

LINCOLN INSTITUTE
OF LAND POLICY

LAND VALUE CAPTURE: IDENTIFYING & CAPTURING OPPORTUNITIES

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WHAT IS LAND VALUE CAPTURE?

Land value capture (LVC) is a policy approach that enables communities to recover and reinvest land value increases that result from public investment and government actions.

PROMINENT VALUE CAPTURE TOOLS

- Impact Fees
- **Special Assessments**
- **Charges on Building Rights**
- Transfer of Development Rights
- **Certificates of Additional Construction Potential**
- **Inclusionary Housing**
- Land readjustment
- Property Tax



LAND VALUE CAPTURE: KEY POINTS

- **Understand Value Creation:** Value capture requires value creation and a plan
 - LVC should not be an afterthought – the moment a project is announced, values shift. Plan for it.
 - It is as important to know HOW and WHEN the public is triggering value increments as it is to know how to recover those publicly triggered value increments.
- **LVC is not just about infrastructure investments:** Zoning and land use regulations affect land values and increments can be recovered or mobilized.
 - The Purple Line Corridor, MD – planning for value capture post infrastructure investment
 - Sao Paulo – financing district redevelopment and infrastructure through sale of development rights (leveraging FARs)
 - Development rights as a public asset.
- **Value capture and equity** – Equity issues need to be embedded in the original plans and follow through is required when distributing revenue generated from value capture.

NO VALUE CAPTURE WITHOUT VALUE CREATION



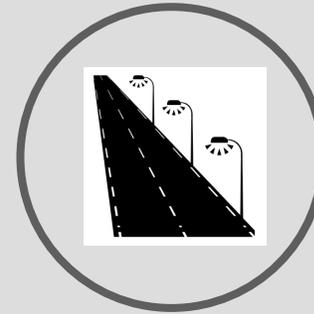
**Land Value
Increase**

**Land Value
Recovery**

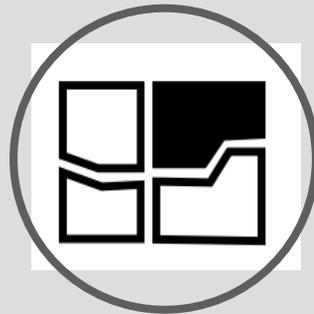
**Land Value
Return**

PUBLIC INVESTMENT AND GOVERNMENT ACTIONS

- Infrastructure improvements



- Zoning changes



PURPLE LINE CORRIDOR: MISSED OPPORTUNITY?

Light rail

- 16 miles
- 21 all new stations
- Travels at-grade on state roads and old rail R.O.W; two short tunnels

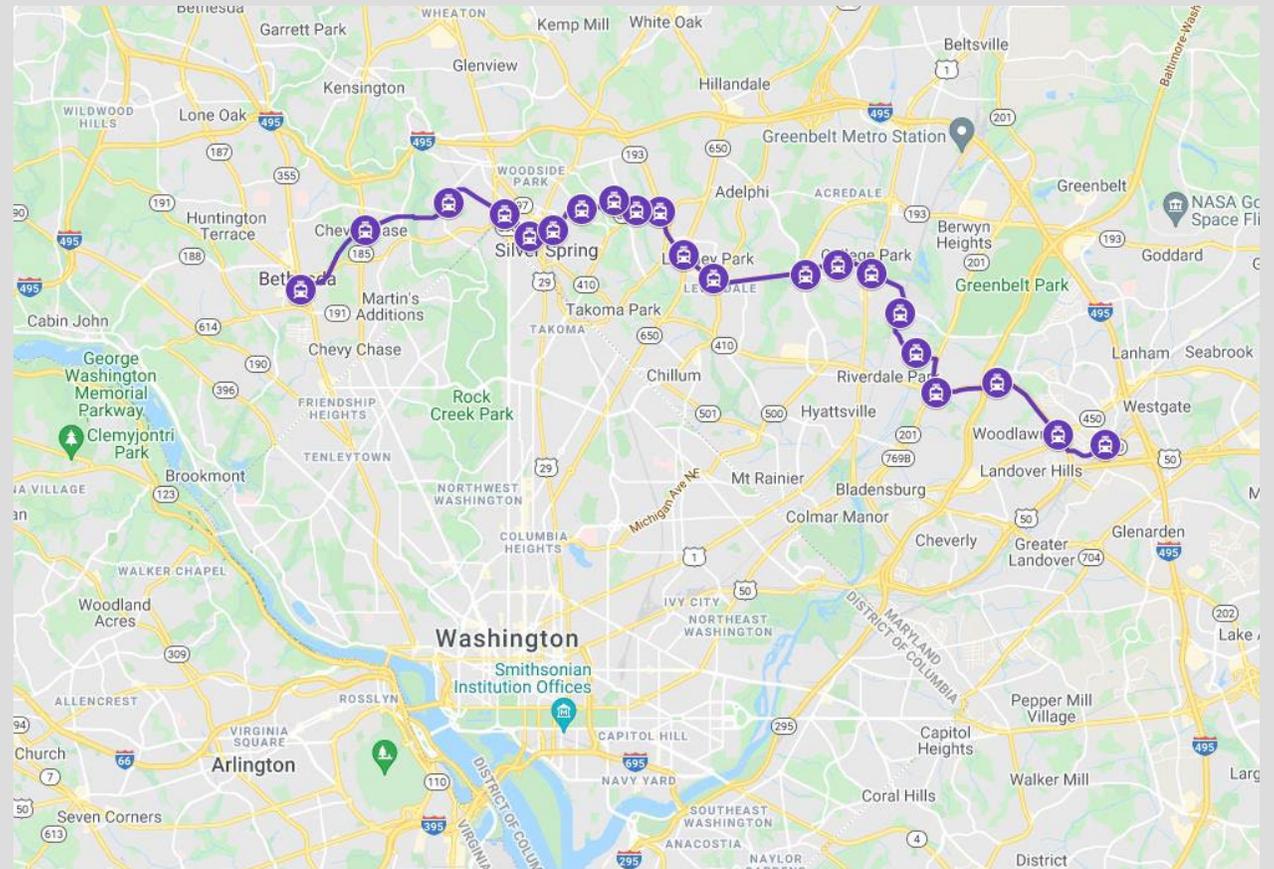
Travels through moderate density suburban land developed in 1920s-1950s

