

Land value capture: harnessing the value generated by accessibility

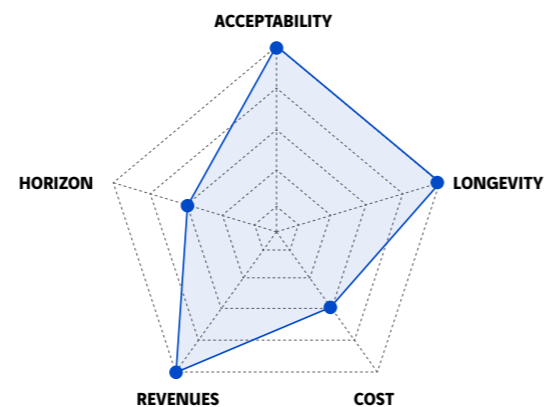
→ THE VALUE OF URBAN ACCESSIBILITY

The creation of transportation infrastructure enables cities to improve accessibility in certain areas. The concept of accessibility may be defined as the number of activities (jobs, services, leisure activities) which city-dwellers can access in a given time, regardless of the mode of transportation.

This concept is a strong determining factor of land value in urban areas. Without accessibility, the value of a property is only reliant on natural resources within it and the buildings constructed on it. As Adam Smith theorised in 1776, the improvement of accessibility in certain areas, related at the time to the construction of passable roads and canals, has a direct impact on the value of plots of land, as this new transportation infrastructure reduces the time necessary to access the properties in the area and thereby the cost of travelling to them. The accessibility of a geographical area, which may be improved by constructing infrastructure and efficient transportation networks, therefore has a direct effect on land value²⁴⁶. However, when considering the total value of a property, it is important to distinguish between the value of the land, which depends on accessibility, and that of the structure, which depends on the type of building (individual house, residential building, etc.).

→ FUNDING TRANSPORTATION THROUGH INCREASES IN LAND VALUE

In highly accessible areas, land value will automatically be greater. The value generated by the improved accessibility of an area may be a source of mobility funding provided that the capital gain related to the completion of new transportation infrastructure is recovered. This is exactly what the land value capture mechanism intends to achieve. Through this measure, it is possible to recover part of the land value



generated and to allocate it to mobility funding²⁴⁷.

While the gain in accessibility benefits the entire community (residents, activities), most of the land value generated predominantly benefits landowners. It must also be said that this type of tax does not affect the cost of using an infrastructure²⁴⁸.

To finance an upgrading of its public transportation system, the MTA, New York's transport authority, introduced a Progressive Mansion Tax on 1 July 2019. This instrument enables the municipality to capture part of the value of properties with a value greater than \$1 million by applying an additional charge set in accordance with the property's value, for which the base ranges from 1% for properties with a value between \$1 million and \$2 million and 4.15% of the sale price for properties with a value exceeding \$25 million²⁴⁹. Over the 2019-2024 period, this mechanism will contribute \$10 billion to the budget of the Capital Program, the MTA's multi-year investment plan.

→ EFFECTS ON URBAN DEVELOPMENT

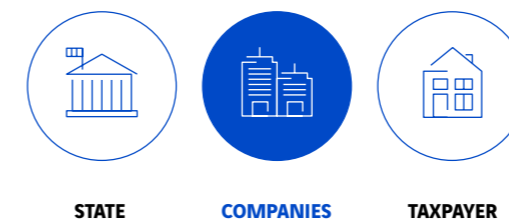
Other things being equal, the increased taxation on plots of land encourages developers to build more on a single plot. To cover the expenditure related to tax increases, it is in their interest to increase the surface area of the properties constructed. This mechanism therefore fosters urban densification. It may be heightened by a reduction of the tax levied on constructions to further encourage the construction of buildings with large living areas²⁵⁰.

However, this increase in taxes related to the value of a plot of land may entail a risk, among people who do not use public transportation, of refusing the construction or improvement of a transport link near their home, as they may fear an increase in this additional charge.



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Who pays?



What scale of implementation?

