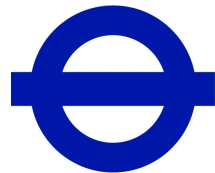


Land Value Capture and the Business Rate Supplement

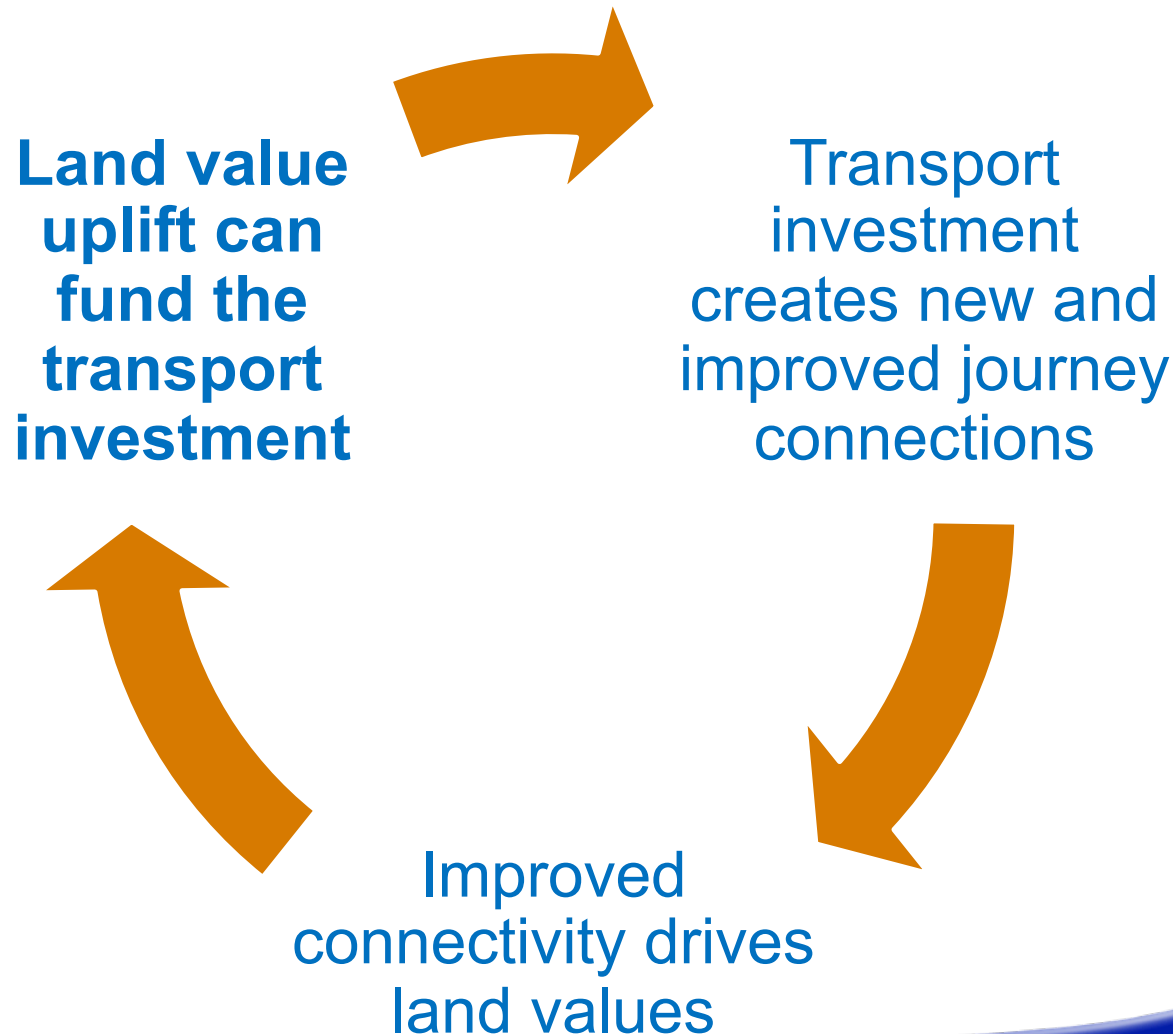
Stephen Dadswell



