

Urban transformation and the need for smart land management strategies

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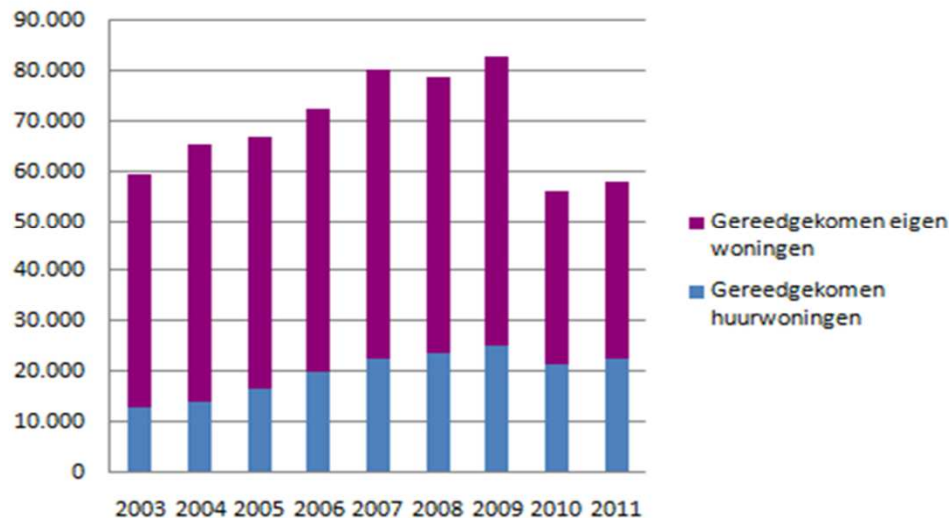
The future of European cities

- Urban development, all over the world, increasingly takes place in existing urban areas:
 - Infills
 - Urban redevelopment
 - Brownfields
- Those projects are complex by nature
- Economic downturn: many projects have come to a standstill
- Shrinking cities

Problems with urban development in the Netherlands

- Economic recession continues to hit land and property markets
- Strong reduction in housing completions
- High vacancy rates in commercial real estate
- Housing associations in financial turmoil
- Etcetera

Grafiek 1: Gereedgekomen woningen naar eigendom 2003-2011
(Bron: CBS Statline)

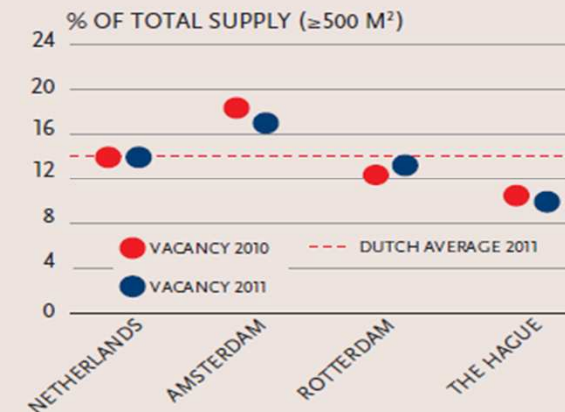


VACANCY RATE EUROPE

	Q4 2011	Q4 2010
Paris	7.6	7.5
Moscow	11.0	17.0
London	6.6	7.5
Frankfurt	13.2	13.3
Madrid	13.4	12.9
Brussels	11.2	11.5
Amsterdam	18.0	19.8
Rome	6.2	5.8
Luxembourg	6.0	7.2
Stockholm	9.5	11.5

