

# How to make enabling regulations to increase land supply

## Land-use Regulations for inclusionary housing and the realization of the SDG11.1

### **Why do we care about land use regulation when talking about inclusion?**

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# Why LUR matters?

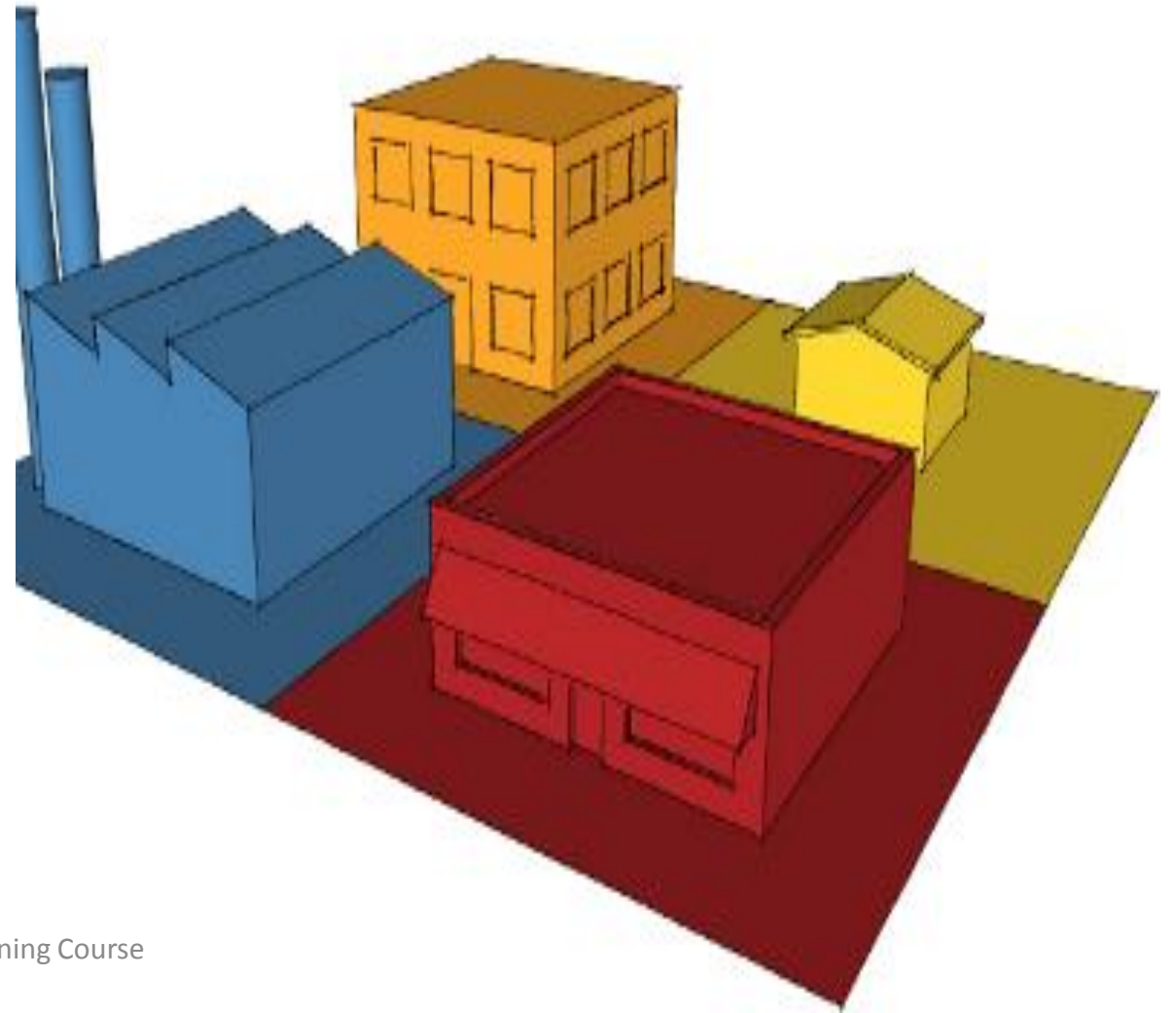
- **Land use determine the alternative pattern of serviced land and housing occupation in cities.**
  - Planning has not usually paid attention to the impact of LUR, on land prices, housing affordability and, social/spatial exclusion.
  - We need to understand the **direct** but also the **unintended outcomes** of LUR

# The presentation in one slide

1. Some stylized facts about Land use regulation (and unintended effects)
2. Common mistakes of social housing finance programs and inappropriate supply of land
3. Urban Policy Tools to improve affordability and inclusion

# What accounts for the **increasing segregation** of high- and low income households?

- Local land use regulations play an important role
  - Zoning enacted to correct for **negative externalities**
  - Separate **incompatible** land uses
- Positive welfare effects? Not always!
- **Not always enacted to be welfare enhancing**



# The *unintended effects* of (inappropriate) land use environments

## **2. Reduces Affordability:**

- Restricted supply increased land and housing prices

## **3. Drives Informality:**

- Due to minimum consumption (MSP)

## **3. Exclusion:**

- Through land use regulation (banning social housing)

# The *unintended effects* of (inappropriate) land use environments

## **4. *Social Housing Location:***

ghettos in peripheral areas

## **5. *Segregation and Inequality of Opportunities:***

due to location within the city ( access to labor markets, education, health)

## **6. *Dysfunctional urban growth and Infrastructure deficit:***

...and the paradox of infrastructure finance

# Local economies require income diversity but exclusionary land use regulation prevails

- “Perfect segregation” by income is today the “best result” obtained from zoning in many cities
  - **Homeowners** want to **keep value** of property ( reduced supply and scarcity)
  - Maintain **community homogeneity** or eventually **keeping out** particular population groups.
  - **Exclude lower income households** because consume local public services but paying less than average local taxes.
- **Unless inclusionary instruments are explicitly added**

# Exclusionary land use regulation

## What are the Methods of exclusion?

- Restrict **type of units** to be developed: Exclusion of social housing
- Force “**over-consumption**”:  
min. lot size, FAR, set-backs, standards
- **Minimum plot size** in residential areas and **densities**
- Make housing very costly ( **permitting process**)

