"Poor design and inefficient implementation are the major failings of LVC systems in the UK."

Oliver Sanderson

Abstract
This research paper seeks to ascertain whether poor design and inefficient implementation are the main reasons for the failure of land value capture in the United Kingdom to date.

Land value capture is at present highly topical and it has been widely noted that previous attempts to implement land value capture – such as the Development Land Tax of the 1970s – proved unsuccessful, and current mechanisms in place, such as Section 106 and the Community Infrastructure Levy, do not adequately capture land value uplift and fail to provide sufficient financial contributions. More recent proposals include the strengthening and wider use of compulsory purchase powers by local authorities, but this has not been universally well received and the UK is still searching for answers. Recent activity has emphasised the need for further research into land value capture highlighted particularly during the research period by the House of Commons Housing, Communities and Local Government Committee which published its final report on land value capture following a long inquiry, and the government has recently published its response.

The author's research adopts an in-depth analysis of key literature and primary source material, as well as a number of secondary sources. As part of the study, a number of academics and professionals with specialist knowledge of land value capture were asked to answer a detailed survey. The findings indicated that, within the UK, poor design has hampered progress, but that the major hindrance to the successful use of land value capture is a lack of political consensus to make significant change, which ultimately frustrates both design and implementation. International respondents indicated that successful implementation of land value capture requires extensive education of all affected stakeholders, something the UK is currently lacking. A case study of Hong Kong's Mass Transit Railway Corporation showed how good design and efficient implementation can make land value capture extremely successful. However, different political and economic climates impose limitations on applying the techniques used in other jurisdictions, and that such a system would need significant – but not insurmountable – alteration for land value capture to work successfully in the UK.

Abbreviations

UK – United Kingdom

LVC – Land Value Capture

CIL – Community Infrastructure Levy

GDV – Gross Development Value

RICS – Royal Institution of Chartered Surveyors

CPA – Compulsory Purchase Association

HCLGC – House of Commons Housing, Communities and Local Government Committee

MHCLG – Ministry for Housing, Communities and Local Government

MTRC – Hong Kong's Mass Transit Railway Corporation

SLIC – Strategic Land and Infrastructure Contract

Contents

Declaration

Land Value Capture – particularly in the UK – is, at present, a highly topical subject. Whilst the author has been fortunate enough to be researching a topic that has gained even more traction and benefited from some major developments during the period of his research, all interviewees and respondents to the questionnaire remain anonymous. The author had the pleasure of discussing the topic of LVC with some leading academics, experts and professionals in the field, but their anonymity must be respected, unless otherwise advised.

1. Introduction to the Topic

'Land Value Capture' ("LVC") is a somewhat unclear term in the UK at present, and yet it is a term frequently used by so many – from professional bodies, such as the RICS, the CPA, etc., to the UK Parliament in the HCLGC. Harwood (2018) notes that, at present, *"LVC has no technical or legal meaning"* (p.1); however, for the purposes of this research one must have a definition of the term with which to guide the line of inquiry.

Smolka (2013) defines LVC as:

> *"…recovery by the public of the land value increments (unearned income or plusvalías) generated by actions other than the landowner's direct investments…"* (p.8)

It could be argued that, where there has been money spent by a landowner in promoting a site for development and gaining planning permission, this could be considered as an investment of sorts – so why then should it preclude them from enjoying the value uplift that this can create? The argument put forward is that, as the granting of planning permission is a public policy decision, the public – represented by the authority granting planning permission – should receive at least some share of the resultant value uplift (HCLGC, 2018).

Perhaps a more complete description of LVC comes from Harwood (2018), who states that LVC mechanisms should:

> "(Meet) *the external costs of development* (…) (recover) *betterment due to public spending on infrastructure* (…) (recover) *betterment due to a policy change or planning approval* (…) (transfer) *value to public authorities* (…) (reduce) *house prices…*" (p.2)

This certainly gives a more detailed idea of what is intended to be achieved using LVC as well as the rationale behind implementing it; it also gives a universal application to the term, as much of the current debate surrounding LVC (and the focus of this research) relates to the UK system, whereas there are LVC mechanisms implemented in various jurisdictions around the world – to varying degrees of success.

In the UK, LVC is often referred to during discussion surrounding the conception, construction and anticipated completion of the country's major infrastructure projects, such as Crossrail and HS2. However, we are yet to see a system that works effectively, although it is still not clear why this is the case.

The term 'LVC' and the desire for a system which requires landowners to share the benefits they receive as a result of societal change, is by no means a new concept. No lesser person than Winston Churchill, whilst giving a speech on the wider topic of land monopoly in 1909, spoke passionately about the injustice of the "unearned increment" that landowners enjoy when the local market and economy improves through, for example, improved transport infrastructure, and therefore their land becomes more valuable whilst, in many cases, they have done absolutely nothing to contribute to these "windfall" gains (LVTC, 2010; Friendly, 2017).

During the 20th century, multiple attempts have been made to develop what we would now term LVC mechanisms. One of the earlier examples in the 20th century was the Finance (1909-1910) Act, coming soon after the above-mentioned speech by Churchill, which introduced an incremental tax on land which was based upon the difference in value between a base date (when the Act was introduced) and the date at which a sale occurred (1910, 10 Edw. 7 and 1 Geo 5, c. 8).

The next major attempt to implement LVC came with the passing of the Town and Country Planning Act (1947 Eliz c.15) by the (then) new Labour government, which formed much of what now makes up the modern planning system in the UK. This Act brought about the nationalisation of development rights over land and, with it, placed significant power in the hands of planning authorities. The Central Land Board (CBD) was established and given compulsory purchase powers. The CBD was then able to purchase land at existing use value, grant planning permission and then sell or lease the land concerned to developers, thereby (in theory) retaining all additional value brought about by "planning gain" (TfL, 2017). The 1947 Act also implemented a Development Charge to be collected by the CBD – with a similar ideology to that which Churchill conveyed in his famous speech. The rationale was that the grant of planning permission was now a public decision and therefore the value uplifts associated with it should go directly back to the public, and the Charge was therefore levied at 100% of this uplift. Under the (later) new Conservative leadership, and as a consequence of a stagnant land market (due to landowners being largely disincentivised to do anything other than keep hold of their land), the Development Charge was repealed (Jones et. al., 2018; Blundell, 1993).

Since then, we have also seen the introduction of other policy instruments such as Betterment Levy within the Land Commission Act 1967. The Betterment Levy was introduced and levied on development value, rather than land value, at 40% when the land was sold, leased or developed, with plans for this to rise in due course. One of the key failings of the 1967 Act was that it set a deadline after which actions gave rise to the charge, and therefore there was a rush to begin work before this date. As with the 1947 Act, the 1967 Act caused the land market to stall as landowners (based on previous experience) simply waited for political change and, once again, an incoming Conservative government repealed the Act (Jones et. al., 2018; Blundell, 1993).

Another instrument was the Development Land Tax, originally introduced by the Community Land Act 1975 (c.77) and coming into effect in 1976. The Community Land Act again attempted to strengthen the power of local authorities by introducing further changes to compulsory purchase powers, and the Development Land Tax set out to recoup much of the uplift realised by development of land, but was based on an extremely complex set of rules and assumptions. The Conservative government which followed did not immediately repeal Development Land Tax, instead reducing it to 60%; however, it was eventually repealed years later (Jones et. al., 2018; Blundell, 1993).

Our current system of what might loosely be termed "LVC" consists of instruments such as Section 106 agreements and the Community Infrastructure Levy (CIL), both of which struggle to effectively capture the uplift in land value caused by events such as the grant of planning permission and/or the construction of infrastructure undertakings.

It is clear that the country is still searching for a LVC mechanism that is efficient and effective, and the chequered history of LVC mechanisms described above gives rise to a number of questions that the author seeks to explore, and attempt to answer, within his research.

Hypothesis

To frame and focus this research, the hypothesis to be investigated is as follows:

> "*Poor design and inefficient implementation are the major failings of LVC systems in the UK.*"

Reasons for Researching LVC

As explained above, the UK is still (actively) searching for answers when it comes to how to make LVC work, and therefore the author sees an opportunity to explore an area that is, at present, highly topical.

Also, LVC in the UK – in its current forms – is a central part of the author's professional life. For over two years now, he has been involved with all aspects of the real estate development industry, but one of the two focal areas of his professional role is the negotiation of planning obligations and agreements – specifically Section 106 agreements – with the other being the valuation of development land. Within the introduction to this project, these were mentioned as two of the few surviving mechanisms that the UK government currently have in place to attempt to 'capture' at least some of the uplift in land value brought about by the grant of planning permission. The author has also had experience in CIL viability testing as part of the Local Plan process, another mechanism mentioned above, as well as gaining experience in the non-domestic rates sector – sometime referred to as 'business' rates.

Having seen first-hand how such mechanisms can prove inefficient at effectively capturing a proportion of land value uplift, the author considered the topic was worthy of further examination. During the research period, there were also a number of significant developments within the topic area which served to solidify the author's interest in LVC and these will be explored within this paper.

Research Questions

- Why have previous attempts to establish an effective LVC system in the UK been ineffectual?
- How can these issues be addressed?
- What can examples of LVC systems around the world teach us?
- What are the necessary components for a successful LVC system?
- Will it ever be possible to implement a successful LVC system in the UK?
- If not, why not?

Important Issue to Address

The author is of the view that special mention needs to be made of the UK House of Commons Housing, Communities and Local Government Committee ("HCLGC") report on LVC released in 2018. When developing the research proposal and undertaking the research, the author was aware of the of HCLGC's inquiry into LVC and this is one the 'significant developments' mentioned. However, it should be noted that the final LVC report produced by HCLGC was published on 13th September 2018, after a significant amount of the author's research – and indeed some of his written material – had already been undertaken. The report is a helpful primary source material and it would not therefore be appropriate to exclude it – and indeed it now forms a significant part of the author's analysis.

The author also notes that the UK Government have, very recently, published a response to the HCLGC’s report. In overview, this response highlights that the government agrees with the principle of LVC, and that its use to fund infrastructure projects and other public services is valid; however, the government states that it does not intend to introduce anything new or radical in terms of LVC any time soon. Instead, they state that the priority is to improve existing systems as this will cause the least disruption in the short term (MHCLG, 2018).

2. Literature Review

Opinions differ on how LVC mechanisms should be implemented or made more effective - both within the UK and around the world - but what is not disputed is that the various attempts at implementing LVC within the UK so far have been unsuccessful (Blundell, 1993).

It has been said that one of the key issues facing LVC in the UK is the stark differences in land values between differing locations in the UK. For example, the relative gain in land value when planning permission is granted in northern regions is unlikely to compare with that gained in any of the London boroughs, and therefore it is posited that any LVC system would have to be tailored to the region within which it is to be implemented (Walker, 2017). This is also noted by HCLGC (2018) and by Raynsford (2018), who posit that CIL and Section 106 agreements have the "*unintended effect of reinforcing spatial inequality*" (Raynsford, 2018: p.24). HCLGC (2018) take this point further in their research, concluding that any LVC mechanism would have to allocate value uplift between all stakeholders, including local and central government, and should have some redistributive functionality to share these uplifts between low and high value areas. This clearly poses a significant and complex problem for both the design and implementation of an efficient LVC system.

From a design standpoint, this would probably rule out a simple, formulaic approach to a new LVC mechanism, as this would not address the problem of land value disparity across the country – unless this formula somehow included a 'location weighting' or some form of supplement in higher value locations which would make it more complex and therefore more difficult to implement. The issue of equity is a crucial consideration in the LVC debate as much of the focus is around how LVC can aid the provision of infrastructure; as noted by Walker (2017): "*where the need for investment is most needed there will be lacking market forces able to deliver this*" (p.2). Walker raises a number of interesting points; however, his paper represents the views of the Campaign to Protect Rural England – an organisation who have strong opinions on the development process. Despite this, the topic of his paper is considered relevant, and he explores several interesting questions surrounding LVC, as do others, such as the potential reform or strengthening of compulsory purchase powers to enable local authorities to more effectively control the development process and capture land value uplift.

To illustrate this equity issue further, within his article regarding the effectiveness of LVC in delivering affordable housing in the UK, Wyatt (2018) notes that there still exists no consistent, nationally-adopted approach to affordable housing policies, and that it is the responsibility of local authorities to police their own affordable housing policies, and that the more "*affluent*" areas of the country, such as London and the South East, tend to have more onerous affordable housing policies (p.95). This appears to support Walker's (2017) equity point and illustrates the problems with design and implementation which face not only proposed LVC mechanisms, but also those that exist currently.

