

Land value capture & Transit Oriented Development

International Case Studies

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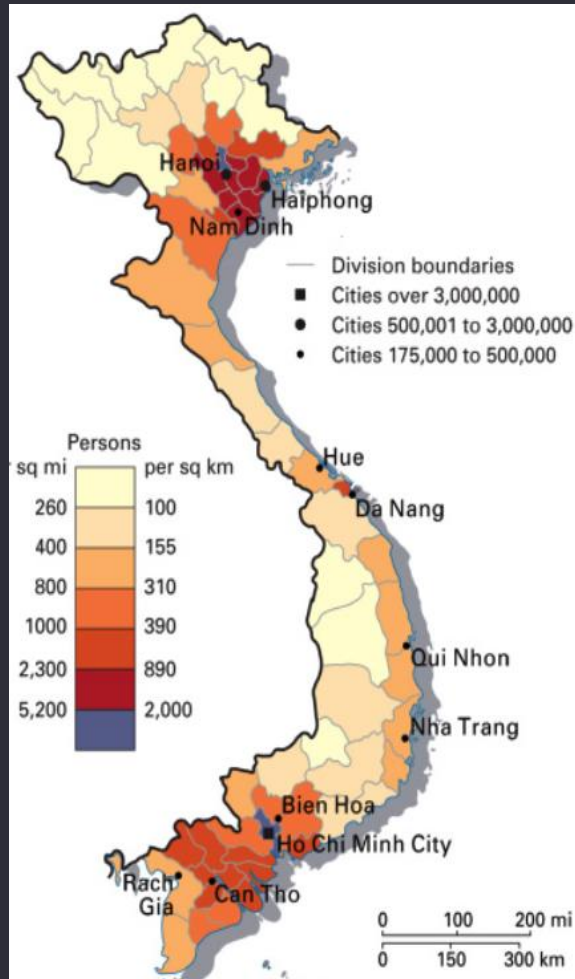
Benefits delivered by investment in transport infrastructure



Benefits delivered by investment in transport infrastructure

Support Development of Regional Towns/Cities

Example: Upgrading of Hanoi to HCM Railway



Trend without project



Project can encourage better population distribution

Benefits delivered by investment in transport infrastructure

Regional Activation Case Study: Singapore to KL HSR



Strategic development framework for inclusive growth

INFOGRAPHIC NST

ECONOMY	
Categories	Growth areas
Knowledge-intensive industries	Digital economy, Bioeconomy, Advanced manufacturing
Modern services	Healthcare, Tourism
Local industries	Furniture, Textile

