Can Public Investments Uplift the Property Value in Winnipeg? Lessons from Hamilton, Ontario

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Key Terms

Property Value: The value of a property is determined by its utilization.

Property Value Uplift: The value of a property can be increased through increasing its utility (e.g., more favourable zoning permission, utilities, proximity to rapid transit).

Value Planning: The process by which investments (public and private) are optimally arranged and sequenced to maximize property value uplift.

Uplift Capture: Techniques for assigning a portion of the increase in property value to pay for public investments that give rise to the value increase (usually through taxation regime).

Introduction

Value Planning is an emerging approach to investment and policy planning designed to help governments identify project and policy priorities that will create the most substantive benefits to citizens from public sector investments (McIntosh, et al.2017). There are three main stages in the process:

Value Creation Potential: To identify an integrated suite of development propositions that will maximize potential economic and social returns on public infrastructure investments. The desired output is a coherent value creation strategy.

Value Uplift Estimate: To calculate the "bankable" economic returns to the government from its investments and contributions to the value creation strategy.

Value Realization Roadmap: to implement the strategy by applying the best available tools for value capture and by engaging local partners and champions to leverage the public investments.

Value Uplift is a process where the economic value of trips on the transport network capitalizes on land values (Applied Economics 2016). Value Uplift is not a new concept and has been used by planners and policymakers for centuries, specifically for railway corridor projects. It is an established mechanism that is used by various cities around the globe. The land value uplift can help in decision making on the transit projects, housing projects, commercial corridors and almost all the public investment projects.

Public transit infrastructure investment influences residential and commercial property. Modern cities have major billion-dollar transit projects which affect the land value of the area, which will receive service. The majority of these projects do not come to fruition due to a lack of finances and gaps in transport planning (McIntosh, et al. 2017). Public transit investments have to find additional funding sources, and Land Value Capture (LVC) is a useful technique, which cities across the globe are applying in their projects.

Background and Context

Concept of Land Value Capture

Land Value Capture (LVC) is a method to understand the increase in property value and development because of accessibility to the transit services (George Hazel Consultancy, 2013). As per research, improved access to the transit services acts similarly to having a property with a waterfront location. The concept of LVC has been used in Canada for the railway infrastructure for decades. National Canadian Railway corporations have used the concept of value planning for decades to determine the railway corridors across Canada.

LVC BENEFITS
- ✓ **Sustainable Economic Growth**
- ✓ **Higher quality of life and businesses**
- ✓ **Reduce cost of living**
- ✓ **Reduce congestion and pollution**

Why is it important?

The amount of land value uplift generated by transit infrastructure provides the potential to benefit society by improving the transportation accessibility and designing the built environment in the vicinity of the transit stations. The land value uplift can leave an impact on the land market.

Cities across Canada are looking for new strategies to increase their competitiveness and improve the quality of life it offers (Higgins and Kanaroglou 2018). Residents across many cities in Canada use cars for transportation and thus leaves an essential goal of sustainability far from achieving. Many cities investment the majority of their budget on the transportation infrastructure.

LVC is an essential method for all major cities, including Winnipeg. As Winnipeg grows economically quality of its transit systems also needs to grow to match global levels. LVC also helps to build sustainable and healthier communities by strengthening the living standards of the people living in the vicinity. As per research on transit investments, access to the transit stations also results in a reduction in the cost of living for the surrounding people. One of the main categories of LVC involves taxation-based evaluation. This category can take the form of Special Assessment Districts, Development Charges, Tax Increment Financing, Land Value Taxes, Impact Fees and other forms of roof tax/levies.

Public Investments

Several reports and studies confirm that public investments affect both residential and non-residential properties in the vicinity. Public transit projects in Toronto, Sydney, Seoul, London, Shanghai and many more cities, use the method of LVC to increase the land value of the surroundings. Many studies also proved that accessibility to the bus stations or light rail stations had a most positive effect on the property prices of the nearby areas. For example; a national survey in Montreal states that properties. Public investments can help cities achieve their other goals as well. For example- Public investments made in the downtown area of Pittsburg helped in uplifting the value of the properties in the area and also helped the city achieve its revitalization goals. It is essential to strategies the public investments for the overall growth of the city.