Another issue facing the implementation of a successful LVC system is the lack of political motivation and consensus to implement a more radical system. This can be applied to both the political consensus between central and local government, but more importantly, the consensus between the leading political parties within the UK on an LVC system that works for all. This, it would seem, is one of the most difficult obstacles to overcome. History has shown how this lack of political consensus has hindered numerous attempts to capture land value. Within the introduction, the author looked at the various examples of attempts to introduce a form of LVC.

Blundell (1993) looks at a few post-war attempts to introduce LVC, namely the Town and Country Planning Act 1947, the Land Commission Act 1967, the Community Land Act 1975 and the

Development Land Tax Act 1976, all of which were introduced by Labour governments of the post-war period. In each case, the Act – regardless of technical merit or plausibility, or indeed initial success or failure – was ultimately repealed when a new – Conservative – government came to power. That paper provides a relatively detailed analysis of each Act, the impact it made and its fate. It can be observed, however, that there is a significant focus on the failings of Labour governments, rather than just the merits and shortcomings of each Act. Although Blundell notes that Conservative governments have also played a significant role in land reform – both good and bad – the title of the paper focuses on Labour's "*Flawed Land Acts"* and each section focuses almost entirely on the failures and flaws of each Act, rather than any potential positives or lessons which can be learned from them.

Whilst Jones et. al (2018) agree that it is this lack of political consensus which has been, in part at least, to blame for the downfall of these Acts and an impediment to successful implementation, they provide a more balanced view in their assessment of these attempts to implement LVC. Indeed, their report takes a closer look at the details of each policy, what each policy achieved, as well as its shortcomings, and provide detail in each case of 'unforeseen circumstances' which affected the policy. They conclude (on the point of political consensus) that whilst Labour supporters may argue these schemes failed because "*before they could be shown to work they were abolished*", this lack of political consensus created such uncertainty that behaviours within the land market changed (Jones et. al, 2018: p. 48). Bearing this statement in mind, it could be said that, whilst it may be argued that some of these previous policies were poorly designed, they were not 'tested' within the usual conditions of the UK land market, and therefore their success was destined to be limited.

The issue of political consensus appears to be a significant barrier to successful implementation of LVC, and this continues in the present day. The current Labour party – should they take office – have vowed to overhaul the current planning system and introduce measures that seek to reduce the power in the hands of developers and landowners, and give more powers to local authorities to retain "abnormal" profit enjoyed by developers who do not comply with policy levels of affordable housing elements of planning obligations (Donnelly, 2018). The Labour party have also, for example, proposed a Land Value Tax, which could – in theory – capture uplifts in land value over time (Jones, 2008). However, these ideas will potentially face opposition and a future Labour government is likely to face many of the same problems as previous Labour governments in the post-war period did.

Jones et. al. (2018) argue that, while the existing systems of Section 106 agreements and CIL have seen at least some degree of success in comparison with previous LVC mechanisms, they "*leave most of the uplift in land value uncaptured*" (p. 2). This raises two further points: just how much land value uplift is there to be captured, and why do these mechanisms fail to efficiently capture it?

Regarding the first question, in their 2018 report, HCLGC indicate that land can increase in value from £21k to some £1.9m per hectare outside of London, when the use changes from agricultural. The report quotes Councillor Martin Tett (of the Local Government Association) as saying that "*such a large uplift even surprised me, but that was a Government statistic, so it must be correct"* (HCLGC 2018, Q88). The figures referred to are taken from published guidance entitled "Land value estimates for policy appraisal", published in February 2015. This gives residential use values for all local authorities nationwide; it should be noted that this has since been updated twice, in December 2015 and May 2018, whilst these figures were quoted as being the "*latest*" at the oral evidence hearing on the 4th June 2018, and indeed were published as they were within the final HCLGC LVC inquiry report. Taken at face value, these figures do appear striking; however, it is interesting to note that the assertion that it is a government statistic and must therefore be correct is not challenged or queried either during the oral evidence or within the subsequent report. When development land is valued for sale, it is often valued by the 'residual' method. Put simply, the valuer estimates the value of the completed development, and then deducts the costs of the development (including build costs, infrastructure works and planning obligations) and the value left is the 'residual' land value (RICS, 2012).

The 'exemplar' development scheme used to produce the residual value for each locality excludes all affordable housing provision, CIL, planning obligations, abnormal development costs, and the costs of services and infrastructure for all locations. All these figures would need to be included and they vary significantly on a site-by-site basis. Put simply, and by their own admission, "*figures on this basis, therefore, may be significantly higher than could reasonably be obtained for land in the actual market"* (MHCLG, 2015: p.14).

It would appear, therefore, that HCLGC knowingly used (out of date) figures which exaggerate the extent of land value uplifts available to landowners and, whilst they do acknowledge that average figures are distorted by large differences depending on location and that the valuation methodology is not agreed, this does raise some reliability concerns. If these somewhat misleading figures are included within a leading inquiry into LVC, this could lead to misconceptions about how much LVC can really achieve and, therefore, recommendations for effective design and implementation could be misdirected.

Regarding the second question, there are a range of views on why existing mechanisms do not efficiently capture land value uplift. TfL (2017) discuss elements of the design and implementation of Section 106 and CIL within their LVC report. They note that Section 106 agreements provide a great deal of flexibility – and it can therefore be said that, by design, they address the issues of disparity between locations – but that they "*require bespoke negotiations and are administratively burdensome"* – and therefore implementation is an issue (p.47). As regards CIL, it is noted that it is "*administratively simple"* – and is therefore relatively easy to implement – but "*cannot easily be tailored to the specifics of individual developments"* – and therefore lacks good design (TfL, 2017: p.47).

Wyatt (2018) suggests that planning obligations contained within Section 106 agreements are often negotiated down and there is no guarantee that they will be delivered; he also notes that this mechanism only captures uplift from developments coming forward, rather than all property that benefits from uplift. Interestingly, Wyatt also suggests that as both CIL and Section 106 agreements have been implemented together, there could be a risk that the fixed CIL charge causes a reduction in land value uplift captured through negotiable Section 106 agreements.

Conversely, HCLGC (2018) state in their report that, at present, there are no mechanisms in place in the UK which have been specifically designed to capture land value increases relating to the grant of planning permission. Harwood (2018) concurs with this view, suggesting that neither Section 106 nor CIL can really be considered as LVC mechanisms as neither truly relate to land value – save for the viability testing of local planning policies relating to planning obligations. On this point, Harwood raises the same issue of using Section 106 agreements to capture some value uplift as Wyatt (2018), Walker (2017) and HGLGC (2018) (among others), in that developers can negotiate down their obligations using viability assessments. This therefore raises design and implementation concerns as their use as a LVC mechanism clearly has some inherent flaws.

On this point, even if there was enough political support to introduce such a system, a fundamental hurdle that cannot easily be overcome is the power that landowners enjoy as lobbyists, and the ability they have to simply not participate in development and thus avoid any forms of LVC if they choose to do so. As was explored in the introduction to this research paper, many previous attempts at LVC have had the effect of disincentivising the sale of land and, instead, have led to a situation where landowners "*simply withheld their land from the market until the tax was abolished*" (Walters, 2012 p, 12). It appears crucial, therefore, that not only is consensus political support required for any proposed LVC mechanism to work, but that any mechanism needs to strike a fine balance between the needs of the public and providing an acceptable return to landowners.

On one hand, it can be argued that if – in the case of public infrastructure projects, for example – public decisions lead to private gain (i.e. an uplift in the value of land), some or all of this gain should go back to the public. This point was put best by Henry George (1881 cited in Friendly, 2017 p. 4), who said that LVC is "*a taking by the community, for the use of the community, of that value which is the creation of the community*". Walker (2012) concurs, stating that capturing as much value uplift as possible to fund infrastructure is "*morally defensible"*, as this uplift is caused by public policy decisions (p.5).

On the other hand, it may be said that land ownership gives rise to an entitlement to any increase in value, and that it is not always simply a case of landowners doing nothing and benefiting from public actions. Rather, landowners (and developers) can expend significant sums of money and take large risks in seeking planning permission and bringing land forward for development, and they should be duly rewarded for this (Walker, 2016). It could even be argued that this view has been endorsed by governments in the past. Until very recently, the National Planning Policy Framework, introduced in 2012, stated that, when considering the viability of a development and the level of planning obligations that should be sought, providing "*competitive returns to a willing land owner and willing developer*" should be taken into account (DCLG, 2012 p. 41).

It is clearly important to consider what is currently being proposed for potential LVC implementation in the UK. The HCLGC (2018) report firstly looks at the benefits of improving existing mechanisms through reform, with a particular focus on Section 106 and CIL. This is a view that is consistent throughout the literature, as it is generally acknowledged that these mechanisms are "*ripe for reform"* (Walker, 2017: p1). HCLGC also note that Mayoral CIL has proved that simple tariffs, known as Strategic Infrastructure Tariffs ("SIT"), are a simple and transparent way to implement a form of LVC to fund major infrastructure projects, and indeed similar mechanisms around the world have been seen to be effective by others, such as Peterson (2009) and Smolka (2013). However, what is not agreed is how new forms of land value capture could be implemented in the UK.

Much of the debate centres around the use of compulsory purchase powers. HCLGC recommend that, for LVC to be successful, there needs to be reform of the Land Compensation Act 1961 to remove the right for landowners to receive 'hope value', therefore allowing local authorities to purchase land at close to existing use value which is viewed as being more fair (2018). Sir Oliver Letwin (2018) also advocates this approach (although he never directly refers to his suggestions as LVC), recommending that, through a combination of primary and secondary legislation and updated planning guidance, local authorities should have strengthened compulsory purchase powers that allow them to purchase land at a capped value of "*around ten times their existing use"* (p.7). He then suggests that local authorities should control development through statutory bodies, attracting private sector finance to develop infrastructure and then selling these serviced sites for development, retaining the surplus value once the private sector contractors have received a previously agreed margin (Letwin, 2018). Walker (2012) also advocates the increased use of compulsory purchase powers to bring forward large, strategic sites for development.

These suggestions are strongly opposed by other authors and have caused a great deal of controversy. Harwood (2018) explores how such use of compulsory purchase powers could have human rights implications, and that such methods should continue to "*help important development happen rather than* (be) *a means of the state acquiring development value"* (p.19). This is taken further by the Compulsory Purchase Association ("CPA") (2018), who believe that such a suggestion represents a "*fundamental misunderstanding*" of how compulsory purchase works in practice (p.1). Although not set in a legal context, the CPA also take a similar view to Harwood (2018), stating that not compensating landowners properly for their land would be unjust, and would probably cause a significant backlash and, as has been explored already, landowners have a powerful lobbying position in the UK. The CPA also highlights that such methods would create a "*damaging two tier land market"* (2018: p.8).

Alternative mechanisms include the suggested development rights auction model ("DRAM") from TfL (2017), which would see local authorities designate development zones around proposed infrastructure projects –using the example of rail stations – and obtain planning consents for development sites in these zones based on predetermined planning requirements which maximise value creation within the zone. The local authority would also determine what the base value of the site would be, i.e. the development value in the absence of the infrastructure project. These development rights would then be auctioned to developers, with the proceeds being split between the authority and the landowner, but in favour of the latter. The rationale is that landowners would still get to keep a large portion of uplift, developers would be taking less planning risk, and the local authority would get to capture some of the uplift in value from the base (TfL, 2017). This approach was then put forward for piloting in London, but little has since been said about its progress (Peace, 2017).

Another proposal comes from Walker (2012) who outlines the Strategic Land and Infrastructure Contract ("SLIC") model which was developed through the experience of nationally significant development projects. This model essentially signs landowners and developers into contracts with local authorities, with landowners agreeing to a prescribed level of contributions as development takes place in return for the local authority managing the delivery of infrastructure. This allowed local authorities to mitigate a significant amount of risk when financing large infrastructure projects, and a more acceptable, voluntary model for landowners to participate in, and the experience of the Milton Keynes Development Corporation proved such mechanisms to be successful. However, SLICs are, by design, only appropriate for large, strategic development sites, and therefore there are limits to their implementation. Furthermore, Walker also raises the issue of compulsory purchase; however, on sites of this nature, there may be a better case for its use.

