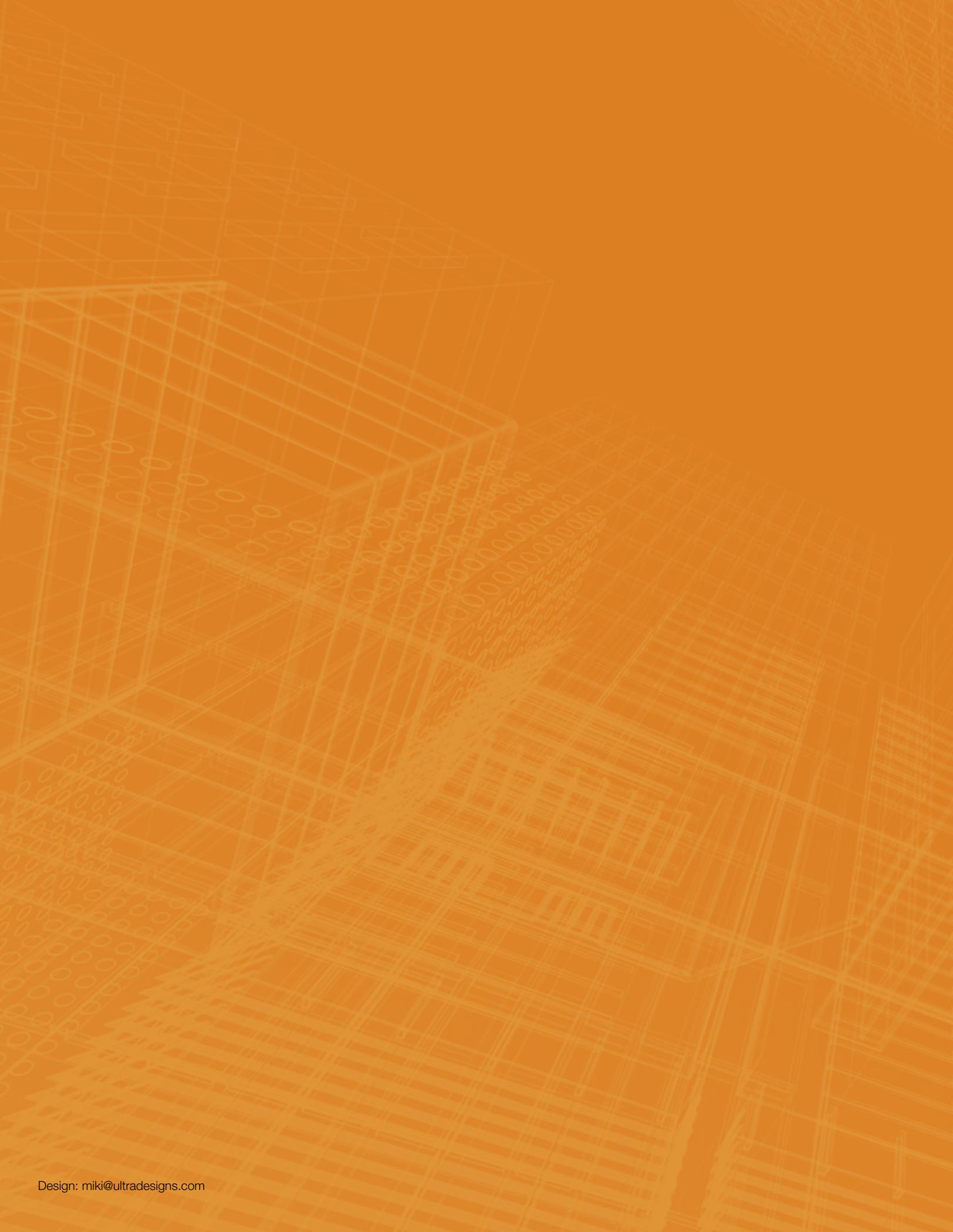


**MEMO TO
THE MAYOR**

Improving Access to
Urban Land for
All Residents: Fulfilling
the Promise





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Urban Development Series

Produced by the World Bank's Urban Development and Local Government Unit of the Sustainable Development Network, the **Urban Development Series** discusses the challenge of urbanization and what it will mean for developing countries in the decades ahead. The Series aims to explore and delve more substantively into the core issues framed by the World Bank's 2009 Urban Strategy **Systems of Cities: Harnessing Urbanization for Growth and Poverty Alleviation**. Across the five domains of the Urban Strategy, the Series provides a focal point for publications that seek to foster a better understanding of (i) the core elements of the city system, (ii) pro-poor policies, (iii) city economies, (iv) urban land and housing markets, (v) sustainable urban environment, and other urban issues germane to the urban development agenda for sustainable cities and communities.

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This “Memo,” summarizing key conclusions of the project, was prepared by Barbara J. Lipman (Consultant to the World Bank) based on the PADECO country reports mentioned above and several related reports. These include:

- *The Evolving Role of World Bank Urban Shelter Projects: Addressing Land Market and Economy-Wide Constraints* Final Report, 2007, produced for the World Bank by PADECO Co Ltd.
- *Short Learning Note on Land Markets and Regulation*, 2011, produced for the World Bank Institute by Geoffrey Payne, and
- *Improving Access to Urban Land Markets Through Less Conventional Land Policy Instruments: Literature Review*, 2008, produced for the World Bank by Susana M. Williams.

Additional sources utilized are cited in the References to the report.

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1 Summary

As the world is urbanizing, many cities are grappling with a population that is growing rapidly, thereby increasing demand for land and housing. This pressure on land and housing markets often is exacerbated by inappropriate or inadequate policies. The result is a supply of well-located land and housing that falls well short of demand and the proliferation of poorly serviced informal settlements, many of which are located far from jobs, city services and amenities.

This paper discusses the major *policy levers* local leaders may have at their disposal to improve access to land and housing and thereby change the landscape of cities for the better. It discusses common obstacles—administrative, political, and financial—and options for overcoming them. In particular, the report: (1) takes a fresh look at some traditional mechanisms such as land regulation, property taxation, and public-private partnerships, (2) reintroduces some innovative land tools—community land trusts, guided development, transfer of development rights, land pooling/readjustment, and land sharing—that may have a place in cities’ arsenal of responses, and (3) suggests ways to garner the political support that will be needed to move forward with programs of reform.

This report is written in the form of a memo to a fictitious Mayor of a fictitious City. He has appointed a Local Land Advisory Committee with members from the public, private and nonprofit sector. The Committee has prepared this memo at the request of the Mayor to help him fulfill his campaign promise to improve access to urban land for all the City’s residents.

2 Memorandum to the Mayor

To: His Honor the Mayor
From: Local Land Advisory Committee
Re: Urban Land Issues for Immediate Action
Date: As Soon as Possible

Congratulations on your recent election! We have noted your intention to follow-through on a campaign promise to improve access to urban land in Our City for all of our residents. You also had the foresight (and confidence in the election results) to appoint a Local Land Advisory Committee representing the public, private, and non-profit sectors. As you requested, we reviewed the issues and options to increase the supply of urban land and housing, and together produced this document outlining our recommendations.

Our City's population is growing rapidly, increasing demand for land and housing.

The UN projects that, over the next two decades, 90 percent of urbanization will take place in developing countries, whose total populations are expected to grow by almost 2 billion during the first three decades of this century. Urban populations in Africa and Asia will double, such that by 2030, developing countries will host 80 percent of the world's urban population. We will be among them. People are coming to Our City—and they will keep coming as long as the prospect for a better life—even the slimmest hope—is better than from where they came. Those who are already here are staying and starting more families of their own. Our biggest challenge is to keep pace with demand for housing and services.

We are caught in a vicious circle in which the boundaries of our city are growing faster than we are expanding the coverage of services and improving accessibility. A recent survey of our business community showed that more than two-thirds cited confusing or irrational building regulations, insecure property rights, unpredictable property tax burdens, and unaffordable land prices as factors having the biggest chokehold on development. Meanwhile, many of our residents report commutes of an hour and a half each way to get to work. Most of us contend daily with the resulting traffic that clogs our streets and thick smog that pollutes our air.

Land and housing are prohibitively expensive. In an international comparison, Our City turns out to rank near Bangladesh where the per capita income (\$1,230) is less than 3 percent of that in the US (\$44,070), yet our prime land prices—as in the capital city Dhaka—are similar to those in New York City.¹ That is why many of our poorest residents are often found living on hillsides and in flood plains, along railroad tracks, waste dumps and in densely packed slums.

The wealthy and, more recently, the middle-class in Our City now have access to an evolving formal mortgage finance system. Such access to credit is crucial for middle-income households to buy completed, affordable units provided by the private market. In contrast, the majority of residents in Our City, especially the lower-income,

¹ Richard Green, background paper on Housing and Land issues prepared for World Bank Urban Strategy, February, 2009 unpublished.

do as most residents in the developing world and build homes incrementally, adding rooms or floors as resources permit. They do so with no access to long-term formal financing, in violation of zoning or building codes, and often on land not legally owned. Typically, they earn irregular incomes from periodic employment and/or informal jobs. In short, these households are not viewed by bankers as good prospects for mortgages. Therefore, we need different solutions for households at different rungs in the income ladder when it comes to making more land available for housing opportunities for all.

We can create urban land policies that unleash Our City's potential.

All these problems may seem intractable and also somewhat paradoxical. As you stroll through the streets of our bustling downtown, meander along the pathways by the river, or follow the roads that bi-sect Our City on the way to the surrounding countryside, it seems we have enough land—in the physical sense. In fact, land scarcity in Our City is as much or more likely to result from ill-considered policies and regulations than from natural, physical limitations. We require overly ambitious plot sizes and road widths on our new housing developments and end up with units that are too expensive for our low-income residents. We place strict limits on the height, type, and use of buildings that can be put on a lot, in a vain effort to discourage both density and further in-migration to the city. We restrict some conversions of land from rural to urban uses without good reasons. At the same time, we encourage speculators—both public and private—to sit on vacant parcels indefinitely even though they could be put to good use. It is our policies that contribute the lion's share to our shortages of affordable land resulting in high land and housing costs.

That said, there are reasons to be encouraged. Policies can be changed, regulations can be modified or abolished, and innovative solutions can be found—as long as we muster the political will to do so. We need not work in a vacuum. With so many cities enduring the same growing pains, we have an opportunity to learn from others. To the extent we are successful, others have the opportunity to learn from us. We should recognize, too, that the flip side of our burgeoning growth is the great social and economic potential that comes with urbanization—and with which Our City can lead Our Country to greater prosperity.

It was an honor to prepare this Memo for you. Sticking to your mandate, we will not cover the entire waterfront. Rather, we will discuss *major policy levers* you have at your disposal to create access to land and change the landscape of Our City for the better. We will discuss obstacles—administrative, political, and financial—and options for overcoming them. In the following pages we: (1) take a fresh look at some traditional mechanisms such as land regulation, property taxation, and public-private partnerships, (2) introduce some innovative land tools that you might consider placing in your arsenal of responses, and (3) suggest ways to garner the political support you will need to move forward with your program of reform.

INCREASING ACCESS TO LAND THROUGH BETTER REGULATION

Mr. Mayor, as you know, regulations and administrative procedures exert a powerful influence over how Our City develops and grows. Land use zoning is intended to prevent incompatible uses, such as industry and housing, being developed on adjacent sites. However, in the past, zoning in Our City was imposed in arbitrary and simplistic terms without consideration for the social, economic, or even environmental consequences. For example, by locating commercial and residential areas far from each other, transport times and costs increase, with consequent increases in air pollution and CO² emissions.

