremental benefit they will receive. Financial arrangements are then constructed to use the revenues to provide committed capital to meet the costs of the project as they are incurred, which usually means up front during construction. This is demonstrated in the figure below.

Figure 1.1

There are two types of value capture:

Passive value capture is where government secures increased revenues from an infrastructure project (compared to a base case) without taking any further action. For example, if a new project drives an increase in property values compared to the base case, this will in turn increase government revenues from stamp duties and capital gains tax over time.

Active value capture occurs when the project is planned to generate direct additional revenues for the project proponent. For example, if a new railway line is built by a company (be it government owned or not) which also owns and develops property in the corridor served by the railway line, then it will capture value through property development profits – which would not have been available had the railway line not been built.

This paper discusses the way that transport infrastructure creates value, and sets out the arguments for seeking to capture a proportion of that value increase to contribute to the capital cost of the transport infrastructure project.

1.2 Transport infrastructure creates value

How it creates value

Well planned public infrastructure, such as a major transport project, can create benefits for a diverse range of stakeholders, including property owners, developers and occupiers; public transport users and operators; businesses and employees; and government. In the first instance, value flows to those who use the infrastructure, through improved quality of service, reduced congestion or more reliable journey times.

However, most major public infrastructure exists within wider networks of economic activity. These network effects mean that infrastructure also typically creates benefits for individuals, businesses and governments beyond those who directly use the infrastructure. Some examples of the broader benefits which major transport infrastructure delivers include:

- increased value of residential and commercial properties and land surrounding the new infrastructure – as the quality of infrastructure services improves, adjacent property becomes more attractive and new opportunities for development and economic activity arise;
- growth in commercial activity for businesses; and
- improved connections between individuals and businesses, encouraging greater market competition, opening up new employment and labour market opportunities and generating economies of agglomeration.

Each project or program has a unique profile of value creation and beneficiaries. For example, a very large “city shaping” project may create beneficiaries in all corners of a city for landowners, businesses and individuals; while the reach of a smaller project will be far more localised. Accordingly, project scope (including modal choice), design and proximity to other infrastructure all have a significant impact on the opportunities for value creation.
Evidence of value creation

The direct benefits that flow to users of transport infrastructure are the most perceptible and tangible form of value created. Value is less easily observable when it is diffused amongst a variety of types of beneficiaries and dispersed through local areas and wider regional catchments. However, a large and growing body of research and literature now exists to support the theory of these forms of value creation.

In particular, improvements in transport connectivity can have a profound impact on surrounding land uses, changing a location’s residential and commercial potential. Improved accessibility provides benefits to existing residents and businesses, and also attracts others to relocate to the area, which translates into higher commercial and residential land prices, representing a windfall gain for existing local property owners and additional profit-making opportunities for developers.

This connection between access to land transport links and the value of surrounding properties has been demonstrated by a variety of studies and analyses. Internationally, a report by the Royal Institute of Chartered Surveyors summarised around 150 studies of the effect on land values of rail public transport in Europe and the US, and found a trend of positive impact on the value of commercial and residential property.\(^3\) The Bureau of Infrastructure, Transport and Regional Economics (BITRE) surveyed the changes in land value for more than one hundred projects. It found that heavy rail, light rail and bus rapid transit investments lead to an average uplift in property prices of 6.9%, 9.5% and 9.7% respectively.\(^4\)

Numerous other studies have focussed on the impact of particular projects in particular locations. Melbourne’s CityLink is estimated to have created land value improvements of nearly $30 billion.\(^5\) Analysis of industrial land values in the catchments of the M1 Motorway (Brisbane), EastLink (Melbourne) and the M7 Motorway (Sydney) suggests that there has been an annual growth rate premium of 2% to 6% for land in surrounding areas, and that the incremental land value uplifts that occurred from when the routes were identified to the start of operations was between 21% to 49%.\(^6\) In the case of the M1 Motorway in Brisbane, average annual growth in industrial land values during the planning, construction and delivery of the Gateway Upgrade Project between 2003 and 2010 was 22%, compared to the industrial market average of 16%.\(^7\)

The Perth Freight Link project is a new expressway presently being planned for the southern suburbs of Perth. Analysis by Matusik Property estimated that this project could boost property

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\(^4\) BITRE, *Traffic infrastructure and land value uplift Information Sheet No 69*. Note that there was variation around these averages. For heavy rail project this was +/- 40 per cent.
\(^6\) Note that these uplift values do not take into account a displacement effect. This includes the movement of economic activity that was already occurring in other regions to the regions surrounding the new infrastructure. It is likely that this would result in a smaller net increase in overall uplift.
\(^7\) Urbis for Infrastructure Australia, *Review of Historic Urban Land Value Growth - East Coast Capital Cities*, 2013
values by 20 per cent with above ground road improvements – and 50 per cent if the project pursues a tunnel option that diverts traffic away from residential streets.\footnote{Matusik Property Insights, Perth Freight Link – Potential Urban Outcomes: Section Two Road Options, October 2015, p.2.}

There are also public transport examples. The Southern Railway in Perth has been assessed as having raised land values in station precincts by 42% in 5 years above the base value uplift, with even higher values for commercial land.\footnote{Peter Newman, Evan Jones, Jembitrema Green and Sebastian Davies-Slate for Curtin University, Entrepreneur Rail Model, A Discussion paper, Tapping Private Investment for New Urban Rail, February 2016.} A study of the impact on the price of housing in Brisbane from proximity to ferry terminals found a relationship summarised as a 4% price increase for every kilometre a house was closer to a terminal.\footnote{The Journal of Transport and Land Use, Exploring property value effects of ferry terminals: Evidence from Brisbane, Australia, 2014}

There has been media coverage of suburban blocks located near stations on the new North West Rail Link in Sydney seeing an increase in value. According to press reports, in June 2016, a property developer paid over $40 million for three sites in Castle Hill, opposite Showground Station on the new line (scheduled to open in 2019). The article links the significantly higher valuation than previous property prices in the area to the development of the rail station.\footnote{<http://www.dailytelegraph.com.au/newslocal/the-hills/castle-hill-mansions-and-preschool-combine-for-hills-richest-land-sale/news-story/b8a823d12bf90b199b83a9f544f2ead8>}

Research on London house prices found that property purchasers pay an average premium of around £20,000 for a home within easy reach of an Underground station. Properties within 500 metres of a station will cost on average 7.2% more than an identical home 1,500 metres away. Those located 750 metres away command a 5.2% premium and those 1,000 metres away a 3.4% premium.\footnote{Nationwide House Price Index Special Report, 16 July 2010}

Further benefits are created through the link between transport and growth in productivity, where transport can drive market competition, generate commercial, retail and economic activity and support growing agglomerations of businesses and labour markets. The Sydney Orbital Network, for example, has been estimated to contribute about $2 billion a year to the economy.\footnote{Infrastructure Partnerships Australia, Submission: M5 Corridor Upgrade, 2010} Also in Sydney, the construction of the Chatswood to Epping Rail Link has been assessed as contributing to an increase in the total economic output of Macquarie Park from $4.68 billion in 2002 to $9.11 billion in 2013.\footnote{PwC for the Tourism and Transport Forum, Better Public Transport, Better Productivity: The Economic Return on Public Transport Investment, 2014}

The uplift in government revenues has historically been harder to demonstrate, owing to the challenge of isolating the impacts of specific projects. However, there is also a growing range of
methodologies for assessing these impacts. One of these is known as “Move to more productive jobs”, which measures the benefit of changing the location of jobs to places of higher productivity. In the case of Crossrail in London, analysis showed that improving access to central London would incentivise more workers to work there. The benefits of Crossrail therefore encourage some workers to take advantage of the higher pay leading to uplift in tax revenues associated with their higher income. Net of additional costs such as travel, the wider benefits from the move to more productive jobs was assessed as around £3 billion. 

1.3 The case for value capture

A new funding source means more infrastructure gets built

All Australian governments face fiscal constraints that limit the range of investments they are able to fund through traditional funding sources: government funding (supported by tax revenues) and user charges. The demand for transport infrastructure projects is greater than can presently be funded from these sources alone.

Value capture mechanisms offer the potential to generate new funding streams by increasing and then leveraging the value created for beneficiaries. This in turn can then allow governments to deliver new infrastructure which they would not otherwise be able to fund, or to bring forward planned infrastructure ahead of time. Delivering projects earlier also brings forward the benefits of those projects.

As raised in recent national reviews of Australia’s public infrastructure, there is a broad acknowledgement that Australia needs more and better infrastructure. As the Australian Government works with states and territories to develop our national pipeline of infrastructure projects, it believes that value capture should be considered for all suitable infrastructure investments. This view is also supported by the Government’s independent infrastructure advisor, Infrastructure Australia.