It is clear then that, although there is broad agreement that LVC makes sense and new mechanisms should be developed, the way in which this can be achieved remains a significant issue.

It is also interesting to consider examples from abroad to see how LVC has been implemented around the world and to what extent it has been successful – although regard needs to be had to the differences in property markets, politics and policy between nations. Walters (2012) highlights examples from countries such as Brazil and Colombia, which have implemented LVC systems known as "betterment levies" which are a specific tax, usually on a one-off basis, levied against all properties within the locality of an infrastructure project which improves the value of said property (Slack, 2016). In the case of Colombia in particular, Walker notes that betterment levies have been very successful.

Smolka (2013) notes that betterment levies in Bogota and Medellin have been very successful, highlighting that, in Medellin, over half of their main road network was financed with such mechanisms. Smolka also highlights the success of the sale of development rights – a mechanism broadly similar in principle to the TfL DRAM model – in Brazil, noting that significant sums have been raised to fund public infrastructure using such methods, a view shared by Friendly (2017) and Peterson (2009), who both use the example of Sao Paolo. Particularly relevant to the author's research are Smolka's findings relating to the implementation of LVC in Latin America. Smolka's survey results indicated that effective implementation remained the main issue, but he also interestingly found that "*in many instances current legislation followed rather than preceded successful cases of value capture, demonstrating that existing instruments can be adapted to new circumstances"* (2013: p.60). Although it must be noted that these mechanisms exist in entirely different political climates, this principle would appear to support HCLGC's views on the need to enhance existing mechanisms.

Chi-Man Hui et al (2004) compare LVC systems in Hong Kong and Singapore and note that, in both cases, LVC systems have proven to be very effective, although the onerous levels of taxation – sometimes 100% of the development gain in the case of Hong Kong – can disincentivise developers and, instead, encourage land banking. It is also noted that the success is largely due to both governments operating public leasehold systems which allow them far greater ability to manage land effectively and capture land value uplift. TfL (2017) also look at the Mass Transit Railway Corporation ("MTR") in Hong Kong, which is widely seen as an example of the successful use of LVC, and is actually a profitable business model (Padukone, 2013). The author explores this in more detail within the case study section of this research.

3. Research Methodology

Denscombe (2010) defines research strategies as "*a plan of action to achieve a specific goal*" and comprising an overview or research paradigm, a research design to enhance the prospect of success and a research problem enabling the specific result or conclusion drawn from the testing of a hypothesis (p.3).

The initial formulation of the research question was arrived at from three directions:

1. As something that has *relevance* to the area in which the author works;
2. As offering the prospect of considering something that is theoretically and intellectually *justifiable*, but appears to have failed to succeed in the way it has been introduced in this country; and
3. The literature review which considered whether there was a better way to introduce a system which had been demonstrated or considered in or outside the UK.

This is therefore deductive research and the goal is primarily to test the hypothesis, but also to identify and clarify the reasoning for its validity or otherwise. Following the construction of the hypothesis, it was necessary to determine the appropriate research method to adopt.

Bhattacherjee (2012) considers the unit of analysis as an important factor in determining the correct research method. The unit of analysis in this hypothesis is the type of LVC system that is, or should be, adopted. The aspects chosen are poor design and inefficient implementation which, whilst arguably subjective, are fundamental to the success of any LVC scheme.

The research strategy was adopted following consideration of whether it could be shown to be suitable, feasible and ethical (Denscombe, 2010). It was decided that the following would form the strategy and would appropriately triangulate the results:

1. Desktop research – given that there is global interest in the subject, there is a lot of topical information available;
2. Survey by questionnaire – several key players in the field are based at academic institutions outside the UK and face to face interviews were not considered feasible;
3. Case study – to consider a successful LVC system and ascertain what lessons could be learned.

In terms of suitability, the above methods not only seek to confirm the hypothesis by analysing the failure of past systems, but also by collating information and opinion (based on experience) provided at a global level to suggest reasons for the success or failure of alternative systems.

The feasibility of two of the elements was within the author's control; however, the survey was dependent on the participation of those sampled. It was felt that the timescale and the willingness of the proposed participants was sufficient to provide the justification for use of this method.

Survey

Surveys involve several different methods of collecting data and, although it became clear that a survey should form part of the author's research strategy, consideration was given to providing the information in face-to-face interviews. However, the survey participants were chosen for their detailed knowledge of LVC systems – in professional or academic research capacities – in several countries, and face-to-face interviews were ruled out on a time and expense basis.

Given the standing of the proposed participants, the author concluded that a questionnaire would be fully understood by them, and Denscombe (2010) effectively concludes that the quality of the responses from questionnaires (sent by email) is not significantly different to those from other methods.

Sampling

De Vaus (2002) concludes that email questionnaires are as good as other survey methods where the hypothesis tested is particularly relevant to a specific group. The research questionnaires were therefore aimed at a sample of people with good knowledge of LVC and relevance to the hypothesis being tested. In this way, the author opted to adopt "*purposive*" sampling for this specialist topic as this would be likely to provide the best quality data (Denscombe, 2010: p. 35).

A limitation was recognised at this stage. LVC concerns, at a basic level, state control versus private freedom and profit, and political beliefs of individual participants could lead to bias. This point was considered, but it was concluded that those involved were highly experienced academics or professionals and appreciated the need for an impartial response.

Question Design

The sampling ensured that many of the principles of question design were satisfied. The relevance and validity of the questions were considered carefully against the hypothesis, and the reliability of the questions was deemed appropriate (De Vaus, 2002). As the majority of respondents were not UK-based, it was decided that the questionnaire should be modified slightly so that respondents based outside of the UK were not asked at length about their experiences of LVC in the UK and vice versa.

Case study

Denscombe (2010) considers that the use of case studies can "*explain the causes of events, processes or relationships within a setting*" and illustrate "*how a particular theory applies in a real-life setting*" (p.55).

The author was of the view that the literature review provided a comprehensive analysis of the shortcomings of past and current mechanisms in the UK, and therefore the study of a successful example from a different country would provide a different perspective. As it was referred to in much of the literature, and by many of the respondents to the questionnaire, the author selected the Hong Kong MTR. This study of a successfully working mechanism enhances and underpins the conclusions provided by the representative sample (see sampling above) retrieved via the questionnaire. None of the traditional disadvantages apply to this type of case study. The variables relate to common components of an LVC system, and the systems, by addressing the same goal.

Research Ethics

When considering research ethics, due to the topical nature of the research, it was decided that all answers would be anonymised (Silverman, 2010). A UCEM Research Ethics Information Sheet was provided to all respondents – please see Appendix 2. Each respondent was assigned a number so that the author was able to keep track of the responses and use them within the analysis. Respondents are referred to as "R" followed by their number. Any personal information has been redacted. The questionnaires referenced are included as Appendix 1. There were several questionnaires which were returned with only brief answers pointing to existing (but helpful) literature, so these have been excluded from the appendices.

4. Case Study – Hong Kong Mass Transit Railway Corporation (“MTRC”)

The author selected the Hong Kong MTR as a case study as it is widely seen as one of the most successful uses of an LVC mechanism, and the author considered that it would be more useful to study a mechanism which was working well to see what good design and efficient implementation looked like in practice (Padukone, 2013; Lay, 2016). It also bears similarity in theory and in principle to the DRAM model put forward by TfL (2017): indeed, TfL looked at the MTRC and drew parallels with its proposed mechanism.

The MTRC was established in 1975. The Hong Kong government recognised the need for a metro system to service their growing and dense population, and an opportunity was identified to develop a mechanism – now referred to as “rail plus property” – which allowed for the self-financing of the MTRC’s large projects, negating need for government subsidy. MTRC was originally state-owned, but was privatised in 2000; however, the government remain a majority stakeholder in the company and therefore benefit from its continued success (Verougstraete and Zeng, 2014).

The mechanism MTRC operates is widely referred to as the ‘sale of building rights’ method and has been applied in other jurisdictions around the world, such as Sao Paolo (Friendly, 2017; Smolka, 2013). MTRC develop a masterplan for each project site and the immediate surrounding area, which includes proposed development above stations and rail lines. The operation of the LVC mechanism is then based on the exclusive granting of development rights within these zones to the MTRC by the government, for which MTRC pay the equivalent of site value without any ‘hope value’ – what TfL (2017) refer to as “*no scheme market value”* (p.56). MTRC are then able to able to use a competitive tender process to select private developers for the sale of exclusive development rights, simultaneously entering into various types of profit-sharing agreements with the developer, which usually involve retaining a share of development profits or, in some cases, property produced by development (Verougstraete and Zeng, 2014).

Due the success of the self-financing LVC model developed by MTRC, the company today is one of Hong Kong’s biggest landlords, and the revenue generated by their transport operations now accounts for just under 33% of total revenue (MTRC, 2017). One of the successes of this LVC mechanism is that, by design, it has allowed for a system which provides both LVC of sites which are coming forward for development, and captures increasing land values at previous development sites within which MTRC still own and manage property – an attribute which is not effectively addressed by any existing mechanisms in the UK, although systems such as non-domestic rates do have this effect, but to a much lesser extent (HCLGC, 2018; Wyatt, 2018).

An analysis of MTRC’s most recent full annual report shows that the profit generated by property developments in Hong Kong alone accounted for some HK$1.1bn (£110m at the current exchange rate) (MTRC, 2017). Between 2004 and 2017, MTRC increased their total assets from HK$106.7bn to HK$263.7bn (approximately £10.7bn to £26.4bn), where investment properties (including retail and commercial around stations, as well as residential) accounted for circa HK$16bn in 2004 and HK$77.1bn in 2017 (approximately £1.6bn to £7.7bn) (MTRC, 2008; 2017).

It is acknowledged that one of the successes of this model is that attracting residents to these developments has the knock-on effect of boosting both their commercial property portfolio income and their railway income (Verougstraete and Zeng, 2014). The success of MTRC has been so pronounced that they are involved in major transport infrastructure projects around the world, including the forthcoming Elizabeth Line in London and Stockholm’s pendeltåg rail system, which began operation in 2016 (MTRC, no date).

Clearly such profitability allows for the cost of these large infrastructure projects to be covered without the need for government funding. To put this into context, MTRC's total operating profit in 2017 (before depreciation, amortisation and variable annual payment) was HK$21.09bn (circa £2.12bn), having not dipped below HK$15.7bn (circa £1.58bn) since 2013. Aside from paying for major projects, profits are reinvested in maintaining and improving services (Lay, 2016). Although Mayoral CIL in the UK does not function in the same way as the MTRC model, both are forms of LVC with the purpose of funding specific major infrastructure projects, and over the period 2012 to 2018, total Mayoral CIL return amounted to £490.46m (GLA, 2018).

In terms of design, the practice of developing masterplans is well established in the UK, and therefore developing zonal masterplans around infrastructure projects could be introduced. When comparing with MTRC's implementation mechanism, obviously the key difference is that most land in Hong Kong is government-owned – clearly this is not the case in the UK. However, TfL (2017) highlight that this is not necessarily a dead end. As explored by the author, the debate about the use of compulsory purchase powers in achieving effective LVC continues, but TfL put forward the proposal of profit-sharing with landowners, rather than government trying to directly purchase land. If this is based on local authorities carrying out the necessary planning work themselves, it is conceivable that landowners and developers would be more open to the idea, as this removes a considerable amount of risk and shortens the development programme considerably, minimising profit erosion.

5. Analysis of Responses

Experiences of LVC (Q1 in both cases) varied across the group, both in terms of professional capacity as well as geographical location; however, most respondents are from the realm of research and academia and have published widely on the topic of LVC for many different projects, including independent research and reports commissioned by global organisations. All the academic respondents are recognised leading figures within the field.

Two of the respondents are former public servants, one of whom had collaborated with central and local government to look at the potential implementation of LVC mechanisms within their region. Another respondent is a leading expert in LVC for a reputable professional body and has been involved with central government discussions on LVC being implemented in their country, whilst another respondent is an expert in international property tax and valuation.

UK Responses

The reasons for failure of previous attempts at implementing LVC in the UK (Q2)

R1 put forward a number of reasons for the general failure of effective implementation of LVC in the UK. R1 references the "*technically challenging*" nature of implementing such a system – a point which is clearly relevant to this research, as explored above. R1 also raises the issues of the land market in the UK, noting that it is particularly lethargic, but it is also at the mercy of a small numbers of land owners who are "*effective lobbyists*" – a point which is empirically evidenced by the failures of various Acts which attempted to implement LVC.