Similar issues arise when applying regulatory standards to development permitted on a land parcel. A recent study of four Asian cities showed that planning and building standards are inordinately high and present a major barrier to low-income groups seeking affordable land and housing. For example, in Lahore, all new urban development are required to include 50 percent of land for public open space and reservations for main roads must be 46 m wide. With these standards the local development authority is imposing an excessive unit land cost that effectively excludes the poor majority from being able to afford legal access to land and housing.

All too often, regulatory frameworks are based upon inherited or imported norms and assumptions, or aspirations, rather than current local needs and resources. As a result, they often impose unaffordable costs and risks, forcing a significant proportion of the urban population into “unauthorized” means of accessing land. For example, over 60 percent of Nairobi’s population live in informal settlements occupying less than 5 percent of the total residential land, and more than 50 percent of Mumbai’s population are slum dwellers living on only 8 percent of the land², indicating how distorted and dysfunctional land markets and regulatory frameworks have become. Unfortunately, Mr. Mayor, similar figures prevail in our own City.

You need to take a candid look at what we are regulating and why—as well as the intended and unintended effects on land markets.

One type of regulation, in particular, has generated a lot of discussion in Our City. The Floor Area Ratio (FAR) is the ratio of total built area for a given plot area. Thus a FAR of 2.0 would indicate that the total floor area of a building is twice the gross area of the plot on which it is constructed. When the FAR is low, the amount of development legally permitted may be overly restrictive. For example, while the FAR in residential areas of Lahore is 2.4, the FAR in Our City is similar to that in Mumbai which is only 1.33 in the prime locations of the island city and 1 in the rest of the city. The result is low-slung buildings across miles of sprawl. As a frame of reference, in parts of New York City, the FAR is set at 10.

The argument for a higher FAR is that it provides for greater density which reduces unit floor space prices and provides greater access to land in prime locations for lower-income groups. Others disagree, arguing that radical increases in FAR may not necessarily reduce property prices. They argue that higher FARs don’t take into account the heritage value of some parts of the city, the lack of infrastructure capacity in areas that have to accommodate a rapid growth in density, or the problems in environmentally sensitive areas. However, we of the Local Land Advisory Committee are of the view that judicious application of FAR will put land to more efficient and creative use and that higher FAR, together with public-private partnerships (discussed elsewhere in this Memo), can help guide development and open up land markets for the benefit of all.

We also need to do a better job evaluating existing regulations and administrative procedures in terms of their intended and unintended impacts on land markets. Regulations are often excessively complex and may not even be understandable to the general public. They may also be unnecessarily restrictive in seeking to prevent development which is considered unacceptable or contrary to social or environmental policy objectives. Some regulations may be clearly essential and enjoy widespread public support, such as preventing or controlling polluting industries in residential areas and protection from natural hazards such as earthquakes or landslides. However,

² The Urban Housing Manual: Making Regulatory Frameworks Work for the Poor by Geoffrey Payne and Michael Majale (London, UK: Earthscan) 2004, p. 53.

other regulations, such as ‘building setbacks’ from the side or rear of residential plots, do not enable residents to fully develop their plots and may achieve no benefit for the wider community. Similarly, restrictions on land use which discourage or prevent people from using residential plots for economic activities, may seriously affect the livelihood of the most vulnerable groups. Whatever limitations informal settlements may have, they always put available land to productive use. As such, they offer valuable lessons for official planning standards. They also invariably follow incremental development processes which regulations would do well to embody.

According to our post-election survey of the business community, as well as our informal conversations with residents in Our City, the main constraints to increasing land access and attracting the private sector to participate in land development for the poor are rigid development standards, lengthy procedures, and complex zoning regulations. They are often inappropriate to levels of affordability, since delays in processing proposals and the cost of obtaining permissions erode profit margins, forcing many developers to increase prices to stay in business. Often, it is easier, quicker, and more practical to do development informally. Indeed, residents of all income groups would benefit if less red tape was part of the process and better, more orderly development emerged as a result.

Improving procedures for processing development applications are a virtually cost-free means of increasing access to land markets in Our City.

Among the most pernicious regulatory constraints in most cities—including ours—is that of administrative procedures. In fact, research in Bolivia, India, Lesotho, South Africa, Tanzania, and Turkey³ found that in each country, administrative procedures represented the greatest single regulatory constraint to enabling the urban poor to obtain legal and affordable shelter. These are invariably cumbersome, time-consuming, and expensive, without even the certainty of a positive outcome. It is this factor that leads large sections of the population, even some middle- and high-income groups, to develop land and modify property without official approval. The number of steps and the time and cost required to register or transfer land and to obtain development permission deter large numbers of people of all income groups from completing the process.

The examples read like a catalogue of exercises in futility. For example, in Peru, it can take 83 months to obtain all the official permits required to access and develop a plot of land legally and several years to do so in Kenya.⁴ In Rio de Janeiro, it takes anywhere from two to five years to process a subdivision development, while legalizing an illegal or clandestine settlement may drag on for up to two years.⁵ In Malaysia, developers have to deal with a fifty-five-step regulatory process with 15 to 20 separate government agencies for a period from five to seven years. As a result, housing scarcity pushed up the rent for Malaysian tenants to 26 percent of income.⁶ In Dar es Salaam, approval for land development can widely fluctuate over a period of years, with the approval of the land survey alone taking anywhere between 1 to 9 years.⁷

³ See various studies in *Land, Rights & Innovation: Improving Tenure Security for the Urban Poor*, ed. Geoffrey Payne, (ITDG: London) 2002.

⁴ Lincoln Institute of Land Policy. 2002. *Access to Land by the Urban Poor: 2002 Annual Roundtable*. Cambridge, Ma. Contributors: S. Angel, J. Baldó, P. Connolly, M. Cuellar, P. McAuslan, B. Sanyal, M. Serra.

⁵ Larangeira, Adriana de Araujo. 2003. *Vacant Land in Latin America: Challenges and Opportunities*, Lincoln Institute of Land Policy Working Paper.

⁶ Strassmann, W. Paul. 1996. Limits to market empowerment for housing in developing countries: the case of land. *Journal of Economic Issues* v. 30. p. 211-22.

⁷ *The Urban Housing Manual: Making Regulatory Frameworks Work for the Poor* by Geoffrey Payne and Michael Majale (London, UK: Earthscan) 2004

Such inefficiency and inflexibility may seem like an abstract notion, but the effects on the ground are very real. While changes to long-standing bureaucratic procedures appear to lack the cache of more “innovative” land tools, such changes, in fact, can make a major difference in how development is done in Our City. We can look for inspiration to the example of Bangkok where, as a result of changes in the process, it now takes only 12 steps and 100 days for approval of titling, subdivision, and building. Risks are much lower, and a host of small private firms are able to enter the market, outdo the National Housing Authority, and build units that cost less than double the median annual household income. Eighty percent of households are able to afford these units.

In reviewing procedures in Our City, you should consider the key role that is played by the personnel who work in your administering agencies. Institutional capability is directly influenced by the attitudes and competence of professionals working in public sector agencies. This in turn is heavily influenced by the vocational curricula applied by academic institutions. In many developing countries these are modeled on older models developed in Europe and, to a lesser extent, the USA. Conditions in these countries are fundamentally different in almost every respect, although these differences are often overlooked. As a result, professional planners, architects, transport and municipal services engineers, and surveyors are often preoccupied with imposing standards and norms of urban development more appropriate for Europe than the realities with which they have to deal locally.

Moreover, when it comes to implementing changes, many professionals are understandably reluctant to be seen to favor lower standards and regulations, even when existing ones present a major barrier to poorer households accessing land legally. Where this is the case, popular or political pressure may be required to effect change and establish norms which reflect local needs and realities. After all, the professionals who advise you may lack personal experience of such needs and realities.

Experimenting with new technologies is one way to increase the professionalism of staff and increase efficiency in our systems. For example, some places in India are pioneering innovative administrative procedures such as E-Centres whereby applicants can process a wide range of applications online with the help of locally-based staff, thus improving urban governance. Some services are provided in as little as a couple of minutes. The centres operate on working days and public holidays and provide a stimulating working environment for public sector officials.

We recommend that, as an immediate step, you appoint a task force to undertake an audit of standards, regulations, approval procedures, and staffing practices for urban management. The purpose of the audit will be to review the existing regulations, standards and administrative processes with an eye toward eliminating those regulations and processes that are unnecessary, outdated, unsuitable, inappropriate, obstructionist and that throw up barriers to access to land for those who need it. As part of the audit, the task force should (1) identify the regulations and standards that protect the public interest, especially relating to health and safety and the environment, (2) suggest appropriate revisions to planning and building standards, regulations and administrative procedures relating to the processes of registering land, or applications for development, (3) identify and eliminate unnecessary and unneeded rules and regulations that restrict access to more affordable land and adequate housing, and (4) provide incentives for professional agency staff to ensure effective administration.

THE LEVERS OF LAND AND PROPERTY TAXATION

Mr. Mayor, one of the most effective options for regulating land markets is through land or property taxation. In addition to providing revenues for the government—in Our City this is a potentially important revenue source—such taxes also are collected on the assumption that part of the increases in real estate value should be captured and reverted to the benefit of the community through social investments. Tax policy can guide development to areas where it is most needed and generate revenues for a wide range of public needs. However, its application depends upon the political will to pass the necessary legislation and the institutional capability to enforce it. Where either of these is lacking, land or property taxes are unlikely to be effective incentives for development.

The values in the property taxation system can be calculated on either the annual (rental) value or on the capital (market/sales) value. The former is based on the actual or estimated annual rent, and the latter is based on the value of property that has recently been sold (or an estimate). The rental value reflects the value of the property in its current use, while the capital value system includes a bigger element of the market's expectations on its future use. There may be an advantage in a fast-growing area, such as ours, to use the capital value system in order to tie tax burdens closer to urban growth.

You asked us to look at some options for changing the tax regime:

Site Value Taxation (LVT), or land value taxation, is the policy of raising state revenues by charging each landholder a portion of the assessed site-only value of the unimproved land. It is different from a property tax which includes the value of buildings and other improvements on the land.

Vacant Land Tax is a direct tax applied to undeveloped idle property as a means to boost supply, bring down construction costs and promote development. If administered well, it can discourage speculation and encourage more rapid and dense development of urban areas. It is likely to be opposed, of course, by those holding land from development in the hope of increasing future profits. Such practices can be self-fulfilling, since by withdrawing land from supply, prices will inevitably increase. However, it is the rest of the population—your voters—who end up paying the price.

Betterment Levy, also called “benefits sharing tax” or “land value capture tax”, is a site-specific variant of the land value tax in which increases in private land values, created by a new public investment, are partially or fully “captured” to pay for that investment or other public projects. This value can be also captured not only through taxes but also through fees, exactions, or other fiscal means. This can be acceptable to developers, especially if combined with clear procedures which are perceived as fair and do not prevent reasonable returns on investment.

Split-Rate Property Taxation is a type of two-tiered real estate tax which takes the value of a piece of property and splits it into two parts: the value of the land and the value of the improvements to the land. It reduces the tax on the improvements to the land and increases the tax on the land. It is used to encourage historic renovation, building rehabilitation, and development of vacant land in existing neighborhoods. Under a split-rate tax system, land is taxed at a higher level than buildings in areas where the community wishes to encourage investment and land development. The lower rate for buildings provides an incentive for owners to maintain and improve their properties. The higher land rate discourages real estate speculation, which often leaves potentially productive urban space vacant; the disincentive for speculation in turn encourages infill development. Its proponents say this

type of tax helps to prolong the life of existing buildings and has the potential to promote more efficient use of land and public infrastructure to direct growth toward downtown and inner city areas.