# Density and Plot sizes

## Formal and Informal



# South Africa

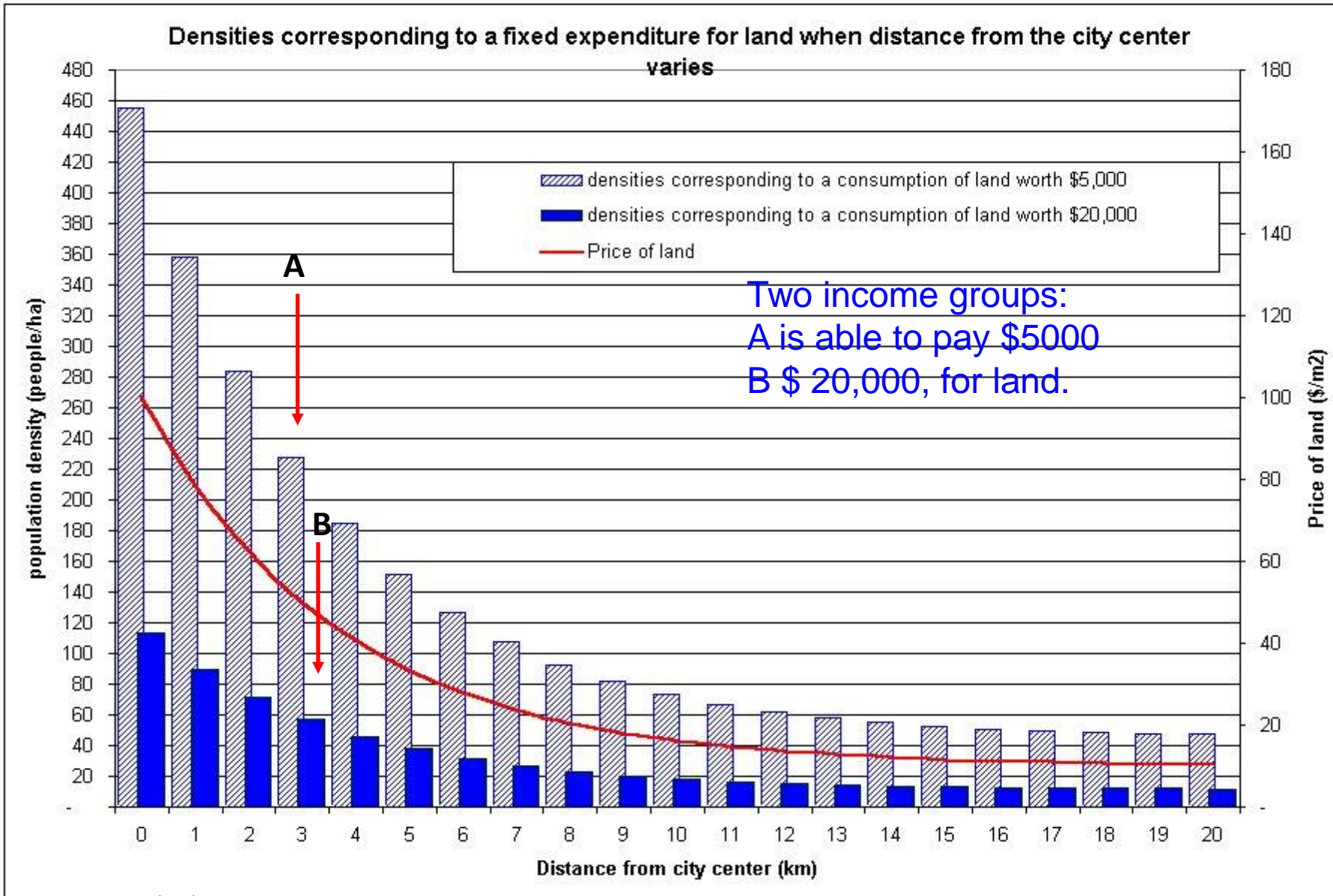


- <http://petapixel.com/2016/06/20/drone-photos-show-stark-divide-rich-poor-south-africa/>

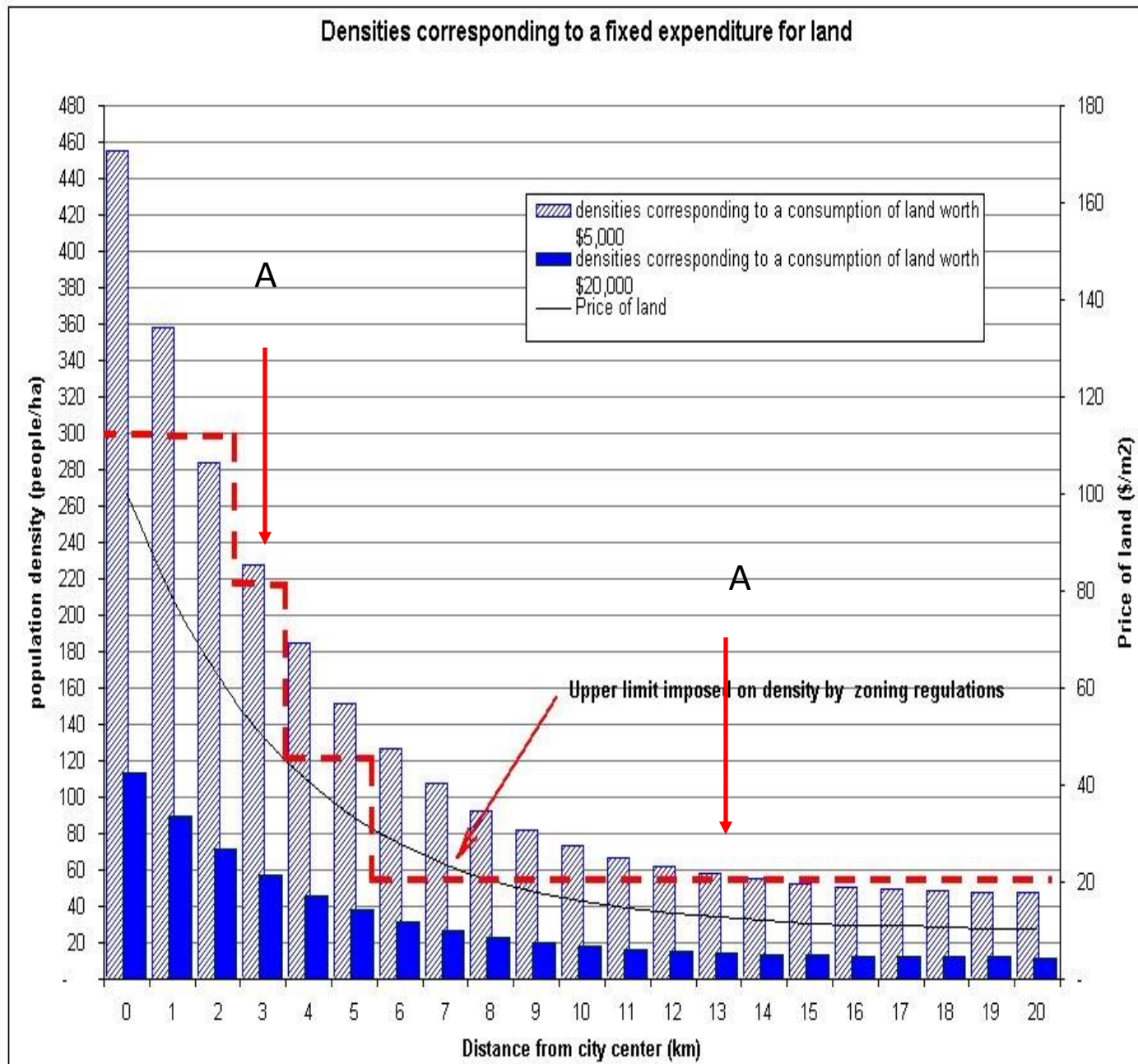
# Density and affordability



# Affordable densities for 2 income groups



- The affordable density for each group will vary by distance to the center
- **A can afford to live at 3 km** from the center -at a minimum density of about **220 inha/ha**,
- while at the same distance group B can afford a **minimum density of 60 inha/ha**.



A zoning plan

**exclude group A** from most areas of the city except between a distance of **3 and 4 km** and **beyond 14 km** from the center.

In this particular case, **group A would be practically relegated to the periphery of the city.**

An alternative for group A would be to **bypass the effect of regulations by switching to the informal sector**

in this example, **group B will be likely to be a strong supporter** of the new zoning as it does not affect its residential mobility and **it prevent group A from overcrowding** the most desirable parts of the city.