R1's answer also concurs with the answers of R6 and R7. R7 deals with the issue of landowners in a slightly more emotional manner, positing that it is their *""greed" and "selfishness"* (in not being) *prepared to share any uplift in the value of the property they own"*. R6 frames this point around two divergent views on land value uplift: that of the public, who view land value uplift as being "*community generated and therefore 100% of the uplift should be captured by the community"*, whereas others view land as an investment and that there is risk involved, and therefore any uplift should be enjoyed by the risk-takers.

Despite the points made being in varying manners, all seem to broadly agree that one of the key limitations for LVC in the UK is the lack of political consensus which has, and will continue, to hinder implementation.

Does the issue lie with design or implementation? (Q3)

This provided an interesting range of responses. R7 stated that the sole issue (of the two, at least) is implementation, reiterating the point that it is the "*insufficient political resolve"* shown by UK governments past and present that is hampering any attempt to implement LVC.

R6 looked at the question in a policy context, stating that there needed to be a deeper understanding at each stage, and that there is a distinction between the two. At the policy (i.e. design) level, R6 states that politicians need to understand what could be "*reasonably deliverable in a market economy"*, whereas at the implementation stage, a better understanding of both the potential positive and negative impacts of any policy is needed.

R1 provided an answer that balanced the two viewpoints above, saying that both were an issue, but that the more important of the two was implementation, noting that there were examples of successfully implemented LVC systems in other countries, a point which concurs with much of the literature.

What are the fundamental issues with current proposals for LVC mechanisms in the UK? (Q4)

The respondents all provided different answers on this point and, upon review, the question could have been improved to clarify that current proposals and any existing mechanisms are the subject. R1 posited that one of the fundamental issues with current systems and proposals is that the government is not being forthcoming about the fact that LVC is essentially a tax and, as such, all current "*guidance in relation to CIL and planning obligations is weak and poorly drafted*" which leaves local governments vulnerable to landowners and developers who can reduce these liabilities. This raises an interesting point about the need for transparency when trying to implement such systems in the UK. R1 also concurs with much of the literature, highlighting that current systems lack "*redistributive capability*" and therefore worsen the geographical disparity across the country.

R6 puts forward a view that it is the wider planning system in the UK that cause issues for current proposals for LVC, positing that the current "*discretionary*" planning system means that policy proposals would fail to sufficiently control the land market in a way that a "*more prescriptive*" system would.

R7 states that no real proposals currently exist, and that there appears to be limited interest in improving the existing systems in place (using CIL as an example). R7 does, however, reference the HCLGC report of September 2018 – within this report there are clear calls for the government to consider serious reform of the existing systems, including CIL and Section 106.

How could these issues be addressed? (Q5)

R1 proposes a simple solution, which is to implement a land tax which applies to all property and that is "*recurrent rather than event-based*", concurring with much of the literature which highlights that many current mechanisms (i.e. CIL and Section 106) only partially capture land value at the point that planning permission is granted or land is sold.

R6 proposes that the current political system needs to overcome the inherent issue of ambiguity in many of its existing policies, which is consequence of the "*politics of policy making*" and means that clear implementation is overlooked. This, again, brings the focus back to the need for political consensus when attempting to implement effective LVC.

R7's answer concurs with R6's answers to both this question and Q3, stating that clarity is needed on what LVC mechanisms can realistically achieve and where the focus lies. However, whereas R1 believes that any potential LVC mechanism should be recurrent and apply to all property, R7 states that LVC should focus on the value uplift brought about by large infrastructure projects and planning permission on major development sites, thereby advocating a narrower approach to LVC.

Do you think it will ever be possible to implement an effective LVC system in the UK? If so, how could a system potentially be designed and implemented? (Q7, Q8 and Q9)

R1 was firmly of the view that, in the current UK political climate, it is unlikely that LVC could be effectively implemented, highlighting the "*weak Government*" and the "*powerful land lobby*" as the main obstacles. This raises an interesting point, in that the current political climate in the UK is one of division and uncertainty due to Brexit, so trying to effect any significant change is likely to take a back seat until that situation is resolved, and no one currently knows when that day will come (at the time of writing).

R6 provides an answer which touches again on a theme which has already appeared, i.e. that of the need for clarity and realism in setting out what any LVC mechanism might realistically achieve. R6 highlights that TfL (2017) set a useful "*limit"* for LVC. R6 also reiterates the point that the planning system in the UK needs to be more "*prescriptive"* to negate the current and extensive issues with developers and landowners minimising or altogether avoiding their planning obligations.

R7 reiterates the point – which emerged as a key theme in all respondents' answers – that political consensus is needed to make LVC successful, as well as public support. R7 goes on to suggest that it is unlikely, at present, that there would be enough support for any such proposal, and that the case would need to be made by "*leading political "champions""* from all the main political parties. R7 also touches on another recurring theme (both within the responses and the literature) of "balance" between the key stakeholders. R7 posits that any system would need to be designed to ensure that it is not too onerous (and therefore discouraging landowner participation, as has been the case with many previous attempts), but not so minimal that it does not raise sufficient funds for its required purpose. This answer also implicitly concurs with R1's comments about the lobbying powers of landowners in the UK.

Further comments on LVC in the UK (Q10)

R1 highlights that existing mechanisms – other than CIL and Section 106 agreements – capture some part of land value uplift implicitly, using the examples of non-domestic rates and council tax. R1 suggests that reform to these tax systems, such as council tax being based on regular revaluations, would achieve the goal of regularly capturing uplifts in land value and would not require any major legislative change. However, once more, the issue of political will and consensus is highlighted as the major factor in preventing these changes occurring.

R7 simply raises the issue of fairness – a common theme in much of the literature on LVC as explored above – in the sense that landowners must be prepared to "*share at least part of their good fortune"* brought about by public policy decisions which increase the value of their land.

International responses

Major attempts to implement LVC in the respondents' country/jurisdiction, their relative success and the reasons for that success (Q2, Q3 and Q4)

Responses covered many different locations. R2 outlined the main forms of what was considered to be LVC in betterment levies, tax increment financing ("TIF") and sale of building rights, and then identified where these respective systems were implemented. R2 notes that TIF has been quite successful in the United States, but has recently been called into question, and that certain forms of the sale of building rights have seen varying success in Canada (in the form of "*density bonusing"*) and has worked well in Sao Paolo, Brazil. R8 concurs with this answer – having studied Sao Paolo extensively – and adds that implementing LVC successfully takes time, with Sao Paolo's building rights mechanism taking 40 years to develop.

R4 also mentions TIF – noting that it is not technically LVC in the way that is being researched here – and believes it has been a success for its given purpose. However, R4 also notes that areas where TIF has been implemented have generally experienced slower development, but do end up experiencing additional investment.

R3's response notes that, although LVC is yet to be implemented *en masse* in Australia, it has been in existence in varying forms for over 30 years, and the government is taking a proactive, 'fresh' approach to its conception and the results of research and consultation are already being used in major infrastructure projects. R3 uses the example of the Lease Variation Charge in Australia, which involves granting leases on Crown land (during which an amount is paid to the government based on current value). When a lease is varied in a way which improves the value, a portion of the uplift is payable to the government.

R5's answer also looks at examples from Australia, noting that current systems in place are predominantly used to fund infrastructure projects – in particular "*light rail projects*" in the major cities – outlining a number of other examples, and indicating that they are seeing success. R5 indicates that "*Simplicity, transparency and equity*" are crucial to make these systems work, highlighting that the public are generally happier if they know what their tax money is paying for rather than "*disappearing into a consolidated revenue pot*". It should be noted that some of these examples – such as the betterment levy proposed for the Parramatta Light Rail – are based on flat charges, and therefore face similar restrictions as CIL. It is, in any case, of interest to note that forms of LVC are seeing success in a country which – it could be argued – is similar to the UK.

Do you think there are any 'global' principles that can be applied to make LVC a success anywhere in the world, and if so, what are they? (Q5, Q6 and Q7)

There was broad agreement on the principles that should underpin successful LVC implementation. R2 believes that the principles of successful LVC mirror those of the principles of taxation: fairness, efficiency, transparency and accountability; R3 and R5's answers agree with these points. R3 sees LVC as an "*opportunity*" for governments to implement a more transparent system for funding major infrastructure that applies the above principles, noting that, at present, landowners are bombarded with a number of different taxes relating to their property which are difficult to understand – arguably the same could be said of the UK system. R3 also adds that any LVC system should "*align inputs with outcomes*" – this appears to concur with the idea expressed by others (and within some of the literature) that any government trying to implement LVC needs to assess what can realistically be achieved by LVC; this underlines the need to properly assess the level of value uplift that is actually available in the real world. In addition to these points, R5 highlights the importance of "*public awareness*" well ahead of time, so that people understand why these systems are being implemented and the benefits they will bring.

R4 expresses a simpler view that is true of any location around the world which is that using land value uplift to fund infrastructure makes "*economic sense*". R8 reiterates a common argument that is found within much of the literature and commentary on LVC, and that is that "*public action should generate public benefit*".

Where LVC has not worked, does the issue lie with the design or the implementation? How can these issues be addressed? (Q8 and Q9)

Again, there was broad agreement by respondents, many of whom felt that it is a mixture of both design and implementation which impact the success of any LVC system, with R8 stating that lack of public commitment and resistance from landowners compound the issue. What is perhaps more interesting is that R2, R3, R5 and R8 all believe that it is public education and understanding of these systems that is crucial to their success, whereas the UK-based respondents tended to focus on the politics of LVC as well as the technical details. R2 calls for better education and training of public officials, with R3 agreeing and extending this to all stakeholders potentially affected by LVC.

Any other views or comments on LVC (Q10)

R2 notes that one of the key difficulties with implementing some forms of LVC is forecasting how land values may be affected by infrastructure projects as, if local government borrow money on the basis that the LVC mechanism implemented will finance the repayment, getting these figures wrong would clearly create significant issues.

R4 raises a key point in that the difficulty lies with implementation, with the key issue being the valuation of land. R4 posits that, if this process became more straightforward, implementation may be easier; however, it is at present difficult to value land, especially "*pre and post investment*", although it is noted that this process is becoming easier. A unique point raised by R4 is that there would probably be a cause and effect issue with any LVC system, stating that "*not all investment in infrastructure is provided by the government*" and therefore deciding which items caused which value uplifts could be a messy process. This is a point that is not widely picked up within the literature, and it is a crucial one. To apply this issue to the UK, planning obligations – particularly on large strategic sites – will include a wide range of transport and infrastructure requirements that developers will have to deliver themselves, alongside public investment. If this is the case, it is difficult to see how land value uplifts brought about by developer action and public investment could be differentiated and captured effectively.

R5 adds that there are certainly increasing opportunities to implement LVC, doing so in the context of the major Australian cities of Sydney, Melbourne and Brisbane. R5 notes that their populations are increasing which has the knock-on effect of increasing housing need, and this is creating more opportunities to capture land value uplifts brought about by development. R5 also notes that there is a shift towards sustainable transport in major cities and that younger generations are more socially conscious and would therefore be more willing to participate in LVC systems that improve the sustainability of cities.

Major themes from all responses

Overall, the answers collected showed that it was a mixture of both design and implementation issues which are hindering the widespread and effective use of LVC, but that implementation should be the key focus.

One of the clear themes which emerged from almost all responses was that a lack of political and public consensus was perhaps the biggest hurdle to overcome, and that this is a key reason why implementing LVC is so difficult. The UK respondents noted this in the context of a divided and weak government, as well as the divergent opinions of the powerful land lobby and the public. International respondents noted a general lack of public commitment and issues with getting all stakeholders on board. Key recommendations for addressing these issues which emerged were ensuring any land value system was fair (equitable), transparent and simple, with many respondents calling for better education for all stakeholders to ensure a clearer understanding.

6. Conclusions

Through a review of key literature, and as a result of the author's own research, it has become clear that poor design and inefficient implementation have both played a key role in LVC's failure within the UK over the years, but that it is implementation which is the most problematic.