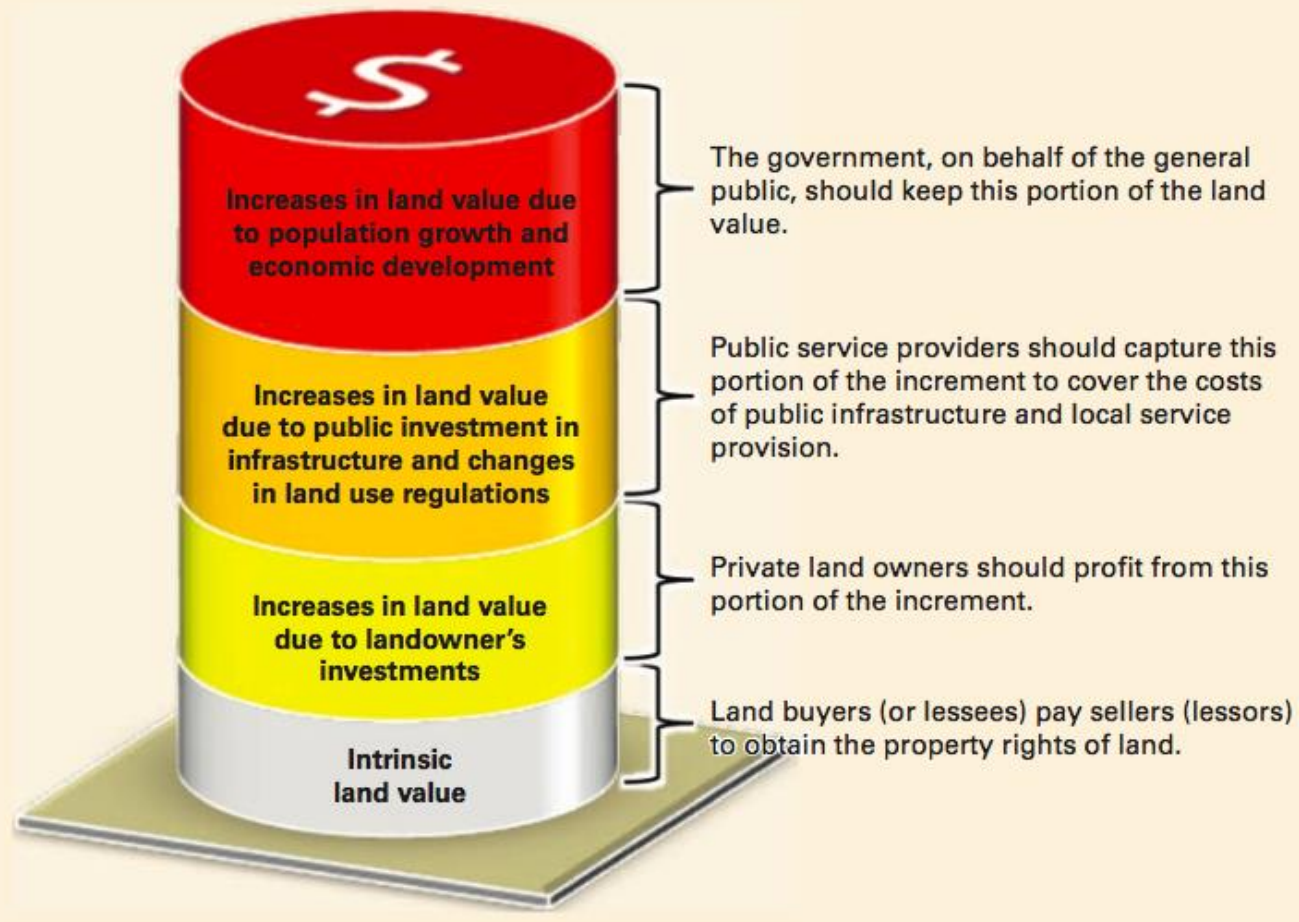
Source: MyHSR Corp Sdn Bhd

INCLUSIVITY	
• Social training and access to jobs	
• Entrepreneurship development	
• Affordable housing	

SUSTAINABILITY	
• Transit-oriented development	
• Public transportation	
• Green city	

Attribution of land value increase: Theory

Figure O.1 Land values and their attribution



Source: World Bank, Financing Transit-Oriented Development with Land Values, 2015 . Adapted from Hong and Brubaker 2010.

Current BT Projects in Viet Nam

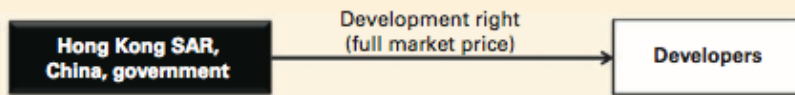
Issue	Detail
Land contribution from Government is valued at time of the BT agreement	<ul style="list-style-type: none"> Land use rights are valued in accordance with Land Law which does not recognize the expected increase in value that will result from the new infrastructure. All the land value uplift resulting from the government funded project is handed over to the developer.
Loss of control over the development of land transferred	<ul style="list-style-type: none"> Sites can remain undeveloped for years, delaying the realization of economic benefits that the government funded project was intended to deliver.
BT project may not align with the broader economic development plan	<ul style="list-style-type: none"> Many BT projects are unsolicited proposals which may not be part of the overall economic development strategy. Sub-national governments should allocate scarce resource (to projects in a coordinated fashion (avoiding “white elephants”))
Construction prices can be inflated	<ul style="list-style-type: none"> Bilateral negotiations and lack of competition can lead to construction prices being inflated. GCA required to contribute more land into the BT project
Quality of construction is poor / incomplete	<ul style="list-style-type: none"> Unlike other forms of PPP, the developer is not required to consider the whole-of-life cost, e.g. investing in better materials that require less maintenance If developer has received the land use rights upfront, they have little incentive to complete the project or meet specifications. GCA’s contract management and negotiating position is weak.

