



# Value Capture and Transport Infrastructure - Public Policy Issues

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Value Capture and Transport Infrastructure ±Public Policy Issues

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# The Profitability of Transport Infrastructure

1. Profitability of the new infrastructure (rail line, motorway)
  - ± Profitability a function of density ± number of passengers.
  - ± NB: higher frequency adds to value to commuters
  - ± Outside of Tokyo and HK, most public transport heavily subsidised
  - ± Australia has a high level of subsidy of public transport due to low density ± increased density reduces subsidy which is a benefit to all taxpayers in the city.

Minimum				

# Transport Infrastructure and the Value it Adds

## 1. Transport infrastructure and land values

- ± Transport infrastructure is a NET benefit to the residents and businesses in a city
- ± Because in aggregate it lowers land values (rents/prices)
- ± For specific areas it increases land values ±some substantially
- ± \$ O D Q G W D [ Z L O O μ F D S W X U H ¶ W K D W Y D U L D W L R Q

## 2. Case of a New Train Station

- ± NSW Government investing heavily in new heavy and light rail lines.
- ± In vicinity of new stations value of land rises substantially ±it is this windfall  
S U R I L W W R O D Q G R Z Q H U W K D W J R Y H U Q P H Q W V V H H
- ± Rise in value contingent on density allowed (by local government)