# What highest and best uses means, for low income households ....

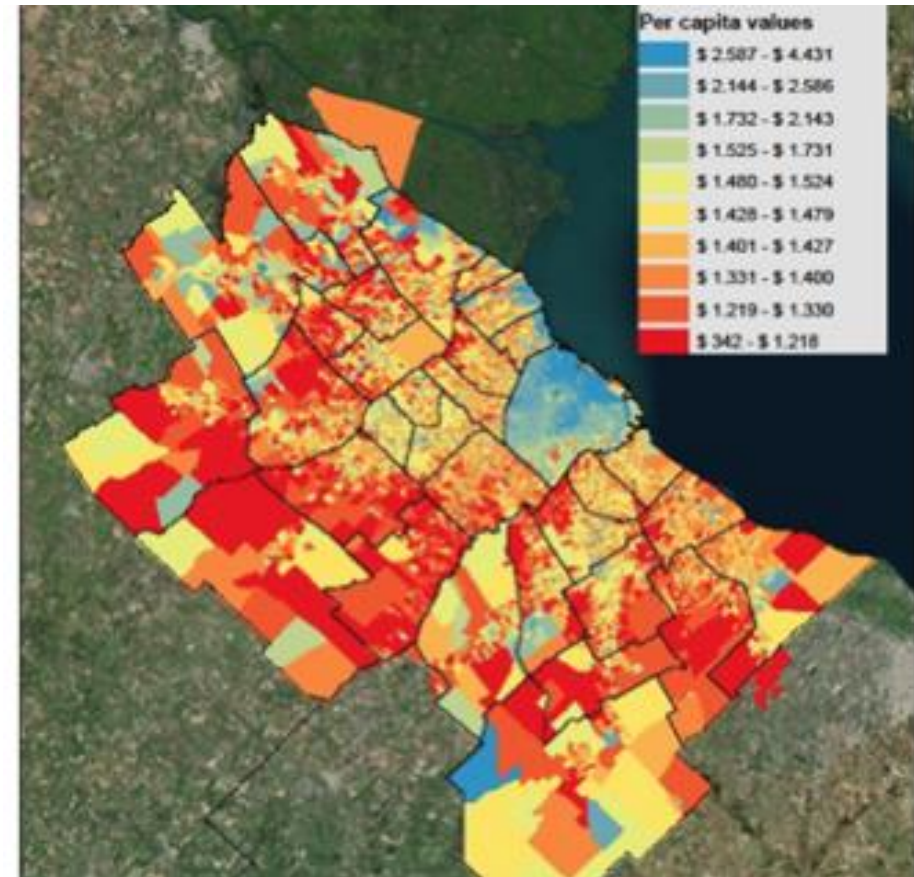
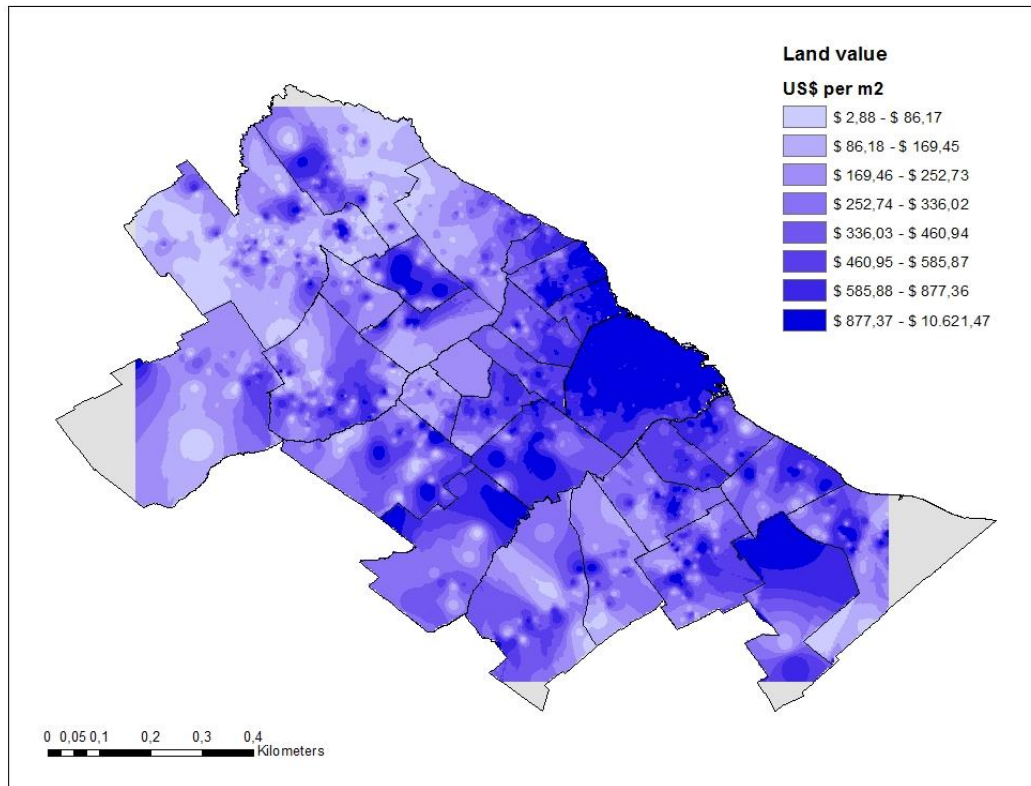
- Lower income uses, such as low and moderate-income housing will be either
- **pushed to the peripheries of cities (where transport costs reduce bids) or**
- **foster very high-density slums, where residents' payments (rents) are large enough in the aggregate to overcome other bidders.**

# Segregation

- **Segregation of the rich**—growing globally (hoarding of resources, amenities, and sometimes disproportionate local power)
- **Segregation of the poor** - creates neighbourhoods besieged by crime and severely limits life opportunities (in schooling, employment, health, intergenerational mobility).

# Land Markets and households' income

Poor households live in areas where land is cheap and affordable –lacking public infrastructure services, bad accessibility to major employment areas and informal land tenure



# Do Strict Land Use Regulations Make Metropolitan Areas More Segregated by Income?

- Although the empirical research is still surprisingly limited.

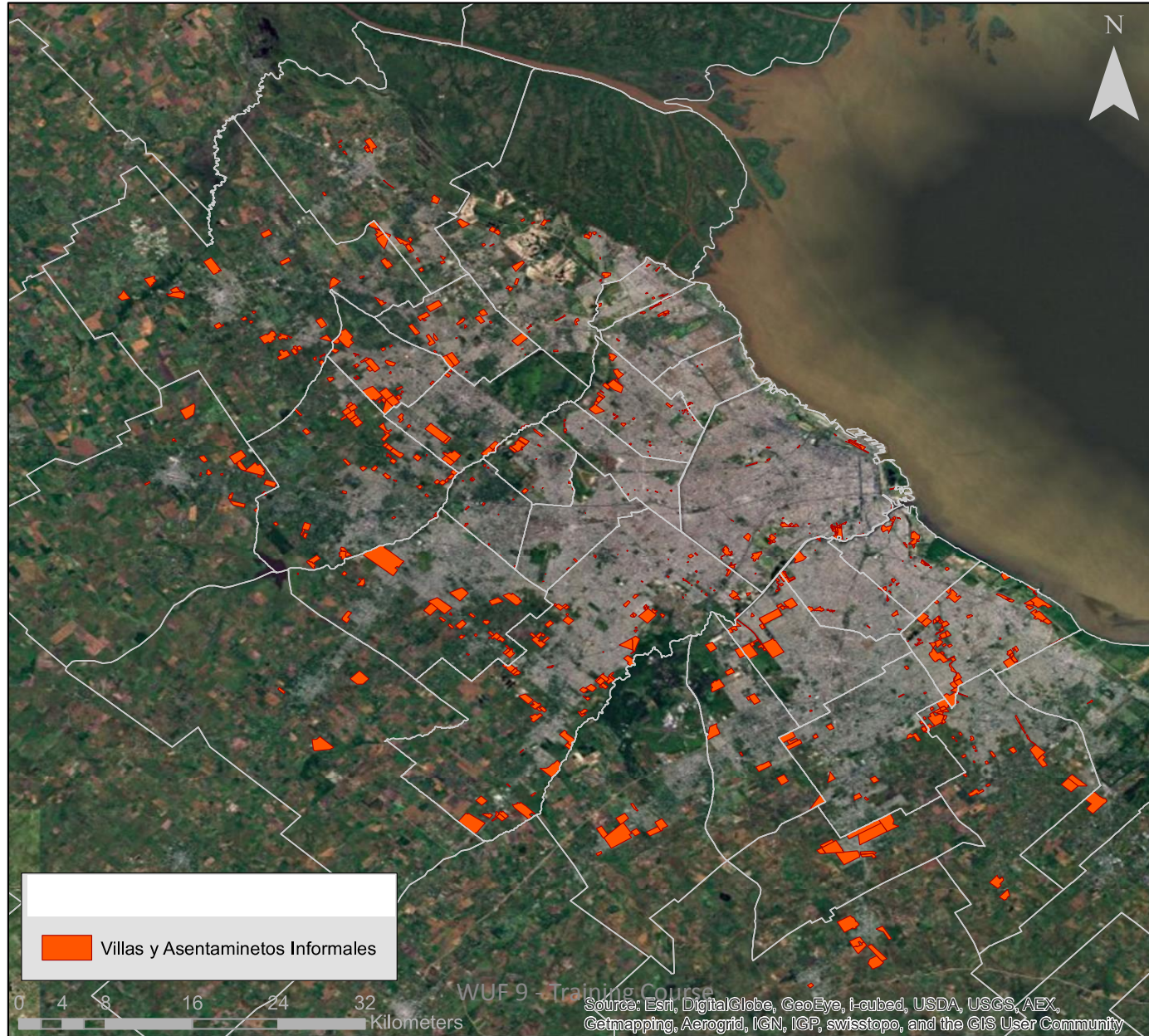
## **1. Density restrictions are associated with the segregation of the wealthy and middle income**