EXAMPLES OF INNOVATIVE LAND TAX INSTRUMENTS IN LATIN AMERICA

- Yucatan, Mexico—vacant land is taxed at 2.5 times the rate of built property.
- Rio de Janeiro—in the wealthy southern zone of the city, vacant land is taxed at 7% of market value or 26 times the rate of built property.
- Bogota, Colombia—a pilot project was launched to implement a land value capture tax for land improved in a readjustment scheme.
- Mexicali, Baja California in Mexico and Porto Alegre, Brazil—a system of “progressive” vacant property taxes is used in which tax rates on urban lots are periodically re-set by the government.

To summarize, some of the benefits from using land tax instruments such as these are that they can help reduce land speculation by shifting taxes from urban buildings to urban land. This can promote productive uses of land, particularly in fast-growing areas. Land taxes also can be used as an incentive to promote more compact cities, thereby promoting investment in vacant and underused infill land and a more efficient use of the existing infrastructure. Public benefits may accrue, as well. Taxes may provide increased funding for public infrastructure and projects. They also are equitable in the sense that funds come from immediate and direct beneficiaries instead of taxpayers who don’t benefit. Finally, taxes on vacant land can curtail the process of physical and social degradation and spur revitalization of locations for neighborhoods and industries.

On the other hand, some land tax instruments can work in reverse. If a development has a negative impact on land values, such as the closing of a nearby transport link, the owner of a site needs to be compensated with a reduction of the charge on the property. Also, although vacant or under-utilized land, located in high-demand areas, can increase public funds, there is a risk for private profitability to supplant the public good. This could mean the disappearance of privately unprofitable but socially valuable land uses such as parks, schools, and medical facilities. Similarly, while favorable taxation of agricultural land (value is assessed in current use instead of highest and best use) is supposed to preserve farms, lower taxation of farms on the urban fringe will feed land speculation and may drive up urban land prices. Finally, some observers have noted that taxes, such as the vacant land tax, will not fully yield results if not backed by other policies such as access to credit.

Regardless of the type of land taxes levied, the most important job for your Administration is to administer taxes equitably and efficiently. You will face both technical and political obstacles. On the technical side, our tax system, like that of many other developing countries, is based on a cadastral system that is separate from the legal (land registration) cadastre. A malfunctioning fiscal cadastre will have an impact on the tax revenue collected. We should move towards better integration and communication between the land information systems for land registration and the cadastre. In setting up this system, your Administration should re-double efforts to correct, maintain and update ownership records. Mr. Mayor, we recommend that you adopt new information technologies (IT) that are becoming increasingly sophisticated and more affordable, utilize standardized forms and materials, and ensure staffs are appropriately trained to implement the new IT systems.

As you well know, other problems plaguing Our City’s current property tax system are obsolete and incomplete valuations which result in revenue losses, spotty and unbalanced enforcement, tax rates strongly skewed by historic

values due to lack of periodic assessments and valuations, and poor tax collection practices. These issues, too, need to be addressed both by adopting IT solutions, where possible, and ensuring staffs are adequately funded and trained to carry out these important responsibilities.

Mr. Mayor, you're certain to face political obstacles in your quest to reform Our City's property tax system. Your greatest opposition may come from those in middle or higher income groups, or with higher value properties, or who are holding vacant land, and who therefore are the most liable for tax payments. These groups have the most to lose and are often able to exert influence over the political process to block such policies from being passed or implemented. Unfortunately, their resistance and evasion of tax payments means less revenues are available for public welfare and essential urban infrastructure. We have made some specific suggestions for dealing with political issues in the last section of this Memo. However, we note here that the groups voicing the loudest opposition may also, in fact, have a great deal to gain from more orderly development of land around them.

Resistance also may come from the other end of the spectrum. If taxes are based on property values, they may unfairly penalize lower-income residents who own or occupy properties which were not high value when initially acquired. Some of these concerns can be remedied by levying taxes on transfer, sale, or inheritance. However, any perceived excess in the level of taxes levied may encourage under-reporting of such transfers, creating or reinforcing a “grey” economy.

Finally, it is worth noting that public consultations usually are not part of the process of implementing land taxes. This is in contrast to approvals that need to take place for development projects, land management techniques, and public-private partnerships (as discussed elsewhere in the Memo). Nevertheless, there is a place for engaging the community on such issues as major tax reforms, proposed uses for tax revenues, and participation in ownership registration processes. Mr. Mayor, we as the Local Land Advisory Committee hope your new Administration will make every effort to reach out to the public.

USING MORE LAND MORE INTENSIVELY WITH PUBLIC-PRIVATE PARTNERSHIPS

Mr. Mayor, as you well know, housing and land issues simply are too big to solve without the energies and productive efficiency of the private sector. Yet, when bottlenecks occur, the problems become too complex for the private sector alone, which is why (as discussed above) we need appropriate planning, regulatory, and tax policies. We of the Local Land Advisory Committee believe that the private sector would respond positively to changes in the regulatory environment and that public-private partnerships have an important role to play in increasing access to land in Our City.

Public-private partnerships may be broadly defined as relationships and commitments among public and private entities—and also often the third sector, nonprofit community groups—to cooperate in the development of land and housing for the poor. For the public sector, the concern is primarily to protect the wider public interest and particularly the needs of vulnerable groups. The public sector also sets the legal, policy, and institutional rules under which other actors can operate on equal terms. For the private sector, the primary interest is to maximize returns on investment, while minimizing costs and risk. For communities and NGOs, the main concerns may be social or political issues. In many cases, bridging the cultural gap between public and private sectors will require a major effort,

especially when private developers consider public sector agencies as incompetent, inflexible, and corrupt and public sector officials consider private developers as rapacious and only concerned with short-term gain.

Here we will briefly discuss three established practices that will benefit from a fresh look: (1) Requests for Proposal (RFPs), (2) Site Briefs, and (3) leveraging of public land assets.

An RFP is an invitation to suitably qualified developers to submit proposals for a specific site. It specifies a number of mandatory requirements, plus a number of additional optional elements. Developers are invited to submit proposals, and the winning proposal is that which meets all the mandatory requirements and the most additional elements. It is therefore an effective means of realizing a public benefit from a private development. The RFP process allows the risks and benefits to be identified clearly upfront. By reducing risk and the time for processing proposals, costs can be reduced and social benefits increased. The selection process also facilitates good governance since the process can be made transparent.

You may recall that Our City has had some questionable experiences with RFPs, in particular related to the construction of the soccer stadium on the north side of town. While many of our residents now enjoy spectator sports, the stadium was quite controversial while under construction. Critics charged that Our City was saddled with unanticipated infrastructure costs, that the tax breaks given to the developers were overly generous, and that the whole project came in well over budget.

Our City's experience, unfortunately, was not atypical. That said, in fact, RFPs have been used quite successfully in a number of countries, including Bulgaria and Russia, where housing units have been built on municipally-owned sites, enabling the authorities to meet the needs of low-income households at no or low *direct* cost, although costs certainly are entailed in the in-kind, off-budget transfer of land for this purpose. From the developers' perspective, the RFP approach increases access to highly desirable sites for development and offers an attractive alternative to the often complex and lengthy negotiations with private land owners.

In implementing RFPs, the devil is in the details. City councils and local administrations are responsible for creating RFPs for housing developments and for using public resources efficiently while acting for the benefit of their citizens. Specific development objectives may include affordable housing, preservation of historic structures and landmarks, commercial development, and/or maximizing economic and social returns on municipal assets. The location and size of sites for developments using RFPs should be chosen with an eye towards the market. In a housing development, for example, because the private developer assumes the risk and responsibility of selling the housing to prospective buyers, the proposed site should be located where there is effective demand for those types of units.

Developers also need to be assured that they are competing on a "level playing field" and that the selection process is objective and transparent. If your administration issues RFPs, they should be evaluated on an objective basis preferably by official proposal review and selection committees comprised of municipal personnel, non-municipal employees, business leaders, local residents, and community interest groups.

Another way for Our City to engage the private sector is through Site Development Briefs. These are statements by public sector land agencies specifying the minimum social, financial, and environmental requirements which need to be included in a proposal in order to obtain planning approval. Effective briefs are clear and based on criteria that

can yield an acceptable return on investment by developers in return for the reduction of risk involved. The benefit of this approach to a developer (whether a commercial developer, NGO or community group), is that it eliminates risk by specifying in advance the conditions required in order to proceed.

As with RFPs, the details matter. The briefs should be based on a realistic assessment of the likely development costs, selling prices, and potential profit margins for each project component. Public benefits should be ensured but not at the expense of deterring developers. The chances for obtaining desired non-profitable items, such as low-income housing or communal facilities, will be increased if provision is permitted for a proportion of more profitable components.

Don't overlook the importance of public participation upfront and early on. The views of all key stakeholders should be sought before finalizing individual briefs. Time taken at this stage can result in considerable savings later by reducing the risk of delays caused by local hostility to new development proposals. Projects can proceed more quickly which means costs savings can be passed on to consumers in the form of lower prices.

Finally, you may not realize it, Mr. Mayor, but Our City actually is a large landowner. The municipality owns some parcels of land in inner city locations and also over the years has acquired large swaths of agricultural land near the city periphery. However well-intentioned, this effort to set up land banks may have distorted land markets in Our City.

Some of the land was acquired at the existing, agricultural use value, which means rural land-owners were forced to sell at lower prices than would have been the case had they sold in an open market to developers with potential or approved urban land use development schemes. Seeing this, other farmers acted to pre-empt land banking by the City by selling to informal developers who then subdivided the land and created unauthorized settlements.

Moreover, Our City's land banking agencies acquired larger areas of land than was needed for short-term development, reducing the areas of land available for other suppliers and driving up land prices generally. This created a self-sustaining process of land price inflation. Our situation is not unlike that in Delhi where, over a period of 50 years, the local Development Authority acquired huge tracts of land. Instead of curbing land values, prices have risen dramatically, and the majority of plots allocated have gone to middle- or high-income groups. In this sense, small rural land-owners are effectively being forced to subsidize wealthier urban residents.

Aside from the equity issue, studies⁸ have shown that where the public sector dominates the private sector in land development, land markets are less efficient. These cities provide less affordable housing and less access to land by firms as compared to cities that auction off public land or do little in the way of land banking. This is likely because private developers can't compete against large public land developers who also wield planning and regulatory powers. Also, some public agencies withhold prime real estate from the market.

Our City needs to be strategic in the way we manage public land assets. We can learn from the experience of others. First, we can do better inventorying and assessment of what we have. Some sites may be categorized as suitable for development through means of RFPs and Site Briefs as discussed above. Second, we should undertake

⁸ See Does Public Ownership and Management of Land Matter for Land Market Outcomes? By Robin Rajack in Urban Land Markets edited by S.V. Lall, M. Freire, B. Yuen, R. Rajack and J.J. Helluin. Springer. New York. 2009.

market-based auctions of some public land assets which are in surplus or which have public uses that can be relocated to less commercially valuable locations. In recent years, such auctions have raised significant sums in places like Cairo, Mumbai, Bangalore, Istanbul, Cape Town and Bogota, among others. These funds can, in turn, be invested in needed infrastructure or other public benefits.⁹

In summary, public-private partnerships are important to increasing access to urban land and housing by the poor. Partnerships will only flourish if they can demonstrate an ability to satisfy the primary needs and interests of *all* key stakeholder groups. Finally, the best way to introduce and expand partnerships is usually to create pilot projects in areas where there is local support. Success in a pilot project will help build confidence in tackling more varied and ambitious projects and programs.