One good example is seen in the funding challenge, collectively faced by state governments and the federal government, in dealing with the pipeline of urban rail projects. Across our major cities there are several major urban rail projects under development, including Melbourne Metro, Cross River Rail in Brisbane, light rail in Western Sydney and a heavy rail connection to a future Western Sydney Airport.

The capital costs of rail projects of this scale are immense. The combined cost of these projects is likely to exceed $30 billion, depending on final route and design. Urban rail in Australia does not

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15 UK Government, Economic Appraisal of Crossrail, 2005
17 Infrastructure Australia, 2016, Australian Infrastructure Plan
generate sufficient fare revenues to cover the operating costs of the rail line, let alone make a contribution towards the capital cost.\textsuperscript{18}

Rail projects do, however, offer value capture opportunities. Land around stations becomes more valuable, particularly if re-zoned to allow multistory development and higher value uses. Tens of thousands of people pass through large stations each day, generating foot traffic for shops, increasing access to employees and creating valuable development opportunities for shopping centre operators. Accordingly, the Australian, state and territory governments are increasingly interested in pursuing value capture opportunities in relation to urban rail projects.

\textit{Address infrastructure market failures which today prevent worthwhile projects being built}

There are a number of ways that the current market settings may prevent worthwhile projects from being built. In particular, if we think about a market for a supply of transport services which benefits a piece of land (or its occupiers), all too often there has not been a process within which land owners or other beneficiaries can indicate their willingness to pay for that infrastructure. In effect, there has been a market failure.

Conversely, if there is an identified public infrastructure project which would deliver greater benefits than it would cost to build, but is not proceeding because of a lack of government capacity to fund it, that is also a form of market failure.

The policy challenge is to establish a market, with the potential supplier of a stream of infrastructure services on one side of the market, and potential users and beneficiaries of those services on the other side. A well designed value capture process would allow beneficiaries to consider whether and how they wished to pay for a project to proceed, just as in any market a potential customer determines whether it wishes to pay a particular price to purchase a specified good or service.

\textit{Fairly allocate project costs to those who benefit}

When a new transport infrastructure project is funded by government out of general taxation revenue all taxpayers share the burden – even though many of them will not use or directly benefit from the infrastructure which is built.\textsuperscript{19} At the same time, those who benefit from the project may earn a windfall gain through an increase in the value of their property or business, particularly if that land is re-zoned to a higher value use and capacity - for example if they happen to own a property or business near the new project.

Value capture mechanisms can provide a means to establish clearer, more transparent links between those who benefit from new infrastructure services and the source of funding for the

\textsuperscript{18} Typically, urban public transport systems in Australia generate fare box revenues which only cover about 20 to 30\% of operating costs. Source: BITRE, \textit{Research Report 131: Understanding Australia’s urban railways}, 2012

\textsuperscript{19} Some of the value created by new infrastructure will be captured through existing taxation mechanisms, such as through rates as property values increase. However, the value capture potential is often limited by the way governments and councils can apply taxes, and are misaligned with the body responsible for financing the project (i.e. returned to a different level of government).
infrastructure. This is fairer than asking everyone – including those who receive no direct benefit – to contribute to the costs.

Importantly, well-designed value capture mechanisms should not be simply the imposition of an additional tax burden on property owners and businesses. The mechanisms should demonstrate a clear link between any additional contributions to a project provided by beneficiaries and the additional benefits these households and businesses receive because the project is proceeding.

**A discipline for better project selection**

Prioritisation of projects for public investment should not be based on the approach to funding. All public infrastructure projects should, regardless of their funding source, address an identified deficiency, be proven to be the best solution to solve that problem, and demonstrate a positive ratio of benefits to costs. A poorly selected project will not be improved through value capture. Likewise, the capacity of a project to be partially funded through a value capture mechanism does not indicate that it is immediately a worthwhile project for Government support.

Value capture can, however, provide an important land planning tool and encourage greater discipline in project selection, integrated land use and transport planning and more efficient investment. This is because the opportunity to leverage alternative funding sources opens potentially good projects up to possibilities that improve project scope, technical design and the overall value proposition. Rather than solving narrowly defined problems, such as congestion on a specific stretch of road or public transport crowding, taking a broader view of the impact of the project on a network or precinct can improve land use planning and introduce options for urban renewal. In turn, this can drive greater productivity and economic growth (including jobs), and create additional value for a broader range of beneficiary groups.
Chapter 2: Value Capture in Practice

2.1 Examples around the world

Governments around the world are increasingly using value capture as a tool to deliver major infrastructure. Here are some examples:

- In Hong Kong, the Metropolitan Transit Railway Corporation jointly develops its transit infrastructure with land development as part of its Rail + Property program.

- Value capture mechanisms contributed 32% towards the total cost of the Crossrail project in London and 14% to the Dulles Metro-rail Silver Line Expansion in Washington DC.\(^\text{20}\)

- User charges were deployed in the UK on the High Speed One (HS1) rail connection between London’s St Pancras Station and the Channel Tunnel. Fares are around 20-30% higher than mainline fares for the same journey. A year after the launch of the new services, the operator revealed that patronage had significantly increased and 16% of journeys were being made by passengers who had not used the train before.

- The Transbay Transit Centre in San Francisco is partly funded by private developers purchasing the right to develop nearby buildings higher than the usual limits.

- In relation to the Cascade Station and light rail to Portland International Airport in Oregon, a private consortium was contracted to contribute $US28.2 million to help fund the project, in return for an 85-year rent-free lease to develop 120 acres of land at Cascade Station.\(^\text{21}\)

- The Denver Union Station was financed by a special purpose borrowing entity established to support the leveraging of value capture revenues. Borrowing was raised from central government loan programs, as well as privately. To repay the loans, the regional public transit authority raised a sales and use tax and the Development Authority leveraged uplift in property based local taxes.\(^\text{22}\)

- São Paulo, Brazil, raises funds for new urban infrastructure by auctioning tradable development certificates, being the right to develop residential sites near the proposed infrastructure.\(^\text{23}\)

- Bogota, Colombia, has used a long standing betterment levy system to fund main road and other transport infrastructure projects.\(^\text{24}\)

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\(^\text{20}\) Salon, 2014, *Location Value Capture Opportunities for Urban Public Transport Finance*

\(^\text{21}\) US Department of Transportation <http://www.fhwa.dot.gov/ipd/project_profiles/or_airport_max.aspx>

\(^\text{22}\) US Department of Transportation <http://www.fhwa.dot.gov/ipd/project_profiles/co_union_station.aspx>


\(^\text{24}\) Oscar Borrero Ochoa, *Betterment Levy in Colombia: Relevance, Procedures and Social Acceptability*, 2011
It is important to note that these experiences may not reflect the full opportunities available to capture revenue streams from major infrastructure and there may be further, unidentified, lost opportunities for value capture even within these successful case studies. For example, based on post-hoc reviews of property values, some commentators have argued that additional land value uplift could have been captured to support London’s Crossrail and HS1 station projects.

**Case Study: Transbay Transit Centre**

The Transbay Transit Centre in San Francisco is an example of how the design and scope of a project can have a significant impact on the availability and suitability of new funding and financing options, and vice versa.

The project was originally conceived as a transport project, but with the addition of significant investment in amenity features and the creation of opportunities for development, value capture revenues in the form of future property taxes were unlocked and made available to support a loan from the US Federal government.

The project created a new neighbourhood with homes, offices, parks and shops surrounding the new Transit Centre. It features a 5.4 acre park on the roof of the bus and rail station and an adjacent tower (which at 326m will be the tallest in San Francisco). New elevated bus ramps open up additional parcels of land for development opportunities.

Phase 1 of the project ($US1.6bn) was part-funded by development opportunities created through the design of the project. Revenue sources included $US429 million of land sales, and a $US171 million loan from an agency of the US Federal government under the TIFIA (Transport Infrastructure Finance and Innovation Act) program. The loan was secured by dedicated property tax increment revenues from land sold and developed in the state-owned parcels, and a commitment of passenger facilities charges from the Transit Centre’s initial primary tenant, AC Transit.

The repayment and servicing of the TIFIA loan is achieved through the implementation of a TIF scheme. In total, approximately $430m (FY 2004/05 dollars) in net property tax increment is expected to be generated over the life of the Redevelopment Plan, after Transbay Joint Powers Authority meets its obligations to make payments to affected taxing entities. Approximately $178m of the net tax increment is pledged to help pay the cost of rebuilding the Transit Centre. The remaining tax increment generated will be split evenly between an affordable housing program in the project area and funds for other non-housing projects and activities related to the project.

