

OLYMPIC REGENERATION VS. SOCIAL (IN)JUSTICE: VALUE CAPTURE AS A REFEREE

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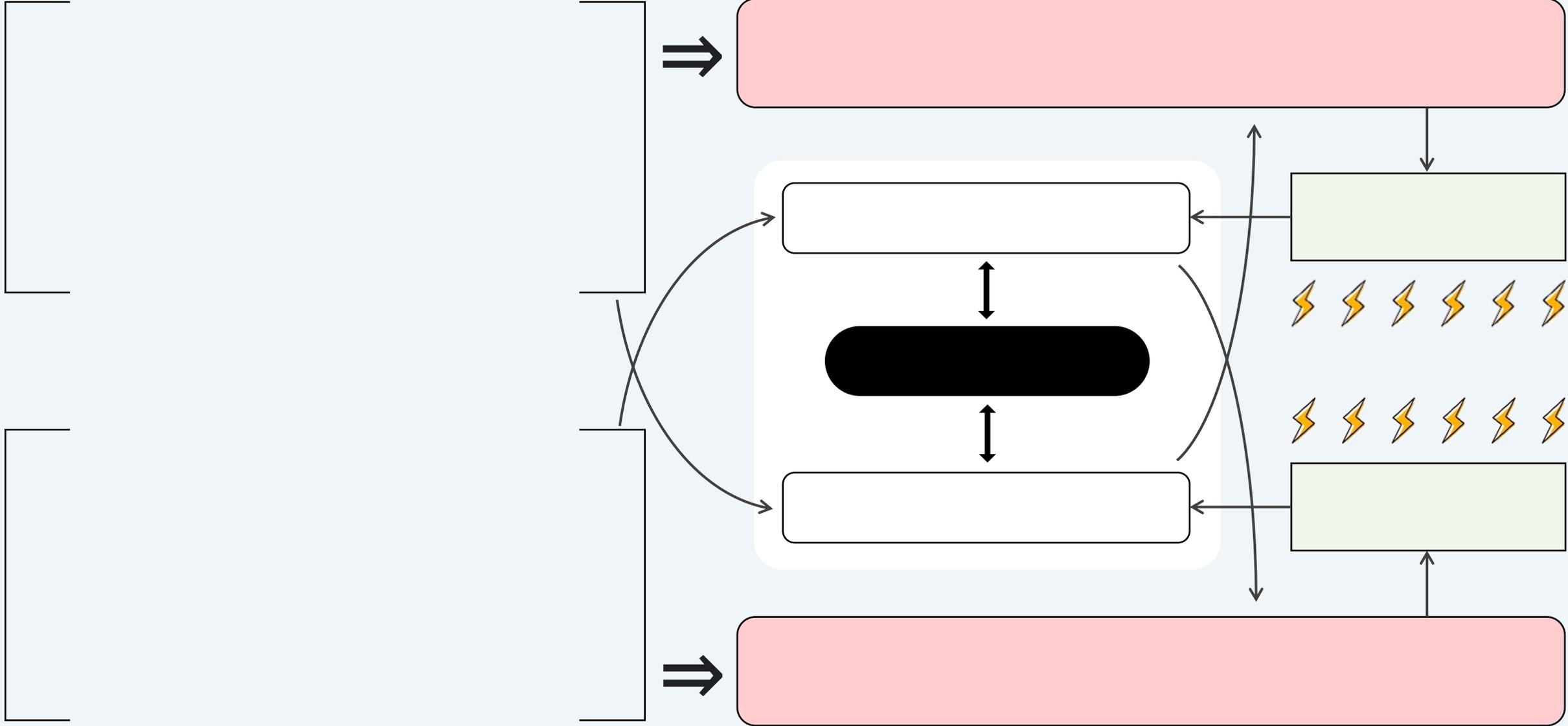
Beatriz Condessa

