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How much value is there in value capture?

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Key points

- Investment in transport creates a broad range of benefits
- Many of these benefits flow through to an uplift in land and property values
- Changes in values as a consequence of investment in transport are influenced by a number of factors
- The value that can be captured is a subset of the value created

Setting the scene

Investment in infrastructure creates value to a range of beneficiaries in addition to its intended users

Primary Driver

1
Traditional infrastructure investment rationale



3

Value creation & new funding

Secondary Driver

Innovating through a value creation/ value capture approach

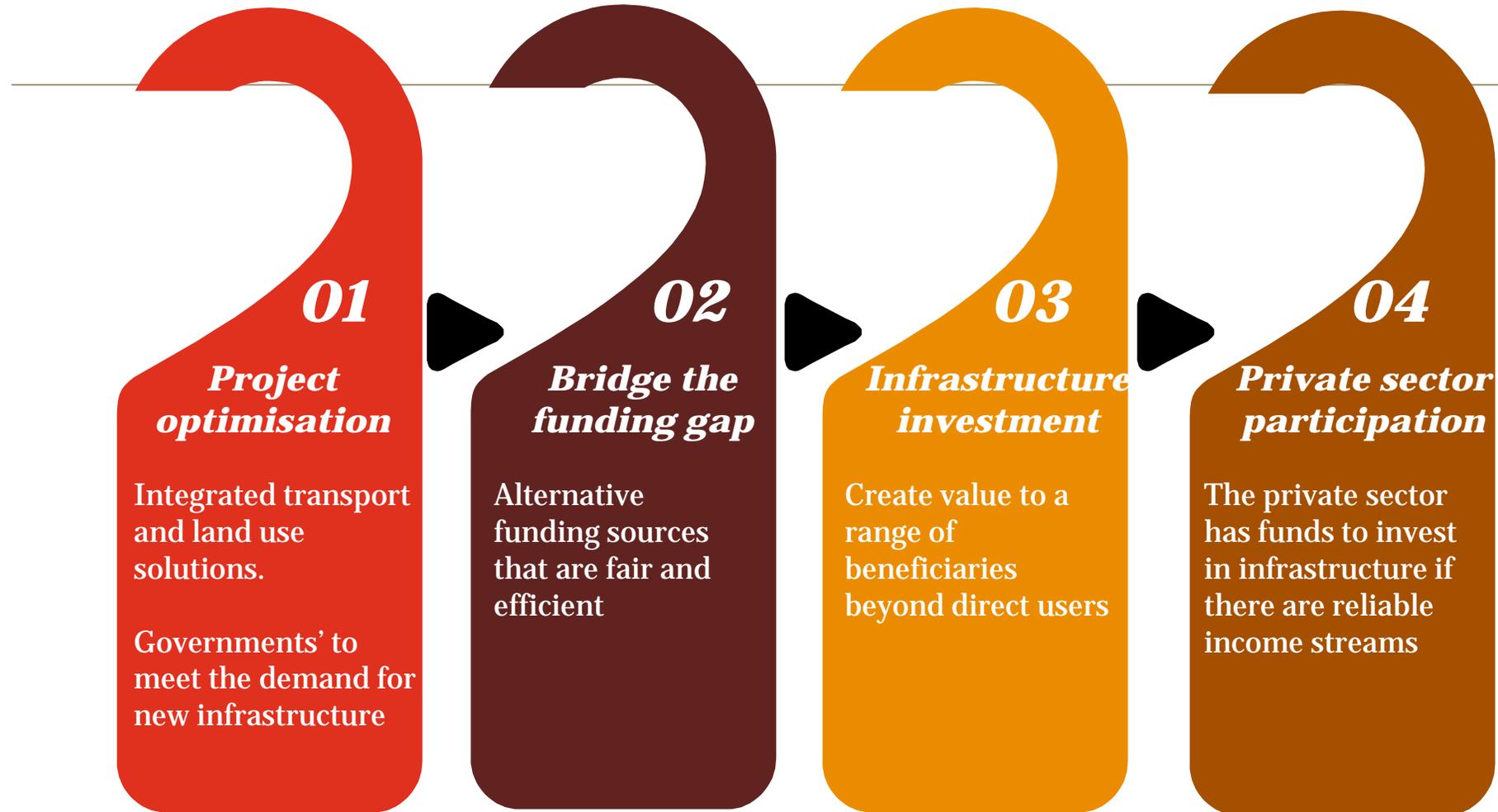
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Community and Beneficiaries

2

Costs and Risks

Why are we talking about value capture?