Additional beneficiary-pays funding sources are being used to contribute to Phase 1, including $100 million in local sales taxes, and $200 million from Bay Area toll bridge revenue.
Case Study: Hong Kong MTR

A long-term successful value capture program has been conducted by the Metropolitan Transit Railway (MTR) Corporation in Hong Kong, which jointly develops its transit infrastructure with land development as part of its “Rail + Property” program.

The model involves identifying and then selling development rights around and over rail stations. It recognises that providing rail infrastructure greatly enhances the development potential of land near the network which can generate revenue. MTR thus partners with property developers to integrate properties such as office and apartment buildings and shopping complexes with MTR operated railways.

This approach has resulted in MTR's operating and capital costs being entirely self-funded through a combination of fares, commercial station retail rents and joint property developments.

Case Study: London Crossrail

At £14.8 billion, Crossrail is one of the largest single infrastructure investments undertaken in the United Kingdom and the largest project currently under construction in Europe. Crossrail includes ten new stations and around 118 kilometres of new and upgraded line, including 42 km of new rail tunnels through central London. It will connect outer suburbs with a new high speed link, relieve pressure on central London public transport networks and increase London’s rail capacity by 10% upon full commencement of operations in 2019.

The 2005 Crossrail Business Case identified tenants and owners of large commercial properties in the financial districts in the City and Docklands as key beneficiaries of the project. As a result, three value capture mechanisms were implemented:

A Business Rate Supplement (BRS) of 2% on commercial properties with a rateable value of more than £55,000 in the Greater London Area. Income from the BRS will generate a £4.1 billion contribution towards construction costs through direct funding and loan repayments.

£600 million from development revenues, including through the Mayoral Community Infrastructure Levy (CIL) and development application charges known as Section 106 charges.

The resale of surplus land and property originally used to provide construction site access for workers and machinery - expected to contribute a further £500 million.

In addition, voluntary contributions were secured from Heathrow Airport Holding Ltd (£70 million), Canary Wharf Group (£150 million) and other developers. These measures together comprise about 35% of the project’s total funding package, with an additional 30% to be raised from projected Crossrail fares (user charges).

To leverage this funding, an appropriate financing strategy was put in place. The BRS supports a ‘fixed-rate variable-duration’ interest arrangement which remains in place for as long as necessary to repay the loan; under current estimates it will be repaid early.
2.2 Examples in Australia

In Australia, some notable transport infrastructure projects have been supported by value capture. A number of railway stations in Sydney and Melbourne have utilised joint development models. Upgrades to stations such as Chatswood, St Leonards, Melbourne Central and Southern Cross Station have been partially funded through the sale of air rights to developers. The Parramatta Light Rail project is expected to be part-funded by a ‘Special Infrastructure Contribution (SIC)’ of $200 per square metre for floor space in new residential developments along the corridor.25

In Queensland, the Gold Coast City Council has established the City Transport Improvement Charge. Originally set up to help meet the cost of the Gold Coast Rapid Transit Stage 1 project, this levy (now at an annual rate of $117 on all land owners) is also used to fund other transport improvements across the city.

In Western Australia, a Metropolitan Regional Improvement Tax has been in place since 1959 to help fund the cost of land for roads, public spaces and other public facilities in greater Perth. This levy is an additional 0.14% charge on the aggregate taxable value of all metropolitan properties in excess of $300,000. The revenue from the levy is hypothecated to fund the acquisition of land by government for parks and transport corridors.

2.3 Funding mechanisms using value capture

The default approach today is for governments to pay the capital cost of transport infrastructure through on-budget expenditure, and this in turn is funded through general taxation revenue.

By contrast, a value capture approach seeks to raise a contribution towards the capital cost of transport infrastructure from those who benefit from the infrastructure. One example of a value capture approach would be for government to pay the capital cost of a new rail line, but for at least part of the cost to be funded through a charge paid by businesses located near stations on the line, on the basis that they will benefit from extra foot traffic generated by passengers travelling to and from the station and access to a larger labour pool.

Another example of a value capture approach would be for the right to build a railway line to be given to a private company, along with a grant of property owned by government at locations close to or above planned stations on the railway line. The company would be responsible for building the railway line; it would fund the cost through profits it earned on developing the property. This is essentially the model used in Hong Kong; of course in Australia, governments may not necessarily own conveniently located land.

It is helpful to think of three broad kinds of value capture funding mechanisms:

- hypothecation of anticipated future taxation revenue;
- establishment of a levy or charge; and

• sale or rent of a public asset (such as government-owned land or development rights).

Some of the mechanisms are readily available under existing laws, whereas others would require legislative change to be enacted. Our federal system in Australia means that the powers available vary depending on which level of government is involved.

The table below sets out some of the common funding mechanisms which have been deployed in Australia and internationally and the level of government oversight used in Australia. Some may be more suitable than others in the Australian context.

Table 2.3  Common value capture funding mechanisms

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Description</th>
<th>Examples</th>
<th>Level of government</th>
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</thead>
</table>
| User charges                                 | A charge applied for the use of a specific asset each time the asset is used. The price charged typically reflects the use made of the asset and the timing of that use. | • Various toll roads  
• Access Charges for ports  
• Retail electricity, gas, water and telecommunications network usage charges  
• Public transport fares                                                                                           | ✓                    |
| Sale of land, air rights or development rights | Government owns or acquires land in the vicinity of the infrastructure, and after construction, the land, air rights, or rights to develop the land are sold or leased. | • Hong Kong MRT  
• Washington DC Metro  
• San Francisco BART                                                                                           | ✓ ✓ ✓               |
| Direct (public) or joint (public-private) development | Government acquires land and either undertakes development or partners with the private sector to do so.                                                                                       | • Hong Kong MRT  
• Moorebank Intermodal Terminal Project  
• Tokyo Metro  
• London Crossrail  
• Southern Cross Station, Melbourne                                                                             | ✓ ✓ ✓               |
<p>| Private development of public infrastructure | A private developer delivers public infrastructure as part of a private development. The government can support through zoning rights or financing assistance. | • ‘All Aboard Florida – Brightline’ proposed rail link.                                                                      | ✓ ✓ ✓               |</p>
<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Description</th>
<th>Examples</th>
<th>Level of government</th>
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</table>
| **Developer contributions or charges, voluntary planning agreements** | Developers pay a charge to contribute to the cost of infrastructure. Voluntary planning agreements involve negotiated agreements for payments in return for the provision of infrastructure at the time a development proposal is considered.                                                                                     | • Local Infrastructure Contributions and Special Infrastructure Contributions in NSW  
• Queensland Priority Development Infrastructure co-investment program  
• Barangaroo Delivery Authority voluntary developer contributions.                                                                                       | ✓  
✓  
✓  |
| **Re-zoning**                                                 | Changing the zoning of a precinct to allow for new, higher value and/or denser commercial activities or housing. This can include allowing developers to purchase allowances to exceed zoning requirements.                                                                                                           | • San Francisco BART  
• New York Hudson Yards – District Improvement Bonus payment.  
• Air right auctions in São Paulo, Brazil                                                                                                                        | ✓  
✓  
✓  |
| **Taxation or rates ‘automatic’ uplift**                     | Hypothecating some of the future taxation or rates revenue which can be attributed to a project.                                                                                                                                                                                                                                          | • City of Chicago Tax Increment Financing  
• Manitoba Community Revitalization and Tax Increment Financing Act 2009  
• New Mexico Tax Increment Financing  
• Denver Union Station Tax Increment Financing                                                                                                                   | ✓  
✓  
✓  
✓  |
| **Payments in lieu of taxes (PILOTs)**                       | Setting property-tax free zones or making specific developments tax exempt in return for the developers making special (often discounted) tax equivalency payments, which are used to fund supporting infrastructure.                                                                                                           | • Hudson Yards Financing District, New York                                                                                                                                             | ✓  
✓  
✓  
✓  |
Using value capture to help deliver major land transport infrastructure

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Description</th>
<th>Examples</th>
<th>Level of government</th>
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</table>
| Rates or property-based tax levy, benefit areas or betterment levy | A levy or premium on rates, land tax or stamp duty, or a new charge outside of existing tax structures. The levy can be applied broadly or on specific properties which are anticipated to experience uplift in value. | • Gold Coast Rapid Transit  
• WA Metropolitan Regional Improvement Tax  
• London Crossrail  
• Dallas Area Rapid Transit  
• Washington DC Metro Main Roads | ✓ ✔ |
| Sales tax levy                                | Increases to existing, or new, retail sales taxes, allocated to funding the project.                                      | • San Francisco BART | ✓ |
| Payroll tax levy                              | An additional levy applied on payroll taxes payable by businesses that derive a benefit from an infrastructure project. | • Paris Metro | ✓ |
| Parking levy                                  | An additional levy applied on parking charges.                               | • Used by a number of councils in NSW | ✓ ✔ |
| Registration and fuel charges levy            | A levy or surcharge on vehicle registration fees, or a new excise being levied on fuel, with the proceeds to be applied to relevant projects. | • 3x3 Fuel Levy in NSW | ✓ ✔ |

2.4 Financing tools to facilitate value capture

The core idea underlying value capture is that the capital cost of a new infrastructure project is funded in part through tapping into the value which is generated as a result. However, there can be a serious cash flow mismatch. Building new transport infrastructure requires a very substantial cash outlay upfront. The majority of the benefit will typically become available later.

