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13 May 2016

The Chairman
Dr Peter J Boxall
Independent Pricing & Regulatory Tribunal
Po Box K35
HAYMARKET POST SHOP NSW 1240

Dear Dr J Boxall

REVIEW OF THE LOCAL GOVERNMENT RATING SYSTEM

Please find attached a copy of Newcastle City Council's (NCC) submission in regard to the Review of the Local Government Rating System - Issues Paper as per Council's resolution at the Ordinary Meeting of 26 April 2016. An extract of the resolution is outlined below:

> *Council makes a submission prior to the* 15 May *stating its preference for amendment to the Local Government Act to enable Council's to utilise Value Capture methodology for the delivery of urban renewal and new infrastructure. Council includes copies of the Future Cities Exchange Report: Funding Australia's Future City Exchange on Local Funding and Financing Mechanisms and AECOM's report on Value Capture.*
>
> *Council's submission reiterates Council's commitment to more equitable rebates for pensioners as per previous Lord Mayoral Minute.*

The Issues Paper identified a number of specific issues on which IPART sought stakeholder comment. NCC's response to those issues is detailed in **Attachment A** and should be read in conjunction with the relevant sections of the Issues Paper.

Yours faithfully

[redacted]

Glen Cousins
ACTING INTERIM CHIEF EXECUTIVE OFFICER

Enc Attachment A - NCC's Submission
Attachment B - Future Cities Exchange Report: Funding Australia's Future City Exchange on Local Funding and Financing Mechanisms
Attachment C - AECOM's report on Value Capture

Newcastle City Council Submission to IPART Review of Council Rating Issues Paper

Taxation Principles

1 Do you agree with our proposed tax principles? If not, why?

The proposed tax principles have previously been recognised as the most significant in the architecture of local government rating systems by Deloitte Access Economics in their Rates Exemptions Review paper of 2013.

Council agrees in broad terms with the tax principles outlined in the Issues Paper. These principles can be expected to generate a fair and reasonable outcome if appropriately applied.

Assessing the Current Method for Setting Rates

2 What valuation method should be used as the basis for determining the ad valorem amounts in council rates? Should councils be given more choice in selecting a valuation method, as occurs in other states, or should a valuation method continue to be mandated?

IPART considers there to be a number of feasible options for the valuation methods used in calculating ad valorem amounts in NSW rates.

Ideally councils should be given discretion to select the valuation method they believe best suits their circumstances. There are arguments for and against each method however one of the key principles of taxation (referenced at 1 above) is Equity which considers the *ability to pay* and *benefit* derived in return, i.e people should contribute to funding public services according to their ability to pay and the extent of the contribution should also be proportional to the benefit they receive from the service. There is a strong argument that the Capital Improved Value (CIV) better addresses both of these Equity considerations.

The above comment is particularly relevant to multi-unit apartments where the the Independent Local Government Review Panel (ILGRP) also analysed alternative valuation methodologies and concluded that the use of Unimproved Value (UV) for multi-unit apartment dwellings was inequitable and suggested moving to CIV method would be preferable in selected local government areas (LGA).

Newcastle City Council (NCC) agrees that councils should be given more choice in selecting a valuation methodology, as occurs in others states. Allowing councils to set a new rating category for multi-unit apartments and mandating the use of CIV for this category, as suggested by the ILGRP would address the inequity that the ILGRP identified in the current rating system in relation to multi-unit apartments.

However it is important that costs associated with implementing an amended valuation basis should not be unduly borne by councils. The cost of modifications required of council software and any increased valuation fees must not become an excessive burden on council's resources.

Consideration should also be given to keeping the valuation methodology consistent between that used for rates and the Emergency Services Levy to be introduced from 1 July 2017 and this would remove the need to maintain two sets of valuations.

3 Should councils be required to use the Valuer General’s property valuation services, or should they also be able to use a private valuation firm (as occurs in Victoria and Tasmania)?

In the absence of any evidence that the use of private valuation firms is more cost effective or produces a better outcome and the lack of any identified deficiencies in the current service, NCC supports the on-going use of the Valuer General’s property valuation services.

4 What changes (if any) should be made to the Local Government Act (Act) to improve the use of base and minimum amounts as part of the overall rating structure?

IPART analysis suggest that base amounts may be an efficient way to recover some council costs. NCC supports allowing councils discretion to set the base amount above the current limit of 50%, subject to also considering the key taxation principle of equity.

This option will allow councils the ability to better address the benefit principle (also one of the key taxation principles referenced at 1 above) by allowing a higher proportion of the overall rate to be based on a uniform charge to be levied on each ratepayer. The benefit principle is that each person's share of funding for public services should be proportional to the benefits they receive.

5 What changes could be made to rating categories? Should further rating categories or subcategories be introduced? What benefits would this provide?

NCC supports the ILGRP recommendation of splitting the residential category into two new subcategories - one to address detached housing and another to address apartment properties held under Strata or Company Title.

Additionally councils should have the discretion available to sub-categorise business properties based on the type of business operated. This is in addition to the current basis of a Centre of Activity. This would allow differential rates to be levied on a more flexible basis according to their specific use e.g. hotels etc.

The discretion to establish additional categories and subcategories will provide additional flexibility to councils to tailor rates across a variety of land uses to better meet the requirements of the local communities

6 Does the current rating system cause any equity and efficiency issues associated with the rating burden across communities?

IPART has indicated that under its terms of reference they have been required to consider the rating burden across communities (i.e. across different LGA's). IPART have expressed a view that the rates levied by a local council should be used to fund services and provide infrastructure in that local government area and should not be used to cross-subsidise services provided by councils in other LGA's.

While NCC broadly agrees with the position outlined above, NCC also notes that a large regional council such as Newcastle provides a range of regional level services and infrastructure, such as cultural, recreational and sporting facilities that are used by a significant number of residents from outside of the Newcastle LGA but which are funded predominantly by the residents of the LGA. There is currently no recognition of this inequity in the current funding mechanisms available to regional councils.

7 What changes could be made to current rate pegging arrangements to improve the rating system, and, in particular, to better streamline the special rate variation process?

The current special rate variation application process is onerous and time consuming and places significant demand on council's resources. NCC supports a more streamlined application and approval process, provided extensive community consultation with ratepayers remains a key part of any process.

The ILGRP have suggested a more streamlined approach where increases are less than 5% pa above the rate peg limit. This suggested approach is supported by NCC and outlined below:

> "Councils be able to increase rates by up to 5% pa above the rate-pegging limit over the life of a Delivery Program, provided that:
>
> - They prepare more rigorous Delivery Programs and Revenue Policies, certified by the Mayor and General Manager as meeting all applicable requirements.
> - The community has been made aware of proposed rate increases and associated expenditures contained in the Delivery Program.

- The case for a special rate variation (SRV) has been endorsed by the council’s auditor as being soundly based and warranted to ensure long term sustainability.
- Council has lodged its documentation with IPART.

In addition, the Local Government Act (Act) and/or Regulation be amended:

- to require IPART to publish and justify an annual Local Government Cost Index.
- to provide that increased revenues flowing from all legitimate SRV's are embedded permanently in a council’s rating base.
- to exempt from rate-pegging Special Rates levied on a defined group of ratepayers in order to undertake specific projects that are of particular benefit to those ratepayers and have been shown to enjoy majority support amongst those affected.
- to give councils the right to collect revenue in excess of the rate-pegging limit that results from new ‘greenfields’ development, converted Crown Land, additional multi-unit residential development and any increased residential values flowing from the introduction of CIV for multi-unit dwellings.
- to remove the need to seek approval for small amounts of revenue above the rate-pegging limit collected as a result of inaccurate estimates or calculation errors (amounts less than, say, the equivalent of 0.1% of total rate revenues).
- to ensure that domestic waste management charges are set on a proper cost-recovery basis.
- to empower the Minister – through IPART – to conduct random audits to ensure that councils' documentation and implementation of these arrangements meets all relevant requirements.

Where an audit shows that a council has failed to meet the new criteria for Delivery Programs and/or Special Rate Variations, the current rate-pegging arrangements would be re-applied."

8 What changes could be made to the rating system to better encourage urban renewal?

NCC currently utilises Section 495 extensively to levy special rates for special purpose works and services that provide specific benefits to a variety of discrete areas within our LGA. These services currently relate to additional cleaning, promotion and minor infrastructure within each special benefit area.

However Section 495 also provides an opportunity, on a larger scale, to fund urban renewal initiatives through special rates. Importantly the fact that any income raised through the use of Section 495 is included in councils' general income is an impediment to the use of special rates and thereby does not allow the rating system to better encourage urban renewal. With this in mind, NCC supports the removal of special rate income within the definition of "general income" as contained with Section 505. This would more equitably allow a council to raise funds for purposes (such as urban renewal) which benefit only a section of the community without restricting a council's ability to meet costs for general works and services which provide benefit to the majority of ratepayers.

NCC also supports the use of Value Capture methodology for the delivery of urban renewal and new infrastructure and supports any changes to the Act that may be required to enable councils to more effectively and efficiently utilise such methodology. The Future Cities Exchange Report: Funding Australia's Future City Exchange on Local Funding and Financing Mechanisms and AECOM's report on Value Capture are attached for further reference.

9 What changes could be made to the rating system to improve councils' management of overdue rates?

This should be a matter for individual councils to determine.

IPART have suggested that councils consider adopting more flexible payment options, such as those used by water and energy utilities. Most councils already allow payment of rates via quarterly installments. It should also be noted that the nature of the services provided by councils differ from those provided by other utilities and unlike other utilities such as Electricity and Water, councils cannot stop supply of a service if rates and charges remain unpaid.

NCC makes use of the debt recovery powers under the Civil Procedure Act 2005 (NSW) only when all other attempts have been exhausted. IPART notes that over 80% of claims pursued by councils through the courts are below $2,000. However that threshold amount is over 1.5 times Council's average residential rate and is equivalent to approximately six quarterly instalments. Non-payment of rates, if not appropriately managed, can have a significant impact on a council's cashflow.

Assessing Exemptions, Concessions and Rebates

10 Are the land uses currently exempt from paying council rates appropriate? If a current exemption should be changed, how should it be changed? For example, should it be removed or more narrowly defined, should the level of government responsible for providing the exemption be changed, or should councils be given discretion over the level of exemption?

IPART notes that exemptions are a subsidy to the exempt land use funded by local ratepayers. IPART also notes that local councils do not have discretion on the granting or level of exemptions for land use types listed under sections 555 and 556 of the Act.

Rate exemptions are subisdised by local ratepayers and NCC believes that the current exemption provisions are overly generous. NCC currently provides exemptions to the value of approximately $5million pa. Both the Deloitte

Access Economics Exemptions Review paper of 2013 and the 2013 ILGRP report into revitalising local government agree that reform is needed to ensure a more equitable imposition of rates.

IPART suggest several alternatives to the current rate including:

- Removing the exemption for some land use categories.
- Narrowing the exemptions.
- Providing councils with discretion over the level of exemption.
- Replace some exemptions with rebates.

While NCC broadly supports the intent of the above, NCC supports the following more specific changes:

- Residential occupied land should not be subject to any exemptions.
- Introduction of a system similar to the South Australian system which is based on rebates mandated by legislation for specific types of uses e.g. 100% rebate for Land occupied by a Public Hospital, 75% for non-government schools etc.

11 To what extent should the exemptions from certain state taxes (such as payroll tax) that councils receive be considered in a review of the exemptions for certain categories of ratepayers?

While the full impact of any proposed changes would need to be considered in further detail, NCC is supportive in principle of any changes that that are consistent with the taxation principles as referred to in 1 above and which do not place an undue and inequitable financial burden on ratepayers.

12 What should the objectives of the pensioner concession scheme be? How could the current pensioner concession scheme be improved?

The objective of the pensioner concession scheme should be to provide equitable financial assistance for low income and asset poor ratepayers, indexed annually and fully funded by the NSW State Government, consistent with the funding arrangements in all other states in Australia.

NCC believes that there are two fundamental deficiencies within the current scheme:

(i) The level of mandatory reductions was last adjusted in 1989 where they were increased from $175 to $250 per property. This level remains in place today despite the introduction of the new Act in 1993. This has led to a significant reduction in real terms in the value and benefit of the rebate over the last 27 years.

(ii) Secondly, NSW continues to be the only State where councils are required to fund 45% of the rebate provided. Pensioner rebates in the

Newcastle LGA total approximately $3.1million annually, of which NCC must fund $1.4million.

The current pensioner concession scheme could be improved by indexing the amount of the concession annually in accordance with movements in the CPI. Consistent with the funding arrangements in other states the concession should be 100% funded by the State Government.

NCC also currently offers a rate deferral scheme similar to that offered in South Australia. This allows an eligible pensioner to defer all or part of their annual rates and charges. To date only 60 of the approximately 11,000 eligible ratepayers in the Newcastle LGA have participated in the scheme.

Freezing Existing Rate Paths for Newly Merged Councils

13 We have interpreted the rate path freeze policy to mean that in the four years after a merger, the rating path in each pre-merger council's area will follow the same trajectory as if the merger had not occurred. Do you agree with this interpretation?

NCC agrees with this interpretation. This is qualified by the fact that NCC's general income in the year of the proposed merger will also be adjusted by internal factors such as Supplementary Valuations. It is appropriate that these adjustments also be included when determining the pre -merger rating path.

14 **Within the rate path freeze period, should merged councils be permitted to apply for new special rate variations:**

- **For Crown Land added to the rating base?**
- **To recover amounts that are 'above the cap' on development contributions set under the Environmental Planning and Assessment Act 1979?**
- **To fund new infrastructure projects by levying a special rate?**

IPART have proposed that under the rate path freeze policy, as referenced in 13 above, councils should retain the discretion to apply for new special variations in the three limited circumstances referred to above.

NCC is supportive of IPART's proposal outlined above.

15 Are there any other situations where merged councils should be able to apply for new special rate variations within the rate path freeze period?

NCC suggests that consideration be given to permitting a new special variation in the event that there are extenuating circumstances which give rise to a need for funding a new specific service within the community and the community (ie of the merged council) is supportive of a special rate variation for this specific purpose.

16 During the rate path freeze period, should merged councils only be able to increase base amounts and minimum amounts each year by the rate peg (adjusted for any permitted special rate variations)?

No. Whilst this will generally be the case NCC considers that each council should have the discretion to enable the pre-merger council policy to be exercised i.e. in the case of NCC, the percentage of council's rate income raised from each category of rate is maintained year to year.

17 During the rate path freeze period, should merged councils be able to allocate changes to the rating burden across rating categories by either:

- **relative changes in the total land value of a rating category against other categories within the pre-merger council area, or**
- **the rate peg (adjusted for any permitted special rate variations)?**

NCC believes that IPART's proposal to limit council's discretion to change the rating burden across categories within pre-merger council areas to the two methods suggested above is overly prescriptive.

Councils should have the flexibility to adjust their rating structures within the pre-merger council areas according to their own circumstances, during the four year rate freeze period. This will be the case for example where properties become exempt from rating - in this instance all rate categories, within the relevant pre-merger council area should bear the additional rate burden.

1**8 Do you agree that the rate path freeze policy should act as a 'ceiling', so councils have the discretion to set their rates below this ceiling for any rating category?**

Yes. Councils should have the discretion to apply a lower increase than the peg or pre-approved special rate variation depending on the circumstances of the individual council.

1**9 What other discretions should merged councils be given in setting rates during the rate freeze period?**

IPART have identified that the requirement to equalise rates within a centre of population immediately after the expiry of the four year rate path freeze could expose some residential rate payers to excessive rate increases in the year immediately following.

To alleviate this, consideration could be given to amending the rate freeze policy to provide some discretion to councils to commence rate equalisation during the four year rate freeze period, in situations where an immediate increase after the end of the rate freeze period was deemed to be excessive. This would allow a gradual increase over a number of years rather than a large increase in a single year.

20 We considered several options for implementing the rate path freeze policy.

Our preferred option is providing the Minister for Local Government with a new instrument-making power. What are your views on this option and any other options to implement the rate path freeze policy?

With the three options outlined by IPART, each have different pros and cons. IPART have indicated that option 3 (providing the rate path freeze entirely through amendments to the Local Government Act and Regulation) provides greater certainty than the other two options, but also increases the complexity of the instruments.

NCC believes that option 3 is the most appropriate as it provides the greatest certainty, notwithstanding that it will add some complexity to what are already relatively complex instruments.

Establishing New, Equitable Rates After the Four Year Freeze

21 Should changes be made to the Local Government Act to better enable a merged council to establish a new equitable system of rating and transition to it in a fair and timely manner? If so, should the requirement to set the same residential rate *within a centre of population* be changed or removed?

IPART have identified that the requirement to equalise rates within a centre of population immediately after the expiry of the rate path freeze could expose some residential rate payers to excessive rate increases. IPART have identified the following options to for addressing this issue:

- Removing the rate equalisation requirement from the Act.
- Allowing merged councils to gradually equalise rates after the rate path freeze expires.
- Using other potential changes in the rating system to offset the impact of rate equalization.

NCC is broadly supportive of the options identified above, which provide increased discretion and flexibility to councils to implement a fair and equitable transition to a post-merger environment and provide additional time to adjust service levels across a larger post-merger LGA.

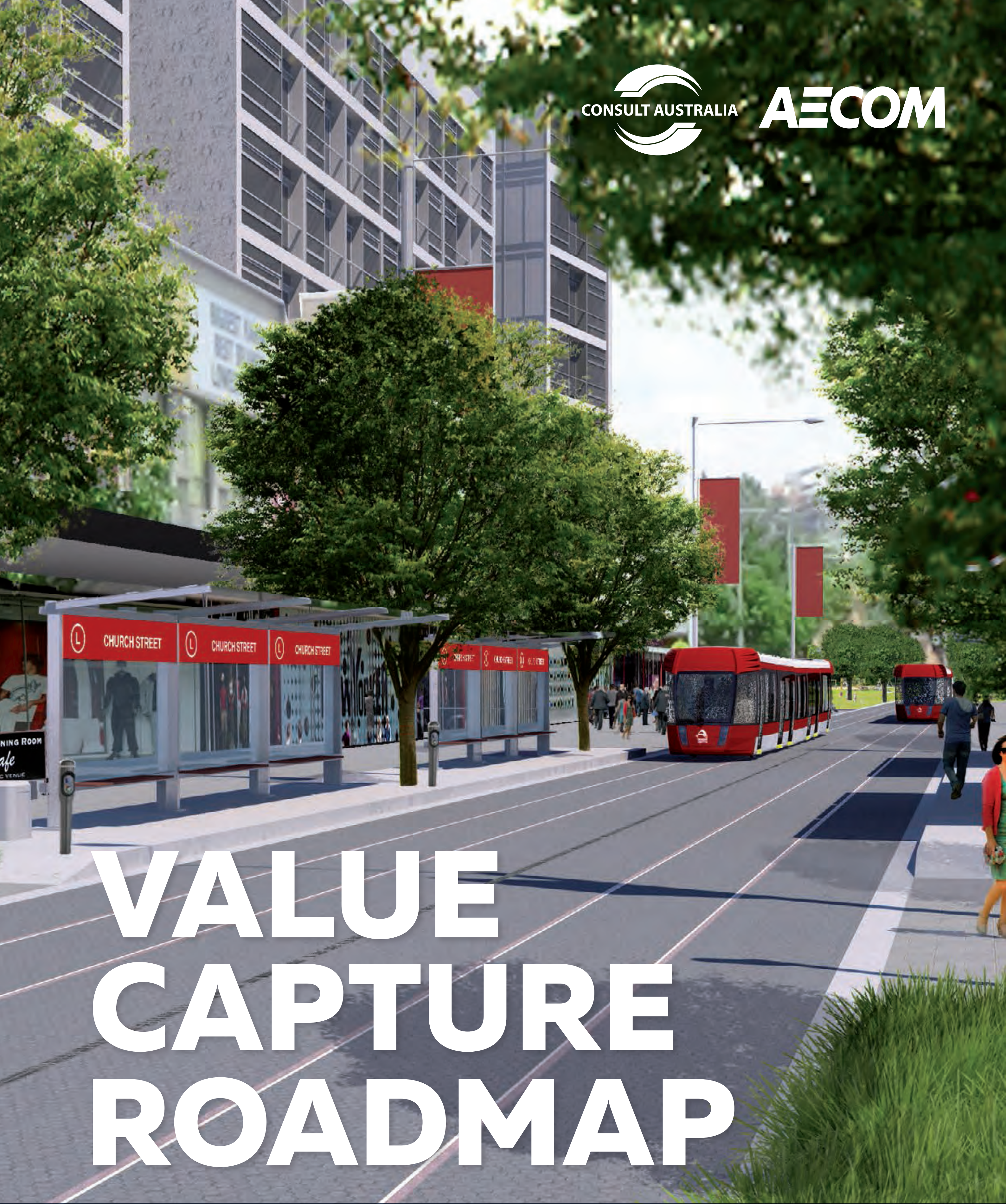
22 Should approved special rate variations for pre-merger councils be included in the revenue base of the merged council following the four year rate path freeze?

IPART suggests that the general income of the merged council, post the four year rate freeze period, should include any additional revenue from special rate variations that have been approved pre-merger.

NCC agrees with this suggestion as future capital works and maintenance programs relating to the pre-merger council area have been predicated on this income remaining in the rate base. There is a community expectation that there will be funding available for these future works to be carried out.

23 What other rating issues might arise for merged councils after the four year rate path freeze period expires?

NCC does not wish to make any further comments at this time.



CONSULT AUSTRALIA AECOM

VALUE CAPTURE ROADMAP

The purpose of this report is to raise awareness and stimulate discussion of value capture as both an alternative infrastructure funding method and a decision-making tool to help fill the infrastructure funding gap in Australian cities.

JUNE 2015

About the author

Joe Langley is a Technical Director, Infrastructure Advisory for AECOM and is based in Sydney, Australia. Over the past 35 years, he has held technical and leadership roles in urban and infrastructure planning and property development firms in Australia and the US. He specialises in strategies and programs that leverage infrastructure investment to achieve broader city-shaping outcomes, including high-quality urban renewal, improved public transport, affordable housing and employment growth. Joe holds a Master of City Planning from the Georgia Institute of Technology and a Bachelor of Arts from the University of Georgia in the United States.

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About AECOM

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CONSULT AUSTRALIA

About Consult Australia

Consult Australia is the industry association that represents the business interests of consulting firms operating in the built and natural environment. Our member firms' services include, but are not limited to: design, architecture, technology, engineering, surveying, legal, management and engagement services. We represent an industry comprising some 48,000 firms across Australia, ranging from sole practitioners through to some of Australia's top 500 firms. Collectively, our industry is estimated to employ over 240,000 people, and generate combined revenue exceeding $40 billion a year.

About this document

Value Capture Roadmap is published by Consult Australia and AECOM. The Roadmap builds on the October 2013 publication, *Capturing Value*, by Consult Australia and Sinclair Knight Merz, which highlights opportunities and challenges to the introduction of value capture funding methods in Australia. This document utilises NSW as a case study to demonstrate the national case for value capture. The views expressed in this publication are the author's and do not necessarily represent the views of AECOM, Consult Australia or Consult Australia's members.

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Introduction

Well-planned and maintained public infrastructure is the foundation of modern society. It supports productive enterprises, enhances quality of life and underpins economic prosperity.

Smart infrastructure investment, however, is challenging. Governments throughout the world struggle to balance their investment in building and maintaining the "right" infrastructure. Investing too much or in the wrong kinds of infrastructure can hinder economic growth for many years by foreclosing more productive investments options. Investing too little or in the wrong places can strangle private sector initiative and result in lost opportunities. These challenges are compounded by rising expectations among the public for more and better quality services, and diminishing funding sources for infrastructure investment, maintenance and renewal.