Facts about the case

Based on earlier work completed for the City of Ottawa and the Ontario Ministry of Public Infrastructure Renewal, Daniel Nixey (Collaborator for the project) helped pioneer value planning as a practice in conjunction with the Canadian Urban Institute, serving as the practice mentor. The value planning methodology was elaborated in the work Canadian Urban Institute (CUI) produced for the City of Hamilton which examining the investment potential of a light rail transit line through downtown. The study examined how the city could maximize its profits resulting from the investment in the LRT. The methodology involved modelling property values along the proposed corridor, with and without the LRT. The study involved six principles of value planning.

The LRT project in Hamilton is a study by the city of Hamilton in collaboration with the ministry of energy and infrastructure to design long-term infrastructure requirements and strategies for direction for the city of Hamilton. The city conducted analysis identifying the projects which offer the greatest return on investment and also have the potential to inspire other projects to add to Hamilton's tax base. The process involved discussion on 25 fundamental projects. Public workshops were conducted, and councillors were interviewed to narrow down on the selection of projects that have the most potential. The goal of the study was that if the property value increases and can generate revenue from these projects in the form of taxes, it could be an essential strategy for various development projects from both the public and private sectors.

Land Value Uplift and Capture

The city of Hamilton used this study to provide an economic rationale for investing in the LRT transit Project. This study focused on the development potential of public lands for investing in light rail and also examined private parcels along with potential development (Canadian Urban Institute, 2010).

Goals of the study

- Economic rationale to pursue B-Line
- Potential revenue from the investment
- Integrated transportation and public realm planning
- Identify Public Lands for long-term projects

Framework for Capturing value of transit in car-dependant cities

The framework for capturing the value is a five-step process. The first step is an assessment of the existing legislature and regulations for economic development. The second step includes a benefit analysis. The third step includes market analysis based on transit access. The fourth step is the analysis of the project in the light of land-use and transit plans. This step involves deciding the strategy for the land value capture. Step five is the implementation strategy, including the funding options.
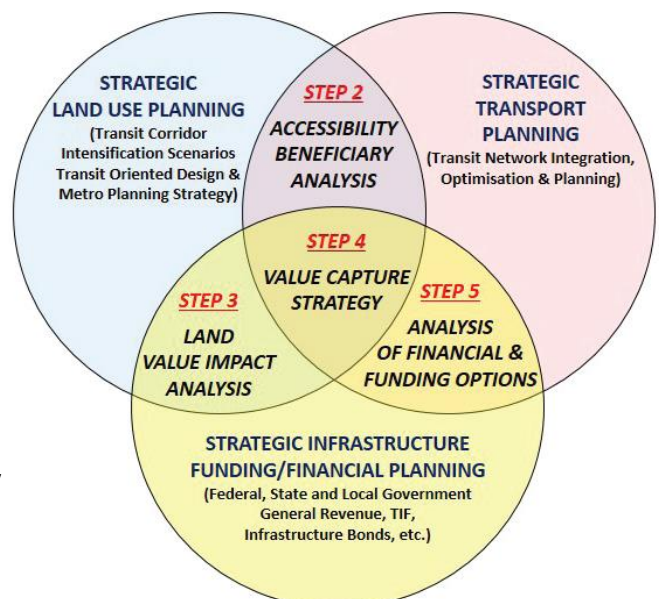

Figure 1 Conceptual Value capture analysis framework. Source: Mcintosh, J., Newman, P., Trubka, R., & Kenworthy, J. (2017), p.163

How is value evaluated?

