

Capturing Value New Funding Strategies for Transport Infrastructure

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30 March 2017

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Agenda

- Introduction
- Infrastructure Funding Gaps
- The Concept of Value Capture
- Value Capture in New Zealand
- International Examples
 - Crossrail
 - Denver Union Station
- Challenges and Opportunities
- Summary

Introduction

- Global shift towards urbanisation
- New Zealand's major cities face significant growth:
 - Auckland +49% by 2043
 - Hamilton +42%
 - Tauranga +44%
 - Canterbury Region + 30%
- Well planned infrastructure is the foundation of society, but needs huge amounts of **funding**
 - Leaders are seeking innovative funding methods

Infrastructure Funding Gaps

- Between 2016 and 2030 the world needs to invest \$3.3 trillion, or 3.8% of GDP
 - Projected short fall of \$350b or 11%
- ATAP estimated \$19.8b needed for 1st decade
 - Investment package is \$23.7b
 - Projected short fall of \$4b, or \$400m per year
- Investment in infrastructure has the potential to generate the widest community benefits if done well
- Investigating the link between transport investment and **Value Capture methods** to close the funding gap

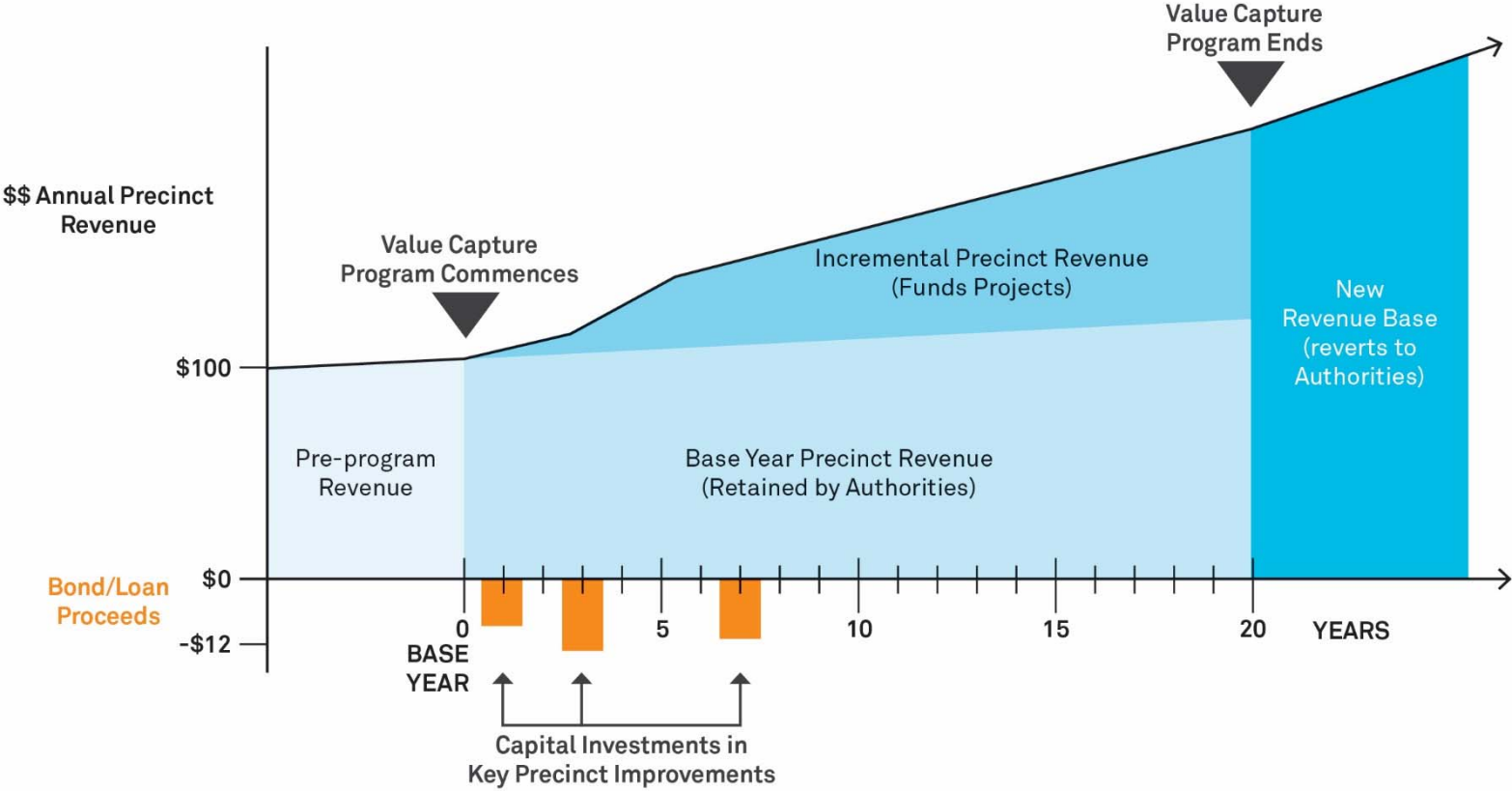
Value Capture – Concept

- Good public infrastructure increases land values <50%
 - Sydney Epping Station average from \$1.2m to \$3m
- Property owners receive an unearned and untaxed financial windfall
 - What if we captured part of this value?
- Value Capture seeks to identify and collect a portion of funding from the beneficiaries of the investment
 - Capture some part of the uplift in value / revenue, above ‘business as usual’