Like other states, New South Wales (NSW) has limited capacity to invest in new infrastructure, and the opportunities to make step changes in infrastructure investment are rare. The asset recycling program proposed from the sale of the State's electricity assets provides a once in a century opportunity to reinvest those funds in long-life, economically productive infrastructure. Smart infrastructure investment will ensure the people of NSW receive an appropriate rate of return on the asset recycling program.

This report examines the potential use of value capture to contribute to smart infrastructure decision-making and investment. Although the report draws heavily from experiences in NSW, the examples, key findings and recommendations are relevant throughout Australia and internationally.

Value capture supports smart decision-making by focusing on ***self-supporting*** and ***synergistic*** infrastructure investment.

- Infrastructure can be ***self-supporting*** by incorporating methods that capture some portion of the value it creates to help fund the investment.
- Infrastructure investment can be ***synergistic*** by targeting and attracting other complementary public and private sector investments, thereby generating wider benefits to stakeholders and the surrounding community.

Purpose and focus of this report

The purpose of this report is to raise awareness and stimulate discussion of value capture as both an alternative infrastructure funding method and a decision-making tool to help fill the infrastructure funding gap in Australian cities. The report contributes to the need for a broader civic dialogue and deeper understanding about managing and sustaining urban growth.

The audience for this report is elected officials, government agencies, policy-makers, industry associations, the business community and the general public - in short, all those who contribute to the costs of - and enjoy the benefit from - modern, well-planned infrastructure.

This focus of this report is on urban transport infrastructure and its role in supporting smart urban development. When carefully integrated with land use planning, transport infrastructure has the potential to leverage the public's infrastructure investment to achieve other complementary benefits. Some of the benefits of integrated transport – land use planning – include:

- Reduced traffic congestion and more travel options
- Increased housing options created by new residential development
- Lower housing construction costs and a greater supply of housing
- Improved public transport services and reduced journey-to-work times
- Increased jobs opportunities for employees and a larger pool of workers for companies
- More compact urban form and improved urban amenity
- More efficient use of existing urban land and public infrastructure.

Organisation of this report

- Chapter 2 – ***What is value capture?*** – provides an overview of this funding method. It describes how value capture is used as a funding method and as an aide in decision-making for urban renewal and infrastructure investment. It gives an indication of value capture's potential contribution to these investments and the types of revenue sources used in successful programs.
- Chapter 3 – ***Why we must consider value capture now*** – examines global, state and metropolitan trends and conditions that should compel Commonwealth, state and local government agencies to consider this funding method. International examples are used to highlight key issues.
- Chapter 4 – ***Key success factors*** – describes a number of key success factors and guiding principles for value capture programs.
- Chapter 5 – ***Value capture road map*** – proposes that Commonwealth and state governments undertake practical research into value capture methods, and proposes key elements of a pilot program for this purpose.
- Chapter 6 - ***Key findings and recommendations*** – summarises key conclusions and recommendations for progressing value capture as a funding method for transport infrastructure and urban renewal in Australia.

What is value capture?

Considerable confusion exists in Australia concerning value capture. Although value capture has been widely used in North America since the 1960s and is expanding as a funding method in the UK and other countries, it is not well understood or practiced in Australia. This is partially due to differences in how state and local jurisdictions operate and have evolved over time, as well as differing relationships between local, state and national tiers of government between countries. There remain significant opportunities for federal and state treasuries to progress further funding and financing reforms and innovations, such as those recommended by the Productivity Commission, Infrastructure Australia and business associations.

Evidence from around the world demonstrates that well-conceived infrastructure investment creates new economic activity, some of which can be captured and returned to the public. Led by a number of research and public interest organisations, value capture programs are being introduced in both developed and developing countries to address infrastructure and urban renewal challenges. For example, the Lincoln Institute of Land Policy's 2015 conference is taking place in Brazil and will feature presentations on urban renewal and value capture from Chile, Panama and Brazil. The Washington DC based Urban Land Institute has published a guide to this funding model for its European members.

An Australian value capture program would need to respond to Commonwealth, state and local procurement, taxation, land use, town planning and other relevant policies and legislation. However, there are many drivers to support the adaption of this funding method to Australian conditions, not least that it presents the potential to provide a significant source of funds for infrastructure. The section provides an explanation of the key characteristics and objectives of value capture programs drawn from international examples and research.

Background

It is now widely accepted that investment in well-conceived transport infrastructure generates economic benefits that exceed costs. A recent study by the Australian Bureau of Infrastructure, Transport and Regional Economics (BITRE) estimated that public's investment in 128 road and rail projects in Australia returned $2.65 for every $1 invested and had a present value of net benefits of $62 billion[i]. In the UK, London's Crossrail project – an eight station, 21km addition to the metropolitan area's underground commuter rail network currently under construction – is expected to generate a benefit - cost ratio (BCR) of between 3.05:1 and 4.91:1 as a result of its impact on:

- Sustainable economic development and population growth by increasing transport capacity and reducing congestion on the transport network
- Improved transport connectivity through journey time savings
- Enhanced accessibility (including those with restricted mobility) thereby improving people's access to jobs, schools and other facilities
- Improved transport safety with reduced road accidents
- Environmental improvements, including a reduction in CO_2 emissions[ii] from cars.

Working with UK transport agencies and local businesses, the City of London introduced innovative funding methods to capture these benefits to help pay for the project, including direct contributions to capital costs and a Business Rate Supplement (BRS). The BRS collects 2% of the value of non-domestic properties in London having a rateable value of over $102,950. These funds will be collected over 30 years and used to finance $7.6 billion (26%) of the $29.6 billion project.

Unlike in London and other global cities, Australian transport agencies have not adopted value capture appraisal procedures or funding mechanisms. Funding sources for infrastructure projects in NSW are typically funded from Commonwealth grants, state taxes, council rates, user charges and development levies. These sources have several shortcomings:

- Commonwealth grants, state taxes and council rates apply to all taxpayers within a given jurisdiction, so there is no nexus between the investment and its beneficiaries.
- User charges and fare-box revenues are generally insufficient to cover the large capital costs of long life infrastructure assets, such as light rail projects.
- Development levies are generally paid by developers as a lump sum, up-front payment, thereby increasing housing costs, reducing affordability and diminishing intergenerational equity.
- Investments in transport infrastructure and urban renewal are long term propositions, require large upfront costs, and may take years or even decades to fully amortise and recoup the initial investments.
- None of these methods target the indirect benefits of infrastructure projects.

The indirect benefits of infrastructure projects, referred to as "positive externalities" by economists, include increased tax revenues received by public agencies and financial windfalls received by property owners and businesses located near a transport project. For example, recent improvements to Sydney's suburban rail network around Epping station nearly tripled the value of nearby single dwelling properties from an average of $1.2 million to over $3 million each[iii].

Studies of the Mandurah Line expansion in Perth found that increased property values and tax revenues from similar commuter rail projects there were also substantial. In that study, increased tax revenues over 30 years resulting from the Mandurah Line amounted to 42% of the project's capital costs. If land use planning had been fully integrated with the expansion, tax revenues would have exceeded 60% of the capital costs of the project[iv].

While the financial windfalls from these examples were the direct result of the public's investment in transport infrastructure, no equitable mechanism exists in NSW, Western Australia or any Australian state or territory to capture indirect benefits to help pay for the infrastructure or related costs associated with the improvements. Rather than obtaining a financial benefit from its infrastructure investments, the Australian public is in effect paying an inflated price for land around transport infrastructure as a result of its investment, and the uplift in value solely benefits nearby property owners. This inflated cost is then passed on in the form of higher taxes, high housing costs and higher public transport fares. This is occurring throughout Australia despite an increasing gap in infrastructure funding.

Value capture as a funding method

Value capture funding methods identify and collect an equitable portion of the value released through new zoning and other public improvements so the communities that create this value share in the wealth it generates. There are a number of proven approaches that help reach the goal of sharing outcomes equitably with the public, investors and developers. The funds thus collected are deposited into dedicated accounts for a set time period and are used to contribute to both the cost of projects and to other public improvements to the civic realm.

Value capture is not a new tax. It allocates the uplift in benefits from public investments in ways that do not affect current or future tax rates. The "beneficiaries pay" principle lies at the heart of successful value capture programs. Importantly, these programs capture revenues that would not otherwise exist without the public investment, and can permanently increase the levels of revenue to the taxing authorities[v].

Figure 1 illustrates how tax revenues increase over time as well-planned capital investments are developed within a value capture precinct. As capital investments are made within the precinct, tax revenues increase above Base Year revenues as existing businesses expand and new businesses and residents are attracted into the precinct. The increases in revenue above the Base Year are collected for a set time period, say 20 – 25 years, and used to repay loans or infrastructure bonds which pay upfront for site improvements and infrastructure. At the end of the program, the full tax revenue stream is returned to the taxing authorities.

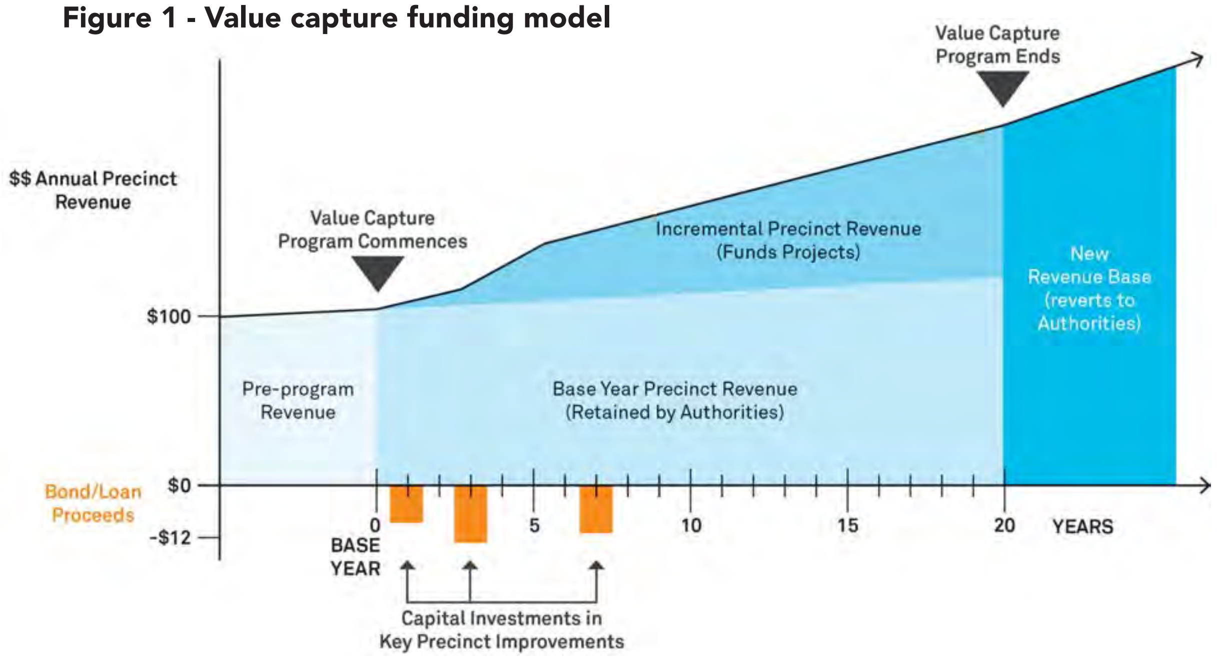
The New Revenue Base shown in Figure 1 combines Base Year Precinct Revenue plus Incremental Precinct Revenue generated by the infrastructure. The Incremental Revenue is directly attributable to the infrastructure it funds, and would not have been generated or collected without the infrastructure investment combined with a value capture program.

In addition to being used for transport infrastructure investments, value capture revenues have been used to pay for a variety of costs associated with unlocking the development potential of urban renewal sites, including:

- Environmental remediation of contaminated sites
- Property acquisition and site consolidation
- Demolition and site preparation
- Rehabilitation and renovation of historic structures
- Construction of new or improvements to existing civil infrastructure

Although new revenues from a public investment might extend beyond its immediate location, such as the wider community benefits of light rail or road improvements, value capture programs are carefully limited to high impact locations. This simplifies the process of identifying beneficiaries and equitably capturing project-related revenues. Spreading taxable activities over too wide an area reduces the overall efficiency and effectiveness of the program.

Figure 1 - Value capture funding model



Value capture as a decision-making tool

Value capture has evolved to become both a funding mechanism and a decision-making tool for public infrastructure. As a decision-making tool, the key objectives of value capture programs are to:

- Maximise property value uplift within a designated improvement precinct and,
- Contribute to an investment strategy that attracts complementary public and private sector investment.

Value capture programs contribute to public infrastructure decision-making by promoting "smart growth" principles. "Smart growth means managing urban development patterns and transportation networks to minimise environmental impacts and maximise the social and economic health to the community while making prudent use of capital and operating expenditures"[iv]. Smart growth principles include:

- Stemming the spread of urban areas
- Concentrating growth in already urbanised areas
- Making better use of existing infrastructure
- Revitalising central business districts
- Enhancing transit facilities
- Shifting the emphasis to green buildings and energy sources, and
- Creating affordable, walkable and bike-able neighbourhoods.

Smart growth increases land value, the major source of the incremental tax revenue growth illustrated in Figure 2 by:

- Recognising the value creation potential of integrated transport and land use planning; and
- Driving changes in land use and transport within a defined improvement precinct to leverage the public's infrastructure investment.

Numerous studies demonstrate[vii] that well-planned urban renewal programs which integrate land use and transport infrastructure produce significant increases in land values. A 2006 study of 89 value capture districts spread across 67 municipalities in the Chicago metropolitan area found that mean annualised property values in these districts increased by 35 per cent between 1983 and 1993, compared with a six per cent increase in overall municipal property values[viii]. Industrial and CBD districts experienced the highest median increases, growing by 32 and 26 per cent, respectively.

These increases are caused by improved access to jobs and housing, more efficient and productive uses of land and infrastructure, and the ability of employers and employees to specialise in order to produce high value services and products. In essence, urban renewal programs not only revitalise our cities but also enhance public tax revenue over the long term.

Value capture's potential contribution to capital costs

International experience demonstrates that well planned public transport can increase land market values by up to 50%[ix]. The extent of value uplift varies depending upon the nature of the infrastructure, the distance of property from the infrastructure, accessibility and urban design amenities, and numerous other factors. Value capture programs hypothecate a portion of this land value increase to help pay for the infrastructure.

The contribution that value capture programs can make to a project's capital cost as a result of value uplift varies, depending upon the nature of the project, the value capture methods used and their complexity. For example:

- A study by KPMG for the Sunshine Coast light rail project indicated that a "well designed and articulated value capture strategy" could contribute in the order of 10% to 20% of that project's $1.8 billion cost.
- The Denver Union Station redevelopment project in the US State of Colorado, which serves as the transport hub for Denver's light rail network, captured $135 million of its $446 million cost through value capture[x], or roughly 30% of the project's capital cost.
- Hong Kong's MTR (Mass Transit Rail) transit system is fully funded by property development gains. In this example, MTR acquires land for stations at values based on a no-rail scenario and improves the land with infrastructure, including transit stations. Development sites around the station are then leased at higher values with the infrastructure in place[xi].
- In Paris, the metro system is undergoing a major 200km extension costing €30 billion. The vast majority of funding will be from a regional tax on commercial buildings allocated directly to the project.

Clearly, value capture's potential contribution has a wide range. Using a fully integrated transport operating and property development model in a densely developed urban environment, Hong Kong's public transport system pays for itself. Given international experience in less densely developed cities in North America and Europe, it is reasonable to assume that a well-conceived and managed value capture program in Australia could contribute between 10% and 30% of directly related infrastructure costs within a defined improvement district. The actual contribution could be higher or lower, depending upon a number of key success factors which are considered in later sections.

Revenue sources

A wide variety of value capture methods exist to help pay for infrastructure and urban renewal. These programs originated in California in the 1960's as a means of revitalising blighted commercial centres. Traditional value capture programs:

- Establish a clear nexus between the beneficiaries of the investment and the charges applied to those beneficiaries.
- Hypothecate only the *increase or some portion of the increase* in property values and public revenues attributable to public investments, and are therefore cost-neutral to property owners because increases in taxes paid are offset by a corresponding increase in property values.
- Pay for only predetermined urban renewal projects and programs for a fixed time period, usually 20 to 30 years, thereby allowing their return on investment to reach full maturity.
- Provide investments that would not have been made but for a clearly documented public need, such as urban blight.

After over 40 years of use in the US and other countries, value capture methods have expanded and evolved to include methods that do not always adhere to the objectives and characteristics in the original legislation. For example, legislation in Queensland refers to some forms of additional property taxes used to fund infrastructure as "value capture", when in fact they are simply additional taxes and have no stated or implied nexus to value. The Gold Coast light rail transport levy, a $111 annual charge against all ratepayers, is an example. This distinction is important because infrastructure funding methods tend to be regressive unless:

- They capture additional value over and above a "without investment" scenario; that is, they are based upon a net increase in surrounding property value or tax revenues created by the infrastructure, and
- They hypothecate only the resulting increase in tax revenues to fund the infrastructure, not the underlying pre-investment tax revenue.

Funds come from a variety of sources in overseas value capture programs. The following list describes common funding sources, some of which are currently in use in traditional Federal, NSW and local government funding programs. Not all of these sources would be appropriate or supported in a NSW value capture program, but are listed for completeness:

1. Retail sales taxes (GST)

Modest increases or partitioning of retail sales taxes, similar to GST, are frequently used in overseas value capture programs at the local government level for a variety of public purposes, including for light rail projects and general revenue. These often require voter approval via a public referendum. In NSW, the equivalent of retail sales tax is the GST, which is administered at the national level in Australia and is redistributed to the states and territories.

2. Transfer (stamp) duties[xiii]

Stamp duty is applied to all property transfers and some other transactions in NSW. In 2014-15, stamp duty is expected to generate $7.2 billion (31%) of NSW tax revenue. Changes in legislation would be required to use this source in a value capture program.

3. Payroll taxes

In NSW, companies with payrolls exceeding $750,000 per annum incur payroll taxes. The current payroll tax rate is 5.45% above this level. Payroll tax is expected to generate $7.8 billion (30%) of NSW tax revenue in 2014-15.

4. Property taxes

Property taxes are the most commonly used source of value capture programs in North America and are typically based upon the combined value of land and improvements on a given parcel of land. In NSW, land tax does not apply to a principal place of residence. In some jurisdictions, including NSW, unimproved land value only is used in calculating land tax. Land tax is expected to contribute $2.7 billion (10%) of the State's tax revenue in 2014-15. Legislative changes would necessarily be required to use land tax as a value capture mechanism.

5. Council rates

In NSW, council rates generally apply uniformly throughout a local government area (LGA), as opposed to a specific benefitted area within the LGA, which is a characteristic of value capture programs overseas. Council rates are set and strictly controlled by the NSW Government based on the cost of administering the LGA. Local councils have little control over this revenue source as annual rate increases are capped and any increase in rates requires state government approval. Council rates are therefore not well suited to value capture methods without the approval of NSW Government and changes to current legislation.

6. Section 94 development contributions

Councils in NSW have the ability to levy developers for contributions towards local infrastructure under Section 94 or Section 94A of the Environmental and Planning Assessment Act (EP&A)[xiv]. Section 94 contributions 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.

7. Voluntary Planning Agreements

Voluntary Planning Agreements (VPAs) may be accepted as an alternative to development contributions. A VPA is an agreement entered into by council and a developer during council's consideration of a rezoning application (planning proposal) or development application. VPAs can either be in lieu of or in addition to a development contribution payment. This is negotiated as part of the VPA[xv].

Gold Coast light rail Stage one, photo courtesy of the GoldLinQ consortium

8. Special rates

The NSW Local Government Act permits local councils to apply special rates in certain circumstances, such as to extend water supply networks and drainage systems. Using this Act for value capture purposes would require minor changes to the current legislation.

9. Sale of bonus gross floor area (GFA)

Some local government councils in NSW enter into Voluntary Planning Agreements (VPA) under which additional development rights above existing zoning are sold to developers and the proceeds used to fund community infrastructure. The sale of GFA is a common funding mechanism overseas and is a logical source of additional infrastructure funds where transport and other infrastructure capacities exist to support the additional demand for services. However, there are examples in NSW where state and local authorities have lifted development rights without the additional services capacity being available, leaving infrastructure providers with no means of augmenting services to meet the increase in demand. The most evident result of the mismatch between approved development and lack of infrastructure capacity is traffic congestion.

10. Sale and / or lease of air rights

Government agencies frequently sell or lease air rights above publicly-owned land, such as for development over road reservations and railway corridors. The St Leonards railway station on Sydney's north shore is a good example of air rights development. This method is widely used in Hong Kong, Japan, the US, France and the UK to fund metropolitan transport systems but is not used for this purpose in NSW.

11. Sale or lease of surplus development sites

The sale or lease of surplus public land has been frequently recommended as a source of revenue for infrastructure and desirable policy reform by the Productivity Commission, Infrastructure Australia and the NSW Parliament. UrbanGrowth NSW is pursuing this option in a number of instances. However, Government agencies and community groups often resist the sale of government assets, delaying or preventing projects from proceeding.

12. Parking levies

Parking levies are used by North Sydney Council and City of Sydney Council as a revenue source and as means of controlling congestion. In Perth, parking levies are used to fund free public transport in the city centre.

13. Hotel taxes

Some city and state governments in North American impose hotel occupancy taxes that are hypothecated to value capture funds. These examples are common in large cities that have significant convention and tourists trades, but are not used in NSW.

14. Capital Gains Tax (CGT)

Under current provisions, owner-occupiers of residential properties do not pay CGT upon the sale of their properties. A proposal has been put forward at the Federal level to introduce CGT on owner-occupied properties experiencing a sharp increase in value as a result of a public infrastructure investment. The CGT would only apply to "super" profits from property sales attributed to the public infrastructure investment.

Under this scheme, owner-occupiers would be entitled to the CGT-free, Base Case market value proceeds from the sale and / or compulsory acquisition of their homes; this is, the value as determined prior to the infrastructure's influence on property values. Proceeds above the Base Case market value, the "super" profit, would be split between the owner-occupier and the infrastructure funding agency. This would allow a portion of the value created by the public infrastructure investment to be used to fund it.

15. Property development

State and local government land holdings frequently include surplus or under-utilised land that can be either sold or developed to provide a source of revenue, and can be incorporated into an infrastructure or urban renewal project. For example, a 2013 inquiry into rail corridors by the NSW Legislative Assembly directed the state Treasury to implement value capture mechanisms to generate funding for infrastructure projects[xvi].

Evaluating funding options

When considering value capture methods that would be appropriate for NSW, a number of factors need to be considered. Table 1 provides a list of criteria and measures which could form part of a value capture evaluation framework.

Table 1 Value capture evaluation framework

Category	Criteria	Measures
Equity and efficiency	Economic Development	Achieves targeted economic development objectives Attracts significant levels of complimentary investments Promotes productivity, job creation and housing affordability
	Efficiency	Ease and expense of administration Existing systems equipped to implement without significant cost
	Effectiveness	Ratio of revenue captured versus cost of administration.
	Equity	Clear, direct nexus between beneficiaries and charges
Revenue character	Net revenue generated vs administrative costs	Probability of significant positive return on investment
	Certainty of revenue streams	Confidence that revenues will meet or exceed forecasts
	Reliability of revenue streams	Stability and predictability of revenue
Acceptability	Public acceptance	Stakeholders support
	Council acceptance	Councillors' support
	State agency support	State agency support
	Treasury support	Treasury support
Revenue Quantum	Contribution to the value capture program	Potential level of funding generated

In addition to applying rigorous evaluation criteria, successful value capture programs employ detailed financial modelling of revenue sources under various scenarios to forecast future revenues with and without the infrastructure investment. Figure 3 provides an example of output from a value capture financial model from the east coast High Speed Rail (HSR) feasibility study undertaken by AECOM for the Department of Infrastructure and Regional Development.

