



Using value capture to help deliver major land transport Infrastructure

The Australian Government is seeking to build more high quality transport infrastructure for Australia. Through the Discussion Paper, 'Using Value Capture to Help Deliver Major Land Transport Infrastructure', a range of options is presented canvassing views on policy and funding levers aimed at stimulating value capture arrangements to fund transport infrastructure. Hobsons Bay City Council is providing input into this process given our position as a middle ring municipality from the west of Melbourne that faces a unique set of problems in regards to the provision of transport infrastructure.

Melbourne's West

Hobsons Bay supports the view that there has been an under investment in public transport infrastructure and that any redress will require a broad range of funding options that can meet increasing population. Between 2012 and 2026 the western region of Melbourne is expected to be the major population and industrial growth region in Melbourne. By 2026, it will have a population similar to Adelaide, and will need transport infrastructure, jobs rich activity centres and services commensurate with an urban area of this size¹. Council's current transport infrastructure, both in terms of public transport and roads, is severely inadequate to address population and industrial growth.

Benefits have accrued to private interests

Clear evidence is presented in the discussion paper on: the role of transport infrastructure in raising land values; the economic benefits associated with productivity growth as a result of market competition; and the benefits to business agglomeration. Historically, the most significant benefits associated with new transport infrastructure have been accrued by property developers and land holders, while less direct benefits, in the form of increased revenue, have been achieved by local governments. Hobsons Bay would like to see an exploration in the discussion paper of the direct benefits that can be accrued to local governments and a more explicit analysis of the benefits to private and public interests.

¹ Western Transport Alliance (2012) Western Transport Strategy

Integrated Transport

Council's Community Health and Wellbeing Plan 2013–17 seeks to increase the use of integrated transport across the municipality whilst reducing car dependency and contributing to an accessible and well-connected city. Council also has an important role in enabling, engaging and encouraging the local community to move to a low carbon future. Council's Community Greenhouse Strategy has been developed to support a reduction of greenhouse gas emissions within the municipality with an ambitious target of zero net emissions by 2030. It is therefore important for Council to place emphasis on public transport infrastructure that is accessible and reliable.

There has been an under investment in new public transport infrastructure in Melbourne which will be exacerbated by predicted population growth, particularly in the west of Melbourne. It is therefore fundamentally important to consider the way in which alternative funding arrangements can assist in the development of new public transport infrastructure to address our commitment to both reducing emissions and achieving an accessible transport system.

Integrated Land Use and Transport Planning

The premise in the discussion paper that value capture has the potential to enhance land use planning outcomes, particularly through an alignment between land use and transport planning, is supported.

Council recognises the need for both additional transport infrastructure and additional funding mechanisms but stresses that any consideration of new transport infrastructure is focused on planning for an integrated transport network that provides incentives for public transport, and links transport and land use planning. The potential for funding should not be the key driver of investment but rather an emphasis on strategic planning to address the specific mobility needs of the community.

Equity

Council would like to stress the importance of equity in resource allocation as incentives for value capture arrangements can be higher in one region of the city than another, as property values are significantly higher in the inner City of Melbourne than in areas of the city that have the greatest need for new transport infrastructure. Therefore, decision making processes need to consider both the complexity and uncertainty of transport infrastructure funding, to ensure there are flexible arrangements in place that may not provide optimal financial incentives, but meet an important need in the community, particularly for the western region of Melbourne.

Precinct Wide Benefits

Currently, Local Governments have the opportunity, through developer contribution plans (DCP), to fund some infrastructure, however this is on a smaller scale. The DCPs include outcomes such as bicycle paths, pedestrian walkways or open space/recreational areas which do not recognise the full extent of the services/ access that Local Government are required to provide for large urban renewal sites.

Fixed rail infrastructure, particularly train stations and light rail corridors, provide important opportunities for value capture and meet Council's objectives of reducing car dependency. Whilst it is clear that agencies, particularly VicTrack, have significant opportunities to develop land in their ownership, land adjacent to train stations and potential light rail corridors have complex land ownership arrangements and therefore it is argued that integrated precinct oriented solutions provide the best outcome. As precinct developments involve a range of land holders who would benefit from the impact of new transport infrastructure, local governments could be placed in a difficult position of being a tax collector on behalf of state and federal governments. Consideration may therefore be required of additional revenue options such as car parking levies and not just the potential for increases in rates as a consequence of increased land values.

Value Capture Options for Local Government

Hobsons Bay sees value capture as the task of obtaining a portion of the economic value resulting from developments whose values are increased as a direct result of publicly funded infrastructure - in this case, from transport.

Hobsons Bay recognises that there is a wide array of value capture arrangements and suggests that an exploration of options to specifically identify potential benefits that could flow to local governments. In addition, when regions are less able to capture the direct financial benefits of land value uplift, more flexible approaches to infrastructure funding should be applied to ensure that new infrastructure is built according to strategic objectives and not just its capacity to pay. The range of options to be considered and investigated for the potential benefits to local governments should include:

- Land value taxes and location benefit levies: applied in the immediate vicinity of a public transport service and applied only to land value, not property value.
- Property tax increases: where property tax revenues increase, the extra value is directed to investment in the specific zone.

- Joint development: occurs when the private sector and local government/ transport system owner reaches an agreement to develop a site owned by a public entity so that the private developer will build all or part of the transport infrastructure as part of the overall development.
- Sale or lease of land: land owned by local government/ transport operators close to planned public transport services is sold or leased after the services are completed, thereby benefitting from the capital gain arising from the increased land value.
- Sale of development rights (air, surface, and sub-surface): land owned by local government/ transport operators for a transport facility or close to planned public transport services is leased to developers, with the value capture occurring through the lease agreement.
- Commercial property leasing: local government/ transport system owner leases the property it owns at or close to transport services for commercial uses.
- Transport company diversification: public transport system owners expand their commercial interests to include commercial and real estate activities in and around transport service development.
- Taxation (income or payroll): employers or income earners in areas serviced by public transport are subject to a special tax, the earnings of which are directed to public transport system owners.
- Transport development fees: new developments within the vicinity of public transport developments attract a fee.
- Special assessment districts: regions benefiting from public transport developments may have a tax imposed to contribute to these developments.