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Value-Oriented Planning

ReUrbA² is an European project for urban regeneration. There are five partners: St. Paul's and St. Mark's Parochial Church Council (formerly English Heritage), Newcastle City Council, GIU Saarbrücken, Rotterdam Development Corporation and the lead partner, the provincial authority of South Holland.

We developed an innovative method for urban regeneration, shared it with each other, tested it and made it available to others working in European urban regeneration, for example through **www.reurba.org**.

The ReUrbA² method involves four strategies:

1. from supply to demand orientation, including lifestyles
2. from government to governance.
3. from demolition to creative transformation
4. from budget to value orientation

This publication looks at the last of these strategies: for ways to introduce long-term value creation earlier in area development and to invest in the required quality at the outset.

For this strategy a Digital Learning Environment (DLE) will be available in January 2007. You will be able test the DLE yourself via **www.reurba.org** then.

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1 Value-Oriented Planning as a concept

Urban regeneration as a highly popular concept

Over many decades now, the revitalisation of urban districts, old industrial areas or derelict housing estates has proved to be an effective instrument for upgrading a city's quality of life and appeal for citizens, consumers, entrepreneurs and investors alike. However, urban regeneration has always proved to be a complex and costly process. Complex, because it involves many stakeholders with often different perspectives and because a hard battle has to be fought to overcome accumulated social and economic problems. Costly, because it is all about large-scale investments up-front that can often only be combined with longer-term returns. Often, substantial public sector investments and subsidies prove necessary for the successful completion of the process and to produce benefits for the community.

But also many failures

The world of urban regeneration has had many failures. Either, a] the regeneration concept is unsuccessful and the market denies the investments that are so badly needed, b] the hard battle to overcome socio-cultural problems is lost, or c] the available budgets are not adequate to achieve the required impact. In any case, a series of repeat investments has to be made, only leading to a marginal improvement or a new process of trial and error.

The key to success?

Time and time again, a focus on optimising the added spatial, social and economic value proves to be a decisive factor. Bad plans produce bad results, but high-quality planning often stands a far better chance in the long run: 'Value-Oriented Planning' is the key to success.

The question to be raised now is how to finance better planning, as this will always involve increasing investments, whether in buildings, architecture, public spaces, infrastructure, amenities or the like. Regeneration projects often work with strict public sector budgets. These budgets are often too small to achieve the desired quality. However, the budget is adopted as the basic framework: this results in a lower level of investment and planning quality, leading to a process of declining value within a foreseeable period of time.

This approach brings up two main issues:

1. What sort of investments are required to increase the value of the area in the long term (Value-Added Budgeting)? and
2. How can the expected added value be used at an earlier stage so that more can be invested up-front (Value Capture)?

2 Value-Added Budgeting

The first question revolves around 'Value-Added Budgeting', meaning the identification of the investments that generate added value in the long term. In other words, which factors make area development sustainable? Some of the most important factors here include public space, infrastructure, social and educational facilities etc., which have actually given the public sector a leading role, because it is that sector that has the main responsibility in these fields. As planning on the basis of budgets is traditionally the domain of government, this often results in conflicts. In addition, generally speaking, these investments do not generate any immediate profits. However, indirectly, they do result in an increase in the value of the area and of local property.

It is very important to include public-sector investments and returns in the budgetary planning process. We should therefore identify not only the public investments made, but also the returns on these investments in the long term (e.g. for the public sector through land sales, property taxes etc.), so that they can be included in the initial cost-benefit analysis of a project. This provides a better picture of public-sector costs and returns for regeneration projects.

The rationale of the private sector

Value-Added Budgeting takes into consideration all area-related expenses

and returns, such as land, property, infrastructure, public space, welfare and management. The difficulty with Value-Added Budgeting is how one determines all the costs and returns in advance. As long as the influence of public space is difficult to measure, community benefits such as a sense of security will be difficult to operationalise and materialise.

Several studies have been conducted into the long-term effects and monetarising the actual 'community planning benefits' in terms of public welfare and satisfaction, as well as the quality of life, safety and sense of community in restructured neighbourhoods. Usually, it is decided that many of these effects will ultimately be expressed in house prices (the 'hedonic price method'). Recently, several studies have shown (Ecorys, SEO/RIGO, 2006) that housing prices in the restructured neighbourhoods and their immediate surroundings rise faster than in the city as a whole, generating an important local consumer surplus in terms of increases in property values.

An important factor in Value-Added Budgeting is the way in which other parties involved can be encouraged by the possible long-term gains (such as rising house prices) to raise their investments up-front in order to reap incremental benefits in the long term. In short: the better quality they produce now, the higher the longer-term social and commercial gains will turn out to be. There are several ways of visualising this long-term added value.

- **Social Cost-Benefit Analysis (CBA):** focus on raising the consumer surplus (by increasing housing values or the quality of life), based on the fact that this is the main target client. The cost-benefit analysis takes into account all possible direct and indirect commercial and social costs and benefits of a project in the long term (at least 30 years);
- This is very similar to the **Social Return on Investment (SROI) method**. Based on the familiar Return on Investment method often used in commercial companies, this method provides a tool for investment analysis that describes the social, ecological and economic returns from a project and includes all types of side-effects in the accounting method;
- **'Ongoing Assessment of Social Impacts' (Oasis):** establishing a monitoring system, and possibly a management information system as well, that focuses on achieving and maintaining the capitalisation of social improvements (do the outputs result in the expected outcomes?);
- **Public Value Scorecard:** this approach is based on the Balanced Scorecard and focuses on the longer-term value prospects (rather than financial prospects alone), stakeholder perspectives (rather than client perspectives alone), operational perspectives, and learning and development perspectives. It is often used by non-profit organisations but is appropriate for use with other organisations as well. This method is primarily organisation-driven and may include the 'Social Audit' model, in which the community stakeholders of an organisation assess operations and results in terms of their social merits;

Source: SEV (2005) *inter alia*

Commercial and market conditions

The interests of the private parties involved will depend on their own short-term (developers) or long-term (investors) interests. However, developers might improve their focus in this respect through an increasing awareness that their clients will be prepared to make greater investments in high-quality projects, possibly leading to higher developer profits (depending on the ratio between their investments and the price the developers are willing to pay, which in itself also depends on the wider real-estate market¹). It can be anticipated that housing corporations will already have an institutionalised longer-term interest.

As a general rule, introducing tendering as a method to attract investors for urban regeneration projects can be a useful way of initially increasing both public and private budgets available for the project. For instance, developers will want to develop (that's their core business) and therefore want to win the tender. As a result, they will look at their profit margins, be encouraged to think about improving value-for-money, and try to guarantee longer-term benefits in order to sell projects etc. to investors for the highest possible price. However, the effect of this instrument depends very much on conditions in the property market and the possible presence of more profitable development and investment alternatives.

¹ For instance, in the Netherlands, investors are looking to diversify their portfolios into housing, as an alternative for either offices (the Dutch office market is very sluggish) or stocks, bonds etc.

Scotswood Benwell (Newcastle, United Kingdom)





Between 1960 and 2000, Newcastle benefited from practically every existing national urban regeneration programme. Despite these efforts, the decline of the West End couldn't be stopped. With hindsight, there were several reasons: the activities were too small-scale; they focused on the short term (5-7 years); they respected the existing urban structure too much; and they failed to take into account the direction market forces were taking. So in 2004, a revised approach to the regeneration of the West End was formulated. The revised approach to the regeneration of the West End consists of several elements:

- completing the agreed demolition plans (at the end of 2005, a total of some 1700 houses will have been demolished);
- development of a Housing Expo in Scotswood;
- development of the economically most promising part of the West End;
- coordinating future development and investment in the Scotswood/Benwell area.