 - A portion of this is hypothecated to help pay for the project

Value Capture – Concept

- Value Capture Process:
 - Revenues for the ‘Base Case’ (without investment) scenario
 - Plan and implement a programme of value-creating capital investments
 - Calculate incremental revenues, and hypothecate to fund the investment
 - Programme ends after funding is achieved
 - The new revenue (Base Case plus Incremental) reverts to taxing authorities

Value Capture – Concept



Value Capture in New Zealand

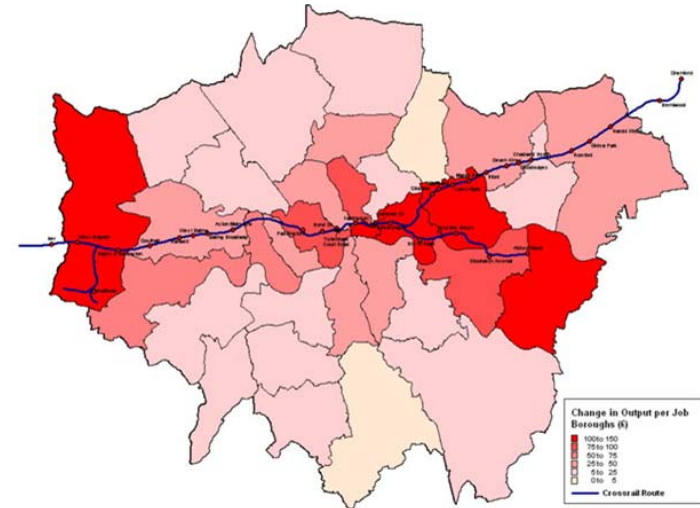
- Better Urban Planning (2016, Productivity Commission)
 - Recommends consideration of value capture mechanisms
 - Development generates additional revenue from roads, public transport, water supply, wastewater and refuse
- Sources of funding to consider:
 - Improvements from development to the land
 - Improvements in the community and public domain
 - Improvements in accessibility of the land
 - Increased public revenues, e.g. council rates, land taxes

Crossrail, London

- Europe's largest construction project, costing **£14.8b**
- Includes ten stations, 118km of new and upgraded line and 42km of new rail tunnels
- Opens in 2018, will carry 200m annual passengers, increase London's capacity by 10%
- Transport benefits:
 - Faster journeys
 - Less congested trains and stations
 - Reduced need to interchange
 - Improved quality of services

Crossrail, London

- Funded by capturing increased property values
 - Agglomeration from improved accessibility =GVA
 - Improving access to jobs and houses, +1.5m people within 45 minutes
- Value Capture
 - Business rate supplement \approx £4.1b, land sale \approx £500m, voluntary developer contributions \approx £230m
 - **35% overall**, with further 30% from fares