What do we mean when we talk about value capture?

Benefits

Investment in infrastructure creates a broad range of benefits.

These benefits drive uplift in land and property values:

- Improved access to transport networks and other amenities
- Improved labour force accessibility
- Improved access to services, such as retail, health and educational services
- Reduced travel times and other transport user benefits

Beneficiaries

Value capture seeks to share the value created by new infrastructure by asking beneficiaries to contribute a portion of the value created to the project's funding.

Beneficiaries can include:

- Home owners
- Land owners
- Employers
- Existing businesses
- Potential businesses
- Investors and developers
- Local and central government
- Road and public transport users

Mechanisms

Different mechanisms may be targeted to different beneficiaries:

- Differential ratings on property valuation
- Targeted rates
- General levies
- Specific levies
- Stamp duty amendments
- Land tax amendments
- Ticket levies
- User charges
- Fuel levies
- Parking levies
- Developer charges
- Property rezoning
- Proceeds of sale of government property
- Air rights

Conditions for value capture

01

Linkage

There is a clear spatial relationship between any opportunity, benefit and beneficiary



02

Value created

Value created by the infrastructure can be accurately quantified using robust methodologies



03

Mechanisms

Valid legal instruments exist or can be created that would target the beneficiaries

04

Timing

The timing of contributions should be matched to when beneficiaries realise the value

Value capture

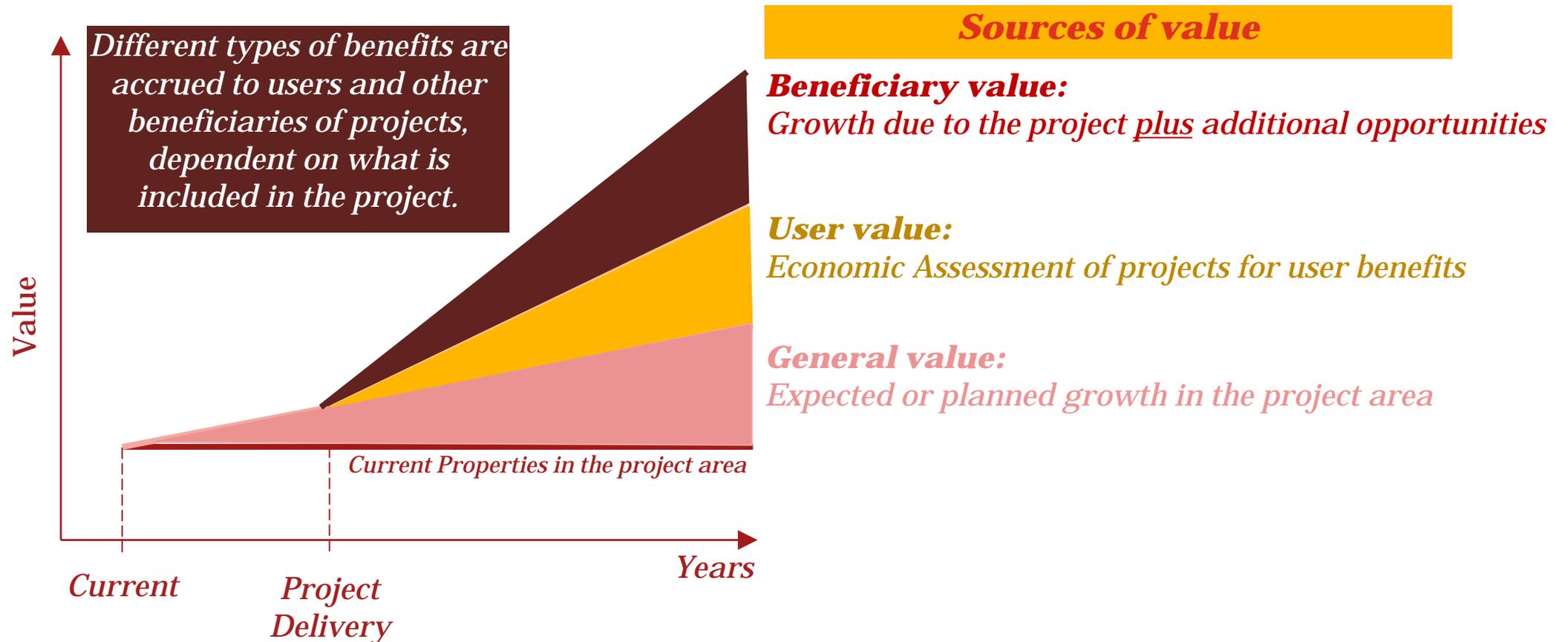
Value capture is being used increasingly around the world to fund transport infrastructure and urban renewal