The Housing Expo

A Housing Expo is an international demonstration of innovation in both urban design and individual house design, alongside cultural events, exhibitions and shows. It will encompass some 300 houses and is

scheduled to open in 2008. Together with the establishment of a new City Academy, the Expo should boost confidence in the Scotswood area.

Development of the most promising part of the West End

Newcastle's city centre is experiencing a property boom.

The largest remaining opportunity for growth of the city centre is the Discovery Quarter, the part of the West End adjoining the centre.

This area has a lot of potential, for instance as an office area and for building some 2500 new family homes. This opens up the opportunity to extend the buoyant city centre markets further west.

Value-Oriented Planning

The main question for Scotswood/Benwell is how to create a sustainable value increase. Initial investments should lead to the prevention of new decline and the creation of a self-supporting neighbourhood. This means enough should be invested up-front to make a real change. In addition, it is necessary to find ways to reinvest the long-term added value in the neighbourhood itself.

3 Value Capture

We have widely discussed the importance of initial budgets meeting the standards and needs of regeneration projects in order to generate a more sustainable, higher long-term return and prevent recurring repeat investments. This primarily implies raising public sector investment in planning components that are very important in the long run but not financially profitable in themselves (such as infrastructure, public space, social amenities etc). Ideally, however, this long-term increase in value (e.g. land and property values) should be effectively captured in order to raise further the actual potential to increase initial investments.

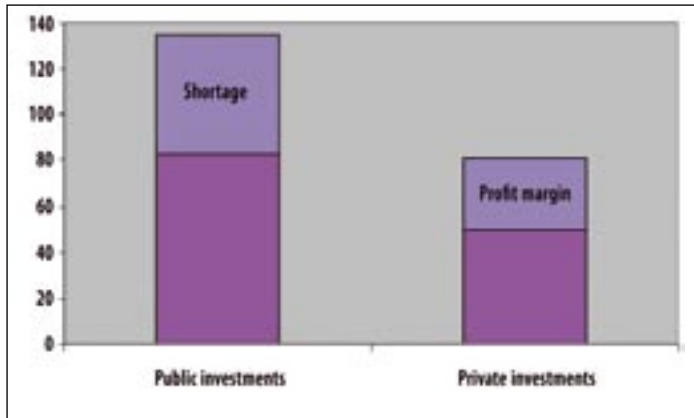
Value Capture can be either direct or indirect. Direct Value Capture involves the immediate recuperation of an investment for users, an example being revenue from parking fees. Indirect Value Capture often revolves around a complex plan in which not all components of the plan are profitable and in which various components can be offset against each other.

The rationale of the private sector

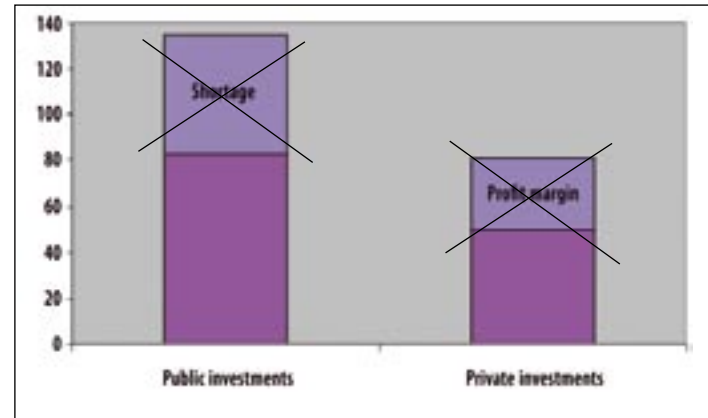
Value Capture could be an effective method of complementing the public-sector budgets available in the initial stages. The difficulty could be how to encourage private parties to cooperate on a voluntary basis, and have them accept the fact that a] their contribution to society through general taxes etc. and b] the fact that they are willing to participate and take

financial risks are not enough for the specific urban regeneration challenges faced.

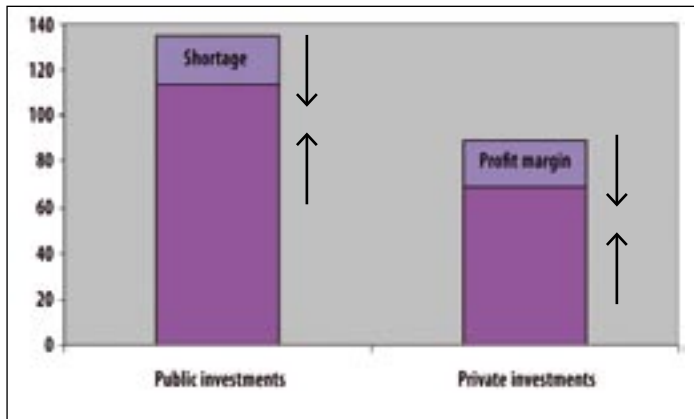
However, the rationale for private parties to cooperate in forms of Value Capture is simply the fact that they want to do business. The figures below try to explain this. In **situation A** there are public investments that are far higher than the returns. The private party has a relative high profit margin on its investment (say 15 percent). The result is a financial gap caused by the uneven division of investments and returns. The public sector will choose not to invest. This leads to **situation B**: the project is cancelled. In this situation, the private party does not make any turnover or profit. This will not be their preferred option. The public investments are needed to make a project interesting, so they will be interested in seeking other solutions in order to forward the project. This might lead to **situation C**: the private party contributes to overall development, therefore lowering the funding gap for the public sector and allowing the project to proceed. As a result, the profit margin of the private party is reduced (to, say, 7 percent). This can be considered to be within the financial operating limits of the private companies. As a rule, there must be some reasonable financial profit for any private company, otherwise the project will not be continued either.



Situation A If a major financial gap exists.....



Situation B ...resulting in the cancellation of the project



Situation C ...private parties will be encouraged to cooperate in Value Capture

In short: if the financial gap is too big for the public sector to take a project forward (situation A), private parties will practically always prefer a situation in which any project will be developed - even if the profit margin is smaller (situation C) - rather than no development at all (situation B).



Binckhorst Business Park (The Hague, The Netherlands)

The Binckhorst is the major industrial site in the Dutch city of The Hague. Due to its location between the city centre and the motorway linking Amsterdam, Schiphol and Rotterdam, it is a potentially interesting site for redevelopment. The site is easily accessible. However, in its current situation, Binckhorst is in a downward spiral due to the arrival of low-quality functions, lack of occupancy and low investment levels. The companies located here currently have difficulties with parking space. A number of substantial and wealthy companies have moved elsewhere, which makes the investment climate even worse. Together with the companies and two developers, Rabobank and BPF Bouwinvest, the local government is trying to break this downward spiral in order to prevent the further decline of the area.

Mixed functions in an urban environment

The redevelopment of Binckhorst focuses on a structural economic boost. In the long term, business activity at Binckhorst should be labour-intensive (offices), clean and oriented towards The Hague. The functional profile of Binckhorst should consist of a strong mix of residential accommodation, business activity, high-quality labour and services. An urban environment will be created by establishing high density levels. The new urban business activity will be expected to create links with a group of educational

institutions to form a broad-based knowledge cluster. By juxtaposing old and new, large and small buildings, formal and informal, a suitable environment for creative urban activity will be created.