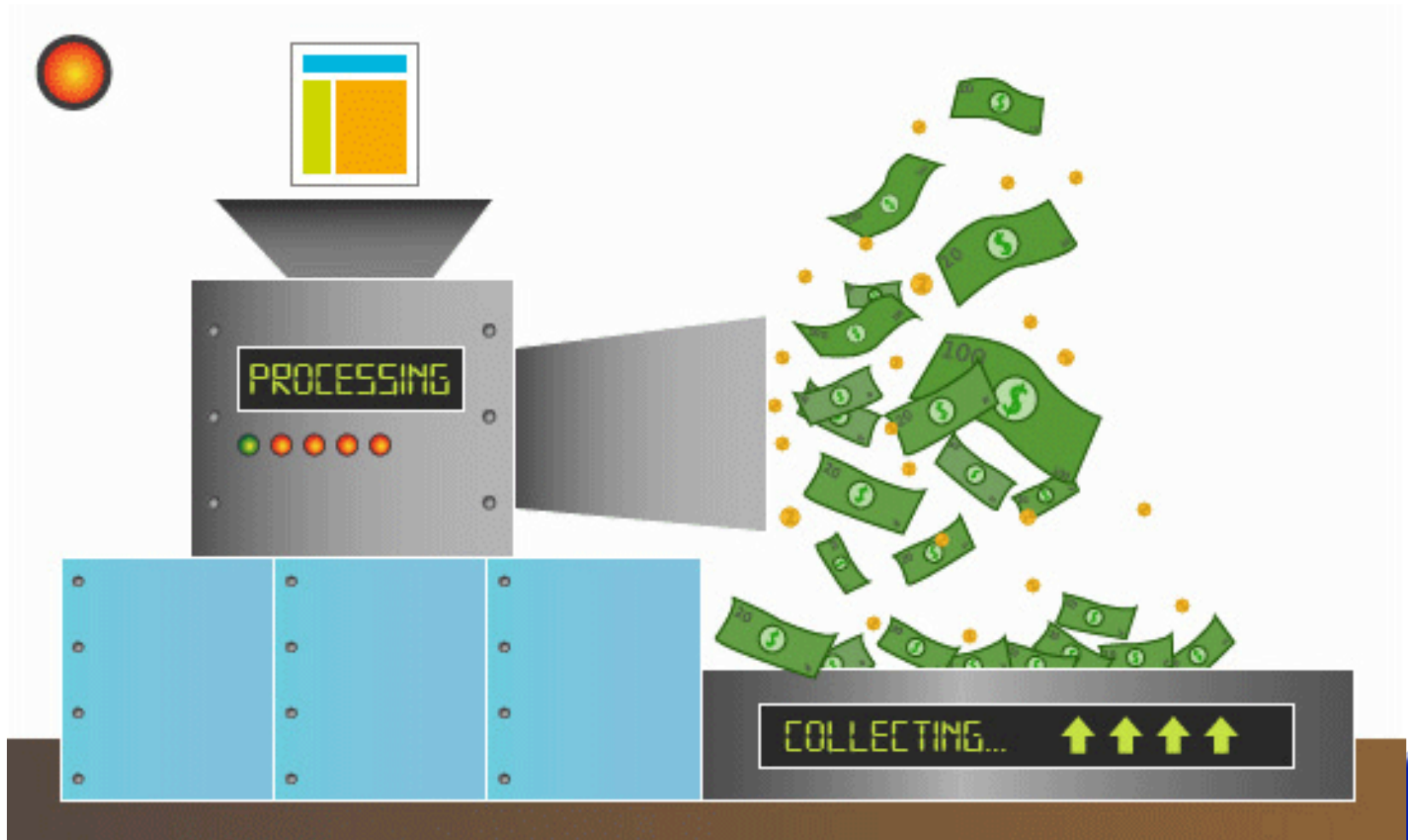
Transport
for London



Why Land Value Capture?



So It's Free Money?



No, It Is Very Challenging!