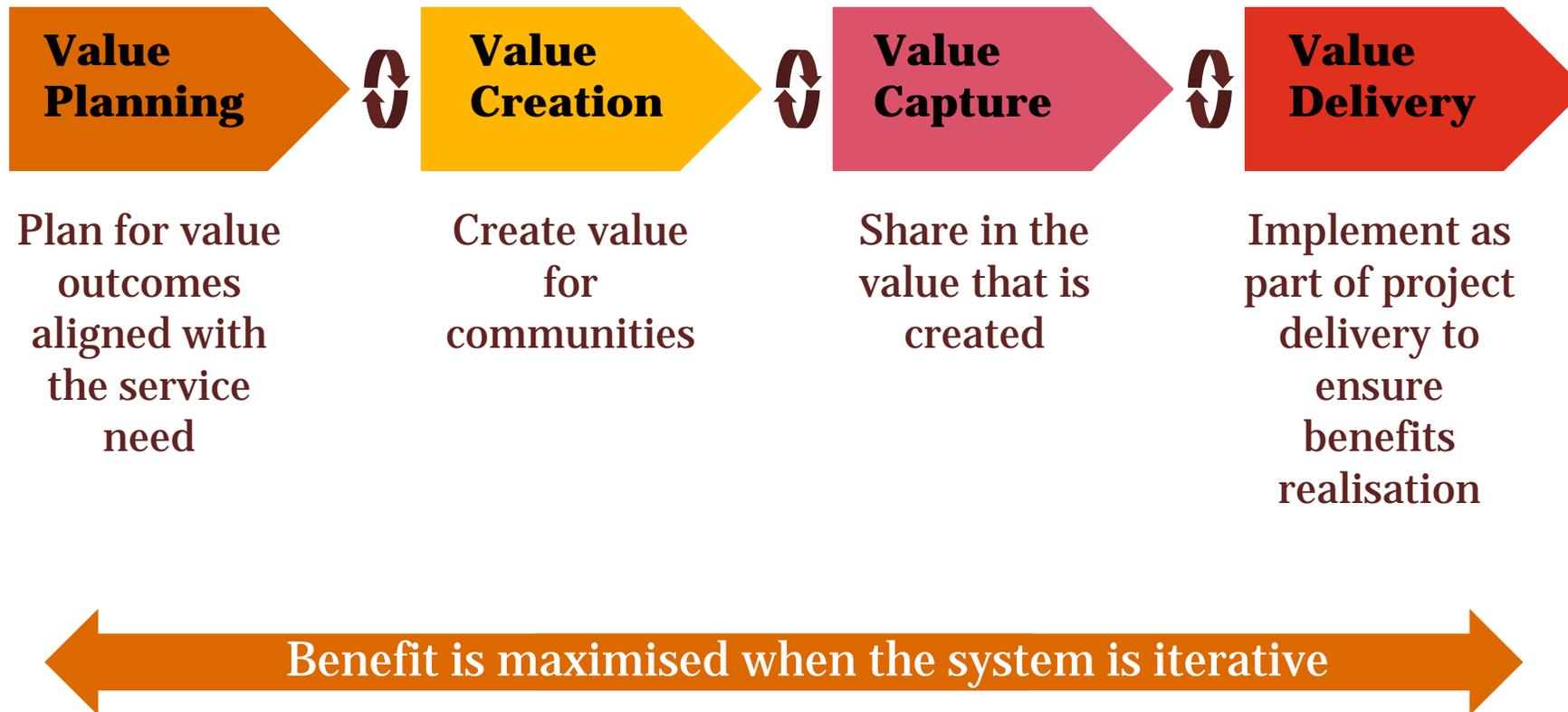
Opportunities for value creation and capture