Programme outline

- Residential: adding about 7,000 homes
- Working: urban business activity, creative class, mixture of functions
- Services: cultural, education and sports
- Infrastructure: Trekvliettracé, Randstadrail, Station Binckhorst, Schenkverbinding, cycling routes, linking of Binckhorst to Leidschendam-Voorburg in the short term.
- Spatial quality: intensive and diverse use of space, urban environment with green spaces and water.

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The question facing Binckhorst is not only how to break the downward spiral, but also how to induce the developers and especially the companies themselves to invest in the area in a way that will lead to sustainable value increase for the area.

Commercial and market conditions

This means that the following conditions are required for Value Capture to be a useful tool:

- the residual public sector shortage should be small enough or even eliminated so that the local government will proceed with the project;
- private parties will only participate if there is a sizeable profit margin left.

This effectively means that, if the financial shortfall is too large, Value Capture is not a useful option (!). The project must therefore have enough potential, either in terms of location, functional programme and market segments, quality profile and design, interest of target groups, etc. In short: the project should provide high 'added value' for consumers and investors.

In addition, the 'competitive position' of urban regeneration projects is highly important. The interest of private parties in urban regeneration projects depends heavily on both the situation on the real-estate market and potentially higher profitable development and investment alternatives elsewhere (e.g. greenfield developments). These commercial interests could be encouraged by very specific marketing of the project in relation to the city/region it is intended to boost. Ideally, this should create an

atmosphere where private parties have no choice other than to participate in the project if they are not to lose market profile.

Types of developer

There are several types of agencies, each with their own character and business model. In part, the type of developer determines possible interest in Value-Oriented Planning or Value Capture systems in urban renewal projects. Broadly speaking, the different types are:

- builder-developers: the developer is part of a larger building company the main aim is to build and sell;
- specialised developers: pure developers; main aim is to develop and sell; they do not engage in building themselves;
- development branches of housing corporations established in the last few years to meet government criteria relating to splitting activities; they develop higher-end housing etc. in areas where housing corporations own most of the land and/or houses;
- developer-investor companies: very highly institutionalised; often linked to main banks, banking branches invest in products of developing branch;
- area developers: an upcoming type of developer; mainly interested in integrated area development.

The last three types will usually have a more long-term focus and financial interest and will generally be more interested in participating in urban regeneration projects, Value-Oriented Planning and Value Capture processes. However, the first two types will practically always have to sell to investor companies (other than owner-occupiers and private landlords, of course) and will, in theory, focus on long-term sustainability and profits as well. Their participation, and the form it takes, then comes to depend on socio-cultural and organisational factors.

Delivery mechanisms

The actual delivery of the project objectives is of paramount importance. In most cases, a public-private partnership (PPP) will be used. This can take on a wide range of forms. While a regular mechanism of public land sales and private development activities is sometimes also considered to be a PPP, we would like to focus on the importance of 'true' public-private partnerships. These include an element of joint development and sharing of profits and risks. They also exist in various types and forms (e.g. 50-50 or 20-80 percent shares etc, depending on the assets, such as land and properties, to be brought in and developed). A PPP can be focused on a specific project or - as will usually be the case when applying Value Capture instruments - include a wider territory, for instance as an area development company. A PPP of this kind can consist of one or several

private parties (e.g. developer, housing corporation, association of home/property owners, etc.) joining forces with one or more public parties (local and/or regional government etc.) but other parties sometimes enter the equation as well (e.g. banks, institutional investors etc.).

Financing instruments

One of the most urgent issues in practice is how to fund the various options for Value Capture. During its evolution from a theoretical into a practical instrument, Value Capture faces pragmatic challenges here. Often, the instrument that proves to be most interesting for all parties is an 'area development fund' with shared risks and benefits.

One of these pragmatic challenges is the role of funding and the sort of funding used for projects. The first issue relates to the role of the traditional financier: this is shifting from a traditional funding role to more involvement in the project. For example, banks are now more often part of an area development company or consortium. The second issue relates to the various funding sources available nowadays. Standard project financing is supplemented by various sorts of project bonds, equity stakes and profit sharing agreements. The various instruments differ in the level and certainty of the return paid on capital. Bonds are safer, and the return is therefore lower on average. Equity involves higher risks and so the return has to be higher.

More importantly, in the case of a revolving fund, the project is its own financier. Revenues generated by the project itself are used to fund new developments or maintenance costs. Parking revenues are one source of finance for revolving funds.

When introducing these levies, one should note that it is better to have several levies with minimal impact rather than one levy with a lot of impact. Public acceptance will be much higher in the first case, especially when the revenues are generated indirectly and therefore without being noticed by the consumer.

City on the River (Saarbrücken, Germany)





The population of Saarbrücken has been declining for years. The city has numerous white-collar jobs, but 60% of the people who work there do not live in the city. There is a problem of selective migration. People have been moving from the city centre to the periphery. Most of them are families with children, aged 35+, have a second child and higher incomes. The city wishes to keep the people who work there in the city. While there have been projects at the edge of the city, such as the Saarterassen, the inner city has been neglected for over 10 years. However, Saarbrücken is still important because of its position as the government capital. The new TGV connection from Frankfurt to Paris may also create new economic support. Deutsche Bahn is planning to rebuild the old train station hall. Another important asset is Saarbrücken University.

The Master Plan

The idea is that the city will become a strong centre for the Saar region and compete with cities in the areas such as Trier, Mannheim and Metz. The centre of the city on the banks of the river Saar must become more attractive: it must look better, be more accessible, be less noisy, and it should also have a varied range of shops and a safe living environment. The master plan implements these aims in two sub-projects: a tunnel for the motorway and the renovation of the Berliner Promenade.

These projects are inseparable. Without the tunnel, nobody will want to invest in the upgrading of the Berliner Promenade. But if there is no justification on urban planning grounds the tunnel will be an expensive project doomed to fail. The tunnel will result in plenty of room for green areas. However, in order to make the city more attractive, the Berliner Promenade on the other bank of the Saar will have to be tackled in combination with the Bahnhofstrasse, a large shopping street behind it.

Value-Oriented Planning

The tunnel is paid for with public money. The tunnel will make it possible to create a better environment on the other side of the river. This will push up property values. The issues to be tackled are how to create a plan that will cause value to increase sustainably, how can private parties contribute and, eventually, how public investors can capture a share of the added value generated by their initial investment.

4 Value Capture tools

4.1 Different types of Value Capture

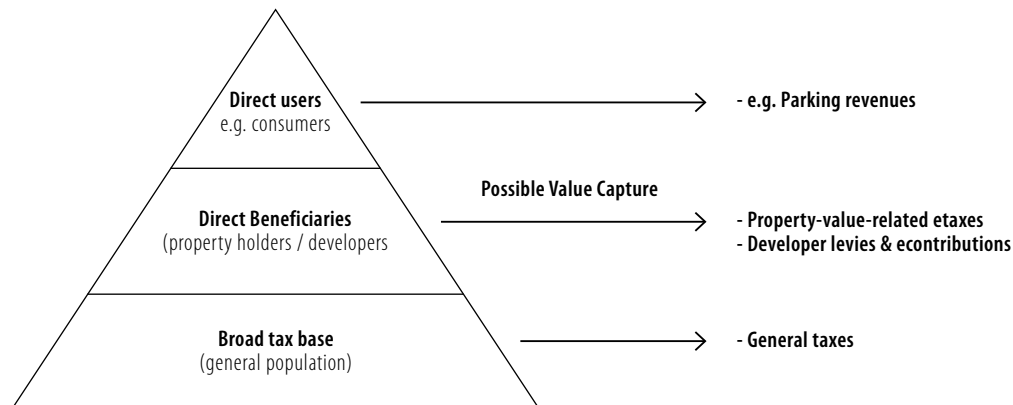
Value Capture is not a simple funding tool, but rather a toolbox of funding methods. Figure 1 shows how Value Capture relates to other funding sources.

