

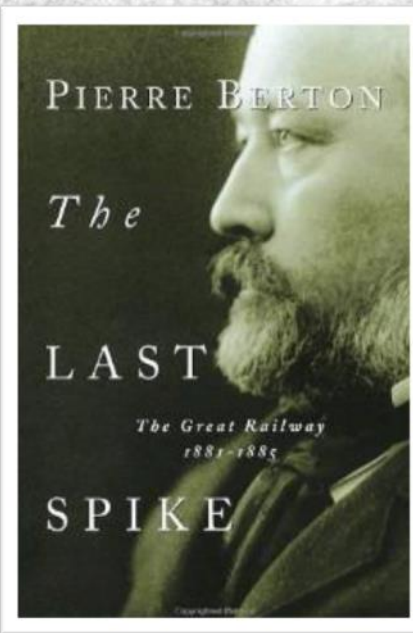


A New Funding Model for Transport Infrastructure

The Land Value Capture Model

Presentation at Railfuture Annual General Meeting
Edinburgh
13th July 2024

Trans Canada Railroad

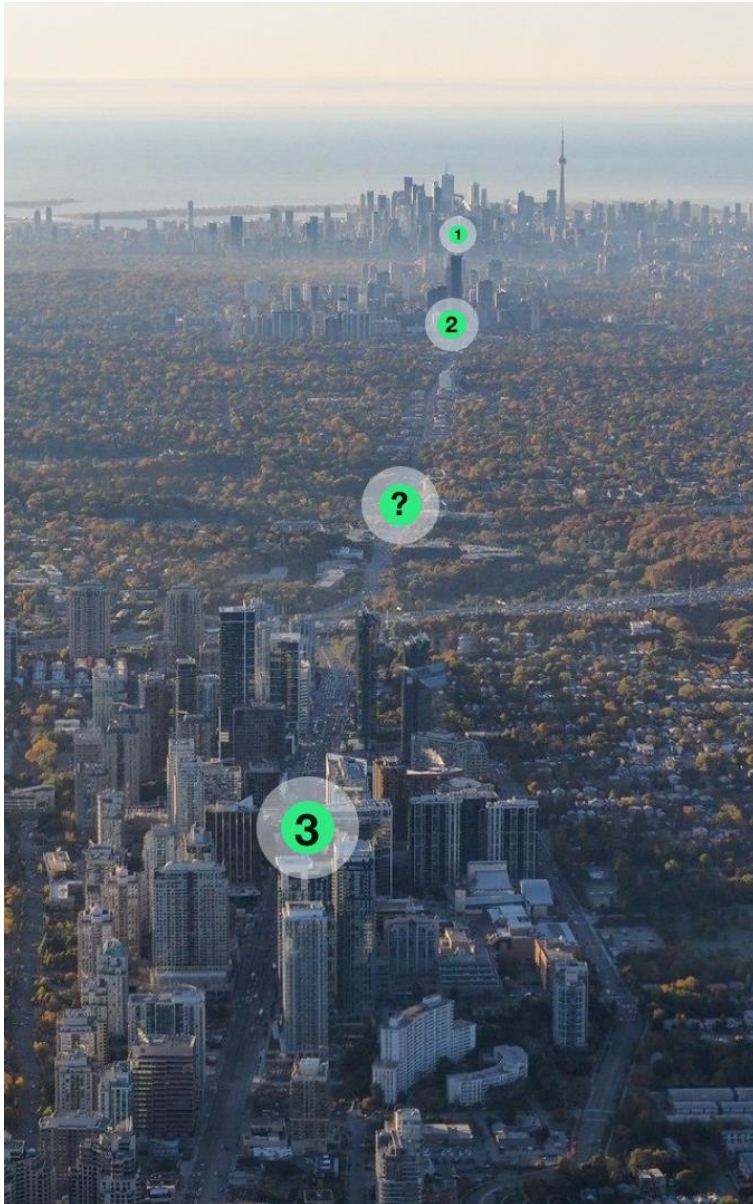


Metropolitan line London

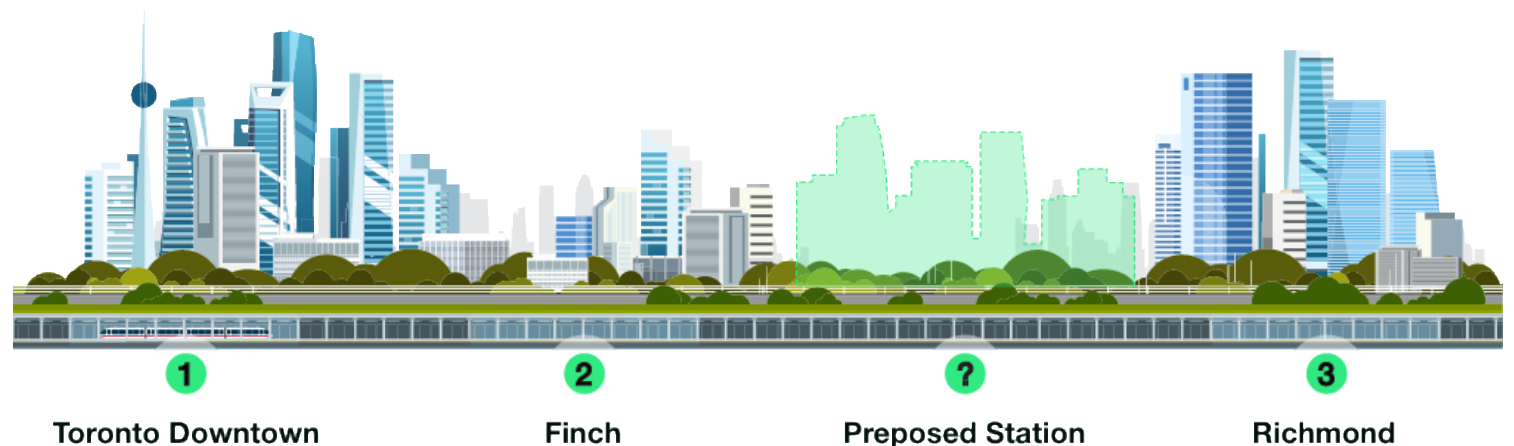


**Land Value Capture concept is
not new - but our model is!**

How stations impact the land around them



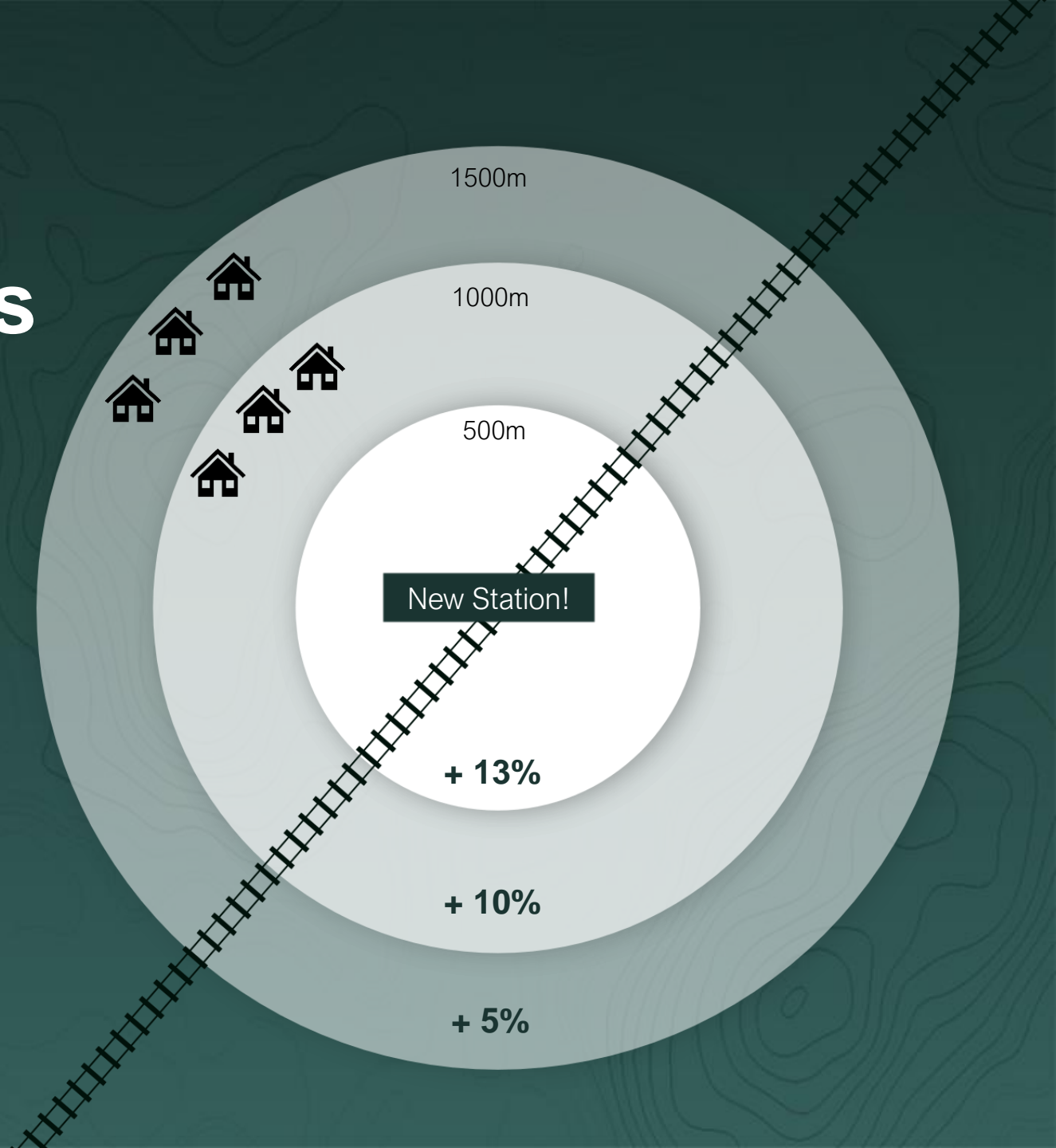
- The picture shows how development can be influenced by transport. New development takes place at locations usually close to public transport which delivers fast and reliable access to the city centre. The clusters of development occur at the metro stations.
- If you create a new station in an area that permits development, then expect these new areas to deliver similar high rise and intensive living. This also supports sustainable communities, thereby reducing congestion, pollution and accidents.
- **It is the value created by the station and transport service that E-Rail harnesses to part fund the public transport, whilst still allowing the landowner to enjoy a substantial additional value uplift. An equitable solution.**



Land value increases around stations

Land uplift values shown in diagram reflect those found at new stations constructed on the Montréal Metro project.

- The impacts are more evident in the immediate proximity to the station
- The amount of land value uplift decreases with distance
- With beneficial planning consent, sale values improve



Development Opportunities at New Railway Stations

Evidence clearly shows that where new stations are built, development will occur, not necessarily straight away but planning pressure and sustainability will prompt land use to change.

This happened at Worcestershire Parkway although the zoning did not plan for it. The emerging Local Plan has proposed an allocation of 5,000 new homes to be delivered up to 2040, with a further 5,000 homes in the next plan.