Value is delivered in multiple ways by the project

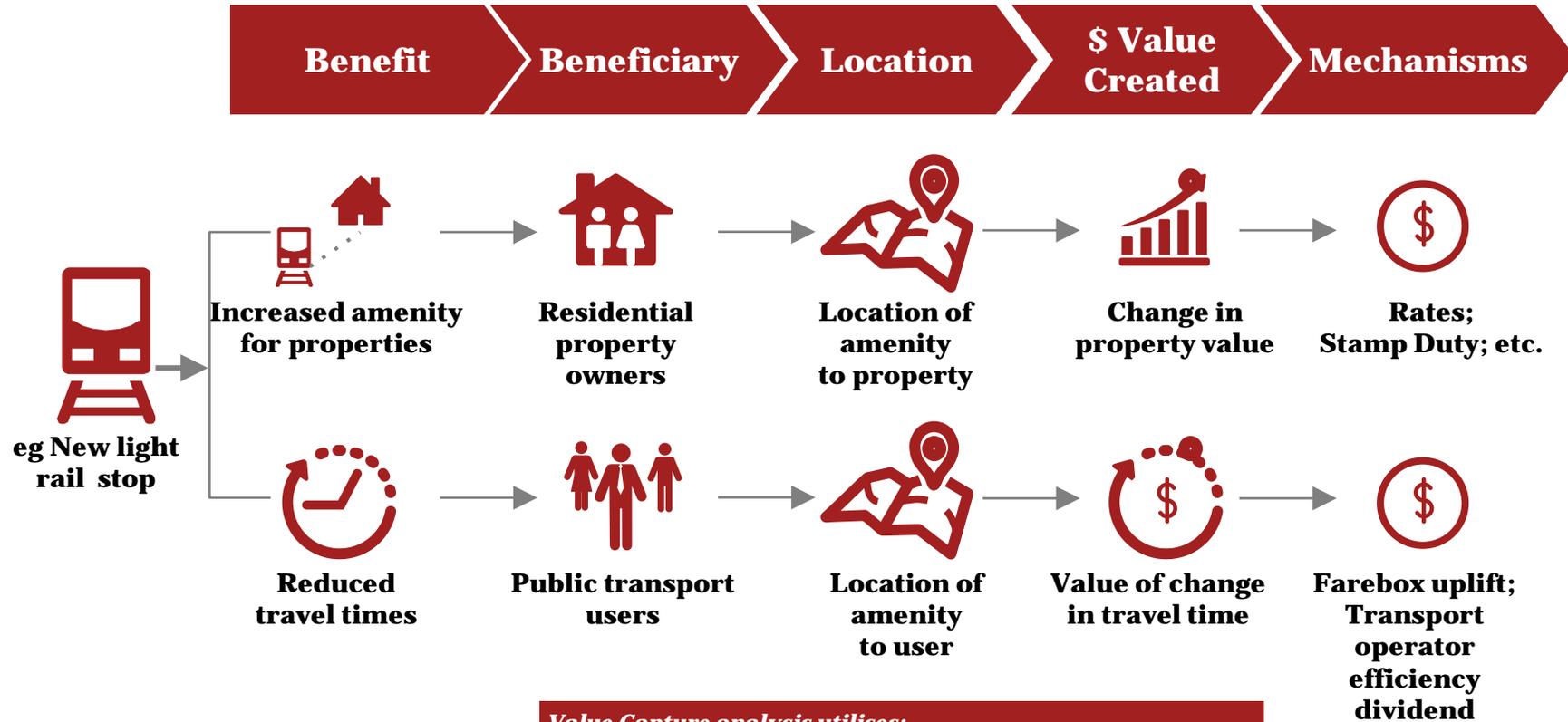
- Value created by infrastructure differentially enjoyed by the community.
- Misalignment between project beneficiaries and project funders, creating a mix of ‘winners and losers’