The revenue source can be divided into three categories:

- Capture **from developers**: this may involve greenfield development or redevelopment in built-up areas;
- Capture **from the community**: this involves only development in built-up areas. The community consists of all property owners in the direct vicinity of the investment (direct beneficiaries);
- Capture **from within**: developer and operator are one, contributions are settled internally.

The three options described above can be combined with a second factor: voluntary or mandatory. When this is done, 'capture from

Figure 1: Types of Value Capture



developers' can be split into a voluntary category (joint development) and a mandatory category where government intervention is needed (taxes or exactions). 'Capture from the community' involves only taxes or exactions (i.e. mandatory), while 'capture from within' is voluntary. The figures on the following page show the four categories.

This chapter discusses the different types of Value Capture and illustrates some with examples. Each of the different Value Capture instruments will be discussed below.

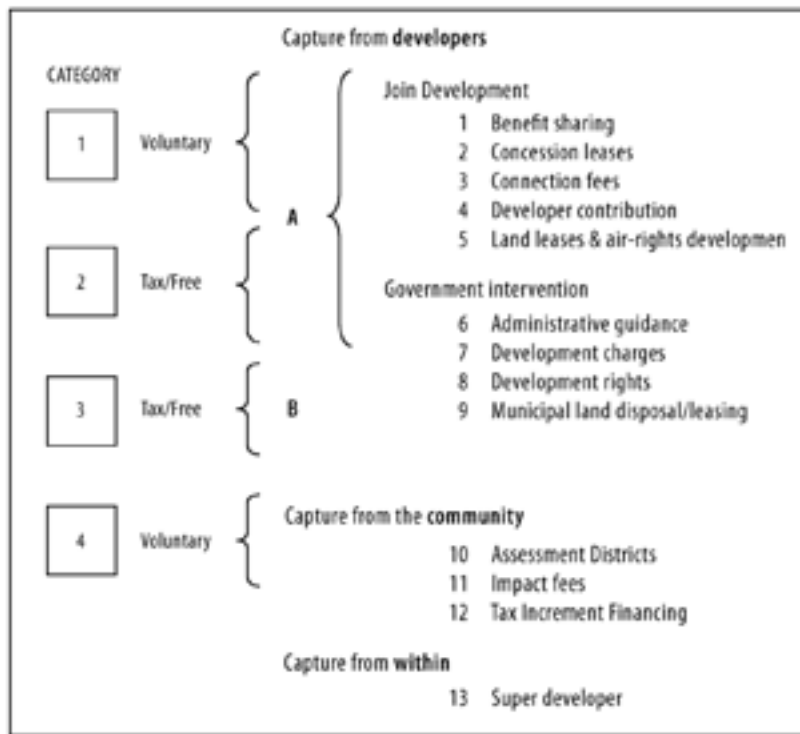
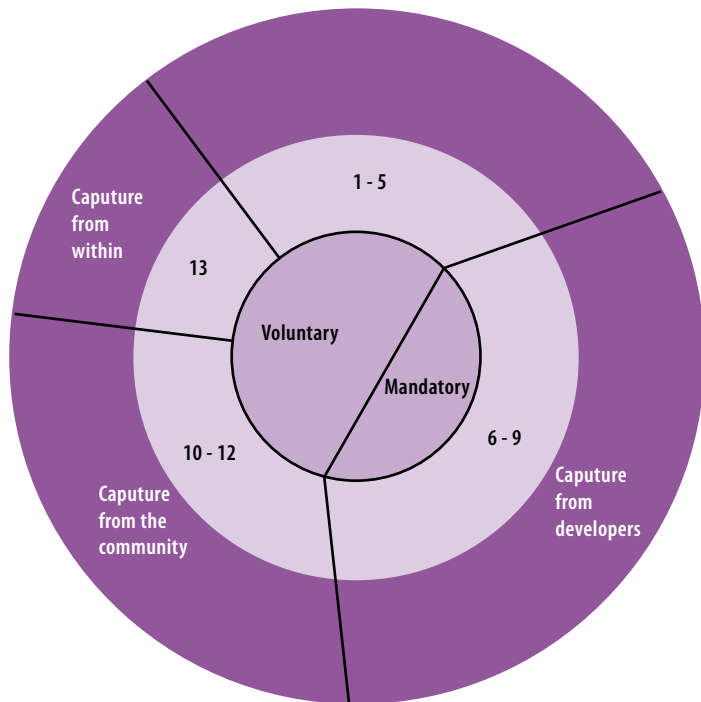


Figure 2: Overview of Value Capture instruments

Figure 3: Overview of Value Capture instruments (graphic presentation)



4.2 Capture from developers

This category can be divided into capture resulting from negotiations between developers (and property owners) and operators (i.e. joint development projects), and capture involving government intervention in order to collect taxes or fees.

Joint development

Joint development is a specific form of Public-Private Partnership (PPP). It consists of cooperation between governments or government-affiliated agencies and private developers, pairing resources to establish projects that will benefit both sectors. In itself, this does not of course result in Value Capture. However, joint development also includes a Value Capture element, in which the public sector attempts to recoup some of the real-estate-related pecuniary benefits that result from these public investments. Funds derived from joint development can be used to offset some or all of the capital costs for the elements of restructuring that do not make a profit.

- **Benefit sharing** is a method of Value Capture where public and private actors agree to share the profits of commercial activities which would not have been possible without the contribution of public funding. Payment is only due if profits reach a certain predetermined threshold. In this way, the private parties can make a fair return on investment (including risk premiums), while possible excessive, windfall profits are shared. The threshold values, the conditions of payment, measurement standards, exemptions etc. are all worked out in detail in the contract.

Edinburgh passenger loop

A ten-kilometre loop line that carries only freight around Edinburgh could be transformed into a passenger-carrying network. The plan is to pay for stations, signals and buildings out of the increase in the value of land along the line. The total cost of the new passenger service is estimated at £32 million. A company called E-rail has been formed by a group of businessmen to make it happen.

E-rail has identified 12 sites which, if developed, would enable the company to donate in the region of £15 million to provide the passenger service. The remaining funding could come either from public funds, or from planning permission to develop 60 more sites for which E-rail could acquire options from landowners.

The key to the project is a joint venture between E-rail and Railtrack. E-track and Railtrack each put land into the pool at current market value. All of any increase in land values is then pumped into the rail project. Any return left over after the railway has been constructed can

be divided between the two partners. In addition, E-rail will make money from the construction and sale of homes, offices and shopping centres on its sites. E-rail is so optimistic about the mixed ownership arrangement that it offered to borrow the money from banks and provide the railway even before its sites were developed. (Offermans, 2003)

Other cases

In France, one type of benefit sharing is the establishment of development zones (Zones d'Aménagement Concerté) around major urban transport nodes, with formal agreements (Conventions de ZAC) for the sharing of infrastructure costs and betterment values between the developer and the public authorities. Most redevelopment projects have not been very successful in raising capital. This is mainly due to a failure to agree satisfactory partnership arrangements (Farrell, 1999: 149). Some projects have succeeded in generating substantial property revenues, i.e. Lille and Montparnasse stations. (Offermans 2003)

- **Concession lease;** when benefits are present they will also be reflected in the market price of space near the development. In effect, lessees contribute to facility costs by paying the increased market price. Although this is not strictly an external effect, it is nevertheless possible to recoup a portion of capital investment through increased leasing rates;
- **Connection fees,** also known as service charges, are fees paid by a property owner to be connected directly to, for example, a transport system. They may be lump-sum contributions to a capital item, an

- annual fee to cover operating costs, or a combination of the two;
- **Developer contributions** are agreements between a developer and a public agency or agencies, through which the developer agrees to contribute property and/or capital costs for a development or service which is beneficial to them. Developers are sometimes even willing to pay, for example, for changes in the route of a transit line or the location of a public-facility cluster. These contributions are voluntary, i.e. developers can choose whether to contribute to ensure that the public investment project goes ahead and possibly in a way that provides them with extra benefits.