The UK's experience of mechanisms such as Section 106 and CIL show how varying levels of complexity of design have little bearing on a successful outcome if the mechanism cannot be implemented properly. Section 106 agreements are, in theory, an effective way of paying for public needs and infrastructure projects. They are admittedly complex agreements, but they are extremely difficult to efficiently implement as they require bespoke negotiations, can be minimised or negated using viability assessments, and do not necessarily guarantee delivery. CIL should be a simple, straightforward tariff, but its clumsy implementation and weak guidance means that it now needs reform. This is noted by many sources, including HCLGC (2018) and Harwood (2018) – and it could be said that its implementation alongside Section 106 agreements – rather than its presence negating the need for Section 106 agreements as was originally envisaged –presents a trade-off of sorts.

It has also been observed that the poor design of Section 106 has had the effect of worsening equity distribution across the country due to the vast differences in value between areas such as London and the North East, and therefore proper design of such systems should take this into account and have some provisions for the redistribution of any uplifts captured. Furthermore, it is noted that the design of systems such as Section 106 and CIL do not allow for a recurrent opportunity to capture value, and only capture value from forthcoming development properties rather than from all properties that benefit. A well-designed LVC mechanism would provide regular opportunities to capture value uplift from all types of property that have benefitted from the particular scheme (i.e. the grant of planning permission or the provision of major infrastructure).

International examples, such as the study of Hong Kong's MTRC, show a form of LVC which is well designed and efficiently implemented, but key differences limit the implementation of the same type of mechanism in the UK. However, there are suggestions of how similar models can be implemented without the need for government ownership of land, such as the DRAM model proposed by TfL (2017).

Lessons to be learned from past attempts at LVC, as well as the opinions and recommendations of respondents, also indicated that there needs to be agreement on what is reasonably obtainable from LVC, as this will clearly impact how such mechanisms are designed. Historical attempts, it could be said, have been designed to capture far too much of the uplift in land values, and have therefore failed due to disincentivised landowners withholding their land from the market. It is therefore also crucial to be cautious when quoting figures relating to the extent of land value uplifts. If what can be reasonably captured is not correctly understood, the proper design of any uplift capture mechanism is in jeopardy, and such a mechanism would be extremely difficult to implement.

Above all, what is abundantly clear from the literature, the author's research and the opinions of respondents, is that the biggest challenge facing the efficient and successful implementation of LVC in the UK is the lack of political consensus. HCLGC recommend that any proposal needs to have cross-party support; previous examples show that competing political ideologies have stifled attempts to implement LVC. The majority of respondents to the author's questions said that it is vital that any proposal has commitment from all stakeholders. It is clear then that, whilst poor design and inefficient implementation are significant factors in the UK's failure to successfully implement LVC to date, before that stage is reached, the lack of political will and consensus is hindering any viable implementation of LVC.

7. Recommendations

The author is of the view that the following recommendations flow from the research conducted:

1. There needs to be a better understanding of what LVC is, and what it can potentially provide in terms of sharing the benefits, i.e. increased values, derived by property owners from large infrastructure projects and/or the grant of planning permission.
2. The government need to build a cross-party political consensus on the appropriate design of an effective and efficient LVC scheme.
3. The government should also develop a public awareness and education scheme which is intended to improve knowledge, and acceptance, of LVC and the important role it can potentially play in contributing to the funding of major infrastructure projects and sharing the benefits derived from the grant of planning permission for major developments.
4. The HCLGC report should be the foundation on which to build the understanding, awareness and consensus outlined above.
5. The key message that needs to be communicated to all stakeholders, including the public, is that it is only fair that the benefits derived from such schemes should be shared in an equitable manner by all who are affected by them.

References

Bhattacherjee, A. (2012) *Social Science Research: Principles, Methods, and Practices*, Florida: University of South Florida Scholar Commons

Blundell, V. (1993) 'Labour's Flawed Land Acts 1947-1976' Economic and Social Science Research Association [Online] August, Available from: http://www.labourland.org/downloads/papers/Vic_Blundell_DLT.pdf [Accessed on: 15/06/18]

Community Land Act 1975 (c.77) London: The Stationery Office [Online] Available from: https://www.legislation.gov.uk/ukpga/1975/77/enacted [Accessed on: 01/06/18]

Compulsory Purchase Association ('CPA') (2018) 'The effectiveness of current land value capture methods' [Online] February 22, Available from: https://www.compulsorypurchaseassociation.org/land-value-capture.php [Accessed on: 19/4/18]

De Vaus, D. (2002) *Surveys in Social Research*, 5th Edition, London: Routledge

Denscombe, M. (2010) The Good Research Guide, 4th Edition, Maidenhead: Open University Press

Donnelly, M. (2018) 'Labour pledges to close 'viability loophole' and new land value capture measures' Planning Resource [Online] April 19, Available from: https://www.planningresource.co.uk/article/1462561/labour-pledges-close-viability-loophole-new-land-value-capture-measures [Accessed on: 21/05/18]

Finance (1909-10) Act 1910 (10 Edw. 7 and 1 Geo 5, c. 8) London: HMSO [Online] Available from: http://www.legislation.gov.uk/ukpga/Edw7and1Geo5/10/8/contents [Accessed on: 01/06/18]

Friendly, A. (2017) 'Land Value Capture and Social Benefits: Toronto and Sao Paulo Compared' IMFG Papers on Municipal Finance and Governance, No. 33, July 12, Toronto: Munk School of Global Affairs [Online] Available from: https://munkschool.utoronto.ca/imfg/uploads/431/imfgpaper_no33_land_value_capture_abigail_friendly_july_12_2017.pdf [Accessed on: 12/04/18]

Greater London Authority ('GLA') (2018) *MCIL Annual receipt update 2012/13 – 2017/18* [Online] Available from: https://www.london.gov.uk/what-we-do/planning/implementing-london-plan/mayoral-community-infrastructure-levy#Stub-63731 [Accessed on: 29/11/18]

Harwood, R. (2018) 'Land Value Capture', Report based on the presentation given at the CPA Reform Lecture 2018, London, April 26 [Online] Available from: https://www.compulsorypurchaseassociation.org/land-value-capture.php [Accessed on: 05/09/18]

House of Commons Housing, Communities and Local Government Committee ('HCGLC') (2018), *Land Value Capture*, 10th report of Session 2017-2019, London: House of Commons

Jones, C., Morgan, J. and Stephens, M. (2018) *An assessment of historic attempts to capture land value uplift in the UK*, Inverness: Scottish Land Commission

Jones, J. (2008) 'Land Value …for public benefit', Labour Land Campaign [Online] Available from: http://www.labourland.org/downloads/papers/land_value_for_public_benefit.pdf [Accessed on: 03/09/18]

Land Value Tax Campaign (‘LVTC’) (2010) ‘Winston Churchill said it all better then we can’ Land Value Taxation Campaign [Online] February 14, Available from: http://www.landvaluetax.org/current-affairs-comment/winston-churchill-said-it-all-better-then-we-can.html [Accessed on: 01/06/18]

Lay, B. (2016) ‘How successful is Hong Kong’s MTR compared to S’pore’s MRT? Unbelievable. Out of this world.’ [Online] May 19, Available from: https://mothership.sg/2016/05/how-successful-is-hong-kongs-mtr-compared-to-spores-mrt-unbelievable-out-of-this-world/ [Accessed on: 15/09/18]

Letwin, O. (2018) *Independent Review of Build Out Final Report*, London: MHCLG [Online] Available from: https://www.gov.uk/government/publications/independent-review-of-build-out-final-report [Accessed on: 15/11/18]

Mass Transit Railway Corporation (‘MTRC’) (2008) *Annual Report 2008* [Online] Available from: http://annualreports.com/Company/5379 [Accessed on: 15/09/18]

MHCLG (2018) *Land value capture: government response to the select committee inquiry*, London: MHCLG [Online] Available from: https://www.gov.uk/government/publications/land-value-capture-government-response-to-the-select-committee-inquiry [Accessed on: 01/12/18]

Ministry for Housing, Communities and Local Government (‘MHCLG’) (2015) ‘Land value estimates for policy appraisal 2014’, London: MHCLG [Online] February, Available from: https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal [Accessed on: 15/10/18]

MTRC (2017) *Annual Report 2017* [Online] Available from: https://www.mtr.com.hk/en/corporate/investor/2017frpt.html [Accessed on: 15/09/18]

MTRC (No date) ‘Railway Construction, Operation and Maintenance’ [Online] Available from: https://www.mtr.com.hk/en/corporate/consultancy/railwayoperation.html [Accessed on: 15/09/18]

Padukone, N. (2013) ‘The Unique Genius of Hong Kong’s Public Transportation System’ [Online] September 10, Available from: https://www.theatlantic.com/china/archive/2013/09/the-unique-genius-of-hong-kongs-public-transportation-system/279528/ [Accessed on:15/09/18]

Peterson, G. (2008) *Unlocking Land Values to Finance Urban Infrastructure, Trends and Policy Options*, No. 7, Washington, DC: World Bank [Online] Available from: https://openknowledge.worldbank.org/handle/10986/6552 [Accessed on: 02/10/18]

Raynsford, N. (2018) *Planning 2020 – Interim Report of the Raynsford Review of Planning in England* [Online] May, Available from: https://www.tcpa.org.uk/raynsford-review [Accessed on: 10/10/18]

RICS (2012) *Valuation of Development Land*, Valuation Information Paper 12, London: RICS

Silverman, D (2010) *Qualitative Analysis*, 3rd Edition, London: SAGE

Slack, E. (2016) 'Land Value Capture: Issues, Options and Implementation', presentation delivered to the 5th Annual Caribbean Valuation and Construction Conference, Saint Lucia, November 9 [Online] Available from: https://munkschool.utoronto.ca/imfg/uploads/366/slack_presentation_landvaluecapture_saintlucia_november92016.pdf [Accessed on: 02/05/18]

Smolka, M. O. (2013) *Implementing Value Capture in Latin America: Policies and Tools for Urban Development*, Cambridge, MA: Lincoln Institute of Land Policy

Town and Country Planning Act 1947 (66 Eliz. 2 c.15) London: HMSO [Online] Available from: https://www.legislation.gov.uk/ukpga/1947/51/enacted [Accessed on: 21/06/18]

Transport for London ('TfL') (2017) *Land value capture - final report*, London: Transport for London [Online] Available from: https://www.london.gov.uk/sites/default/files/land_value_capture_report_transport_for_london.pdf [Accessed on: 02/05/18]

Verougstraete, M. and Zeng, H. (2014) 'Land Value Capture Mechanism: The Case of the Hong Kong Mass Transit Railway', Bangkok: United Nations ESCAP [Online] July, Available from: https://www.unescap.org/resources/ppp-case-studies [Accessed on 15/09/18]

Walker, J. (2012) 'Land value capture and infrastructure delivery through SLICs', Town & Country Planning Tomorrow Series Paper 13 [Online] September, Available from: https://planningnewtowns.files.wordpress.com/2014/02/tomorrowsp_slics.pdf [Accessed on: 21/05/18]

Walker, J. (2016) 'Land value capture in large scale developments' British Government [Online] February 11, Available from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/491163/future-of-cities-land-value-capture.pdf [Accessed on: 21/05/18]

Walker, T. (2017) 'A response by the Campaign to Protect Rural England to the Raynsford Review of Planning Call for Evidence - Theme 5: Planning and taxation' CPRE [Online] October, Available from: https://www.cpre.org.uk/resources/housing-and-planning/item/4704-cpre-response-raynsford-review [Accessed on: 01/06/18]

Walters, L. (2012) 'Land Value Capture in Policy and Practice', presented at the World Bank conference, Washington D.C., April 23-26 [Online] Available from: http://www.landandpoverty.com/agenda/pdfs/paper/walters_full_paper.pdf [Accessed on: 12/4/18]

Wyatt, P. (2018) 'Can land value uplift deliver affordable housing? Experiences from England', Journal of European Real Estate Research, Vol. 11 (1), pp. 87 - 101 [Online] Available from: https://doi.org/10.1108/JERER-02-2017-0009 [Accessed on: 02/06/18]

Bibliography

Bhattacherjee, A. (2012) *Social Science Research: Principles, Methods, and Practices*, Florida: University of South Florida Scholar Commons

Blundell, V. H. (1993) 'Labour's Flawed Land Acts 1947-1976' Economic and Social Science Research Association [Online] August, Available from: http://www.labourland.org/downloads/papers/Vic_Blundell_DLT.pdf [Accessed on: 15/06/18]

Callies, D. and Grant, M. (1991), 'Paying for Growth and Planning Gain: An Anglo-American Comparison of Development Conditions, Impact Fees and Development Agreements', The Urban Lawyer, Vol. 23 (2) pp. 221 – 248, Spring