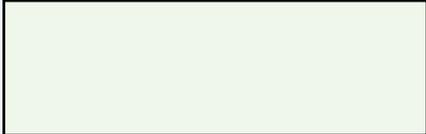
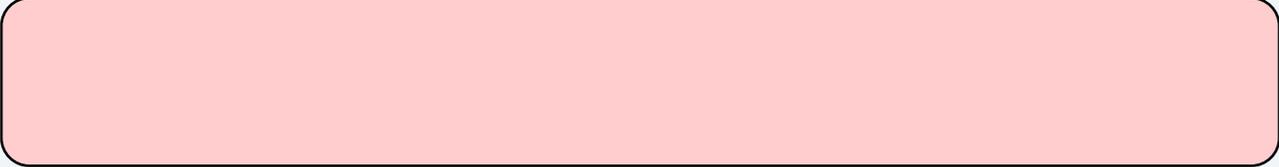
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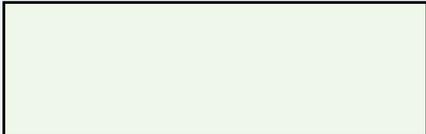
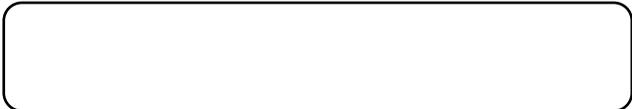
1. Introduction

- **Subject:** the Olympic Games can be powerful tools to catalyze development but, at the same, generate negative social side effects that need to be mitigated.
- **Objective:** introduce the concept of value capture into urban studies on mega-events and lay the foundation for discussing how it can help mitigate social injustices of Olympic-related urban development projects.
- **Methodology:** literature review on different topics to build an argument around three lines of thought that evidence the paradoxes of combining social responsibility with the mega-event strategy.





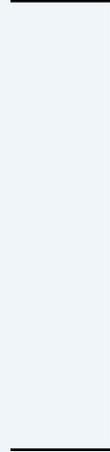
¿i Value Capture !?



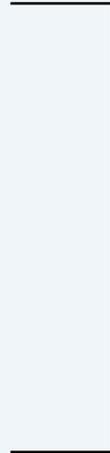
2. Value Capture | A brief overview of definitions, applications and limitations

- **Definition:** legal tools to reallocate to society part of the value increments on private land and property created by changes in land-use regulations or public investment in infrastructure.
- **Direct:** applied in various moments of the property's life-cycle and usually in the form of taxes ("capital gains tax", "tax upon transfer of title", "land and property tax", etc.).
- **Indirect:** private landowners and developers pay or co-finance the public infrastructure needed to support the new or existing urban areas or internalise the costs for mitigating their impacts.
- **Developer Obligations:** less regulated and formal, with room for negotiation, in money, land or construction services in exchange for, for example, facilitated and expedited permits, tax exemptions or modifications to regulations.
- **Limitations:** contestation of the taxation when the taxable cause is not clear; taxation burden can trigger the relocation of residents and firms, consequently reducing property values in the area; many competing causes for taxation, etc.

BUILDING THE GAMES



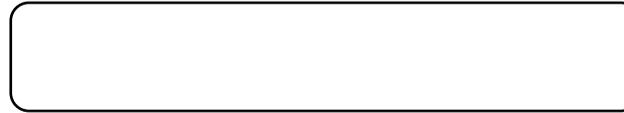
PAYING THE GAMES



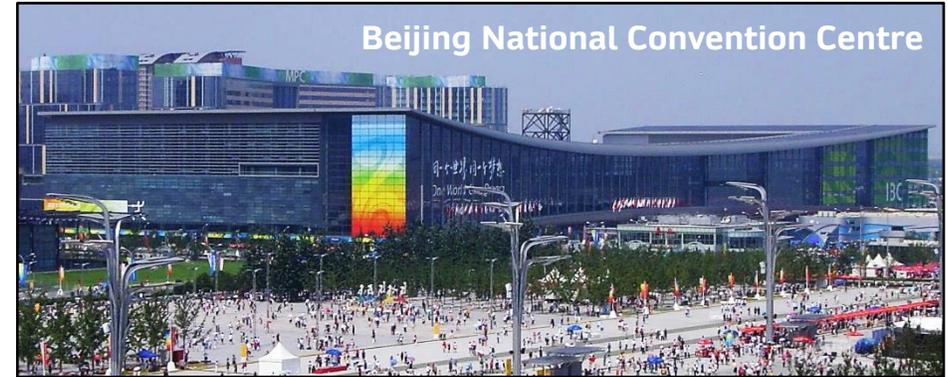
LEVERAGING THE GAMES



¿i Value Capture !?



