



LINCOLN INSTITUTE  
OF LAND POLICY

## Land Value Capture: An International Overview

Property Taxation and Land Value Capture in Africa Conference  
5-7 May 2021

## Day 3: Roadmap and Objectives

- **Land Value Capture: Not the What, but the How?**
- **A Tale of Two Cities: Latin and Global**
- **Global Efforts for LVC**
- **South – South (Africa) Learning**



### **Property Taxation and Land Value Capture in Africa...**

**What is Next?**

**What will it take to make inroads?**

**Collaborate?**

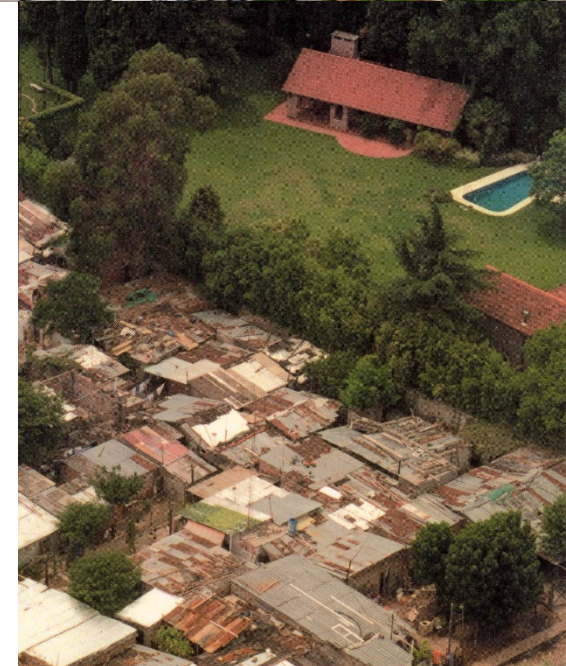
- **On what?**
- **With whom?**
- **Where?**
- **How?**



## Once upon a time in Latin America...

### The (informal) cities we have...

- Low incomes, but...
- **Lack of serviced, affordable land**
  - Uneven spatial allocation of public investments
- **Lack of affordable, well located housing**
- Clientelism
  - What/who drives where public investments go?
- **Exclusionary, Elitist, Top-down planning practices**
- **Weak, fiscally unhealthy institutions**
  - Planners' knowledge of land markets?



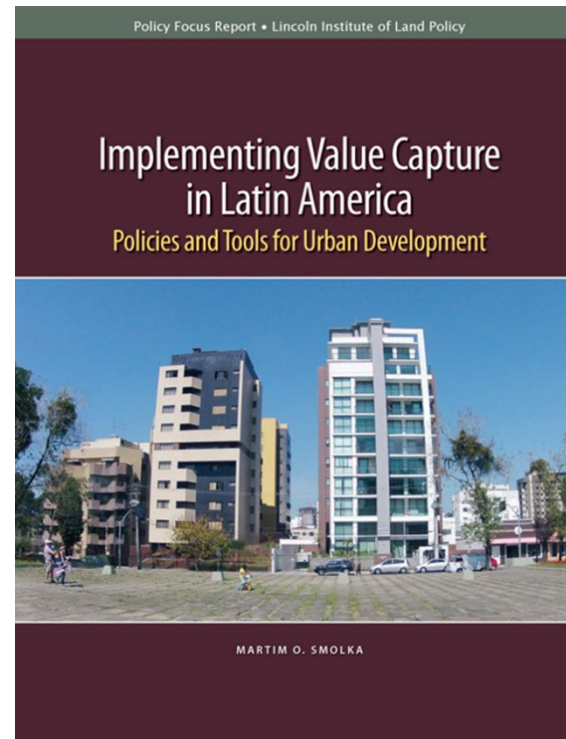
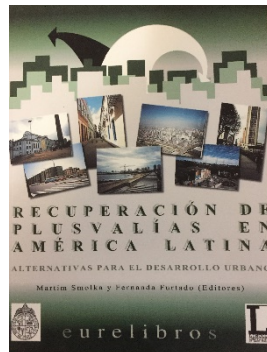
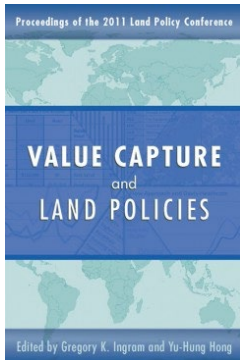
## What we know: Uplifts & Administrative Land Use Changes (model average)

Type of Land Use Change	Price before Change (US\$/m <sup>2</sup> )	Increment (%)	Price after Change (US\$/m <sup>2</sup> )	Windfall on 5,000 m <sup>2</sup> (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 O. Smolka