EXAMPLES OF PUBLIC/PRIVATE PARTNERSHIPS

- In Egypt, public authorities, developers and community groups achieved the gradual improvement of informal settlements in Alexandria and Tanta.
- In Bulgaria and the Russian Federation, municipalities arranged to receive 20-30 percent of the proposed housing units for low-income residents in exchange for granting development rights on municipal sites.
- In Capetown, South Africa, private developers and public subsidies resulted in two low-income housing developments.
- Cairo, Mumbai, Bangalore, Istanbul, Cape Town and Bogota have auctioned off municipally-owned land both raising revenue and spurring joint developments.
- In Mumbai, a tenants' association developed property jointly with the support of the city's municipal corporation.
- In Cameroon, the Mbanga-Japoma project was carried out by a parastatal development company with funds from public and private investors.
- See the Appendix to this Memo for examples of Public/Private Partnerships in innovative land schemes such as land pooling, land sharing, and transfer of development rights.

INNOVATIVE LAND TOOLS

Mr. Mayor, in addition to re-examining the potential of some of the more commonly-used policy levers to manage urban land—land regulation, property taxation, and public-private partnerships—you directed us to look at the potential for deploying some innovative land instruments in Our City. We briefly describe five of those here and summarize our preliminary analysis of their potential in the accompanying chart.

We refer you to the [Appendix to this Memo, where we present more detailed information](#) you can share with your planning department, business associations, community groups, and others you appoint to explore these options in more depth.

⁹ See *Unlocking Land Values to Finance Urban Infrastructure* by George E. Peterson, (PPIAF and The World Bank: Washington DC) 2009.

Community Land Trust (CLT)

A CLT is a private non-profit corporation created to acquire and hold land for the benefit of a community. By eliminating or greatly lowering the cost of land for individual households, CLTs are able to meet the needs of residents least served by the prevailing market. Under this approach, land is owned by a CLT and then leased to families who purchase homes that sit on CLT land. Because households need to purchase only the building and not the land—which often is the most costly component—a CLT home is more affordable. A main feature of CLTs is that the CLT usually has the right to repurchase the property at a price established by a resale formula written into the ground lease. Thus, housing is kept affordable in perpetuity.

CLTs are applicable in locations where individual households have problems obtaining land and where local community structures are well established. For this reason, they are most widely adopted in rural or peri-urban areas. They require an established legal framework which recognizes community-based land ownership. Most examples to date are in the UK and USA, although they have been tried on a limited basis in Kenya and Bolivia. CLTs are quite complex, requiring a sound institutional and legal framework, trust, and commitment between stakeholders and flexibility on the part of staff involved in promoting and implementing them. These conditions are difficult to establish and replicate in large cities where populations are mobile, community coherence is variable, and institutional commitment and capacity are often limited at local levels. This does not suggest, however, that efforts to introduce pilot projects would not be worth initiating in Our City; by all means this option should be explored.

Guided Land Development (GLD)

Guided land development (GLD) refers to the process by which cities and municipalities prepare for anticipated—and likely inevitable—expansion. The experience of many cities in the developing world is that most urban development is occurring in the urban fringes where rural land is converted to urban uses. Guided land development is a technique for guiding the conversion of privately-owned land on the urban periphery from rural to urban use so that development occurs less haphazardly and informally. GLD entails providing a *pathway* for future infrastructure to guide urban development. The infrastructure itself may not be built until later when the population density justifies making those investments.

The appeal of GLD to local governments is that it is less expensive than outright land acquisition, and landowners contribute towards the cost. The landowners' contribution is two-fold. First, they contribute by donating land for the roads and right of way for infrastructure. Second, they may contribute by paying betterment levies—justified because of the increased value of the land from the infrastructure and the conversion from rural-to-urban use. Individual landowners can then subdivide and service their own land.

Guided land development faces the inevitability of urban growth head-on. Between 2000 and 2030, cities in developing countries are expected to double in population from some 2 billion to almost 4 billion. Land consumption by these cities will triple over the same period if trends observed in the 1990s continue. By planning ahead, municipalities can “guide” expansion, deterring settlement in certain areas that are too environmentally sensitive or inappropriate for development. At the same time, other areas deemed suitable for human settlement can be prepared in advance. Acquiring rights of way for roads as well as other infrastructure helps ensure that roads—especially secondary roads serving urban communities—are not undersupplied. Moreover, it makes sense to acquire these rights of way and prepare basic infrastructure investments while land prices are still relatively low.

To finance the scheme, a loan is initially taken out to build the infrastructure, which may be repaid at least in part from betterment levies provided by landowners either on annual installments or in lump sum if they sell the land. Variations of GLD have been implemented in Bangkok and Cairo, tried on a more limited basis in Guinea, and have been proposed but not fully implemented in Indonesia and Ecuador.

GLDs are best used in locations where urban areas are expanding into areas of privately owned land and where government is not able to control the process of land transformation from rural to urban use. By installing public infrastructure in areas where government considers growth can best be channeled, GLD can encourage landowners to realize the increased value of their land resulting from its subdivision and servicing by either selling it to a developer or subdividing and developing it themselves. The approach requires that land administration agencies and service providers act in a coordinated manner. One caveat is that there is no guarantee that landowners will act as envisaged. In Hyderabad, Pakistan, projects have been discontinued, partly because the locations were too far from established settlements for people to obtain employment and partly because middle-income groups took advantage of the project to nominate servants to occupy plots on their behalf for speculative purposes.

Land Pooling/Readjustment (LP/R)

Urban LP/R is a technique normally used for managing and financing the subdivision of selected urban-fringe areas for their urban development. Sometimes it is also used for inner-city redevelopment. In each LP/R project, a group of separate land parcels are consolidated for their unified design, servicing, and subdivision into a layout of roads, utility service lines, open spaces and building plots. The sale of some of the plots is then used for project cost recovery and the now smaller—but higher value—lots are distributed back to the landowners in exchange for their rural land. The approach is widely used in Japan, Republic of Korea, and Taiwan, China, and is being transferred to the developing countries of Southeast and South Asia. LP/R projects are mainly undertaken by local governments.

The attraction of LP/R for landowners is that they can share in the land value gains from urbanization. For local governments, it ensures efficient urbanization of land at reduced cost because the project site and infrastructure rights of way do not have to be purchased or compulsorily acquired. The cost of the infrastructure and subdivision can be financed with a short/medium-term loan which, depending on the land contribution ratio of participating landowners, may be repaid through the sale of some of the new building plots. However, such benefits are dependent on the existence of a legal framework and professional capability to manage the process. The main limitation of LP/R is that the land may take many years to be developed and occupied, whereas the government's objective is to achieve early development and a flow of revenues. Another limitation is that the ability of LP/R projects to provide access to land for lower-income groups is limited by the need to provide the original land owners with an increased value for the smaller plot areas they receive after land subdivision and servicing.

Transfer of Development Rights (TDR)

Development usually is thought of as part and parcel of a physical piece of land. But, in fact, the right to develop land can be separated from the land itself. This separation and transfer of development rights can provide local governments with an innovative way to meet certain social and economic goals and channel development to specific locations in the process. Referred to as Transfer of Land Development Rights (TDR), this mechanism involves purchasing development rights—usually from areas where development is to be discouraged—and using them to develop land in another location—in areas where more development or density is desired. In effect, the

owner is being paid to not develop in one location and to develop somewhere else. While TDR does not always increase the supply of land, it can increase the supply of land for a particular use, for example, affordable housing. It can also be used to steer development away from sensitive areas such as agricultural land or environmentally sensitive land. The options available to the land owner may be to use the TDR on any remaining area of land owned, use it on some other land, or sell it to others who can use it elsewhere.

TDR is applicable where land administration agencies need to relocate existing or proposed development in order to release land for other uses but where the agencies do not have funds to pay adequate compensation to the owner. Experience in Brazil and India shows that TDR programs are very complex and can be very difficult to administer. Clearly, if the TDR program is not attractive to private owners, it will fail from the outset. Title to property needs to be clearly established in order for owners to participate and be justly compensated—certainly a sticking point in many places where TDR could be useful. The value of the TDR must be sufficient, otherwise, owners will opt to sell their land or buildings for uses the program is actively trying to discourage. For this reason, too, developers must find the receiving areas for the TDRs appealing both in terms of a good location and allowable uses. There is also a danger of municipalities turning TDR into a cash-cow, selling extra development rights (e.g., higher floor area ratio) in locations that are not compatible with spatial forms favored by markets and thereby creating other problems for the city such as limited accessibility of residences to workplaces or transport hubs.

Land Sharing (LS)

Land sharing is an agreement between the unauthorized occupants of a piece of land and the landowner. It essentially involves the occupants moving off the high-value portion of land in return for being allowed to either rent or buy a part of the land below its market value. The advantage to landowners is that they are able to regain control of the site, proceed with development plans, and realize higher commercial returns from the land without having to evict the occupants. In return, residents are re-housed in better quality housing with services, gain legitimate tenure, and are able to continue living close to their established livelihoods.

The condition most conducive to LS is a booming property market. Although such markets make evictions more likely, they also set the stage for both landowners and slum dwellers to reach a settlement—the former to pursue commercial development and the latter to compromise to avoid eviction. Community organization is crucial for LS to work. Residents themselves mobilize to counter the threat of eviction, negotiate with the landowner, enlist the support of outside organizations, and help plan and manage the rebuilding of homes on the allocated portion of the plot. LS projects usually result in more compact development as existing residents are re-housed on a smaller area of land. The main difficulty with LS is that, in practice, it is complex. For all its advantages, not all communities have the wherewithal—financial or emotional—to weather the extensive and arduous process of negotiating a settlement.¹⁰

In summary, Mr. Mayor, innovative land tools present particular challenges in terms of getting them up and running, especially where there is relatively little experience on the part of local government agencies. Political pressures to change back to the old ways, before the programs have had a chance to work, may be very strong. We urge you, though, to consider how best to deploy these tools for success and to stick with them to see if they realize their full potential. We have included a summary chart on the next page.

¹⁰ See *Land Sharing as an Alternative to Eviction: The Bangkok Experience*, Shlomo Angel and Somsook Boonyabanha, Third World Planning Review, May 1988 for a discussion of the early history and experience of this technique.

ISSUES TO CONSIDER IN INTRODUCING INNOVATIVE LAND TOOLS

	Community Land Trust ^a	Guided Land Development ^b	Land Pooling/Readjustment ^c	Transfer of Development Rights ^d	Land Sharing ^e
Issue Addressed—Yes, No, Maybe					
Increases supply on urban/rural periphery	Yes	Yes	Yes	Yes	No
Increases supply in inner-city	Maybe	No	Maybe	Yes	No
Directs future development	No	Yes	Yes	Yes	No
Supports incremental housing	Yes	Yes	Yes	No	Yes
Promotes Public-Private Partnerships	Maybe	Maybe	Yes	Yes	Yes
Controls Sprawl	No	Yes	Yes	Yes	Yes
Implementation—Easy, Moderate, Hard					
Legal Complexity	Hard	Easy	Moderate	Hard	Hard
Administrative Ease	Hard	Moderate	Moderate	Hard	Hard
Financial Cost—Low, Moderate, High					
Cost to Municipality	Low	High	Moderate	Low	Low
Cost to Community Groups	High	Low	Low	Low	Moderate
Cost to Private Sector	Low	High	Moderate	High	High
Political Support—Support, Oppose, Neutral					
<i>Local Government:</i>					
- Dep't of Public Works	Neutral	Support	Support	Oppose	Oppose
- Dep't of Housing & Community Dev't	Neutral	Oppose	Support	Support	Support
<i>Community:</i>					
- NGOs and Residents	Support	Support	Oppose	Support	Support
- Nearby Residents	Oppose	Oppose	Support	Oppose	Neutral
- Landlords	Oppose	Oppose	Support	Oppose	Support
<i>Private Sector</i>					
- Developers	Neutral	Support	Support	Oppose	Support
- Business Community	Neutral	Neutral	Support	Oppose	Oppose

^a CLT—assumes projects are driven primarily by resident NGOs using self-built, incremental housing.