Chi-Man Hui, E., Sze-Mun Ho, V. and Him-Hin Ho, D. (2004) 'Land value capture mechanisms in Hong Kong and Singapore: A comparative analysis', Journey of Property Investment & Finance, Vol. 22 (1), pp. 76-100 [Online] Available from: https://doi.org/10.1108/14635780410525153 [Accessed on: 21/05/18]

Community Land Act 1975 (c.77) London: The Stationery Office [Online] Available from: https://www.legislation.gov.uk/ukpga/1975/77/enacted [Accessed on: 01/06/18]

Compulsory Purchase Association ('CPA') (2018) 'The effectiveness of current land value capture methods' [Online] February 22, Available from: https://www.compulsorypurchaseassociation.org/land-value-capture.php [Accessed on: 19/4/18]

Crook, T. (2018) 'CPO powers are just part of a much bigger picture on land value capture' [Online] September 26, Available from: https://www.insidehousing.co.uk/home/home/cpo-powers-are-just-part-of-a-much-bigger-picture-on-land-value-capture--58314 [Accessed on: 01/11/18]

Crow, G. and Wiles, R. (2008) 'Managing anonymity and confidentiality in social research: the case of visual data in Community research', National Centre for Research Methods (NCRM), NCRM Working Paper Series, August [Online] Available from: http://eprints.ncrm.ac.uk/459/1/0808_managing%2520anonymity%2520and%2520confidentiality.pdf [Accessed on: 15/06/18]

DCLG (2012) *National Planning Policy Framework*, London: DCLG [Online] Available from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/6077/2116950.pdf [Accessed on: 01/06/18]

De Vaus, D (2002) *Surveys in Social Research*, 5th Edition, London: Routledge

Denscombe, M. (2010) *The Good Research Guide*, 4th Edition, Maidenhead: Open University Press

Denscombe, M. (2012) *Research Proposals*, 1st Edition, Maidenhead: Open University Press

Dirie, I. (2006) 'Municipal Finance: Innovative Resourcing for Municipal Infrastructure and Service Provision', Report prepared for the Commonwealth Local Government Forum in coorperation with ComHabitat [Online] Available from: http://www.clgf.org.uk/default/assets/File/Publications/reports/2006%20Municipal%20Finance%20Paper.pdf [Accessed on: 02/10/18]

Donnelly, M. (2018) 'Labour pledges to close 'viability loophole' and new land value capture measures' [Online] April 19, Available from:

https://www.planningresource.co.uk/article/1462561/labour-pledges-close-viability-loophole-new-land-value-capture-measures [Accessed on: 19/04/18]

Donnelly, M. (2018) 'Labour pledges to close 'viability loophole' and new land value capture measures' Planning Resource [Online] April 19, Available from: https://www.planningresource.co.uk/article/1462561/labour-pledges-close-viability-loophole-new-land-value-capture-measures [Accessed on: 21/05/18]

Finance (1909-10) Act 1910 (10 Edw. 7 and 1 Geo 5, c. 8) London: HMSO [Online] Available from: http://www.legislation.gov.uk/ukpga/Edw7and1Geo5/10/8/contents [Accessed on: 01/06/18]

Friendly, A. (2017) 'Land Value Capture and Social Benefits: Toronto and Sao Paulo Compared' IMFG Papers on Municipal Finance and Governance, No. 33, July 12, Toronto: Munk School of Global Affairs [Online] Available from: https://munkschool.utoronto.ca/imfg/uploads/431/imfgpaper_no33_land_value_capture_abigail_friendly_july_12_2017.pdf [Accessed on: 12/04/18]

Geoghegan, J. (2018) 'MPs land value capture report prompts property sector alarm' [Online] September 13, Available from: https://www.planningresource.co.uk/article/1492707/mps-land-value-capture-report-prompts-property-sector-alarm [Accessed on: 13/09/18]

Greater London Authority ('GLA') (2018) MCIL Annual receipt update 2012/13 – 2017/18 [Online] Available from: https://www.london.gov.uk/what-we-do/planning/implementing-london-plan/mayoral-community-infrastructure-levy#Stub-63731 [Accessed on: 29/11/18]

Guthrie, G. (2010) *Basic Research Methods: An Entry to Social Science Research*, 4th Edition, London: SAGE [Online] Available from: https://learn.ucem.ac.uk/mod/resource/view.php?id=203895 [Accessed on: 21/06/18]

Harwood, R. (2018) 'Land Value Capture', Report based on the presentation given at the CPA Reform Lecture 2018, London, April 26 [Online] Available from: https://www.compulsorypurchaseassociation.org/land-value-capture.php [Accessed on: 05/09/18]

House of Commons Housing, Communities and Local Government Committee ('HCGLC') (2018), *Land Value Capture*, 10th report of Session 2017-2019, London: House of Commons

Jones, C., Morgan, J. and Stephens, M. (2018) An assessment of historic attempts to capture land value uplift in the UK, Inverness: Scottish Land Commission

Jones, J. (2008) 'Land Value …for public benefit', Labour Land Campaign [Online] Available from: http://www.labourland.org/downloads/papers/land_value_for_public_benefit.pdf [Accessed on: 03/09/18]

Land Value Tax Campaign ('LVTC') (2010) 'Winston Churchill said it all better then we can' Land Value Taxation Campaign [Online] February 14, Available from: http://www.landvaluetax.org/current-affairs-comment/winston-churchill-said-it-all-better-then-we-can.html [Accessed on: 01/06/18]

Lay, B. (2016) 'How successful is Hong Kong's MTR compared to S'pore's MRT? Unbelievable. Out of this world.' [Online] May 19, Available from: https://mothership.sg/2016/05/how-successful-is-hong-kongs-mtr-compared-to-spores-mrt-unbelievable-out-of-this-world/ [Accessed on: 15/09/18]

LeRoy, G. (2008) 'TIF, Greenfields, and Sprawl: How an Incentive Created to Alleviate Slums Has Come to Subsidize Upscale Malls and New Urbanist Developments', Planning and Environment Law, Vol. 60 (2), pp. 3 – 11, February, American Planning Association

Letwin, O. (2018) *Independent Review of Build Out Final Report*, London: MHCLG [Online] Available from: https://www.gov.uk/government/publications/independent-review-of-build-out-final-report [Accessed on: 15/11/18]

Mass Transit Railway Corporation ('MTRC') (2008) *Annual Report 2008* [Online] Available from: http://annualreports.com/Company/5379 [Accessed on: 15/09/18]

Ministry for Housing, Communities and Local Government ('MHCLG') (2015) 'Land value estimates for policy appraisal 2014', London: MHCLG [Online] February, Available from: https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal [Accessed on: 15/10/18]

MHCLG (2018) *Land value capture: government response to the select committee inquiry*, London: MHCLG [Online] Available from: https://www.gov.uk/government/publications/land-value-capture-government-response-to-the-select-committee-inquiry [Accessed on: 01/12/18]

Moore, A. (2013) 'Trading Density for Benefits: Toronto and Vancouver Compared', IMFG Papers on Municipal Finance and Governance, No. 13, Toronto: Munk School of Global Affairs [Online] Available from: https://munkschool.utoronto.ca/imfg/uploads/220/imfg_no_13_moorer3_online_final.pdf [Accessed on: 12/04/18]

MTRC (2017) *Annual Report 2017* [Online] Available from: https://www.mtr.com.hk/en/corporate/investor/2017frpt.html [Accessed on: 15/09/18]

MTRC (No date) 'Railway Construction, Operation and Maintenance' [Online] Available from: https://www.mtr.com.hk/en/corporate/consultancy/railwayoperation.html [Accessed on: 15/09/18]

Mulhall, T. and Sanderson, P. (2018) 'Land Value Capture Options and Implementation: International Experience', presentation delivered to the 7th Annual Caribbean Valuation and Construction Conference, Montego Bay, Jamaica, October 25-26

Newman, P. W. (2015) 'Transport infrastructure and sustainability: a new planning and assessment framework', Smart and Sustainable Built Environment, Vol. 4 (2), pp. 140-153 [Online] Available from: https://doi.org/10.1108/SASBE-05-2015-0009 [Accessed on: 20/06/18]

Padukone, N. (2013) 'The Unique Genius of Hong Kong's Public Transportation System' [Online] September 10, Available from: https://www.theatlantic.com/china/archive/2013/09/the-unique-genius-of-hong-kongs-public-transportation-system/279528/ [Accessed on:15/09/18]

Peace, A. (2017) 'London devolution looks at new infrastructure funding' [Online] March 8, Available from: https://www.egi.co.uk/news/london-devolution-looks-at-new-infrastructure-funding/ [Accessed on: 10/10/18]

Peterson, G. (2008) *Unlocking Land Values to Finance Urban Infrastructure*, Trends and Policy Options, No. 7, Washington, DC: World Bank [Online] Available from: https://openknowledge.worldbank.org/handle/10986/6552 [Accessed on: 02/10/18]

Raynsford, N. (2018) *Planning 2020 – Interim Report of the Raynsford Review of Planning in England* [Online] May, Available from: https://www.tcpa.org.uk/raynsford-review [Accessed on: 10/10/18]

RICS (2012) *Valuation of Development Land*, Valuation Information Paper 12, London: RICS

Samsura, A. and van der Krabben, E. (2012) ‘Negotiating land and property development: a game theoretical approach to value capturing’, Journal of European Real Estate Research, Vol. 5 (1), pp. 48-65 [Online] Available from: https://doi.org/10.1108/17539261211216003 [Accessed on: 21/06/18]

Serva, L. (2014) ‘How Sao Paolo Uses ‘Value Capture’ to Raise Billions for Infrastructure’ [Online] May 22, Available from: https://www.citylab.com/solutions/2014/05/how-sao-paulo-uses-value-capture-to-raise-billions-for-infrastructure/371429/ [Accessed on: 15/10/18]

Silverman, D (2010) *Qualitative Analysis*, 3rd Edition, London: SAGE

Slack, E. (2016) 'Land Value Capture: Issues, Options and Implementation', presentation delivered to the 5th Annual Caribbean Valuation and Construction Conference, Saint Lucia, November 9 [Online] Available from: https://munkschool.utoronto.ca/imfg/uploads/366/slack_presentation_landvaluecapture_saintlucia_november92016.pdf [Accessed on: 02/05/18]

Smolka, M. O. (2013) *Implementing Value Capture in Latin America: Policies and Tools for Urban Development*, Cambridge, MA: Lincoln Institute of Land Policy

Soloman, G. (2018) ‘How does the government propose to capture land value uplift?’ [Online] February 21, Available from: https://www.burges-salmon.com/news-and-insight/legal-updates/how-does-the-government-propose-to-capture-land-value-uplift/ [Accessed on: 02/06/18]

Town and Country Planning Act 1947 (66 Eliz. 2 c.15) London: HMSO [Online] Available from: https://www.legislation.gov.uk/ukpga/1947/51/enacted [Accessed on: 21/06/18]

Transport for London (‘TfL’) (2017) *Land value capture - final report*, London: Transport for London [Online] Available from: https://www.london.gov.uk/sites/default/files/land_value_capture_report_transport_for_london.pdf [Accessed on: 02/05/18]

UCEM (2017) *A Guide to Effective Research Project Management*, Reading: UCEM

Verougstraete, M. and Zeng, H. (2014) ‘Land Value Capture Mechanism: The Case of the Hong Kong Mass Transit Railway’, Bangkok: United Nations ESCAP [Online] July, Available from: https://www.unescap.org/resources/ppp-case-studies [Accessed on 15/09/18]

Walker, J. (2012) ‘Land value capture and infrastructure delivery through SLICs’, Town & Country Planning Tomorrow Series Paper 13 [Online] September, Available from: https://planningnewtowns.files.wordpress.com/2014/02/tomorrowsp_slics.pdf [Accessed on: 21/05/18]

Walker, J. (2016) 'Land value capture in large scale developments' British Government [Online] February 11, Available from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/491163/future-of-cities-land-value-capture.pdf [Accessed on: 21/05/18]

Walker, T. (2017) 'A response by the Campaign to Protect Rural England to the Raynsford Review of Planning Call for Evidence - Theme 5: Planning and taxation' CPRE [Online] October, Available from: https://www.cpre.org.uk/resources/housing-and-planning/item/4704-cpre-response-raynsford-review [Accessed on: 01/06/18]

Walters, L. (2012) ‘Land Value Capture in Policy and Practice’, presented at the World Bank conference, Washington D.C., April 23-26 [Online] Available from: http://www.landandpoverty.com/agenda/pdfs/paper/walters_full_paper.pdf [Accessed on: 12/4/18]

Wyatt, P. (2018) ‘Can land value uplift deliver affordable housing? Experiences from England’, Journal of European Real Estate Research, Vol. 11 (1), pp. 87 - 101 [Online] Available from: https://doi.org/10.1108/JERER-02-2017-0009 [Accessed on: 02/06/18]

Youngman, J. (2011) ‘TIF at a Turning Point: Defining Debt Down’, Cambridge, MA: Lincoln Institute of Land Policy [Online] May, Available from: https://www.lincolninst.edu/publications/working-papers/tif-turning-point [Accessed on: 12/09/18]

Appendix 1 – Questionnaire Responses

Questions – R1

1. What is your experience of land value capture in the UK?
   I am an academic and have conducted research and published widely on land value capture in the UK.