For example, an increase in the value of land located along a railway line will not be fully realised until the new railway line is completed and operational. It will be later again before that value increase translates into cash payments. This could happen when:

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26 There may be constitutional implications to applying location specific sales tax in the Australian context.
• the rates payable by the owner of the land increases as the land’s value increases; or
• the owner of the land sells the property, incurring property or capital gains tax referable to the increased value of the land.

It is to resolve a timing mismatch of this kind that a project proponent requires financing, such as the provision of a loan to cover the capital cost of the project, with the loan to be repaid out of cash payments received from beneficiaries of the project. If a government expects to receive payments in the future from the beneficiaries of an infrastructure project, and needs to borrow against that future stream of payments to raise the cash required upfront to pay for the project, there are a range of financing tools. The table below describes some of these financing tools.

<table>
<thead>
<tr>
<th>Financing strategy</th>
<th>Description</th>
<th>Level of Government</th>
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<tbody>
<tr>
<td>Government grants</td>
<td>Financing for a project can come in the form of a conventional government grant, allocated through government Budgets but with the intent that it is recovered in the future by value capture revenues.</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>Phased payments</td>
<td>Governments can make use of less traditional grant models, such as phased payments. Under this model, financing (such as conventional borrowing) is used to pay for the upfront cost of the project, underpinned by committed, regular payments or grants over the life of the asset. The government could recover funding to pay for these grants through value capture mechanisms, amongst other sources.</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>Public Private Partnerships (PPPs)</td>
<td>Under the PPP model, a private contractor is paid for building and operating an asset not immediately, but over a long concession period. The contractor could be given the rights to collect value capture revenues itself to support its own financing requirements and therefore reducing the exposure of the government to these costs being passed through.</td>
<td>✓ ✓ ✓</td>
</tr>
</tbody>
</table>
### Financing Strategy Description

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<tr>
<th>Financing strategy</th>
<th>Description</th>
<th>Level of Government</th>
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</table>
| Borrowing (conventional)           | Finance for projects can be raised by borrowing from banks, capital markets or other governments. Value capture revenues can be applied to the servicing of debt either:  
- directly (i.e. the cash flows are hypothecated and used to make interest and capital repayments); or  
- indirectly (the relevant agency, authority or department retains the cash flows, whilst government continues to make repayments from the consolidated revenues and recoups these outflows by reducing budget funding allocations to the relevant agency, authority or department).  
Governments can help reduce the cost of borrowing by either lending directly (such as by issuing a concessional loan) or providing a guarantee against repayments. | ✓       | ✓       | ✓ 27 |
| Borrowing (debt instruments)       | Value capture can support the issuance of capital market products to finance specific projects or broader infrastructure programs. The liquidity and risk of the instruments can either be explicitly tied to the realisation of future revenues, or the servicing obligations can remain within government but supported by value capture revenues. | ✓       | ✓       | ✓ 29 |
| Sale or securitisation of value capture revenues | Securitisation or structured finance transactions involve the sale of the right to future revenues to investors for an upfront lump sum which can be applied to finance infrastructure. The model has been used for toll road revenues, for example, where the Government has sold the right to levy and collect future tolls to the private sector. | ✓       | ✓       | ✓       |

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27 Subject to legislative restrictions in some jurisdictions.
28 Although projects in the USA have long been financed by bonds, arguably such mechanisms have only been able to contribute so much due to concessional tax arrangements for investors, which are not currently existing or anticipated in Australia.
29 Subject to legislative restrictions in some jurisdictions.
## Financing strategy

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<tr>
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<th>Level of Government</th>
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<tr>
<td><strong>Equity and asset recycling models</strong></td>
<td>Governments can provide finance for infrastructure assets through equity, with future returns on the equity funded by value capture revenues. Alternatively, governments can purchase land on or adjacent to the project and then sell it once the asset is functional and localised value uplift has occurred, to recover part or all of the cost of the project.</td>
<td>✓ Common-wealth ✓ State or Territory ✓ Local</td>
</tr>
</tbody>
</table>

One variation of these approaches is “tax increment financing” (TIF). This involves a government setting aside, or hypothecating, a proportion of the increase or ‘increment’ in tax revenues which it expects to generate from particular infrastructure investment. For example, a government which builds a new light rail line may expect to increase land values in the corridor along the light rail line, and in turn therefore increase its revenue from property tax or rates received from owners of property in the corridor. Under a TIF approach, the government would:

- borrow to pay for the construction of the rail line;
- commit to repay specified amounts over a specified time funded out of property tax or rates;
- hypothecate (dedicate) a component of its property tax or rates revenue to make the repayments; and
- plan that the increment or increase in the property tax or rates revenue it receives because of the new infrastructure project will be sufficient to cover the amounts hypothecated to make the repayments - such that its property tax or rates revenue remaining after the repayment amounts will be broadly similar to its current revenue levels.

TIF is commonly used by American local governments where it funds both individual infrastructure upgrades and packages of urban renewal projects within defined geographical areas. For example, Chicago now has more than 130 TIF districts, which comprise over 29% of the area of the city and around 19% of the total real property tax base.31

TIF is now also increasingly being used in Britain. Some major projects supported by or proposed to be supported by TIF around the world include the Mesa del Sol development in New Mexico; the Atlantic Station project in Atlanta, Georgia; Denver Union Station in Denver, Colorado; the London Underground extension to Battersea Power Station; and the proposed new township of Ravenscraig by the North Lanarkshire Council. The UK is also exploring the use of TIF in smaller cities, including through trials run by the Scottish Parliament.

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30 Subject to legislative restrictions in some jurisdictions.
The extent to which TIF can support infrastructure is primarily determined by the willingness of governments to hypothecate future taxation revenues (and hence forgo the ability to redirect new taxation to broader priorities). The ‘Earn Back Model’, utilised under the UK’s ‘City Deals’ scheme, provides an informative case study. Under the model, the level of upfront investment and maximum amount that a local government can ‘earn back’ from the central government if tax revenue increases is defined in each agreement between local and national governments. In the case of the Greater Manchester City Deal, the councils agreed to invest £1.2 billion in new infrastructure in return for being able to earn back up to £30 million per annum from the central government over 30 years.

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32 Under the UK ‘City Deals’ scheme, the national government incentivises local governments to invest in projects that will produce economic growth. While each City Deal involves bespoke governance and financial arrangements, the ‘Earn Back Model’ has been one mechanism used by the UK Government to encourage infrastructure investment. This mechanism allows local authorities to recover a share of the national government’s tax revenue attributable to economic growth generated by agreed investments. A formula linked to changes in, for example, rateable property values is used to assess funds to be returned to the city on the basis of infrastructure driven growth, relative to a predetermined baseline.

33 The central Government will review the maximum earn-back cap in 2020, with consideration of Greater Manchester’s performance against the designated metrics.
Chapter 3: Current Status of Value Capture in Australia

3.1 Existing state and local government mechanisms

As indicated previously, value capture mechanisms are already being used by state, territory and local governments through their responsibilities for land and property planning and management; and ownership of the infrastructure.

In particular, many local and state governments make use of developer contributions across defined areas whereby developers are required – or can volunteer in exchange for increased floor space - to provide funding or in-kind support towards the provision of public infrastructure servicing the newly developed precincts.34 There is, however, variation in how these powers are implemented, particularly in regards to what types of infrastructure developer charges can be levied for, and the level of transparency as to how government uses the contribution paid in respect of a particular property development. Often, government does not use the contribution to fund infrastructure of benefit or relevance to that particular development. Further information on local government approaches to developer contributions is at Appendix B.

More recently, some jurisdictions have reformed their development contribution arrangements, generally with a focus toward greater standardisation of practices within a state or territory; this includes both Victoria and South Australia.

At the state and territory level, value capture is commonly being used through the sale of development rights to land adjacent to, or above, public transport developments.

3.2 Increasing appetite from state governments

State governments are showing increasing interest in implementing value capture approaches on a more consistent basis. Many of the recent state infrastructure plans have made reference to the greater utilisation of value capture as a mechanism to support a more sustainable funding framework.35

New South Wales in particular, is developing a value sharing framework to help guide the use of value capture mechanisms for state government projects. It has also committed to using value capture for a range of projects such as the Parramatta Light Rail. A Special Infrastructure Contribution will be reserved specifically for the project and associated infrastructure upgrades.