# Figure 1: Urban Land Rent and Prices and a Decrease in Commuting Costs





Figure 3: Change in Land Prices with a New Station

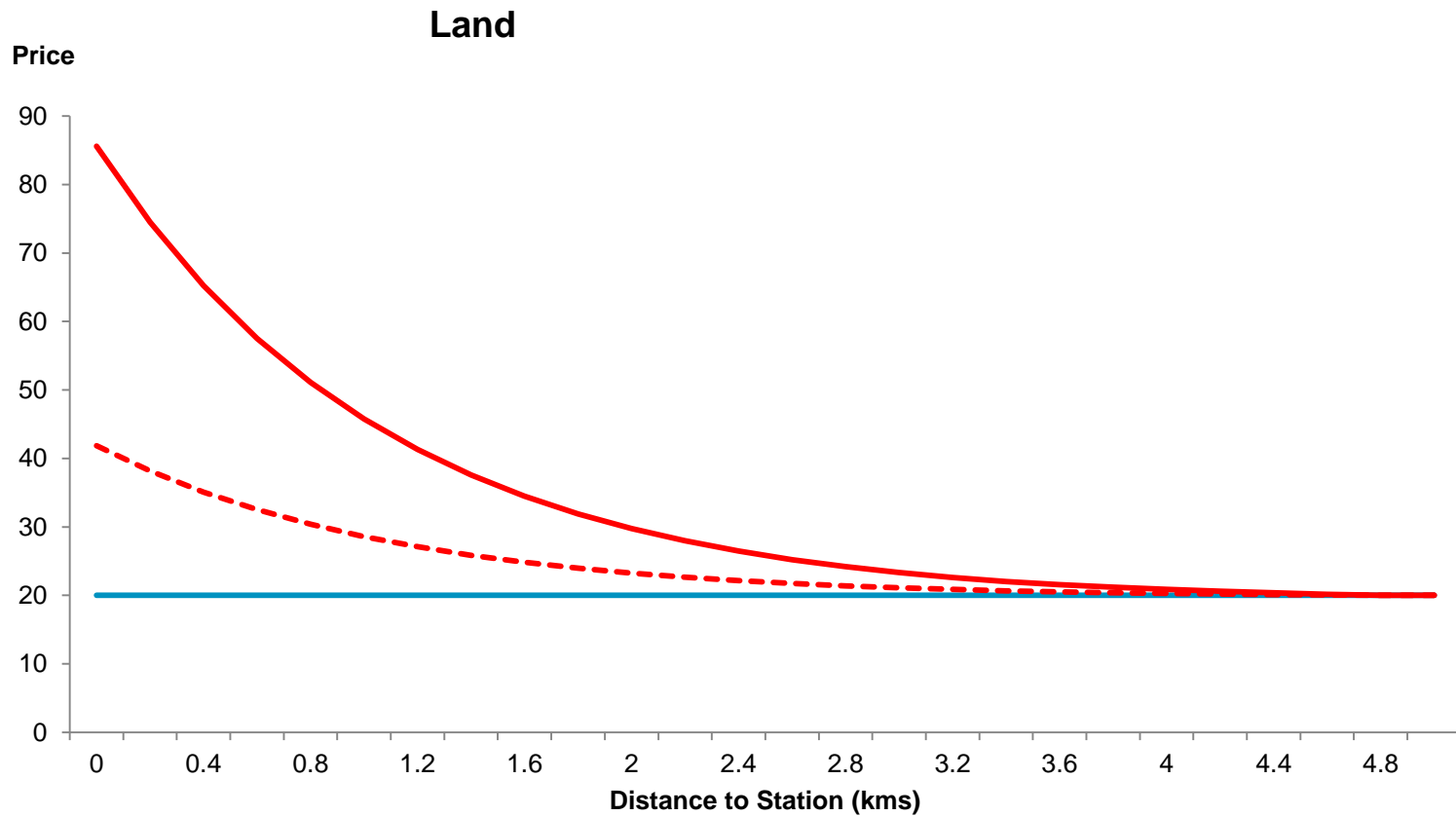
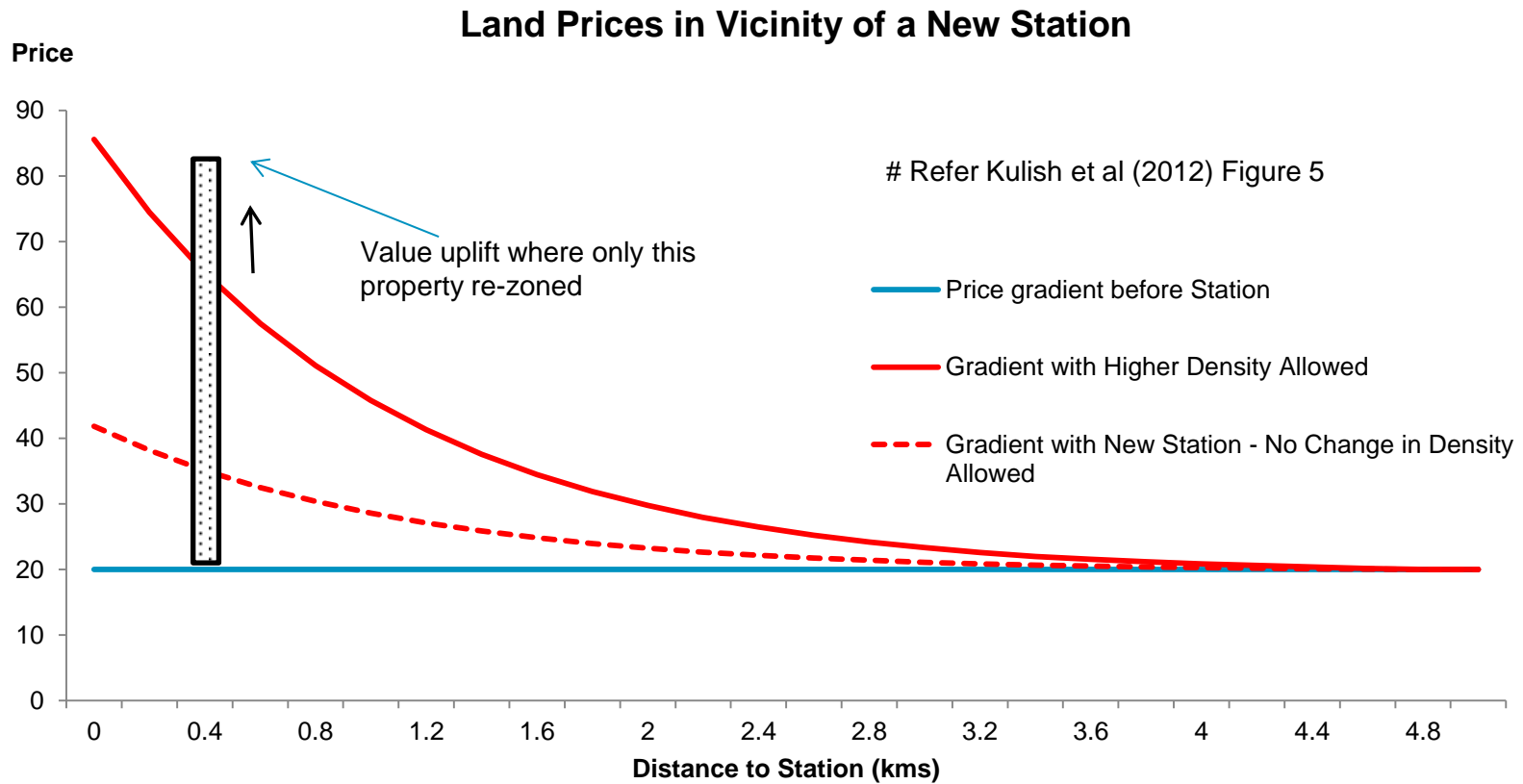