- 69,000 est. daily riders in 2030

Currently under construction

- Estimated opening: late 2023-early 2024

- Analogues: Denver RTD, Portland MAX, Seattle Link, Phoenix METRO, etc.



PURPLE LINE FUNDING

\$2.4 billion construction cost - public private partnership

- \$900 million in federal new starts funding
- \$450 million from state transportation trust fund
- Remainder: public-private-partnership (P3) funds, county funds
- Possible escalations due to delays

\$5.6 billion total financial commitment over time via P3

- Private concessionaire (PLTP) will operate the line for the State, for 30 years

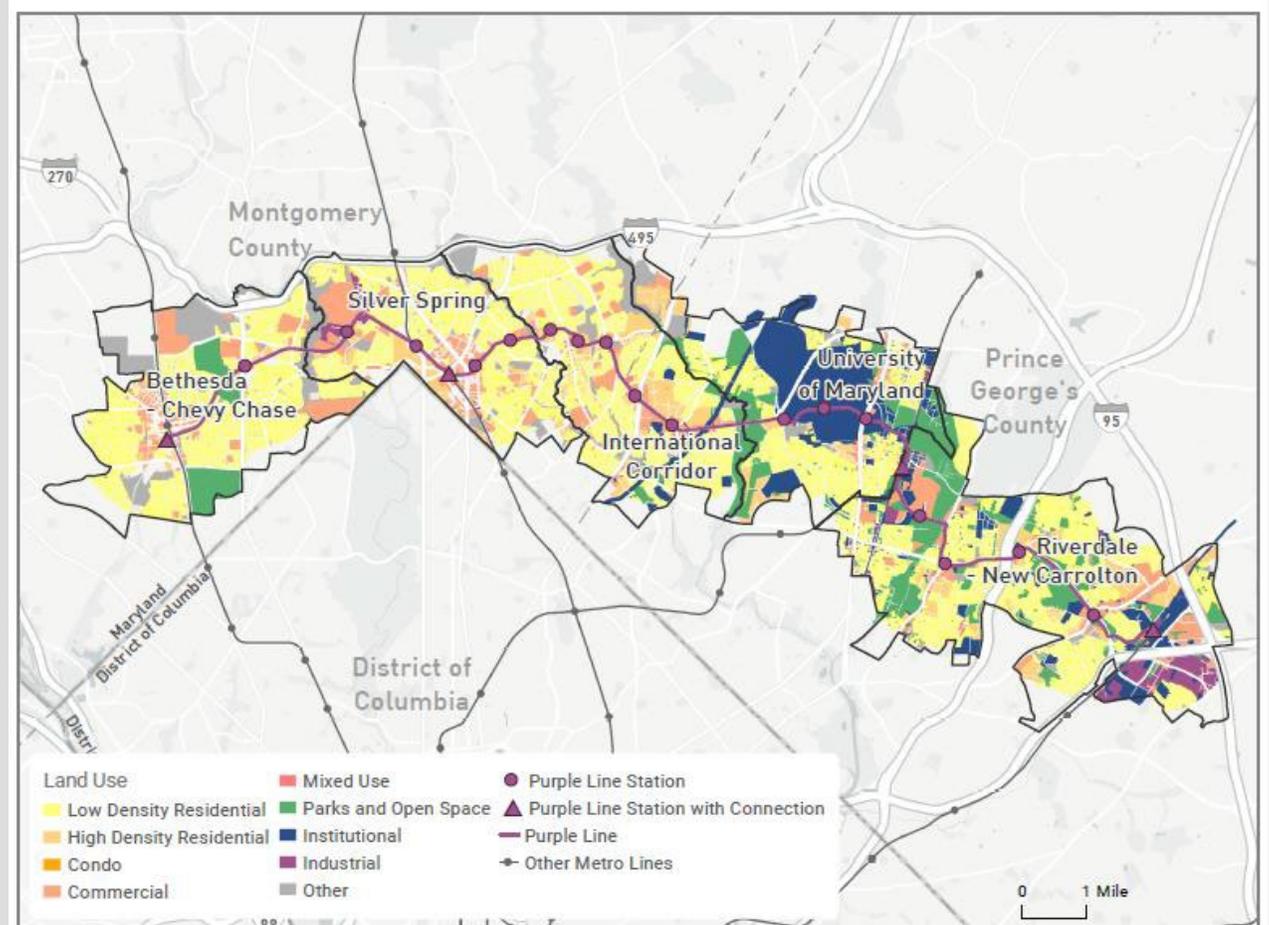
The project is fully funded.