Possible improvements to BT in Viet Nam: 1

Improvement	Explanation	International Examples
Robust competitive tender process	<ul style="list-style-type: none"> • Drive better pricing of construction costs • Drive developers to take a view on future value of land use rights, and reduce their bid price accordingly 	<ul style="list-style-type: none"> • MTR tendering of contracts to developers

Figure O.2 Hong Kong SAR, China's, land value capture mechanism: Relationships among the government of Hong Kong SAR, China; MTR Corporation; and developers

a. Usual government land leasing program



b. Rail Plus Property (R+P) program



"Profit sharing"

- Profits in agreed proportions
- Assets in-kind
- Up-front payments

Source: Based on Cervero and Murakami 2009.
Note: MTR = Mass Transit Railway

Integrated Property Development

- The provision of the railway greatly enhances development potential along the alignment
- Proper integration with the railway maximise the development potential and land value
- Profits generated helps to fund the railway construction cost

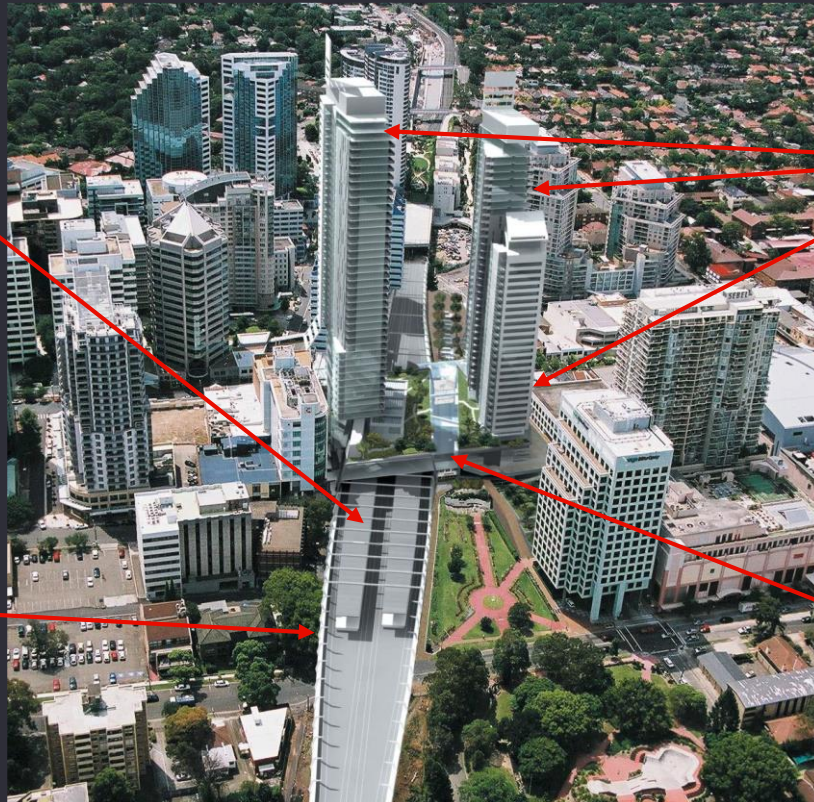
MTR Corporation Limited

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Possible improvements to BT in Viet Nam: 2

Improvement	Explanation	International Examples
Delay transfer of land use rights	<ul style="list-style-type: none"> • Delay transfer until the infrastructure project is completed to the satisfaction of Government. • Could be delayed until end of Defect Rectification Period to ensure operational performance of the asset / facility 	<ul style="list-style-type: none"> • Chatswood Transport Interchange

Up[grade and expansion of the Station to include 2 elevated island platforms



Three residential towers: Car park and integrated “podiums” constructed as part of the initial station development.

Towers constructed in the years following the station redevelopment

Underground carpark to service residential towers

Retail Complex (10,000m2): developed at the same time as the station redevelopment

Case Study

Chatswood Transport Interchange

Value Capture Mechanism

- Developer bid the government contribution to construct the initial development:
 - Station redevelopment
 - Retail complex
 - Underground carpark
 - Podiums for future residential towers
- Government retains ownership of the rebuilt station
- Once the initial development was complete, the developer had the opportunity to purchase from government the Retail Complex and the Podiums for the residential towers (with car park) for nominal amount.

Outcome

- Total construction cost of initial development: Aus \$157 million
- Developer bid a net government contribution of Aus \$53 million.
- Estimated cost of station redevelopment without value capture: Aus \$81 million
- Value capture reduced the cost to government of the station by 35%

Case Study

Chatswood Transport Interchange

Key takeaways of Chatswood as an example of Land Value Capture in a BT structure?

Value creation:	Using the air rights above the existing station precinct.
Competition:	Tender process drove bidders to maximise the future value recognition by bidding the lowest Government Contribution.
Integrated design:	Developer was responsible for optimising the precinct design to maximise user benefits and future value
Certainty of completion:	Option structure and termination provisions ensured that the developer delivered the essential infrastructure (the station and retail) whether or not they took up the further development opportunities
Risk transfer:	Risk of future growth successfully transferred to private sector (Global Financial Crisis led to significant delay in the development of the residential towers)

Possible improvements to BT in Viet Nam: 3

Improvement	Explanation	International Examples
Maintain shared interest in the future value of the land	<ul style="list-style-type: none">Government shares in value uplift following development of the new infrastructure and Transit Oriented Developments.	<ul style="list-style-type: none">MTRDubai Union Metro Station TOD



Dubai's Roads and Transport Authority (RTA) has called for proposals for the development of a multi usage Transit-Oriented Development (TOD) project above the Union Metro Station based on public-private partnership (PPP).