Value Capture is maximised when it is a part of a system



How the value approach considers potential revenue streams

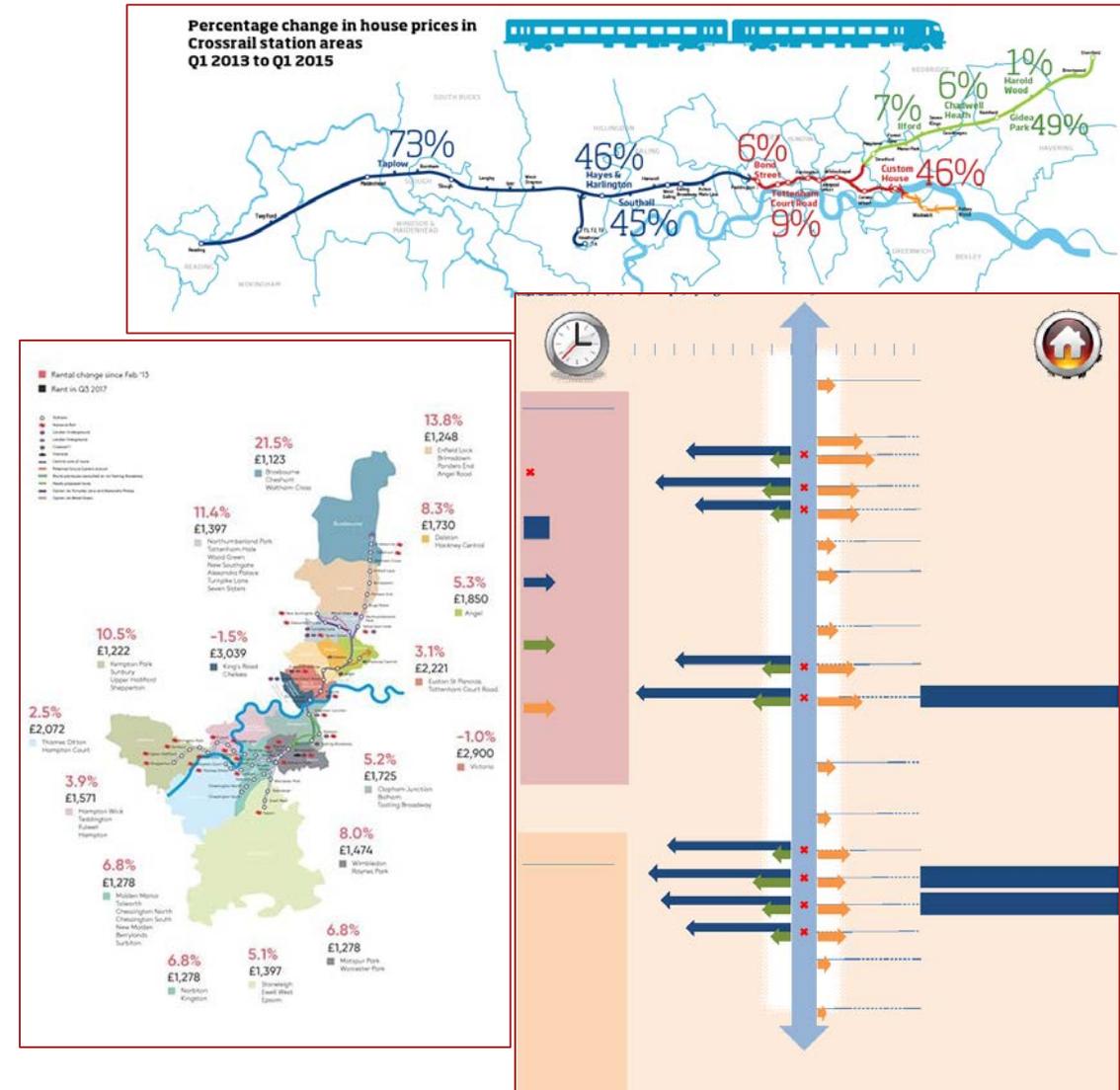


Value Capture analysis utilises:

