



hardest figures. The consultants have worked out that just building Core Route 1, with the expected knock-on effect on jobs and demand for extra office and residential space, would result in a roughly £6bn increase in property values. Other estimates reckon that the benefit could mean a quadrupling of property values throughout London. This is often unacknowledged as a benefit of Crossrail.

and unblocking its clotted arteries will bring dividends for all.

Properly exploited, the returns will spread wide and deep: to the Home Counties' communities of the Green Belt and beyond; to the often rundown cities, towns and villages of the South East at large; and in several important ways, to Britain as a whole.

As yet, however, there is no accurate estimate for the total investment that might be involved, and certainly no accepted decision on how the financing of such a vast project might be most equitably and efficiently shared.

Anything like a full-scale, cost-benefit analysis is still at a very early stage, but some preliminary estimates are starting to emerge.

West End property consultancy firm Hillier Parker has so far calculated the

funding purposes Hillier Parker discuss two methods available under current legislation – one, via the Planning Gain charges which can be levied under Section 106 of the 1990 Town & Country Planning Act, or alternatively, through the directly related increase in rateable values.

Either way they reckon that a contribution of some £2bn to £3bn could be levied, leaving two-thirds of the resulting "planning gain" still in private hands.

There is increasing distaste, however, for the idea that the provision of

major-scale infrastructure improvements, largely built at public expense, should end up making multi-millionaires of those lucky people who own land on or near the chosen routes.

Gradually more radical, and equitable ideas are being explored for spreading the gains, extracting a larger and fairer contribution from the lucky few, and at the same time increasing society's own willingness to undertake a properly assessed share of the very substantial costs.

One possible set of solutions, following a line pioneered in the United States and partially embraced by London's mayor Ken Livingstone and his transport adviser Bob Kiley, goes under the generic title of Tax Incremental Financing.

However, critics – even those sympathetic to the general notion – find its details flawed, especially when an attempt is made to apply them to a Britain where city design and development, and the embedded property interests they have generated, go back not decades but often hundreds of years.

Those who have thought seriously about such matters tend to favour a much more root-and-branch approach to the problem of capturing and harnessing land value.

That would require a wholesale recasting of the country's long-developing, impenetrably complex, and increasingly unsatisfactory tax system, with all the immense rethinking and political fall-out that that would involve (see Metropolis rising, below).



Metropolis rising

Crossrail promises to revive London but, says **Paul Brandon**, how it's paid for will mean the difference between taxing the poor to make a few millionaires or wiping away poverty in the capital

FUNDING OF THE London Crossrail project is now a key issue. The London Chamber of Commerce and the property developer Canary Wharf have in recent months felt the need either to discuss or research various options. But the decision over funding rests elsewhere.

Bob Kiley, transport commissioner for London, favours Tax Incremental Financing (TIF), as one tool in his fiscal toolbox. Aware of the land price boom that followed the Jubilee Line Extension he considers the "land levy" as the "ideal way to go" to fund Crossrail. TIF also features in Mayor

Livingstone's ambitious London Plan and during the summer received the backing of Lord Rogers, another key member of his team. So what is the attraction of TIF?

In the Sixties and Seventies, the federal and state governments in the US began cutting back economic development programs. In the Eighties and Nineties, TIF increasingly helped cities to revitalise their communities. There are now at least a 1,000 schemes underway across America.

The Wisconsin Department of Commerce describes TIF as a tool that "can help a



municipality undertake a public project to stimulate beneficial development or redevelopment that would not otherwise occur. It is a mechanism for financing local economic development project in underdeveloped and blighted areas. Taxes generated by the increased property values pay for land acquisition or needed public works". In other words the capital cost of regeneration projects are securitised against the projected increase in land values and economic activity. The project becomes self-financing.

But now, at the start of the 21st century – as the country's still largely Victorian networks of roads, railways, sewerage and water mains, and utility distribution services, start to decay and fall apart – is we have probably the best possible moment to make a fresh start.

Crossrail, so long seen as an impossible – but highly desirable – dream, could provide



just the impetus for a much-needed breaking of fiscal and planning logjams.

1 Support for London's core functions

Property specialists suggest London-based employment will rise by 1m over the next 20

years, requiring around 54m sq ft of new development and some 54,840 new dwellings. Big jumps in transport capacity are needed to serve both primary finance and business centres and key retail and service locations.

