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"E.T. Joshua conversion, a gold mine for SVG"

There are several positive consequences of the decision to build an international airport at Argyle. But perhaps one of the most important, and clearly one of the least noticed, is the opportunity created for converting Arnos Vale into a new and well developed commercial centre.

In his speech on August 8th 2005, Prime Minister, Hon. Dr. Ralph Gonsalves announced his government's intention to convert the 62 acres of land at E.T Joshua Airport at Arnos Vale into a new city after the Argyle International Airport (AIA) is completed in 2011 and airport operations are transferred from Arnos Vale to Argyle.

In this article, I discuss my own views—not government's policy—of some of the benefits that could accrue to our country as a consequence of the decision to build the airport at Argyle with the result that lands at E.T Joshua Airport at Arnos Vale are freed up for other commercial activities.

The first obvious point is that any decision that creates space for commercial activity and an expansion of Kingstown is a good one, as most persons have observed Kingstown has reached or is reaching its limit in terms of land space for new buildings.

Logically, therefore, unsatisfied demand for commercial space in Kingstown would be met at Arnos Vale. The 62 acres of flat lands at Arnos Vale, being only 5 minutes drive from Kingstown, is undoubtedly an ideal site for an expansion of our increasingly overcrowded city.

But the conversion of Arnos Vale is more than just an opportunity to extend Kingstown. It is also a potential gold mine for the government and an oasis for the country.

Let us figure it out together. A recent valuation of the 62 acres of land at E.T. Joshua Airport places a value of EC$265 million on the land alone. This works out at about EC$100 per square foot (psf) for partially developed lands. By comparison, developed lands in Kingstown are being sold for EC$550 psf. The differential in price is huge: EC$450 psf.

However, with a well conceived development plan for Arnos Vale, it may well turn out that by 2011, business activity in St. Vincent stimulate demand for commercial space, such that it pushes the land price in Arnos Vale City close to the existing price in Kingstown.

I believe strongly, that the demand for land in Arnos Vale would cause the price of land there to rise above that of Kingstown. I hold this view because our current knowledge of city planning affords us a new opportunity to pursue a more orderly development of Arnos Vale as a city than we were able to achieve in Kingstown. Arnos Vale could therefore well emerge a far more attractive city for businesses of all sorts than Kingstown is today.

I am not arguing here for a diminution of property value in Kingstown. All I am stating is what I believe would become a reality: that in starting with a blank slate to develop Arnos Vale, that commercial centre could be far more attractive to businesses than Kingstown is.

Assuming this to be the case, and assuming that with additional commercial land at Arnos Vale, land prices remain in check or decrease somewhat to EC$500 psf by 2011, it means that the 62 acres of developed and saleable government lands at Arnos Vale might be valued at EC$1.1 Billion. The cost of infrastructure at Arnos Vale, a new access road to Kingstown, drainage, electrical, water and sewer systems, would of course, be substantial. Even so, one might still expect the government to have a net asset value in excess of EC$800 Million.

Arnos Vale lands therefore represent a significant potential revenue stream for the government. The way government pursues the development of this land would determine the extent to which the country benefits from its availability.

One idea that has surfaced from time to time is to pre-sell Arnos Vale to raise funds for AIA. It is natural to consider selling the existing airport site to raise funds for a new airport if the country intends to have only one airport in operation. Understandably, in constructing a financing package for AIA, the sale of Arnos Vale would arise. However, when there are other financing options for AIA, one should attempt to maximise the benefit from Arnos Vale.

To pre-sell Arnos Vale is to borrow against the future sale of the land. Buyers/lenders would demand a suitable rate of interest on their funds, as the lands would not be made available to them until 2011. Sadly, though, for the government and people, the lands would have to be transferred at prices negotiated today. This means that the expected appreciation in value in land by 2011 that I discussed above would accrue not to the government, but rather to the buyers/lenders. This appreciation would be in addition to whatever interest is paid on the funds advanced, whether this is paid in cash or capitalised in the value of lands to be transferred.

In these circumstances, pre-selling Arnos Vale would be tantamount to selling the goose that **will** lay golden eggs! It should be the very last resort in financing AIA. Considering the potential appreciation in value to the government of pursuing a planned development of the area, there will always be far cheaper sources of financing available for the AIA, if that need ever arises.