Issue 1: Translating asset value increase into cash revenue

Issue 2: Matching cost and revenue profiles

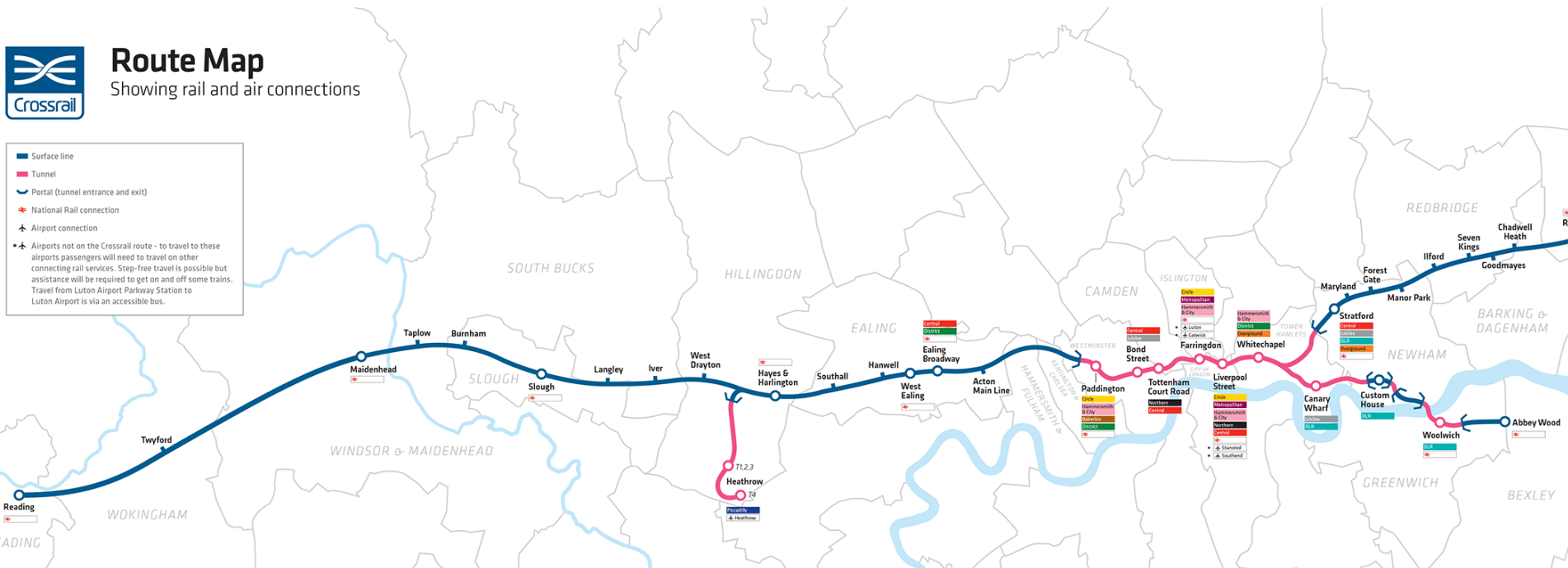
Issue 3: Isolating growth from the baseline

Issue 4: Will land value really increase enough?



Case Study : Crossrail

- ❖ Crossrail is a £16bn / €22bn project which will increase London's rail capacity by 30%
- ❖ Includes 42 km of new tunnels under central London creating an east-west 24tph / high frequency service



Crossrail Funding Sources, £bn

*Capture
land
values*

Central Government 4.7

Local government:

