This Knowledge Product is intended to be used as a process toolkit available online on the GPSC’s TOD website and the World Bank’s TOD CoP website. The reader should first review the summary presented below before exercising the tool in detail.

Type: STEP-BY-STEP GUIDE
Land Value Capture (LVC) refers to a broader term generally used for a policy approach of sharing increases in land values (generated by urbanization, public infrastructure projects, zoning changes, and/or other government initiatives) between private and public sector. Effective application of land value capture systems typically requires a robust real estate market, conducive legal and regulatory framework, strong property tax collection systems including clear land tenure systems, strict enforcement and adequate training of relevant stakeholders. Land value capture tools often found in varying forms in World Bank client countries include: transferable development rights (TDR), impact fees, public land leasing, increased densities, business improvement districts, and tax increment financing.

Implementation of successful TOD projects requires substantial public investments ranging from new infrastructure such as parking and utility capacity upgrades to open spaces, streetscapes and multimodal facilities, in response to increased densities allowed “by-right” or as a premium to private landowners. The benefits of increased property values can be captured before the infrastructure is developed by cities through municipal borrowing against future property tax increments (California, USA) or through charging vacant land tax in TOD areas (Bogota, Colombia).

The development of transit infrastructure benefits several stakeholders, direct as well as indirect. In most cases, these benefits remain with the beneficiary and in no manner contribute towards financial sustainability or growth of infrastructure. Therefore, it is needed to devise mechanisms to capture these benefits getting created in transit influenced catchment areas. There are established mechanism and tools devised across the globe for such practices. The Land Value Capture is important among such tools to be used for funding transit infrastructure projects.
PURPOSE
This tool provides steps for assessing the effectiveness of LVC tools in TOD corridors and station areas. Key terminologies related to LVC tools include:

- **LAND DEVELOPMENT AND SALE** - Holding the land for which the value appreciates after rolling the transit infrastructure and the sale or development of land for potential higher revenue from such land parcels.

- **LAND VALUE TAX** - Tax on the land itself and not any buildings or other physical assets that may fluctuate in value due to market conditions resulting in stabilized property prices.

- **LAND USE CONVERSION CHARGES** - Additional fees towards the conversion of higher value land use.

- **DEVELOPMENT CHARGES** - Fees collected from developers while issuing a building permit to offset the cost of infrastructure required to provide municipal services to the new development.

- **TAX INCREMENT FINANCING** - An existing property tax is enclosed for a defined period to finance new investments.

ASSUMPTIONS AND LIMITATIONS

- The tools aim at providing broad level strategy and an overall guidance for taking steps towards supporting TOD through land value capture.

- The implementation of land value capture requires an enabling environment with statutory and legislative support to develop a framework for its implementation. This varies from region to region depending on the local government policies and need not be similar for applicability to all.
INITIATION OF THE PROJECT

- A detailed study of the legislative framework, comprised of rules and regulations in force for governing land value capture mechanism, have to be conducted.
- The applicability of existing or approved mechanisms with the rules and regulations should be assessed.
- In case the existing tools or mechanisms are inadequate, there may be requirements to introduce new tools as per the needs of the project. All regulatory reforms concerning the project may be proposed at once to the government or the approving authority. Also, benchmarking and comparative analysis among various regions should be conducted in the process to identify new LVC tools, prior to proposing it for approval.

PLANNING

- Planning is needed to identify the catchment area getting influenced due to the new transit project, corridor or planned area. The value of land and other properties will increase in the area of influence.
- The identified would need to be surveyed to collect data on the land ownership pattern.
- Based on land ownership, different tools, like land amalgamation, etc., need to be planned and structured.
- Identify potential land in separate categories of government and non-government lands.

[Refer to PLAN+DESIGN How to prepare a TOD Plan, Planning Principles and Design Guidelines and Land Amalgamation Framework]
• Based on the land ownership and the location plan, the land value capture mechanism shall be identified:

<table>
<thead>
<tr>
<th>Area of Influence</th>
<th>Government</th>
<th>Non-Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>500m</td>
<td>Hold the land for densification/property price appreciation</td>
<td>Non-government land- Land Development Charges, land value tax, land use conversion charges, etc.</td>
</tr>
<tr>
<td>400m</td>
<td>Hold the land for densification/property price appreciation</td>
<td>Non-government land- Land Development Charges, land value tax, land use conversion charges, etc.</td>
</tr>
<tr>
<td>300m</td>
<td>Land development with allied revenue generating components</td>
<td>Non-government land- Land Development Charges, land value tax, land use Conversion charges, etc.</td>
</tr>
<tr>
<td>200m</td>
<td>Land development with allied revenue generating components</td>
<td>Non-government land- Land Development Charges, land value tax, land use Conversion charges, etc.</td>
</tr>
<tr>
<td>100m</td>
<td>Land development with allied revenue generating components</td>
<td>Non-government land- Land Development Charges, land value tax, land use Conversion charges, etc.</td>
</tr>
</tbody>
</table>

- For the purpose of transparency and accountability, separate financial accounts may be maintained by the implementing agency.
- Formal agreements with terms of reference for land value capture implementation should be signed between parties. This agreement shall be in line with the norms of the prevailing regulatory framework of the region. Also, an ESCROW arrangement may be practiced for operationalizing the value capture mechanism.
The following documents (including but not limited to) should be placed in public disclosure:

1. Planning and Methodology of TOD Area Development
2. Proposed Transit Infrastructure Development
3. Prevailing norms of land value capture mechanisms, approved by local or regional government

The details of the land value capture mechanism should be shared with each individual owner and also placed in the public domain.

The procedure of the deposition of funds and the approval or clearance, thereupon, should be put in place for non-government land/properties.

A monitoring and evaluation mechanism of the land value capture should be put in place.

In case of joint developments, the contractual arrangements, including the terms and conditions, should be placed in the public domain to follow open and transparent procedure.