RTA contributes land, Developer contributes cost of construction

RTA has invited bidders to propose how they will provide RTA with a return on their investment:

- Share of sales proceeds
- Equity stake in the development
- Portion of Leasing rights

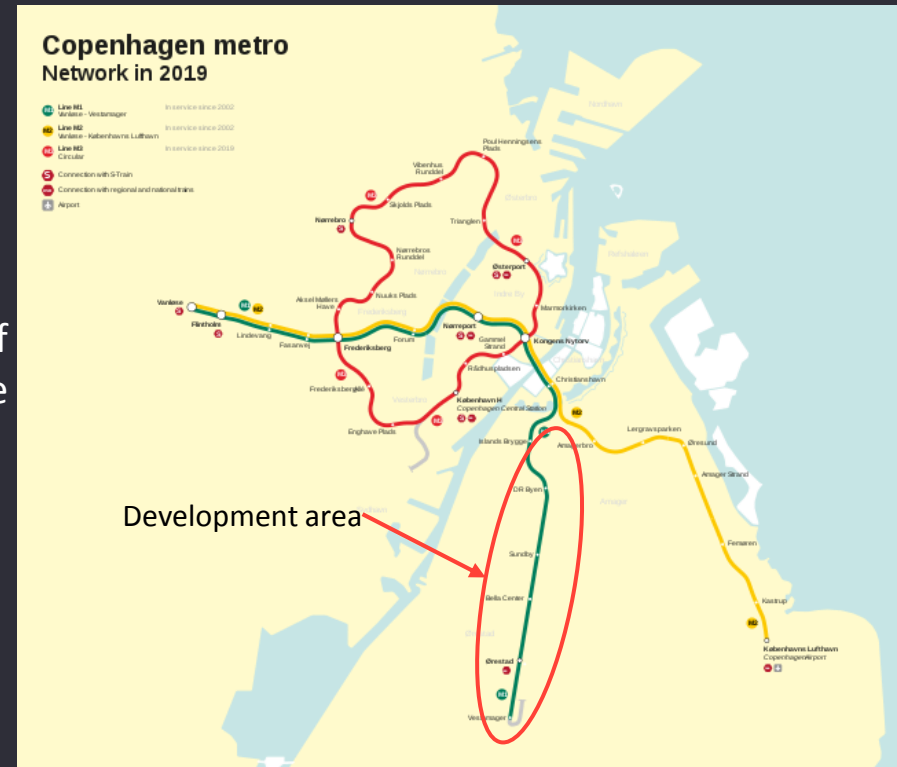
Possible improvements to BT in Viet Nam: 4

Improvement	Explanation	International Examples
GCA use future land value to pay for project	<ul style="list-style-type: none"> Government realizes the value of the land use rights after completion of the new infrastructure. Uses proceeds to fund the Infrastructure after it is built. 	<ul style="list-style-type: none"> Copenhagen Metro, Denmark

City of Copenhagen and Ministry of Commerce formed the Ørestad Development Corporation (ORC) empowered to develop 310ha of vacant land within 10 km of Copenhagen City Centre

Government accessed value uplift resulting from the new infrastructure through progressive sale of land and subsequent development rights after the completion of the new metro.

To fund the construction, the ODC raised debt which was repaid through the money raised from the sale of land and subsequent development rights.



Possible improvements to BT in Viet Nam: 5

Improvement	Explanation	International Examples
Improved scrutiny of unsolicited proposals	<ul style="list-style-type: none">• Developer should be required to demonstrate public interest and compliance with the overall national masterplan• Unsolicited proposals should be subjected to the same robust appraisal, and contract management procedures applicable for a solicited proposals	<ul style="list-style-type: none">• World Bank publication: “policy guidelines for managing unsolicited proposals in infrastructure projects”

Conclusions

- Land value capture is a complex area that governments around the world are grappling with and there is not just one ideal solution.
- In Viet Nam this is an area that has enormous potential to enable delivery of essential infrastructure.
- How best to implement will need further review, and the new PPP Law creates an opportunity for GoV to create an environment that better enables value capture.

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