

## LAND READJUSTMENT: TOOLS FOR URBAN REGENERATION

workshop, Gwangon Republic of Korea, 12-16 Dec 2016

dr Barrie Needham

Some general issues

The topics that I want to present and discuss are:

- a) some general issues which are central to both land readjustment and urban regeneration
- b) land readjustment as a way of assembling separate land ownerships in order to be able to (re)develop land in an integrated way
- c) the experiences in four countries with land readjustment – The Netherlands, Germany, Israel, Japan - described and analysed using the framework of the general issues

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## 1. The city as the locus of intense external effects

Consequence: there is a difference between the results achieved by individual decision makers acting alone and those achieved by co-ordinated actions;

How is that coordination to be achieved? By the market? By public planning?

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## 2. Integrated urban (re)development

Making sure that the desired interactions work well requires that (re)development decisions take account of a scale greater than single building plots; and usually at a scale greater than individual land ownerships

Can that be achieved by 'the market'? or by passive land-use planning?

If not, dispersed landownerships hinder integrated development;

- land assembly is needed;
- or accept un-integrated development!

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### 3. Co-ordinated actions, by the market or by planning?

By the market:

- markets are always structured by laws and institutions, precisely so that co-ordination by the market has results which are socially acceptable;
- and governments can never exclude the market entirely;

So co-ordination by 'planning' is always in addition to co-ordination by 'the market';

- 'the market' versus 'planning' is a false dichotomy;
- better, a combination with carefully designed rules under both private and public law.

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## 4. The transaction costs of (re)development

The importance of transaction costs. Very high in urban development;

The Coase theorem: if transaction costs were zero, the outcome of people bargaining among themselves would not be affected by the initial delimitation of legal rights. And would moreover maximise total wealth;

- practical implications.

Limitations of the Coase theorem;

- existing distribution of wealth is reproduced;

- people have unequal bargaining strength;

- the sequence in which agreements are made is important (e.g. hold-outs).

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## 5. Distributional effects

Analysing in terms of 'the public welfare', 'economic efficiency', cost-benefit analysis, etc. often ignores the distributional effects;

Do those who benefit really need to benefit? And can those who lose afford to lose?

The possibilities of deliberately redistributing from the rich to the poor;  
e.g. by urban planning

Economic welfare  
= 100 units

5% growth



Economic welfare  
= 105 units

Existing distribution of welfare

80% of the  
population  
has 60 units

20% of the  
population  
has 40 units

+0%

+5%

+8.5%

+12.5%

+5%

+0%

New distribution of welfare

*either*

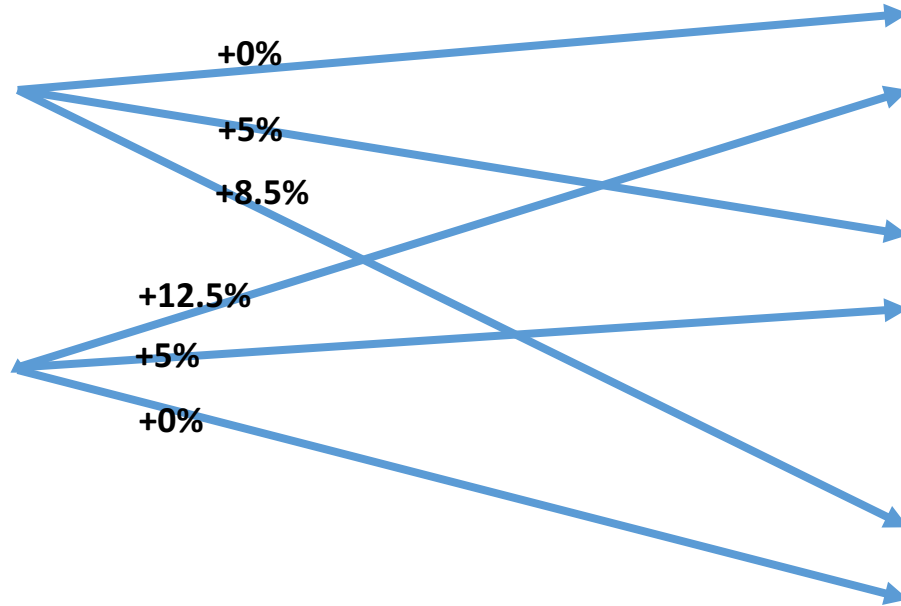
80% of the population has 60 units  
20% has 45 units

*or*

80% of the population has 63 units  
20% has 43 units

*or*

80% of the population has 65 units  
20% has 40 units



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## 6. Rights in land and buildings

- a right to use something (e.g. land and buildings) in a particular way;
- full rights and partial rights;
- can be held, exercised and enforced by both *private* and *public* legal persons;
- protection *against* actions of others, both private and public legal persons;
- limitations imposed on the exercise of property rights, imposed by both private and public law;
- not only freehold rights in land which are important for urban development;
- consequences for (re)development;
- who has the right to determine how land and buildings are to be used? Whether to change that use? In what ways? Attaching limitations to the exercise of those rights?



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### 7. The value of property rights

- the value of full rights and of partial rights;
- not all rights can transferred c.q. sold. Nevertheless they can still have a value;
- how the value arises;
  - : the net value of the services produced by the exercise of that right;
  - : or speculative value;
- financial consequences for (re)development;
- important to know how (re)development might affect values.

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## 8. Paying for the costs

- such as decontamination, new roads, sewers, flood protection, parks, process costs. Who pays for them in the first case?
- who benefits from those costs? And can those winners be required to contribute towards them?
- when it is a public agency which has made the costs, recovery might be possible by:
  - : public land ownership;
  - : long building leases on public land;
  - : development levy c.q. compulsory dedications;
  - : negotiated dedications, planning gain agreements, 'negotiating in the shadow of the law';
  - : property taxation;
- is there payment (compensation) to those who lose? Who pays that? The winners?

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## 9. Drawing the boundaries ('scoping')

- within what geographical area are the external effects of a (re)development considered?
- if drawn to include all external effects, plan area can be huge. No 'comprehensive planning';
- there might be legal ways of recovering outside the development area costs of made within the area

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## 10. Uncertainty and risks

- (re)development takes a long time and is usually risky because of uncertainties;
- who bears the risks?
- how can that be regulated;
  - : ex ante legal agreements;
  - : ex post corrective payments.

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## 11. Institutional capacity

- public agencies with a long collective memory, and with qualified and experienced civil servants.