^b GLD—assumes municipality is organizing project on city periphery and betterment taxes will be levied.

^c LP/R—assumes all landowners involved agree to participate in the project.

^d TDR—does not involve increasing land availability per se but increases density and/or intensity of use.

^e LS—results in division of the land in which residents are re-housed on smaller, less valuable portion.

This table shows the preliminary assessments of the Local Land Advisory Committee.¹¹ All the issues shown here, and any added items, should be opened up to public debate and review.

¹¹ General format of table inspired by a table depicting transportation policies by Anthony Downs in *Still Stuck in Traffic* (Brookings Institute: Washington, DC) 2004.

OVERCOMING OBSTACLES AND NEXT STEPS

Mr. Mayor, as you noted in your campaign, the need to deal with access to land is compelling. Failure to act in providing adequate housing and services will not deter people from coming to Our City— it simply consigns larger numbers to substandard living conditions. This Memo has discussed technical solutions, but with only some exceptions many of these approaches, especially innovative land policy instruments, have not been adopted at anything like the scale or speed required. Why is this the case? Technical solutions fail to overcome the host of obstacles—legislative, institutional, political, bureaucratic—that can stand in the way of progress. That said, there is no fixed norm of what constitutes “ideal” conditions. Political systems as diverse as Thailand, Mexico, India and Kenya have used innovative land tools (such as those described in the previous section of this memo) to increase access to land. The challenge is to find the set of circumstances and craft the solutions that work best for Our City.

Make no mistake—many of the powerful political, economic, and administrative elite in Our City have a vested interest in the status quo and will oppose your efforts. That is why most of your predecessors garnered votes from the poor but left promises unfulfilled. For public sector officials, the current system enables them to maintain a degree of control over private sector groups, whether this is seen as in the interests of the public or their own private interests. For private developers, it enables them to maintain high profit margins due to the shortage of supply relative to demand. Even NGOs sometimes prefer keeping in place a system from which they have learned to benefit rather than working for its reform.

You—and your allies who want change—will have to face these opponents one way or another. Prospects for change will depend upon convincing those with vested interests that they have even more to gain by embracing change than by perpetuating the present approach. Presenting evidence of the negative consequences of inaction—social tensions, continued exclusion of the poor from civic affairs, and most of all, continuing encroachment—may help change attitudes and actions. More positively, examples of successful innovation may prove to be an effective approach. A combination of the two may be even more effective. If they can be convinced that meeting the needs of the poor and the vulnerable also serves their own interest, you surely will make progress. Otherwise you must build constituencies of stakeholders who support change and have the wherewithal to challenge those who block reform.

Resolving the Property Rights Issue

Access of the poor to land will be stymied as long as issues of property rights remain unresolved. Insecurity of tenure puts the urban poor at risk of eviction, prevents them from building up assets and accessing credit, inhibits using one’s home for income generating activities, and limits investments in service provision. Aspects of many of the land policy levers discussed throughout this memo—land registration and taxation, regulation, as well as innovative land tools such as Community Land Trusts and Land Pooling—can either succeed or fail in meeting the needs of the poor to the extent the critical issue of property rights is addressed.

Land titling has its proponents. It has been argued that providing titles to settlers will unleash productivity on the part of residents. It will give them long-term stability, an incentive to improve their properties, and access to credit. Certainly, in many cases full titling is desirable and highly popular. But, it also has potential limitations for a host of reasons. Owners of nearby properties may object to having informal settlements made permanent. Tenants in such settlements—usually the poorest of our citizens—often are evicted when rents rise to reflect formal market

rates. Even newly titled owners may be displaced by market forces as better informed groups move in. Public authorities may also fear that giving full titles will attract more migrants to Our City. And, there are the practical difficulties and expenses in establishing residency and ownership. For example, if land registers do not maintain accurate records of subsequent property transfers, then the certainty provided by titles is lost. In India, court cases on contested land languish in the legal system literally for decades!

Some recent incremental approaches show promise in making progress on such seemingly intractable property rights issues. Experience suggests that many residents are more interested in recognition and services than in taking on the expense of obtaining full title or accessing formal credit. Incremental tenure instruments such as certificates of use or registration of occupancy have helped residents in such diverse places as Trinidad and Tobago, India, and Botswana obtain adequate security to invest, as well as water and sanitation services. Even a basic step such as providing addresses—as has been done in more than 50 African cities—has improved the quality of life of residents by providing access to postal services, vaccinations, policing, and other services.¹² Moreover, such approaches help those on the margins of society become fuller citizens of the urban community. We should experiment with one or more of these approaches in Our City.

Moving Bureaucratic Mountains

Bureaucratic inertia certainly will impede progress on your institutional reform agenda. Land management agencies which penalize risk taking or initiative find it difficult to attract or retain ambitious, enterprising staff, while frequent changes in senior management discourage innovation. Moreover, any real or perceived threat to existing staff powers can be expected to produce active or passive opposition.

Until recently, it could be argued that a lack of information or professional competence could explain the weak performance of public sector agencies. The advent of Google™, the Internet, Geographic Information Systems (GIS), and other technologies certainly provides considerable prospects for improving public sector performance. However, the reality is not so simple. The introduction of computers in some public sector agencies cannot increase performance when electricity is intermittent. In any case, technology is not a substitute for trained staff. Often, information still needs to be supplemented by gathering data on the ground and speaking with citizens to resolve issues. That said, there may be some role for new technology to reduce arbitrary decisions or opportunities for bribery. As noted elsewhere in this Memo, some Indian states have introduced innovations such as E-Centres where applicants can process a wide range of applications online with the help of locally-based staff. The result is dramatically improved urban governance, increased municipal revenues, and extended public sector influence over urban development.

Efforts to professionalize staff could really pay off in the long run. Mr. Mayor, you must allow some local discretion in enforcing official regulations and standards. If no discretion is permitted, residents or developers unable to conform to norms will be vulnerable to penalties even in cases where residents are too poor to be in compliance. On the other hand, when local officials are able to exercise discretion, there is risk of abuse, should officials take bribes to permit unauthorized development. Officials need to be seen to be acting fairly, though this is not an easy line to draw.

¹² See Catherine Farvacque-Vitkovic, Lucien Godin, Hugues Leroux, Florence Verdet, and Roberto Chavez. *Street Addressing and the Management of Cities* (World Bank: Washington DC) 2005.

As you embark on your program of reform, you need to reach out to the public agencies and local bureaucracy to identify “champions of change” who will support your efforts. You can return their support by conferring image, prestige, and public acceptance and by rewarding those who help the poor—perhaps, for example, by providing publicity or awards for private sector developers who act in the public interest, providing performance-related pay to public sector staff or outsourcing some activities to the private sector in a transparent manner. It is up to you, Mr. Mayor, to help create a sense of civic responsibility.

Curtailing Corruption

Mr. Mayor, corruption is a most formidable obstacle to the change you seek, and land is often the most commonly cited sector when statistics on corruption are published. Government officials and politicians sometimes paralyze markets in pursuit of their own objectives or in an effort to protect the status quo. In the Philippines in the mid-1990s, vacant land taxes and broader land reforms were blocked by strong opposition from some Congressional leaders who owned vast urban properties and by influential businessmen who lobbied them. More recently, tensions arose during the negotiations for a land sharing project in Bangkok, Thailand because some public agencies had commercial interests in the project and others were concerned about protecting their public image.

Earlier we discussed the role of public-private partnerships in achieving progress on increasing the intensity of use and the supply of land. Although participants in these projects are supposed to be politically neutral, this is not always the case. In some instances, government officials and informal developers are the same people. The role of politicians also can be murky. Some politicians have become the informal sources of land and act through brokers and staff in government agencies responsible for land control. These schemes are aided and abetted by government officials providing illegal documentation on transfers, resulting in double allocation of plots or allocation of non-registered land. Partnerships between some public officials and informal developers in Pakistan have been heavily criticized by the media and the public for engaging in just such activities.

Some of the IT solutions we discussed above can help cut transactions costs for residents and commercial enterprises doing business or other tasks with Our City administration. Beyond that, they have a further advantage. By automating systems and procedures in a transparent manner, IT can help reduce the possibilities for corruption and abuse by city officials.

We can no longer ignore the issue of corruption. A study in India found that bribes and informal charges levied during the permitting procedure for development amount to 15 percent or more of total project costs and, if not paid, lead to additional delays and increases. Even if the amount is half that in Our City, these are real costs that we can ill-afford.

Shedding Light with Communication and Consultation

Some communication strategies are aimed at awareness and promotion. Extensive education campaigns using audio visuals and other media can help demonstrate the concept of community land trust projects, for example. Study tours for landowners, local representatives, decision makers, and journalists are a compelling way to showcase benefits and secure cooperation for projects such as land pooling. Communications efforts also are useful for improving relations between local government and citizens. For example, outreach efforts can inform the public when property tax revenues are used for projects that benefit the public. This could have the added effects of

reducing tax evasion on the part of taxpayers. Surveys also are useful, not only to get a reading on the popularity of proposed policies and programs, but also as “reconnaissance” in order to understand what might motivate landowners to participate in a land sharing scheme, for instance.

Perhaps one of the most effective ways of increasing public awareness and building a shared vision of a better future is simply to provide a formal mechanism through which different stakeholders in Our City—enlightened private sector groups, senior public officials, citizens’ groups, and the media—can focus on key issues of public concern and meet in a non-confrontational forum to find common ground. The ‘Bombay First’ initiative in India—a public-private “think tank” spearheaded by major Indian companies working in concert with state officials and citizens groups—is a good example of such a process and a model that deserves consideration.¹³

Your government should reach out to the community using media in a language they are comfortable speaking and/or reading. Failure to do so can create problems for projects. In a partnership with an NGO in Pakistan, lack of adequate communication strategies affected the effective participation of direct beneficiaries, unaware and absent from the negotiations taking place between the NGO facilitating partner and the government. While the facilitating NGO partner and resident association wanted to post announcements on public boards and other means more accessible to people, the government chose to make the announcements in a national newspaper that that few people read or had available.

A process of continuing consultation is important to help build and sustain trust among stakeholders in the implementation of land management techniques and partnership arrangements. Some projects require coordination and consultation among a whole host of players—landowners, residents, urban authorities, developers, and public utility agencies among them. The role of beneficiaries and residents, in general, should not be minimized. Some governments have been slow to recognize that poor residents, and the community groups that represent them, are sophisticated and well-organized. Not only is consultation with these groups important for reasons of equity, but the ability of these groups to mobilize public opinion can scuttle proposed projects entirely if concerns are not adequately addressed.

Sufficient time should be allocated for negotiations and discussions since constructive negotiations can take from six months to two years, depending on the scale and complexity of the project. Failure to incorporate ideas from consultations can be costly. In a guided land development project in Cape Town, South Africa, for example, community consultation was minimal, such that the community felt coerced to take the units without the option to decide what was best for them. Consequently, the project became unpopular and a large number of landlords became absentee, which contributed to the illegal occupation of units. Our City should take care not to repeat this experience.