The model estimated the potential revenue generated from an urban renewal program undertaken around Sydney' Central Station without (Base case) and with an HSR station.

Figure 2 illustrates the potential impact on public revenues of an urban renewal program integrated with an HSR station around Central Station. Columns above the Base case are estimates of incremental revenue generated within a transport improvement district from increased residential and commercial density and economic activity made possible by the HSR station. The HSR value capture study concluded that under an integrated urban renewal program, revenues under a medium growth rate scenario would increase by $6.3 billion over 30 years, as detailed in Table 2.

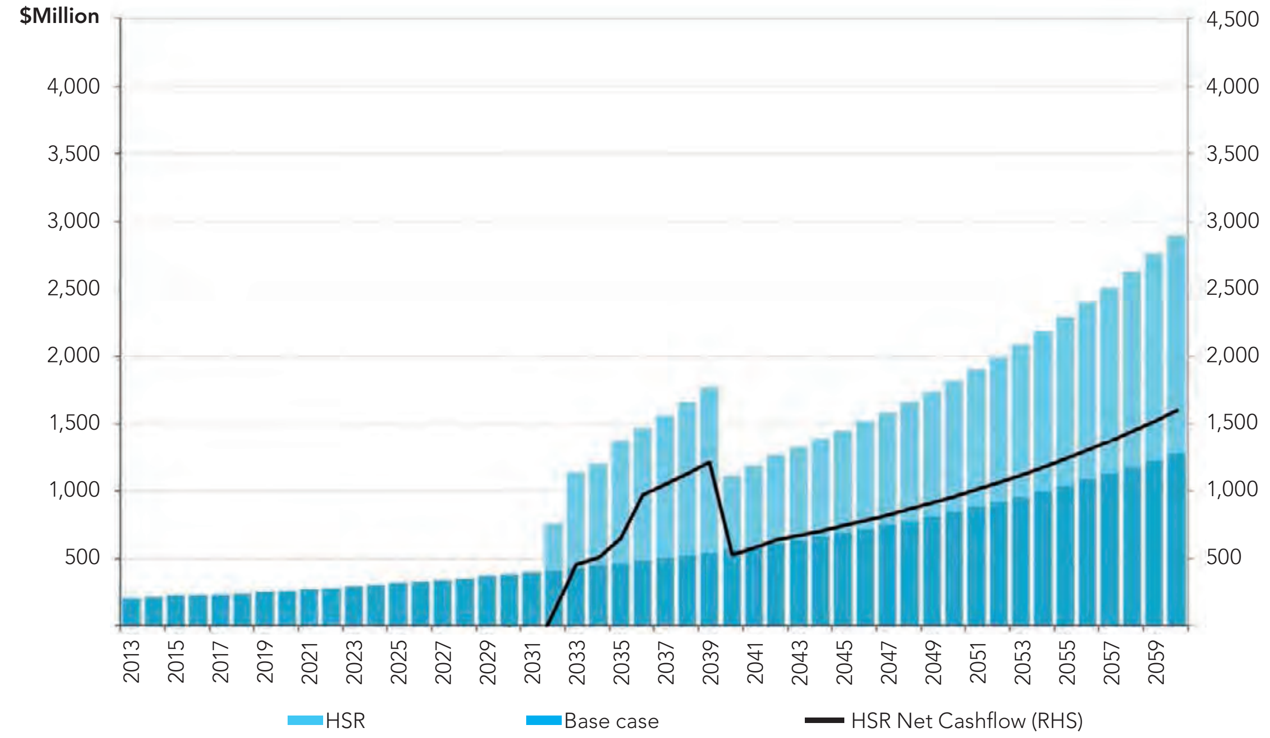
Table 2 Sydney Central Station - value capture revenue streams

Potential revenue streams	Present value ($2012, billion)
Stamp duty	$1.49
Land tax	$.18
Parking levy	$0.24
Special rate	$1.29
Government asset sales	$2.11
Bonus floor space sale	$1.29

Source: Department of Infrastructure and Regional Development, *High Speed Rail Phase 2 Feasibility Study*, 2013

In undertaking value capture financial modelling, conservative treatment of future cash flows is used to account for the peaks and troughs in revenue and multiple revenue sources are combined to spread funding and financing risks. This explains the very low failure rate of US municipal bonds, which had a 10 year cumulative default rate of 0.04% between 1970 and 2000[xvii]. Municipal bonds are the primary source of financing for local government infrastructure in the US. Although Australia does not currently have a municipal bond market, it could adopt similar underwriting standards to back worthy infrastructure financing programs to achieve similar results in NSW and other jurisdictions.

Figure 2 High Speed Rail value capture revenue projection, medium scenario



Source: Department of Infrastructure and Regional Development, *High Speed Rail 2 Feasibility Study*, 2013

Why we must consider value capture now

There are a number of compelling reasons why value capture funding methods should be considered now. Fundamental changes are occurring in the global economy that will influence the Australian economy and society well into the future. The daily evidence of these changes can be seen around us, but we remain as complacent as a frog in a slowly heating saucepan. In order to grasp the magnitude of changes that are occurring and begin to undertake the significant reforms required to deal with those changes, we need to act now or be willing to accept a steadily diminishing quality of life for future generations.

Australia's future economic well-being will be heavily influenced by three factors;

- Economic alignment with global growth sectors
- The productivity of our cities
- Demographic changes affecting our workforce.

These factors will have an increasing impact on state budgets, the shapes of our cities and our ability to compete successfully with our international trading partners. Infrastructure will play an important role in meeting these challenges. As competition for limited budgets increases, it is important for public agencies to consider how additional funding can be equitably generated from infrastructure to meet the public's expectations for improvements in service quality. This section examines these issues.

Advocates of value capture

The potential of value capture methods to contribute funds for infrastructure is widely acknowledged but rarely practiced in Australia. NSW Premier Mike Baird spoke to the possibilities of value capture methods while serving as shadow treasurer[xviii], and Federal MP Malcolm Turnbull flagged the benefits of their use to fund public transport in order to achieve social equity goals[xix].

The Infrastructure Finance Working Group (IFWG), an expert advisory panel established to provide advice to Infrastructure Australia, has urged government agencies to tap into the value created by infrastructure. In its 2012 report, IFWG said;

"Critical to successfully tackling the infrastructure deficit is for all stakeholders to recognise that productive infrastructure is an investment, not a cost. It will contribute to wealth generation and a consequent improvement in our quality of life.

Conversely, a failure to make timely investment in infrastructure will reduce our productivity, reduce our global competitiveness, and lead to a reduction in living standards"[xx].

Value capture programs such as Tax Increment Financing (TIF) have been directly and indirectly proposed as potential new funding sources in Australia by international organisations, Commonwealth and state government agencies, professional associations, the property development industry and urban planners. Examples include:

- The Business Council of Australia (BCA): "Value-capture initiatives should also be expanded so that wider beneficiaries of a project, such as local landholders and businesses, also make a contribution. The federal government could look to reprioritise the federal budget to spend more on infrastructure out of recurrent expenditure. Use dedicated infrastructure funds to ensure money goes to projects that have proper assessment behind them[xxi].
- PwC: "The scope of TIF could be extended to transport and economic infrastructure projects procured at State level. Railway and road extensions (similar to the Northern Line extension in London) could be financed through TIF".

"The success of this application lies in creating an effective link between the cost of infrastructure provision and those who benefit from it. Social equity issues tend to be addressed where this link is legitimate"[xxii].

- Productivity Commission; "The…discussion of user charges and value capture options indicates that there is merit in requiring governments to utilise opportunities for users and other beneficiaries to fund a project before resorting to government funding…It is recommended that this be part of a package of best practice arrangements that governments adhere to for the provision of public infrastructure"[xxiii].

Despite these recommendations and endorsements, Commonwealth, state and territory governments continue to resist efforts to introduce new funding strategies in Australia. As a result, government at all levels may be grossly underestimating the benefits that could be generated by infrastructure investments and missing an important supplement to traditional funding sources.

Global context

The global economy has grown significantly over the past decade, with output more than doubling from US$30 trillion to US$74 trillion between 2000 and 2013. Growth in Australia's Gross Domestic Product (GDP) has generally been above three per cent per annum since 1993, except during the Global Financial Crisis, when it dipped to 1.5 per cent[xxiv].

In the near term, the major world economies, excluding China, are projected to return to a 3.6 per cent average GDP growth rate by 2014-15. Beyond 2019, global economic growth is expected to taper off to around three per cent per annum. China's GDP is expected to stabilise from a high of 13 per cent to around seven per cent, before steadily declining to around six per cent by 2031[xxv].

Significant shifts in global markets will affect Australia's economy in the future. Past domestic growth has been driven by numerous large-scale resource projects, particularly those supplying raw materials and energy to China. As China's economic growth has declined, new suppliers from South American and Africa have entered the global resources market. This means that global resource suppliers, including Australia, will be competing for a diminishing demand for raw materials. Australia's growth in the future is therefore expected to be less influenced by China's energy and resource needs, and relatively more affected by wider global economic trends.

The Australian economy is projected to grow at around three per cent per annum over the next two decades. If Australia is going to achieve or exceed this rate of growth, it will need to become more productive, exploit its natural advantages and continue to transition away from sectors where it no longer holds a competitive advantage.

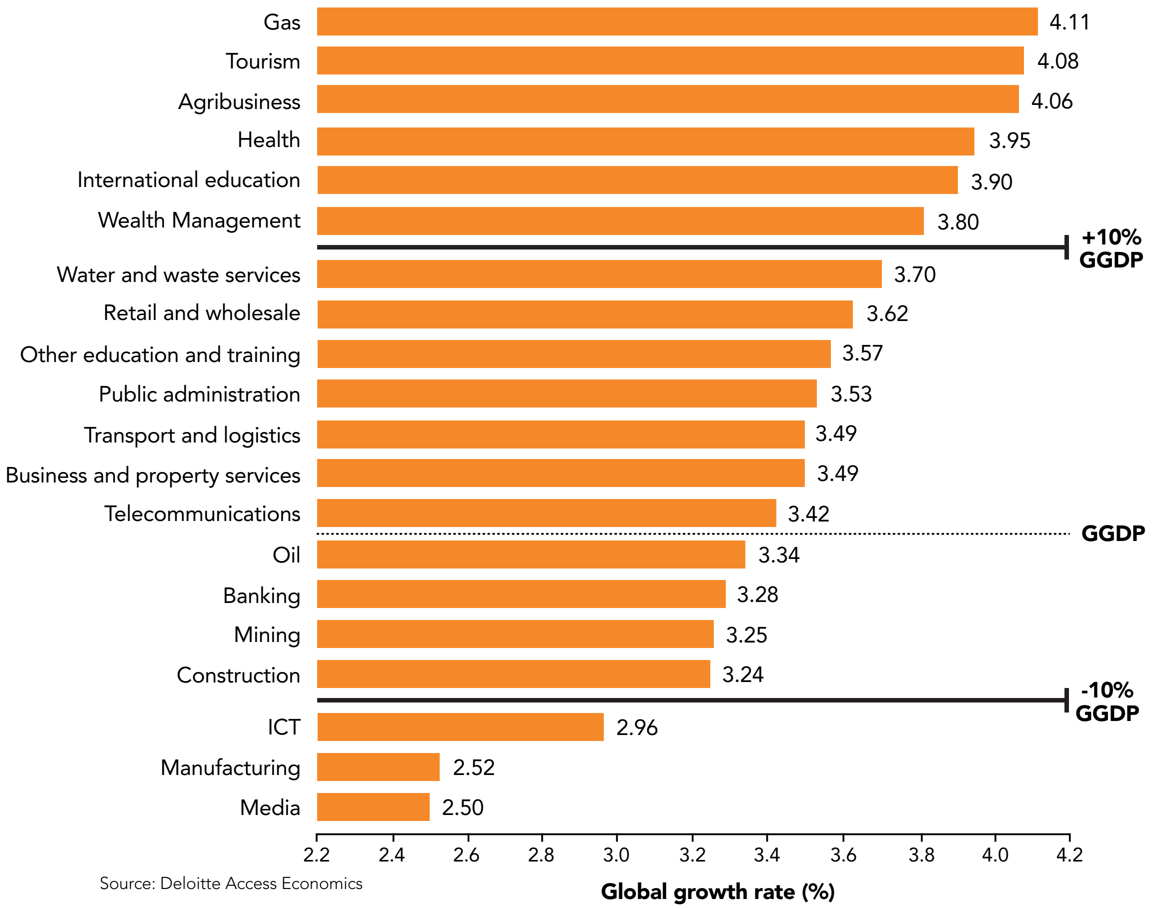
A recent study by Deloitte Access Economics[xxvi] highlighted five advantages Australia's has when compared with its trading partners:

- World-class resources in land, minerals and energy
- Proximity to the world's fastest growing markets in Asia
- Use of English, the world's business language
- A temperate climate
- Well-understood tax and regulatory regimes.

Based on the forecast growth in global gross domestic product (GGDP), the study identified the following industry sectors offering Australia the most promise in the future:

- Gas
- Tourism
- Agriculture
- Health
- International education
- Wealth management

Figure 3 Global GDP Growth Rate 2013-2033



Source: Deloitte Access Economics

As shown in Figure 3, these sectors are expected to grow by over 10 per cent globally in the future. Four of the top six growth sectors – tourism, health, international education, and wealth management – are sectors where Australia currently holds a competitive advantage over some Asian competitors. However, this advantage is slipping as countries throughout east Asia transition from "developing" to "developed" economies, and their social and economic infrastructure begins to compete with slower growing developed countries, including Australia, Japan, the US, the UK, and the EU. In contrast, mining and manufacturing, Australia's traditional sources of growth, are expected to grow by less than four percent.

These trends require Australia to realign infrastructure investment at the intersection of our natural advantages and future global growth sectors[xxiv]. Improvements in international freight, internet bandwidth and manufacturing technology will enable lower cost overseas providers to compete directly with local suppliers for high value products and services. An unproductive investment in one location will negatively affect our ability to make productive investments elsewhere. As explained below, urban centres generate 80 per cent of Australia's economic activity and are the main locations for four of the six fastest growing sectors listed above. Investment decisions in these areas will significantly influence Australia's economic growth trajectory in the future.

State context

States and territories throughout Australia are ramping up infrastructure investment to build new infrastructure, maintain and repair deteriorating assets, support population and employment growth, and boost economic performance. For example, in its 2014/15 budget, the NSW State Government announced a record $61.5 billion program of transport and urban renewal projects across the Sydney metropolitan area.

In contrast, large scale infrastructure spending in the resource sector across Australia is projected to experience a pronounced decline. This will put more pressure on state governments to make better use of alternative measures to fund major projects, such as asset recycling, improved procurement practices, and funding and financing reforms. Gaining acceptance from the electorate for some of these measures will take time and is not assured, as evidenced by the 2015 Queensland and 2014 Victorian state elections.

The 2014-15 NSW budget proposes a four year infrastructure expenditure plan of $61.5 billion on productive infrastructure[xxvii], including $1.63 billion in the current year for:

- North West Rail Link - $863 million
- South West Rail Link - $103 million
- CBD South East Light Rail - $265 million
- WestConnex motorway - $398 million

The NSW Government expects to fund some of these costs from the leasing of 49 per cent of its electricity distribution assets, which will be recycled into the Rebuilding NSW program[xxviii].

These commitments by the NSW Government will generate long-term benefits to the national, NSW and metropolitan economies. But as shown from examples in other countries, opportunities remain for the NSW Government to capitalise on these investments. If just 10% of the value on the four projects listed above could be captured from passive beneficiaries and dedicated to an infrastructure fund, $163 million would be available to offset infrastructure costs to NSW taxpayers. If value capture methods could be applied in a similar manner with similar results to the four year infrastructure investment plan, NSW taxpayers would recoup $6 billion over the coming decades to help fund infrastructure investments. Given these examples, Commonwealth and state government agencies should be encouraged to seriously consider value capture funding methods.

Urbanisation

A 350 km/h high speed train awaits passengers at Shanghai Hongqiao station. Photo credit: Joe Langley.

"Cities" according to the World Economic Forum, "are the lifeblood of the global economy"[xxix]. In 2010, over half of the world's population lived in urban areas and 80 percent of global GDP was derived from urban areas. It is estimated that an additional 2.5 billion people will move to urban areas by 2050. In order to maintain their competiveness, cities need to improve their productivity against their global peers.

Urbanisation is a worldwide phenomenon, with the fastest growth in cities occurring among Australia's Asian trading partners. Currently, over 80 per cent of Australians live in urban areas and over 80 per cent of economic activity takes place in cities. Globally, over 50 per cent of the world's population resides in urban areas, but this is rapidly changing, particularly in Asia. Seven out of 10 cities over 5 million people are in China; and China's biggest cities are growing at 3.9 per cent, twice the rate of the rate of the rest of the world. Among the 100 fastest growing cities, 66 are in Asia and 33 are in China.

Because of their faster rates of growth and larger scale, Asia cities are expanding rapidly in greenfield locations, allowing their governments to build at higher densities and with modern public transport and civil infrastructure. For example, Taiwan's major population centres are now linked by a new high speed rail line between the national capital in Taipei and the southern city of Kaohsiung, a 340km, 96 minute trip[xxx]. The line eliminated commercial air travel between these cities within five years of commencing service. Australia's slower rate of urban growth is taking place primarily in existing capital cities, requiring redevelopment of the existing urban footprint and upgrading of commuter rail networks first constructed in the 1890s.

As Asian cities grow and become more advanced, they will increasingly compete with Australian cities as providers of high value products and services, eroding our historic competitive advantages. In order to offset the decline mining and manufacturing, Australia must make its cities more competitive on a global scale. High density employment centres, accessible and affordable housing, modern infrastructure and efficient transport systems will play critical roles in this effort.

Population, Productivity and Participation

The *2015 Intergenerational Report*[xxxi] identifies the key drivers of the economy as population, participation and productivity. Following a long and steady increase in these factors over past 40 years, the Australian economy is entering a period of slightly lower growth over coming decades. For example:

- Population growth will drop to an average annual rate of 1.3 percent from 1.4 percent
- The participation rate, which measures the working status of persons aged over 15, will drop from 64.6 per cent in 2014-15 to 62.4 per cent in 2054-55
- Australia's productivity will decline to an average annual rate of 1.5 per cent from a high of 2.2 per cent in the 1990's.
- Australia's global competitiveness ranking fell from 21st in 2014 to 22nd in 2015, compared with New Zealand, which rose from 18th to 17th and the UK, which rose from 10th to 9th during the same period[xxxii].

Slight changes in these trends over the next 40 years will have major impacts on Australia's economy and competitiveness. Value capture funding methods help address a number of challenges in making Australian cities more competitive, including:

- Increasing productivity
- Closing the infrastructure funding gap
- Integrating land use and transport planning
- Improving the return on investments from infrastructure

Demographic trends, including an aging workforce and increasing dependency ratios will become an increasing drag on the Australian economy. Many economists believe the best way to respond to these trends "is to support strong, sustainable economic growth. Economic growth will be supported by sound policies that support productivity, participation and population — the '3Ps'"[xxxiii].

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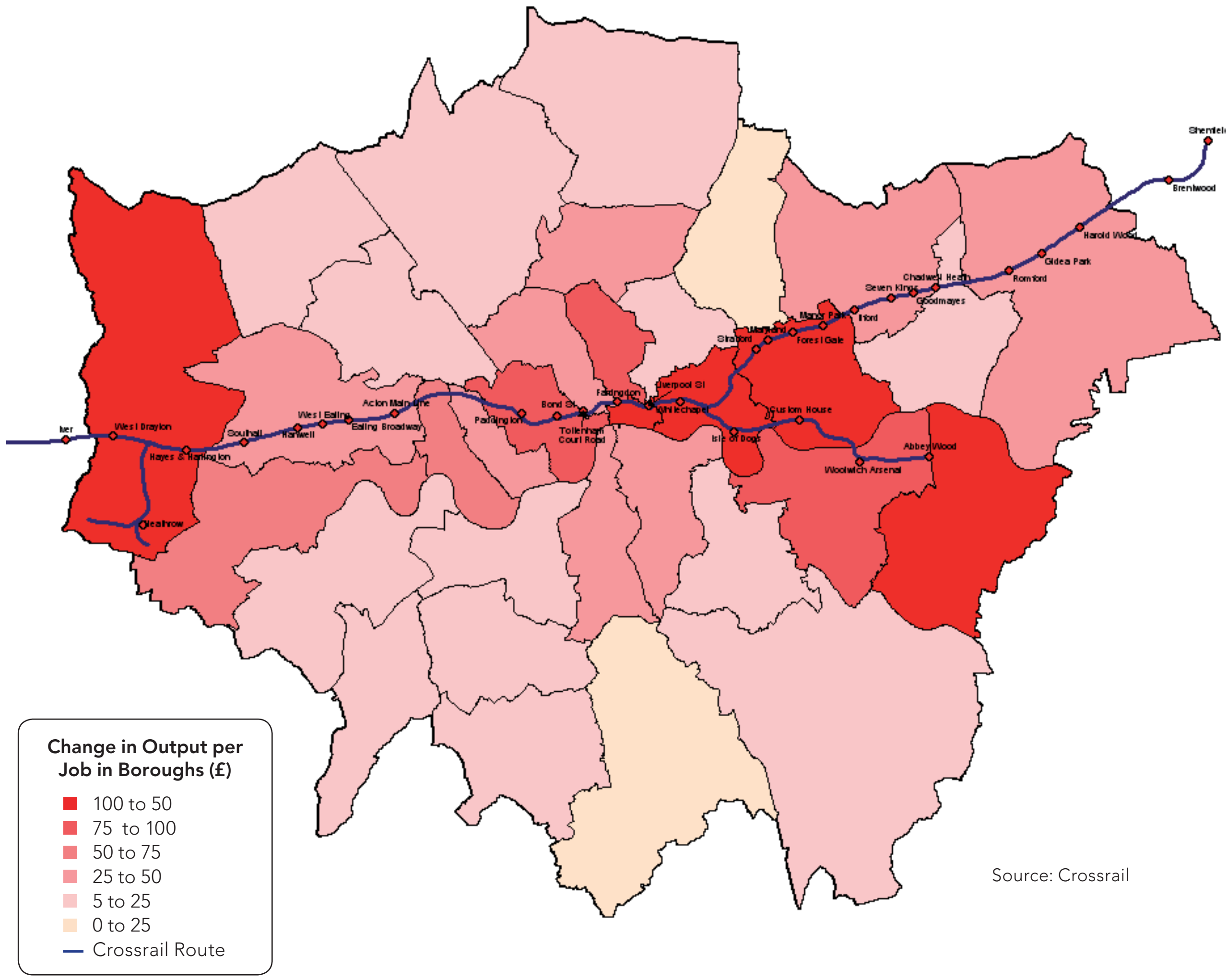
In the UK, the City of London and transport agencies are investing in Crossrail to support the country's sustained economic growth by improving access to jobs. Crossrail is Europe's largest construction project, costing $29.6 billion. The first services through central London will start in late 2018, eventually serving 200 million annual passengers.