# The Approach – Elevate Relevance of Land Value Capture

Land Value Capture....*the recovery by the public sector of the land value increments (unearned income or plusvalías) generated on private property by public investments and by administrative norms and regulations.*



**Martim Smolka,**  
Director and Senior  
Fellow, LAC

# Make the Argument: Why Land Value Capture?

## Should be done

- New source of revenue to finance critical infrastructure
- More equitable redistribution of costs and benefits of urbanization

## Can be done

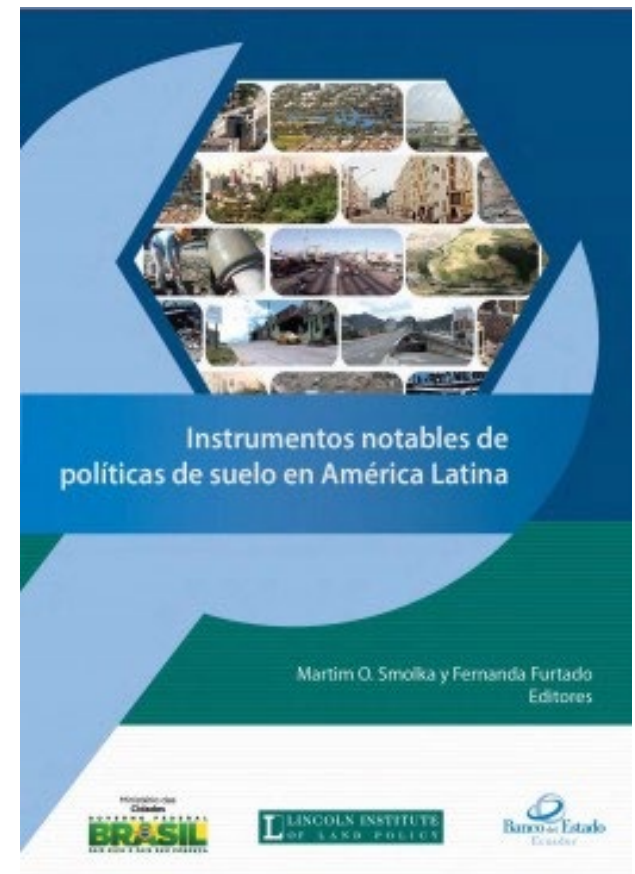
- Most national constitutions and legal systems allow for some form of LVR
- Implementation is usually technically feasible

## Could be done much better

- Key barriers: ignorance, ideology, inertia
- Better legislation that foster transparency and predictability
- Broader efforts to monitor land market dynamics and serve planning goals

## Document: Range of Well-Known Instruments

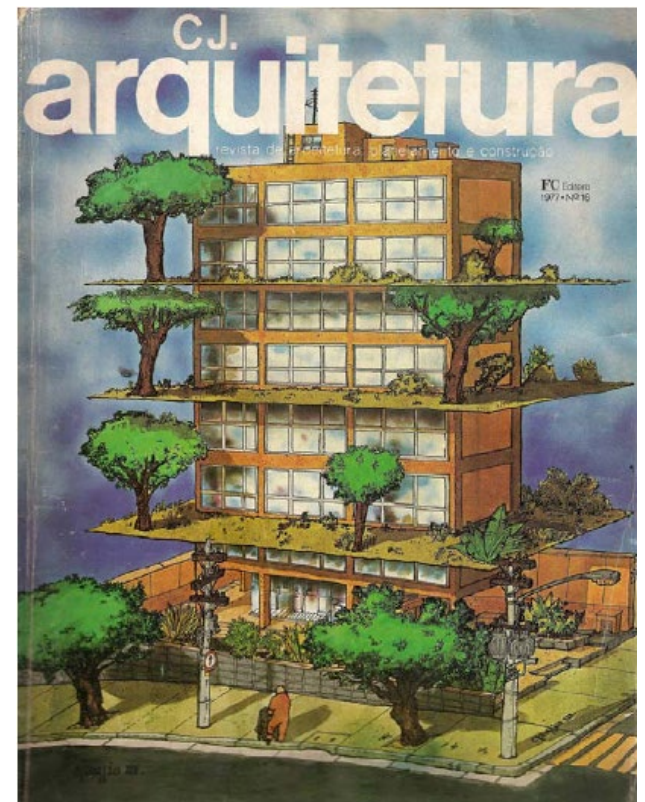
- Special Assessments / Betterment Contributions
- Charges on Building Rights
- Certificates of Additional Construction Potential
- Transfer of Development Rights
- Inclusionary Housing
- Land readjustment
- Development Impact Fees / Exactions
- Property Tax / Land Value Tax