34 For example, in NSW section 94 of the Environmental Planning and Assessment Act 1979 and in Victoria, Part 3AB of the Planning and Environment Act 1987 allows for the application of levies to provide for a financial contribution to the delivery of essential local infrastructure. The Queensland Sustainable Planning Act 2009, allows local governments to levy infrastructure charges to cover of the cost of providing trunk infrastructure for development.
Victoria has developed a comprehensive value creation strategy for its infrastructure program, which it is considering as part of its level crossings removal program and the Melbourne Metro project. Infrastructure Victoria has also recently released a policy paper exploring how value capture could help fund infrastructure in Victoria.

Queensland has undertaken considerable analysis of the value capture opportunities as part of its Cross River Rail business case. In addition, as outlined in the State Infrastructure Plan, the Queensland Government is working to develop and implement a value capture/sharing policy.

The Western Australian Government has also indicated that it is exploring value capture approaches to fund projects. In addition, the introduction of a Heavy Vehicle Charge on the Perth Freight Link route will work in a similar manner to value capture whereby the charge will recover a portion of the value accrued to the private sector from those gains to fund future public infrastructure needs. The development of the Perth Freight Link route will provide significant productivity gains for the freight and logistics industry including significant time savings enabling more reliable scheduling and resulting in lower fuel, maintenance and overall operating costs. The Western Australian Government estimates that approximately $8 billion of improved productivity benefits will result from the Perth Freight Link over 30 years.

### 3.3 Federal government work to date

The Australian Government has historically provided grants for infrastructure projects to states and territories as the owners of the infrastructure assets, generally without attaching conditions or requirements as to attracting funding from other sources.

Over the last few years, the Government has considered a range of alternative funding and financing mechanisms. A notable example is the Gold Coast Light Rail Stage 1 project. This was funded partially through a value capture approach managed by Gold Coast City Council in addition to receiving Australian Government funding support.

To drive further use of these mechanisms in a more systematic manner, in February this year the Australian Government released its *Principles for Innovative Financing*. The Principles set out the Australian Government’s goals for the Government’s substantial investment in Australia’s land transport infrastructure and its expectations on how projects are selected and alternative funding and financing decisions are considered. State and Territory governments are expected to apply the Principles when seeking funding support for infrastructure from the Commonwealth.

The Principles reinforce the Australian Government’s position that projects need to be first selected on merit. They also reinforce the requirement that project proposals seeking Australian Government funding need to have considered the application of value capture, i.e. “assessment of proposals for public funding of transport projects should include consideration of what proportion of the project can be funded by the beneficiaries of the infrastructure through targeted contributions and what proportion of the project should be funded by the broader community.”
Chapter 4: Challenges and Opportunities

Value capture approaches have the potential to generate new revenue streams to contribute towards the cost of major transport infrastructure projects. There are some opportunities – and some challenges – to consider.

4.1 Just another tax?

Many in the property industry are sceptical about value capture, arguing that it is simply code for levying yet more taxes on property developers. As Ken Morrison, CEO of the Property Council, said recently:

> Property owners already pay stamp duty, land tax and capital gains tax, and we are wary of government adding a value capture tax on top of them. The danger for the government is that it might end up with its own version of a VCT – very cross taxpayers.36

There are challenges in integrating value capture mechanisms into existing taxation and governance arrangements. Australian governments already capture value for many projects through existing taxation and charging regimes, such as through increases in sales or income tax or local infrastructure charges on developers. In theory, these regimes are designed to reflect the additional costs associated with the new infrastructure that must be met by the different levels of government. However, there is a risk that the various taxes and charges are poorly coordinated; overlap; or place an undue burden on households and businesses without a commensurate investment in improved public infrastructure services.

It is important to ensure that those who benefit from new public infrastructure contribute a fair share - including property owners and direct users of the infrastructure. If beneficiaries of an infrastructure project feel they are gaining a benefit, and that benefit exceeds the tax or other payment they face, then the ‘just another tax’ objection can be overcome. The question then is how to design the payment or contribution to achieve this outcome?

A key step in overcoming these objections is early engagement with beneficiaries through the planning and concept design phases of a project. This allows beneficiaries to better understand the benefits being generated by a project and assists in shaping the final design of a project to maximise potential benefits and the framework for capturing contributions.

**Question:**

1. What factors would cause beneficiaries, in particular property owners, to see a value capture charge as ‘just another tax?’ How can these factors be overcome?

36 ‘Value capture funding may be yet another property tax, warn lobby groups’, Australian Financial Review, 29 Jan 2016
4.2 Demonstrating the nexus between the payment and the benefit

For value capture to attract community support, there needs to be a clear nexus between the payment being made and the benefit which is received by the beneficiary of the infrastructure.

In some cases, the nexus is obvious. A new expressway will typically deliver valuable time savings to heavy vehicle users. If these users can see that the value of the time saving exceeds the toll charged per trip on the expressway, then there is generally a willingness to pay. For example, the Australian Trucking Association expressed its support for NorthConnex, the toll road being built as a tunnel under Pennant Hills Road in Sydney to connect the M1 in Wahroonga with the M2 in Pennant Hills.37

Another example of such a nexus is a payment made by industrial property company Goodman at the Eastern Creek employment hub near the M7 in Western Sydney. To unlock 160 hectares of its land – and 250 hectares of land owned by others – Goodman funded a $23 million four lane industrial road.38

Without this access there could be no construction on the land – and no employment generated.

In other cases, there is frustration that a payment is levied upon a land owner or developer – but that there is no obvious nexus to a project which delivers a benefit to the occupant of that land, nor when that benefit may be realised. This comment is frequently made about section 94 developer contributions under the NSW Environmental Planning and Assessment Act 1979. These are levied by local councils; but developers complain that the funds collected go into the council’s general revenue, with no linkage to any specific project which is built.

Questions:

2. Are there examples of mechanisms currently being used in Australia or internationally which provide a clear nexus between payments and the benefits provided by the infrastructure?

3. Which mechanisms are currently being used which have weak links between payments and benefits?

4. In providing funding to projects, should the Commonwealth set a condition that any contributions levied by state or local government on surrounding landowners are dedicated to the project?

37 <https://atansw.wordpress.com/2014/03/17/northconnex-motorway-project-announced/>
38 Case study provided by Goodman at the Australian Government’s Cities Summit, 29 April 2016
4.3 Identifying who will benefit from a project

When a new transport infrastructure project is funded by government out of general taxation revenue all taxpayers share the burden – even though many of them will not use or directly benefit from the infrastructure which is built. At the same time, those who benefit from the project may earn a windfall gain through an increase in the value of their property or business - for example if that property or business happens to be located near the new project or the land is re-zoned in conjunction with the project.

When selecting and designing value capture strategies, a challenge is developing a comprehensive understanding - and measurement - of all those who will actually benefit from the project being delivered. To leverage value capture effectively, the direct and indirect project beneficiaries need to be identified, together with the nature, timing and quantum of the value uplift to be received by each group of beneficiaries as a result of a project. Having a robust understanding of each beneficiary’s willingness and capacity to pay for the new infrastructure is not just good economics – it goes to the heart of delivering value capture in a fair and balanced manner.

For many projects governments currently do not have the data or appropriate tools to fully understand the value profile or determine how best to identify the beneficiaries. In addition, this work will need to be done on a case by case basis to ensure the specific circumstances of the project or outcome can be achieved.

Questions:

5. How can governments accurately estimate the incremental value uplift generated by infrastructure projects as compared to uplift due to ordinary market growth?

6. When identifying beneficiaries, how should governments determine the geographical boundaries around new infrastructure assets? Should governments focus on all properties directly around the new assets, within the wider region or at a city level?

4.4 Why would you pay if you did not have to?

Imagine you own land close to the proposed location of a new railway station. It would be rational for you to pay an amount towards the cost of the new railway line or station, if that amount was less than the increase in value your land will enjoy as a result of the new railway line. But equally, if you thought the line would be built without you making a contribution, you certainly would not volunteer it! What you might however do, for example, is commence or contribute towards a campaign calling on government to build the new rail line.

So a key challenge for governments wishing to adopt value capture is to design a process which reveals the willingness to pay of beneficiaries; and to maintain a clear and credible position that, in the absence of a contribution from value capture approaches, the project will not proceed.
A related issue is the risk that a value capture approach is agreed, the new railway line or bridge or other facility is built, and then political pressure results in the value capture mechanisms (such as an annual rates surcharge) being abandoned. In Australia, a number of previous projects have seen value capture levies terminated years after the project has been operational, but before the value capture mechanism has met its funding target.