Crossrail will increase London's transport capacity by 10%. It will bring an additional 1.5 million people to within 45 minutes of central London and link London's key employment, leisure and business districts – Heathrow, West End, the City, Docklands. This will allow more workers to find jobs and companies to deliver more specialised, higher value services.

The business case for Crossrail is being underwritten by capturing increased property values in locations served by the project and by transport benefits generated for business and commuters, including:

- Faster journeys
- Less congested trains and stations
- Reduced need to interchange
- Improved quality of services

Figure 4 Crossrail outputs per job (£s)



Source: Crossrail

London's transport benefits arise from the pure agglomeration effects of Crossrail, which captures the increase in productivity workers will experience from improved accessibility to jobs and housing.

These benefits are measured as Gross Value Added - the additional value of output generated by organisations resulting from employees' increased productivity. The London boroughs which are projected to experience the most significant changes in accessibility to jobs will have the highest change in output per job (see Figure 4).

Australia will confront major challenges in the coming decades as global markets for goods and services become more competitive, infrastructure budgets become squeezed by competing demands, and demographic changes ripple through the national and state economies. The UK's Crossrail project offers a world's "best practice" case study on how these challenges can be met.

Key success factors

Experience with infrastructure investment in Australia and internationally demonstrates that a number of factors would be essential in successful value capture programs in this country. Drawing from Australian and international examples[xxxiv], this section identifies key issues facing the development of an Australian value capture funding model and proposes guiding principles that should be applied in designing and implementing a value capture program.

Comprehensive, long term planning and funding strategies

Issue

It makes sense that infrastructure assets that last 50 years or more should also be based upon long-term comprehensive planning and funding strategies. NSW needs infrastructure funding options that go beyond election cycles and tap into the demand for stable, long-term investments by private sector institutional investors, such as insurance companies and superannuation funds.

Governments must do more and better long term planning. For example, the recently released metropolitan strategy for Sydney has a 20 year time horizon and forecasts 1.6 million new residents by 2031. However, the planning strategy is not linked to a funding strategy. This leaves future long-term, billion dollar infrastructure investment decisions to be determined by the political considerations of the day. As identified by the Productivity Commission, infrastructure planning and decision making must be supported across the states and territories by independent, expert and transparent advice.

Guiding principle

Infrastructure and urban renewal projects and programs supported by value capture methods should be based upon a minimum time horizon of 20 years to allow for funding sources to realise their full potential. Projects and programs should be fully costed, conservatively underwritten and include detailed financial modelling. Funding sources should be locked in for the life of the program to provide stable and secure revenue sources.

Genuine and robust stakeholder consultation

Issue

Genuine stakeholder engagement is essential in order to successfully implement the legislative, funding and financing, and governance reforms necessary to build and maintain world-class infrastructure and competitive cities in Australia. New infrastructure funding and delivery methods will require public policy reform, which itself requires patient and extensive public education and engagement so that informed decisions can be made by tax-payers and elected officials.

A common shortcoming of past failed infrastructure projects in NSW, such as the Cross City Tunnel and West Metro rail proposal in Sydney, can be traced back to some degree to compressed timeframes and poorly implemented or disingenuous public engagement programs. In contrast, the stakeholder consultation program undertaken by the Sunshine Coast Council for its light rail proposal includes a realistic timeframe for community engagement, a dedicated website, and an extended public education program including public displays and community meetings[xxxv].

Consult Australia's *Guide to Procuring Engagement Services*, available to download at www.consultaustralia.com.au explores the benefits and risks associated with effective engagement, and explains the procurement process for engagement services in detail across eight steps.

Guiding principle

A genuine and robust stakeholder engagement program, developed and implemented by specialists in that field, is an integral part of successful value capture programs. Business and community participation and membership at various levels in consultative committees and boards and in the decision-making process should be encouraged.

Precinct-based planning and funding

Issue

Precinct-based planning and funding allows stakeholders to focus on specific infrastructure needs, develop tailored solutions, clearly identify beneficiaries and better define funding options. It also allows sponsors and program managers to track results earlier and make program improvements. Pilot projects with well-conceived funding guidelines and objectives are excellent means of testing and improving concepts and techniques before full program rollout occurs.

The location and boundaries of value capture improvement precincts should be carefully selected to include existing and potentially new complementary commercial and public activities and investments that can be further levered by the primary infrastructure investments. Smart growth principles discussed earlier provide excellent planning frameworks to leverage public sector investments in our cities.

The NSW Department of Planning and Environment (DPE) and UrbanGrowth NSW employ precinct-based planning frameworks, including the DPE's Urban Activation program, Priority Precincts program and Local Infrastructure Growth Scheme[xxxvi]. However, these frameworks are almost exclusively based on traditional zoning and related regulatory practices and solutions, and traditional funding methods. There are no provisions for investigating or proposing alternative funding arrangements, in spite of the fact that traditional funding methods are widely regarded as inadequate to meeting current and future funding needs. Planning without funding erodes public confidence in urban renewal agencies.

Guiding principle

Value capture programs should be carefully ring-fenced within a defined precinct. The precinct should encompass complementary community activities and assets that would benefit from the infrastructure investment and that could be leveraged to generate wider economic benefits. Typically, these precincts are contained within a kilometre radius of the transport improvements.

Transparent and balanced governance frameworks

Issue

NSW continues to struggle under suboptimal governance arrangements at the local and state government levels. The potential for local government to contribute to infrastructure delivery remains bogged down in unfulfilled government reform proposals, strangled by state government bureaucratic processes, and stifled by over-reach into decisions better made at the local level.

The Productivity Commission's 2014 report found that "institutional and governance arrangements for the provision of much of Australia's public infrastructure are deficient and are a major contributor to unsatisfactory outcomes"[xxxvii]. The Commission recommended that all governments put in place best practice arrangements for "transparent, innovative, and competitive processes for the selection of private sector partners for the design, financing, construction, maintenance and/or operation of public infrastructure".

According to United Nations study of world urbanisation, "successful sustainable urbanisation requires competent, responsive and accountable governments charged with the management of cities and urban expansion. There is a need for building institutional capacities and applying integrated approaches so as to attain urban sustainability"[xxxviii]. Rather than continuing to retool existing governance arrangements, NSW needs to consider adopting successful international models to make step-change improvements in this area.

The current local government devolution program underway in the UK demonstrates the benefits of transferring greater authority to local councils. According to a report to Parliament on its progress, "devolving and decentralising power and enabling local people make decisions in these areas creates the conditions for sustainable growth, better public services and a stronger society". The program includes funding models for long-term transport and growth that rewards cities for demonstrating economic benefits and impacts made under the scheme[xxxix]. Similar wholesale reforms are needed in Australia.

Guiding principle

Local government in NSW should become a key partner in precinct-based infrastructure and urban renewal planning, decision-making, funding and delivery. A general transfer in responsibilities and powers from state agencies to larger, financially stronger and better resourced local governments for planning, decision-making, funding and geographycally delivery of urban infrastructure should be pursued as a mid to long-term policy objective.

Understand and balance risks and rewards

Issue

The importance of a shared understanding and equitable balancing of the risks and rewards in public-private partnerships (PPP) is critical given the magnitude of future infrastructure investment in NSW and the need for private funding. The failure of two major PPPs in Sydney, the Cross City Tunnel and the Lane Cove Tunnel, are recent examples where those qualities were lacking. For example, as the Cross City Tunnel approached financial collapse in 2006, the then Minister for Roads said that "any financial loss to the present operators of the Cross City Tunnel is strictly that of the private sector, it does not come back onto the taxpayers of this state"[xl].

Of course, taxpayers do pay when financing becomes too expensive, conditions too onerous or government contracts too unreliable for cost-effective private financing and delivery of major infrastructure projects. Current negotiations over the cancellation of the $6.8 billion East West Link project in Victoria, at a cost to taxpayers of up to $1.2 billion paid to the consortium PPP, will surely add to private sector anxieties in this area.

According the a recent report by ANZ Bank, state governments have responded to past PPP failures by taking on higher risks for some greenfield projects, providing financing to attract private sector capital and introducing processes for unsolicited infrastructure proposals[xli], such as the NorthConnex project connecting the F3 Freeway to the M2 toll road in north Sydney. While these initiatives are welcome, federal and state government agencies need to continue the reform agenda, accepting and implementing recommendations well made by the Productivity Commission and other stakeholders.

Guiding principle

NSW Government should accelerate its infrastructure reforms as outlined by the Productivity Commission and Infrastructure Australia, and seek genuine partnerships with the private sector based upon an equitable balancing of risks and rewards.

Use incentives to attract private investment and better design

Issue

The NSW Environment and Planning Act 1979 is cumbersome and process–oriented legislation that stifles innovation and good urban planning and design. Reforms proposed under the 2013 Planning Reform White Paper, which failed to gain approval from the NSW Parliament, were intended to address many of the Act's failings, including its complexity, lack of early and effective community engagement, limited scope for strategic planning, and the absence of infrastructure funding provisions. The revised act's greater emphasis on merit-based planning and integrated planning and funding of infrastructure would have addressed many of these issues.

Value capture programs require close integration with local planning and development controls. Value capture programs incorporate incentives within local government planning controls to attract private investment, promote economic development and capture revenue for infrastructure. Complementary programs developed with urban renewal and other agencies can also achieve social outcomes, such as affordable housing, thereby leveraging the public sector investment on multiple fronts.

In Colorado, the Denver Urban Renewal Authority (DURA) has operated a number of innovative value capture programs to promote low and moderate income housing close to city-centre jobs. DURA's housing rehabilitation program provides very low interest loans for qualifying low and moderate-income homeowners in urban renewal precincts to make emergency repairs or needed improvements to homes. The program has been in place for over 30 years and to date more than 15,000 Denver homeowners have used these loans to improve the value, safety and living conditions of their homes. The resulting increase in property value is captured and recycled back into the program[xlii].

Similar programs in Denver and other cities use revolving funds to improve and standardise building facades of retail and commercial buildings, upgrade public plazas and amenities, and provide high standards of maintenance and security in designated commercial centre improvement precincts.

Guiding principle

Successful value capture programs use financial and other incentives to attract private investment and engage businesses and residents in related programs that improve property values, neighbourhood amenity and economic activity. In this way, value capture programs can generate broadly-based community benefits and become self-funding.

Stronger urban renewal powers

Issue

Urban renewal efforts in NSW are hamstrung by weak urban renewal powers. The resulting lack of progress has caused broad community scepticism regarding the need for and benefits of urban renewal.

Planning controls and compulsory acquisition powers need to provide urban renewal authorities with the ability to undertake timely and sometimes widespread urban renewal programs where necessary or desirable in the broader public interest. The lack of clear authority by Parramatta City Council under NSW law to acquire private land for redevelopment resulted in a four year delay of Civic Place, a major urban renewal project. The continuing shortfall in housing production in the Sydney metropolitan area, estimated to be 56,000 approvals over the past 10 years[xliii], is in part due to the lack of effective urban renewal powers. Some of the common limitations that apply in NSW and other states include:

- Narrowly defined limits apply to compulsory acquisition. Under the NSW Land Acquisition (Just Terms Compensation) Act 1991, there is no specific reference to urban renewal as a public purpose, reflecting the traditional purposes of the Act for site-specific infrastructure (roads, utility easements, public buildings, etc.). Stronger powers are needed to rebuild Australia's 200+ year old urban infrastructure and sustain its economic growth.
- There is no recognition of the value created by the public investment. The compensation payable under compulsory acquisition is based upon the market value of the property, disregarding increases in value caused by carrying out the proposed improvement.
- The ability to consolidate, improve and on-sell urban renewal sites is limited. NSW urban renewal agencies cannot acquire private land at current market value, invest in replanning and site improvements, and on-sell urban renewal sites, with resulting profits used to fund the redevelopment. There is no financial incentive to carry out value-creating urban renewal.
- Lack of priority given to urban renewal among state agencies. NSW state agencies controlling urban renewal sites, such as Transport for NSW and Sydney Water Corporation, are not compelled under the current Act to turn over land for urban renewal, even with clear mandates from the NSW Premier. Interagency competition for control of urban renewal sites is causing major delays in Sydney's urban renewal program.

In part due to different historical circumstances, strong urban renewal powers are evident in - and a major reason for - the success of urban renewal and transport projects overseas. Large-scale urban renewal projects, such as the Bays Precinct and Central to Eveleigh, will require strengthened powers to achieve world-class status at the pace needed to maintain Sydney's global competitiveness.

Guiding principle

Local government and urban renewal agencies need stronger powers if they are going to make meaningful improvements in housing approvals and affordability, infrastructure upgrading and renewal, and broad scale regeneration of industrial precincts, commercial centres and neighbourhoods. This will require:

- Concerted public education and engagement efforts to bring the voting public along with necessary changes
- Changes to existing planning and local government legislation to strengthen urban renewal powers
- New legislation to expand funding and financing options for local government and urban renewal agencies.

Recognise and incorporate wider economic benefits

Issue

Australian Commonwealth and state treasuries, unlike their counterparts in the US, Canada the UK and other countries, do not appropriately recognise wider economic benefits (WEB) when assessing major infrastructure projects. This situation still exists despite the NSW Government's 2010 post assessment of the M7, Cross City Tunnel and Lane Cove Tunnel projects, which concluded "that the economic contributions of Sydney's toll roads had been underestimated by approximately 15%" and that "only limited external benefits had been taken into consideration" in the assessments of those projects[xliv]. At a combined capital value of over $3 billion, those unrecognised benefits amounted to over $450 million.

According to the NSW Government's report, WEB's include:

- Facilitation of new residential and employment areas through enhanced capacity and connectivity
- Increased urban density and unlocking the development potential of 'brown field' sites.
- Urban amenity improvements including urban design enhancements
- Enhanced agglomeration benefits
- Greater competition in labour markets
- Impacts on property prices for existing residential and commercial areas
- Increased reliability of deliveries for businesses with improved productivity from reduced travel times.
- Reduced costs of goods and services
- Greater access to services such as educational facilities and hospitals.

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In recognition of these potential benefits, the report recommended the "development of a framework to assess wider economic benefits on a pilot project to analyse the contribution of this assessment to project decision making".

Guiding principle

It is recommended that Commonwealth and state governments collaborate to develop a common framework and commission pilot projects to assess the wider economic benefits of infrastructure and urban renewal projects. Pilot projects should be undertaken in partnership with state and local government agencies, professional associations, research institutions and the private sector to develop the legislative and financial arrangements needed to harness these benefits.

Focus on value rather than cost

Issue

An issue related directly to the absence of wider economic benefits in infrastructure appraisal is strict adherence to the cost of infrastructure as a primary criterion, as opposed to the value that can be generated by an infrastructure investment. In its 2013-14 budget statement, the NSW Treasury notes it is important that infrastructure is built at the "lowest possible cost". But as can be seen from the discussions in this paper on WEBs and Crossrail, a focus on the lowest possible capital costs misses other important economic benefits that generate direct and indirect values that can be captured.

According to Infrastructure NSW, better value in infrastructure investment and delivery is achieved by "getting the right infrastructure built at the right time for the right cost. The emphasis on achieving better value is not simply about achieving lower cost or short term efficiency gains. Value is maximised through the delivery of long term improvements and enhancements to our infrastructure systems such that service levels are augmented and life cycle costs are optimised. Achieving better value from infrastructure spend will in turn improve productivity, drive economic growth and provide better public amenity"[xlv].

Guiding principle

Commonwealth, state and local agencies with the responsibilities for funding, developing, evaluating and delivering infrastructure and urban renewal should incorporate value for money guidelines in project appraisals as proposed by Infrastructure Australia[xlvi] and Infrastructure NSW.

Secure consistent and coordinated leadership

Issue

The successful delivery of large infrastructure and urban renewal projects depends on building community and political support over many years. Previously cited examples, including Sydney's Cross City Tunnel, Melbourne's East West Link and the proposed West Metro linking Sydney to Parramatta, demonstrate that large public projects can fail at any stage of implementation, including after a project has been delivered and public money spent. Since political leaders change, elected representatives, policy makers and delivery authorities must take the steps necessary to ensure that the momentum of political and community support extends beyond election cycles.

A proven way to build consistent leadership is to establish oversight committees composed of community leaders and experts to guide a project for all or at least most of its intended 15-25 year life. This is critical to ensure that probity, financial integrity and long term expert guidance is maintained over time. Things change over a 20 year horizon, but smart people can take early actions to mitigate potential downfalls. The key success factors described in this section provide the guideposts to achieve this end.

Guiding principle

Consistent and coordinated leadership is non-partisan, evidence-based and in the long-term public interest. The leadership model for a given project must be tailor-made and established before the project is introduced. By definition, the leadership team must be small, but have a broad mandate and be composed of high calibre and proven experts.

Value capture road map

In previous sections, this paper describes value capture methods and some of the reasons for their adoption to supplement existing sources of infrastructure and urban renewal funding in Australia. Key success factors are explained to guide stakeholders in understanding the conditions needed for this funding method to serve as a catalyst for sustainable urban economic growth and development.

State and local government agencies in Victoria, Western Australia, New South Wales, Queensland, and the central government in New Zealand, have investigated and in few cases employed elements of value capture funding for transport and urban renewal projects and programs. The Commonwealth Government has examined the use of value capture methods to contribute to a high speed rail network on the east coast of Australia. However, none of the examples reviewed for this paper have resulted in the adoption of these methods.

Some of the reasons for the lack of progress in giving serious consideration to value capture funding in Australia include:

- Institutional resistance by Commonwealth and state agencies to this funding method
- Misunderstanding and / or misapplication of key value capture concepts, methods and success factors
- The need for new enabling legislative and governance arrangements at the state and local government levels

While a number of local and state agencies have undertaken value capture studies, the results have been inconsistent and have not been widely shared. In addition, the Commonwealth Government's decision in 2013 to close the Major Cities Unit in the Department of Infrastructure and Regional Development has left a leadership vacuum on urban issues at the federal level. At the state level, planning reforms have either failed to gain bipartisan support, as in NSW, or have become stalled in state re-elections, as in Queensland. There is a pressing need for Commonwealth, state and territory, and local government to refocus attention on investing in our cities.

Pilot study programs

It is proposed that the Commonwealth and state government undertake practical research into value capture methods as a funding supplement for state and local infrastructure projects. This could be accomplished by establishing pilot study programs to be undertaken by local government councils, urban renewal authorities and other state agencies to fully explore the opportunities and obstacles to this funding method. The key components of a value capture pilot program are described below.

Program objectives

Value capture pilot studies should be designed to provide the following information to elected officials, policy makers, community members and other stakeholders:

- A description of the project or program requiring funding, ideally drawn from a preliminary business case for an infrastructure project, an urban renewal program, or a detailed master plan for a commercial centre revitalisation project, including
  - o Clearly articulated goals and objectives
  - o A well-defined improvement precinct
  - o Concept-level plans for land use and development, buildings and infrastructure in sufficient detail to allow project costs to be determined
  - o Current supply and demand estimates, projections, market information and demographic data for potential uses and users within the precinct
- An explanation of the goals, objectives and key elements of the funding program. For example, is the goal of the program to fill a funding gap for a light rail project, or is it designed to provide on-going funding to revitalise a declining commercial centre? What is the magnitude of the project's funding need, what funding sources are currently available, and what is the funding gap?
- A detailed funding model showing sources of revenue and capital expenditures over the life of the program, typically 20 years or more.

Ballina Bypass – Tevern Road Bridge photo courtesy of SMEC Australia, AECOM & Coffey Geotechnics on behalf of the Ballina Bypass Alliance

- A value capture funding program for the pilot project. Previous sections on this paper identify potential applications, revenue sources, key success factors and other considerations for this purpose.
- An proposed implementation strategy describing legislative and policy issues, funding and financing considerations, governance and procurement arrangements and timeframes.

Relationship to a business case

The pilot study should reflect and, where appropriate, comply with established public sector planning and procurement guidelines and practices, such as those available from Commonwealth and state treasuries and infrastructure agencies[xlvii]. These guidelines set minimum standards for estimating costs and benefits, evaluating and mitigating risks, and considering other factors which will be important as the program progresses through review and approval gateways.

Precinct selection

Ideal pilot study precincts would include one of the following;

- An area in transition but with the potential for commercially-viable changes in land use and / or density, such as a former defence site, an obsolete commercial or industrial precinct or a designated urban renewal site
- In single ownership, or by a limited number of owners, who are receptive to considering value creating projects and programs for their properties.
- Characterised by inadequate transport access, obsolete or deficient civil infrastructure and / or little or no urban amenity
- Decontamination, demolition or other clean-up and redevelopment costs that render the site non-commercial under typical commercial or government funding arrangements.

Value capture precincts vary considerably in size, depending upon the nature of the project or program. Transport improvement precincts around metro stations typically extend between 800 and 1000 metres from the station. Numerous studies have demonstrated that the measureable benefits of metro stations are generally contained within this distance. Downtown improvement districts in regional cities and small towns in North America are typically contained within several blocks of the commercial core. Each location will have different needs and characteristics and must be individually determined.

Precinct characteristics

Value capture funding methods will not in themselves create a market for commercially-viable activities. In fact, studies of major infrastructure projects and regional development programs have generally concluded that infrastructure investments alone do not generate economic growth in areas without innate complementary assets or characteristics. Even major transport improvements that provide a step-change in accessibility, such as high speed rail stations, do not turn around economically flat or declining regional centres, according to studies undertaken by the Commonwealth Government for high speed rail.

Precincts must have inherent attributes that are underutilised and can be leveraged by new investment to unlock their full potential. Proponents must therefore select pilot study locations carefully and plan how to integrate key land use, transport, employment, housing and other drivers that will stimulate and sustain the economic growth.