3. Building the Games | Propaganda, displacement and “legacies for all”



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Beijing Olympic Green and Forest Park



Favela in Rio de Janeiro



Edifício Hilton Santos, Rio de Janeiro



2020



2001



no matter where
in stratford we
looked there was
road works, Buildings
and Shopping Centres
having maintance.



♥ A shelter seating area in
the local park.
Doesn't look very appealing
Does it??



A COMPLETE WAST OF SPACE
I think the borough should focus
more on its surroundings + using
space more productively where
children + young people can get
something out of it!

Kennelly & Watt (2012) Seeing Olympic effects through the eyes of marginally housed youth: changing places and the gentrification of East London. *Visual Studies*, 27(2), 151-160.

BUILDING THE GAMES

Requirements

High-quality infrastructures, facilities and public spaces

Goals

Economic development through city-branding

Methods

Urban regeneration, "Olympic urbanism" and "starchitecture"



Side-effects

Displacement, gentrification, reduced housing affordability, unequal distribution of benefits



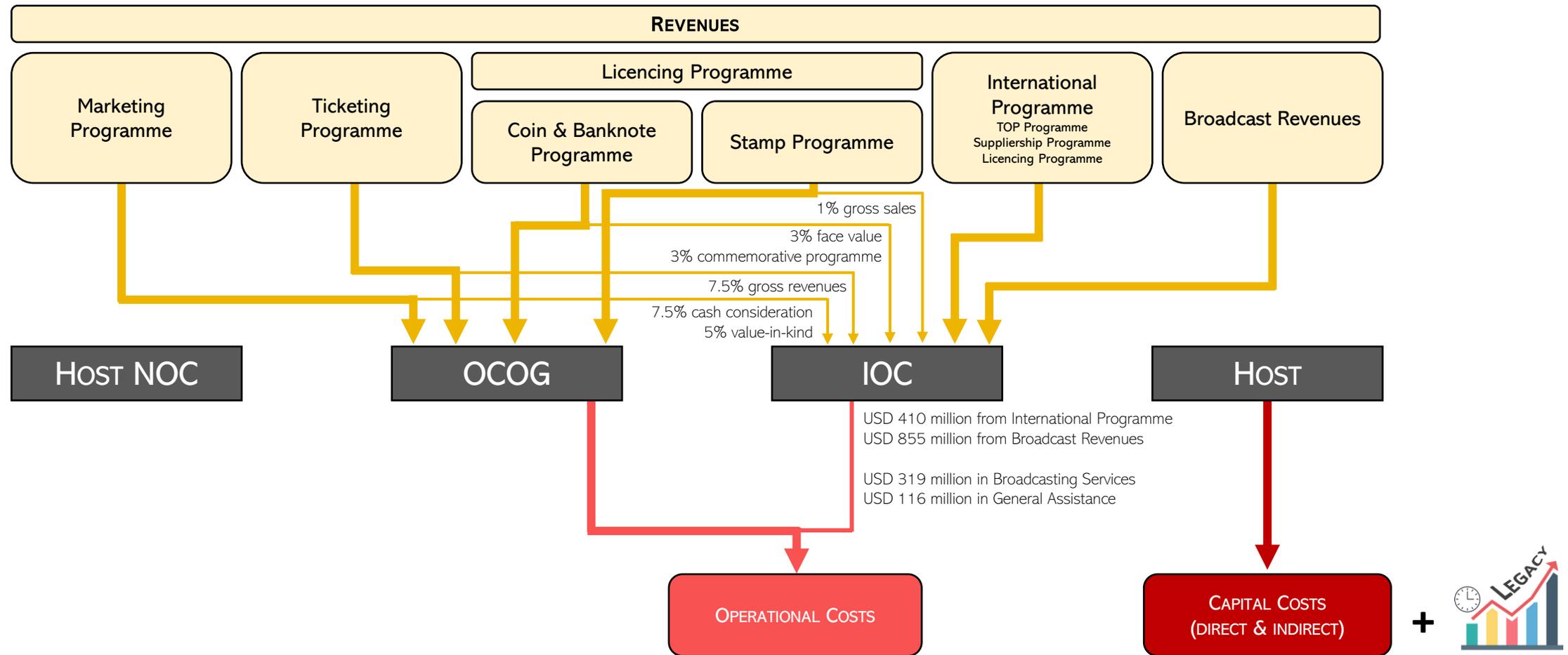
Mitigation

Affordable Housing

¿ Value Capture !?