## Document & Disseminate Cases: Sao Paulo, Brazil

- Air rights over “as of right” limits are public resource
- Balance benefits and burdens of urban development
- Neutralize inequities generated by differentiated zoning
- Compensate for added burden to services
- Basic development rights – Basic FAR





## LVC Activities and Outreach in LAC

**PDCs-**  
17/40/600  
**Dist.Ed.**  
15 / 2(7)

**Tech.  
Assist.**  
BH, BA,  
CDMX, Lima

**LAC  
Planning  
Directors**

Technical  
Manuals  
produced for the  
IADB and former  
Min of the Cities  
in Brazil



# It's not all about you, LAC....

Communities grappling with:

- Rapid growth
- Deteriorating infrastructure
- Unaffordable housing
- Fiscal stress

## GOVERNING

THE STATES AND LOCALITIES

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### FINANCE

#### **A Troubling Trend for Cities: Slowing Revenue But Rising Spending Growth**

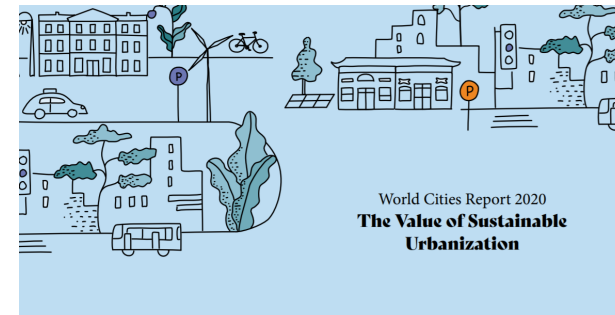
The annual National League of Cities report signals potentially more challenging times ahead for many localities.

BY MIKE MACIAG | SEPTEMBER 13, 2018



San Francisco City Hall (Shutterstock) Source: [www.governing.com/topics/finance/gov-city-fiscal-revenue-nlc-report-2018](http://www.governing.com/topics/finance/gov-city-fiscal-revenue-nlc-report-2018)

# Lincoln, LVC and the New Urban Agenda



24. **Cities require stable, sustainable sources of financing:** Stable funding comes when cities have diverse revenue portfolios and improved capacity for revenue generation that allows them to harness tools and innovative financing mechanisms—pooled financing, blended finance, green municipal bonds and land-based finance instruments, among others. Urban areas have tremendous assets that can be unlocked for investments and local economic development.

Local authorities must also find ways to link revenue generation with their ongoing urban growth in order for local finances to be sustainable in the long term. Local governments must be empowered to tap their endogenous potential to innovatively increase and diversify own-source revenues. This diversity in revenue sources enhances local autonomy and long-term sustainability.

# Land Value Capture Campaign 2017-2018 Activities

## Expanding Our Reach

- 2017 Global Symposium on Land Value Capture
- 2018 Call for Global Land Value Capture Research to Commission New Works
- 2018 Land Value Capture Sessions at World Urban Forum 9 in Kuala Lumpur, Malaysia
- 2018 Certificate in Municipal Finance with University of Chicago – Module on Land Value Capture
- 2018 Technical Assistance to South Africa led by our Latin America & the Caribbean Department
- 2018 Land Value Capture Workshop with OECD in Paris, France
- 2018 Demonstration Projects from our Latin America & the Caribbean Department
- 2018 Inclusionary Housing Convening in Partnership with Grounded Solutions Network



# A Global Research Campaign on Approaches to Land Value Capture (2018)



	Lead Researcher	Organization	Project Title	Format	Region	Focus
1	Anjali Mahendra	World Resources Institute	Land Value Capture to Finance Service Provision in Urban Redevelopment and Planned Urban Extensions - Fiscal and Equity Evaluations	W. Paper	Asia / Africa	India / Ethiopia
2	Cynthia Goytia	Universidad Torcuato Di Tella	Infrastructure Investment in a Messy Urban Growth Scenario: the Role of Land Value Capture Instruments in Argentina	W. Paper	South America	Argentina
3	David Amborski	Ryerson University	An Analysis of Public Private Partnerships/Joint Developments as a Land Value Capture Tool to Provide Social Housing	W. Paper	North America	Canada
4	Nir Mualam	Technion	Implementing Value Capture in Israel: An examination of recent tools and policies for urban renewal and earthquake preparedness	W. Paper	Asia	Israel
5	Jiawen Yang / Rachelle Alterman	Peking University / Technion	Value capture beyond public land leasing: Funding transit and urban redevelopment in China's Pearl River Delta	W. Paper	Asia	China
6	Stephen Berrisford	Pegasys	Landing Value Capture in Africa: one-off payments from developers in African cities	W. Paper	Africa	Kenya / South Africa
7	Sonia Guelton / David Rosen	Université Paris Est Creteil / DRA	Changing the Redistributive Power of Land Value Capture Mechanisms in France	W. Paper	Europe	France
8	Arpit Gupta	New York University	Take the Q Train: Value Capture of Public Infrastructure Projects	W. Paper	North America	USA
9	Kaio Santos	Federal University of the ABC Region	Strategies of the real estate market related to LVC instruments in areas close to large urban redevelopment projects in São Paulo. Case of Onerous Building Rights	Case Study	South America	Brazil
10	Willard Matiashe	Development Action Group	Special Assessment Districts and the financing of infrastructure in South Africa	Case Study	Africa	South Africa