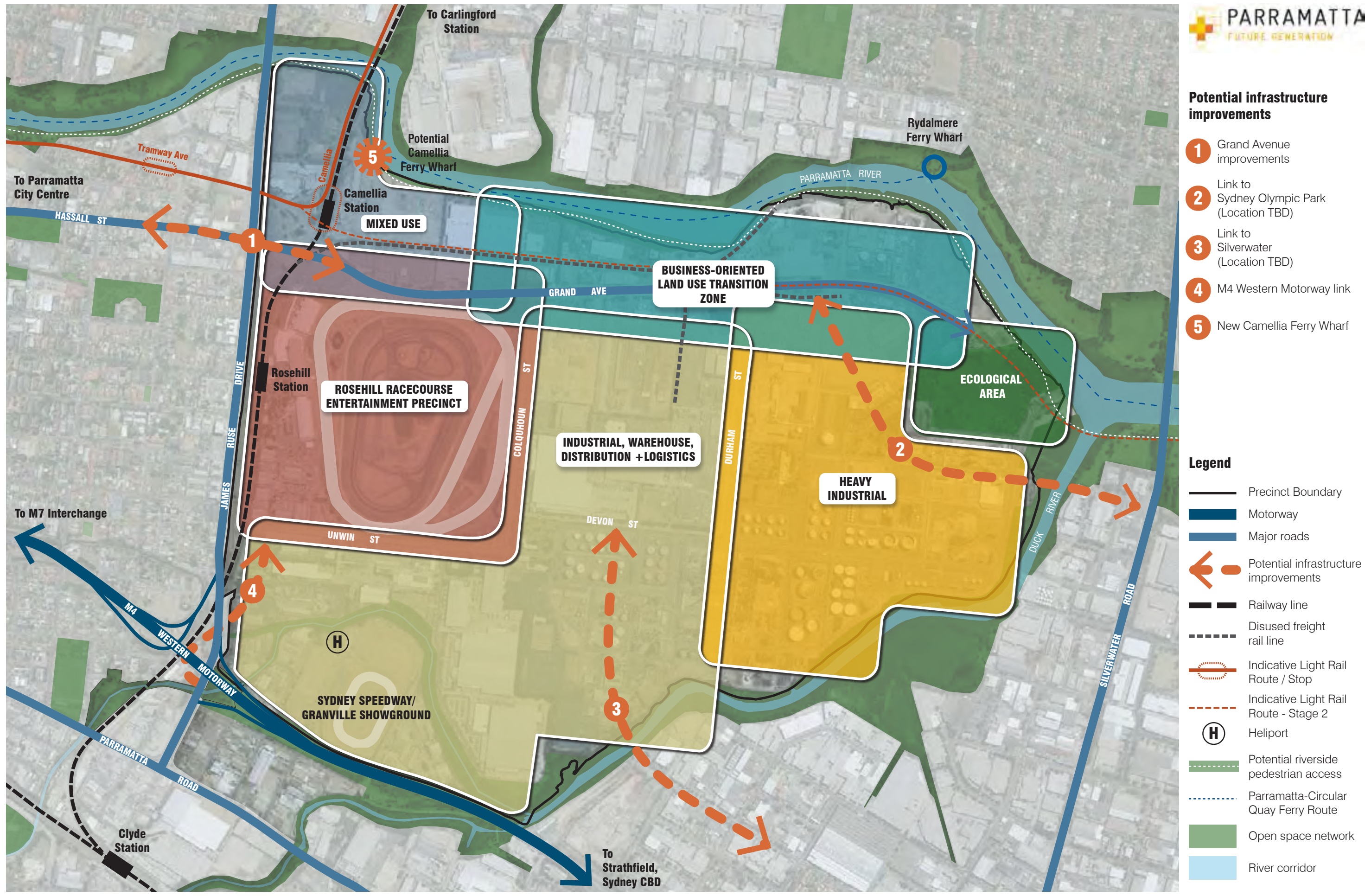
Appropriate locations for transport or urban renewal pilot studies are locations that:

- Are not fully capitalising on their potential to generate affordable housing, jobs and economic activity
- Have an unfunded need for transport, civil infrastructure, public domain or other improvements.

Table 3 lists common categories, characteristics and examples of potential pilot study precincts in NSW.

Table 3 Precinct categories and characteristics

Category	Characteristics	Examples
Commercial precincts	Traditional town centres and commercial precincts that have become physically dysfunctional and / or commercially unviable	Newcastle city centre
Specialised precincts	Major medical, education, high tech or similar facilities	Westmead hospital campus, Parramatta
Cultural and cultural precincts	Cultural, sporting and / or civic facilities with the potential for increased pedestrian activation and retail activities	Sydney Olympic Park, Sydney
Urban renewal precincts	Neglected, obsolete, blighted or undercapitalised industrial, maritime or defence land with proximity to jobs and transport	Camellia, Parramatta
Transport interchange precincts	Major transport hubs and / or regional transport networks with land available for development	Central to Eveleigh precinct
Lifestyle	Regionally attractive lifestyle, tourism and / or recreational amenities	Bondi Beach, Sydney



Source: Camellia Discussion Paper, Parramatta City Council

Value uplift opportunities

Potential value capture revenue sources are listed in Table 4 and described in detail a previous section (see **Revenue Sources)**. Table 1 provides a framework that can be used to evaluate these sources for a given location.

Table 4 Potential value capture revenue sources

Retail sales taxes (GST)	Transfer (stamp) duty	Payroll taxes
Property taxes	Council rates	Development contributions
Voluntary planning agreements	Special rates	Sale of bonus gross floor area
Sale / lease of air rights	Sale / lease of development sites	Parking levies
Hotel taxes	Capital gains taxes	Property development

Table 5 shows an example of an evaluation summary for property development revenue from a completed value capture study. In this example, the funding method is rated from -2 to +2 and coloured to highlight differences between methods. Each method is also rated in terms of its potential score in the short term (1 – 3 years), medium term (3 – 5 years) and long term (5+ years). The timing reflects the likely time frame for implementing a given method, taking into consideration such matters as:

- Compatibility with existing legislation
- Community acceptance
- Revenue raising potential
- Acceptance by state agencies

The revenue sources and evaluation methods presented are partial examples. Pilot studies should be tailored to individual circumstances and conditions, and supported by detailed financial modelling of options and scenarios.

Table 5 Example of evaluation framework summary

Funding method	Assessment criteria	Short term	Mid term	Long term
FUNDING OPTION 1 PROPERTY DEVELOPMENT	Equity and efficiency	0.5	1.50	1.88
	Revenue character	0.17	0.71	0.83
	Acceptability	1.13	1.50	1.75
	Revenue quantum	0.75	1.25	2.00

Project scenarios

Value capture methods require detailed descriptions and financial models to be prepared for "Base Case" and "With Project" scenarios. Scenario testing of these alternatives as a minimum is necessary to demonstrate the impact of the value capture intervention programs on a variety of financial and built environment parameters.

Base Case scenarios forecast conditions within the improvement precinct based upon current and expected future trends, investments and programs. Project scenarios evaluate the proposed interventions of the value capture program for comparison against the Base Case, including:

- Changes to zoning and development controls made possible by project investments, such as additional public transport capacity enabling higher density development
- Increases in public revenues from increased retail and business activity, residential and commercial property development, and employment growth
- Improvements to the public domain designed to attract pedestrian activity and access, such as commercial centre revitalisation programs

Since urban renewal and transport improvement programs can take many years to reach their full potential, scenarios should extend for as long as necessary to fully capture the programs benefits. For example, value capture programs in North America typically forecast expenses and revenues at least 20 years into the future.

Legislative pathways

Limited value capture programs can be developed under existing legislation in many jurisdictions. In NSW for example, voluntary planning agreements (VPA) are being used to extract payments from developers for additional floor space in some local government areas. In Queensland, the Economic Development Act (2012) allows Planned Development Areas (PDA) to be created around transport improvement projects and special taxes to be applied specifically within and for those areas.

In order to realise the full benefits of the value capture methods listed in Table 4, changes to existing legislation and the introduction of new funding and financing legislation would be required. Examples of existing legislation that would likely require consideration are compulsory acquisition acts, transport planning and delivery acts, economic development acts, and planning and development control acts. The pilot study would need to consider the appropriate funding sources to pursue depending upon the proponent's funding needs, current legislation, community willingness to secure long term funding and financing reforms, the responsible government funding and delivery agency, and other factors.

Key findings and recommendations

What is value capture?

- Value capture funding methods originated in the North America in the 1960s. They are finding increasing use around the world in both developed and developing countries to supplement transport and urban renewal projects and programs.
- Investments in well-conceived and delivered transport infrastructure projects generate direct and indirect benefits that exceed costs; Australian infrastructure funding methods are not as effective in capturing these benefits as value capture methods used in other countries.
- Under current arrangements, the indirect beneficiaries of infrastructure projects in Australia, such as property owners located close to new train stations, can receive substantial unearned and untaxed financial windfalls which are effectively subsidised by the public.
- Value capture funding methods have evolved to become both effective decision-making tools and funding mechanisms for transport infrastructure and urban renewal projects.
- Value capture methods promote "smart growth" principles, which aim to manage city development patterns and transport networks to improve environmental, social and economic outcomes.
- A wide variety of value capture methods are used around the world to fund transport infrastructure and urban development, including programs supporting the Hong Kong metro, Crossrail in London, and Denver's Union Station redevelopment. Based upon these and other examples, it is estimated that a well-conceived and managed value capture program could contribute between 10% and 30% of the cost of directly related infrastructure in Australia.

Why we must consider value capture now

- Value capture methods have been recommended by political leaders, government inquiries, business groups and professional associations for many years, but have not been systematically tested or applied in Australia.
- Crossrail, Europe's largest construction project, is funding one-third of this $29.6 billion cost with value capture methods. Major infrastructure investments are also underway or under consideration in Australia, including $61 billion in NSW alone. However, value capture methods are not being used to help fund these projects.
- Changes in the global economy, urbanisation and demographic trends point to the urgent need for Australia to become more productive if it is to remain internationally competitive. Australia can address these future challenges by making its cities more competitive and by focusing infrastructure investments on its natural advantages, including wealth management, tourism, health and international education.
- Currently, 80 per cent of Australia's population resides in urban areas, and an equal and growing share of national GDP is produced in our cities. Decisions about infrastructure investment, urban development, and infrastructure funding and delivery reforms will play important roles in Australia's future economic performance.

Key success factors

Key success factors and guiding principles for an Australian value capture program are:

Key success factors	Guiding principles
Comprehensive, longer term planning and funding strategies	Infrastructure and urban renewal projects and programs supported by value capture methods should be based upon a minimum time horizon of 20 years to allow for funding sources to realise their full potential. Projects and programs should be fully costed, conservatively underwritten and include detailed financial modelling. Funding sources should be locked in for the life of the program to provide stable and secure revenue sources.
Genuine and robust stakeholder engagement	A genuine and robust public consultation program, developed and implemented by specialists in that field, is an integral part of successful value capture programs. Business and community participation and membership - at various levels in consultative committees and boards - and involvement in the decision-making process should be encouraged.
Precinct-based planning and funding	Value capture programs should be carefully ring-fenced within a defined precinct. The precinct should encompass complementary community activities and assets that would benefit from the infrastructure investment, and be leveraged to generate wider economic benefits. Typically, these precincts are contained within a kilometre radius of the transport improvements.
Transparent and balanced governance frameworks	Local government in NSW should become a key partner in precinct-based infrastructure and urban renewal planning, decision-making, funding and delivery. A general transfer in responsibilities and powers from state agencies to geographically larger, financially stronger and better resourced local government councils for planning, decision-making, funding and delivery of urban infrastructure should be pursued as a mid to long-term policy objective.
Understand and balance risks and reward	NSW Government should reinvigorate infrastructure reforms as recommended by the Productivity Commission and Infrastructure Australia, and seek partnerships with the private sector based upon an equitable balancing of risks and rewards.
Use incentives to attract private investment and better design	Successful value capture programs use financial and other incentives to attract private investment and engage businesses and residents in related programs that improve property values, neighbourhood amenity and economic activity. In this way, value capture programs can generate broad community benefits and become self-funding.
Stronger urban renewal powers	Local government and urban renewal agencies need stronger powers if they are going to make meaningful improvements in housing approvals and affordability, infrastructure investment, and broad scale regeneration of industrial precincts, commercial centres and neighbourhoods. Achieving such stronger powers will require: • Concerted public education and engagement efforts to bring the voting public along with necessary changes • Changes to existing planning and local government legislation to strengthen urban renewal powers • New legislation to expand funding and financing options for local government and urban renewal agencies.
Recognise and incorporate wider economic benefits	It is recommended that Commonwealth and state governments collaborate to develop a common framework and commission pilot projects to assess the wider economic benefits of infrastructure and urban renewal projects. Pilot projects should be undertaken in partnership with state and local government agencies, professional associations, research institutions and the private sector to develop the legislative and financial arrangements needed to harness these benefits.
Focus on value rather than cost	Commonwealth, state and local agencies with the responsibilities for funding, developing, evaluating and delivering infrastructure and urban renewal should incorporate value-for-money guidelines in project appraisals as proposed by Infrastructure Australia and Infrastructure NSW.
Secure consistent and coordinated leadership	Consistent and coordinated leadership is non-partisan, evidence-based and in the long-term public interest. The leadership model for a given project must be tailor-made and established before the project is introduced. By definition, the leadership team must be small, but have a broad mandate and be composed of high-calibre and proven experts.

Value capture road map

- Value capture methods are not well understood or widely practiced in Australia. Some of the reasons for this include:
  - o Institutional resistance by Commonwealth and state agencies
  - o Misunderstanding and / or misapplication of key value capture concepts, methods and success factors
  - o The need for new enabling legislative and governance arrangements at the state and local government levels
- Urban issues have lost traction at the Commonwealth and state government levels. There is a pressing need for the Commonwealth Government provide leadership on urban issues and to refocus attention on the important roles played by cities in the national economy.
- Pilot programs provide a practical, low-cost approach for government agencies and stakeholders to consider value capture methods as a funding supplement to transport infrastructure and urban renewal projects. Pilot programs are proposed as a means of assessing the potential opportunities and barriers to value capture programs on existing and proposed projects in Australia.

Recommendations

1. The Commonwealth Government should establish a Minister for Cities and Urban Development in recognition of the key role that cities play in the national economy. The Ministry should work with state planning and infrastructure agencies to set national standards and guidelines, support research on national urban policy issues, and develop model legislation for state, territory and local governments.
2. Commonwealth and state governments should undertake practical research into value capture methods as a funding supplement for transport infrastructure and urban renewal projects. Such research could involve the establishment of pilot programs in conjunction with state agencies, local councils, professional associations, research institutions and the private sector. The aims of the pilot program should be to:
   - Provide a consistent approach and common guidelines for considering and evaluating value capture and related funding and financing reforms.
   - Develop a national forum and database for sharing research and information on urban funding and financing reforms.
   - Develop model enabling legislation to assist state and local governments, urban renewal authorities and other stakeholders considering value capture methods.
3. Commonwealth and state treasuries should redouble efforts to implement infrastructure funding and financing reforms recommended by the Productivity Commission in its 2014 Public Infrastructure Report and by Infrastructure Australia in its 2013 National Infrastructure Plan to maintain Australia's global competitiveness and reduce its growing infrastructure backlog.

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CITY EXCHANGE
2015 REPORT

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FUNDING AUSTRALIA'S FUTURE

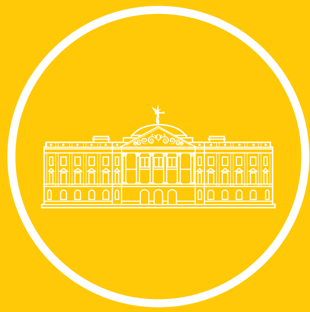
CITY EXCHANGE ON LOCAL FUNDING AND FINANCING MECHANISMS

future cities collaborative

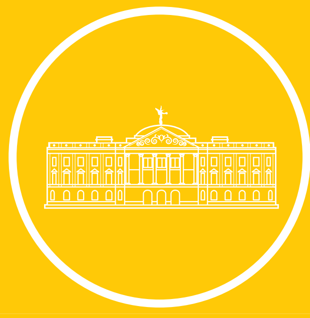
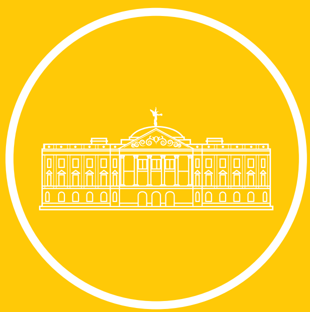
THE UNITED STATES STUDIES CENTRE at the University of Sydney

AECOM



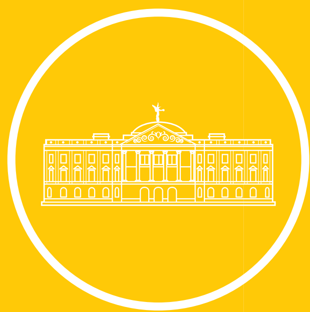


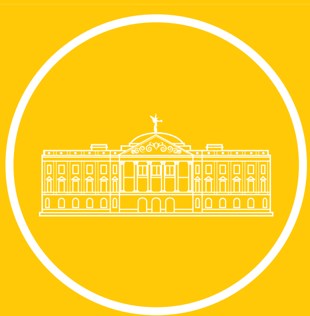




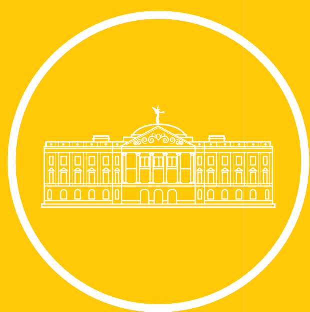













$447M

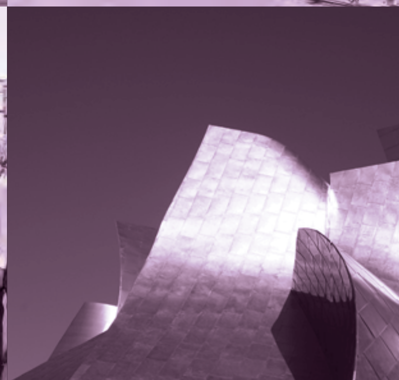
NSW LOCAL GOVERNMENT ANNUAL INFRASTRUCTURE FUNDING GAP*

*Source: Institute of Public Works Engineering Australasia






RESTORE






downtown PHOENIX
190
AMBASSADORS




EXIT

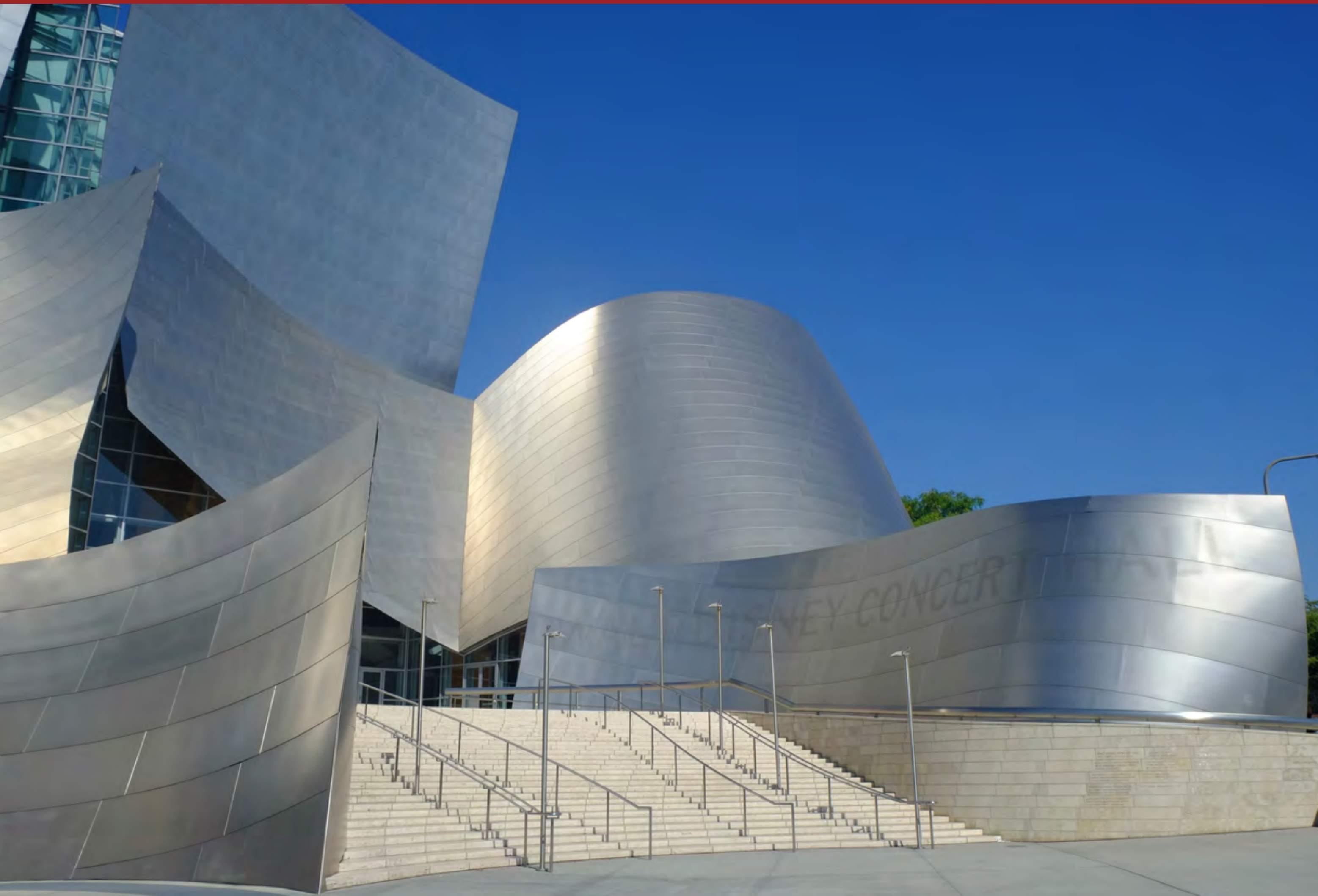
UNIVERSITY OF PHOENIX STADIUM




UNIVERSITY OF PHOENIX STADIUM
REDZONE

ROWLETT
241


FOREWORD



The Future Cities Collaborative is an initiative of the United States Studies Centre at the University of Sydney. The Collaborative was established to inspire city leaders, including delegates from 16 New South Wales councils, to consider new and innovative ways to address sustainable urban planning and development and to share knowledge and expertise between US and Australian cities.

In June 2015, the Collaborative, as a part of the Future Cities program, hosted the US-Australia City Exchange on Local Finance Mechanisms (City Exchange) with the support of New South Wales Government and AECOM. Twenty delegates participated in the City Exchange, including mayors, councilors and senior executives from four LGAs and business leaders from Sydney. The City Exchange examined local, state and federal funding and financing tools currently being used to support economic development and infrastructure projects in Los Angeles, Phoenix, Dallas and Chicago.

The aim of the 2015 City Exchange was to provide delegates with examples of innovative funding and financing methods that have enabled a wide range of transport, urban renewal and civic improvement projects in the US. Upon returning to Australia, delegates will be armed with the tools and knowledge to think differently about infrastructure challenges and to consider new ways to fund city-shaping initiatives.

There is no doubt Australia needs infrastructure reform, therefore exploring new concepts and building the capacity of our elected city leaders are crucial steps for the country. The lessons learned on the City Exchange will strengthen the ability of civic leaders to deliver the services, investments and infrastructure required, both now and into the future.

Honorary Professor
Edward J. Blakely
Chair, Future Cities
Collaborative

Joe Langley
Technical Director –
Infrastructure
Advisory, AECOM

INTRODUCTION

The cornerstone of Future Cities Collaborative is the Future Cities Program, which supports regional and metropolitan civic leaders from New South Wales (NSW) by providing them with the knowledge, skills and resources needed to build more sustainable and livable communities. The Collaborative recognises that informed and visionary leadership is needed to improve the livability, sustainability and productivity of our cities. A part of this program is an annual educational and professional exchange to US cities to provide delegates with in-depth exposure to new methods and examples of city-shaping programs.

The 2015 US-Australia City Exchange on Local Finance Mechanisms (City Exchange), which took place in July 2015, was primarily focused on innovative funding and financing methods used to help build and revitalise communities. The City Exchange was made possible by partnerships with international partners and local government leaders. The 2015 program was also supported by AECOM, a global leader in infrastructure and urban development.

The City Exchange brought together new delegates as well as delegates from past programs, including representatives from;

- Blacktown and Liverpool City Councils who participated in 2013
- City of Canada Bay Council who participated in 2014
- Newcastle City and Penrith City Councils who were new to the program in 2015.

Industry representatives from the Western Sydney Business Chamber and UrbanGrowth NSW also joined the 2015 program.

The seven-day 2015 City Exchange explored funding and finance mechanisms used to support public transport and economic development initiatives in Los Angeles, Phoenix, Dallas and Chicago. The mission also examined private-sector participation in urban revitalisation projects and programs, such as business improvement districts (BIDs), sports stadia and convention facilities, and housing affordability projects.

AECOM hosted the City Exchange group in each of the cities visited and their local infrastructure planning, funding and financing, and implementation leaders were able to demonstrate how innovative funding and financing methods are being used to plan, implement and sustain investment in each particular city. AECOM's involvement in the design and implementation of the projects examined, provided delegates with access to in-depth technical knowledge and unparalleled access to the city representatives responsible for making each project a reality.