London City and Jubilee Line Extension

In London, developer contribution was supposed to be included in the development of the City and Jubilee Line Extension. However, due to the collapse of the real-estate market, this has been a rather unsuccessful example so far. (Offermans, 2003)

- **Land leases and air-rights development.** This category involves the lease or sale of undeveloped land, surface rights, or air rights surrounding a public facility. It can generate site-specific revenue and can provide a steady, long-term cash flow. The introduction of an element of competition (e.g. tendering or free market bidding) results in a market estimate of the amount of capitalisation. In this way, the market reveals its willingness to pay based on anticipated value increases and the likelihood of them being realised.

Government intervention

Developer contributions towards public investments can also be forced through exactions or other schemes initiated by government. Municipalities act as the intermediaries by collecting revenues and earmarking them for specific projects. The main methods in this category will now be discussed.

- **Administrative guidance** is a government scheme in which new public infrastructure costs are shared among several actors. The scheme is applicable to, for instance, railway lines to new-town development projects constructed by public and third-sector actors;
- **Development charges.** The basic concept behind development charges is that development requiring investments in public facilities should be forced to contribute to the costs. Examples of development charges include traffic mitigation fees, infrastructure improvement fees, and fees for improving sewage and water systems to accommodate new development. The charges can be lump-sum payments, taxes by lot or surface area, or consist of improvements to adjoining facilities. These charges are usually levied at the time of the new development of properties in the areas that benefit, and are often used as a condition for obtaining site plan approval or a building permit.

Irish development charges

In Ireland, a new law on land use (Planning and Development Act 2000) gives public authorities legal tools to recover part of the cost of transit infrastructure by means of 'development charges'. Besides charges for basic facilities (through section 47 and 48), 'supplementary development contributions' (section 49) are sought from developers in specific sites to help pay for public infrastructure or services (in particular, new roads, sewers and treatment facilities), as well as particular rail, light rail or other transit infrastructure. (Muldowney, 2002: 173-190)

The law aims to create a win-win situation by using the charges to increase the attractiveness of a specific area. The charges can only be applied to new developments, and the amount each participant will be responsible for must be clearly determined. The scheme may also provide for the manner in which the service is supplied (Dublin Transportation Office, 2002: 173-190). Furthermore, the contributions must respect certain constitutional principles such as equity, transparency, predictability and simplicity. (Dublin Transportation Office, 2002: 173-190) (Offermans 2003)

Other cases

In Europe, a development charge scheme can be found in Hamburg, Germany (Ubbels & Nijkamp, 2002), and in Madrid; several suburban railway stations and facilities such as park-and-rides are funded as part of new development projects (La Garena, Soto del Henares) which directly benefit from the existence of these transit infrastructures (ETMA, 2002: 4). This type of mechanism is also used for the building of metro lines. According to ETMA (2002: 4), 37% of the extension to metro line n°1 will be funded by property projects. (Offermans 2003)

- **Development rights.** In certain instances, local governments can utilise zoning and building permit authorities to bargain with developers to pay for public improvements. An attempt is made to create a desirable situation for the developer, while also reducing the financial squeeze on municipal treasury. Specific forms of development rights are density bonusing and the auctioning of development rights.

Valencian development model

In Valencia, Spain, the regional authorities have implemented a development model that allows people who do not own the land to develop it for the specific purposes laid down in planning agreements. The landowner still has the first right to develop the land, but if he doesn't act fast enough or is not up to the task, the local government can call for tenders from developers to develop the land. The developer that wins the bid has to reach agreement with the landowner about sharing the costs and benefits of the project. Landowners can participate in the development finance through the payment of a development levy, for which they receive the newly developed land in return. Landowners who refuse to participate at all lose their right to keep the land.

- **Municipal land disposal / leasing.** Municipalities in Europe often own a lot of land and they can dispose of serviced land to developers for a higher price in order to recoup transit investment costs. Currently, all kinds of public costs made for planned development are recouped using this system. Municipalities can also lease land. In this way, when

rates are periodically adjusted, increased value due to transit investments will lead to higher rates. Public investments are therefore recouped with every instalment payment. Municipalities have to own land to use these instruments; other options are land banking and land assembly.

London Docklands Light Railway

In London, public land disposal was part of the plan for the Docklands Light Railway. However, like the City and Jubilee Line Extension, this is a rather unsuccessful example due to the collapse of the property market. (Offermans, 2003)

Denmark Ørestadsbanen

An example of how a local authority aims to capture benefits arising from infrastructure improvements is the Ørestadsbanen automated light-rail system. The line, in the Ørestad area to the south of Copenhagen, is to be funded by the sale of land adjacent to the planned line. This project was initiated in 1992 when the City of Copenhagen requested more money from the national government because it was in recession. Instead of money, the Government handed over its share of a long, thin, 310-hectare site for development. This stretch of undeveloped land was in a prime location but was almost inaccessible. Building a high-quality transit link will make it possible to sell the site at a profit, regenerating part of the city while at the same time partially recouping development, as well as railway-construction, costs. Land owned by the City of Copenhagen (55%) and the Danish Government (45%) in the Ørestad area was transferred to a new development agency called Ørestadsselskabet (OS) in March 1993. When all development is completed (2025), it is expected that around 80,000 jobs will be created at several sites, such as a large shopping centre, several offices, and a number of public-sector developments (including a university, government offices, and a television station). In addition, the plan is for 20,000 people to live in the area (Enoch, 2002). The City Line will ultimately become part of a three-line system, which will also connect to neighbouring Frederiksberg and the airport. OS is responsible for the construction and management of the City Line, while OS will develop the lines to Frederiksberg and the airport in partnership with the relevant local authorities. The funding for the Ørestadsbanen should come from capturing the increase in property value

that the system will generate. This will be done by selling the newly developed land, by collecting a land value tax (Enoch, 2002), and through ticket proceeds (approximately a third of funding). (Faber, 2000: 61). Before these funds become available, however, the system is being funded through government and other loans (backed by government and city guarantees). The first section (City Line) opened in October 2002, while the second phase (70% owned by OS and 30% by the Municipality of Fredriksberg) followed in 2003. The third phase (owned 55% by OS and 45% by the City of Copenhagen) running to Copenhagen Airport is set to open in 2007. There has been some delay in opening the line and predicted costs have increased from around DKK 6 billion in 1996 (Enoch, 2002) to DKK 11.5 billion in 2002 (www.m.dk). News from the 'Field's shopping centre' (the largest in Scandinavia) is, however, hopeful: a year before opening (March 2004) 85% of the retail space had already been rented (Offermans, 2003).

4.3 Capture from the community

The Value Capture methods discussed here relate to taxation in given areas that does not specifically target new developments. As a result, current property owners (within the benefited area) rather than developers are taxed or asked for contributions. Often, due to political considerations, certain property types (residential / commercial) are excluded from these taxes.