PAYING THE GAMES

3. Paying the Games | Costs, partnerships and the dilemmas of a flawed model

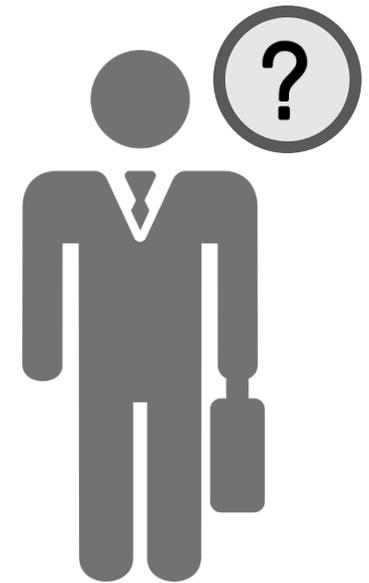


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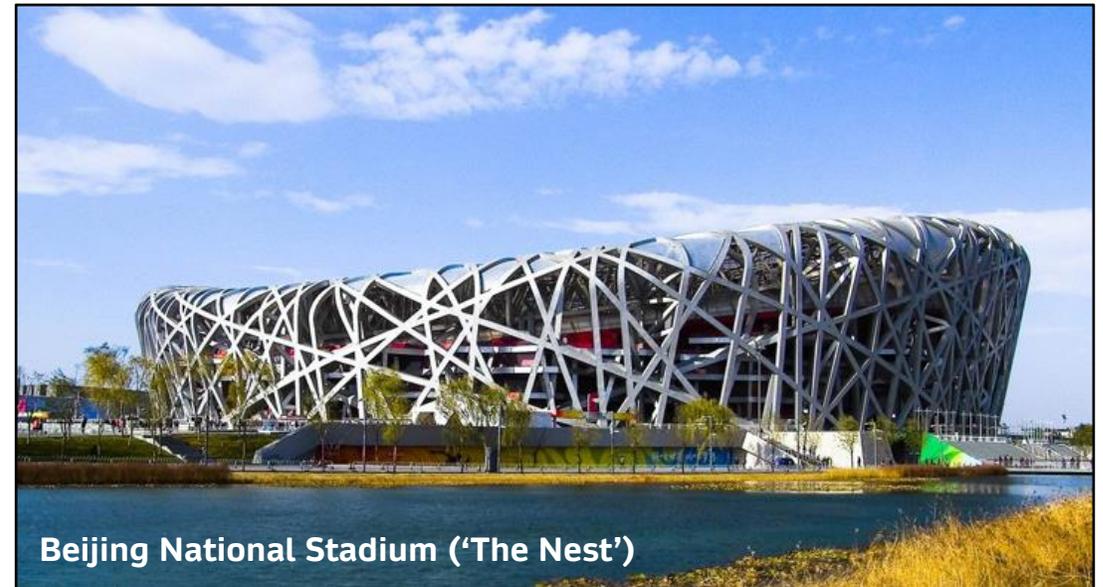
IOC. (2017). *Host City Contract – Principles: Games of the XXXIII Olympiad in 2024*. Contract between the IOC, the City of Paris, and the Comité National Olympique et Sportif Français. Lima.

3. Paying the Games | Costs, partnerships and the dilemmas of a flawed model

THE OLYMPIC PARTNER PROGRAMME



3. Paying the Games | Costs, partnerships and the dilemmas of a flawed model



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THE OLYMPIC PARTNER PROGRAMME



COMPETING



BROADCASTING



ACCOMMODATING



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Mitigation

Affordable Housing

HOUSING FACILITIES

Mitigation

Housing Market



¿ Value Capture !?