Figure 4: Change in Land Prices with a New Station and Restricted Rezoning#







# Value Capture ± Land Tax

1. Land Tax ± WD[ RQ YDOXH RI ODQG ³ QDWXUDOO\¶ FDSWXUHV YDOXH XSOLIW Z  
‡ Henry Tax Review recommended land tax ± principally in context of replacing stamp duty on transactions  
‡ A more efficient tax.  
‡ Freebairn μ 7D[ DWLRQ RUSERRK 49,10J¶ also supports.  
  
‡ UK Crossrail μ K\SRWKHFDWHV¶ D SRUWLRQ RI EXVLQHVV ODQG WD[ WR
2. Current Land Tax ± a tiered system which only applies to investor residential and business properties, i.e. exempts owner-occupiers.  
‡ Henry Tax Review ± narrow base makes it inefficient  
‡ Need to broaden it.  
‡ A broad-based land tax would lower price of land ± narrow base means it adds to rents.
3. Local Government Rates  
‡ In NSW based on value of land ± a form of land tax.  
‡ 3

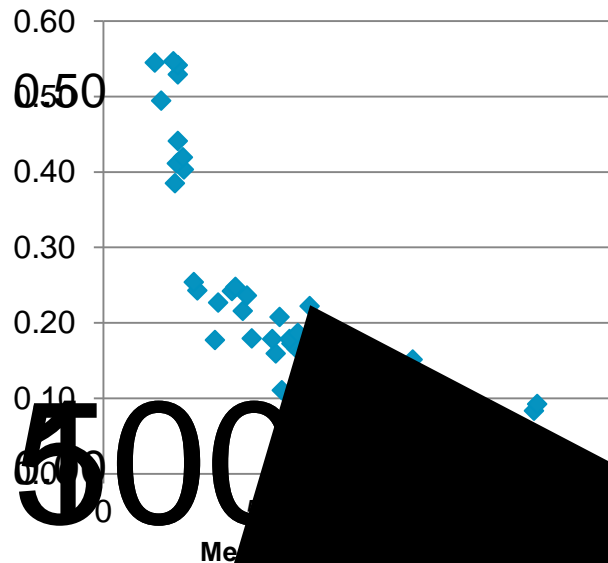




## Sydney LGA Rates applied to Residential Property

## Sydney LGA Rates applied to Business Property

Rate per unit of land value



# Value Capture ±Stamp Duty

1. Stamp duty ±as tax on transfer of land ±based on value of property (land + structure) will capture a proportion of value uplift
  - ‡ Like all transaction taxes, a disincentive to transact.
  - ‡ Henry Tax Review, almost every one wants it gone.
  - ‡ However, in the absence of land tax on owner-occupiers ±a second best form of value capture
2. ACT Government IS replacing stamp duty with broader land tax.
  - ‡ Unique position as State/LG in one body ±fewer political obstacles.
3. History
  - ‡ In US and elsewhere, land taxes were more significant in the first half of the 20<sup>th</sup> century
  - ‡ Anti- /D Q G 7D [ P R Y H P H Q W V H P H U J H G L Q W K H V «

# Value Capture ±Development Contributions

## 1. State Government

- ‡ On greenfield State Infrastructure Contribution (SIC) applies to developers.
- ‡ In the case of Parramatta light rail, an SIC of \$200 per of floorspace (equates to \$16-20,000 per dwelling unit) is being mooted ±would be a form of density tax

## 2. Local Government.

- ‡ LG imposes s94 development contributions on developers.
- ‡ Also impose voluntary agreements.
- ‡ Notionally linked to the extra services which new households would require the LG to provide.