# OECD – LILP Joint Initiative (2019)



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## Building a Global Compendium on Land Value Capture

Land value capture tools are used around the world, yet there has been little comprehensive and comparable documentation on how these tools are employed across different countries.

### > What's land value capture?

Land value capture is a policy approach that enables communities to recover and reinvest land value increases that result from public investment and government actions. Land value capture is rooted in the notion that public action should generate public benefit. As challenges mount from rapid urbanisation, deteriorating infrastructure, climate change, and more, this funding source has never been more important to the future of municipalities. When used in conjunction with good governance and urban planning principles, land value capture can be an integral tool to help governments advance positive fiscal, social, and environmental outcomes.

### > About the Global Compendium on Land Value Capture

In close cooperation with the [Lincoln Institute of Land Policy](#), the OECD seeks to investigate and gain a better understanding of how land value capture is used around the world, with a focus on aspects that are important for systematic adoption. This research will result in a Global Compendium on Land Value Capture, covering both OECD and non-OECD countries. The Compendium will also aim to help promote the benefits and unpack common challenges of land value capture to policymakers at national and subnational governments as well as to academics, planning practitioners, and public officials.

## RESOURCES

» [Land value capture policy brief \(Lincoln Institute\)](#)

» [Implementing value capture in Latin America \(Lincoln Institute\)](#)



» [Download project flyer](#)

## Initial Results

### Responses of all countries have generally been of very high quality

- Answers from experts for the questionnaire have allowed us to get a good understanding of LVC usage and frameworks in each country

### LVC instruments are operationalized differently across countries based on legal/administrative frameworks and country practices

- There are no great voids out there. Many countries have frameworks for LVC, but they are *outdated, underutilized, or misunderstood, hence not fully operationalized.*
- Various terminologies exist for similar instruments, and often times categorisation of LVC instruments differ by country
- The *Compendium* aims to develop an internationally comparable standard of LVC instruments while also preserving the uniqueness of countries' LVC practices

Success...

# Growing # of cities Implementing



THE CITY OF NEW YORK  
OFFICE OF THE MAYOR  
NEW YORK, NY 10007



GOBIERNO NACIONAL DE  
LA REPUBLICA DEL ECUADOR



CITY OF CAPE TOWN  
ISIXEKO SASEKAPA  
STAD KAAPSTAD

Making progress possible. Together.



Intendencia  
de Montevideo



ALCALDÍA MAYOR  
DE BOGOTÁ D.C.





# Power of Partnerships

## Universities



## Research



## IFIs & D.Agencies



## Non-profits



# Lost Opportunities: The Rule, Not the Exception



Santiago, Chile



## No rest: Value Capture Challenges & the Scale Up

- Ignorance
- Ideology
- Inertia
- Interests



## South – South Learning & Action: From LAC to South Africa



**RSA National Land Value Capture Dialogues:  
A Lincoln, RSA Treasury, DAG Collaboration**





**LINCOLN INSTITUTE  
OF LAND POLICY**

**GENERAL DISCUSSION:  
Property Taxation and Land Value Capture  
in Africa...**

# What is Next? What will it take to make inroads?



## Collaborate?

- On what?
- With whom?
- Where?
- How?

# Priming the Discussion Pump...

What was said:

- *Quid pro quo* & Social Contract
- Basket of LBFTs
- Prioritization & Sequencing
- Impetus for reform
  - Stakeholders & Champions
  - Buy-in takes a long time
- Tech is no panacea, but...
- Comprehensive vs Strategic
- Anticipate and plan for impact
- Plan for sustainability & monitoring
- Integrate: systems, fields of action
- Coordination & Communication

What "remains" to be discussed:

We tend to collaborate already, but...

- Do we stay the course? If not, what needs to change?
- What is the next generation of projects/campaigns and what will they require?
  - What?
  - With whom?
  - Where?
  - How?