Some Things are Not in Your Power Alone to Change

Mr. Mayor, everything we have discussed so far in this Memo has focused on changes you can make, causes you can champion, projects and plans you can implement or, at least, initiate. Yet, there are some things that neither you, nor your Administration, nor even the will of every commercial entity or resident in the City can change.

¹³ For more information on the history and activities of this organization, see www.bombayfirst.org

Many cities carry national legislative baggage and Our City is no exception. Much of the legislation applicable to urban development in developing countries has its origins in the 19th century when many countries were part of European empires (e.g., the Transfer of Property Law in Bangladesh was passed in 1882). Legislation enacted at that time was invariably designed to further the interests of the colonial elite, not the majority of local people, and certainly not the poor. In many countries, such laws remain on the books, even though more recent legislation has been introduced. This creates a situation in which laws may not be consistent and no longer reflect the needs or realities of the societies they are intended to serve. As a result, litigation related to land and urban development represents a substantial proportion of all court cases in cities in places as varied as South Asia, Central Asia, and Eastern Europe. In Pakistan, for example, it is estimated that there are over a million land-related disputes pending court resolution and that this represents 40 percent of all court disputes.¹⁴ Land cases in India and Bangladesh notoriously take years to resolve.

Under current conditions, such laws have no meaning or relevance to the urban majority—the urban poor. This is apart from the fact that they are often written in a foreign language and in a form that only professionals, such as lawyers, can understand. As one observer has noted, if a small minority of the population breaks the law, it reflects badly on them; if a substantial proportion of a population breaks the law, it reflects badly on the law. It is high time these antiquated laws are revisited and changed—but it will require national legislation to do so.

Also, we in Our City cannot control the fact that national governments often seek to limit the powers available to local governments. This especially is the case in larger cities, since these cities often are the power bases for opposition party leaders to achieve national prominence. With artificial limits imposed on local discretion, some cities become extremely difficult to manage since they lack a well-coordinated and democratically accountable system of governance. This, in turn, reduces their ability to meet the needs of their populations and contribute effectively to national development.

As cities expand their footprint—spilling over existing boundaries—municipal governments become saddled with an ever-growing list of responsibilities, services, and activities to manage. Cities, like ours, struggle to meet the needs of a growing population. This increase in responsibilities, however, is not accompanied by increased resources. The challenge is greatest for cities in the poorest countries in the developing world where the situation is often worsened by strained national-local relations, uneven local capacity, and lack of trust among city residents. We must make the case for greater devolution of resources and power at the local level. Hopefully, if your administration is seen as an innovator and Our City is recognized as a driver of national economic growth, we will garner national government support.

A Concluding Thought

According to the “principle of one hundred small cuts,” the only way a woodsman with a small axe can cut down a large tree is to strike many small blows over a long period of time.¹⁵ Likewise, to make progress on increasing access to urban land, a whole range of responses—from updated regulation, land taxation, and public-private partnerships, to the less established innovative practices of community land trusts, guided development, land pooling, transfer of development rights, and land sharing—may need to be strategically applied.

¹⁴ The Evolving Role of World Bank Urban Shelter Projects: Addressing Land Market and Economy-Wide Constraints Final Report, produced for the World Bank by PADECO Co Ltd., 2007.

¹⁵ Downs (op. cit.).

At the end of the day, you and the policymakers and citizens in Our City who support you, will have to negotiate a delicate path between powerful political and economic interests and the broader concerns of social development and environmental protection. Our goals are worthy. We aim to do no less than make land and housing choices available for every rung of the income ladder, provide basic services to all our residents, and reduce the need for future slums and informal settlements. If we are successful, the benefits of a broadened tax base, increased revenues for Our City, and improved economic prospects will accrue to all of our residents—rich, middle-class, and poor alike.

Mr. Mayor, with your leadership, your administration likely will be remembered as a time of experimentation, knowledge sharing, public-private collaborations, and “bottom up” community driven approaches. We hope, when we look back over your first term, we are able to say that the energy and ideas that emerged from your tenure as Mayor launched an era of great progress towards the goal of providing access to land in Our City for all. We stand by you and are ready to get to work.

APPENDIX

Issues Notes on Innovative Land Tools

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For use in working groups of officials in city administration, the business community, community groups, residents and others interested in these concepts.

Innovative Land Tool—#1

Community Land Trusts (CLT)

An Alternative Form of Ownership Provides Affordability and Security of Tenure

What is a Community Land Trust?

Owning or renting—those are the two options most commonly thought of when it comes to housing. There is, however, a middle ground that can serve as a path to tenure security and long-term housing affordability—a Community Land Trust (CLT) is such an arrangement. A CLT is a private non-profit corporation created to acquire and hold land for the benefit of a community and provide secure affordable access to land and housing for community residents. By eliminating, or greatly lowering, the cost of land for individual households, CLTs are able to meet the needs of residents least served by the prevailing market.

The CLT results from a division of ownership—one party owns residential buildings and improvements on the land while another party owns the parcel of land which those buildings and improvements occupy. Under this approach, land is owned by a CLT and then leased to families who purchase homes that sit on CLT land. Because households need to purchase only the building and not the land—which often is the most costly component—a CLT home is more affordable. A main feature of CLTs is that the CLT usually has the right to repurchase the property at a price established by a resale formula written into the ground lease. In this way, control over the land is maintained and housing remains affordable for future residents. CLTs also place community residents in charge, organizing and implementing improvements for their own housing circumstances and for the benefit of their neighborhoods.

In many informal settlements in developing countries, much of the housing is “illegal” or unrecognized and tenure security is non-existent. Residents live in constant fear of eviction and have little incentive to invest in improvements. Here, CLTs offer an innovative means of providing secure access to land. However, CLTs have not, to date, been implemented on a wide scale in the developing world. This issues note looks at how CLTs work and explores the potential for expanding their reach.

Benefits of a Land Trust

- **Affordability**—In areas coping with a growing population, lack of available land, and soaring real estate prices, CLTs provide a way to create affordable housing.
- **Revitalization**—In distressed areas, CLTs enable residents to capture the value of improvements they make on their property, instead of paying rent to absentee landlords. Also, by encouraging investment, local tax revenues may increase.
- **Security of Tenure**—In places where obtaining individual land titles is still a challenge, CLTs can provide tenure security.
- **Access to Credit**—Residents can use their leases and/or the backing of the cooperative as collateral for home improvement or other loans from public, private, or non-profit lenders.

- **Long-Term Affordability**—CLTs help maintain the long-term affordability of housing by retaining first rights of purchase and sharing equity gains with the seller. The CLT’s share of profit can be used for benefits to the community.
- **Community Organizing**—CLTs may serve as a platform for residents to tackle larger issues involving safety, road maintenance, provision of utilities, and other issues that affect their quality of life.

Where Community Land Trusts Work—the Example of Voi, Kenya

In Kenya, in the early 1990s, some 5,000 residents in Tanzania-Bondeni Village in the Voi Municipality lived in constant fear of eviction and demolition of their homes. Although more than three-quarters of the owners and half of the tenants had lived in the settlement for several decades, they occupied land they did not own and were reluctant to invest in their homes. According to a baseline survey of the area, more than 60 percent of the structures were built of temporary materials and virtually none of them had permanent floors. Most were overcrowded, in dilapidated condition, and lacked basic services.

Consultations were held among local government ministries and residents, facilitated by a project funded by the German development agency, GTZ. It was decided that a CLT was preferable to individual titles because a CLT could provide sustainable security of tenure. The CLT was organized along the lines of the classic CLT model: the land belongs to the community, with individual members owning the structures and improvements they have developed on their plots. If they want to move, residents are able to sell only the improvements according to a re-sale formula. The underlying land remains with the CLT and cannot be sold, thereby maintaining both affordability and security for the community.

As documented by Saad Yahya, the CLT faced considerable challenges from the outset. As Kenyan law only recognized individual titles, a series of interlinked legal documents—including rules for the trust, the trust deed, the lease, and a development plan—had to be developed anew with the cooperation of numerous committees and government agencies. The process and document created to form this first CLT now serve as models for similar efforts across the country.

Several features of Voi CLT are notable. Preference for membership in the CLT society are accorded some of the most vulnerable—the elderly, low-income, and female-headed households. To ensure that households are not forced or bought out because of high building standards, the lease recognizes existing buildings, but owners are expected gradually to conform to local building codes.

Over the years, the CLT helped reduce the settlement’s social and economic isolation. Roads were opened up (and some paved) and structures were connected to a reliable water supply. Hundreds of homes were rehabilitated and virtually all have either septic tanks or pit latrines. The area now receives regular waste collection and is on the route for public transport. Residents have been able to obtain home improvement loans from programs set up to serve housing cooperatives, and repayment rates have been extremely high.

The Voi CLT is not an unqualified success. Some residents have encountered difficulties in making their membership payments and some divisiveness has pervaded the community on the question of whether or not to allocate plots to tenants. Overall, though, as a long-time observer of the project, Saad Yaha, put it, the project demonstrates that “people can grasp the new CLT concept very quickly, internalize it and put their faith in it.”

Where Community Land Trusts Work—the Example of Burlington, Vermont USA

Perhaps no CLT has been more frequently cited, summarized, and studied in case histories as has the Champlain Housing Trust, a CLT in the City of Burlington, Vermont USA. It has garnered attention for good reason. Established in 1984, the Champlain Housing Trust was an early pioneer of the land trust approach of providing affordable housing. The Trust serves more than 2,000 households with incomes on average of only 57 percent of the area median. In 2008, it was selected as one of only eight recipients of the World Habitat Award.

A distinguishing feature of this CLT is the diversity of housing stock included. In addition to owner-occupied single-family homes and condominiums, the Trust also includes 1,500 rental units as well as commercial, retail, and office space. Owners (and their heirs) are entitled to full rights to the land, but the ground lease stipulates that upon resale, they receive only 25 percent of the appreciation in property value.

Aside from sustaining long-term affordability, the Champlain Housing Trust has spearheaded efforts to revitalize run down and dilapidated city neighborhoods. In a previously deteriorating section of Burlington called Old North End, for example, the Trust owns hundreds of properties, refurbishing some and clearing others to make room for parks and community facilities. By establishing housing in these gentrifying areas early on, the Trust keeps the neighborhoods accessible and affordable to lower-income households.

Another hallmark of the trust is its inclusiveness. The board of directors consists of an equal number of representatives of the following three groups: existing residents of homes on land leased from the CLT, residents from the surrounding community, and public officials or other supporters of the CLT. As with any CLT, while this arrangement empowers residents to make decisions that directly affect their communities, it also comes with the expectation that residents, neighbors, and local officials will be able to resolve conflicts and abide by their joint decisions.

In its twenty-five years of existence the Champlain Housing Trust has demonstrated the resilience of the CLT approach in a range of market conditions. For most of the past several decades, Vermont has been a high-cost state and has had one of the USA's tightest rental markets. The three counties in which Champlain Housing Trust operates have higher rental and ownership costs than the state average. Yet, the Trust has assured continued affordability of its housing. At the same time, as noted above, in parts of Burlington that had suffered disinvestment, the Trust has played a role in revitalizing neighborhoods. More recently, as cited in the World Habitat Award case study, problems in the sub-prime housing market “have not had any negative impact on the CHT, but on the contrary have served to highlight the value of its approach of responsible lending to those on low-incomes.” It was further noted that as foreclosure rates grew nationally in the 4th quarter of 2007, CLT homeowners, meanwhile, were 30 times less likely to default.