Similarities between US and Australian state and municipal structures allowed City Exchange delegates and City representatives to share ideas and solutions to common urban challenges.

The City Exchange delegates examined case studies and participated in workshops in each host city as summarised below.

METRO AREA	CASE STUDIES AND WORKSHOPS
LOS ANGELES, CALIFORNIA	- Los Angeles Metro transport infrastructure funding and financing and transit-oriented development programs - One Santa Fe affordable housing and urban renewal project - Hollywood and Vine joint development project - Old Pasadena Business Improvement District and urban renewal program
PHOENIX, ARIZONA	- Downtown Phoenix Partnership - Downtown Tempe and Phoenix convention and sports precincts - Valley Metro transit system funding and financing - City of Glendale and University of Phoenix stadium development
DALLAS, TEXAS	- Dallas Area Rapid Transit (DART) infrastructure financing mechanisms - Mockingbird Station urban renewal project - Downtown Plano transit-oriented development and reinvestment tools - Dallas Arts Precinct and Klyde Warren Park
CHICAGO, ILLINOIS	- City of Chicago Finance Committee workshop - City of Chicago Budget and Management Office workshop - City of Chicago Innovation and Technology workshop

Selected case studies from each city are examined in this report to inform the recommendations for policy change to support local funding and financing of infrastructure in New South Wales communities.

City of Phoenix City of Dallas


TEXAS

KEY OBSERVATIONS & RECOMMENDATIONS

Key observations and recommendations arising from the 2015 City Exchange are summarised below. Case studies in the following chapter show the different funding and financing tools examined during the mission.

1. POSITIVE AND STRONG COMMUNITY SUPPORT:

The case studies, in particular those in Dallas and Phoenix, illustrated that there is a general community expectation that governments constructing new urban infrastructure, or delivering new urban programs, do so with a view to enlarge the urban economy and to achieve widespread community benefits. This expectation is given explicit expression through community consultation by delivery agencies, followed by formal voter referenda on major long-term funding and delivery plans.

It is recommended that New South Wales state and local government agencies make wider use of formal and informal voter referenda on major infrastructure investment and delivery programs to encourage stakeholder engagement and commitment.

2. APPROPRIATE INSTITUTIONAL AND GOVERNANCE STRUCTURES:

As illustrated in the Los Angeles and Dallas case studies, state, metropolitan, regional and local government agencies and delivery authorities are tailored and aligned to the projects and programs that they are required to carry out. Federal and state agencies prepare, implement and refine legislation, policies and programs for regional and local agencies to plan and implement. The priorities are reinforced through federal and state funding and financing incentives, including loans, grants and credit enhancement programs.

Regional and local government agencies have a mandate to plan, fund, procure and deliver infrastructure and urban renewal programs. In all case studies, there is a strong connection between an agency's responsibilities and its ability to raise revenue. Where transport networks and renewal programs cross jurisdictional boundaries, as was the cases with Los Angeles, Phoenix and Dallas transit agencies, representative boards and authorities are created to achieve cross-border consensus.

It is recommended that the NSW Government develop a regional governance structure for metropolitan Sydney which is comprised of, local government elected officials, state agency representatives and experts to undertake long term integrated land use, infrastructure and transit planning.

It is recommended that a Sydney metropolitan commission or similar vehicle be established to provide vision and guidance on development for the next 20-40 years. The commission would facilitate a strategic and holistic approach to development and consist of political, non-political and expert representation, with the remit to guide the metropolitan development, conduct public outreach and gain public mandates for the long-term direction.

3. URBAN RENEWAL:

All city case studies illustrated that successful urban renewal is not ad hoc but derives from stable funding sources, commercially-attractive incentives, and supportive legislative programs at all tiers of government. Governments have an important role to play in providing confidence to commercial markets, leadership for new initiatives, and proactive engagement with the private sector to deliver policy goals. Additionally, as illustrated in Los Angeles, when considering notionally 'spare land', it is essential to develop a whole-of-government perspective on urban renewal, rather than only reflecting agency interests in decisions concerning re-use.

Tools: It is recommended that NSW government agencies, including Treasury, Department of Planning and Environment, and the Office of Local Government, adapt and/or development legislation to introduce the innovative funding and finance reforms needed to meet rising infrastructure funding gaps. Reforms to the present tax system should be designed to support greater autonomy and better decision-making at the most appropriate level of government, as recommended in Re:think – tax discussion paper by the Australian Government the Treasury.

Asset Leverage: It is recommended that the NSW government grant the proposed Sydney metropolitan commission the authority to declare non-core land assets under state agency ownership and engage UrbanGrowth NSW to embark on the redevelopment consistent within agreed state growth strategies.

Urban renewal incentives: It is recommended that the NSW government create credit enhancement and tax incentive mechanisms similar to New Markets Tax Credits illustrated in the Los Angeles cases, backed by funds received from the leasing of "poles and wires", to encourage innovative urban renewal projects by the private sector.

4. LONG TERM INSTITUTIONAL AND FUNDING SUPPORT:

The success of urban programs depends upon sustained, coordinated and patient support by multiple public agencies, particularly for complex urban projects and programs. Conversely, inter-agency rivalries or turf battles can quickly kill worthy projects.

It is recommended that the NSW government introduce a recurring, voter-approved funding base for the long-term metropolitan transport plan with a minimum tenure of 20 years. This could take the form of a land tax or a fixed per cent of sales tax revenue, hypothecated to support long term funding and financing of major transport infrastructure. The funding plan would be aligned with the long term metropolitan transport plan and changes to an approved funding plan would be subject to voter approval.

It is recommended that the NSW government assign a metropolitan development agency the role of catalyser of transit oriented development. This would provide a provide a seamless transformation of complex redevelopment sites rather than having multiple organisations or agencies with a variety of missions involved in the delivery of these key revitalisation projects.

5. COMMERCIAL REVITALISATION STRATEGIES AND LOCAL EMPOWERMENT

As illustrated in "Old Pasadena", Los Angeles and Chicago, commercial districts are sustained and/or revitalised by empowering local communities and governments to self–organise and self-fund under innovative governance arrangements, such as the Business Improvement District (BID) model. Under the BID model, businesses leaders and local government agencies within an area set local fees for the provisions of additional services and improvements within a defined precinct. As in the case of Pasadena, these precincts are often focused around regaining lost economic activity while maintaining the unique characteristics or historical aspects of traditional commercial centres.

The success of BIDs are also derived from their organisational capacity and the expectation by the community and property owners to innovate in terms of streetscapes, security and retail management.

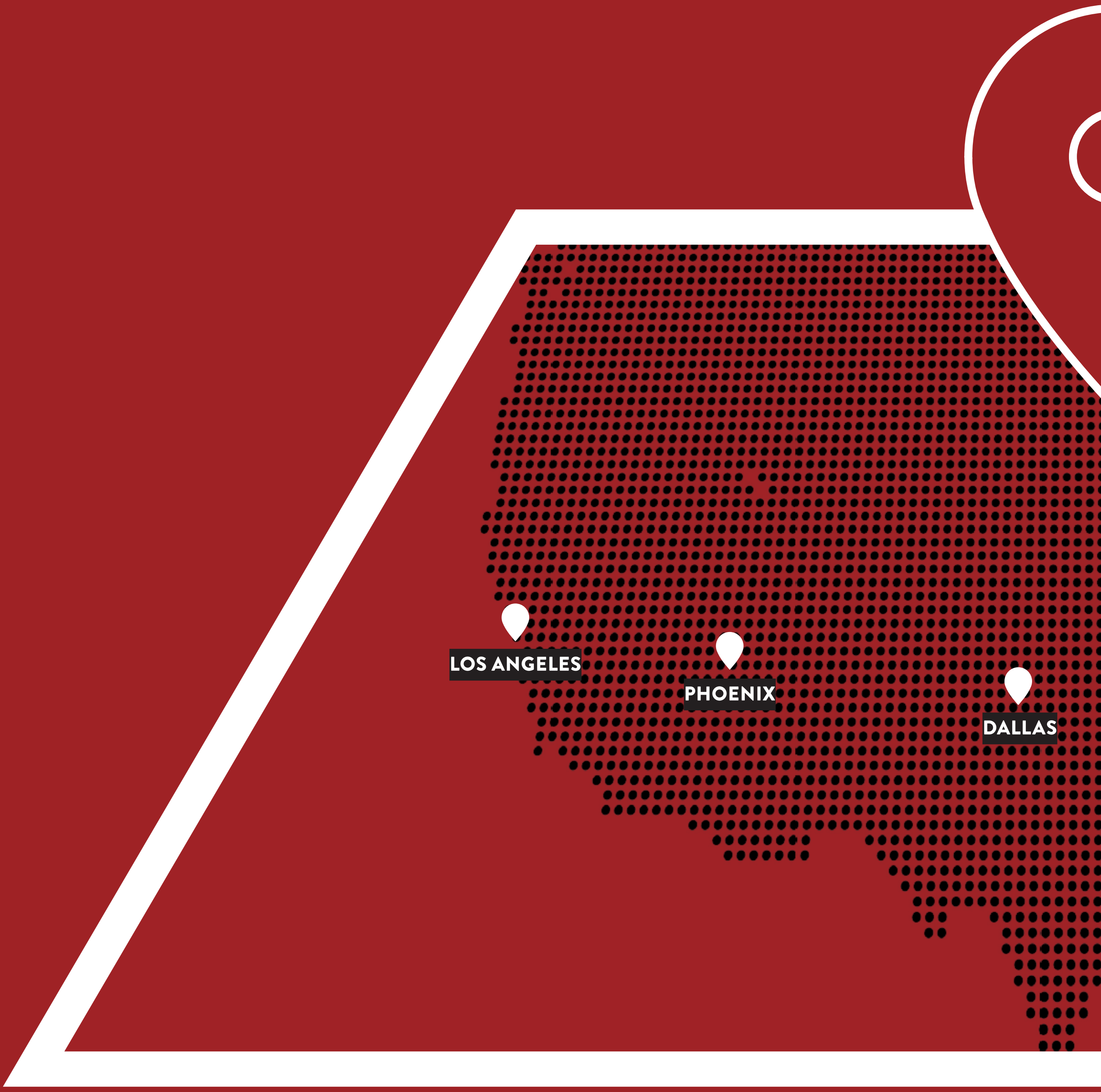
It is recommended that the NSW government introduce model legislation for local governments to establish BIDs to empower local business and community groups to revitalise traditional commercial centres.

6. LOCAL ECONOMIC DEVELOPMENT

The activity of economic development groups, such as the Downtown Phoenix Partnership and others, illustrate that economic development tools can be crafted to meet the needs of any community. Communities have land and other assets including the power to re-zone and provide infrastructure as leverage points for revitalisation.

It is recommended that NSW State and local governments apply a regionally integrated land use planning approach that stimulates job growth, housing diversity, sports/entertainment and community amenity.

It is recommended that local government examine ways to leverage existing knowledge-based employment centres and new anchors, such as universities, healthcare facilities, and research centres, to stimulate economic development within communities.



EXCHANGE LOCATIONS


CHICAGO

CASE STUDIES:

LOS ANGELES

CITY OVERVIEW

Located in Southern California, Los Angeles is the second most populated city in the United States, and the most populous city in California. The city is the focal point of the Greater Los Angeles Region, which contains nearly 21 million people, according to 2010 census data, making it one of the most heavily populated metropolitan areas in the world.

Los Angeles is one of the most substantial economic engines within the United States. The city has strengths in business, international trade, entertainment, culture, media, fashion, science, sports, technology, education, medicine and research, and is home to many renowned professional and cultural institutions.

In Los Angeles, the focus of the City Exchange was on transit-oriented development and the use of rail connectivity to add value to surrounding developments. The City Exchange partnered with the Los Angeles County Metropolitan Transportation Authority (LA Metro). LA Metro is unique among America's transportation agencies as it serves as transport planner, coordinator, designer, builder and operator for one of the country's largest transit systems. Nearly 9.6 million people, one third of California's residents, live, work and play within LA Metro's 3711 square kilometre service area. The delegates examined methods used by the agency's Joint Development Program to facilitate private sector urban renewal around new transit stations.

The City Exchange also visited the City of Pasadena to examine its urban revitalisation and growth, and met with the Old Pasadena Management District (OPMD), a highly successful Business Improvement District (BID). Delegates looked at the BID model and saw the innovative ways the city leveraged value from the city parking structures to finance redevelopment.

LOS ANGELES METRO AND RENEWAL

Los Angeles County Metropolitan Transportation Authority (LA Metro) directly operates a number of transit systems, including bus, commuter rail and light rail, and integrates with others transport agencies, including Amtrack, the national passenger rail transport agency and regional bus services that operate within and beyond the county.

Planning for growth is managed with the use of short and long-term transport plans. Expansion of the transport system entails a significant capital works program for rail but also extends to the construction of some roads, often in partnership with other agencies and the private sector.

LA Metro's remit extends to policy areas that are not its prime responsibility but are affected by its operations. These areas include environmental sustainability, research into advanced transport systems, private vehicle congestion management, and various safety programs.

LA Metro is governed by a board of directors comprising 13 members:

- Five members from Los Angeles County
- The Mayor of Los Angeles
- Three members appointed by the Mayor of Los Angeles
- City council members from four other cities within Los Angeles County
- An appointment by the Governor of California.

The structure of the board is intended to encourage a regional approach to transport planning by spreading decision-making authority to smaller cities within the county.

Beneath the board sits a professional transport agency that is expected to deliver the program directions of the board. A key feature of LA Metro's governance arrangement is the role that its administrators play in developing a long term transport plan and funding strategy for the county. Under these arrangements, LA Metro's staff works with stakeholders to develop the long term transport plan and funding strategy and to gain voter approval of both the plan and the funding strategy via a public referendum. The primary funding source is a county-wide sales tax that requires a 2/3 majority vote for approval.

LA Metro also coordinates federal, state and county funding programs that enable it to grow through direct investment or through partnership arrangements with others. Most funding streams are tied to the achievement of policy goals beyond narrow transport operation and thereby oblige the agency to develop and maintain a more integrated and entrepreneurial culture.

One Santa Fe and Hollywood and Vine metro transit areas are examples of LA Metro partnering with the private sector in development to underpin funding for transit and generate revitalisation of an underserved area.


CASE STUDY #1

"ONE SANTA FE" AND HOLLYWOOD AND VINE

Transit agency catalysing economic development and revitalisation through private development.

PROJECT OVERVIEW

LA Metro views surplus land as having two values. First, as a means of producing transit oriented and transit adjacent housing and commercial activities to stimulate greater transit use and improve community economic vitality and second, to generate additional income to underwrite further transit expansions.

80% MARKET RENTAL

20% AFFORDABLE RENTAL APARTMENTS

ONE SANTA FE

The case of One Santa Fe illustrates the second objective of the transit agency. LA Metro had a difficult land parcel adjacent to its car maintenance facilities. LA Metro recognised the potential of the area because gentrification was already well underway with one of California's leading Architecture Schools, Southern California School of Architecture (SCI-Arc) having recently moved into the area.

LA Metro's Joint Development Program (JDP) sought expressions of interest to develop the One Santa Fe site, which was nominated for mixed-uses. The McGregor Company was selected due to the company's experience with similar projects.

The arts district adjoining the One Santa Fe site was the outcome of explicit government intervention. The county passed an adaptive re-use ordinance that required retention of the existing warehouses that had accumulated over decades adjacent to the rail yards. The ordinance was subsequently relaxed to allow live-work units. Only 10 buildings within the large renewal area were heritage listed and vast areas close to the Los Angeles downtown were essentially vacant.

Initially, artists seeking large floor plates and low rents inhabited the area. As a result housing affordability soon became an issue as the precinct becoming popular for its hip and edgy lifestyle. Local students attending SCI-Arc, many from overseas, added to the housing demand and had limited financial means for accommodation near the school.

One Santa Fe was a response to the housing demand created by SCI-Arc. It was designed by Michael Maltzan Architecture, a contemporary local firm that has designed both social housing and high-end residential projects. Maltzan's design comprised:

- 438 apartments ranging from some 30 square metres to more than 120 square metres
- 80% market rental and 20% affordable rental apartments
- Commercial office space for LA Metro and ground floor retail, 7,340 square metres
- High quality common facilities, including club and pool on an elevated deck
- All apartments are only available for rental (not strata subdivided and sold)
- Land area 1.6 hectares, with ground lease from LA Metro for 80 years.
- Active transport linkages to downtown LA and neighboring areas.

As One Santa Fe is located directly adjacent to LA Metro's light rail tracks, McGregor is negotiating with LA Metro for the construction of a commuter rail station platform in the future. If built, the station would significantly increase access for the Arts District and would also add further value to One Santa Fe and surrounding properties.

HOLLYWOOD AND VINE

In the Case of Hollywood and Vine, LA Metro was motivated by both objectives—urban revitalisation and improving the locality, as well as generating income for the agency. In this case, LA Metro sought formal proposals for joint redevelopment of the surplus land around the new Hollywood entertainment district station portal. The goal was to regenerate this historic film industry neighbourhood, located at the intersection of Hollywood Boulevard and Vine Street. This iconic entertainment precinct once flourished from the silent films era in the 1920s to the late 1960s, when many of the major Hollywood film studios began to move away from the area.

Land around the current Hollywood and Vine Station was originally acquired by LA Metro to store material during construction of the Hollywood/Vine Station. When opened, the only above-ground transport-related asset was the uncovered station entrance. A large part of the remaining land was physically vacant although encumbered with access and support easements for the transport asset.

The project required the assembly of a consortium of developers each securing funding from a variety of sources. Once development agreements and funding sources were arranged, the project was completed in two and a half years.

The completed project comprises:

- More than 185,000 square metres of development
- The W Hotel with 305 rooms
- 143 owner occupied condominiums
- 375 rental apartments
- Ground floor retail space
- Public plaza and covered station entry portal.

The project was a classic public-private partnership with land assembly undertaken by LA Metro and the developers providing financing, construction and operations / management of the hotel and residential complex. A key public benefit was the creation of a new covered entrance for the Hollywood and Vine neighbourhood at the station plaza.

FUNDING AND FINANCING STRUCTURES

One Santa Fe was financed with a basket of federal, state, county, agency and private funds. The inclusion of affordable housing in the use mix conferred eligibility for low income housing taxation credits, which were sold by financial institutions to clients seeking tax shelters.

“New Market” tax credits were available because the project entailed redevelopment within a legislatively defined urban renewal area. New Market tax credits are available through a federal government program designed to stimulate business starts-ups, particularly new small businesses in underserved or low income areas.

The City of Los Angeles provided an economic development loan for the commercial component and a housing loan for the residential component of the development. Because the project contains a mix of uses on a ground lease, specific loan conditions necessitated legal separation of the commercial component from the residential component of the completed project through air rights and land titling measures. These measures allowed the project to tap into different public and private loan programs.

Private equity contributed most of the funding, with one group, Canyon Capital, contributing a major portion. This investor typically requires medium term redemption, meaning that the entire project must be sold in the near future in order to repay the investor’s equity.

The affordable housing component is controlled by a separate not-for-profit agency. Typical affordable housing rents in this market are about $850 per month and the equivalent unit would attract market rental of about $2,400 per month.

The financial viability of the entire project is based on total project rent returns, including the low income rent subsidies from federal and state government affordable housing schemes.

The Hollywood and Vine project was financed from a mix of federal, state, county, agency, and private funding sources. Federal funds were used to clean up the site for construction. State affordable housing tax credits were used to build housing units on the site. Developer equity and bank loans supported by a 60 or more year ground lease, were used to create the funding base for the project.

GOVERNANCE AND ADMINISTRATIVE STRUCTURES

Both LA Metro cases are simple joint ventures, in which the agency enters into a land lease arrangement of 60 or more years. The developer is partner during construction for some well-defined risks. Post construction, the developer assumes all risks and pays off all LA Metro obligations.

SUMMARY

LA Metro acts as a transport organisation with an economic and urban development mission. LA Metro has been an aggressive development promoter using its land and management expertise to shape the markets around transit stops. To accomplish this LA Metro has created an internal department charged with leveraging its assets to meet citywide goals well beyond it transport requirements. Because of LA Metro’s active participation in meeting citywide goals, it has generated community support as well as found ways to enhance the agency bottom line through real estate development.

CASE STUDY #2 "OLD PASADENA" AND RELATED METRO STATIONS

Property taxes funding downtown redevelopment

In the 1970's, the old commercial core of Pasadena had declined and became an urban blight area, a legislatively defined term for urban areas suffering from chronic economic and social decline. It was scheduled for demolition to make way for new commercial development. However, as a blighted area, the old commercial core also became eligible for state and federal redevelopment incentives. By 1979, the city recognised the area's merit as a potential urban renewal project and unanimously approved an ordinance to preserve its architectural character. This led to the creation of the Old Pasadena Business Improvement District (BID), a four-block area comprising the core of the old commercial centre, and the establishment of a formal management entity comprised of local business and property owners and the Old Pasadena Management District (OPMD).

ONE COLORADO, A $70M REDEVELOPMENT, WAS MADE POSSIBLE BY HISTORIC DISTRICT TAX CREDITS.

PROJECT OVERVIEW

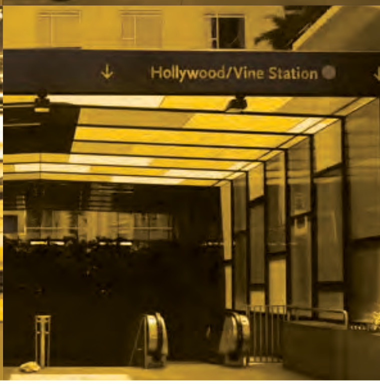
The first major redevelopment effort in Old Pasadena began in the 1980s with a specialty retail centre called The Marketplace. This project floundered due to a lack of financing. In 1993, the project was rebranded One Colorado. This $70 million urban renewal project benefitted from the BID designation, which provided tax credits for historic district redevelopment, and generated great interest in the district. Other developments followed, building partly on the success of One Colorado and partly from the incentives provided by the tax credits and other urban renewal programs. The Old Pasadena Business Improvement District gradually took root and now encompasses more than 22 city blocks.

Old Pasadena's boundaries overlay two Los Angeles Metro (LA Metro) light rail stations that serve its north-eastern and south-eastern corners. The LA Metro stops are well connected to the precinct's pedestrian networks.







Over 15 years, following the establishment of the OPMD, the organisation experimented with various methods of revitalising the downtown. One bold experiment involved using a corporate subsidy supplemented by an increase in the prevailing property rate assessment to fund downtown revitalisation programs. Now in its 20th year of operation, the organisation has achieved remarkable success.

Due to its authentic 'downtown' character and mix of small and unique retail shops, the precinct has attracted increasing retail patronage. With greater visitation came increased parking congestion. Initially, the City strictly controlled street parking with zealous parking officers regularly issuing infringement notices. As parking congestion and rigid enforcement threatened to undermine the visitor experience, that so much effort had been expended on improving, the city was persuaded to transfer control of parking and a proportion of revenues to OPMD to better align place management, parking management and parking enforcement. This also provided the district with an additional revenue stream.

GOVERNANCE AND ADMINISTRATIVE STRUCTURES

The OPMD is a not-for-profit business organisation that creatively plans, manages and develops Old Pasadena as a unique, authentic and vibrant downtown experience. The OPMD currently contracts with the City of Pasadena to manage the Old Pasadena Business Improvement District (BID). The BID enhances the basic city services by funding district-wide security, marketing, and maintenance programs to provide a clean, safe and vibrant downtown experience.