## 3. Henry Tax Report

- ‡ Argued that OK if related to the extra cost which a new development imposed. Otherwise it was a tax.
- ‡ Development tax ±to extent passed down to landowners, does not lift costs. But, Henry Tax Review did not fully accept this proposition.
- ‡ At the margin it will restrict development;

## 4. Development Tax vs Quantitative Restrictions on Development

- ‡ Quantitative restrictions (density controls in inner areas, urban growth boundaries in outer) impose high HTXLYDOHQW<sup>3</sup> GHYHORS PHQW ~~Weighted lead weight costs that with sales~~
- ‡ Relative to these quantitative controls, a development tax would be a better second best option.









# Figure 10: A Betterment Tax in Theory

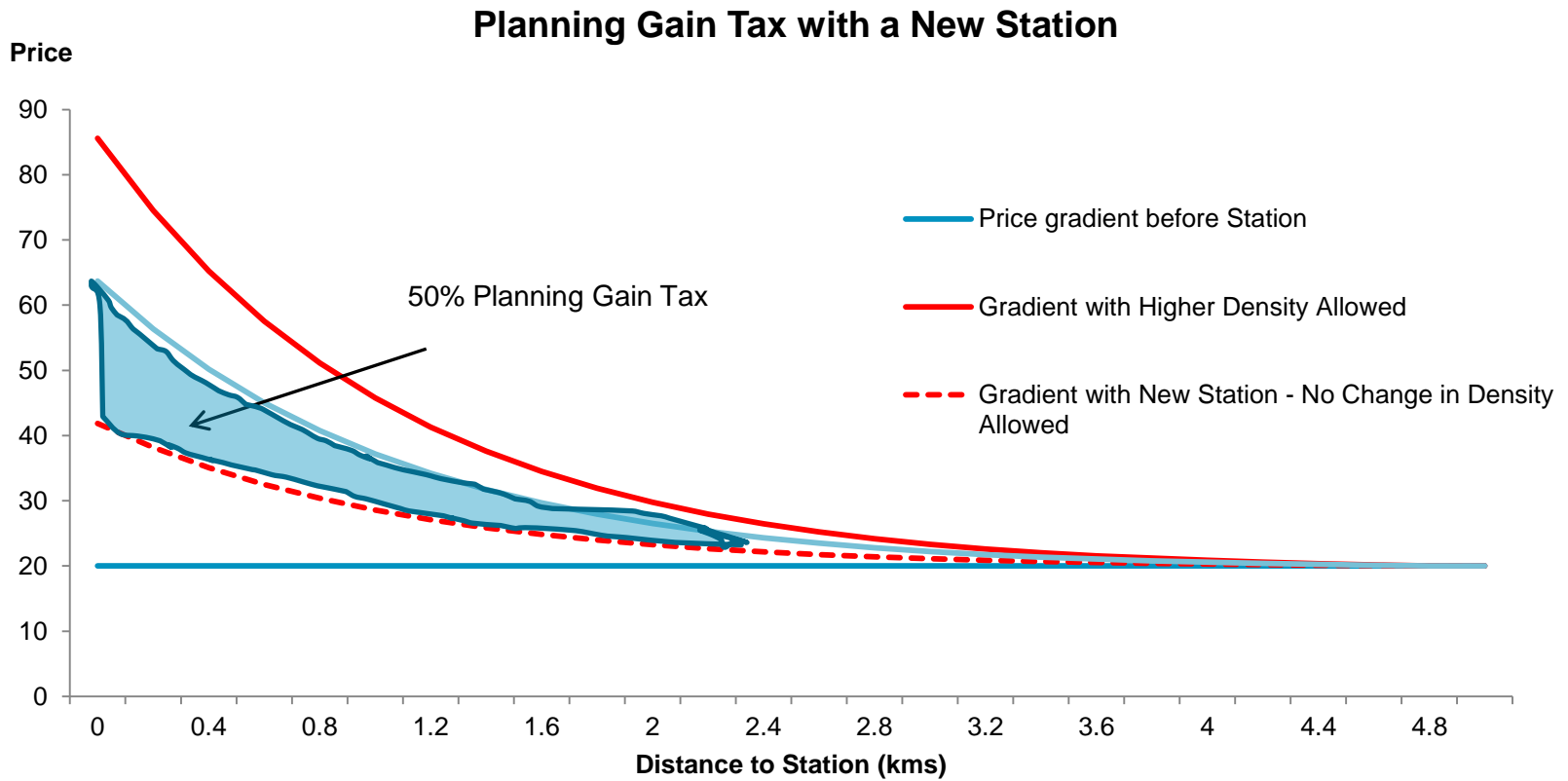


Figure 11: Betterment Tax in Practice

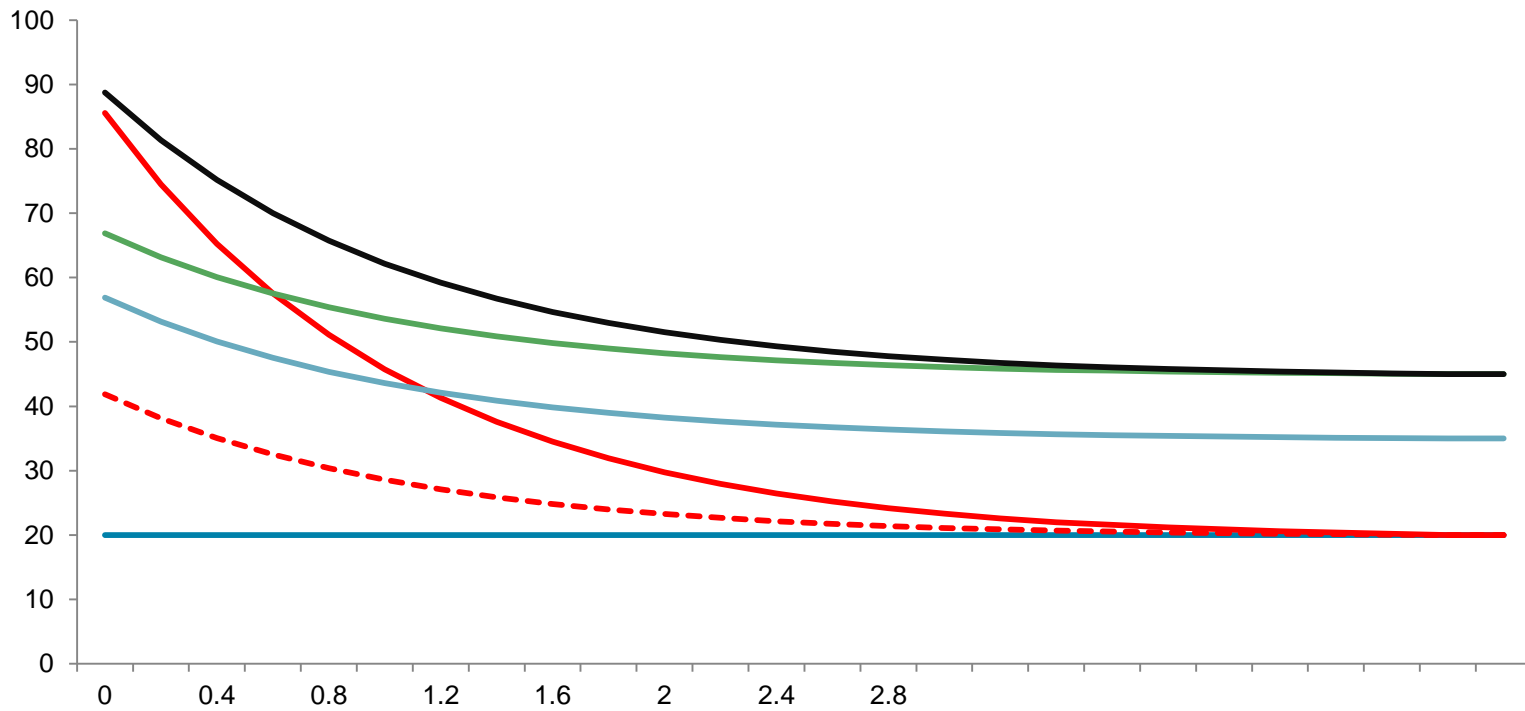


Figure 12: Betterment Tax if Costs Allowed For