For example, the Sydney Harbour Bridge was originally planned to be one third funded by a 0.2 per cent levy on surrounding properties. However, following public pressure, the levy was removed after 15 years, well before this funding allocation was reached. Similarly, the Melbourne City Loop expansions, long planned but delivered in the 1980s, were to be partially funded through a 53-year betterment levy. Established in 1963, the levy was removed in 1995 – after only 32 years of collection - following opposition from local landholders. Ultimately, the Victorian Government funded the shortfall from general taxation.

Question:
7. How can governments design processes which cause beneficiaries to reveal their willingness to pay?

4.5 Obtaining proof that end users will benefit – and will value the benefit

In the United States, it is common for infrastructure projects (and the charges which will fund them) to be the subject of a popular vote. This definitively demonstrates if there is majority support for a project; and in turn if voters perceive the benefits they will receive are sufficient to justify the charge they are asked to pay. An example is Bay Area Rapid Transit (BART), a heavy rail system serving the Bay Area, a 7.5 million person conurbation centred on San Francisco, Oakland and San Jose in Northern California. All three local government districts serviced by BART have a voter endorsed 0.5% sales tax that is hypothecated to transport projects, including BART projects. These taxes are periodically reviewed and put forward to the public for re-adoption by these authorities. For example, in 2000, 70.3% of voters in Santa Clara County approved a new tax to help fund design and construction of the BART Silicon Valley project. Later, in 2008, a further vote was held (and passed by 66.78%), which approved a tax to help fund the operation, maintenance, and future capital reserve of the project.39

This approach is currently not used in Australia. From time to time, however, it is suggested that such an approach could be considered. For example, in its discussion paper on transport funding

39 <http://www.vta.org/bart/financial>
and financing “Moving Melbourne”, the Committee for Melbourne asked the community questions about the removal of the Burke Road level crossing, including whether the community would be prepared to contribute to the funding and if not, was it prepared to tolerate the increased congestion, noise and impact on safety.40

A voting mechanism offers a clear answer to the question of determining who benefits from a project, and determining their willingness to pay a contribution towards the cost of the project. If a specified majority of local residents or businesses have voted in favour of a project (and of the proposed tax or levy to fund it) that is powerful evidence that there is a benefit perceived by those who vote in favour, and their willingness to pay. Alternatively, governments could develop other mechanisms through which communities/businesses could propose projects and associated funding mechanisms for government consideration.

Questions:

8. Could we adopt an approach in Australia of holding popular votes in relation to large infrastructure projects and their funding mechanism?
9. Who would be best placed to organise such votes? Local councils? Transport authorities? Others?
10. Would the Commonwealth be justified in linking funding to evidence of popular support and willingness to pay?
11. Are there examples of other successful approaches to seeking community acceptance for value capture mechanisms?
12. Should there be different approaches to obtaining proof for different beneficiaries?

4.6 Does the value uplift come from the transport infrastructure alone?

While infrastructure projects can create additional value in their own right, the extent to which they are able to do so often depends on how well they have been integrated into wider network and land use planning activities.

When a government rezones land, that generally increases its value. When a government builds a new road or railway line which benefits particular land, that also increases its value. When there is a new road or railway line and the land is rezoned, that produces an even greater value increase. It also leverages the benefits of the new transport infrastructure because more people can benefit from it if the land served by it now has more people living or working on it.

40 Committee for Melbourne “Moving Melbourne” p.19
Conversely, where new transport infrastructure is built, but land is not rezoned, this may be a missed opportunity.

Well targeted and carefully planned rezoning can provide an excellent opportunity for value to be unlocked and subsequently captured. It makes sense to integrate public infrastructure investment decisions into land use planning decisions as early as possible in the decision-making process.

The sale of development rights by governments is a tool that can create and capture value. A government’s decision to invest in a new project or rezone adjacent land transforms the land or infrastructure into a valuable asset. The development rights relating to this asset can be sold or leased to developers, or packaged with the delivery of the infrastructure and made subject to tenders by private sector contractors.

In the city of Nanchang in China, this mechanism has been deployed effectively in coordination with re-zoning. Land adjacent to new metro infrastructure is first rezoned and then the rights to develop it are sold, with the resulting revenues applied to meeting the infrastructure costs. Other cities which have sold development rights to generate value capture revenues have included Hong Kong, Washington DC and San Francisco.

Questions:

13. Are there examples where rezoning, integrated planning and value capture funding have been well implemented? Are there examples of missed opportunities?

14. Should the Australian Government place stronger conditions on Commonwealth funding to drive more efficient use of re-zoning and integrated planning? For example, should the Commonwealth tie funding for new passenger rail projects to a requirement for rezoning around station locations?

4.7 Realistic expectations about how much value capture can deliver

Value capture funding is not a panacea to addressing funding shortfalls for major projects. As indicated previously, well designed value capture is about sharing the value uplift between the property owners and the enabling infrastructure. Value capture which attempts to capture all, or the majority, of value uplift will attract great political resistance and fail to achieve the objective – in part because it will disincentivise land owners from making their own investments to upgrade their properties.

One good benchmark is the London Crossrail project, seen internationally as an example of best practice in value capture. Around 30% of the capital cost of that project was sourced through value capture mechanisms.

It is also important to note that value capture is not necessarily applicable to all projects. Value capture is most effectively used where there are clearly defined beneficiaries, generally in higher
density urban environments. In other cases, the costs associated with implementing value capture can outweigh the benefits.

Questions:
15. What is a realistic expectation for the funding contribution of value capture in the Australian context?
16. How can governments best determine the fair proportion of the value uplift generated by a transport investment to capture?
17. To what extent can infrastructure driven value uplift be expected in less densely populated areas?

4.8 Timing mismatches

A key challenge with establishing any form of value capture mechanism is managing the mismatches in timing between when capital is required for construction of the project (and the financing required at that time); when the value benefits arise; and, according to the particular mechanisms employed, when some of that value is transferred to the party building the project (be that government or other party).

Speculative increases in property values often occur as soon as a new project is announced. For example, properties around likely station locations will generally see a rise in value following the announcement of the establishment of a new rail alignment, well before the project enters construction or even financing stages. However, on other occasions this may not happen until the project has been built and the property development around the station has been started.

As discussed in Section 2.4 above, there may well be financing tools to resolve this timing mismatch. Certainly though, governments need to understand this mismatch. It may be easier to secure acceptance of value capture where some or all of the required payment is deferred until the time that the benefits flow.

Questions:
18. At what point should value be captured from property value uplift? What practical ways exist to recover this value from property owners to coincide with the realisation of the benefit of property value uplift?
19. How can Commonwealth financing support for major projects, such as loans or guarantees, be best structured to encourage wider use of value capture funding streams?
20. How else could the Australian Government leverage its role as a financier of infrastructure to support the wider uptake of value capture in Australia?
4.9 Challenges in constructing appropriate market processes

Earlier sections of this paper have described a number of challenges in putting value capture into practice: identifying who will benefit from a project; likely timing mismatches between when the benefit is received and when the beneficiary is asked to contribute to the cost of the project; and the beneficiary’s incentive not to disclose a willingness to pay if it expects government will build the project regardless.

A well constructed market process can help to deal with these challenges. For example, governments could establish processes under which the right to develop land along a potential transport corridor is allocated to private developers by auction, with the funds obtained used to contribute towards the cost of providing the transport infrastructure. There are a range of models that could be used to deliver such a process. However, ideally this approach would involve governments setting the strategic land use planning and transport priorities, with a market process used to choose a specific outcome which was consistent with those priorities. Models might then vary around who is able to bid for the development rights, how land ownership is managed and which party ultimately takes responsibility for delivering the transport infrastructure project and its operations. For example, government might determine a corridor within which it wished to see a rail line, and announce a total number of dwellings it would permit to be built along the corridor; and then call for bids from property owners or developers, specifying the number of lots they wished to develop, the station location they proposed, and the capital contribution they would offer towards the costs of the rail line. But there would be many other possible models. The Australian Government welcomes submissions on how this type of approach could work in the Australian context.

It might even be possible to allocate development rights, separate to land ownership, in an auction process. This approach is used in some other countries, as earlier sections of this paper have highlighted. In other areas of public policy, there are examples of governments auctioning rights – for example, the right to use radiofrequency spectrum to operate mobile phone networks. These auctions are open to any party, not merely existing owners of telecommunications networks.

Clearly, one important consideration in developing a market-based process is its implications for urban planning in the corridor to be served by the new transport corridor. There may be tensions between urban planning objectives and the objective of securing funding towards the cost of the infrastructure project.

Another important consideration is that the use of a market process of the kind described above might be possible in a greenfields location where there is no existing urban development. In existing urban areas, it might create considerable uncertainty and hence community concern.