The structure of the organisation is straightforward, comprising:

- A 17 member board
- A 7 member executive committee made up of board members
- Four members of staff, including its CEO
- Contract staff as needed.

The organisation has five primary functions:

- Cleanliness and maintenance
- Public relations
- Safety
- Advocacy and marketing
- Events
- Parking.

FUNDING AND FINANCING STRUCTURES

All operations are financed through annual tax assessments on privately owned commercial real estate. In essence, the businesses formed a management cooperative to provide upgraded public domain and other services. The city authorised this tax assessment and acts as both a supervising agency and a financial contributor to the organisation. In this case, the OPMD is a quasi-government agency with the powers and responsibilities to manage the public spaces and design standards for the district's businesses.

SUMMARY

The OPMD is an excellent example of how city-business partnerships can re-shape a business district with very small injections of public capital. It also illustrates how ordinary public assets like parking can be used to leverage financing of public and private amenity such as affordable housing, public art as well as social amenities such as clean safe streets and pleasant surroundings which combine to increase the community and visitor experiences. Again, like LA Metro, this program illustrates how the creation of quality physical environments through active partnerships generates community support for wider economic development programs.

LESSONS LEARNED

The LA Metro and Old Pasadena cases illustrate how transport can be a tool for community revitalisation by:

- Establishing specialised agencies to lead revitalisation efforts, as illustrated by LA Metro's Joint Development Program and the Old Pasadena Management District
- Maximising the value created by well-planned transit-oriented development by redeveloping surplus land, increasing densities around transit centres and upgrading public domain improvements to attract new economic activity
- Creating community and business-based management and governance organisations to spearhead and manage revitalisation efforts.


THE PHANTOM OF THE OPERA
PANTAGES
CELEBRATING 85 YEARS OF HOLLYWOOD HISTORY.
ANNOUNCING THE 2015-2016 SEASON
DINING
BETTER THAN EVER

CASE STUDIES:

PHOENIX

COLLABORATION FOR TRANSFORMATION

The state of Arizona is one of the fastest growing states in the United States and the high rate of growth has been sustained over many years.

Phoenix, the capital and largest city of Arizona, has a population of 1.4 million people (according to 2010 census data), making it the most populous state capital in the United States, and the sixth most populated city nationwide.

Greater Phoenix, which includes, among others, the cities of Chandler, Glendale, Scottsdale and Tempe, has a population of nearly 4.3 million and covers 5,180 square kilometres, making it the 13th largest metro area by population in the United States and one of the largest cities in the United States by land area.

In Phoenix, AECOM arranged for the delegates to spend time with the Sustainable Communities Collaborative and Downtown Phoenix Partnership. Both organisations, one a non-profit aimed at facilitating transit-oriented development and the other a Business Improvement District, use innovative financing tools for local development.

In Phoenix, delegates also met with Valley Metro, the regional transit authority to examine the implementation of light-rail and its use as an economic development driver for the city and region.

The City Exchange also visited with the Arizona Sports and Tourism Authority, a state agency that owns and operates stadia and recreation facilities in the Phoenix area, including the multipurpose University of Phoenix Stadium.

The focus in Phoenix was on the use of value capture, and how this mechanism allows the city to finance civic improvements and also stimulate economic development. Additionally, the City Exchange examined the development of mixed-use stadia and the uplift to surrounding areas resulting in a greater tax base for the city.

CASE STUDY #1

PHOENIX VALLEY METRO

Federal assistance and local tax measures funding new modes of transit

Phoenix has grown from a population of 100,000 in 1950 to 4.3 million in the greater conurbation of low-density suburbs. Urban sprawl remains the principal feature of growth.

Like many other US cities, Phoenix began to shift away from a primary focus on road-based transport investments to one including public transport in the 1980's. By the early 1990's, Phoenix and other cities were actively considering light rail, bus rapid transit (BRT) and other measures to deal with traffic congestion brought about by urban growth. Growing concern was expressed by the public at increasing road congestion, despite increasing investments in roads and highways. From the mid-1990's, many US cities were designing and building light rail and bus networks as alternative solutions to road-based transport investment. We are seeing similar trends in NSW in this decade, with light rail and urban renewal projects gaining momentum in the Sydney CBD, Western Sydney, Newcastle and Waverley.

The explosive growth in Phoenix overwhelmed road based transport plans, and city planners recognised the need to consider alternative, more cost-effective transportation and urban form models. However, light rail is generally regarded as economically viable only if it serves medium to high-density urban areas. The issue for Phoenix was how to transition from urban sprawl to a more cost effective development pattern.

Currently, 23-25 year olds are the largest and fastest growing demographic cohort in Phoenix. This group also is less car dependent and prefer inner-city living close to urban amenities. Despite sharing an urban form similar to Los Angeles, Phoenix citizens wanted to avoid repeating LA's urban sprawl and reliance on freeways.

A referenda was used to approve the use of retail sales taxes as a funding source for transport, forcing a public debate on the appropriate mix of transport options. In 1980 the referendum in Phoenix dedicated nearly all of a 5 per cent sales tax to roads and highways. By 2004, 1/3 of sales tax levies for transport were dedicated to public transport.

23-25YR OLDS ARE THE LARGEST AND FASTEST GROWING DEMOGRAPHIC IN PHOENIX

PROJECT OVERVIEW

Responding to these changing community demands, five cities within the Phoenix conurbation collaborated to alter settlement patterns from low-rise sprawl to a more condensed nodal form of development, by using a new light rail transportation system as the catalyst.

The system links three main urban centres with on-street and corridor-based light rail vehicles similar to those now being rolled out in Sydney. Particular attention was paid to car type and design to alleviate the effects of the hot climate of Phoenix. Cars are air-conditioned and stations are shaded for day long protection. Light rail has become an economic development and urban renewal catalyst for Phoenix.

The light rail network currently extends for twenty miles and busses cover 61 routes. A southern extension is planned for completion in 2034 and the 19th Avenue alignment by 2026. The service currently operates at 12-minute headways and is open till 3:00am on weekends.

Ridership of the metro rail system is currently 50 per cent above initial projections. Typically, it carries 44,000 riders on weekdays with some peaks exceeding 60,000. During the Super Bowl weekend, the system carried over 390,000 riders in five days with more than 126,000 on Saturday alone. In 2014, the system carried 14.3 million passengers.

Although investment in public transport in Phoenix remains small in comparison to traditional road-based programs, the social and economic benefits of public transport are becoming more apparent to voters and public officials. For example, ridership on the Phoenix light rail network was expected to be 26,000 passengers daily when it opened in 2008. Actual ridership was 44,000. Additionally, the $1.9 billion investment in light rail has generated $6.9 billion in secondary development, of which $5.4 billion is private sector investment.

GOVERNANCE AND ADMINISTRATIVE STRUCTURES

Currently, two boards of directors control Valley Metro under one CEO with some combined staff. One board directs regional public transportation and the other Valley Metro Rail itself. Together they direct an integrated transportation system of metro rail, the bus network and other programs that promote single-vehicle trip reduction such as ride sharing and van pools.

Valley Metro operates a comprehensive program supporting transit-oriented development (TOD) and serves as an information and community education resource, promoting the merits of TODs, urban renewal and public transport.

1.9B INVESTMENT IN LIGHT RAIL HAS GENERATED $6.9B IN SECONDARY DEVELOPMENT, OF WHICH $5.4B IS PRIVATE SECTOR INVESTMENT.

FUNDING AND FINANCING STRUCTURES

Federal funds devoted to urban renewal were key to the transformation of Phoenix. To access these funds, Phoenix was confronted with the stipulation that most federal government renewal funds were directed to reduce urban blight in existing cities. Consequently, few rapidly growing regions, such as Phoenix, were eligible for these funds as most growth in these cities is accommodated on virgin land, often subdivided from the desert. Compounding this problem, Arizona is the only US state that does not have legislation allowing for the creation of Tax Increment Financing (TIF) districts, a commonly used funding tool in other cities.

The location and extent of a transformative light rail network was relatively well defined as federal funds needed to be focused on inner city locations, the same as those favoured by the emergent 'millennials'. Further, this allowed funding for these programs to avoid competing with federal and state road funding programs.

Lending institutions were skeptical of any transport projects other than freeways, yet money for light rail corridor land acquisition was needed up front. A community development fund was established that directed 20-30 per cent of proceeds to high capacity transit projects. Over the last four years more than $20 million has been raised for transit projects.

In 1985 Proposition 300 proposed a 0.5 per cent tax that funded the establishment of the Recreation, Parks and Tourism Administration (RPTA). A 0.4 per cent tax established in 2000 provided ongoing funding support, though after 2020 this will increase to 0.7 per cent for a further 30 years.

Crucially, Phoenix attracted federal Newstart funding of $1.4 billion. Newstart is a federal program designed to help cities bring businesses back to low income and underserved communities. Economic analysis indicates this alone stimulated around $7 billion of economic development, a five-fold multiplier. Federal funding was contingent on the coordinated planning of the system.

SUMMARY

Phoenix has successfully introduced public transit to a car-dependent metropolitan area by creatively leveraging federal and state urban renewal, housing and economic development programs. In the absence of TIF, tax abatement programs were introduced to attract businesses to the urban core. Incentives attracting a new university, cultural and sports facilities to key transit stops boosted ridership and stimulated wider urban renewal efforts. Although public transport ridership is still a small part of the transport funding mix, the light rail system has proved to be popular because of its capacity to serve a large and dispersed university population and take advantage of major sports and cultural events. By starting small and increasing its share of transport dollars slowly over time, the light rail system is changing the way Phoenix grows.

CASE STUDY #2 DOWNTOWN PHOENIX PARTNERSHIP

Re-investment legislation and tax breaks promoting investment

By itself, the construction of a high capacity transit system did not stimulate the emerging nodal settlement pattern of inner Phoenix. The city recognised the need to attract complementary residential and commercial investment that drew on the new infrastructure and to populate renewal areas with uses that generated new economic activity.

The city intervened and encouraged the development of new economic development approaches in and around the light rail corridor.

PROJECT OVERVIEW

Downtown Phoenix Partnership was formed to generate a new form of public-private partnership (PPP). It is an alliance of individuals, community groups and businesses that advocate for and direct development within the heart of the city. Its earliest manifestation was the Downtown Phoenix Alliance that still operates more than 30 years after its establishment. Other groups include Downtown Phoenix Incorporated, a think tank collaborative between businesses, City of Phoenix leadership and community groups. It coordinates activities between the Downtown Phoenix Partnership, the Downtown Phoenix Community Development Corporation and the Phoenix Community Alliance. These community groups and organisations were extremely successful is attracting significant investment around the light rail line.

GOVERNANCE AND ADMINISTRATIVE STRUCTURES

Community Reinvestment Act (CRA) funds are managed by 'Community Development Financial Institutions' (CDFI's) that are governed by experienced board members. A CDFI is a financial institution that provides credit and financial services to underserved markets and populations, primarily in the USA but also in the UK. A CDFI may be a community development bank, a community development credit union (CDCU), a community development loan fund (CDLF), a community development venture capital fund (CDVC), a microenterprise development loan fund, or a community development corporation. The Commonwealth Department of Social Services ran a CDFI pilot program in 2014. These organisations provide seed money loans and investments needed to attract complementary private sector loans from commercial banks that are obligated to re-invest some of their assets into low-income communities.

Business Improvement Districts (BIDs) essentially operate as a locally governed public-private partnerships that provide marketing and management services for commercial precincts. Services typically include the establishment of design guidelines and standards for the public domain, supplemental security and cleaning services in public areas, marketing and promotional activities, and other programs to stimulate economic activity within a defined precinct. BIDs operate under city oversight with well-established reporting and operational rules. These include requirements to submit financial statements quarterly and submit to regular audits.

FUNDING AND FINANCING STRUCTURES

Federal funding arrangements were crucial to the success of the city's initiative. The CRA obliges private lenders to invest a fixed percentage of loans to defined projects and is 'mission driven' – such as distressed areas and Latino neighbourhoods. These funding arrangements essentially operate as tax credits.

Downtown Phoenix Partnership is a combination of a BID for the core area of the downtown CBD and a Public Improvement and Economic Development (PIED) agency for the larger downtown area which includes both commercial and residential properties. As a BID, it provides enhanced public domain services such as cleaning, security, advertising and beautification in addition to hosting several major and minor events to stimulate downtown activation.

Local tax abatement is a mechanism for deferring local taxes and rates for several years prior to the project's completion. Many Arizona municipalities use this tool to attract firms to their jurisdiction by de-risking projects. This is especially important in districts seeking new types of investment. The city in some instances provided tax abatement for up to two decades.

Phoenix also assembles land in new transit corridors before projects are constructed, and on-sells improved development sites at a higher values, with profits plowed back into the project. Essentially, the city took the risk that in car-dependent Phoenix, transit development would add value to adjoining inner-city land.

The city also directly invests in key redevelopment sites. For example, The Newton, a once popular but faded bar and community meeting hall located near a light rail station, was redeveloped and converted into a multi-use community facility. 'The Newton' revived community support and is now very popular meeting venue.

City-owned land was also used to attract new uses. Law faculty and medical research facilities of the University of Arizona are now located in new inner city facilities, developed and owned by the city and leased back to the University.


downtown PHOENIX
190
AMBASSADORS
No Soliciting
PULL
PULL
OPEN
PHX DNA

SUMMARY

Economic development tools can be crafted to meet the needs of any community. Communities have land and other assets including the power to re-zone and provide infrastructure as leverage points for revitalisation. Phoenix is also illustrative of how community genius is stimulated by small amounts of federal and state funds to leverage much larger economic impacts. Finally, Phoenix shows how pinpointing economic anchors like a university campus downtown can alter the economic fortunes and directions of a locality.

LESSONS LEARNED

- Light rail is primarily a tool for corridor economic renewal. While it provides excellent transport, it also plays an important role in revitalisation and urban densification. By growing awareness across the community, agencies and governments of the role public transport can play in economic development and sustainable urban growth, the principles of integrated transport – land use planning and "smart growth" can begin to take root.
- Regional transport agencies were charged with the responsibility for developing a long-term regional transport plan matched with a long term funding strategy. These agencies began to address transport from more holistic and regional perspectives.
- Federal and state government transport funding guidelines for recipients were predicated on achieving public transport, housing affordability and economic development objectives.
- A consistent theme expressed by our hosts in Phoenix and other cities is the impact of millennials on transport and urban development. Millennials are more likely to use public transport, live and work in or near city centres, and prefer medium and high density lifestyles.
- Cross-jurisdictional elected and appointed boards have been a primary governance choice for major metropolitan transport programs in American cities.
- Economic development tools can be crafted to meet the needs of any community. Communities have land and other assets including the power to re-zone and provide infrastructure as leverage points for revitalisation. Phoenix is also illustrative of how community genius is stimulated by small amounts of federal and state funds to leverage much larger economic impacts.
- Phoenix shows how pinpointing economic anchors like a university campus downtown can alter the economic fortunes and directions of a locality.

CASE STUDIES:

DALLAS

PROJECT DETAILS

Dallas is the third largest city in Texas and the fourth largest metropolitan area in the United States. The city's prominence arose from its historical importance as a centre for trade for the oil and cotton industries, and its position along numerous railroad lines. It was shaped by the entrepreneurial spirit of its early city leaders with the same culture and "can do" attitude continuing to drive the necessary infrastructure development to support such a populous and quickly expanding city.

Dallas is now one of the largest logistics centres in the US being close to the geographic centre of the nation. Its population is growing at 6 per cent per annum and jobs growth at 4.5 per cent. Dallas has less than 6 per cent unemployment. Nationally, 1 in 4 new jobs each year in the US are created in Texas and 1 in 4 of these attracts in Dallas. It particularly seeks skilled labour to serve its emerging 'silicon prairie' IT sector.

The city's economy is primarily based on banking, commerce, telecommunications, computer technology, energy, healthcare and medical research, and transportation and logistics. The city is home to the country's third-largest concentration of Fortune 500 companies, and one of the nation's busiest airports is Dallas/Fort Worth International Airport.

Key to the economic development of the city is the Dallas Area Rapid Transit authority (DART), which operates buses, light rail, commuter rail, and high-occupancy vehicle lanes in Dallas and 12 of the surrounding cities. With the extension of the Orange Line to Dallas/Fort Worth Airport station in 2014, DART is the largest light rail operator in the United States, with more than 144 kilometres of track.

The focus in Dallas was on the role transit-oriented development and multi-party partnerships play in economic development of a city. Delegates also examined examples of cultural precincts used as renewal stimulants, and whole-city revitalisation in the case of the City of Plano.

CASE STUDY #1
DALLAS AREA RAPID TRANSIT (DART) AND MOCKINGBIRD STATION

Integrated approach to reduce private vehicle use, increase density and revitalise communities

PROJECT OVERVIEW

Like many other US cities, Dallas installed a tram system in the early 1900's, and like many of its counterparts, removed the system in the 1950's. However road congestion and rising fuel prices re-stimulated interest in alternative modes of urban transport.

In 1983, Dallas voters dedicated one per cent of new sales tax to a new overarching transport authority that spanned Dallas, Denton and Fort Worth, each with their individual transit authorities. Fort Worth voters allowed a 0.5 per cent sales tax. Post poll analysis indicated that the remarkable 75 per cent support for the initiative was motivated evenly by those keen to get out of cars and into mass transit and those keen to get others out of cars to relieve road congestion.

The focus of the Dallas Area Rapid Transit Authority (DART) is to implement and sustain transit options for a sprawling metropolitan region. DART also fosters multi-party partnerships to encourage economic development in the city.

DART began a corridor acquisition program in 1983. In 1989, support was sought from voters via a referendum for a comprehensive transit system but failed at the ballot box. A scaled back system gained voter support in both 1996 and 2000. In 2006 a comprehensive transit system plan was prepared with a delivery horizon of 2030. Subsequently a '2040 Plan' was prepared that also included regional rail services, high speed rail, considered region-wide growth plans, and contemplated other service providers.

The DART system currently moves more than 220,000 passengers per day across a service area of 1,800 square kilometres. Its mix of services include 140 kilometres of light rail serving 100,000 passengers per day, 140 bus routes, shuttle services, 'paratransit' vehicles assisting those with special needs, van pools, and flexible on-call services for movement within a 3 kilometre radius.

Considerable public support for the system was matched by private sector support. Many developers were keen to locate DART stations close to development sites they owned. For its part, DART recognised the potential financial benefits and passenger demand potential from a more complete system and allowed for future stations in locations that had expressed little initial interest.

One such site, Mockingbird Station, has since flourished with mixed-use developments linked with quality public domain. Consideration is being given to extending access to the Mockingbird Station from a nearby university over a major highway. Though mindful of the opportunities to stimulate private investment, DART has determined station location on forecasts of likely ridership.

One of DART's objectives is to reduce reliance on private motor transport. In response, DART has developed a Transit Oriented Development (TOD) Policy that both recognises the potential property value uplift from its investment and seeks to encourage private sector growth that increases ridership.

FUNDING AND FINANCING STRUCTURES

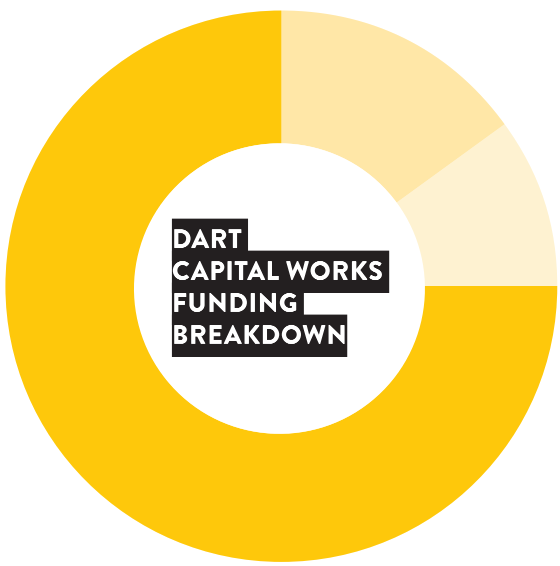
Currently, 75 per cent of DART capital works funding is derived from sales tax, 15 per cent from 'formula funds' , which is federal funding for specific projects that is provided only if they also satisfy other policy objectives and the balance from other sources

When considering funding applications, the Federal Transit Authority applies rigorous analysis to all proposals, including appraisals of funding amounts and alignments proposed. For this reason, DART engages specialist firms to undertake independent economic analyses of its funding plans. However, the analysis is not always perfect as evidenced in 2008-9 when capital works programs had to be reduced as a result of the GFC.

Overall, funding derives from a mix of tools including Sales Tax Revenues, Special Improvement Districts, and municipal management districts. Consequently, funding is becoming more complex. In the face of declining state and federal funding sources, DART is also looking at private and corporate sponsorship opportunities that could raise up to $7 billion.

LEGEND

- Sales tax - *75%*
- Formula Funds - *15%*
- Other Sources- *10%*



GOVERNANCE AND ADMINISTRATIVE STRUCTURES

DART is the authority that governs public transport within the Dallas metropolitan region. DART, in turn, provides and coordinates the transport functions for 13 municipal authorities within the Dallas area. DART is governed by a board comprised of elected officials with representation that is proportionate to populations served. For this reason, the City of Dallas holds 8 of the 13 seats on the board. Irrespective of motivation, votes subsequently increased to 77 per cent to support the adoption of long-term debt in order to accelerate construction of the system

SUMMARY

The Dallas area has developed an integrated approach to transit across modes, starting with its funding approaches to its relationship to nearby private development. The Transit District sees itself as fulfilling city-wide objectives to reduce reliance on private vehicle use which allows innovation in the development of funding sources.

THE CITY OF DALLAS HOLDS

8 OF THE 13

SEATS ON THE DART BOARD


DFW
AIRPORT
CHERRY WINGS
NEW ZERO CALORIES ALL THE TASTE

CASE STUDY #2
CITY OF PLANO

Relaxing development regulations to stimulate revitalisation

The City of Plano is located on the outskirts of Dallas and has a population of around 270,000. Its urban form is low-rise with one to two storey buildings on the main street. In the 1980's, Plano was languishing with many boarded up shops. city intervention was sought. To celebrate the Texas sesquicentenary, the city embarked on a streetscape improvement program but its focus on built-form failed to generate any significant turnaround. In the 1990's the DART was extended to Plano and the city embarked on another revitalisation program.

PROJECT OVERVIEW

The city developed an integrated approach to revitalisation. It established a dedicated economic development unit to assist in the creation of new business, strengthen existing business and attract established companies offering 'high impact jobs'.

The purpose of the program was to create new jobs that paid higher than prevailing wages in Plano, increase economic activity into Plano from outside its market area, and generate greater capital investment into Plano.

Economic development activities also extended to the city's internal processes. Development regulations were adjusted to favour good design and retention of heritage character. The city expedited the review of development plans and inspections to keep projects on schedule. A fire sprinkler program assisted owners to adapt heritage buildings to more profitable uses. Minimum car parking controls were relaxed for existing buildings, and new buildings were required to provide reasonably priced parking. Various license and use adjustments encouraged restaurants to open on ground floors facing main streets.

$50,000

IS GIVEN BY THE CITY TO EACH PUBLIC IMPROVEMENT DISTRICT

FUNDING AND FINANCING STRUCTURES

The city also employed a variety of funding and financing tools. In 1999, the city established a tax increment financing (TIF) district that created a 15 year income stream to encourage development along the DART corridor. Tax income above the total appraised value at the commencement of the scheme was used on a variety of projects. When it expired, the scheme had raised more than $47 million. Voters have agreed to extend the scheme for a further 15 years during which it is expected to raise an additional $20 million.