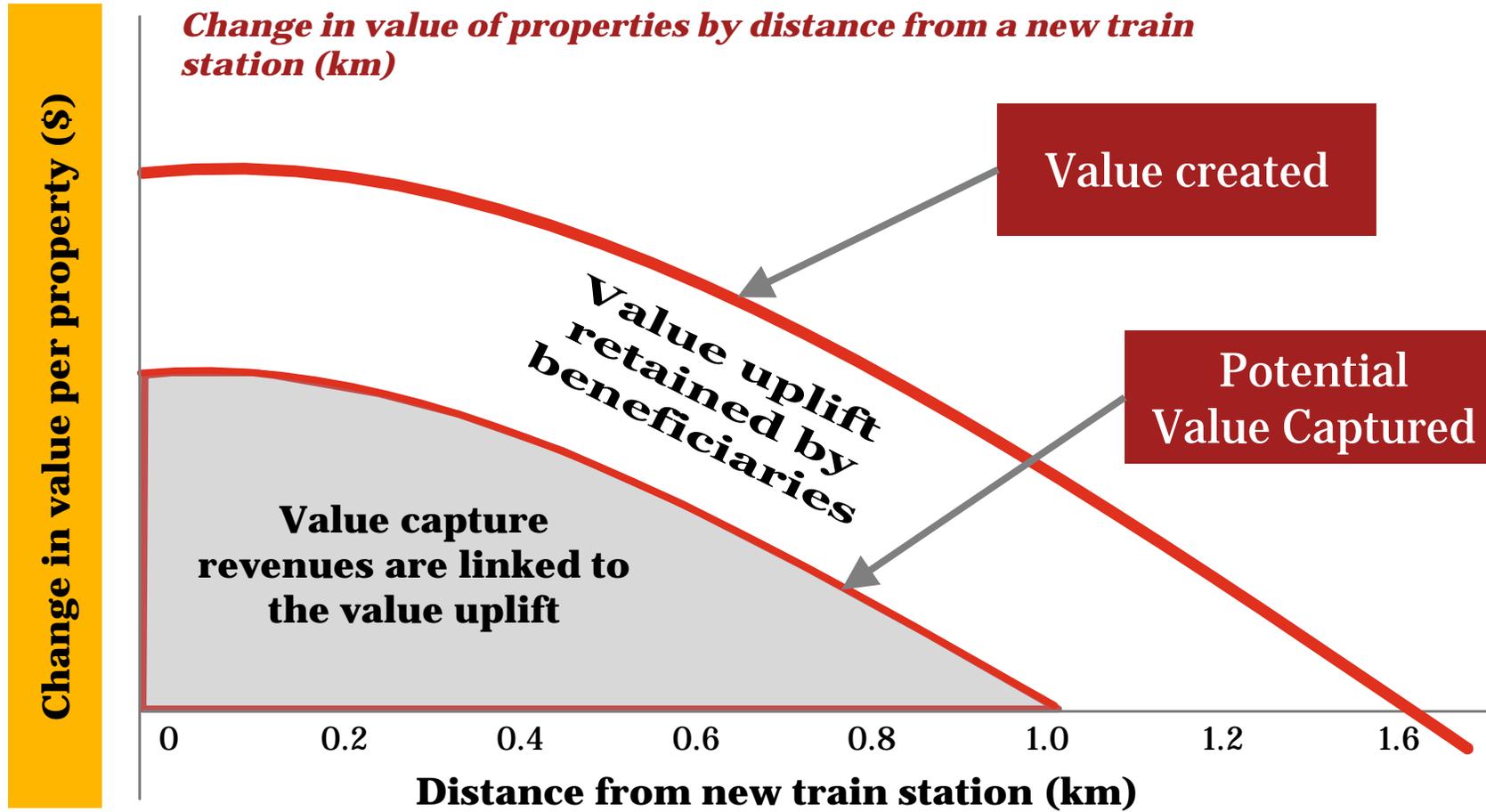
- *Up to 150 opportunities*
- *Up to 75 Benefits*
- *Up to 50 Beneficiaries*
- *Up to 24 Mechanisms*
- *Spatial location analysis built up from the meshblock level.*