- minimum lot sizes—and densities, exclude low-income households from wealthier neighbourhoods,

## **2. Social housing location is associated to segregation of the poor**



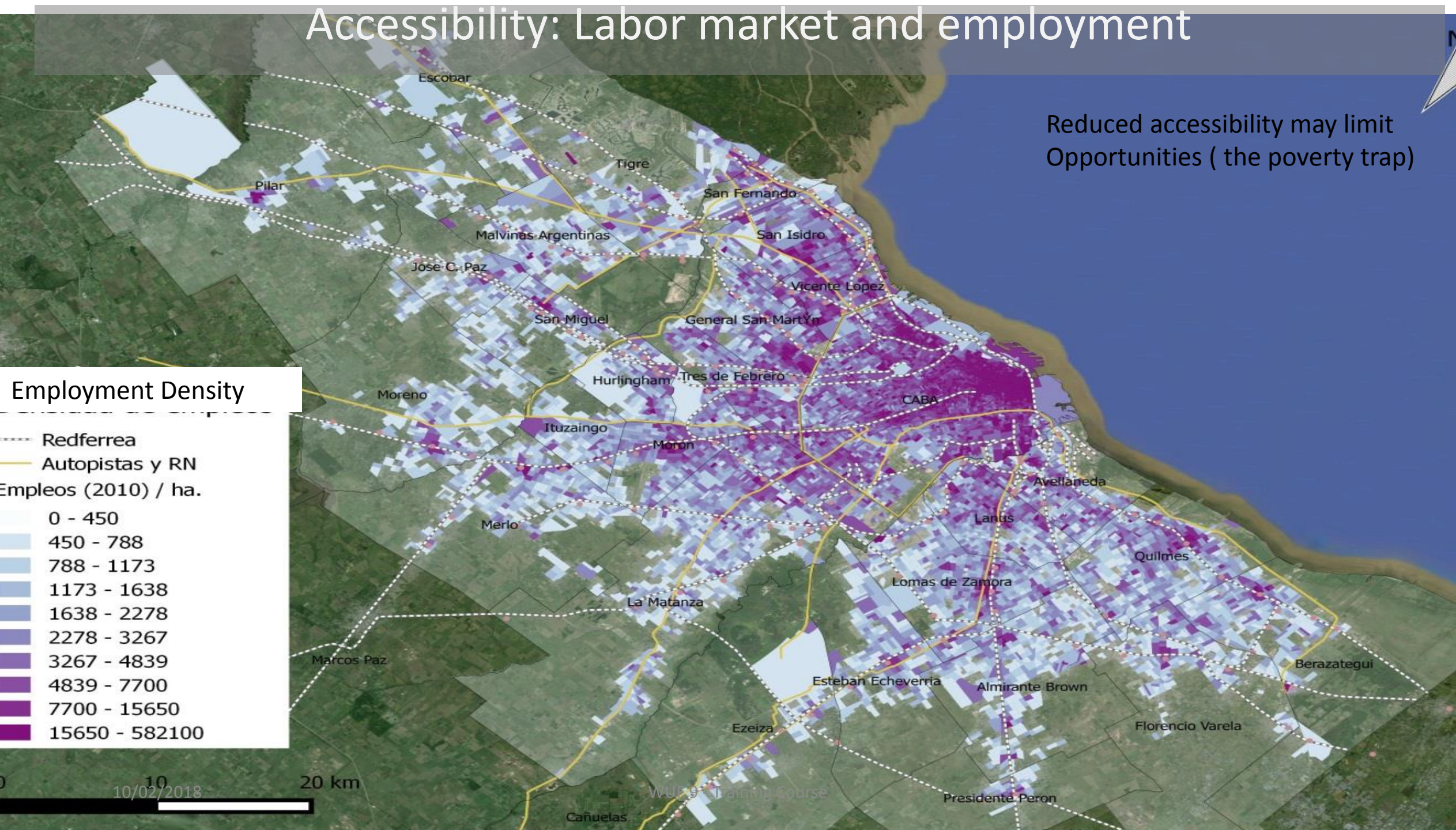
# Informal Settlements in BAMR



# Accessibility: Labor market and employment

Reduced accessibility may limit Opportunities ( the poverty trap)

## Employment Density



# Buenos Aires (Villa 31)

## JOB ACCESS

Drag the push-pin to view accessible jobs using the selected mode and travel time limit.

## Mode of Travel



Max Travel Time: 60 mins



## JOB BY TYPE

Map

Total Jobs: 2,798,421

- Comercio y Servicios conexos  
18.5% (517,761)
- Construcción  
5.8% (162,897)
- Hoteles y Restaurant  
4.4% (122,118)
- Industria  
12.5% (350,465)
- Organismos Públicos y Servicios conexos

Leaflet | US Census LODES, © OpenStreetMap contributors

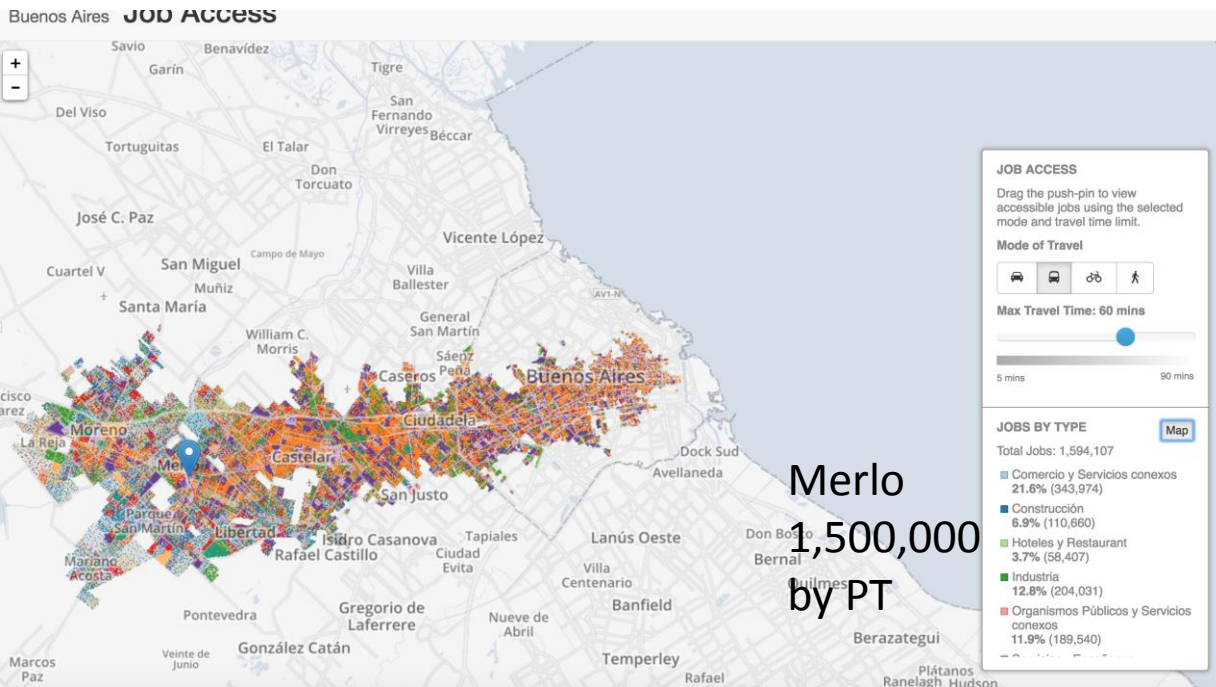
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WUF 9 - Training Course