'Section 380' agreements permit the city to make grants and loans to further economic development. These and TIFs form the basis of most public-private partnership agreements.

In 1999, the city established Neighbourhood Empowerment Zone No. 1. The city was then able to waive application fees for a variety of developments including affordable housing, single and multi-family housing, and commercial development. By mid-2014, some $750,000 in fees were waived for a total construction value of $102 million.

The Texas Local Government Code permits cities to establish Public Improvement Districts (PID) in response to property owner petitions. A Plano PID was established in 2014 and assesses each property owner at a rate of 15 cents per $100 of property value. Assessments on large properties are capped at $25,000, thereby incentivising larger businesses to move to the city. The city contributes $50,000 to each PID. The combined funds can be used for additional council services such as lighting, security, sanitation, special events, marketing and advertising, as well as targeted capital works projects. A board drawn from contributing property owners manages the PID for a three year term and currently controls an annual budget of around $150,000.

To encourage heritage conservation, the city grants tax exemptions for listed properties. Owners are expected to restore and maintain the properties, confirmed by annual inspections. Exemptions range from about 40 per cent to 100 per cent, based on how the property is used and its relative significance. All four government agencies that levy property taxes participate in the program.

GOVERNANCE AND ADMINISTRATIVE STRUCTURES

All the funding programs are administered within the city's conventional administrative structure and frameworks.

SUMMARY

The city of Plano shares many features with its Western Sydney counterparts. The city has stimulated a remarkable change in its fortunes by initiating and cooperating with other government tiers in the development of economic development tools. As well as embarking on a determined program of retaining, growing and attracting businesses and high value jobs and developing its existing assets, such as its small-lot urban core, proximity to the new DART and has crafted its own affordable housing program.


CAMERAS
IN USE
CÁMARAS
ACTIVADAS
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206

CASE STUDY #3
DALLAS ARTS DISTRICT

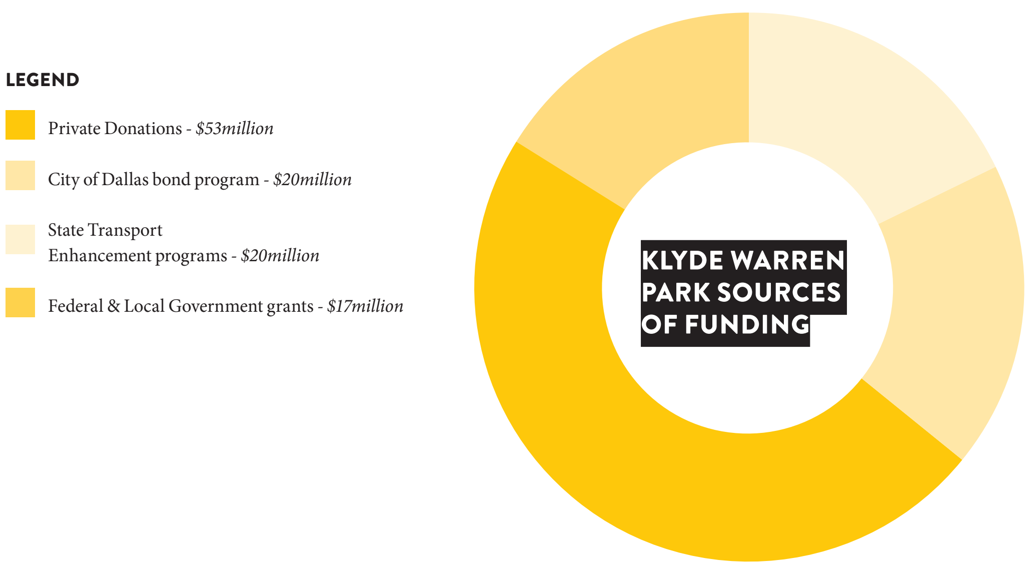
Fostering philanthropy to help fund city shaping initiatives

Giving tangible effect to its long heritage in supporting the arts, the Dallas Arts District now contains a comprehensive collection of art and cultural institutions that have established Dallas as an internationally significant cultural destination. The District is testament to the role of private patronage in the history of Dallas.

PROJECT OVERVIEW

In the mid 1970's the City of Dallas commenced a review of its arts institutions and in the early 1980's adopted a plan to relocate its dispersed cultural institutions to a location adjacent to its downtown and accessible to its freeway network. Over the next 30 years, new buildings were added to house visual and performing arts institutions in existing landmark buildings and new buildings designed by internationally recognised architects, including Pritzker Prize winners I.M. Pei, Sir Norman Foster, Renzo Piano, Thom Mayne, and Rem Koolhas. The Arts District now hosts more than 20 institutions ranging from children's choral groups to contemporary art galleries and large public sculpture pieces are located throughout the precinct.

The Klyde Warren Park, constructed over the freeway that formerly divided central Dallas in two, now anchors one end of the Arts District. The park features a mixture of spaces promoting quiet reflection, relaxation, children's play and concert-going and provides a central location for the annual program of activities and events.



FUNDING AND FINANCING STRUCTURES

Repurposed heritage buildings to house the District's institutions were provided by the City. More recently, architecturally significant institutions that have been built were the outcome of substantial philanthropic donations.

The District has developed an extensive program of Foundation Grants. These philanthropic gifts direct funds to new projects and support participating artists.

Klyde Warren Park illustrates the importance of this funding approach in Dallas and is an example of public philanthropy leading the provision of the public domain improvements. The Park's total capital campaign goal of $110 million was made possible by over $53 million in private donations. A City of Dallas bond program contributed $20 million, with state transport enhancement programs contributing another $20 million. The balance was made up of federal government and local government grants.

The park is owned by the City of Dallas but is privately operated and managed by a non-profit foundation. The Park bridges 365 metres of a below-grade highway that used to separate the CBD from a nearby inner city neighbourhood. The 1.8 hectare park can accommodate up to 10,000 people and has become a central civic point of identity that formerly divided Dallas downtown. It is estimated that the Park has stimulated some $2-3 billion of new development nearby. The park is maintained to a very high standard, with a current annual budget of about $3.5 million that is funded from a mix of grants and city contributions.

The concentration of facilities in the city's downtown has, however, drawn funds away from arts institutions that are located away from the downtown. It is estimated that these institutions collectively face a bill of about USD$180 million in deferred maintenance.

$3.5M P.A.

FOR PARK MAINTENANCE FUNDED FROM A MIX OF GRANTS AND CITY CONTRIBUTIONS

GOVERNANCE AND ADMINISTRATIVE STRUCTURES

Since 2009, the Dallas Arts District has operated under the umbrella of Downtown Dallas Incorporated, which is a not-for-profit organisation that serves as principal advocate, steward and champion for Downtown Dallas.

The principal functions of the Dallas Arts District are to:

- Stimulate a vibrant and sustainable Downtown environment
- Improve infrastructure
- Enhance economic competitiveness
- Create a culturally inclusive urban centre
- Position the area as a global destination.

Its principal areas of focus include:

- Public Safety
- Maintenance & Capital Improvements
- Economic Development
- Community Education, Engagement and Advocacy
- Public Policy
- Planning & Transportation.

The board of Downtown Dallas Incorporated reflects the city’s entrepreneurial and philanthropic tradition. Board members are drawn from banking, construction, property, legal, corporate and political organisations.

SUMMARY

Dallas has developed and committed to a long-term vision to locate, fund, expand and maintain its broad arts culture. Governed by separate not-for-profits charged with fund raising and maintenance, this creates “buy in” from the public for these spaces because they are viewed as community and not government-provided public domains. The vision was funded from a number of sources, with a large part deriving from philanthropic contributions.

LESSONS LEARNED

- Dallas has enjoyed consistent, above average growth due to a combination of its central US location, the entrepreneurial spirit of its business leaders, and the willingness of both the public and private sectors to invest heavily in cultural, arts and civic infrastructure.
- Dallas has a long and well established history of private philanthropy that has created the Dallas Arts District, a world-class cultural and arts precinct on the edge of the CBD. The most recent example of this civic spirit is the Klyde Warren Park, high quality publicly owned, privately funded and operated park that connects the Arts District to nearby neighbourhoods once separated from the CBD by a major highway.
- A key success factor in the growth of the Dallas transit system is the confidence that DART has earned in the community by delivering major transport projects on time and on budget. This reputation has resulted in strong voter support when DART seeks new mandates to expand the system.
- The City of Plano underlines the transformative role of city governments, empowered with the right funding and finance tools, coupled with transit systems, can transform a community in terms of livability and economic prosperity.
- The Dallas Arts District reinforces the value of arts and culture as an anchor for re-vitalization and also a catalyser for economic development and property value uplift in adjacent areas.


Klyde Warren Park

CASE STUDIES:

CHICAGO

Chicago is the third most populated city in the United States, after New York City and Los Angeles. With 2.7 million residents, it is the most populous city in both the state of Illinois and the Midwest. Its metropolitan area is home to 9.9 million people. Chicago is the seat of Cook County.

Built on agricultural transport and transformation, agricultural dominance stimulated the development of novel methods to moderate drastic seasonal fluctuations. These included the widespread use of refrigeration and the agricultural futures exchange. Chicago now hosts the largest futures exchange in the world. Though agricultural wealth from the west is still channeled through Chicago, financial services are now becoming the dominated commercial activity. Chicago is the third largest city economy in the US, following Los Angeles with New York at the top.

Chicago is an international hub for finance, commerce, industry, technology, telecommunications, and transportation, with O'Hare International Airport being one of the busiest airports in the world. It also has the largest number of highways and railroad freight entering its region.

The City of Chicago is a world leader in innovation and technology, establishing a Department of Innovation and Technology (DoIT) in 2008 to add innovation to the charter of the former Department of Business and Information Services. As the central information technology organisation for the City, DoIT provides a number of technology and telecommunications services to departments, the Mayor, other city agencies, residents, businesses and tourists.

During the Exchange, delegates examined cases where federal, state, municipal and private partnerships were used for financing local infrastructure.

CASE STUDY #1

A CITY BASED ON TAX INCREMENT FINANCE STRATEGIES

PROJECT OVERVIEW

The city operates an economic development unit that draws together expertise in planning and finance. It develops and implements policies that link housing, economic development and zoning to a basket of funding and financial incentives. The economic development unit also controls 14,000 lots that were acquired over time in lieu of unpaid tax assessments.

The main economic development tool deployed is Tax Increment Financing (TIF), with variations to suit the character of individual areas. The attraction of TIFs is that they do not impact on overall tax collected, as they draw funds from increased values generated by the initiatives. However, TIFs are not suitable for all urban renewal economic development needs. Enabling legislation requires TIF districts to be "blighted" with chronic social, economic and physical conditions that can limit its application.

GOVERNANCE AND ADMINISTRATIVE STRUCTURES

Though businesses can nominate TIF districts, the city is active in identifying suitable TIF districts. Private consultants, at arms-length, appraise funding propositions in order to deflect accusation of commercial favoritism. Adding to its range of tools, the city also operates tax abatement programs for specific projects over periods between 5-12 years.

The city also operates special service areas (SSA) that function similar to BID's. These require the approval of voters within the service area and apply a special assessment on top of normal property taxes. Initially set at 5 per cent, the proportion of the total electorate voting in support of an SSA has recently been increased to 20 per cent.

The city has also explored Public-Private Partnerships (PPP's) but with mixed success. For example, the long-term lease of the city's car parking system including parking meters and parking lots appears now to have been under-priced and all of the money has been spent.

Utilities are funded principally through usage fees, making them susceptible to a new round of privatisation.

Transit Orientated Development (TOD) has not hitherto been a focus for the city but it is now exploring ways to exploit existing rail infrastructure to fund its growth. One looming concern is how to fund the opportunity and cost of high-speed rail.

The city is currently exploring opportunities provided to fund transport infrastructure expansion through the Federal government's Transportation Infrastructure Finance and Innovation Act (TIFIA). TIFIA provides federal credit assistance in the form of direct loans, loan guarantees, and standby lines of credit to finance surface transportation projects of national and regional significance.

TIFIA credit assistance provides improved access to capital markets, flexible repayment terms, and potentially more favorable interest rates than can be found in private capital markets for similar instruments.

Also being explored are alternative ways to identify and extract increased value from property taxes arising from city infrastructure works, based on property values that are independently appraised by the Cook County Assessor's Office.

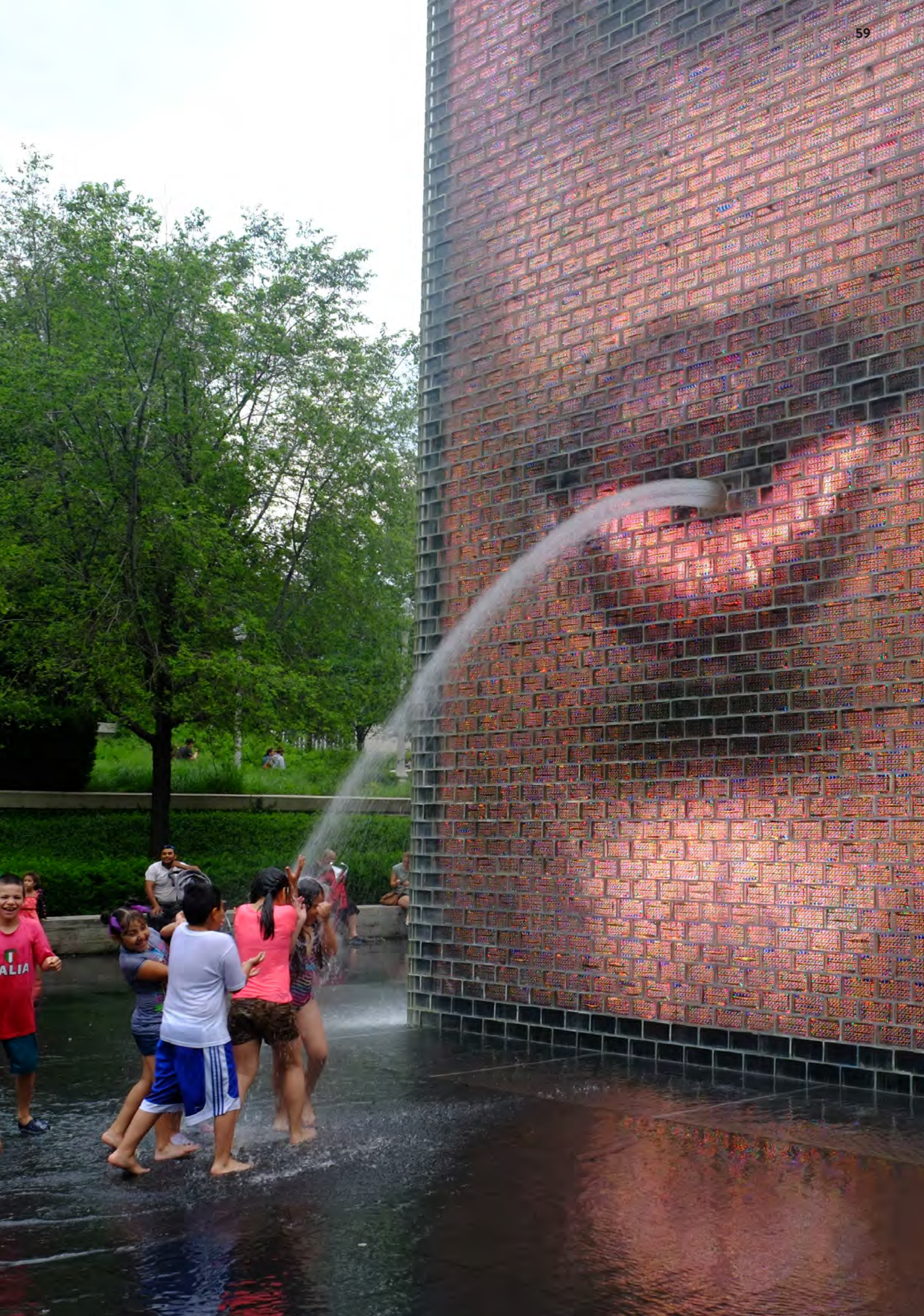
Overall, the city must reconcile competing recurrent expenditure budget demands from firefighting and teachers, for example, with less immediate demands for economic development.

SUMMARY

Chicago has been the most prolific user of TIF districts as a means of stimulating urban renewal, economic development and private sector development. The City's theatre district was re-established with the help of TIF funds, and TIF funds contributed to the cost of Millennium Park, a major tourist and cultural destination. The Chicago riverfront, large industrial precincts formerly occupied by feedlots and inner city neighbourhoods have all benefitted from this funding and financing tool.

Tighter application of TIF guidelines has caused City officials to introduce measures that can be applied to greenfield projects. Special Service Areas (SSA) and Federal TIFIA programs are examples that focus on local infrastructure and major transport programs, respectively.

THE ECONOMIC DEVELOPMENT UNIT CONTROLS 14,000 LOTS ACQUIRED IN LIEU OF UNPAID TAX ASSESSMENTS.


ALIA

CASE STUDY #2
THE 606 PROJECT A CASE OF CREATING NEW PUBLIC DOMAIN

The Trust for Public Land works to establish and maintain parks for public use, particularly in cities where 80 per cent of US citizens live. The group's particular concern is to provide natural open spaces for children to experience.

PROJECT OVERVIEW

The '606' is a project developed over 10 years that formed a linear park on an elevated disused goods rail line. It has drawn comparison with New York's Highline Park but the 606, in contrast, is more than twice as long, half as elevated, carries cycle traffic as well as pedestrians and also connects with four parks connecting at grade level. Since opening only a few months ago and still undergoing fresh planting work, the park has become wildly popular.

Significantly, the bikeway element of the park has attracted a stream of commuter cyclists for short distance travel safe from traffic and the disruption of stop lights.

There is evidence in property sales advertising that proximity to the park adds to the attractiveness of nearby properties, though it is currently too early to determine. This suggests that a passive alternative to the traditional motorised public transport infrastructure could add value to the neighbourhoods served. If demonstrated by analysis, this could provide a profound policy reason to favour new pedestrian and cycle infrastructure and also provide a mechanism to capture its value to direct into expansion.

FUNDING AND FINANCING STRUCTURES

To date the '606' has cost $76 million with $56 million raised from public funds and the remaining $20 million form private donations. When complete, the 606 will have cost some $95 million.

GOVERNANCE AND ADMINISTRATIVE STRUCTURES

The 606 was developed as a joint project by the Trust for Public Lands, the Chicago Park District and key City of Chicago agencies, including its departments of Transportation, Cultural Affairs and Special Events, Housing and Economic Development, and the City Economic Development Agency.

SUMMARY

The 606 project illustrates how public-public partnerships can create new public value in dis-used or abandoned assets. Certainly, there are numerous places such lessons can be applied in New South Wales.

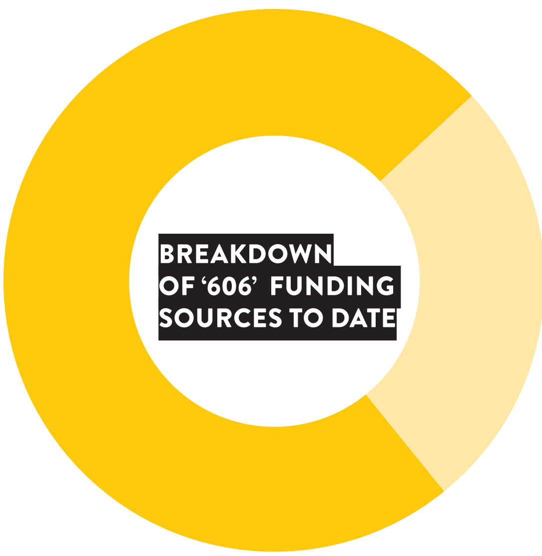
LESSONS LEARNED

The City of Chicago's economic development initiatives are integrated with other core functions of the City, including planning and affordable housing.

- The city must constantly explore new ways to finance its activities.
- While Chicago has benefitted from innovative funding and financing arrangements for many years, critics argue that TIF programs have not been regularly monitored for compliance with statutory guidelines and to prevent over-reliance on long term financing tools.

LEGEND

- Public funds - *$56million*
- Private Donations - *$20million*




CNA
MOTOROLA

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NEW YORK

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KEY TERMS


COMMUNITY
LIVE HERE
IGNITE
and Delaware combined
Large Population
10 million people in LA County; 17.6 million in surrounding counties
People from more than 42 states
Diverse
More than 40% foreign-born
Over 220 languages spoken
17th largest economy in the world
PANTAGES
PHANTOM

GLOSSARY

BUSINESS IMPROVEMENT DISTRICT (BID)	A system in which owners of two or more private properties or businesses cooperate to share the ost of solving common problems or realising economic opportunities associated with place
GENERAL OBLIGATION BONDS (GO BONDS)	A common type of municipal bond in the United States that is secured by a state or local government's pledge to use legally available resources, including tax revenues, to repay bond holders. GO bonds are secured by the issuing authority as a 'general obligation'.
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFI'S)	A certified CDFI is a specialised financial institution that works in market niches that are underserved by traditional financial institutions.
COMMUNITY REINVESTMENT ACT (CRA)	The Community Reinvestment Act is seeks to encourage banks to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound operations.
'FORMULA FUNDS'	Federal funding for specific projects that are provided only if they also satisfy other policy objectives. Assessment of eligibility is determined by a 'formula' that combines all these elements.
PROPOSITION 'X'	A ballot of voters generally conducted in conjunction with scheduled elections that seeks support for additional tax levies over a defined period to fund a specified range of projects or programs.
PUBLIC IMPROVEMENT DISTRICTS (PID'S)	A PID is a public/private partnership in which property and business owners elect to make a collective contribution to the maintenance, development, and promotion of their commercial district.
REVENUE BONDS	A type of municipal bond issued in the United States to fund a defined project and repaid only from the income that project is projected to deliver. Revenue bonds are only secured against the asset funded by their issue.
PUBLIC PRIVATE PARTNERSHIPS (PPP'S)	A government service or private business venture that is funded and operated through a partnership of government and one or more private sector companies. These schemes are sometimes referred to as PPP or P3.
SMART GROWTH	An urban planning and transportation planning approach that concentrates grown in compact walkable urban centres to avoid sprawl, makes better use of existing infrastructure, and reduces traffic congestion by enhancing access to public transit.
SPECIAL IMPROVEMENT DISTRICT	An area designated for infrastructure investment by a public or private entity under certain state laws, thereby making them eligible to collect taxes or assessments. Typically, property owners within a special improvement district must agree to pay additional tax or assessment sot fund infrastructure improvements within the district.
TAX ABATEMENT	In order to sponsor specific initiatives municipalities can elect to forego a variable proportion of property tax.
TAXATION CREDITS	An amount of money that a taxpayer is able to subtract from the amount of tax that they owe to the government.
TAX INCREMENT FINANCING (TIF)	Tax Increment Financing (TIF) is an approach to project funding through the issue of bonds that are repaid from the elevated proportion of future tax revenues following completion of a project. The difference between a base case without new investment and the elevated tax income arising from the investment is quarantined and used to repay bondholders.
TRANSPORT INFRASTRUCTURE FINANCING AND INVESTMENT ACT (TIFIA)	The Transportation Infrastructure Finance and Innovation Act (TIFIA) program provides Federal credit assistance in the form of direct loans, loan guarantees, and standby lines of credit to finance surface transportation projects of national and regional significance. TIFIA credit assistance provides improved access to capital markets, flexible repayment terms, and potentially more favorable interest rates than can be found in private capital markets for similar instruments.