Example of how value and benefit varies

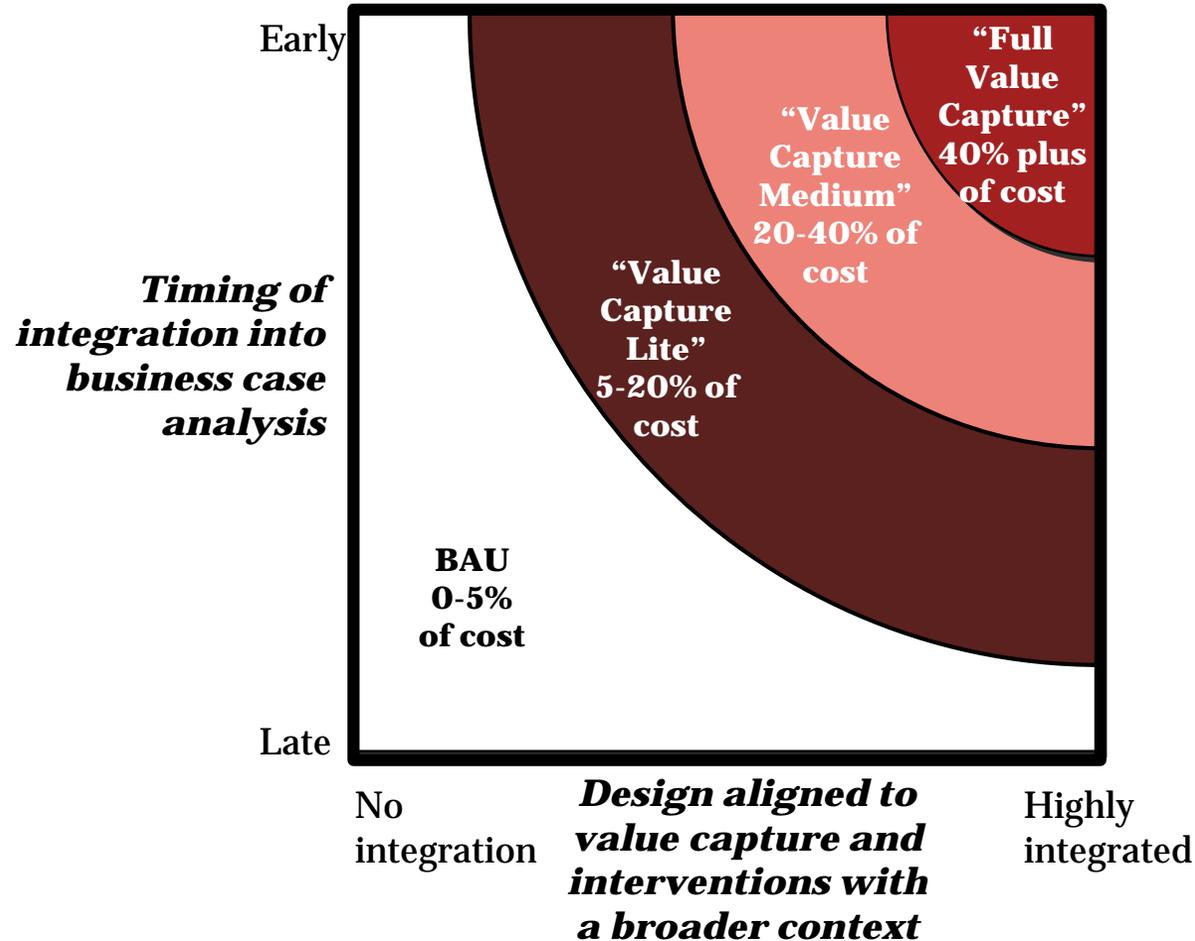
- Variability in how value is distributed prior to and post project delivery.
- This variability impacts on the collectability of value capture revenues
 - a benefit for one beneficiary is not the same for another.
- Builds a significant issue for using second round economic benefits in value capture analyses.