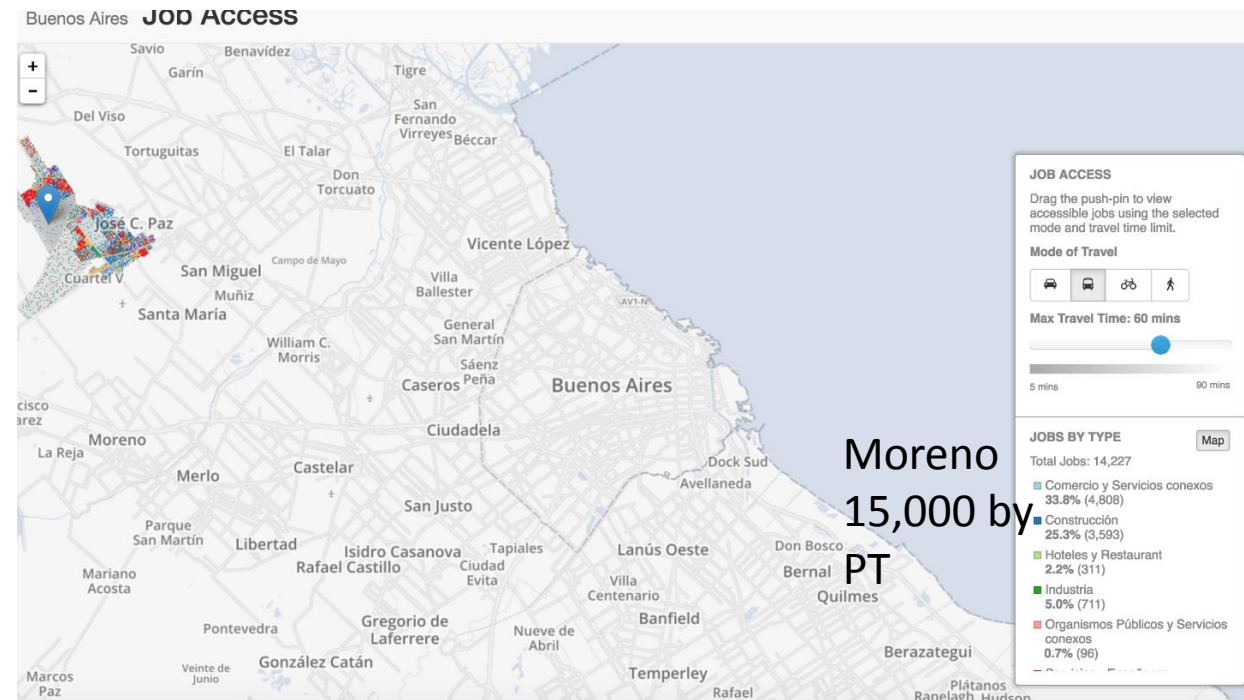
2.798.000 Jobs by public transportation in 1 hour