2. Why, in your view, have previous attempts to implement land value capture in the UK failed?
   The overriding reason is a lack of political consensus. There are other reasons too: it's technically challenging to implement; there is a great deal of inertia in the land market; land owners are few in number and are effective lobbyists.

3. Do you think the issue lies with the design of such mechanisms, or the implementation?
   Both but primarily implementation. There are examples of land value capture in other countries which have been successfully implemented.

4. What are the fundamental issues with current proposals for land value capture mechanisms in the UK?
   The Government is attempting to 'tax' land value uplift without actually admitting that it is a tax. This means that the guidance in relation to CIL and planning obligations is weak and poorly drafted. This allows landowners to 'game' the process and reduce their liability. Another, perhaps more fundamental, issue is that the mechanism lacks redistributive capability – areas with high land values capture more revenue than areas with low land values. This has obvious implications for geographical equity.

5. How can these issues be addressed?
   Introduce a proper land tax that is recurrent rather than event-based (i.e. reliant on planning applications) and can be made to be redistributive.

6. If you have any experience of land value capture systems in other countries around the world, what lessons can be learned from these, if any?
   Lots of lessons can be learned but it relies on Government acting upon them.

7. Do you think it will ever be possible to implement an effective land value capture system in the UK?
   Not while we have weak Government with a small majority and a powerful land owner lobby.

8. If not, why not?

See Q7.

9. If yes, how do you think this system should be designed and implemented?

10. Are there any other comments you would like to make about land value capture?
There is a large element of land value capture implicit in the real estate taxes that we have already – council tax and business rates. If these were administered properly (and the council tax incorporated regular revaluations) then it is possible to capture land value uplifts on a recurrent basis without wholesale changes to tax laws. But, again, political will is needed.

Questions – R2

1. What is your experience of land value capture?

My only experience with land value capture is reading and writing about it.

2. What have been the major attempts to implement land value capture in the countries/jurisdictions you are familiar with?

Land value capture is designed to recoup some or all of the unearned increment in private land values arising from two sources: public investment (e.g. roads, transit, parks, etc.) or a change in land use regulations (e.g. zoning changes). The rationale is that at least some of the resulting increase in land value arising from these two sources should be captured by governments to pay for it.

There are three ways to capture land value:

- Betterment levies/special assessments (e.g. supplementary business property tax in London to help pay for the Crossrail)
- Tax increment financing (e.g. to redevelop areas in need of revitalization e.g. in most US states)
- Sale of building rights (e.g. density bonusing in Toronto; community amenity contributions in Vancouver; CEPACs in Sao Paulo).

On tax increment financing in US jurisdictions, I would suggest you look at the Lincoln Institute of Land Policy publications. See, for example, Youngman, J. (2011). *TIF at a Turning Point: Defining Debt Down.* Cambridge, Mass. : Lincoln Institute of Land Policy. Also, LeRoy, G. (2008). TIF, Greenfields, and Sprawl: How an Incentive Created to Alleviate Slums Has Come to Subsidize Upscale Mall and New Urbanist Developments. *Planning & Environmental Law , 60* (2), 3-11.

On density bonusing in Vancouver and Toronto, I would suggest you look at: https://tspace.library.utoronto.ca/bitstream/1807/81255/1/imfg_paper_13_moore_2013-02-26.pdf.

On CEPACs in Brazil, I would suggest publications at the Lincoln Institute by Martim Smolka. For example, Smolka, M. O. (2013). Implementing Value Capture in Latin America: Policies and Tools for Urban Development. Cambridge, MA: Lincoln Institute of Land Policy.

3. Have those attempts been successful?

TIFs have been successful at revitalizing the downtowns of major US cities. More recently, however, their use has been called into question because they are being used to pave over golf courses etc. See the above recommended publications.

On density bonusing, Vancouver has probably been more successful than Toronto because the calculation of the value uses a formula, whereas in Toronto it is the result of a negotiation between the city and the developer. In other words, what gets charged to the developer is fairly arbitrary in Toronto. In Brazil, Sao Paulo auctions off building rights on the stock market to determine the value and I believe that this method has worked well. But, again, check the paper by Smolka.

4. If land value capture has been successful in the countries/jurisdictions area you are familiar with, what are the reasons for this success?

I think success depends, at least in part, on a clear process for calculating the land value increase and for sharing the increase fairly between the city and the developer.

5. Do you think there are any 'global' principles that can be applied to make land value capture a success anywhere in the world?

Yes

6. If yes, what do you think these principles are?

I think the principles are similar to the general principles of taxation – fairness (equity), efficiency, transparency, accountability.

7. If no, why not?

8. Where land value capture systems have not worked, do you think the issue lies with the design of such mechanisms, or the implementation?

   Both… and also because of a lack of political will in some cases.

9. How can these issues be addressed?

Part of the problem lies in a lack of understanding of how these instruments should work. Education and training of municipal officials in how these instruments should work might make a difference.

10. Are there any other comments you would like to make about land value capture?

I think the toughest part of using land value capture to pay for infrastructure investment is being able to estimate how much land values will increase as a result of that investment. If a city borrows money on the basis that they will pay back the loan with the increment in land values, it will be a problem if they under-estimate that amount. The result will be an increase in taxes to pay for the investment.

Questions – R3

1. What is your experience of land value capture?
   In my previous role as [redacted] Valuer General, I had some involvement with the possible implementation of Land Value Capture (LVC) through [redacted] Treasury and the Property Council of [redacted].

2. What have been the major attempts to implement land value capture in the countries/jurisdictions you are familiar with?

Is yet, to be implemented in any quantum within Australia. Gas been lots of discussions and debate. Having said that the Australian Government has stated that it is committed to efficiently drawing on innovative funding and financing mechanisms, including value capture, to help deliver the infrastructure upgrades needed to support Australian communities. The Government has recognized that value capture is an important alternative source of funding for infrastructure development which can provide a more efficient and equitable approach to infrastructure development and delivery.

3. Have those attempts been successful?

Following the initial discussion papers and consultation with stakeholders such as private equity partners and developers the Government is now using the findings of this consultation within its major investment programs. This includes considering opportunities to use value capture to help deliver the major, transformational infrastructure projects being developed across the country.

There have been over the past 30 years several examples of land value capture (but called a different name) As an example a levy known as the Australian Capital Territory (ACT) "Change of Use Charge" has existed since 1970 in various guises. The property system of the ACT involves grants of leasehold land from the Crown. When a lease is first granted, the Government is paid an amount that is based on the user rights that the lease contains at that time. If the lease is varied in such a way that its value increases, a change of use charge based on that 'added value' is payable to the Government. The purpose of the charge is to give back to the community some or all of the 'added value' of a lease (land and buildings) that results from changes to that lease.

4. If land value capture has been successful in the countries/jurisdictions area you are familiar with, what are the reasons for this success?
   As discussed above, limited use at this point, however Australian Federal and State Governments recognise that it has significant potential as an alternative capital funding mechanism for infrastructure supporting new developments

5. Do you think there are any 'global' principles that can be applied to make land value capture a success anywhere in the world?

   I see the opportunity for Governments to create a simpler, fairer and more transparent collection of funding for major infrastructure funding through LVC. As an example here in [redacted] *landowners currently face a vast and complex array of taxes associated with property that are not easily understood. Examples would include stamp duty, local government and utility rates, goods and services tax, capital gains taxes. Land Value capture on the other hand is a direct result of the gains in value attributed to new development and close proximity to essential services such as public transport and new wide ranging and diversified shopping facilities.*

6. If yes, what do you think these principles are?
    - *Provide transparency in any implementation so that all stakeholders understand it and the benefits*
    - *Align inputs with outcomes*
    - *Apply fairness/reasonableness in its application*

7. If no, why not?

8. Where land value capture systems have not worked, do you think the issue lies with the design of such mechanisms, or the implementation?
    - *Realistically would be a mixture*

9. How can these issues be addressed?
    - *Ensure that those in the LVC planning, consultation and implementation have a very good understanding of what works well, where the risks are and how to mitigate them.*
    - *Communication with and the education of all stakeholders is essential*

10. Are there any other comments you would like to make about land value capture?

Questions – R4

1. What is your experience of land value capture? My only experience is academic. I've read and reviewed legislation in many jurisdictions that have looked at potentially introducing land value capture but in all cases the legislation was dropped or not seriously considered.

2. What have been the major attempts to implement land value capture in the countries/jurisdictions you are familiar with? While not technically land valuer capture, I have worked in jurisdictions where they have utilized Tax Increment Financing (TIF) Districts. When managing a TIF the municipalities typically divert future property tax revenue increases from a defined area or district toward an economic development project or public improvement in the community. TIF subsidies are not appropriated directly from the city's budget, but the city incurs a loss through foregone tax revenue.

3. Have those attempts been successful? Yes, to the ends that they were meant. The areas defined as TIF districts have not always developed as fast as initially thought but in the end, they do develop and lead to additional investment in the area. So, while the short-term games may not be realized the long-term impact on property taxation is almost always positive.

4. If land value capture has been successful in the countries/jurisdictions area you are familiar with, what are the reasons for this success? -NA-

5. Do you think there are any 'global' principles that can be applied to make land value capture a success anywhere in the world? Land value capture as a way to fund infrastructure that benefits all land owners within a specific geography makes economic sense. This is true anywhere in the world.

6. If yes, what do you think these principles are? -NA-

7. If no, why not? -NA-

8. Where land value capture systems have not worked, do you think the issue lies with the design of such mechanisms, or the implementation? -NA-

9. How can these issues be addressed? -NA-

10. Are there any other comments you would like to make about land value capture? Land Value Capture is a great concept, but implementation is likely more difficult than a market value-based property tax or a simple special project fund set-up to pay back public sector development. If the valuation of land (particularly in developed areas) becomes an easy and verifiable task, then the implementation of land value capture systems might be socially accepted. My professional belief is that taxpayers understand market value (of a property total bundle of rights) not just the land value. With land value capture the land value (both pre and post investment) is often times difficult to determine (particularly in areas with zero vacant parcels). I do believe that the valuation and tracking mechanisms for land value capture are becoming increasingly more available from a technical perspective. Because not all investment in infrastructure is provided by the government, I think that there is a great probability that determining which investments are to be recaptured and which investment provided which land values would be confusing at best.

Questions – R5

1. What is your experience or understanding of land value capture?

   I have noted the use of the term value capture is a very broad use terms as a means of funding infrastructure raised primarily from property owners to which a level of measurability of uplift in value is assessable resulting from the provision of infrastructure.

   In Australia, its adoptions is gaining momentum particularly with lightrail projects in the Sydney, Melbourne and Brisbane cities.

2. What have been the major attempts to implement land value capture in the countries/jurisdictions you are familiar with and have these been successful.

   These attempts are presently underway and I have attached a number of electronic sources for your review in setting out their use and success. In summary these include:

   1. A broad based value capture scheme applied across the whole of Sydney to part fund the Sydney Harbour Bridge.
   2. A precinct levy applied across the Melbourne City to fund the Melbourne Loop during the 1980s.
   3. Parramatta Light Rail to commence in 2018 with a proposed $20,000 levy per unit developed over the next 10 years.
   4. Gold Coast Light Rail with an annual property levy applied to all property in the Gold Coast region.

Oliver, I have included some papers (electronic) which go into more detail on these and other projects.

3. If land value capture has been successful in the countries/jurisdictions area you are familiar with, what are the reasons for this success?