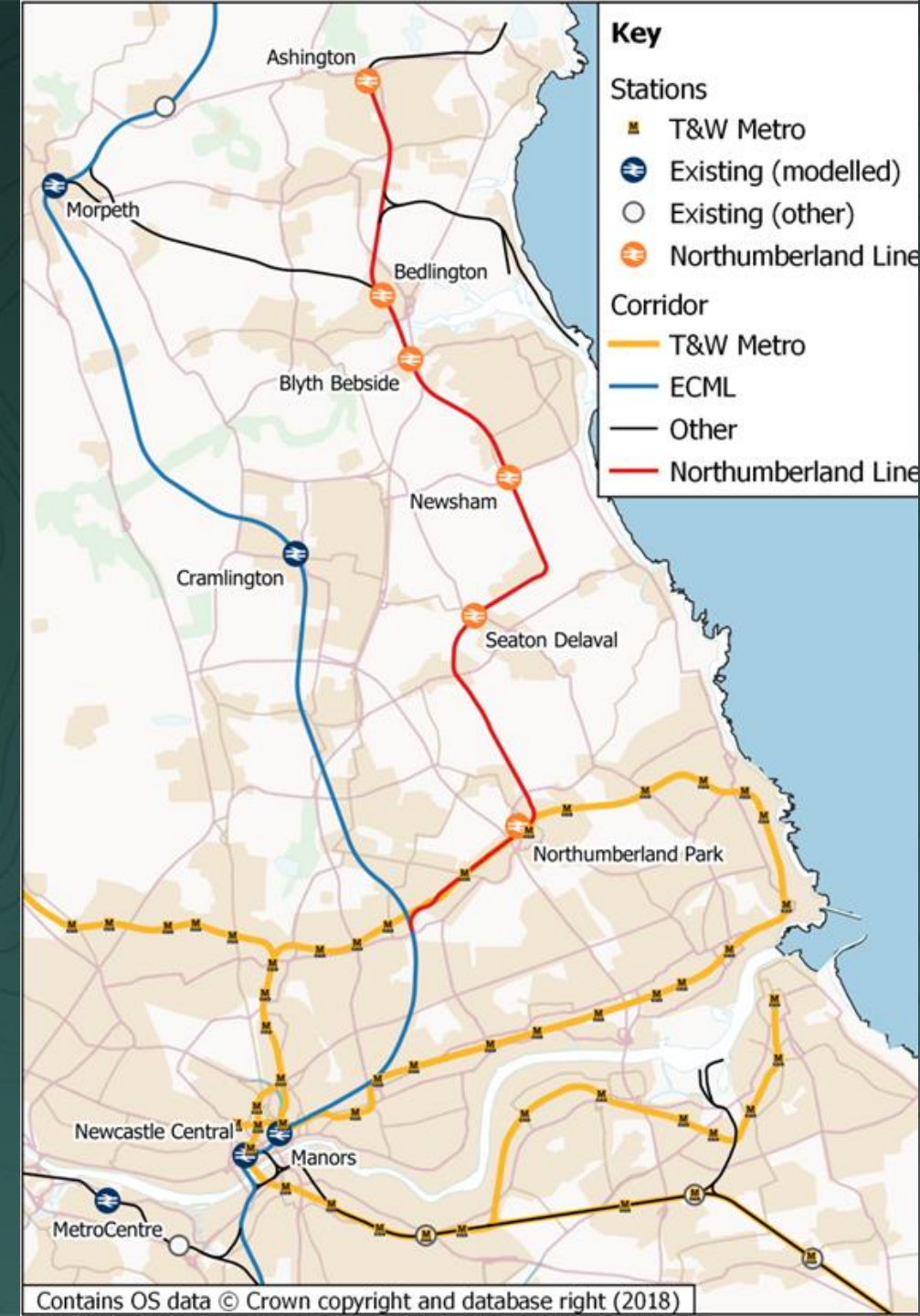
Northumberland Line Project

5 New stations

- Seaton Delaval, South Newsham, Bebside, Bedlington, Ashington

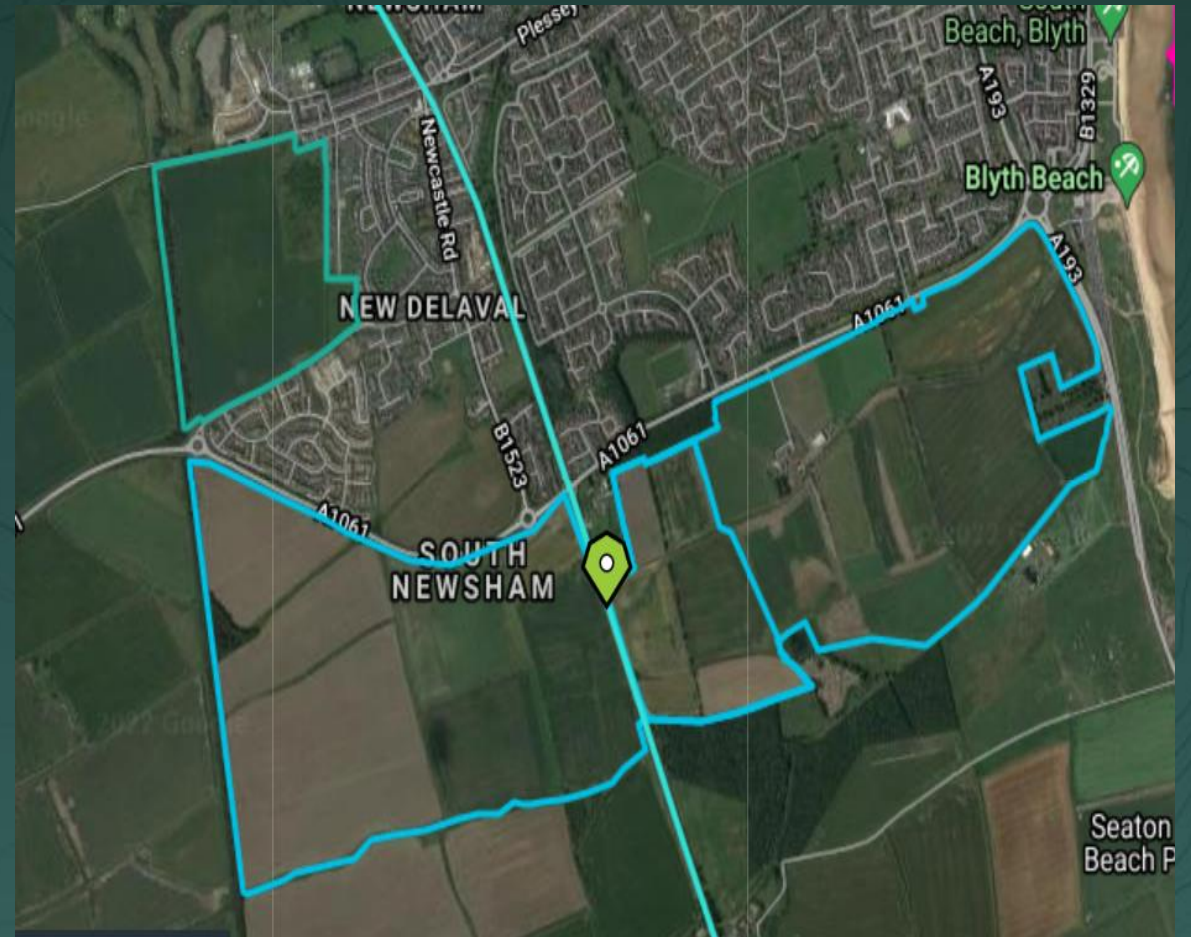
E Rail Involvement

- E-Rail instructed by Northumberland CC in 2017 to explore the fund raising opportunities as part of the proposed re-opening of the Ashington-Blyth-Tyne rail route
- Contribution Agreements executed with landowners on 21 sites
- Value expectation exceeds initial predictions
- About 50% of the increase in land value will be collected, representing £30m - £40m (20% - 25% of capital cost).



Northumberland Reopening - example of how a station changes development opportunities

- New station at green dot.
- Land in blue currently worth £10k per acre
- With station and railway operating and with planning consent for housing, it is worth £1m per acre
- The fund receives 50% of increase



Contribution Agreements (CA)

This is NOT a TAX; it is a sharing of the wealth created and therefore landowners and developers have shown themselves willing to co-operate.

- Each CA is tailored to individual property and owner
- Landowners, private and public can participate
- The contribution is only made where a positive increase in market value is achieved
- Payment becomes due when both transport project is delivered, and planning consent has been granted
- The CA is time controlled – typically 5 – 20 years depending on the anticipated project delivery timeframes

Ongoing work & LVC opportunity across UK

- Since successfully deploying our method on the Northumberland Line we have completed 16 LVC surveys on projects across the UK
- We have surveyed over a 150 miles of new or reopened rail lines that could deliver over 65 new railway stations.
- The 16 studies alone indicate over £800m in LVC contributions could potentially be captured from landowners through our innovative methodology.
- We are currently negotiating contributions from private landowners on the behalf of Transport Promoters, to support funding and delivery of important new rail schemes.