Questions:

21. How can we design market processes to attract those who would benefit from an infrastructure project, and to arrive at a fair contribution from them?

22. How can the Australian Government best encourage the private sector to come forward with proposals for value capture funded projects? What are the benefits and risks of doing so?
23. What are the most efficient roles for government, the private sector and the community in open infrastructure investment markets?
Chapter 5: Steps the Australian Government may Consider

While value capture is already happening in Australia, it is often undertaken in an ad hoc manner and for specific projects. Progressing the use of value capture in Australia will mean working towards a more coordinated and consistent approach.

While the Australian Government is committed to improving the way value capture is implemented in Australia, ultimately legal and constitutional responsibility for delivering value capture at a project level sits with state, territory and local governments. The Australian Government is working closely with the other levels of government to deliver national infrastructure investment reforms, including supporting wider use of value capture.

The Australian Government is considering a range of options to help deliver this goal. While each of these options has individual merit, they are also complementary. These options should not be seen as sequential.

5.1 Build a better national evidence base of infrastructure project benefits

The Australian Government has a role in building expertise across all levels of government through developing a national evidence base of infrastructure project benefits.

As an initial step, this could involve building up a body of best practice case studies of previous value capture projects, both from within Australia and from comparative countries. Over time, this work could be expanded into a database of expected benefits and benefit estimation methodologies. This would help support a systematic approach to assessing the opportunities for value capture for future government supported projects.

5.2 Develop a national methodology and guidelines

A nationally consistent approach to value capture would assist governments and businesses to better engage with value capture, including by improving the transparency, efficiency and accessibility of this funding model to stakeholders. It will also provide an opportunity to better integrate value capture into other infrastructure funding and delivery practices.

A number of states and territories are already significantly advanced in developing detailed value capture guidance and methodologies. Any national value capture methodology or approach would need to build on this work. The role of an Australian Government led nationally harmonised approach to value capture would be to help bridge gaps between existing practices, assisting businesses who work across states and providing an opportunity for state and territory governments and local councils to learn from each other’s experiences. In jurisdictions where the establishment of value capture methodologies is still in its infancy, a nationally harmonised approach will provide a tested framework to help develop local methodologies and practices, while recognising that each project – and the value capture opportunities it might offer – is unique.
There are likely to be two steps in the development of nationally harmonised guidelines.

- Firstly, develop a better fact base of how value capture and value sharing is used today, in Australia and around the world.
- Secondly, develop national guidelines for best practice value capture. In the longer term, Australian governments could consider implementation of a national value capture methodology which would provide practical advice on how to implement value capture for practitioners.

Questions:
24. What are the major gaps between value capture assessment and implementation methodologies across Australia?
25. How can the Australian Government better facilitate the development of best practice in value capture across Australia?

5.3 Provide financing linked to incremental tax revenues

As discussed earlier in this paper, there is generally a timing mismatch between when upfront capital is required to construct a project and when the benefits of the project - and the associated value capture revenues - are realised. This gap must be covered by financing.

The Australian Government could leverage its fiscal capacity to help jurisdictions and projects overcome these short to medium-term funding constraints. The Australian Government could also help finance part of the upfront cost of projects, secured against funding streams generated by state, territory and local government value capture mechanisms. This could take the form of loans or guarantees.

Of course, in order to provide any form of financing, the Australian Government would need to have a reasonable assurance of meeting the return on, or receiving repayment of, its investment. This would require a level of comfort with the risk around the future stream of value capture funding. Therefore, it is critical that risk in forecasting future revenue streams is managed appropriately between all parties.

Loans

The Australian Government can generally borrow at a lower cost and over a longer tenor than would be possible by other tiers of government or the private sector. The Australian Government could offer similar loans secured against the expected value capture revenues of major infrastructure projects. This could include securing the loan against expected incremental tax increases, such as increases in rates due to property value uplift.

For example, a state government may seek to create and capture value around a new rail line through rezoning and establishing a value capture mechanism, such as a levy or hypothecation of...
future taxation revenue increases. To facilitate the early construction of the project, the Australian Government could provide the state with financing support, such as a loan secured against the future value capture revenues.

If the Australian Government began to provide loans on this basis, it would necessarily develop a methodology for valuing the expected incremental tax revenue streams from infrastructure projects. Banks and other private sector financiers could observe the outcomes of the projects and the success of the valuation methodology used. This in turn could help stimulate the private sector to provide loans to government on the security of incremental tax revenues from infrastructure projects. These loans could be potentially provided on concessional terms.

**Guarantees over hypothecated revenue**

Hypothecated tax revenue models (such TIF schemes) have been used in some overseas markets to support projects, particularly in the USA and the UK.

TIF models are unlikely to be implemented by the Australian Government as the majority of discretionary land and property taxation in Australia is collected at a state and local level. However, there may be potential for the Australian Government to support state, territory and local government making use of TIF models, such as by providing guarantees against the forecast revenues.

Under this model, the state or local government would establish and apply taxation hypothecation models, which may include private finance secured against expected taxation revenues. The state or local government’s repayment of the finance from the future revenue uplift would be subject to a guarantee from the Australian Government.

This model is untested in Australia. It would require further investigation, including working with the private sector, in order to fully understand the risks associated with the model. For example, there are recognised risks to the Commonwealth in providing guarantees where it has limited means to influence the long-term taxation settings or outcomes.

**Questions**

26. Is there scope for the Australian Government to offer a loan or guarantee secured over an incremental tax revenue stream for value capture?

27. How can the risk associated with value capture mechanisms – financial, economic and legal – be best allocated between the Australian Government, the state, territory and local government, and the private sector?
5.4 Enforcing standard conditions on funding of all Commonwealth projects

As articulated in its *Principles for Innovative Financing*, the Australian Government already expects jurisdictions to consider alternative funding options for new projects when developing proposals for Australian Government funding:

*Assessment of proposals for public funding of transport projects should include consideration of what proportion of the project can be funded by the beneficiaries of the infrastructure through targeted contributions and what proportion of the project should be funded by the broader community.*

The Australian Government could progressively strengthen this requirement for projects which have a high potential for value capture funding contributions. For example, in the medium term, the Australian Government could make a value capture funding co-contribution a condition of any Australian Government grant funding for certain types of projects.

The Australian Government could also require that proposals for major projects are accompanied by a land use development plan that demonstrates how the project will be integrated into strategic plans at a city or region level. As part of this plan, there would be an expectation that the proponent has not only considered value capture funding streams, but further looked at the mix of value capture mechanisms that best capture the public’s willingness to pay for the new infrastructure. The Australian Government could further require that this plan has been subject to public and market consultation.

There are challenges with these approaches that will need to be carefully considered. Most importantly, it will be crucial to carefully identify the characteristics of projects which would be subject to this condition. For example, projects in rural and remote Australia are unlikely to generate value that can be efficiently captured, and forcing these projects to undertake detailed assessment of value capture opportunities is likely to place an undue cost on these proponents.

Further, this approach reflects a re-shaping of the relationship between the Australian Government and the state and territory governments in regards to infrastructure funding. While the Australian Government already places other conditions on Commonwealth funding, introducing this additional requirement would require thoughtful consideration of the ability of state and territory governments to respond and comply with the requirement and the potential impact on the distribution of funding.

5.5 Specific funding program for projects with a value capture element

The Australian Government could establish a dedicated funding program (or ‘pool’) to incentivise state and territory governments to bring forward projects with value capture funding elements.

The program would be competitive, with a contribution provided to jurisdictions and projects that fulfil certain criteria. The contribution from the funding program could potentially be sized to be a proportion of the proposed value capture funding (capped at a maximum contribution).
Under such an incentive scheme, all projects would still be expected to meet the Australian Government’s and Infrastructure Australia’s project assessment framework, including demonstrating a robust business case and delivering strong net benefits.

The fund could work in a similar way to the Asset Recycling Initiative, under which the Australian Government provided an incentive payment to jurisdictions transferring mature public assets to the private sector and reinvesting the capital into new economic infrastructure.

Alternatively, or in addition, the fund could form part of the Government’s City Deals policy. The Government has committed to negotiating City Deals with supportive state and local governments to deliver better coordination of priorities and investment in key urban areas. The Government could consider opportunities to use the City Deals framework to incentivise approaches to city-level land use planning and value identification and capture. This could include requiring councils and state and territory governments to integrate their land use planning documents; requiring state and territory governments to demonstrate infrastructure plans are financially viable; and specifying the inclusion of value capture funding mechanisms for appropriate infrastructure projects as a condition of City Deal agreements.

Questions:

28. Are funding conditions or incentive payments the most effective and efficient mechanism to drive wider use of value capture?