The first step involved identifying the types of development which will probably occur in the area around the 16 proposed stations along the 14-kilometre stretch (refer fig. 1). All the stations fall into three major categories of City Core, Inner Suburb, and Outer Suburb. The uplift estimates started by identifying underused parcels within 400 metres of the line. The identification of these parcels was to understand the potential redevelopment in the vicinity of the line. The second step involved checking for zoning, by-laws ad any other plan which can guide the development in those parcels. The third step involved comparative analysis with buildings with similar use and similar size in other parts of the city to understand the potential future development.

The fourth step involves determining the revenue generated by considering the compared buildings in the existing underutilized parcels. The revenues include building permit fees, development charges, and increased property taxes. Figure 2 highlights an analysis conducted on the property tax assessment across the transit stations. The researchers also included socio-economic projections, real estate value to estimate the realistic projections.
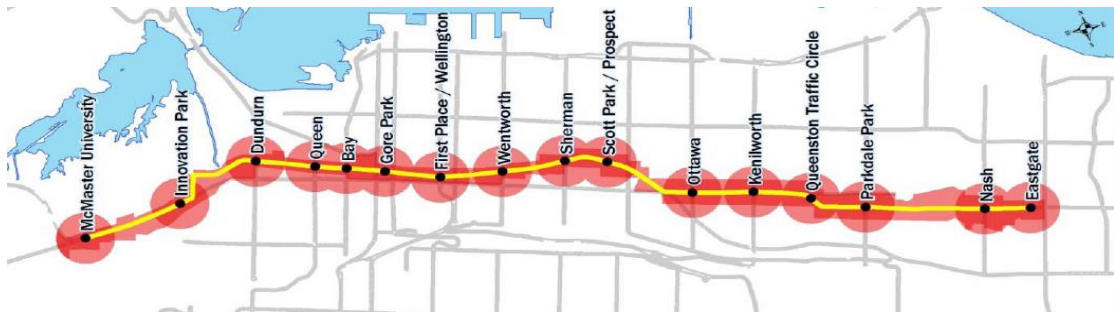

Figure 2. Study Area for this LRT value Uplift Study. Source: (Canadian Urban Institute, 2010, P.11)
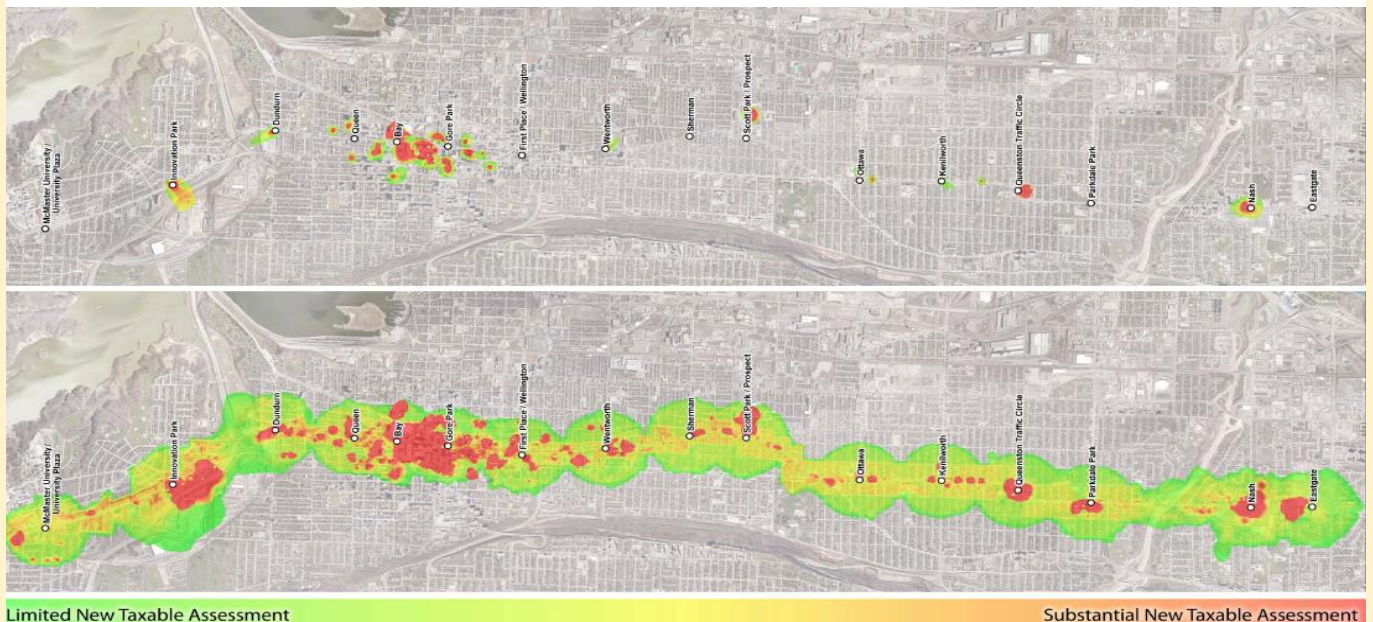

