



Welcome to Land Value Capture Webinar Series 2021

A webinar series for metro officials across South Africa



Positioning Land Value Capture in South Africa



1. Land Value Capture



Land Value Capture is a concept (and tools) whereby unearned value increments on private property resulting from 'community effort' are recouped by the public sector either through their conversion into public revenues or more directly through on-site land improvements for the benefit of the community



Land Value Capture



VALUE CREATION

Increasing land values due to changes in planning regulations & infrastructure investment



VALUE CAPTURE



VALUE REINVESTING

Effects of Administrative Land Use Changes on Land Prices

| Type of Land Use Change | Price before Change (US\$/m ²) | Increment (%) | Price after Change (US\$/m ²) | Windfall on 5,000 m ² (US\$) |
|---------------------------|--|---------------|---|---|
| Rural to Urban Conversion | 2 | 400 | 10 | 40,000 |
| Building Norms | 100 | 80 | 180 | 400,000 |
| Zoning Regulations | 200 | 100 | 400 | 1,000,000 |

Source: Martim Smolka

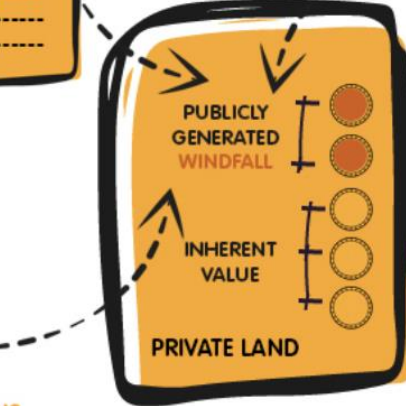
Value Generation

Government Decisions such as changing the allowed land-use can increase the value of land.
For example changing a piece of land from 'rural' to 'urban' land-use can increase its value by 400%



Servicing land (water, electricity and sewage) increases the value of the land

Investment into public infrastructure such as a bus system raises adjacent land values



Land Value Capture



VALUE CREATION



VALUE CAPTURE

Use LVC tools and instruments to recoup increments on private property resulting from 'community effort'.



VALUE REINVESTING

Some of the tools in the Land Value Capture Toolbox



- 🔨 Sale of Development Rights
 - Sao Paulo, Brazil
- 🔨 Land readjustment
 - Bogota, Colombia
- 🔨 Lease/sale of public land
 - Hong Kong, China
- 🔨 Inclusionary Housing
 - New York, USA
- 🔨 Special Assessment Districts
 - Cape Town, South Africa
- 🔨 Tax Increment Finance

Land Value Capture



VALUE CREATION



VALUE CAPTURE



VALUE REINVESTING

Equitable and socially
just redistribution of
captured value

Missed Opportunity: Reinvesting Value

📍 Sao Paulo

Value Capture



In Curitiba, Brazil, the taller building on the left graphically illustrates the area above the basic FAR of about six stories for which building rights were charged. The taller building on the right also paid for additional building rights, but did not dramatize that fact in its design. © Gislene Pereira

Note:
The City of São Paulo recently reduced all basic FAR to = 1!

City of São Paulo = About \$762 million, since 2004
(US\$130 million in 2013)

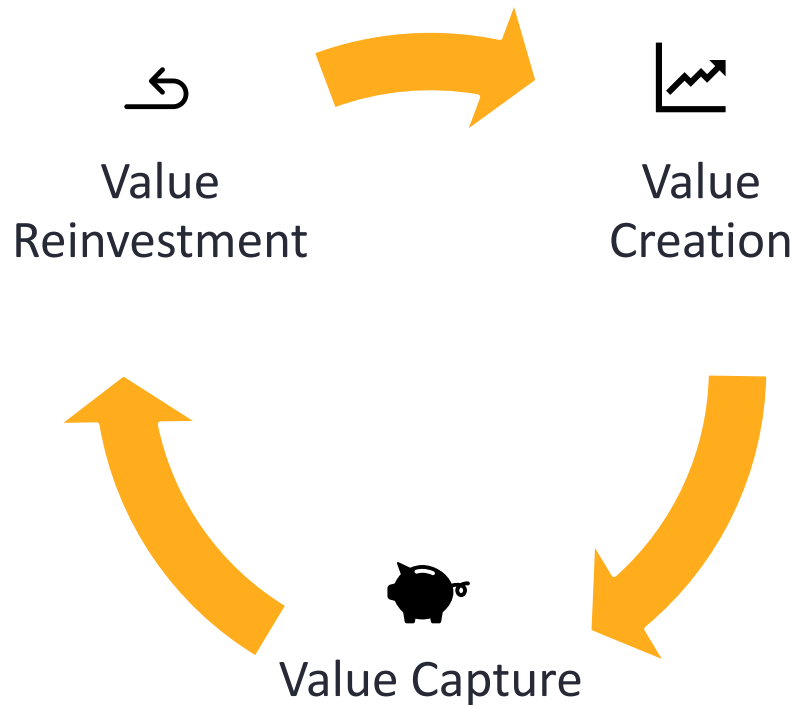


Vs.



Value Reinvesting

Virtuous Cycle



Focus: Tools implemented at local level

- **National Level**

- Capital gains tax
- Estate tax
- *Inheritance tax

- **Local Government level**

Fiscal = require some form of either a tax or fee to be paid by the private landowner to facilitate the capture of the value for the public sector.