Merlo 4,500,000  
jobs by car

Moreno,  
2,500,000 jobs  
by car

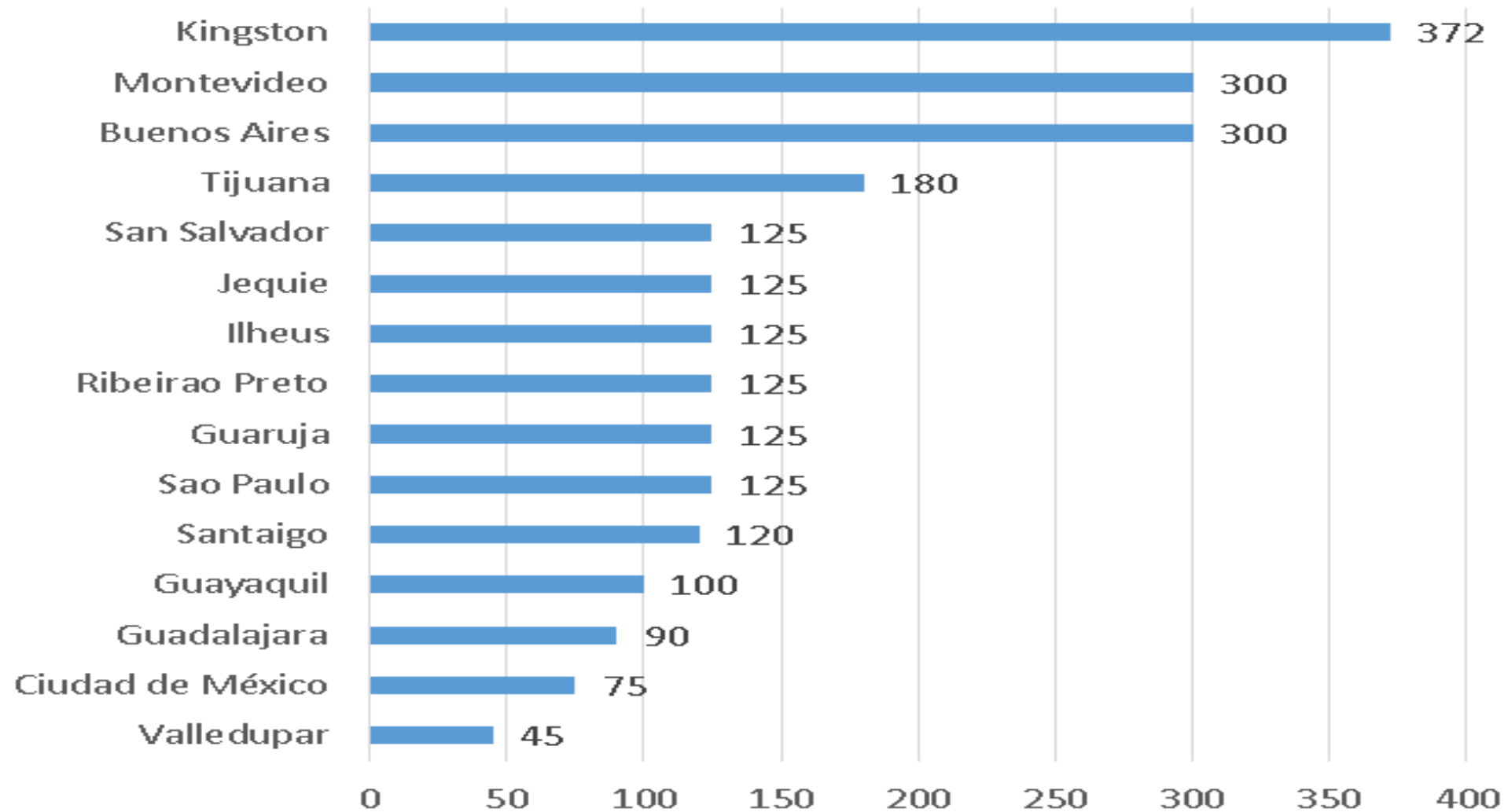


Merlo  
1,500,000  
by PT

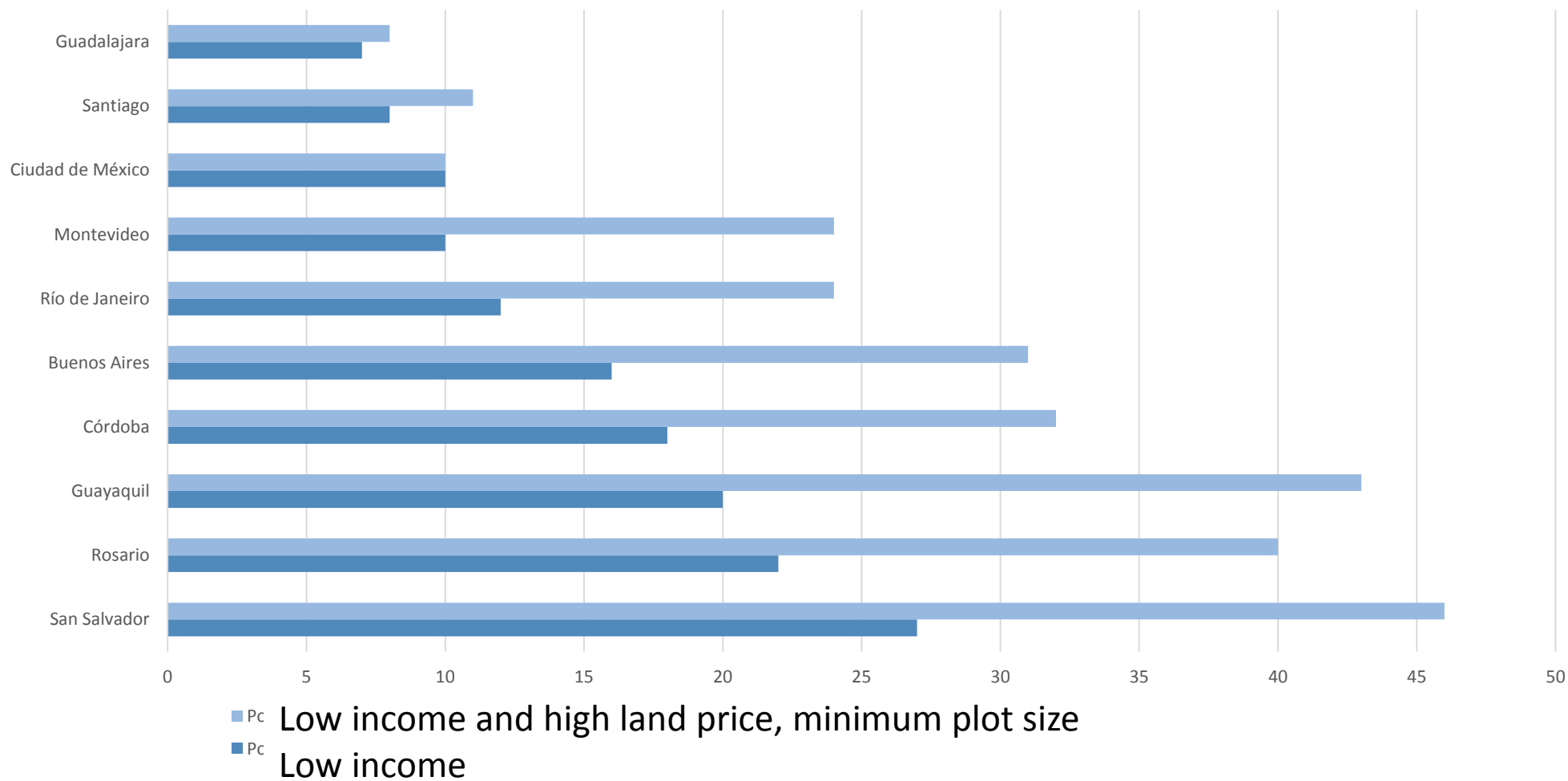


Moreno  
15,000 by  
PT

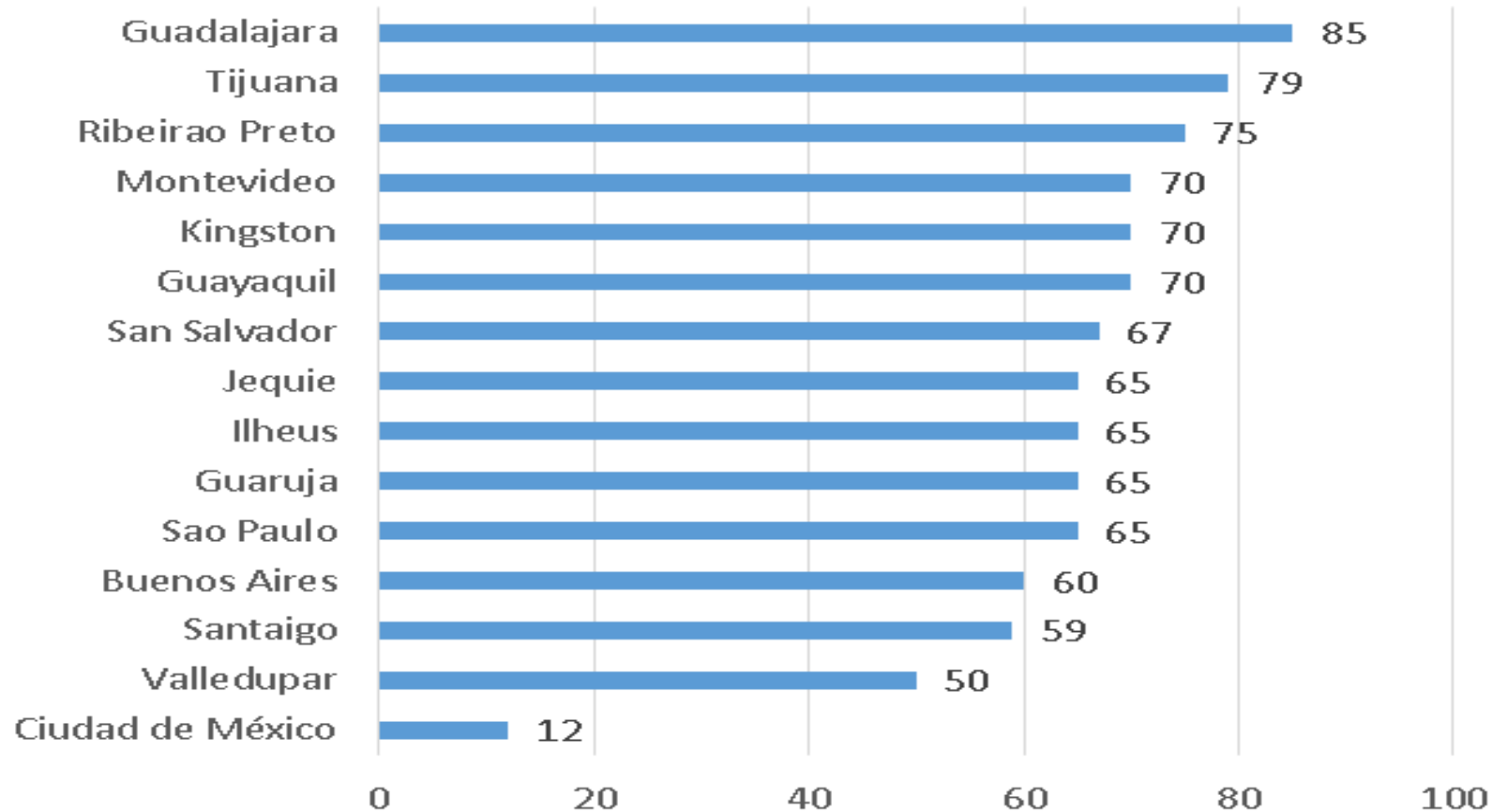
# Minimun plot sizes- LAC



# % Households that can not afford to buy a minimum plot

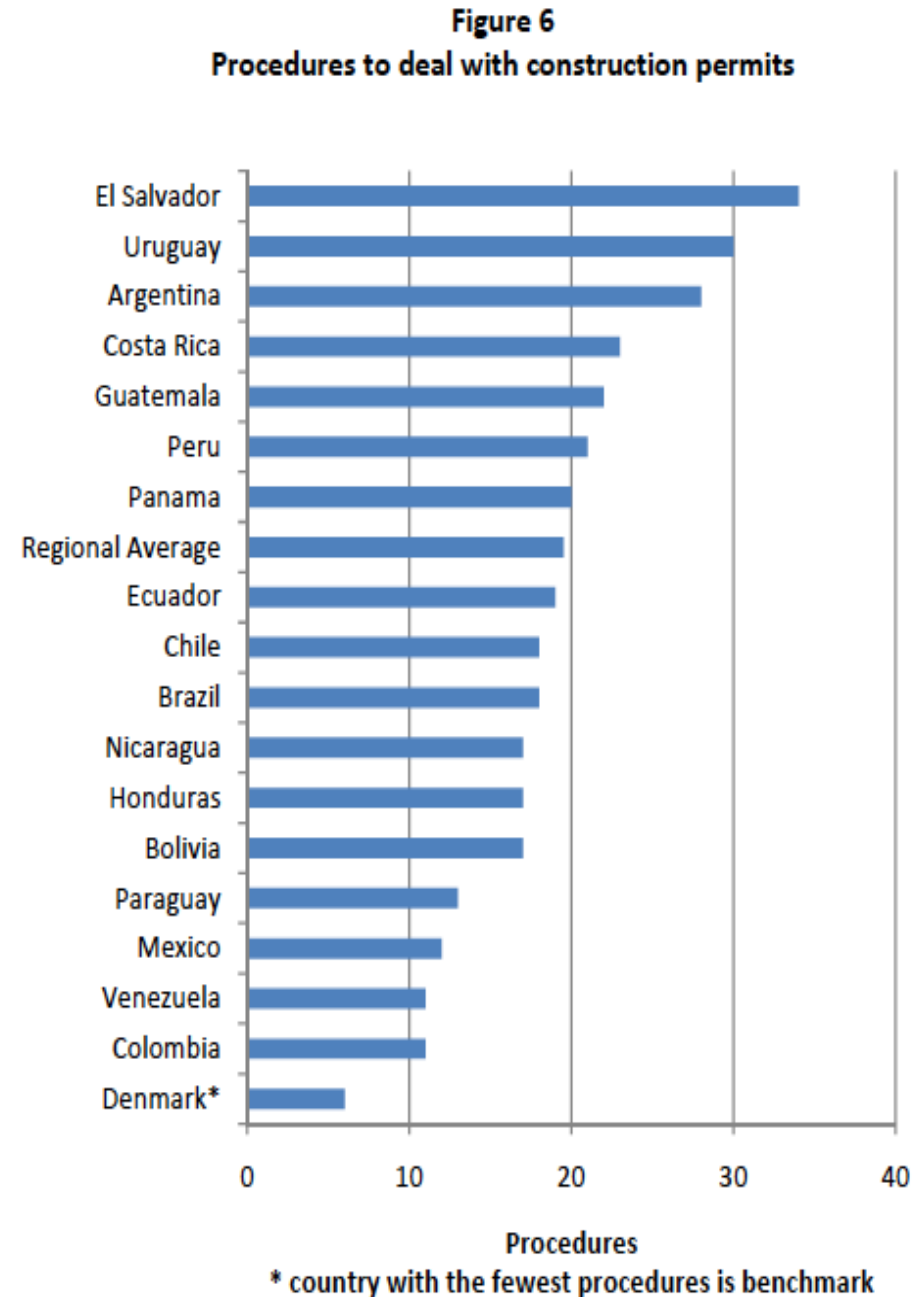