   1. Most importantly that people understand the rationale for the impost and how it is being imposed. Simplicity, Transparency and Equity in its impost is crucial. If taxpayers do not understand the impost then it is doomed from the start.
   2. One of the successes for VCT is that it is a dedicated tax or impost to a specific project in which taxpayers tend to prefer over paying taxes that disappear into a consolidated revenue pot. It provides greater accountability and transparency for the efficient allocation of resources generated by such impost.

4. Do you think there are any 'global' principles that can be applied to make land value capture a success anywhere in the world?

   I would probably refer to the answers in Q3 as part of this answer, but also add that local context will play a significant part in the acceptance of such imposts. VCT is a levy or tax, different philosophies to the way in which taxes are applied shape the ability for governments in jurisdictions to role-out new imposts such as VCT.

   In places like Australia & United States, government are more inclined to adopted the user pay principle and have greater difficulties in introducing new taxes, however VCT have already been part of the US landscape for decades in Chicago.

   In Nordic countries, where the tax take is much higher, the need to raise more revenue is less, however people are more accustom to payer higher taxes for the provision of public goods and services.

5. If yes, what do you think these principles are?

   Simplicity in calculating the tax, Equity in the way it is imposed and transparency in the way it is allocated to the project it is there to fund.

6. If no, are there any principles that you would recommend.

   Communicating the proposed impost well in advance and having as many members of the public informed about what and why such projects are being implements, i.e. public awareness.

7. Where land value capture systems have not worked or been sustainable, do you think the issue lies with the design or the implementation of such of the system, the manner in which is has been applied or some other contributing factor.

   More public awareness prior to the impost, making sure the impost is affordable to taxpayers. Explaining the benefits that such projects will bring to the community through their development is very important.

8. How can these issues be addressed?

   Probably best set out in Q 7 answers.

9. Are there any opportunities for LVC to be considered in as a means of funding infrastructure or any other purpose in your town or city.

   Absolutely yes in Sydney, Melbourne and Brisbane for the following reasons:

   1. Increasing populations have provided opportunity through the need for more housing which is a good conduit for collection of this revenue source.
   2. Sustainability of transport in broadening the options for people to move around, get to and from work in large cities while taking pressure off roads and pollution generated from underutilised vehicles.
   3. Younger generation are very socially conscious and accepting of such imposts that reduce our CO_2 footprint and to better share in resources that serve the communities they are part off.

10. Are there any other comments you would like to make about land value capture, which may include your recommendations either for its adoption or why it should not be adopted.

    Oliver please see and enjoy reading the links here and good luck with the thesis.

Questions – R6

1. What is your experience of land value capture in the UK?

See attached [redacted] Paper. I have been engaged with UK's land value capture regimes

2. Why, in your view, have previous attempts to implement land value capture in the UK failed?

There are two extreme views. One is that land value uplift is entirely community generated and therefore 100% of the uplift should be captured by the community. The other view is that land is held as an investment and that the increase in value is a return on risk and land owners will strongly defend that increase in value. There is a long history of debate here and a good reference is a recent book by Josh Ryan Collins et al linked below if you haven't encountered it already.
https://www.amazon.co.uk/Rethinking-Economics-Land-Housing-Ryan-Collins/dp/1786991187/ref=sr_1_1?ie=UTF8&qid=1541672559&sr=8-1&keywords=rethinking+the+economics+of+land+and+housing

3. Do you think the issue lies with the design of such mechanisms, or the implementation?

A combination of both. The issue at the heart of political/economy. At a policy level it is important to understand what is reasonably deliverable in a market economy and through the dominant pollical ideology. At the implementation stage it is important to understand how market interventions function, some with positive consequences for achieving the objectives of the policy, others those unintended consequences which undermine the functioning of the policy. In formulating policy it is important to understand the distinction between formulating policy and applying policy effectively to achieve the intended objectives.

4. What are the fundamental issues with current proposals for land value capture mechanisms in the UK?

This is a personal view and one which is open to debate. I have been trying to encourage that debate. It is what [redacted] were presenting on in [redacted] recently and follows on from the views expressed in World Bank Paper I referred to above. The difference between a discretionary planning system which fails to bear down on land values in the way the policy seeks and a more prescriptive planning system which I argue would.

5. How can these issues be addressed?

Government in its current policy is seeking more certainty in the outcomes from the planning system yet it produces policies which are deliberately ambiguous. This is the politics of policy making overcoming the provision of effective unambiguous implementation tools. Where politicians have to bring both extremities of the argument along they will probably stop at a point where both sides can interpret the policy to their advantage. The role of the policy in this context is to provide space for the ultimate decision maker. It doesn't make it easy to provide consistent technical advice when there is such a wide latitude for decisions.

6. If you have any experience of land value capture systems in other countries around the world, what lessons can be learned from these, if any?

Recognising our shortcomings in this area [redacted] have just commissioned work from [redacted] University on this. You might also consult with a paper presented by Richard Grover at the World Bank Conference 2018.

7. Do you think it will ever be possible to implement an effective land value capture system in the UK?

Yes, but it will need to be designed with realistic expectations. It is worth looking at Crossrail 2's proposals for land value capture which will give you a sense of where they have set the limit for land value capture. I think it will evolve and

8. If not, why not?

9. If yes, how do you think this system should be designed and implemented?

If we are to do it through the planning system I think greater prescription needs to be introduced into the measures so the prospect of negotiating away the public objectives is extremely remote.

10. Are there any other comments you would like to make about land value capture?

You will I am sure also have picked up the recent House of Commons inquiry into land value capture.

Questions – R7

1. What is your experience of land value capture in the UK?

I have no direct experience of LVC in the UK.

However, I am aware of the history of various LVC schemes in the UK.

I am also aware of the current, limited, schemes (i.e. Section 106 agreements and CIL) that may be considered part of LVC "efforts" in the UK.

Arguably, the existing property tax systems in the UK (including business rates, council tax, stamp duty land tax, capital gains tax and inheritance tax) also form part of a system for "recovering" at least part of any value uplift, but they are not LVC schemes.

2. Why, in your experience, have previous attempts to implement land value capture in the UK failed?

In my view, the fundamental issues are:

(a) "greed" and "selfishness" on the part of landowners who are not prepared to share any uplift in the value of property they own; and
(b) Lack of "political will" on the part of governments to enforce LVC.

3. Do you think the issue lies with the design of such mechanisms, or the implementation?

As indicated, I don't think the issue lies with design; I think it lies with insufficient political resolve to enforce implementation.

4. What are the fundamental issues with current proposals for land value capture mechanisms in the UK?

There are no such proposals!

In fairness, there only appears to be some limited desire to improve existing mechanisms (CIL, etc) rather than a firm commitment to introduce LVC.

However, some progress appears to have been made as recently as September 2018 with the publication of a report on LVC from the UK Select Committee (the Housing, Communities and Local Government Committee) which concluded:

The Government should commission a cross-departmental project to consider how to capture land value increases on existing properties.

A truly efficient and equitable system of land value capture should not focus solely on new developments, but should also address how existing properties benefit from development and particularly from public investments in local infrastructure.

5. How can these issues be addressed?

By the government accepting the recommendations of the Select Committee and setting up the cross-departmental project they advocate.

The main issue, in my view, is that there needs to be clarity on what LVC should be focussed on and what it might reasonably achieve.

There are lots of reasons why the value of properties go up and down; not all increases should be "taxed", not all decreases should be "compensated".

In my view, LVC should focus on capturing part of the uplift in values resulting from large public infrastructure schemes and/or the grant of planning permission for major developments.

6. If you have any experience of land value capture systems in other countries around the world, what lessons can be learned from these, if any?

I have no direct experience of LVC schemes in other parts of the world, but I am aware of effective LVC schemes in Hong Kong and Singapore.

In Hong Kong, the transit system manages to make a profit, and keep fares low, by realising a share of the development value created through new rail lines and stations (see attached note).

Singapore also has similar schemes. The main factor in the success of LVC in Hong Kong and Singapore is that most of the land concerned is owned by the government so it is relatively easy to ensure recovery of a share of any increase in value due to either development permits or infrastructure schemes.

I am also aware of LVC schemes operating in parts of Germany and the Netherlands (see the Select Committee's report). Again, these schemes involve public ownership of land which makes LVC much easier to operate.

I am aware of a great deal of interest in parts of both Australia (Melbourne and Sydney) and New Zealand (Auckland) in using LVC to fund part of the cost of major infrastructure schemes.

7. Do you think it will ever be possible to implement an effective land value capture system in the UK?

Yes, but only if there is sufficient political consensus – and public support – to make LVC work.

8. If not, why not?

As indicated, I think that it is possible to make LVC work in the UK, but I doubt if there is sufficient "steam" behind the idea at this stage to make it possible.

9. If yes, how do you think this system should be designed and implemented?

In my view, the case for LVC needs to be made by leading political "champions", ideally from across the political party spectrum.

In terms of design, I think careful consideration needs to be made about how much of the uplift in value can be "recovered" through LVC. If the level of LVC is too high, there will be resistance from land owners. If it is too low, LVC will not raise sufficient funding to make a meaningful contribution to the cost of infrastructure.

As Jean-Baptiste Colbert (a French politician who served as the Minister of Finances of France from 1665 to 1683 under the rule of King Louis XIV) famously said: *"The art of taxation consists in so plucking the goose as to procure the largest quantity of feathers with the least possible amount of hissing."*

Achieving this "balance" is probably the most difficult part of designing a successful LVC scheme, but it is the most important.

That is why it needs cross-party support with a substantial public awareness campaign to give it any chance of success.

10. Are there any other comments you would like to make about land value capture?

Only that the case for LVC lies in fairness. It seems only fair that anyone who benefits from an increase in the value of their property as a consequence of the actions/needs of society should be prepared to share at least part of their good fortune through a suitable LVC mechanism.

As Winston Churchill famously said in 1909:

Land monopoly is not the only monopoly, but it is by far the greatest of monopolies -- it is a perpetual monopoly, and it is the mother of all other forms of monopoly. Unearned increments in land are not the only form of unearned or undeserved profit, but they are the principal form of unearned increment, and they are derived from processes which are not merely not beneficial, but positively detrimental to the general public.

Land, which is a necessity of human existence, which is the original source of all wealth, which is strictly limited in extent, which is fixed in geographical position -- land, I say, differs from all other forms of property, and the immemorial customs of nearly every modern state have placed the tenure, transfer, and obligations of land in a wholly different category from other classes of property.

……………...

Fancy comparing these healthy processes with the enrichment which comes to the landlord who happens to own a plot of land on the outskirts of a great city, who watches the busy population around him making the city larger, richer, more convenient, more famous every day, and all the while sits still and does nothing.

Roads are made, streets are made, services are improved, electric light turns night into day, water is brought from reservoirs a hundred miles off in the mountains -- and all the while the landlord sits still. Every one of those improvements is effected by the labor and cost of other people and the taxpayers. To not one of those improvements does the land monopolist, as a land monopolist, contribute, and yet by every one of them the value of his land is enhanced. He renders no service to the community, he contributes nothing to the general welfare, he contributes nothing to the process from which his own enrichment is derived.

If the idea was good enough for Churchill, it is good enough for me!

[redacted]

[redacted]

[redacted]

Questions – R8

1. What is your experience of land value capture?

Please check the [redacted]_for extensive info of the work [redacted] been doing in on value capture

2. What have been the major attempts to implement land value capture in the countries/jurisdictions you are familiar with?

By all means the case of the city of S Paulo Brazil that introduced a citywide basic FAR of 1 - meaning that all differences from 1 to the max FR allowed by zoning is now being charged!

3. Have those attempts been successful?

   Yes - but still a long way to go!

4. If land value capture has been successful in the countries/jurisdictions area you are familiar with, what are the reasons for this success?

Taking one step at the time - it took 40 years since the first discussions on how to charge for the additional building rights that are otherwise granted for free…

5. Do you think there are any ‘global’ principles that can be applied to make land value capture a success anywhere in the world?

   As the [redacted] says: ‘Public action should generate public benefit’

6. If yes, what do you think these principles are?

Above

7. If no, why not?

XXX

8. Where land value capture systems have not worked, do you think the issue lies with the design of such mechanisms, or the implementation?

Both! But most of all lack of public commitment coupled by capacity to negotiate with resisting stakeholders

9. How can these issues be addressed?

   Public Education - building capacity etc

10. Are there any other comments you would like to make about land value capture?

    Good luck with your work