Denver Union Station



Denver Union Station

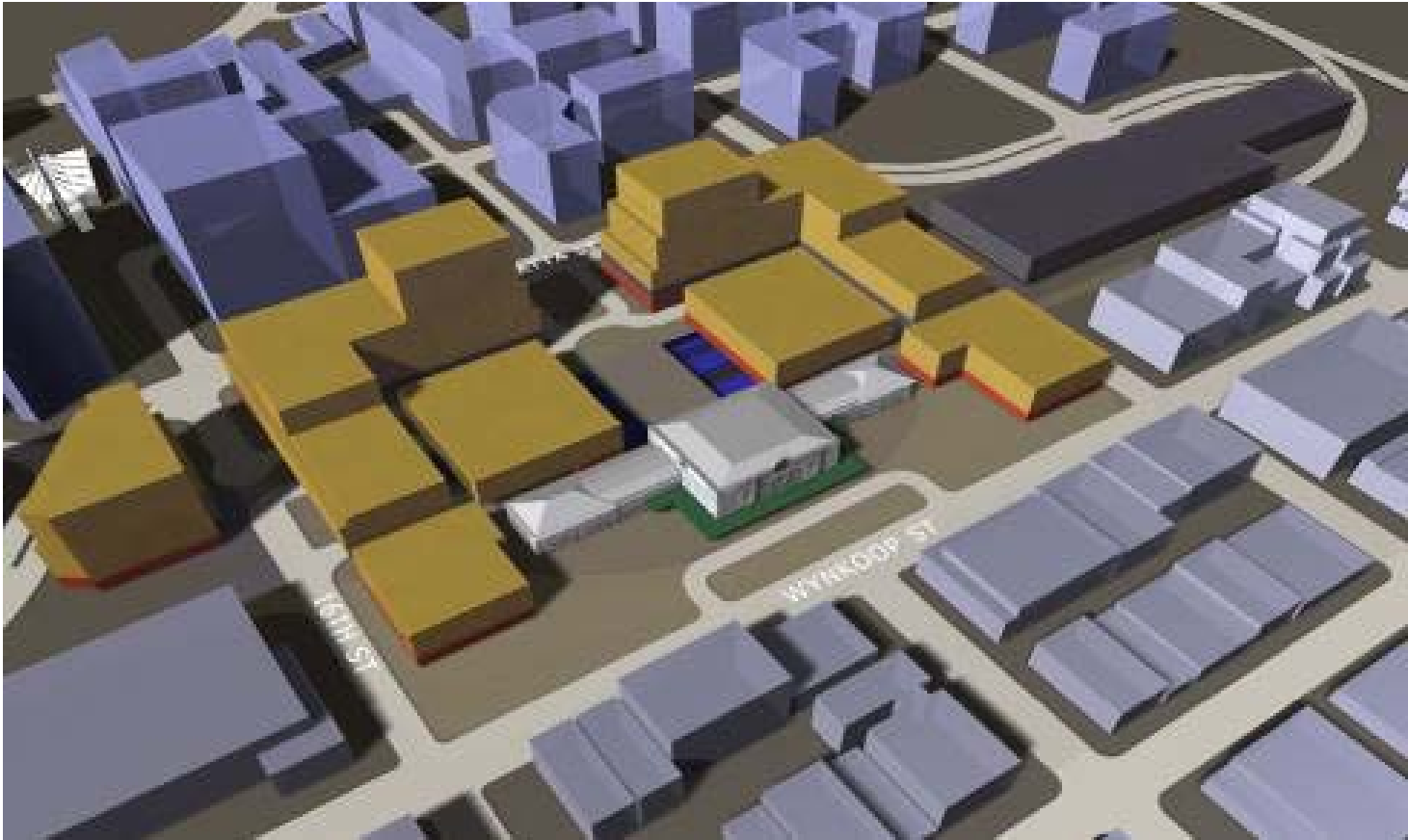
- 19.5 acre site
- 20 acres of cleared rail yard land