SOURCE: BNP PARIBAS REAL ESTATE RESEARCH

VACANCY DUTCH CITIES



SOURCE: DTZ ZADELHOFF

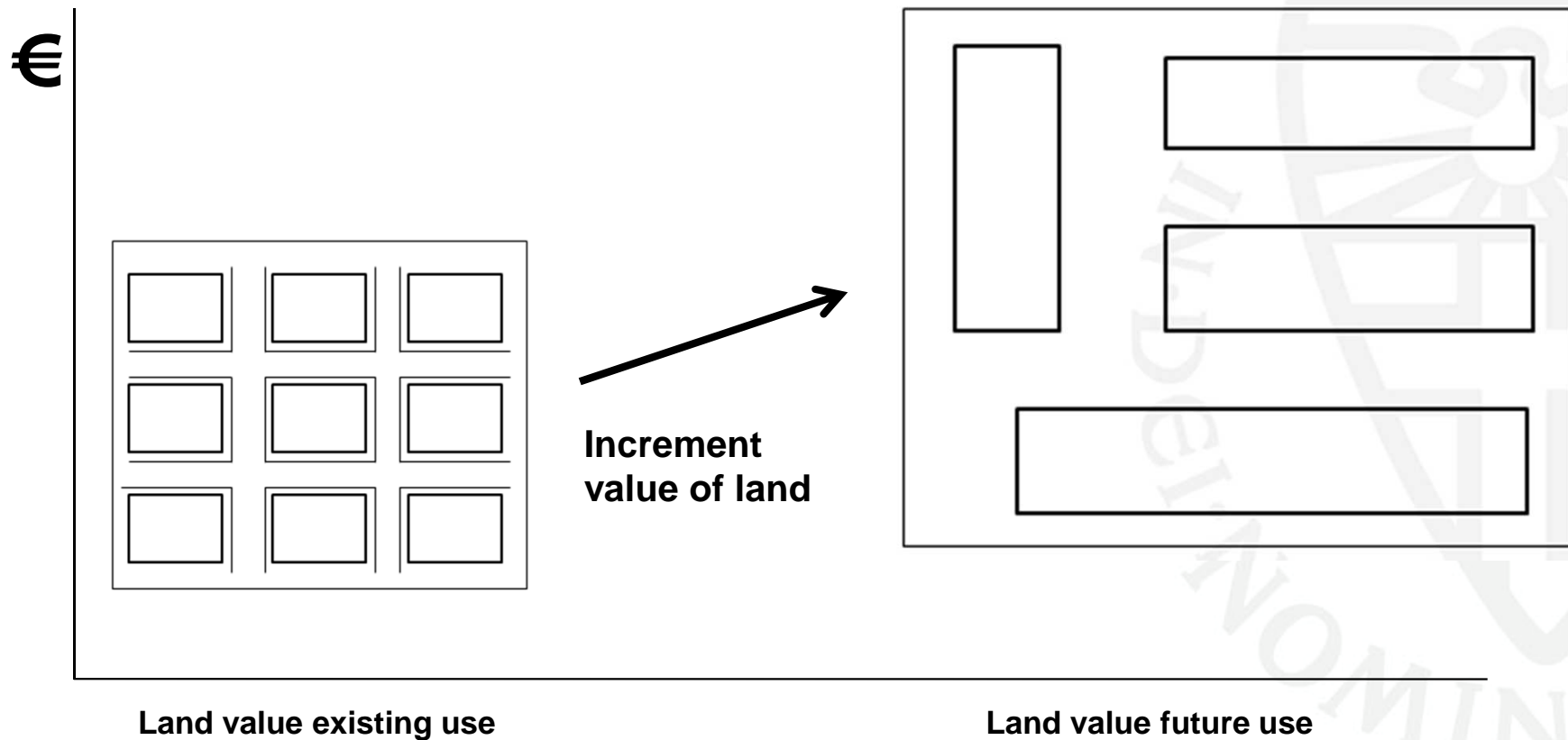
Smart land management strategies?

- Many European cities: greenfield and brownfield / urban transformation projects face serious delays
- How to stimulate the private sector to invest again in land and property development?
- Context
 - Economic: uncertain
 - Demographic: less demand
 - Planning: oversupply of land allocated for new development

Land policy: objectives

- Make land available for (re)development (in an efficient way)
- Cost recovery of public works necessary for development
- Capturing the unearned increment in land value
- Political and spatial ambitions:
 - Affordable housing
 - Sustainable development, etc.
- Land market transparency

Financial model for land and property development: capturing the increment value of land



Land management objectives: 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

Land management strategies

- Public-private / private initiatives
 - Private initiatives and conditional development approvals
 - Masterplans pointing out development opportunities
 - Concessions and delegated planning powers
- Ownership-based strategies
 - Urban land readjustment
 - 'Bauland Umlegung'
 - Valencia planning model
- Public land development
 - Landbanking
 - Active public involvement in the land development process

Land management strategies: country specific applications

Land management strategies	Examples of country specific applications
Public private initiatives	<ul style="list-style-type: none">• Conditional development approvals (UK model);• Masterplanning combined with pointing out development opportunities (US model);• Market based area development model (Norway);• Urban remembrement (Belgium)• Private contributions for urban transformation (Italy);• Concessions and delegated planning powers.
Urban land readjustment	<ul style="list-style-type: none">• Bauland Umlegung (Germany);• Valencia planning model (Spain);• Rakennusmaan jänjestely (Finland);• AFU de remembrement (France);• Loi sur les améliorations foncières (LAF) (Switzerland)
Public land development	<ul style="list-style-type: none">• Landbanking (Etablissement Public Foncier in France);• Active public land development (Finland; Netherlands)

The “Dutch solution”: public land development

- Municipality buys all the land to be developed
- No monopoly powers for municipalities
- Land will be serviced
- Readjustment of parcels into forms suitable for desired development
- Municipality sells all the parcels to private developers and / or end users at full development value
- Net income from buying and selling can be used for cost recovery

