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Innovative methods and practices in a changing Europe

Edited by:
Maurizio Tira, Erwin van der Krabben and Bruno Zanon

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Choosing the right land management strategy: innovations in land management tools

Erwin van der Krabben and Jean-Marie Halleux

1 Introduction

Section three of the book deals with land management tools that are used in urban (re)development projects in European countries. The contributions in this section discuss, among other things, the usefulness and effectiveness of those instruments, legal and financial aspects and many practical issues with respect to the actual implementation of land management strategies based on these tools.

Land use planning, despite wide contextual variations, can usually be related to three intervention levels: strategic planning, regulatory planning, and operational planning; the latter to be divided in passive and pro-active operational planning. Strategic planning aims to elaborate political intentions and precise public authorities' ambitions for land uses (from local to national or even supra-national public authorities – e.g. European). Typical examples of those ambitions are a parsimonious use of greenfield land, a high spatial quality for city centres or the availability of (cheap) land for industrial developments. Next to the strategic level, the land-regulation level basically defines the extent to which individual land and property owners must accept limitations of their rights, in order to achieve certain collectively desired land uses. Building regulations, zoning plans or expropriation laws are examples of regulatory planning instruments. The issue of regulation is at the heart of planning questions in market economies: how to define the right balance between legitimate private interests and legitimate public intentions. In addition to strategic and regulatory planning, land use planning also involves different ways of operational planning. Operational planning concerns the government strategies that are used to implement certain developments, like a residential or industrial development or a greenfield or brownfield development. In the context of this book, operational planning is considered to be similar to land management. With regard to operational planning, we distinguish both a passive and a pro-active form. Passive operational planning concerns the link between regulatory tools and the granting of development permission. By contrast, local – but sometimes also regional and national – authorities may decide that the combination of regulatory and passive operational planning is not effective and cannot bring the land use they seek. In that case, they may decide to take a more active approach to achieve certain policy goals. Pro-active planning may involve public land development, but also public private partnerships or financial incentives to foster desired investments.

Section three of the book deals with the third level of land use planning: operational planning or land management. In line with the perspectives of this book, it will

concentrate on land management strategies for urban (re)development. In this introductory chapter we pay attention to the main objectives of operational planning or land management, we will discuss different models of land management strategies that are used all over Europe and, finally, we aim to provide an overview of how different land management strategies make use of different tools to achieve similar objectives.

2 Land management: main objectives

2.1 A context of increasingly complex urban redevelopment projects

In most European countries urban development increasingly takes place in existing urban areas. Many European cities have undergone enormous expansions in the period after World War II and increasingly face now the need to renew, revitalise and redevelop large parts of the existing urban area, including industrial brownfields, blighted inner city areas, post-war residential neighbourhoods, etcetera. This has led to an ever increasing number of infill, urban redevelopment and brownfield redevelopment projects. For instance, Adams et al. (2010) have calculated for England and Scotland that between 2000 and 2008 around 65% of all new residential developments took place on previously developed land. This type of projects is, however, not without problems.

First, usually relatively high development costs are involved with building in existing urban areas, due to for instance costs of cleaning contaminated land, demolishment costs and the need for new infrastructure and public transport investments.

Second, landownership constraints occur (Adams et al., 2001; Buitelaar et al., 2007; Van der Krabben & Needham, 2008), due to the often fragmented ownership structure in urban redevelopment areas and related hold out problems. Moreover, many urban redevelopment projects face huge costs of acquiring land and properties, because of relatively high present use values (quite often, still operating companies must be bought out) and hope values (existing land and property owners try to have their share of the development gains that occur).

Third, the present financial and economic crisis has brought many urban redevelopment projects, in many European cities, to a standstill. Although we cannot predict the future, it must perhaps be feared that this may lead to a permanent shift in property development conditions. This is particularly the case for so-called shrinking cities, which can be found all over Europe. In some European urban regions planning for growth has turned into planning for decline.

Fourth, residential urban redevelopment projects usually include high-density apartment buildings, instead of the low-density suburban residential developments. Although cultural differences appear amongst European countries, it is highly uncertain whether people are willing to change their 'suburbian live' for high-

density urban neighbourhoods. With an uncertain demand, urban redevelopment projects become more risky.
Finally – and this is the underlying reason for some of the contributions in Section III of the book – land management tools, often originally intended to support greenfield developments, are not always as effective in case of urban redevelopment as they should be.