Where Community Land Trusts Work—the Example of Maria Auxiliadora Community, Bolivia

The Maria Auxiliadora Community, located near Cochabamba City in Bolivia, was established by a group of homeless, female-headed households. They have initiated a community land trust-style form of collective ownership and, through a mutual aid process of construction, built homes for more than 250 low-income families. Somewhat unusually, the land was initially acquired not through a government grant or purchase by the trust. Rather, one of the women in the group, with the help of a bank loan and a loan from a friend, purchased the 16.8

hectares of land for US\$276,000 and subdivided it into plots, passing on proportional costs to other members. At the time it was acquired, the land was purchased informally, although its tenure status has since been regularized.

Households can buy into the community with an initial payment of US\$10 and make minimum monthly payments of US\$10. Absentee ownership and renting out of land or dwellings is not allowed. Households that have become members of the community must either build their house or withdraw from the community and be reimbursed for the land. While there is no resale formula, plots change hands at the initial price of the plot plus the value of the house. In this way, communal land ownership has kept the community affordable for low-income families. Almost half of the families in the community earn less than US\$1 per day per capita and many work in the informal sector. In Bolivia, titles to land and property traditionally are issued in the name of the man. Here, land titles are placed in the woman's name. Also, the position of community leader is reserved for a woman and is limited to a two-year term.

Mutual help construction projects take place on Sundays with each household contributing a minimum of three to four hours per week. In addition to building individual homes, residents construct community amenities such as a playground, nursery, commercial projects and waste recycling facilities. Some infrastructure and community facilities have been funded through residents' savings or from donations from NGOs. Local government has shared some of the infrastructure costs. With the cost of the plot of land ranging from US\$600 to US\$900 and housing from US\$1,000 to US\$10,000, and roughly US\$180 for infrastructure, total costs per household range from US\$1,800 to US\$11,000. The combination of residents' savings, microcredit, and a revolving loan fund ensures that the community does not have to rely heavily on external funding or government support.

What are the keys to making CLTs successful?

As Yahya pointed out in his study of the Voi CLT in Kenya, while the community was able to relatively quickly embrace the concept, those in power were slower to realize the benefits of CLT and accept the arrangement. He suggests that teaching and efforts to change attitudes focus as much or more on bureaucrats than people. He also notes that the Kenyan experience also underscores the need to demystify jargon and write laws and related documents in a style and format readily understandable for residents. To set up the Voi CLT, all key documents were translated into Kiswahili.

The governance structure of CLTs deserves careful consideration. In Bolivia, specific provisions were made to include "reserved seats" for women in order to increase grassroots decision-making. In Kenya, efforts were made to ensure women had a place at the table for various committees. The Burlington, Vermont experience underscores the need for balanced representation with board membership divided equally among resident representatives, local officials, and members of the nearby community. All three cases demonstrate that where strong relationships can be forged with local officials, the CLT can be recognized both as a legitimate representative of community residents and a useful conduit for local officials for outreach and service delivery to the community.

Joint ownership can be a positive force that increases social cohesion and a sense of community. That said, this may not be the case in communities or cultures where joint decision-making and close cooperation of neighbors is not the norm. Moreover, even if the will is there, the means may not. CLTs require a high level of community organization, management capacity, and time commitment on the part of residents.

CLTs have been successfully established in central city neighborhoods, small cities, and clusters of towns. However, there are special challenges to making CLTs work in urban areas where, as noted in a recent World Bank report, populations are mobile, community coherence is lacking, and institutional commitment and capacity often limited at local levels.” The issue, as pointed out in a report by the UK-based Building and Social Housing Foundation, is the definition of community. “If it is geographical, what scale is it? It can vary from a borough down to a few streets. It can also be non-geographical and based on groups of people with common ethnic, religious or work interests.” The report goes on to note that there is plenty of scope for CLTs to be used in urban areas.

Why, then, have CLTs not become more widespread? In Kenya, the constraints often cited are (1) lack of suitable and affordable land, (2) lack of financial resources, and (3) lack of technical, managerial, and administrative capacities. Strong commitment on the part of national and local governments could help address these issues, as would the increased support of the NGO and donor communities. Along the lines of this last point, it is noteworthy that even in the U.S., the vast majority of CLTs are run by non-profit, charitable organizations.

In many countries the issue may also be one of acceptance. First, CLTs may require a change in existing laws or the development of new legal structures to comply with existing laws. For example, in some countries in sub-Saharan Africa, current law does not permit group ownership of property by condominiums or cooperatives. In Tanzania and Zambia, some experimentation has been done to work around the issue by using certificates of occupancy instead of full titles which may facilitate the development of CLTs. But, as has been demonstrated by the Kenyan case, more permanent changes in the law can be achieved. Second, almost by definition, CLTs restrict individual property rights because there is co-ownership. Some opponents may find this objectionable. However, it is the ability of the CLT to retain first buying rights and share in the seller’s profits that keeps housing affordable and funds community facilities and improvements for the benefit of the community.

In the right circumstances, the CLT concept potentially has great appeal. As has been shown by the experience of Kenya and Bolivia, people are willing to accept restrictions on the sale of their land and housing in return for greater tenure security, access to infrastructure, and the prospect of a better life.

Where to Find Out More About CLT:

- Community Land Trusts and Other Tenure Innovations in Kenya by Saad S. Yahya in *Land, Rights and Innovation*, ed. Geoffrey Payne (ITDG Publishing, UK: 2002)

Yahya provides details on the origin, development, and performance of Kenya’s landmark CLT in Voi.

- *Redefining the Commons: Locking in Value Through Community Land Trusts*, Building and Social Housing Foundation (BSHF), UK, June 2005. Available at: <http://www.bshf.org/published-information/publication.cfm?thePubID=111>

This report is an overview and summary of the CLT concept and is a companion piece to a series of consultations held by BSHF to examine ways to promote CLTs throughout the UK. It contains recommendations, brief case studies, and a list of additional resources.

- Website of World Habitat Awards: <http://www.worldhabitatawards.org/>

The World Habitat Awards were established in 1985 by the BSHF as its contribution to the UN International Year of Shelter for the Homeless. Two awards are given annually to innovative housing practices from around the world. The site has links to other publications and resources. A profile of the Maria Auxiliadora Community in Bolivia is available [here](#).

- Informal Settlements and the Millennium Development Goals: Global Policy Debates on Property Ownership and Security of Tenure, Alain Durand-Lasserve in *Global Urban Development* Volume 2 Issue 1, March 2006

This article looks broadly at alternative means of providing tenure security to the urban poor and includes a discussion of CLTs in this context.

- Shared Equity Homeownership: The Changing Landscape of Resale Restricted, Owner-Occupied Housing, John Emmeus Davis, National Housing Institute, Montclair, NJ 2006

Although based on CLT examples from the USA, this publication contains information useful for the design, implementation, and evaluation of CLTs in any country. The in-depth discussion of subsidy recapture and re-sale formulas is particularly useful.

- The Community Land Trust Reader, ed. John Emmeus Davis, Lincoln Institute of Land Policy, May 2010.

A compilation of 46 essays and excerpts examining contemporary applications of the CLT in promoting homeownership, spurring community development, protecting public investment, and capturing land gains for the common good. Most examples are from developed countries, but many of the principles discussed can be broadly applied elsewhere.

- Innovative Tools in Urban Land Markets, by PADECO, World Bank report, 2009.

This report reviews both conventional and innovative land tools utilized in four countries in Asia including Indonesia, India, Pakistan and Vietnam and is available at www.worldbank.org/urban. It concludes that innovative land tools, such as CLT, have tremendous potential but are often underutilized for a variety of factors. Among them are the preference for traditional approaches by local governments, insufficient legal and institutional frameworks, and the lack of familiarity with international experiences.

Innovative Land Tool—#2

Guided Land Development (GLD)

Preparing for Inevitable Urban Expansion

What is Guided Land Development (GLD)?

Guided land development (GLD) refers to the process by which cities and municipalities prepare for anticipated—and likely inevitable—expansion. The experience of many cities in the developing world is that most urban development is occurring in the urban fringes where rural land is converted to urban uses. GLD is a technique for guiding the conversion of privately-owned land on the urban periphery from rural to urban use so that development occurs less haphazardly and informally. GLD entails providing a *pathway* for future infrastructure to guide urban development. The infrastructure itself may not be built until later when the population density justifies making those investments.

The appeal of GLD to local governments is that it is less expensive than outright land acquisition and landowners contribute towards the cost. The landowners' contribution is two-fold. First, they contribute by donating land for the roads and right of way for infrastructure. Second, they contribute by paying betterment levies—justified because of the increased value of the land from the infrastructure and the conversion from rural-to-urban use. Individual landowners can then subdivide and service their own land.

GLD faces the inevitability of urban growth head-on. Between 2000 and 2030 cities in developing countries are expected to double in population from some 2 billion to almost 4 billion. Land consumption by these cities will triple over the same period if trends observed in the 1990s continue. By planning ahead, municipalities can “guide” expansion, deterring settlement in certain areas that are too environmentally sensitive or inappropriate for development. At the same time, other areas deemed suitable for human settlement can be prepared in advance. Acquiring rights of way for roads as well as other infrastructure helps ensure that roads—especially secondary roads serving urban communities—are not undersupplied. Moreover, it makes sense to acquire these rights of way and prepare basic infrastructure investments while land prices are still relatively low.

Benefits of Guided Land Development

- **Channeling of Settlements**—GLD can promote settlements in environmentally sound areas as opposed to dangerous, inadequate, or inappropriate locations.
- **Pre-emptive Savings on Land**—Rights-of-way are acquired in advance of anticipated population growth, prior to the escalation of land costs. Lower land costs keep housing affordable.
- **Pre-emptive Savings on Infrastructure**—Sufficient space can be prepared for roads, sewers, storm drains, and other infrastructure to accommodate the expected growth in population. Retrofitting infrastructure in the future would likely be much more expensive and complicated.
- **Less Financial Commitment**—Acquiring rights-of-way is cheaper than outright land acquisition, and donations of land and betterment fees by landowners defray the cost.

- **Market Incentive**—Since the government is laying a pathway for future infrastructure in some designated areas as opposed to others, it provides an incentive for private developers to build and invest in these places.
- **Forward Thinking**—GLD is perhaps the most proactive of all the options in some urban areas for preparing the urban/rural fringe for inevitable growth.