- **Assessment districts.** Assessments represent efforts to shift the burden for the costs of services to those who benefit most from these goods and services. They are one-off or recurring charges imposed by government on property in a defined area (district) in order to pay for improvements in that area.
- **Impact fees** are very similar to development charges in that the incremental impacts on public facilities are assessed. The latter, however, targets new developments only, while impact fees are applied to all properties. The key feature of impact fees is that they are tied to a land-use plan. They are a device for the implementation of plans, not an ad hoc, isolated tool for fund raising. The service requirements are first

estimated for a period of 20 to 30 years. Then a capital improvement programme (CIP) is set up to show the cost of providing these new or expanded facilities and identifies revenues to cover that cost.

The shortfall in revenue becomes the basis for assessing development impact fees. Impact fees are therefore considered to be a form of 'gap' funding. An impact fee schedule is then devised that collects from each development project its proportionate share of the new revenue needed to offset the CIP funding shortfall;

- **Tax Increment Financing (TIF)** captures the *additional* tax revenue in a specific area above a certain fixed base-year amount (established well before implementation in order to capture increments in value that occur even before improvements are completed). As the increase in property values in these areas is considered to be the result of public-sector-funded improvements, some of those additional revenues are earmarked for these investments. The difference with assessment districts is that these districts implement a separate tax in *addition* to standard property taxes, while implementing TIF does not result in implementing additional taxes (or changes in tax rates).

Different examples for TIF

Earmarked property taxes to fund transit projects are common in North America as many local taxing authorities are empowered to create Tax Increment Finance zones. Cities like Minneapolis, Chicago, New York, Denver, Detroit, Miami, Los Angeles, San Francisco and Vancouver have raised substantial funds through TIF districts (Kirwan, 1989; Simpson, 1994; ETMA, 2002). San Jose (California), one of the fastest growing cities in the U.S., has raised \$1.4 billion from TIF for its downtown and satellite business centres, while New York City is contemplating using TIF to develop the Hudson Yards (an old railyard in Manhattan), projecting income of up to \$1.0 billion (Amenta, 2002: 191-201). According to ETMA (2002: 3-4) this approach has generated more than €10 billion in the past five years in the USA. Examples of earmarked property taxes outside North America are rare, but can still be found in India (Mumbai), Spain (Barcelona) (Ubbels, Nijkamp et al., 2001) and Japan (Offermans, 2003).

4.4 Capture from within

- **Super developer.** This category of Value Capture involves the linking of land-development projects by a single provider (either private or public) to 'capture' some of the increases in land values generated by public investments such as new infrastructure etc. In this approach, low-profit projects and high-profit commercial projects can be provided by the same developer, making projects as a whole profitable. Strictly speaking, value is not captured but kept within a single company.



Maasterras (Drechtsteden, The Netherlands)

Maasterras is an area in the south west of the Netherlands in a region called Drechtsteden. It forms the entrance to two cities, Zwijndrecht and Dordrecht. The area is in between the A16 and a railway and is crossed by the river. It is centrally located in Drechtsteden and the intention is for it to become the business heart of Drechtsteden.

Drechtsteden is a region with several cities along the banks of a river estuary. It has been mainly used as a residential area and for industrial, harbour-related activity. As a result of the construction of the A16, numerous dwellings and companies have moved away and the area has become a messy sight. It has become a mixture of open spaces - some used and some unused - infrastructure, residential property and companies. Because it is also the entrance to Zwijndrecht and Dordrecht, this has a negative effect on the image of these municipalities. Due to its location, the area does have great potential. Maasterras is located between Zwijndrecht and Dordrecht train stations. The central position in Drechtsteden makes it suitable for commercial services and other functions. The aim is for Maasterras to become an area for working, living and services and it will be transformed into the new entrance to Drechtsteden. The Maasterras project will eventually result in a functional change for the whole of the area over twenty to thirty years.

The speed at which this can be done will largely depend on solving safety issues for the surrounding area and the market for offices and commercial real estate. The plan now consists of more than fifty percent green space and water. This is made possible by the height difference within the area, allowing for underground parking. Space for water is also important because of the lack of water storage in the area due to climate change. Specific difficulties that need to be resolved are safety concerns in the areas adjoining the railway and the motorway. At present, there is a surplus of office space. The aim is to make sure the plans are completed when the market recovers. This will also boost employment in commercial services.



5 Conditions: when is VOP feasible?

Value-Oriented Planning allows planning practitioners to focus on adding value. Value-Added Budgeting stresses the importance of creating enough investments budgets up front to be able to pay for this higher added value. Value Capture is a practical way of taking this forward by effectively 'capturing' future added value in order to invest it in the development at the outset.

This approach cannot be used in all projects. Feasibility depends on a variety of factors on various geographical scales. The most important restrictions are to be found in the applicability of Value Capture instruments.

- Firstly, Value Capture is only applicable when *actual value is added* by the development to the real estate in the vicinity of the development. This may seem obvious but it is crucial. When no value is added, neither instrument can be used (there will be zero interest from private parties) and a better plan is needed. The project should boast enough potential, either in terms of location, functional programme and market segments, quality profile and design, interest from target groups, etc.
- Secondly, this first point implies that Value Capture is not a useful option when the *financial gap or the financial risks are too large*. The residual

shortages for the public sector must be reduced to at least an acceptable level and, equally, there should be enough turnover and profit margins left for private parties.

- Thirdly, there are a number of *contextual factors* that influence the opportunities for applying Value Capture. The most important factors are:
 - national institutional arrangements, such as legal conditions, tax conditions;
 - financial feasibility;
 - social and/or political acceptability;
 - organisational and planning culture.

These factors have been elaborated on a project basis for each of the ReUrba² partners and projects. This has resulted in a 'decision tree' for when and how to apply Value Capture.

It is important to note that these assumptions etc. about Value Capture instruments can be applied to integrated area development, location/land development etc. but also to the regeneration of building complexes, each at their own different scale and with the specific parties involved.

6 Decision Tree for Value-Oriented Planning

6.1 General remarks

The use of the Value Capture concept requires a very clear insight into the following issues:

- What is the problem? For whom?
- What is going to happen? By whom?
- What is the created value? For whom?

Any efforts to capture the value from spatial developments will be to no avail if there is no consensus about these core questions.

6.2 Think first

In this paper we hope to have shown that Value-Oriented Planning involves more than just picking a random Value Capture instrument. Value Capture is only part of Value-Oriented Planning and it is only possible when enough value is created for parties outside the public sector. Whether or not this is the case depends on the type of plan. To increase the usability of the concept of Value-Oriented Planning we have created a decision tree consisting of four steps. Each of the steps contains a number of questions. The questions in themselves will often seem obvious. It should, however, be pointed out that answering them may not be as easy. Many of them will have complicated answers.

Answering the questions in *step one* means defining the scope of your project. What exactly is the problem and for whom is it a problem? How many parties are involved, and of what kind?

Answering the questions in *step two* will help you to create a clear picture of how much value is created and what form this value takes. Value may not always be expressed in terms of a rise in property values. One should also consider value increases in terms of social benefits (health, safety). The difficulty here is linking the effects of value increases to your plan. After all, if there is no clear causal relationship between the public investment and the increase in value, there is no basis for the ultimate capture of that added value. Knowing all the effects of your plan is not only useful in terms of Value-Oriented Planning, but can also be used as a marketing tool.