PAYING THE GAMES

Financial Model

Direct and indirect capital costs for the public sector

Private Investment

Reduced interest except for housing facilities

Contract Constraints

Strict schedules, "nondivisibility", sponsor exclusivity



Risk

Public sector (host) responsible for guaranteeing delivery and viability

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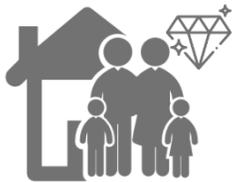
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5. Leveraging the Games | Housing market, affordable housing and paradoxical opportunities



- **Property Values:** Sports, and especially the Olympics, strongly disturb property market values:
 - Stadiums, arenas and sports franchises have no consistent, positive impact on jobs, income, and tax revenues (Coates and Humphreys, 2008; Long, 2013) but that is not the same as claiming that they provide zero net economic benefits (Matheson, 2019);
 - New sports facilities and moving in teams change the mix of services and property values and increase local welfare (Humphreys and Zhou, 2015);
 - When important teams move into new cities, property values increase (Carlino and Coulson, 2004);
 - When important teams move out from cities, property values increase (Humphreys and Nowak, 2017);
 - Announcements of new stadium construction, even if unconfirmed, disturb market values (Dehring, Depken and Ward, 2007; Tu, 2005);
 - London 2012 – The announcement of the Games, in 2005, generated an increase of £1.4 billion on average prices of properties up to nine miles away from the future Olympic Park, representing approximately 15% of the Games budget (Kavetsos, 2012);
 - London 2012 – Speculation from 1995 to 2006, a period that includes the bid preparations (1997-2003) (Hamnett, 2009; Kavestos, 2012; Watt, 2013);
 - Athens 2004 – In the five years before the Games, inflation was noticed in small buffer areas in Olympic sites (Zentelis and Labropoulos, 2004);
 - Sydney 2000 – Since 1995, the Games triggered rising residential land values in several suburbs, especially near the Olympic village (Wu and Reed, 2006);
 - Barcelona 1992 – Inflation of 131% during the five years prior to the Games, widely differing from the 83% increase across the entire Spanish territory (Sadd, 2010);
 - Seoul 1988 – Land prices in rose 27% throughout the year leading to the Games (Greene, 2003);
 - Inflation tends to accentuate when the construction of the facilities is carried and completed (Davies, 2006);
 - Impacts of sports facilities felt up to three miles away from sports facilities (Tu, 2005; Feng and Humphreys, 2008; Ahlfeldt and Maenning, 2010; Propheter, 2019);
 - Rent inflations of 100 to 200% in London (Davis and Thornley, 2010) and more than 50% in Beijing (Shin and Li, 2013) nearby the respective Olympic Parks.

Who is willing to pay?



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Housing Market
High speculation of property values

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5. Leveraging the Games | Housing market, affordable housing and paradoxical opportunities

Athens 2004



5. Leveraging the Games | Housing market, affordable housing and paradoxical opportunities

Vancouver 2010



5. Leveraging the Games | Housing market, affordable housing and paradoxical opportunities

London 2012



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THE GAMES

Affordable Housing

Difficulties in implementation models



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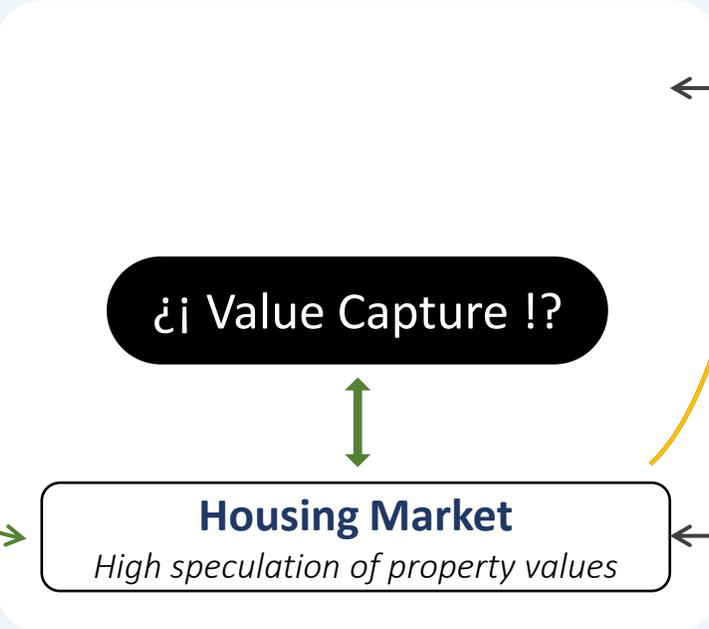
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6. Valuing the Games | A controversial pathway for future application of value capture in Olympic contexts

Why?