- Property tax
- Sale of development rights
- Betterment levy
- Developer charges/fees
- Public Land leasing
- Special Rating Areas

Land-use regulatory = may be imposed through some type of “in kind” contribution by private landowners for the public benefit.

- Set-back & park contributions
- Conditioning of additional development

Different Tools for different situations

*Not an exhaustive list of LVC tools, but a conversation starter.

If you need tool descriptions, click through to <https://landvaluecapture.org.za/lvc-in-south-africa/>

| | Land Use | |
|--|---|--------------------------------------|
| Infrastructure = Bulk infrastructure (water, roads etc.) | Existing | New |
| Existing | Property Tax | Leveraging Development Rights |
| | | Developer Charges |
| | | Inclusionary Housing |
| | | Sale of Development Rights |
| New | Betterment Contributions Ex. Special Rating Areas | Land Readjustment |

Table adapted. Original by Martim Smolka

Interactive Question

- Which tool are is your metro implementing?
- Please go to [Menti.com](https://www.menti.com)
- Enter Code: 7692 7024

Different Tools for different situations

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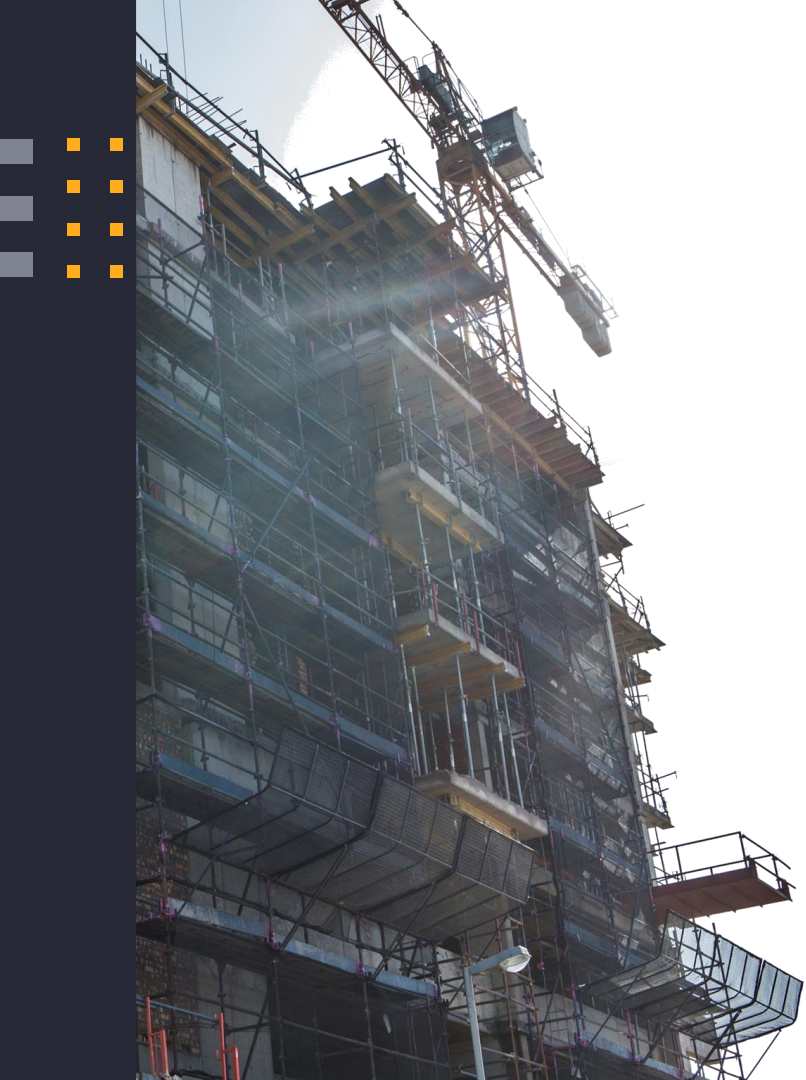
What's missing?

- Why are we not using all tools available?
- Please go to [Menti.com](https://menti.com)
- Enter Code: 7692 7024

- **What tools do you see the most potential for in your metro? Why?**

Webinar Series

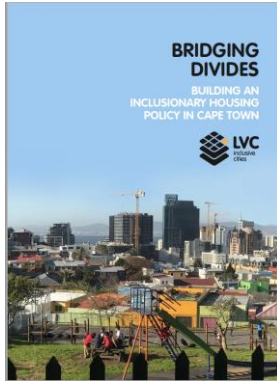
- **WEBINAR 1:** Positioning LVC in South Africa
- **WEBINAR 2:** Inclusionary Housing in South Africa: An overview on the key lessons from local initiatives/ experiences in formulating the required enabling policy frameworks.
- **WEBINAR 3:** Public Land leasing as a land-based finance instrument.
- **WEBINAR 4:** Tax increment financing in South Africa: A cautionary tale based on experiences and efforts to implement the tool in Dunkeld, Johannesburg
- **WEBINAR 5:** Land value capture practice in a Township Economy: Exploring the connection and potential implication of LVC concept towards the delivery of medium density affordable rental units in township economy
- **WEBINAR 6:** Land value capture in practice: An analysis of ideal value creation, value realisation and value capture strategies in South African cities



Thank You



Resources



<https://www.dag.org.za/wp-content/uploads/2021/04/bridging-divides-building-an-inclusionary-housing-policy-in-cape-town.pdf>



https://www.dag.org.za/wp-content/uploads/2021/04/legal_aspects_of_inclusionary_housing_in_south-africa.pdf