29. Do they place additional regulatory burdens on project proponents? If so, how could these be managed?

5.6 Establishment of an infrastructure investment market

The Crossrail project in London includes a station (at Woolwich) which was proposed, and financed, by a private developer. The developer in question saw the potential for commercial activity at the station site and the UK Government assessed that the addition of a new station would complement the public transport and urban amenity objectives of the project. In other words, it was a mutually beneficial solution, but one that had its origin in a private sector proposal.

Similarly, the Australian Government could seek to stimulate market-led proposals with value capture applications.

Over the medium-term, this policy would help establish infrastructure investment markets. Under this model, governments would set out urban-level strategic plans, identifying major deficiencies and future priority needs. Private investors would then be encouraged to bring forward proposals for value capture funded projects to governments which helped address these priorities.

A key benefit of this approach would be to improve integrated planning outcomes by linking government public infrastructure priorities with proposed private sector developments.
Inviting private sector entities to bring forward proposals for value capture funded transport infrastructure could work in a number of ways. The Australian Government welcomes feedback from the market and the community on how this option may be implemented.

In the shorter term, there are a range of options that the Australian Government could take to support this policy.

The Australian Government could work with state and territory governments to actively seek proposals from local property owners which involve them contributing to project costs in return for influencing the project design or location. While responsibility for implementing such a policy sits with the state and territory governments, the Australian Government could use its funding and coordination roles to support pilot projects.

The potential development of new passenger rail links within Western Sydney may provide an opportunity to test this approach. Any new rail line would provide benefits for local property owners and developers. Identifying opportunities for these parties to contribute towards the cost of establishing a nearby rail station may provide options to improve the project’s design and benefit realisation profile.

The Australian Government, in coordination with state and territory governments, could also help improve the accessibility of market-led proposal arrangements. This could include working towards the establishment of a one-stop shop for those considering market-led value capture proposals to streamline and simplify information gathering. The one-stop shop could provide information on project priorities, but also identify problem hot spots, emerging issues and strategic opportunities to encourage market-led efforts in the right areas.

**Question:**

30. How can governments encourage market-led proposals? Are there other models of market-led value capture?

31. How can governments ensure that such proposals improve integrated planning outcomes?
## Appendix A – Summary of Discussion Questions

Your views are sought on the following questions:

<table>
<thead>
<tr>
<th>Challenges and Opportunities</th>
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<tbody>
<tr>
<td>1. What factors would cause beneficiaries, in particular property owners, to see a value capture charge as ‘just another tax?’ How can these factors be overcome?</td>
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<td>2. Are there examples of mechanisms currently being used in Australia or internationally which provide a clear nexus between payments and the benefits provided by the infrastructure?</td>
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<td>3. Which mechanisms are currently being used which have weak links between payments and benefits?</td>
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<td>4. In providing funding to projects, should the Commonwealth set a condition that any contributions levied by state or local government on surrounding landowners are dedicated to the project?</td>
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<td>5. How can governments accurately estimate the incremental value uplift generated by infrastructure projects as compared to uplift due to ordinary market growth?</td>
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<td>6. When identifying beneficiaries, how should governments determine the geographical boundaries around new infrastructure assets? Should governments focus on all properties directly around the new assets, within the wider region or at a city-level?</td>
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<td>7. How can governments design processes which cause beneficiaries to reveal their willingness to pay?</td>
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<td>8. Could we adopt an approach in Australia of holding popular votes in relation to large infrastructure projects and their funding mechanism?</td>
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<tr>
<td>9. Who would be best placed to organise such votes? Local councils? Transport authorities? Others?</td>
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<tr>
<td>10. Would the Commonwealth be justified in linking funding to evidence of popular support and willingness to pay?</td>
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<tr>
<td>11. Are there examples of other successful approaches to seeking community acceptance for value capture mechanisms?</td>
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<tr>
<td>12. Should there be different approaches to obtaining proof for different beneficiaries?</td>
</tr>
<tr>
<td>13. Are there examples where re-zoning, integrated planning and value capture funding have been well implemented? Are there examples of missed opportunities?</td>
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</table>
14. Should the Australian Government place stronger conditions on Commonwealth funding to drive more efficient use of re-zoning and integrated planning? For example, should the Commonwealth tie funding for new passenger rail projects to a requirement for re-zoning around station locations?

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24. What are the major gaps between value capture assessment and implementation methodologies across Australia?

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30. How can governments encourage market-led proposals? Are there other models of market-led value capture?

31. How can governments ensure that proposals improve integrated planning outcomes?
## Appendix B - Table of general approaches to developer contributions applied by local governments

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Description</th>
<th>Mechanisms</th>
<th>Other related charges</th>
</tr>
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<tbody>
<tr>
<td><strong>New South Wales Environment Planning and Assessment Act 1979 – section 94</strong></td>
<td>Councils in NSW can levy developers for contributions towards local infrastructure under Section 94 or Section 94A of the Environmental and Planning Assessment Act 1979. Section 94 contribution plans must identify specific public improvements and their costs, and the funds collected must be held in a separate account and applied only to those public improvements.</td>
<td>• Developer contributions</td>
<td>Special Infrastructure Contribution - Applies to defined growth areas set by state level determinations and defined development activities. Charges set on a usage and square metre basis and collected by the NSW Government, before being distributed to NSW agencies delivering projects. Currently three defined areas, namely Western Sydney Growth Centres, Warnervale Town Centre and Wyong Employment Zone.</td>
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<tr>
<td><strong>Victoria Planning and Environment Amendment (Infrastructure Contributions) Act 2015</strong></td>
<td>In Victoria the system is based on standard levies that are present for different development settings and land uses. The standard levies are designed to provide for a financial contribution to the delivery of essential local infrastructure required to support new or growing communities. Central to the operation of the system is an infrastructure contributions plan. These plans enable the collection of an infrastructure levy and provide the justification and basis for collecting that levy.</td>
<td>• Developer contributions</td>
<td>Growth Area Infrastructure Contribution - Operation of the Growth Areas Infrastructure Contribution began on 1 July 2010 and applies to growth area land brought within the Urban Growth Boundary in 2005-06, 2010 or 2012 and zoned for urban development. Entities required to pay a GAIC can offset their liability through work in kind (provision of agreed land or undertaking agreed infrastructure works for the state).</td>
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<td><strong>Queensland Sustainable Planning Act 2009</strong></td>
<td>The Queensland ‘Infrastructure planning and charging framework’ allows local governments to levy infrastructure charges to cover some of the costs of providing trunk infrastructure (transport, community purposes and stormwater) for development.</td>
<td>• Developer contributions</td>
<td>City Transport Improvement Charge - Gold Coast City Council has established the City Transport Improvement Charge to help fund Stage 1 and 2 of the Rapid Transit project and other transport improvements. Annual rate of $117 on all land owners.</td>
</tr>
<tr>
<td><strong>South Australia Planning Development and Infrastructure Act 2016</strong></td>
<td>In South Australia, the Act creates the basic and general infrastructure schemes which ensure infrastructure needs are identified, and costs calculated and locked in, before development can begin.</td>
<td>• Developer contributions</td>
<td></td>
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<tr>
<td>Western Australia Planning and Development Act 2005</td>
<td>The Western Australian local government planning schemes set out the system of charging through development contribution plans. The key principle is that the 'beneficiary' pays. Consistent with this principle, developers will only fund infrastructure and facilities which are reasonable and necessary for the development and to the extent that the infrastructure and facilities are necessary to service the development.</td>
<td>Developer contributions</td>
<td>Metropolitan Regional Improvement Tax - In place since 1959. Levies additional 0.14% on aggregate taxable value of Perth metropolitan properties over $300,000. Revenue hypothecated to land acquisition (corridor protection) fund.</td>
</tr>
<tr>
<td>Tasmania Water and Sewerage Industry Act 2006; Land Use Planning and Approvals Act 1993</td>
<td>In Tasmania developer charges are levied by TasWater to cover the costs of expanding the capacity of existing water and sewerage infrastructure to allow new developments to be connected.</td>
<td>Developer contributions</td>
<td></td>
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<tr>
<td>Northern Territory Planning Act 2005</td>
<td>In the Northern Territory, where proposed developments are likely to put extra demands on existing infrastructure, the Planning Act requires developers to contribute towards the additional cost of capital works generated by development in that area. This is achieved through the preparation and enforcement of a developer contributions plan, which determines the amount of financial contributions to be made for developments.</td>
<td>Developer contributions</td>
<td></td>
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<tr>
<td>ACT Planning and Development Act 2007</td>
<td>The ACT Government can currently impose a charge that is a contribution to the cost of off-site works. The variation charge aims to capture 75% of the increased value of the lease following any change that increases its value.</td>
<td>Developer contributions</td>
<td>Property based levies</td>
</tr>
</tbody>
</table>