- **Business Rates Supplement** 4.1

- **Community Infrastructure Levy** 0.3

- **Section 106 Contribution** 0.3

- TfL Borrowing 2.4

Other Funding 0.7

Network Rail 2.3

Total 14.8



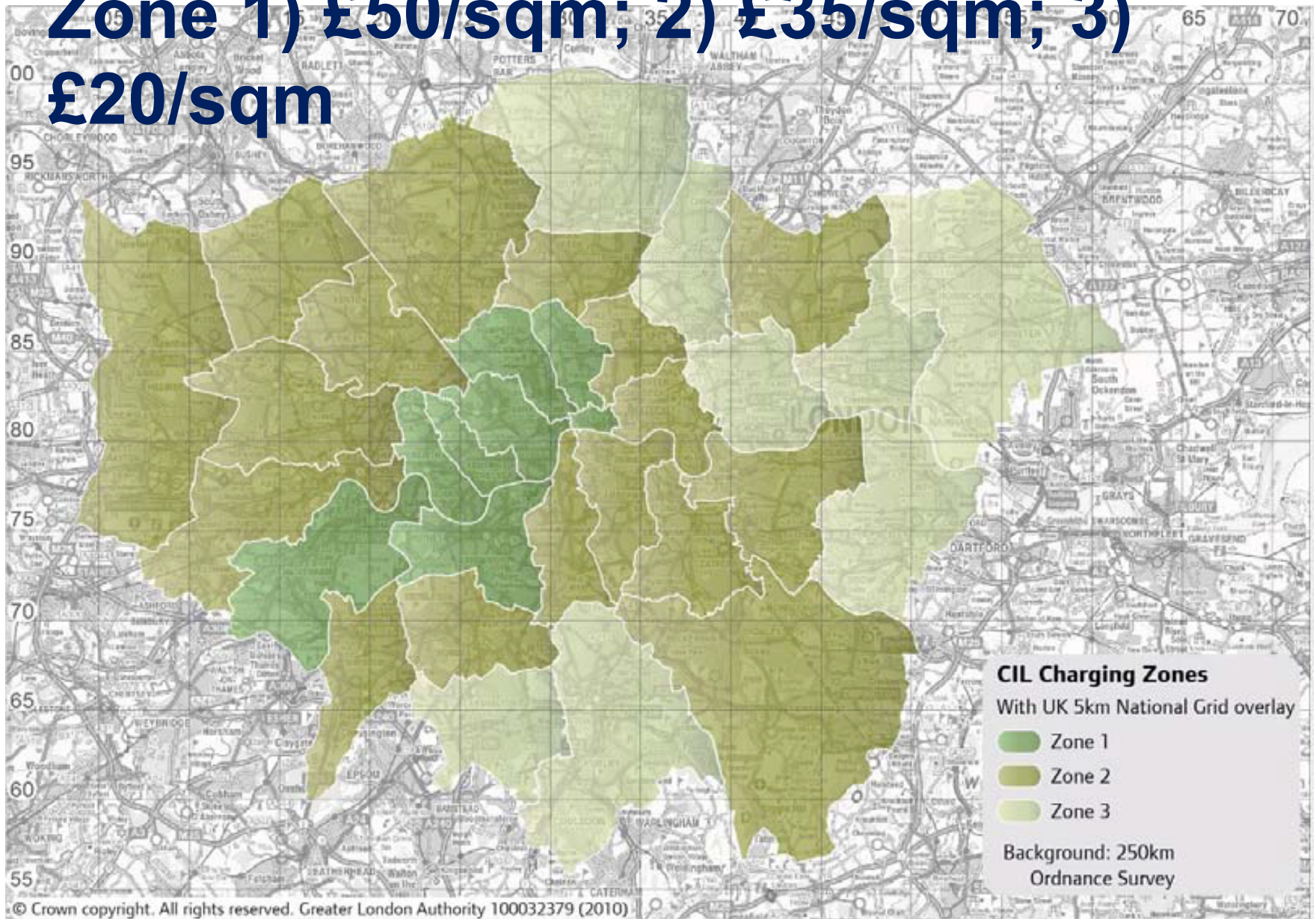
Community Infrastructure Levy (CIL)

- ❖ Levy charged on all new development across London
- ❖ Payable when development commences
- ❖ New legislation granted powers to Mayor of London to impose CIL
- ❖ Certain development (e.g. social/charitable) is exempt



Charging Rates:

Zone 1) £50/sqm; 2) £35/sqm; 3) £20/sqm



Section 106 Contribution (S106)

- Existing planning mechanism where developers contribute money or infrastructure to offset the impact of their development
- All new office retail and hotel development above 500sqm in the following areas pay a fixed contribution to Crossrail:
 - Central Activity Zone (CAZ);
 - Isle of Dogs;
 - 1km radius of Crossrail stations.
- Payment due when development commences, not when planning permission is granted



Section 106 Contribution (S106)

- Charging Rates (£/sqm)

type of dev	central London (See Annex 1)	Isle of Dogs (see Annex 2)	rest of London (See Annex 3)
office	£140	£190	£31
retail	£90	£121	£16
hotels	£61	£84	-

- CIL treated as ‘offset’ against S106 contributions on same development
- Aim to collect £600m in total from CIL and S106 by March 2019



Business Rates Supplement (BRS)

- ❖ Business Rates are a 450 year old tax on non-domestic property
- ❖ Notionally based on property rental value
- ❖ New supplement introduced for Crossrail
- ❖ Applies to existing commercial developments with rateable value (annual rental charge) of > £55,000
- ❖ Charged at 2 pence per £1 of rateable value
- ❖ Expected to contribute £4.1bn to Crossrail funding



Has it worked?