Limited New Taxable Assessment   Substantial New Taxable Assessment

Figure 3. Distribution of new taxable assessment without and with LRT, per square metre. Source: (Canadian Urban Institute. 2010. P.89

What are the benefits?

Value planning can help in evaluating the potential returns on public investments. The study in Hamilton proves that transit investments are driven by market factors that provide quality of life, improve economic development and help in developing innovative business opportunities. The value uplift can act as a catalyst for public and private investments. It acts as an economic policy that affects the citizens of the city positively.

Lessons for Winnipeg

Winnipeg transit has many capital projects with the province and the city government. The projects often follow the public-private partnerships at all stages. While these projects require investments, the goal of these partnerships is also to generate revenue (City of Winnipeg, 2013). Southwest Rapid Transit Stage 2 is the most recent project ready to be implemented shortly in Winnipeg. The project can use the value uplift study conducted in the city of Hamilton to analyze the land surrounding the transit stations.

The project is an 11- kilometre stretch that will connect downtown to the neighbourhoods of southwest Winnipeg (refer fig. 4). The city conducted an alignment option study that considers environmental, community, transit-oriented development (TOD) and tax increment financing (TIF), future build-out opportunities, and public opinion. The value capture study can act as a catalyst for private investment in Winnipeg. The transit corridor is capable of attracting private investments and promote infill development for mixed-use, residential or commercial purposes.

The market analysis conducted in the city of Hamilton will help in understanding the relationship between the investment and the regional economy. The investments have a direct impact on employment opportunities, which proved useful in the case of Hamilton. Most value uplift evaluations are made before the transport infrastructure is created. These evaluations must be independent of the investor's forecasts, so they require an external research study.

Figure 4 . Route for Southwest Transitway. Source: Winnipeg Transit, 2013

Conclusion

Smart cities need smart public investments. Analysis of the value planning on the transit project provided an effective infrastructure solution in Hamilton and Winnipeg can draw lessons from it. The city of Winnipeg has many infrastructure capitals projects, and lack of financial benefits is one of the significant constraints for public investments. The lessons from Hamilton's infrastructure investment approach, which uplifted the value of property in the vicinity of the Light rail transit (LRT), can help Winnipeg to adapt to a smarter approach in its transit investments.

The general understanding is that if the public sector creates land value by declaring land developable, so it must benefit from the revenue generated. The study may help in knowing exactly what that value might be or when the return of it to the investors might take place. Determining land values is a fundamental issue that appears to confound everyone from the public and private sectors. Estimates of LVU can also contribute to the evidence-driven policy. It can help in verifying economic development justifications, optimum utilization of financial resources, and provide the rationale for public investment in transit infrastructure. Outputs from value planning models can also be used as a defense in legal proceedings brought against planners of transit projects by various stakeholders.

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