# Share of developable land for a plot (%)



# Costs and aproval times

- Number of processes to obtain a construction permit



# Subsidies and credit programs... are them the solution?

when land use regulation is tight

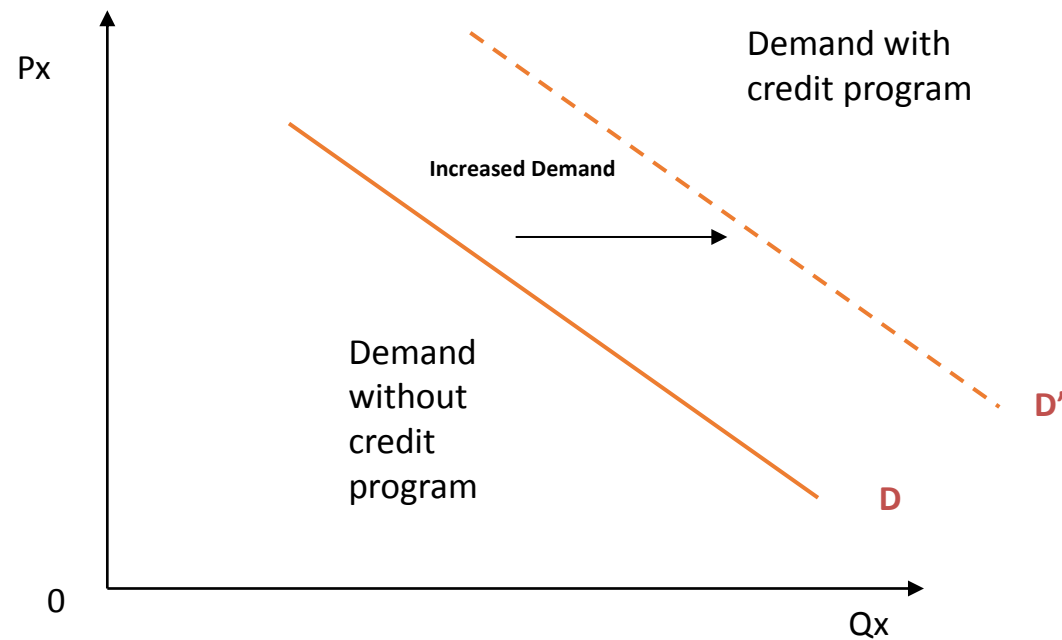
Who benefits?

Winners and losers....

