

Improving access to the city through value capture

Presentation - Rob McGaffin, Functional Markets theme coordinator at Urban LandMark

Rob McGaffin, the functional markets theme coordinator at Urban LandMark, provided an outline and introduction of the booklet and its genesis. He began by looking at the National Budget 2012, which indicates the opportunities that value capture may present, whereby R845 billion will be spent on infrastructure. Considering that value capture is when one can see an upside from someone else's actions and benefit from someone else's action, one can begin to see why the large budget allocation may be interesting for this concept. But the question is, why is Urban LandMark interested?

Urban LandMark's aim is improving access to the city by the poor. In Johannesburg, the CBD and Soweto are 15km apart. There are thus two alternatives: move people to the opportunities or move the opportunities to the people. The question is thus: can infrastructure be used to improve access for the poor?

To answer this question, Urban LandMark's research looked at the key issues and debates with respect to the four components of value capture:

- Value creation
- Value measurement
- Value capture
- Value use.

What has been happening up until recently was explored by the Development Action Group (DAG) who highlighted some of the opportunities, and pulled in some international experience. There is now the need to take it to the next stage, and ask how can the concepts be applied in the South Africa context? We do not want to ask that question in five years' time but would rather be proactive?

A key message out of this work is to break value down, to look at its component parts. There is a misconception that if the government or anyone else builds infrastructure value is created. That is not true. Rather, there is the need for certain circumstances to be in evidence. In order to change the economics of a site, there is the need to change the number of people in a space, the money spent etc. Unless this is done, it is very unlikely to create additional value. There is also the need to see how much value one can generate; for example, the Gautrain versus a Bus Rapid Transport (BRT) station. Much of the initial work was around how to quantify that. The study looked at three different interchanges:

- PWV proposed interchange
- Metrorail station
- BRT station in Soweto.

The study compared the land value if there was no infrastructure investment and the value if an investment were made.

The next component of land value captures focussed on the key question: how does one actually get hold of the value? How does one take it off the top? There are different types of instruments:

- Those that try to change the urban forms and increase the urban densities
- Income-related instruments, such as change taxes, levies
- Hybrids of both systems.

The key issue is that the instruments are quite sophisticated and municipalities need to know the legalities and how to administer them. It is also important to make sure that the institutional frameworks and instruments are in place, which may involve building the necessary capacity. If weak municipalities try to roll out sophisticated instruments, they may very well fail. Municipalities must be careful of adding another layer of complexity to the system. It also raises the concern about whether local authorities should not focus on getting the existing ones right, and whether there is really a need for more instruments, especially considering that many municipalities do not spend the money that they do get particularly well. So, in order to facilitate land value capture the first thing is to get the fundamentals working properly

However, when the value is captured it can be used to fund a number of different things and there are exciting possibilities and things that it can be used for. However, it is not a panacea to inclusionary housing. It could, however, 'free' municipalities such as the City of Johannesburg, which is increasingly reliant on national grants, from being locked into the conditions that come with these grants. These weaken local determination of spending and accountability to local communities.