Land value capture has not, and will not, be used to fund the construction of the rail line, but...

POTENTIAL: VALUE CAPTURE, ZONING, AND COMMUNITY AND HOUSING INVESTMENTS

LAND USE – Potential Future Revenue
or Resources

- Large amount of low-density residential land
- TOD nodes zoned for density
- Lots of park, public, state, federal land (Leases)
- Incentive Programs – Inclusionary Housing / Public Amenities / SADs
- **NO need to think TIF...**



BRAZIL: CHARGES FOR DEVELOPMENT RIGHTS

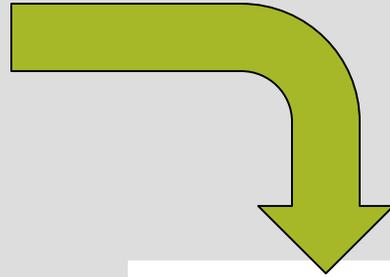
- **Development Rights are Public Assets**
 - **Basic FAR**
 - **Charge above basic**
- **Incentives**
 - **Who wants to buy?**
 - **Where?**
- **Financial**
 - **Value / Price**



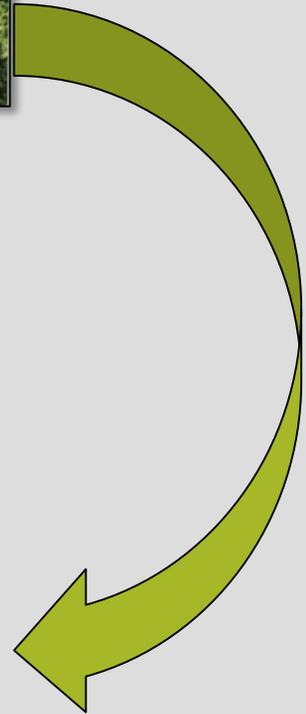
AGUA ESPRAIADA URBAN OPERATION



Additional FARs licensed against
CEPACs auctioned in the market



Jardim Edith slum occupants
resettled in new building in
the same area funded by
CEPACs



From : Paulo Sandroni "Certificados de Potencial Adicional de Construcción (CEPAC) en la financiación de grandes proyectos de desarrollo urbano: El caso de São Paulo" Presentación in the Forum on Notable tools of Urban Policy – Quito May 2013.

UO AGUA ESPRAIADA: INCOME FROM CEPACS

The **bridge** over the **Pinheiros river** was financed with US \$120 million, and the social housing constructed to upgrade **Jardim Edith slum** demanded another US\$30 million.



METRO LINE IN AGUA ESPRAIADA URBAN OP.

US\$150 million invested in Metro Line 17 (ouro)



REPRISE: LAND VALUE CAPTURE KEY POINTS – WHY AND WHEN?

- **Place Value Capture in Context** – how and when are you creating value and when can you recover it?
- **LVC is not just about infrastructure investments:** Zoning and land use regulations affect land values and increments can be recovered or mobilized
 - Development or air rights as public asset:
 - How to create conditions to leverage that asset?
- **Value capture and equity** – Equity issues need to be embedded in the original plans and follow through is required when distributing revenue generated from value capture.
 - **Purple Line Coalition – Equity from the Start**
 - **Urban Operations - Equity built in, but not always**

THANK YOU

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