2.2 Objectives

In this context of increasingly complicated urban redevelopment projects, we should consider the main objectives of land management strategies (or policies), no matter whether they are meant to be 'passive' or 'pro-active' (table 1).
First, perhaps the most obvious objective for land management strategies is to make land available for intended (re)development projects in an efficient way. To achieve this objective local authorities have different tools to their disposal, including expropriation powers and pre-emption rights, but also the public development of land or different forms of landbanking. This also includes strategies to make land available for less profitable, but – from a society's point of view – desired land uses, like social or affordable housing, infrastructure and land for public services (schools, hospitals, libraries, etcetera). Different ways of inclusionary zoning instruments – the developer is obliged to reserve a part of the land for affordable housing – are often used for this kind of purposes.
Second, land management strategies usually involve a tool or mechanism to recover the costs of public works that are necessary for the development. Often, redevelopment projects require public investments in, for instance, infrastructure, public transport, new schools and other public services. Usually, at least part of these costs are paid for by the private developers involved (usually via some sort of developer contribution) or the future residents of that area (via local taxes). Also, urban land readjustment and public land development guarantee a certain level of cost recovery.
Third, and related to the cost recovery objective, an important – and usually a very much politically debated – issue for land management policies is the question of the unearned increment in land value. The (re)development of a certain location very often includes changing zoning rules and, in case of upzoning, related development gains. Those development gains, as a result of the increment in land value, can be considered as unearned for the owner, because it is solely the result of a government decision to change the land use. For this reason, the government might decide to capture (part of the) increment in land value (the issue of value capturing), for instance by taxing those land and property owners that benefit. Again, public land development also guarantees value capturing.
Finally, land management policy should also be about land market efficiency and transparency: how to increase efficiency and transparency of the urban land market, contributing to a better functioning land market (regarding for instance the issue of

landownership constraints [5]). Legislation for urban land readjustment may for instance be implemented to force the participation of uncooperative landowners. A good functioning land register is one of the basic conditions for land market transparency.

Table 1 - Main objectives of land management policy and supporting tools

Objectives	Land management tools
1. Availability of land for (re)development	Expropriation, pre-emption rights, inclusionary zoning regulation, landbanking, public land development
2. Cost recovery of public works necessary for the development	Developer contributions, local taxes, urban land readjustment, public land development
3. Value capturing of the unearned increment in land value	Impact fees, local taxes, public land development
4. Land market efficiency and transparency	Land register, legislation for urban land readjustment

3 Land management strategies

In general, three types of land management strategies can be distinguished (table 2): land management strategies that enable private initiatives for land development, land management strategies that facilitate ownership-based developments (urban land readjustment) and land management strategies that are based on public land development models.

Probably, land management strategies that enable the private development of land are most commonly used. The contributions by Nordahl & Falleth (Norway), Halleux et al. (Belgium) and Tira & Badiani (Italy) in this book are interesting examples of innovative strategies to stimulate private initiatives for land development related to urban restructuring and redevelopment and, at the same time, to ensure private contributions to public works that are necessary for the development. Other countries (not discussed in this book) also make use of strategies that are based on concession models in which planning powers are delegated to private developers (Hobma, 2009).

Many countries – in Europe and worldwide – make use of land management strategies that facilitate ownership-based developments, usually mentioned as urban land readjustment strategies. European countries in which this strategy is used include Germany, France, Finland, Spain and Switzerland. The contribution by Weber et al. in this book discusses the use of urban land readjustment in

[5] Landownership constraints are considered here as an example of a malfunctioning land market.

Switzerland, while Van der Krabben (also in this book) discusses the potential use and benefits of such a strategy in the Netherlands.
Much less used are land management strategies that make use of the public development of land. This strategy is based on an active role of municipalities on the land market: they buy land, make the land available for building on it and sell building plots to private developers or end users. Only in the Netherlands, Finland and France, municipalities still commonly make use of this strategy. The contributions by Dupont and Van der Krabben, respectively regarding France and the Netherlands, discuss the pros and cons of this development model. Figure 1 and 2 show the differences between a public land development model and a land development model based on private initiative.

Table 2 - Land management strategies and examples of country specific applications

Land management strategies	**Examples of country specific applications**
Private initiatives	• Conditional development approvals (UK model); • Masterplanning combined with pointing out development opportunities (US model); • Market based area development model (Norway; see contribution by Nordahl & Falleth in this book); • Urban remembrement (Belgium; see contribution by Halleux et al. in this book) • Private contributions for urban transformation (see contribution by Tira & Badiani in this book); • Concessions and delegated planning powers.
Urban land readjustment	• Bauland Umlegung (Germany); • Valencia planning model (Spain); • Rakennusmaan jänjestely (Finland); • AFU de remembrement (France); • Loi sur les améliorations foncières (LAF) (Switzerland; see contribution by Weber et al. in this book)
Public land development	• Landbanking (Etablissement Public Foncier in France; see contribution by Dupont in this book); • Active public land development (Finland; see contribution by Havel et al. in this book; Netherlands; see contribution by Van der Krabben in this book)