❖ Remember those 4 issues ...

Translating asset value increase into cash revenue

BRS extracts additional value from businesses
CIL and s106 payable by developers

Matching cost and revenue profiles

£3.5bn borrowed against future BRS revenue

Isolating growth from the baseline?

Levies calibrated to the value uplift

Will land value really increase enough?

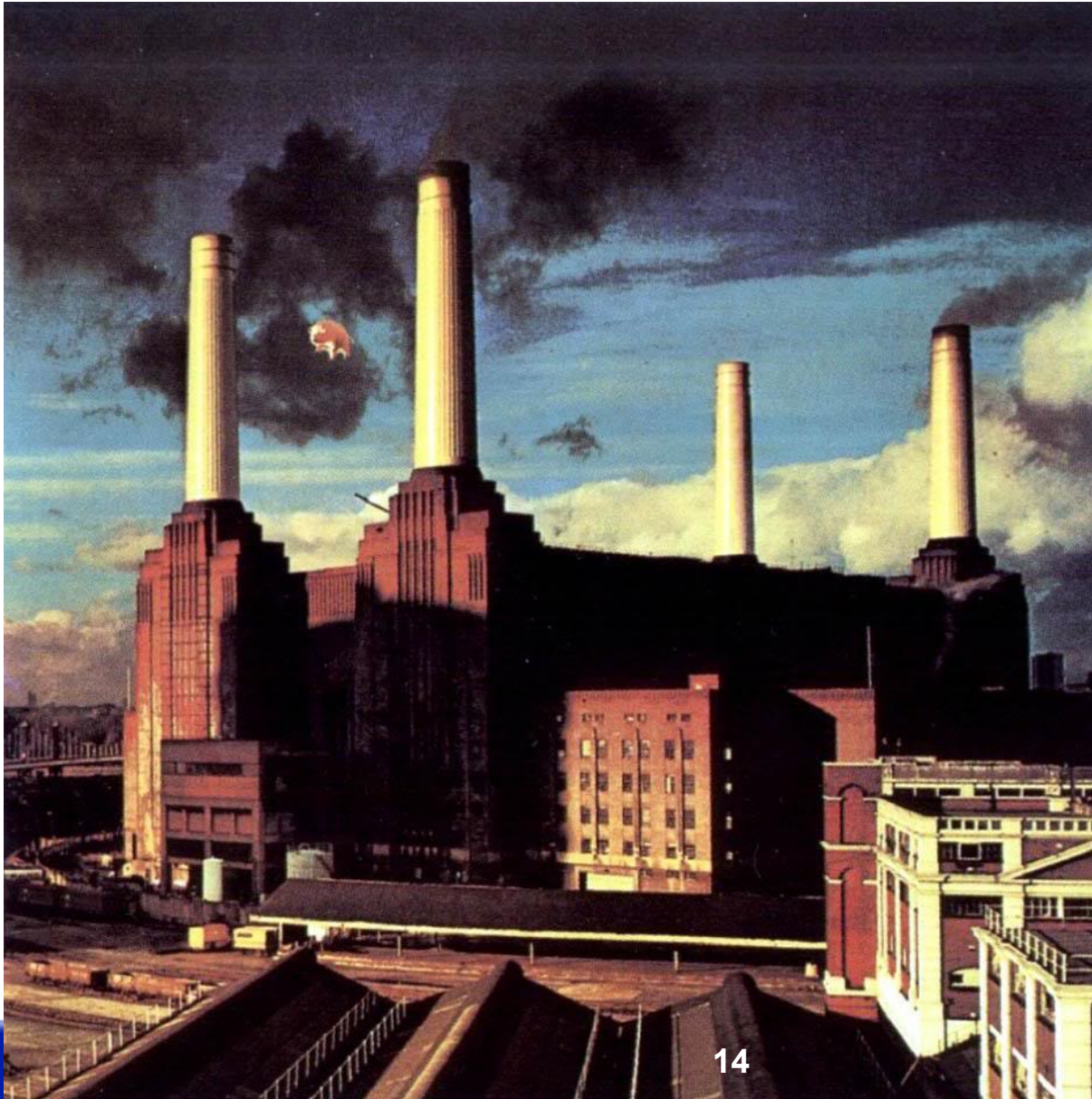
It will in the centre of growing cities!