Original 2004 Master Plan



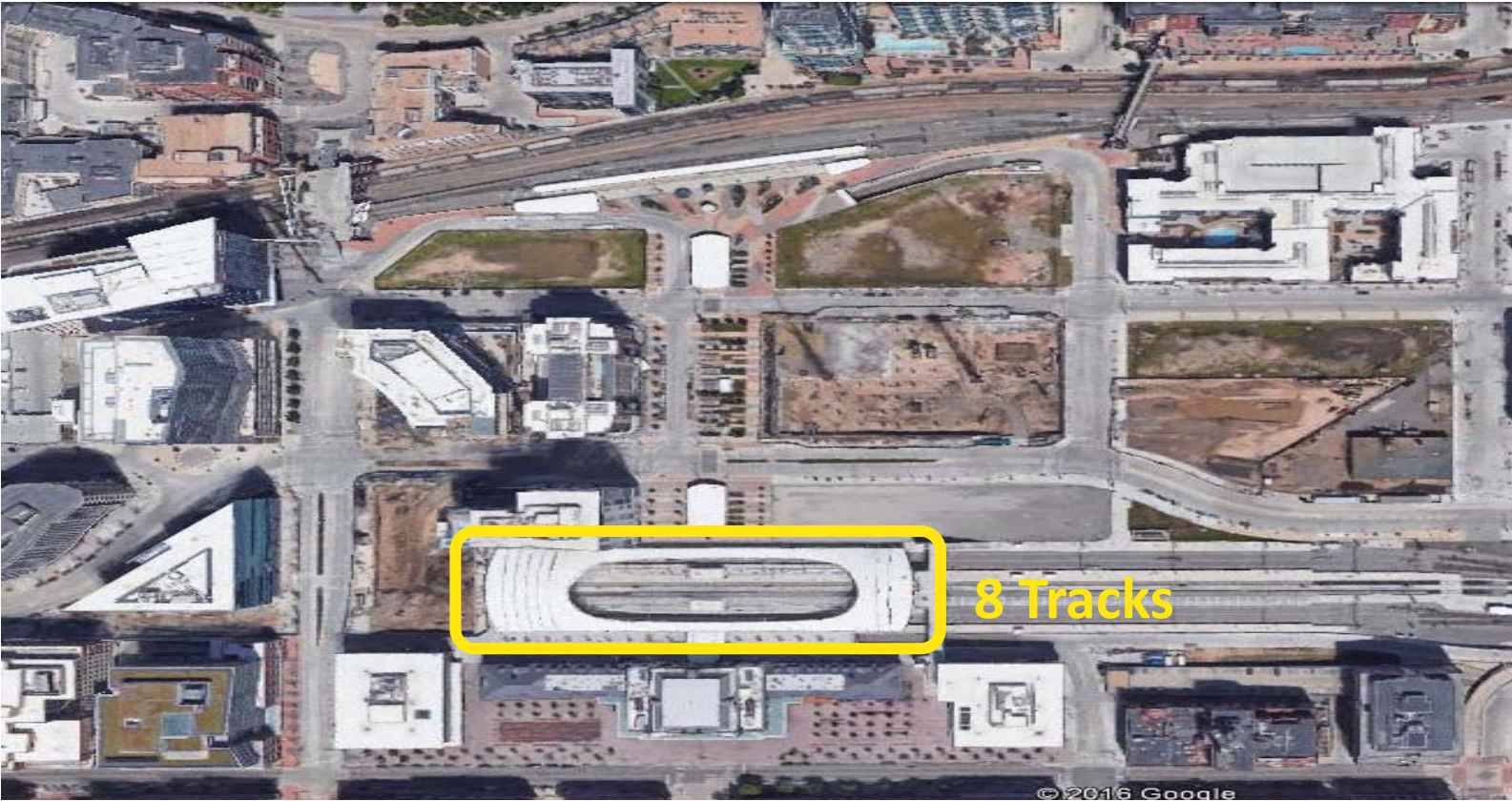
Original 2004 Master Plan



Unlocking the Box – Light Rail



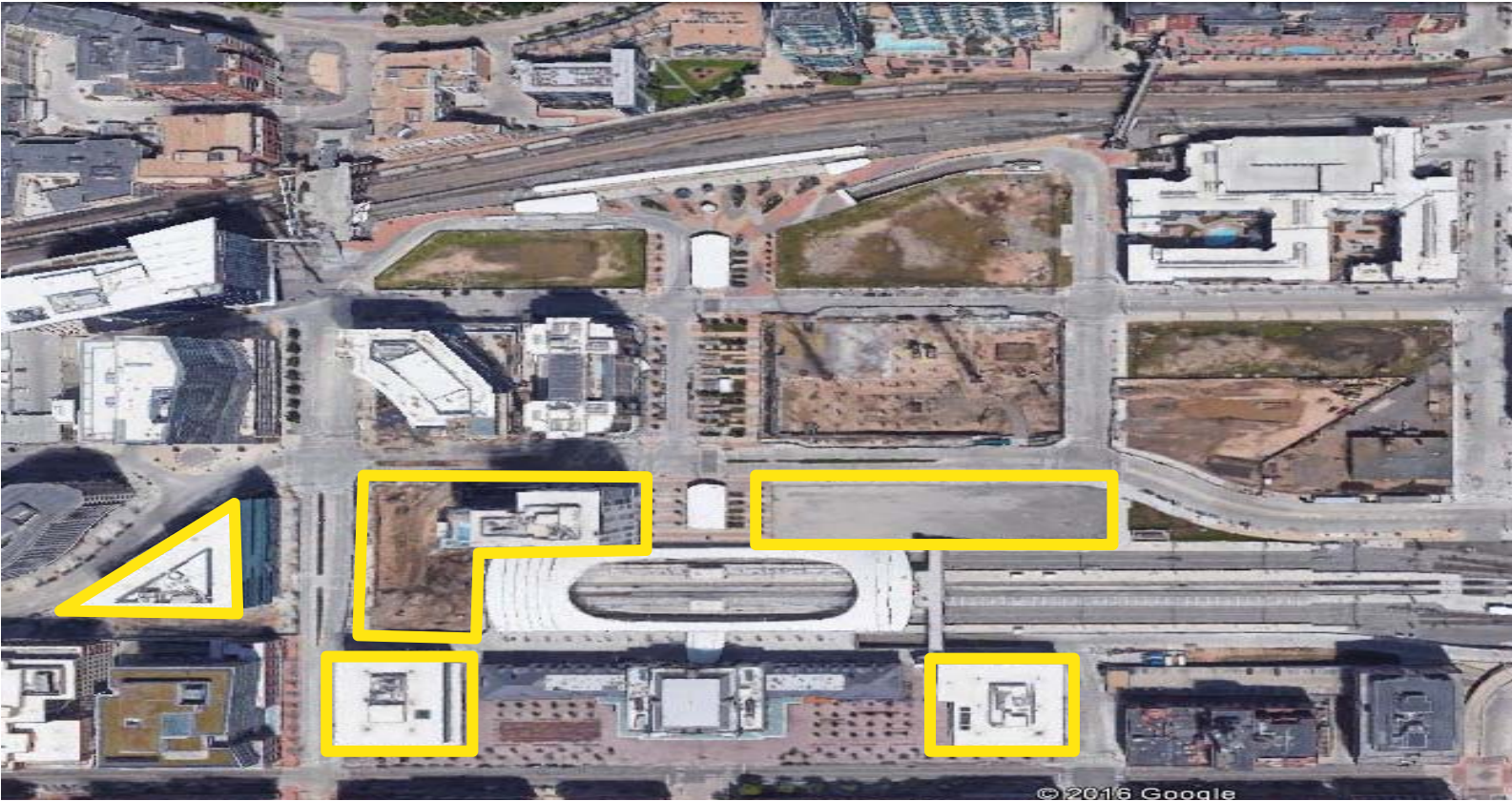
Unlocking the Box – Heavy Rail



Unlocking the Box – Bus



Unlocking the Box – Building Platforms



Denver Union Station

- US\$488m in Transit and public realm improvements
 - US\$37.4m from land payments
 - US\$151.3m from US Govt loan borrowed against tax increment
 - 39% funded from value capture

Challenges and Opportunities

- 'Just another tax' on property developers?
- Needs to be clear line of sight, payment to benefit
- Comprehensively identifying who will benefit
- Why pay if the project will be built by others anyway?
- Proving that beneficiaries will receive benefits
- Optimum value uplift not from transport alone
- Needs to be a commercial return for developers
- Time delay between capital out and benefits realised
- Developing appropriate market processes

Summary

- NZ's major urban areas are facing significant growth
- New infrastructure faces a funding gap
- Value Capture seeks to identify and collect a portion of funding from the beneficiaries of the investment
- Successful international examples include Crossrail and Denver Union Station
- **Not a silver bullet**, and there are challenges and opportunities
- Productivity commission encourages consideration

Thank You

Questions?

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