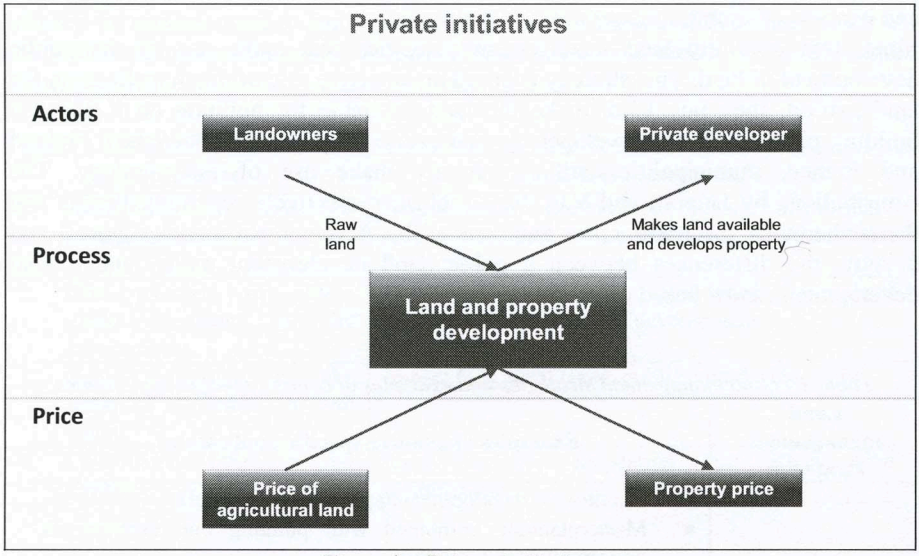

Figure1 - Private initiatives

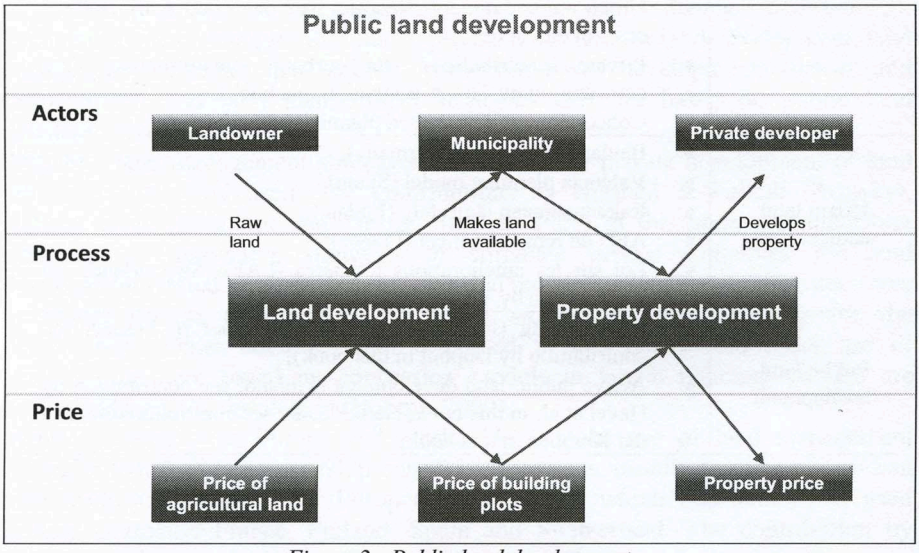

Figure 2 - Public land development

4 Choosing the right land management strategy

How to choose the right land management strategy? The increased efforts in many European countries to deal with very challenging urban regeneration and redevelopment projects has revived debates with respect to this question, both amongst planning experts and local, regional and national politicians. Not aiming to provide the answer to this question, we can nevertheless identify the criteria that should play a role in choosing the right development model. Those criteria are closely connected to the main objectives of land management strategies that were mentioned above and include planning and social criteria (table 3), financial criteria (table 4) and market efficiency criteria (table 5).

First, land management strategies should meet with both planning goals and social goals. Probably, the best way to guarantee the implementation of planning goals is to make use of public land development, which enables pro-active planning. Land management strategies that promote private initiatives or ownership-based initiatives can of course prohibit undesired developments (by holding back planning permission), but depend on the initiatives by private developers and owners to submit plans that meet the planning goals. All three land management strategies allow, in principle, the implementation of social goals, like social housing development. Social goals can be negotiated when planning permission is granted (private initiatives; urban land readjustment) or when building plots are sold (public land development). Also legal tools can be and are used, based on inclusionary zoning principles.