Changes in the demand curve ( i.e., rises in disposable income due to credits )

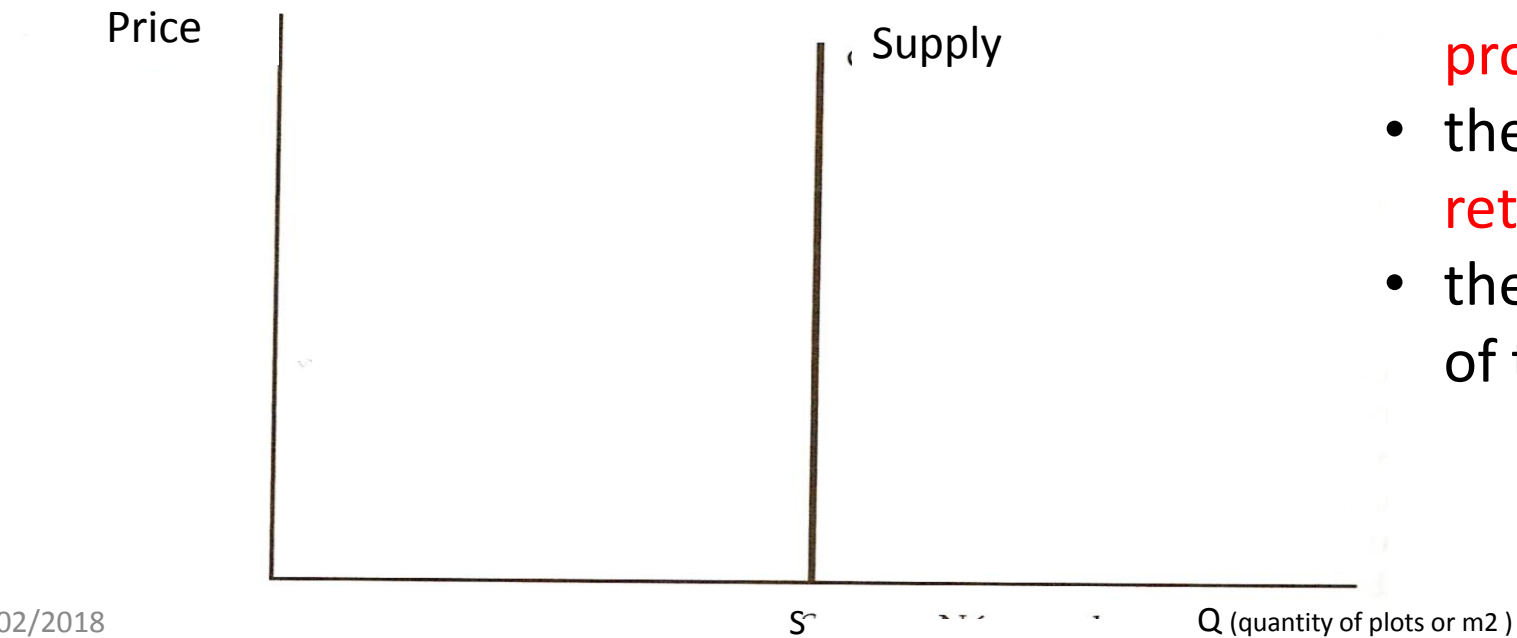
Demand curve is a line with negative slope that **relates price and quantity demanded**

Price rises =  
demand is reduced



Movements in the demand curve

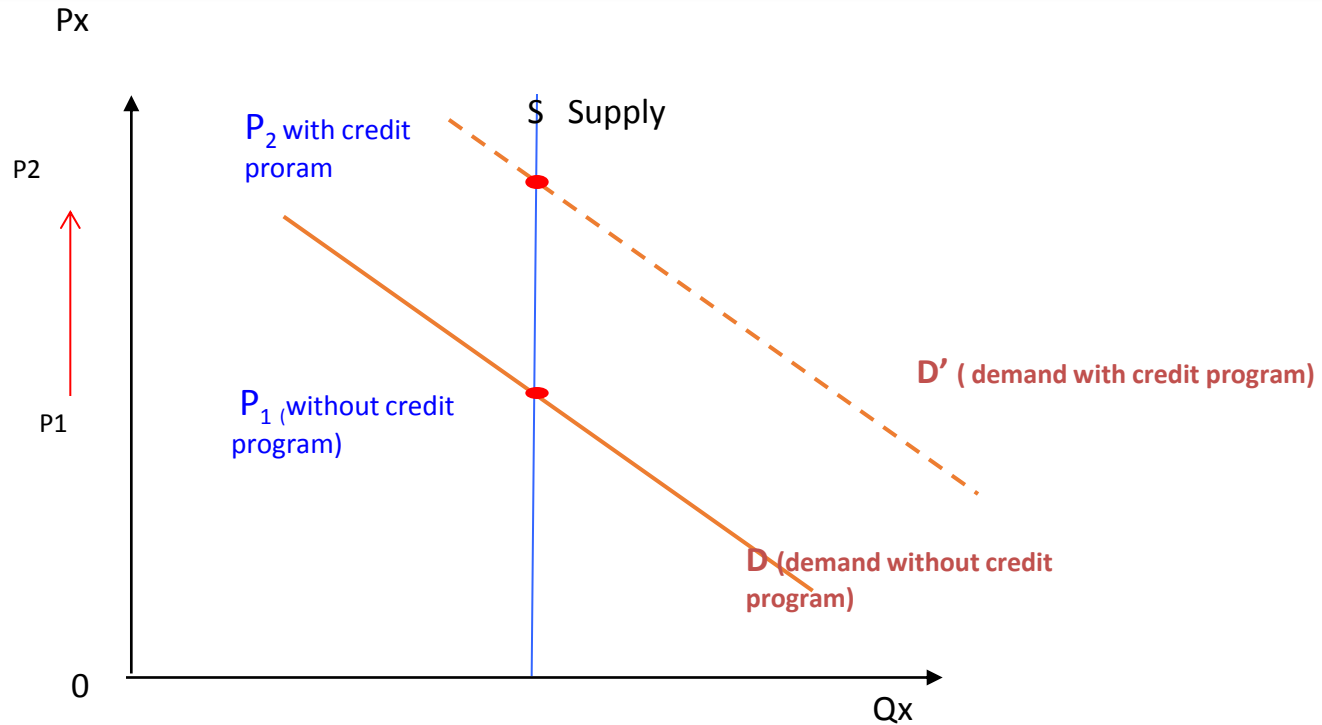
## What happens with supply? Short run: Supply curve is fixed



- It depends on:
- the **stock and new production**
- the amount that is **retained**
- the **intensity of use** of the stock of land

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# Effect



**The equilibrium price of land and housing increases from  $P_1$  to  $P_2$**

## So....what is the net effect of a credit program?

- Does it improves housing access or affordability?
- It increases land (housing) prices -in cities where LUR is more restrictive-
- thus reducing housing access

## Winners and losers .... Who are more benefited?

- **Existing homeowners!**
- Not the new homeowners (to be), neither renters
- In case public finance is being used...
  - how is it expended and who is benefiting from it?
- In case taxation is not updated, effects are reinforcing inequalities

# Expand Supply....where?

- **Urban infill:** vacant, underdeveloped or low density central areas:
- Benefits:
  - Short-term availability of land
  - Availability of trunk infrastructure and urban services
  - Promotion of a compact city

# Expand Supply....how?

- **Vacant land taxation**
- In some countries vacant land is **under-taxed**, particularly Anglo-African and Islamic countries, because the land appears not to yield any income and not to use public services.
- **However, vacant land capitalizes (future) income and increases the cost of infrastructure to other lots.**
- In other countries vacant land is **taxed more heavily**, particularly Latin America, to reduce speculation and to induce development.
- Taxation should accelerate development

# Promote multiple sub-centers and mixed uses

- Dense transit networks and sub-centers
- reduce the length of trips to well-accessible central locations (e.g. a long BRT corridors)
- **reduce land prices and promotes equity.**

# Capture unearned income from urbanization

- Land value capture tools:
  - Betterment contributions
  - Land Pooling & Readjustment
  - Exactions
  - Donation of land for public facilities
  - Charges/auctions for building rights

Understanding windfalls: Without land value capture, inclusive urbanization may not be possible.

# Takeaway for practice:

- Density restrictions do drive urban income segregation of the rich, not the poor, but should be addressed because rich enclaves create significant metropolitan problems.
- LUR have a greater potential to reduce income segregation

# Monitoring and evaluation

- Finally, comprehensive and **consistent data on the impacts** of local land use regulations should be collected **to inform future research and planning practice.**
- **Monitoring:** Land use evaluation and monitoring frameworks for the following-up of the NUA.
  - **Exchange of ideas about providing a sustainable way to monitor progress of NUA on urban inclusion and affordability.**
  - Brief land use **regulation assessment** toolkit:
  - **Land prices and affordability** for different **income groups**

Thank you  
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