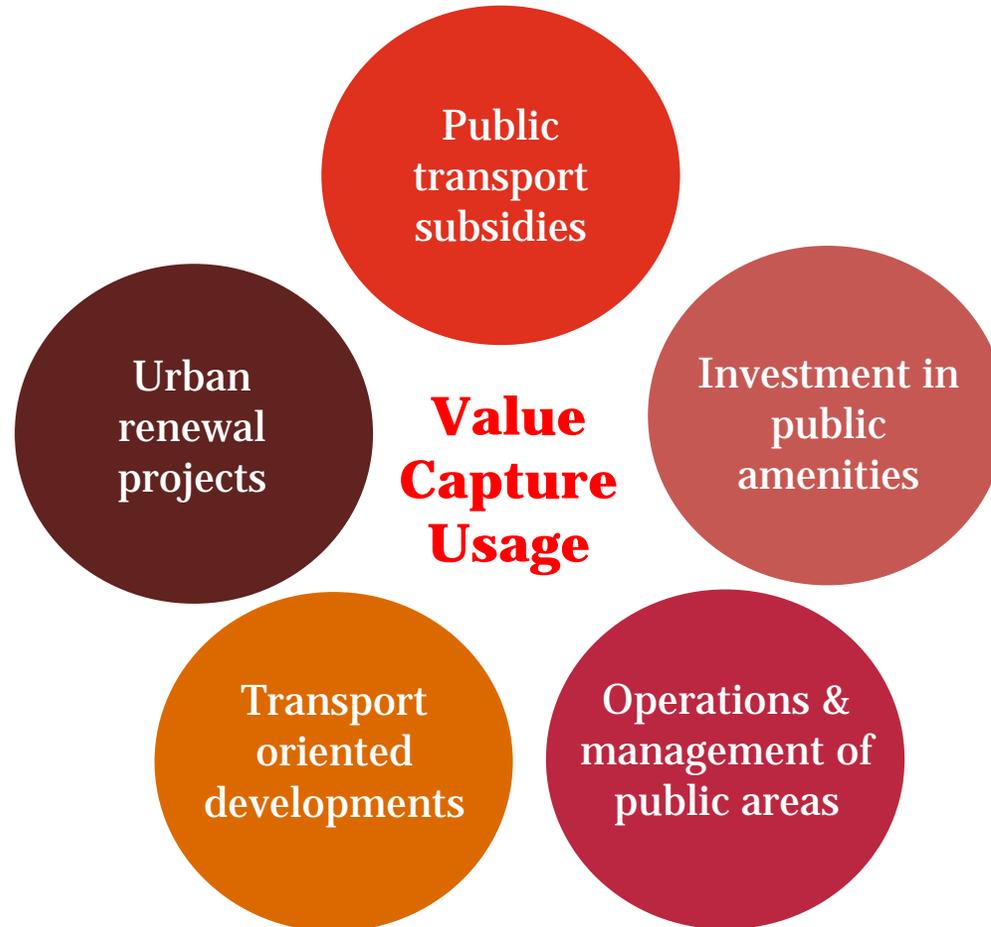
A key commercial principle is capture up to the value created



Benefit (value capture) realisation: A function of timing of engagement and integration with the design process



Value Captured can be channelled to fund cost of infrastructure development or reinvested into other public projects



Value Capture has a long established history globally.

1. There is typically a **trade off between equity and complexity**.
2. Value capture mechanisms should attempt to leverage **existing legislation and collection systems**, modified if necessary.
3. Value capture revenue streams need **high reliability and predictive power** to provide sufficient comfort to lenders.
4. Implementing value capture strategy must **not limit economic growth**.
5. Value capture **objectives and usage** should be defined in the context of the city/town vision and growth.
- 6. Value creation** often requires **upfront investment**, where value is accrued over time.

Conclusion

4 key takeaways

1

Several billion of public transport infrastructure to be financed and delivered by Government.
Value Capture can help to fund at least 30%.

 Cost Benefit ratio =
$$\frac{\text{Benefit} + \text{Value Created}}{\text{Project Cost}}$$

2

Vital to assess opportunities for Value Creation and Capture early on (during the planning stage) to maximise Value Capture potential.

3

One size fits all approach will limit VC – require a framework that considers multiple beneficiaries and mechanisms

4

PwC has the right SMEs, proprietary modelling and methodology.

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