Table 3 - Choosing the right land management strategy: planning and social criteria

	Planning goals	**Social goals**
Private initiatives	• Passive planning: developments can be prohibited, but not initiated	• Negotiated when planning permission is granted • Legal tool: inclusionary zoning
Urban land readjustment	• Passive planning: development can be prohibited, but not initiated	• Negotiated when planning permission is granted
Public land development	• Enables pro-active planning	• Negotiated when building plots are sold

Second, as we discussed above, one of the aims of land management strategies is to make sure the cost recovery of investments in public works and, depending on political debates, to capture (part of) the unearned increment in land value. While the extent to which value capturing takes place usually depends on the outcome of political debates, it seems that cost recovery more often – particularly regarding land

management strategies that promote private initiatives and urban land readjustment - depends on the capacity of local authorities to negotiate developer contributions with the private sector. Public land development, however, usually guarantees full cost recovery by the sale of building plots (depending on the balance between the costs of public works and the market value of the building plots).

Table 4 - Choosing the right land management strategy: financial criteria

	Cost recovery	Value capturing
Private initiatives	• Negotiated between municipality and private developer	• Planning gain shared by landowners and private developer • Local property value taxes
Urban land readjustment	• Negotiated between municipality and landowners	• Remains with existing landowners • Local property value taxes
Public land development	• Sale of building plots guarantees full cost recovery (but not when plots remain unsold!)	• Planning gain shared by municipality, landowners and private developer • Local property value taxes

Finally, land management strategies should contribute to a better functioning land market. This includes, among other things, the availability of land on the right place, at the right time and a transparent land market (land prices should reflect the demand supply ratio). Public land development usually gives the best guarantee to the private sector to be able to acquire building land on the right place and at the right time. However, the consequence of this is that municipalities must have land in stock and must bear the financial risks of this strategy. Land availability in urban land readjustment models depends on the willingness of the land and property owners to participate. Many urban land readjustment models additionally make use of legal instruments to force the remaining unwilling owners to participate (if the majority of the owners has agreed to participate). Land management strategies that promote private initiatives usually provide the lowest degree of certainty regarding land availability. However, in all development models, the local authorities can make use of their expropriation powers – the extent to which they can be used differs by country – to guarantee the availability of land.

Regarding the transparency of the land market, one can argue that land management strategies stimulating private initiatives and public land development does not contribute to a transparent land market. Both private and public developers that want to acquire land and properties from different owners in a redevelopment area do not

benefit from a transparent land market, since they must negotiate with all individual owners separately. Depending on the size of the urban redevelopment project and the number of owners involved, acquisition of land and properties may sometimes take several years. On the contrary, urban land readjustment usually guarantees full transparency, when the land and properties that are part of the land readjustment project are all 'brought in' at the same time.

Table 5 - Choosing the right land management strategy: land market efficiency

	Land availability	**Land market transparency**
Private initiatives	• No guarantee of land availability • May be supported by the municipality's expropriation powers	• Private developer does not strive for transparency
Urban land readjustment	• Depends on legislation	• Full transparency
Public land development	• Guarantees availability of building land • Supported by the municipality's expropriation powers • Financial risks for municipality	• Municipality does not strive for transparency

The discussion of those criteria that should be met in land management strategies demonstrates – though not at length discussed here – that the different land management strategies, technically, are all able to match up to those criteria. However, the extent to which the criteria are actually met depend very much on both the (legal) tools that municipalities have to their disposal and the capacity of the public administration to impose additional demands and constraints to private sector initiatives.

5 Conclusions

Section 3 discusses land management strategies and instruments in an 'instrumentalist way'. Although political debates often underlie the choice for certain policy instruments (i.e. value capturing or inclusionary zoning), section 3 does not particularly pay attention to these political debates (which are, however, to a certain extent discussed in section 2). Contrarily, section 3 aims to show the wide variety of land management strategies and instruments that are used all over Europe. The contributions demonstrate both the effectiveness of strategies and instruments, but also indicate potential bottlenecks and weaknesses of some instruments. At the

same time, we see that the increased attention for urban regeneration and redevelopment has initiated a search for innovative and effective land policy instruments. Most of the current land management strategies involve a certain kind of public private partnership. Sometimes, new legal tools, to strengthen the effectiveness of land management strategies, are introduced as well. Perhaps surprisingly, in some countries available land policy strategies and instruments are not always used, while other countries do seem to make effective use of the same instruments (like urban land readjustment and public land development).
Though institutional obstacles often prevent the straightforward introduction of new policy instruments, the contributions in section 3 nevertheless show that the new challenges of urban regeneration and redevelopment have brought forward a clear eagerness in many countries to explore new strategies and instruments.

6 References

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