Public land development

Actors

Landowner

Municipality

Private developer

Raw
land

Makes land
available

Develops
property

Process

Land development

Property development

Price

Price of
agricultural land

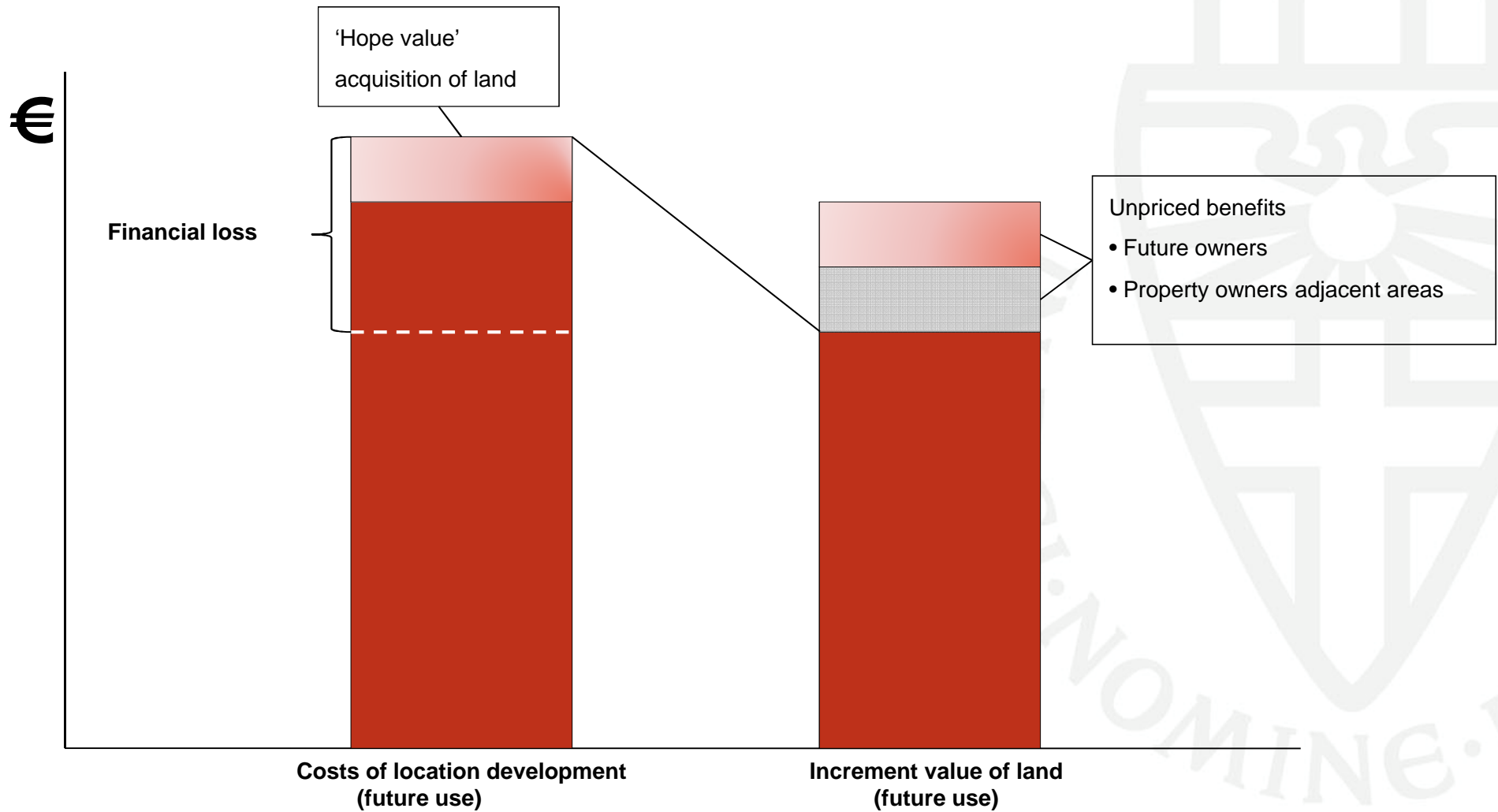
Price of building
plots

Property price

Problems of public land development in urban transformation projects

1. Value of existing properties brought into the redevelopment
2. Properties not included in financial accounting, but nevertheless benefit financially
3. Duration of the project: long time to acquire all properties
4. Financial risks for the municipality
5. Legal powers for expropriation, but limitations to use
6. Inflexibility of the development model (large-scale integrated developments; land acquisition early stage of development)

Increment value of land: system 'leaks'



Innovations in land management strategies

- Reduction of 'hope values' that go to the original landowners
 - Acquisition of land and properties in early stage of development process
 - Increase expropriation powers (expropriation based on existing use value)
- 'Internalize' unpriced benefits to property owners
 - Negotiate voluntary contribution
 - Introduce obligatory system of impact fees
 - Local taxes
- Alternative development strategies
 - Ownership-based strategies
 - Urban land readjustment
 - Owners as share holders in area development company
- Alternative financial strategies
 - Attract the financial sector to invest in urban transformation
 - The 'American model': allow cities a larger autonomy in taxing land and property owners