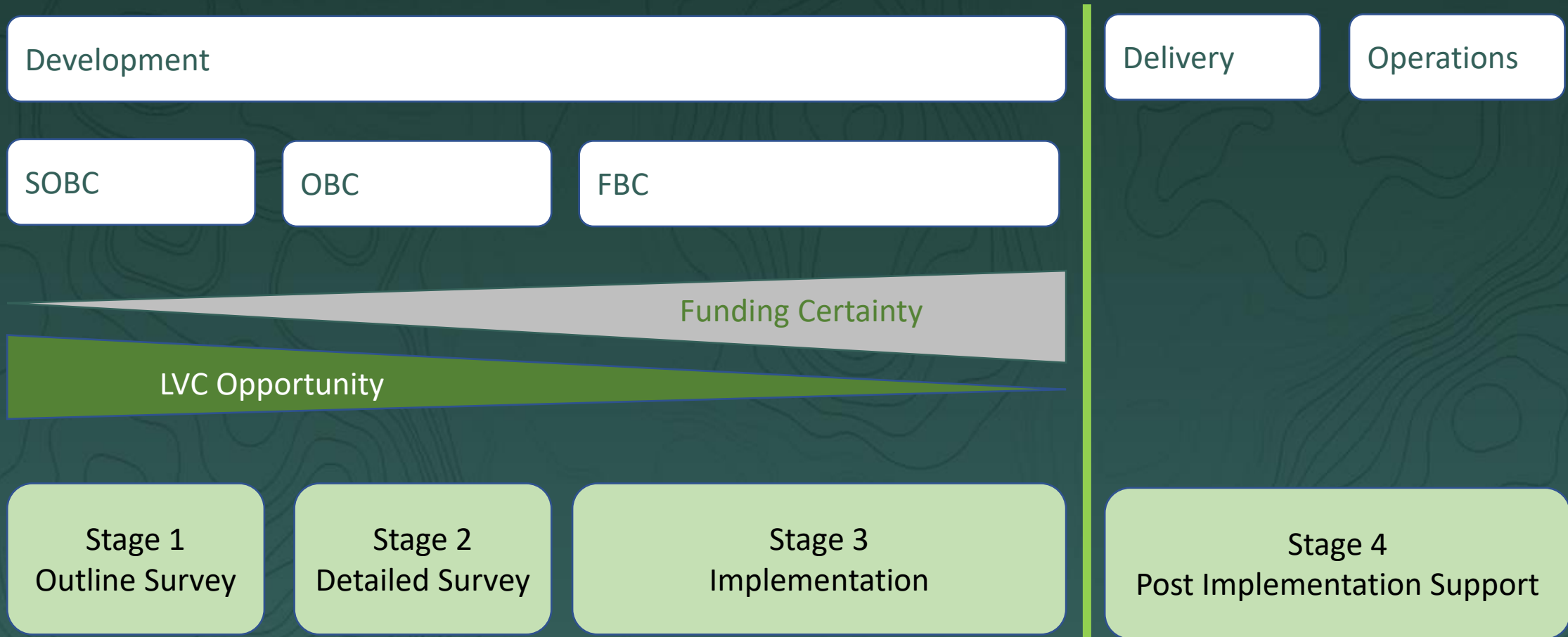


E-Rail Land Value Capture Methodology

We manage the LVC process in 4 Stages, across 3 workstreams:

Stage		Property workstream	Planning workstream	Finance workstream
1.	Outline Survey	<ul style="list-style-type: none">Initial survey & identification of sites around potential stationsConsider transport network & station accessibility constraintsInitial LVC contribution assessment	<ul style="list-style-type: none">Initial review and summary of local planning policyHigh level summary of policy opportunities / constraints	<ul style="list-style-type: none">Indicative cashflow forecastHigh level commercial structure and finance plan
2.	Detailed Survey	<ul style="list-style-type: none">Detailed land survey and referencing exerciseRefined LVC contribution assessment	<ul style="list-style-type: none">Engage with planning officersDetailed review of policy opportunities / constraintsProposed strategy to adapt policy for maximising LVC	<ul style="list-style-type: none">Refined cashflow forecastInput into business caseRefined commercial structure and finance plan
3.	Implementation	<ul style="list-style-type: none">Confirm CA delivery strategyLegal briefing and SPC setupComplete client governanceRoll out of CAs on identified sitesFinal full raise estimate	<ul style="list-style-type: none">Ongoing guidance to planning officers for preparing emerging Local PlansReview progress regarding implementation of strategy identified in Stage 2	<ul style="list-style-type: none">Input into business case, particularly project funding planSupport to internal investment committees and finance officersSupport to securing of finance from third party lenders
4.	Post Implementation Support	<ul style="list-style-type: none">Post implementation comms between landowners, planning officers and project teamUpdate LVC schedule based on landowner planning progress	<ul style="list-style-type: none">Support implementation of policy changes set out in earlier strategy.Guidance regarding national or regional policy, changes	<ul style="list-style-type: none">Support updates to cashflow forecasts and authority finance repayment planSPC fund management services for LVC contributions

Optimum Alignment to Business Case Stages



The Independent Transport Fund

Key points:

- Dedicated solely to the project
- Set up and then managed by E-Rail
- CAs are registered in the title and lodged with the Fund
- When land is sold the fund manager calls for the funds and disburses to the project
- Fund manager monitors and reports to Promoter and all CA landowners
- Promoter has step in rights

Landowners and Developers

- E-Rail holds the CA's in a Fund formed solely for the project
- The transport proponent approves the CA's
- E-Rail and the Fund must be independent of developers
- It is the landowner who is being asked to pay not the developer
- The independence of planning is assured using the E-Rail method
- E-Rail enters into CA's on agreed sites with landowners early as possible
- Options to purchase by developers encouraged when CA's are in place
- Rail Promoter and Planners always retain control
- The landowners pay when they get planning and railway is operational
- Prospects of securing beneficial consents are greatly enhanced as is the creation of sustainable communities, reduced car provision and improved housing density



Trends in new UK developments & implications for transport.

- Challenges we tend to see relate to governance and where there is disconnected transport and planning working. This is particularly noticeable in regions with two tier authorities where strategic development policy and transport strategy and priorities can be misaligned and unintegrated.
- This misalignment in strategy can lead to potentially poorer connected developments, where opportunities for third party funding to deliver better infrastructure can be missed or eroded due to lack of integrated thinking and working.



Examples where we have seen good working practice.

- Our Northumberland Line case study is a good example, where the County Council has been bold, visionary and proactive in promoting a transport scheme that is fully integrated with their long-term spatial development strategy. Local planning policy developed that has flexibility to quickly adapt zoning in the event new infrastructure is delivered.
- Quebec province, in Canada, had a development policy that favoured development around transit stations. If a proposal did not conform with this directive the developed had to argue why it didn't.



Opportunity to reduce dependency on cars for new developments.

- Government to provide incentives for LA's to make efforts to source meaningful local funding contributions (i.e. 15%-25% of capital cost) for transport infrastructure projects.
- LA's to explore and utilise methods, like E-Rail's to capture increase in land and development value due to transport infrastructure in partnership with landowners and developers (Not a national land tax!)
- LA's and their departments to work together building better and effective working relationships across disciplines, thinking proactively across land use planning, economic development, transport and funding
- LA's to promote sustainable development within 1 to 1.5 km of rail stations and build in flexibility to allow them to revisit zoning allocations in the light of new transport infrastructure



Summary & Key Points

- No new legislation required
- Start process early as possible to maximise LVC funding
- The impact can be included and helps the business case
- Liaise with officials in planning, transport, finance, economic development through each stage
- E-Rail enters into CA's on all agreed sites with the landowners
- Seen as a partnership between public and private sectors
- Promoter always retains control
- Funds are released as value created

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