The Games trigger exceptional speculation of housing markets!!!

- **Goals:** they aim at triggering economic development and, for that reason, resort to expensive solutions, with ostentatious visions that are exceptionally prone to attract private capital and, at the same time, exceptionally unqualified for social sustainability. Furthermore, social mix directly affects the availability and value of other properties.
- **Targets:** higher social classes and residents close to sports facilities see value in such kind of projects – great opportunity to leverage value capture in the long-term. Contrastingly, low-income populations cannot be charged in the same way and, as experience shows, might even struggle to cover maintenance costs of such quality developments.
- **Model:** in “common” projects, interest lies mostly on the private side and developers take the risks. Public tenders work in favour of the public sector to negotiate terms and extract value. In Olympic contexts, the more public tenders are leveraged, the higher the public risk, because the project becomes less viable for the private sector and if anything goes wrong, the public sector still needs to guarantee the delivery in time for the Games.

6. Valuing the Games | A controversial pathway for future application of value capture in Olympic contexts

Advantages

- **Cost-efficiency:** instead of reducing the economic potential of the Olympics to mitigate its negative social impacts, hosts can take full advantage of it to address such side-effects in more cost-effective ways.
- **Design-efficiency:** higher social classes and residents close to sports facilities see value in such kind of projects – great opportunity to leverage value capture in the long-term. Contrastingly, low-income populations cannot be charged in the same way and, as experience shows, might even struggle to cover maintenance costs of such quality developments.
- **Model-efficiency:** not subject to the constraints imposed by the Olympic Games financial model; a “common” situation for which efficient solutions might already be known and tested.

Disadvantages

- **Model limitations:** hosts will always be subject to the constraints imposed by the Games' model, meaning that their power to stimulate private-sector competition will still be limited, jeopardizing the exceptional potential of value capture in Olympic contexts potentially compromising the delivery of affordable housing, especially if off-site.
- **Value limitations:** even if the potential of value capture is exceptionally high in Olympic contexts, there is a limit of taxation vs. willingness to pay which will certainly not be enough to compensate even the direct social impacts of the event. Furthermore, due to legal frameworks, solutions might not be extrapolated from host cities to host cities.
- **Social Polarization:** promotion of gentrification (with snow-ball effects). Marginalization in off-site affordable housing units if not properly addressed. Displaced people will always be affected no matter the solution.

6. Valuing the Games | A controversial pathway for future application of value capture in Olympic contexts

Towards fairer Games:

How to guarantee an efficient exploitation of property market values through value capture mechanisms and use it to deliver socially fairer Games?

Bear in mind the peculiarities of the Olympic Games, both those that enable progress as well as those that hinder it.

- **Reasonable Balance:** benefits of the Games vs. negative side-effects, and the realistic potential of value capture.
- **Olympic Context:** frame common strengths and weaknesses of value capture in the context of the Games to see how the characteristics of the Games can boost benefits and reduce limitations.
- **Tackle the Problem:** acknowledge that displacement will always occur and find ways to directly earmark benefits of the Games/value capture to the mitigation of the Games negative effects.
- **Olympic Brand:** adapt the Olympic financial model? How to do so without compromising the interests of stakeholders? Is it possible that, without being directly related to the Olympics, this affordable housing off-site can benefit of the power of the Olympic brand?

6. Valuing the Games | A controversial pathway for future application of value capture in Olympic contexts

Olympic regeneration vs. social justice

is a game that will continue to have **winners** and **losers**.

To make it a **fairer** game, **value capture** can act as a referee

OLYMPIC REGENERATION VS. SOCIAL (IN)JUSTICE: VALUE CAPTURE AS A REFEREE

THANK YOU

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