**Value capture mechanisms proved successful
for Crossrail –
set precedent for other TfL projects**



The Northern Line Extension



❖ Pink Floyd:
Animals

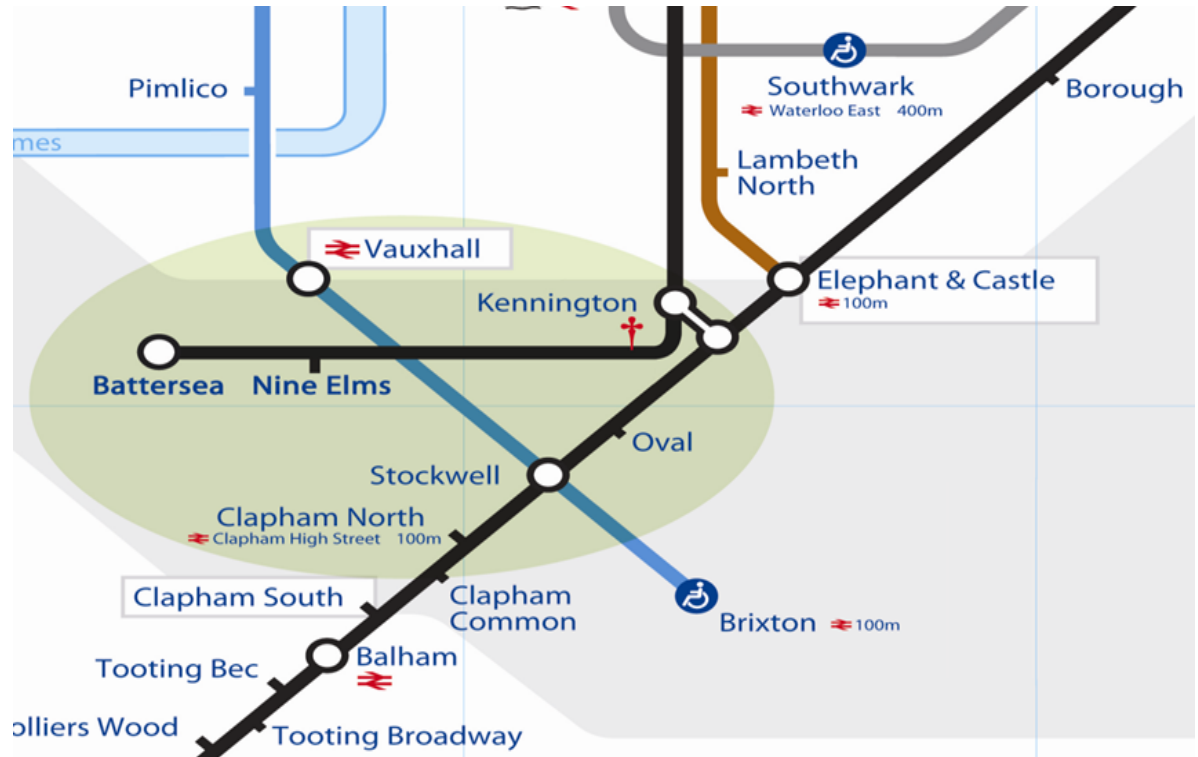
❖ Battersea
Power Station





Putting Battersea on the tube map

- ❖ Cost of NLE:
£1.0bn /
€1.35bn
- ❖ Construction
2015 – 2019
- ❖ Financed by
s106, CIL &
incremental
Business Rates



Thank you.

Tack för att ni lyssnade