After determining how much value your plan adds, *in step three* you need to make sure you know who will benefit from this added value. If the beneficiary is not the same party as the one with the problem, it may ultimately prove difficult to capture the added value. Knowing who benefits from public investment is also relevant for determining how you can capture some or all of the added value.

Step four involves identifying the instrument(s) that suit the specific circumstances of your plan. Once again, Value Capture is not about just picking an instrument. After answering all the questions in the decision tree, you are very likely to end up with only one, two or maybe even no, instruments. The instrument that is appropriate for a specific situation depends very much on the region or country where the project is located. Step four therefore contains a number of factors that are relevant in applying Value-Oriented Planning. Step four will help you to think about which instruments are feasible and which are not.

The table below provides an overview of the questions and actions required to decide whether and, if so, how the concept of Value-Oriented Planning can be applied.

6.3 Decision tree outline

Specifically, in order to determine whether and how the capturing concept can be applied, decision-makers need to formulate answers to a number of questions that can be grouped as follows:

- 1 Inventory
- 2 Determination of the applicability of VOP:
 - i) Questions about the spatial investment (the project)
 - ii) Value-related questions
- 3 Value Capture possibilities:
 - i) Actor analysis
 - ii) Context analysis
- 4 Questions regarding the choice of instruments

Step	Explanation	Action if Yes	Action if No	Action if unknown	
1	Inventory				
1.1	Is there a clear problem definition?	Is there a need for investment?	Proceed to 1.2	Define the problem	Define the problem
1.2	Who is the 'owner' of the problem?	Is it clear who needs the investment?	Proceed to 1.3	Define the 'problem owner'	Define the 'problem owner'
1.3	Is there a clear project definition?	What exactly is going to happen?	Proceed to 1.4	Define the project	Define the project
1.4	Is it clear who is going to carry out the project?	Think of: who designs, finances, executes the project	Proceed to 1.5	Chart the actors	Chart the actors
1.5	Is it clear that the value will be generated/ what kind of value?	Qualification and quantification of the expected value creation	Proceed to 1.6	Chart the value	Chart the value
1.6	Is it clear who receives/ benefits from the created value?	Think of beneficiaries, such as users, residents/users of surrounding areas, etc.	Proceed to 1.7	Chart the beneficiaries	Chart the beneficiaries
2	Criteria for VOP application				
2.1	Project-related criteria				
2.1.1	What is going to happen?	Actual activities and outputs			
2.1.2	Are public investments required?	Is there a 'financial gap'? Are private parties able/ interested to carry out the project on their own? And the public party?	Proceed to next question	Consider other instruments; leave it to private parties	
2.1.3	Is the gap bridgeable?	What is the total scope of the project? Is it reasonable to expect that the shortages in financing can be bridged by private parties?	Proceed to next question	Consider other instruments, redefine the project, etc.	
2.2	Value-related criteria				
2.2.1	Is value created by the project?	Think of all possible benefits (economic, social benefits, such as accessibility, health, safety, well-being)	Proceed to next question	Think of the problem (1.1) and the desirability of the investments. Subsequent questions are irrelevant	
2.2.3	Is the value demonstrable?	Refer to 1.5. Is the value quantifiable? E.g. increased value of real estate, accessibility, number of users, etc.	Proceed to next question	Consider other instruments or redefine the project	Undertake a cost-benefit analysis, SROI, Oasis/PvSc etc (see chapter 2)
2.2.4	Is there a causal link between the investment and the value?	Think of differences in terms of time and place between the point of investment and the point of value increase ('harvesting'). Is it possible to prove that there is a link between investments in one place and a value increase elsewhere?	Proceed to next question	Consider other instruments; redefine the project	
2.2.5	Is the value that is created sufficient to bridge the shortages?	Are the investments the project involves in proportion to the financial possibilities of the parties involved?	Proceed to next question	Consider other instruments; redefine the project	Return to point 1

3	Value capture	Is it possible to capture the value?						
3.1	What party profits from the public investment?							
	Step	Explanation	Action if Yes	Action If No	Action if Unknown			
3.1.1	Do private parties profit from value increase as a result of public investment?	Private parties could be developers, building companies, institutional investors, private landlords, housing corporations etc.	Value capture may be possible through capture from developer or capture from within. Proceed to next question.	Capture from developers or from within is not possible. Proceed to 3.1.2	Determine the private party/category of private party that benefits from value increase as a result of a public investment.			
	Are private parties willing to cooperate with the public authority?	Are private parties willing to cooperate in the sense that they are willing to set up a joint company/invest in non-profitable parts of the plan? Are there any parts of the plan that could be evened out financially by a private party?	It may be possible to use either capture from within or voluntary capture for developer. Fill out 4.1.1 and 4.3 and proceed to 3.1.2.	Mandatory instruments may be used as a possible form of capture from developers. Fill out 4.1.2 and proceed to 3.1.2.	Determine whether private parties are willing to cooperate and in what way.			
3.1.2	Do citizens benefit from value increase as a result of public investment?		Value capture could be possible by using 'Capture from community'. Fill out 4.2	Capture from community is not possible.	Determine whether or not citizens benefit from value increase as a result of public investment.			
4	Choice of instruments			Important barriers (for explanation, see page 17)				
				Financial	Legal	Socio-political	Organisational/cultural	None
4.1	Capture from developers							
4.1.1	Capture from developers (voluntary)		Benefit sharing					
			Concession lease					
			Connection fees					
			Developer contribution					
			Development rights					
4.1.2	Mandatory (government intervention)		Administrative guidance					
			Development charges/levies					
			Development rights					
			Active land policy (municipal land disposal/leasing)					
4.2	Capture from community		Assessment districts					
			Impact fees					
			Tax increment financing					
4.3	Capture from within		Total developer					

7 Possibilities for Value Capture in the Netherlands, England and Germany

The table on the right makes it possible to match potential beneficiaries/circumstances and possible Value Capture instruments in the various countries involved in the ReUrbA² project:

	Potential in NL	Potential in GB	Potential in D	Important barriers				
				Financial	Legal	Socio-political	Organisational	None
Value capture through developers (voluntary/PPP)								
Benefit sharing	++	++	0			X	X	
Concession leases	+	+	0			X	X	
Connection fees	0/+	0/+	++	X			X	
Developer contribution	++	++	++					X
Development rights (land leases & air-rights development)	++	0/++	0				X	X
Value capture through developers (public intervention)								
Administrative guidance	0	0	0		X			
Development charges/ levies	++	++	+		(X)			
Development rights	0/+	0/+	+		(X)	X		
Active land policy (municipal land disposal/ leasing)	++	++	0/+		(X)			
Value capture through land and property owners/ community								
Assessment districts	0	0	0	X	X	X	X	
Impact fees	0/+	0/+	0	X	X	X	X	
Tax Increment Financing	0/+	0/+	0		X	X		
Internal value capture								
Super developer	0/+	+	0/+			X	X	

Legend: ++ high potential, + potential, 0 no potential

General conclusions

This project deals with Value-Oriented Planning and possibilities for Value Capture in the United Kingdom, the Netherlands and Germany. In general, it is safe to state that voluntary Value Capture from developers is currently the approach used most widely. Mandatory development charges can be imposed to a certain, limited, extent. Any additional available statutory instruments to force developers into contributions to public facilities, infrastructure etc. or to capture value from the community are not often used (because of organisational or socio-political barriers).

In the United Kingdom and the Netherlands, the planning culture is much more one of collaboration between the public and private sector.

Broadly speaking, the Value Capture instruments involving voluntary contributions and public intervention that have been used and publicly discussed until now focus mainly on recouping the costs of public facilities rather than capturing the increase in land or property values (as an indicator of commercial, social and community benefits) over a longer period of time.