2 Better integration of travel network

Anything to reduce and smooth the bottlenecks can only be good.

3 Support for areas outside London

Higher capacity,



speedier links and less congestion will all help spread the benefits of London prosperity, and relieve pressure on the central area.

4 Jobs

Reduced costs, support for growth, improving brownfield sites, boosting regeneration priority areas and building the system, will enhance job opportunities.

5 Support for subsidiary towns

Improvement will strengthen the role of inner hubs like Brixton, and peripheral concentrations like Watford and Croydon, which all suffer from poor, slow travel links both into the centre and between each other.

6 Improved national rail connections

Victorian nimbysism made the early train companies stop services at the Kings Cross, Liverpool Street, Victoria, Paddington ring. 150 years on, the mistake still needs rectifying.

7 Environment

By promoting a major shift from car to rail, Crossrail will make a big contribution to energy saving and emission reduction.

8 Support for East London and the Thames Gateway

These areas of urban deprivation

will benefit particularly from improved connections – with London's own economic heart and potential new links north and south.

9 Improved international connections

Better links from Central London, the City and Docklands to Heathrow; services to Gatwick and Luton via a new Farringdon Interchange; a Stansted Interchange at Stratford; and Channel Tunnel Rail Links at Stratford and possibly also Ebbsfleet.



10 Tackling social exclusion

Access to jobs and services could be enhanced by schemes like a Whitechapel link to an extended East London line.

11 Support of other regeneration areas

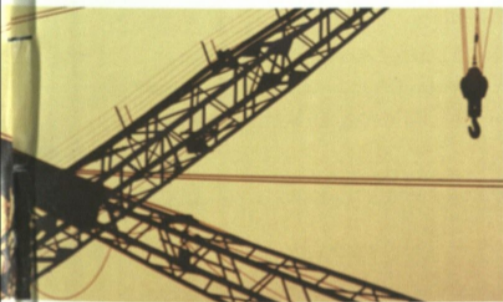
The same applies to other Development Strategy and Opportunity Area targets like Park Royal and the Lea Valley.

12 Accessibility

All the new stations, and a lot of remodelled ones, will incorporate full access for the disabled and "mobility impaired".

13 The unseen benefit – rising land value

Under the present fiscal regime public investment in infrastructure benefits private property owners – the value of whose land rises as a result of the increasing benefits provided to it by the surrounding city.



A TIF in the US is based on two principles: new development expands the tax base of the municipality, so increases property tax revenues; and, if the municipality provides public improvements to attract the development, the overlying tax districts that benefit from the increase in the community's tax base should share the cost of public improvements.

Would TIF work in London? Crossrail will undoubtedly bring a land price boom in its wake, but not just along the Crossrail route (see above). TIF applies to a designated area

and would only tap into some of the land value increases and not reflect developments across the capital, in the context of at least another 12 planned transport projects in London. TIF would not be able to adequately deal with other land value phenomena.

London and the UK also have a different property tax system to the US and there is little or no power at a local level for London to raise its own funds. The Center for the Study of Economics in Philadelphia has studied TIF's and admits it "has its advantages, but they are narrower and more focused than the overall community enhancements of land value taxation".

Philadelphia, where the City Controller's office considers this form of taxation as a holistic fiscal tool for urban regeneration and municipal funding, did not see the promised increase in jobs or economic development following a TIF project. Responsibility for failure and paying back municipal bonds raised with the TIF rests with the public authorities and ultimately the taxing

jurisdictions. It's one of the reasons why the Center for the Study of Economics advises London to "think twice about TIF".

Also, TIF would require primary legislation. So the Mayor might be better advised, if it requires such a change in law, to direct his energies towards the UK Government. He should argue for a new and creative tax mechanism for London – one not dependent on the taxes of the poorest, but based on substantially relieving the burden on work and enterprise. The corresponding tax shift to community-created land values and the revenue of land rents would tackle land monopoly, and give Londoners a community chest. Land value taxation would be the ideal mechanism.

A battle is now on to ensure that all the people of London – and beyond – benefit from Crossrail, and not just the fortunate few. Unless the correct formula is worked out those with land in the key areas are set to reap massive windfalls. Millionaires will be made, and for doing nothing, paid for by the rest of us.