The Netherlands

The best opportunities for Value Capture in the Netherlands involve the use of voluntary instruments. They are now coming into more widespread

use, in most cases via public-private partnership (PPP) arrangements and the associated negotiations. Benefit (and risk) sharing, concession leases, developer contributions and developer rights are instruments that are all being used. The sharing of benefits and risks has been developed more through actual funding arrangements ('gebiedsfondsen') or development corporations ('gebiedsontwikkelingsmaatschappijen') with a shared profit and loss account. Connection fees are less common.

There are some statutory approaches planning authorities can use to force landowners or developers to contribute to the costs of public space, infrastructure etc. The first is developer charges ('exploitatiebijdrage'). They are appropriate when there are developments that make it necessary to invest in public facilities ('bijdrage aan Fonds bovenwijkse voorzieningen'). However, these mandatory instruments are not very popular in the Dutch consensus-oriented culture. In addition, the possibility of implementation is often related to market demand for the land.

Developer rights and private contributions imposed through zoning or building permits are decreasingly common because of the introduction of EU legislation that has led to an increasing number of public procurement procedures for development rights. Active land policy is increasingly common in the Netherlands. While some local governments use land-

leasing systems ('erfpacht'), many others try to use receipts from land sales to pay for the social and other public facilities elsewhere in the municipality. They purchase land that is to be developed (note that the law provides ways of dispossessing unwilling land owners or forcing the owners to sell land to the local government). The local authority can then develop their plan and sell it to a developer. They charge the developer a higher price for the land. The profit is then used for the development of public facilities. However, these arrangements are always covered by private law. These tendering arrangements do provide an opportunity for local government to maximise profits (by selling to the 'highest bidder').

In the Netherlands, there are some statutory instruments for imposing additional taxes on land or property owners that profit from any new infrastructure or facility (assessment districts or 'baatbelasting'). However, this is not a politically popular instrument and local governments do not use it frequently. The Dutch local property tax system ('Onroerende Zaak Belasting', OZB) has recently been eroded by the Dutch national government. Only property owners now have to pay taxes, and end users (e.g. individual citizens) are now exempt. There is no possibility for differentiation in local property-tax rates within a municipality, nor is it legally possible to extract area-based revenues for a specific project that has led to value increases. There are some experiments with voluntary local property tax

(approved by referendum) that feeds into an area-based investment fund managed by both private parties and the local government.

The United Kingdom

In the United Kingdom, local governments have some instruments they can use to force private parties to pay some or all of the costs of public facilities required by development on specific sites. In most cases, infrastructure etc. needs to be developed in the surrounding or adjacent areas. However, planning authorities are not allowed to impose planning conditions requiring a landowner to pay contributions for social services and education or for works outside the boundaries of the development site. However, in social terms, such payments or works may be necessary or desirable in the light of the proposed development. To circumvent these technical problems, Section 106 of the Town & County Planning Act enables a local planning authority and a developer to enter into an agreement to cover issues that cannot be addressed by imposing planning conditions. These might include the provision of social housing, public spaces or play areas, or a financial contribution towards the provision by the local or county authorities of education, drainage, library facilities, hospital places etc. Arrangements of this kind are voluntary. The difficulty with such arrangements is therefore the delay due to the negotiation and completion of the Section 106 arrangements.

In the United Kingdom, national government is considering making Value Capture legally possible through specific forms of tax. The government has accepted the recommendation of the 'Kate Barker' report stating that, in principle, it is fair to fund the proposed package of measures out of the rise in land values. The Barker report suggests that the government should actively pursue measures to share in development gains accruing to landowners, so that increases in land values can benefit the community more widely. Several options for capturing development gains are considered in the report, including development gains tax, changes to the VAT regime and developer contributions paid upon the granting of planning permission. The conclusion is that a "Planning Gain Supplement" (PGS) based on the gain when land is sold for development would be the most effective way of raising resources for the expansion of the housing supply. It has been proposed that the granting of planning permission would be a suitable point in the development process to levy the PGS. The report also recommends that, if a PGS is introduced, Section 106 agreements should be restricted. The proposal is that local authorities should no longer be allowed to extract development gain over and above "direct impact mitigation". It has, however, been suggested that a portion of the revenue generated from the PGS should be given directly to the local authorities. The government will be reviewing the matter further and there are expected to be further announcements. In the meantime, it is not

clear how the PGS will work. There have been no guidelines issued to date as to how the taxable gain will be calculated or as to likely rates of tax.

In the United Kingdom it is much more common for local governments to not only own land, but also to build and sell houses ('council houses'). This provides for a more direct approach to Value Capture through not only active land policy, but even active housing brokerage and capturing rising property values. This effectively means that local governments have more opportunities to act as 'total developers'.

Germany

Value Capture from developers is not a common approach to sharing costs and benefits in Germany. For example, neither benefit sharing, concession leases nor developer rights are in use and their introduction is very likely to encounter organisational resistance. There has not been any extensive discussion of air rights in Germany, with the exception of Frankfurt (in its 'Hochhausrahmenplan'). Connection fees are more common, but primarily on a mandatory rather than a voluntary basis. Parties are required by law to contribute to the costs of supplying new transport infrastructure or energy infrastructure from which they benefit.

The most common instrument is a developer contribution. In the first instance, developer contributions are spent on the identifiable and justifiable planning costs of a project. To some extent, they can be imposed upon developers. However, these contributions do not cover other costs such as infrastructure or social facilities (social services, schools, etc.). It is not possible to impose any additional contributions to these costs upon developers and they can only be agreed in negotiations. Developer contributions are often regulated in a 'Stadtebauliche Vertrag' or an 'Erschließungsvertrag'. In these contracts, developers agree to pay for necessary facilities (e.g. public space, parks, social amenities or infrastructure). Sometimes this also includes developing part of the building programme under the market price. This is often an outcome of a negotiation about granting developing rights.

In Germany, land is not usually publicly owned and, legally, it is very hard for the government to disown land. Furthermore, land leases are not common. In addition, governments often have a passive land policy. This does not mean that it is 'not done', some local governments are much more active in this field than others. This also depends on the market pressures on the land.

It is not usual or possible to levy charges such as impact fees or to introduce an assessment district, nor is it common to introduce differentia-

tion in local property or land taxation (the 'Grundsteuer' has only a limited scope) as in Tax Increment Financing. A widely-used instrument is the 'Stadtebauliche Entwicklungsmaßnahmen'. This provides that the local government can 'freeze' all property values at market levels at a certain time and property owners can only sell their land to local government (or any institution appointed for that purpose by local government) at these set prices. The local government is then obliged to play an active role in the preparation and implementation of a development plan within a certain time period, the costs of which are recouped from the landowners. The government can sell the land afterwards at new, higher market prices and also will receive higher property and land taxes. This instrument of 'Stadtebauliche Entwicklungsmaßnahmen' is most commonly used for greenfield, undeveloped land but, in theory, it can also be used for housing districts.

With respect to 'total developer' arrangements, the dominant factor is the presence of any form of public-private partnerships (PPPs) such as joint area-development companies. PPPs are more common in some parts of Germany (Hamburg, Munich, Frankfurt) than others. State rules in this respect are quite strict, but also depend on the openness and attitude of local and regional governments. Moreover, it is primarily market forces that lead to discussions about any form of PPP.

Sources

The most important sources used were the following:

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We have also used a wide range of information from planning laws, specific acts etc. in England, the Netherlands and Germany.

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