Where Guided Land Development Works—Planning and Practice

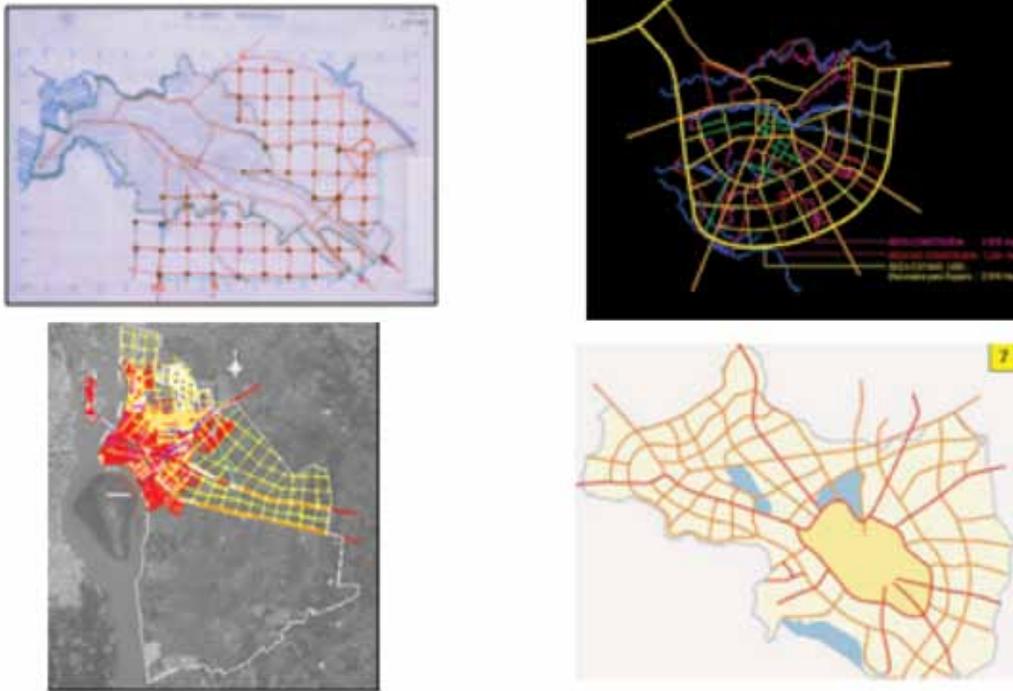
According to a recent review carried out under the auspices of the Cities Alliance and World Bank, relatively few cities in the developing world are making even minimal preparations to accommodate their projected population growth. In fact, more planning has been done on paper than in practice. As noted earlier, preparing for urban expansion entails changing the designation of land from rural or agricultural to urban use, expanding the boundaries of cities to contain adequate urban lands for expansion, and laying out the grid for the provision of urban infrastructure on these lands. On the ground, this means that the grid covers a quite large area—extensive enough to accommodate settlements for a decade, if not two or three. Rights-of-way should be wide enough so that *eventually* roads can carry intra-urban traffic and public transport, as well as accommodate trunk infrastructure such as water mains, sewers, storm drains, cable, and telephone networks.

GLD is not a new notion. In the early 1980s, several GLD schemes were planned by local governments in and around **Jakarta, Indonesia**. Local officials selected suitable land and developed plans for roads and footpaths, water supply lines, and rights of way in consultation with the local land owners and village heads. Land owners were to be compensated through the increased value of their land owing to the improvements, and the governments were supposed to recoup roughly 60 percent of costs through a betterment tax. The hope was to guide the transformation of kampongs, the type of low-income settlements that house the majority of Jakarta’s population. While extensive plans were drawn up, it appears they were not fully implemented because of the inability of all parties to reach consensus.

In 1998, a World Bank report, *The Future of African Cities*, proposed creating an urban grid system as a way of earmarking or delineating new areas where urban development was expected to occur over the next 5 to 10 years. The idea was to channel growth in peri-urban zones in an effort to prevent some of the sudden overcrowding and disorderly settlements that were occurring in San Pedro, Bangui, Diguel and elsewhere. In these places, living conditions were deteriorating faster than service networks and utilities could be installed. To forestall these conditions, the suggestion was to lay out an urban grid, although not necessarily in a strict grid-like fashion. The grid would conform to the physical landscape and mesh with existing links to the city. The idea was to proceed gradually by staking out rights of ways and building a simple earth roadway with drainage ditches as well as reinforcing existing roads. This plan was later implemented as part of the Bank’s Third Urban Development Project in **Conakry, Guinea**. Community participation to protect the rights-of-way from encroachment became an important part of the success of the project.

Planning for GLD recently was undertaken in **Ecuador** in seven intermediate cities. The seven included the outer suburbs of Guayaquil and Quito, and officials there embarked on an effort to make legal, financial, regulatory and planning preparations for their future expansion. With the full support of their mayors, city officials have made plans to expand their city limits, design an arterial grid, and estimate the costs of advance land acquisition of grid intersections. They currently are estimating the costs of engineering surveys of the arterial roads, preparing to mark them and to bulldoze strips of land along their edges.

Preliminary Sketch Plans for Arterial Grids in Four Intermediate Cities in Ecuador, 2006



Source: Prepared by municipal officials from the Planning Cadastre, Legal, and Finance Department of Eloy Alfaro, Durán and Riobamba; in Angel, 2008

Among the lessons learned from the Ecuador planning pilot, arterial road networks do not have to follow a strict geometric grid. As seen in the figure above, the plan for Milagro (top right) is a series of radial and circumferential roads. The plan for Eloy Alfaro Duran (bottom left) is a modified grid, designed to connect to existing primary roads. On the bottom right, the plan for Rio Bamba entails widening and streamlining existing rural roads and minimizing new land acquisition. The plan for the city of Machala (top left) is the more traditional grid-like layout. All these variations were planned through a process of consensus to achieve the objective of guiding future development.

Other examples of GLD efforts have been carried out in the cities of **Bangkok, Thailand** and **Cairo, Egypt**. In both cases, former canals on the urban fringe were used to delineate grids to prepare for development on what was previously agricultural land. Goethert and his colleagues carried out a comparison of the experience of the two cities. Perhaps the biggest differences were in scale and approach. Bangkok's grid was two to three times larger than that of Cairo's. Moreover, in Bangkok development occurred all at once when the parcel was purchased by a developer who then erected a fairly expensive gated community with paved roads and services. The national housing authority included some affordable housing units. In Cairo, individual farmers laid out interior streets within the grid. They then sold the parcels to a variety of buyers who developed the land incrementally with a variety of types and sizes of housing and a patchwork of paving and services.

What are the keys to making Guided Land Development successful?

Effective implementation of the guided development strategy faces numerous obstacles. The chief obstacle may be obtaining the consent of landowners—and the more fragmented the ownership and the greater the number of landowners, the more complex the process becomes. Because acquisition of land for the roadways may require eminent domain, landowners and/or other government agencies may resist. Some may refuse to participate voluntarily, especially those whose properties already have access to roads. Others may want to continue the rural use of their land. Still others may be unwilling or unable to pay betterment fees, although payment can be done in installments or upon sale of the property. The actual calculation of betterment fees, which are based on increased value, may be a source of friction between the local government and landowners.

Lack of political will appeared to be the cause of waylaid plans in Jakarta. Defining the specific responsibilities of local government and landowners, identifying beneficiaries, and calculating the betterment levies as well as the schedule of implementation—all were subjects of contentious debate. Also of concern was whether the GLD program would lead to the displacement of low-income groups by higher-income groups. Because the shortage of land for all income groups was acute, the fear was that scarce available land would attract the latter. Elsewhere, some observers have noted that there is a risk of inequity as betterment fees are passed on to renters in the form of higher rents.

Some politicians and bureaucrats may object to limited resources being expended for future growth given the competing demands for land and services among the population in existing neighborhoods. Therefore, strong commitment and leadership on the part of the municipal authorities, as was the case in Conakry, is needed. Preferably this will happen with backing from state, provincial, or national agencies to enhance the prospects for success. As the experience in Conakry also suggests, work on creating urban grids needs to be done swiftly and on a large scale.

The importance of public consultation and involvement cannot be overstated. In a guided land housing development project in Cape Town, South Africa, for example, community consultation was minimal, such that the community felt coerced to take the units without the option to decide what was best for them. Consequently, the project became unpopular and a large number of landlords became absentee, which contributed to the illegal occupation of units.

In terms of the physical component of GLD projects such as drawing the boundaries of the development areas, experience in Ecuador, Bangkok and Cairo suggests that following the contours of natural boundaries such as existing roadways, canals, or forest lines works well, and an artificial or overly rigid grid-like structure need not be imposed when these elements are present. The comparison of experience in Bangkok and Cairo highlights plot size as a critical factor influencing the type of development likely to take place. In Bangkok, larger plots encouraged mass development while smaller, incremental development occurred on the smaller plots in Cairo.

Another difficulty with GLD lies in fluctuating outer boundaries and limits. It is possible that the type of informal, haphazard development GLD is trying to address may sprout up at the fringes of the new, planned settlements. Some observers, such as Chavez, suggest that for GLD to effectively control sprawl, it must be implemented in the periphery for the entire city. Widespread implementation is all the more important, he argues, in places where increasing density is driving up the price of land. This raises questions about the institutional arrangements that

need to be in place, especially when peri-urban areas spill over existing boundaries of city jurisdiction. While GLD has generally been handled by city-level planning agencies, regional coordination at the state or provincial level may be required.

Given some of the challenges of putting it into practice, GLD is perhaps best thought of as a companion policy to other policies that can be used to accommodate future growth in cities. Instead of, or in addition to, moving the boundaries of the city outward to the periphery, cities can work to promote higher densities and guide development in existing parts of the city where such densities can be accommodated. In cities where employment and educational and health facilities are centralized or in heavily congested cities where travel to jobs and amenities simply is too difficult, outward expansion of the city may not be feasible. Even if land is acquired and arterial roads prepared, it is not necessarily the case that people will be willing to settle or stay permanently in these areas if existing, denser locations provide greater access to economic opportunity.

That said, there are many places where pursuing GLD makes sense, especially in metropolitan areas in sub-Saharan Africa and South Asia where the most rapid urbanization of the next decades will take place. Interest in GLD is likely to grow in the future as cities in the developing world struggle to cope with the inexorable flow of people.

Where to Find Out More About Guided Land Development:

- An Arterial Grid of Dirt Roads by Angel Schlomo in *Cities 25* (2008), Elsevier Ltd. pp. 146-162.

This essay discusses the urban grid in the context of the general preparedness of cities in developing countries to absorb future populations. It uses as an example a pilot project supported by Cities Alliance and the World Bank in which seven intermediate cities in Ecuador are engaged in planning this strategy.

- Spatial Transformation of Regular-grid Irrigation Frameworks in Bangkok and Cairo, Presentation by Reinhard Goethert at World Bank Conference, *Expanding Land Supply: What Works?*, April 28, 2010. Available at www.worldbank.org/urban.

This PowerPoint presentation compares the use of irrigation grids formed from former canals on the urban fringes of these two cities.

- What Should Today's Sites and Services Look Like?, Presentation by Roberto Chavez at World Bank Conference, *Expanding Land Supply: What Works?*, April 28, 2010. Available at www.worldbank.org/urban.

This PowerPoint presentation looks at efforts to provide large-scale surveyed plots in Burkina Faso, Mauritania, and elsewhere.

- The Future of African Cities: Challenges and Priorities for Urban Development by Catherine Farvacque-Vitkovic and Lucien Godin, The World Bank, 1998.

Noting the spectacular rural to urban upheaval Africa has experienced in recent decades, this book discusses a variety of measures to provide basic services to urban populations including the laying out of the urban grid in the urban periphery.

- Land Management and Guided Land Development in Jakarta by Liliana Marulanda and Florian Steinberg, Inst. for Housing and Urban Development Studies, Rotterdam, 1991.

This article provides a chronicle of planning for GLD in Jakarta and its environs. Although GLD apparently was never fully implemented according to the plan, the report does spell out the sequencing of steps, institution building, and planning considerations that were an important part of this or any other process of GLD.

- Regularizing Housing Land Development During the Transition to Market-led Supply in Tanzania by Wilbard J. Kombe, Habitat International, Vol. 24 #2, June 2000, pp.167-184.

In a study of two informal settlements in Dar es Salaam, the author discusses how GLD mitigates problems retrofitting infrastructure.

- Innovative Tools in Urban Land Markets, by PADECO, World Bank report.

This series of reports reviews both conventional and innovative land tools utilized in four countries in Asia including Indonesia, India, Pakistan and Vietnam. Individual country reports as well as a synthesis report are available at www.worldbank.org/urban. The report concludes that innovative land tools, such as GLD, have potential but often are underutilized for a variety of factors such as traditional approaches preferred by local governments, insufficient legal and institutional frameworks, and the lack of familiarity with international experience.

Innovative Land Tool—#3

Transfer of Development Rights (TDR):

Urban Growth Here, But Not There

What is TDR?

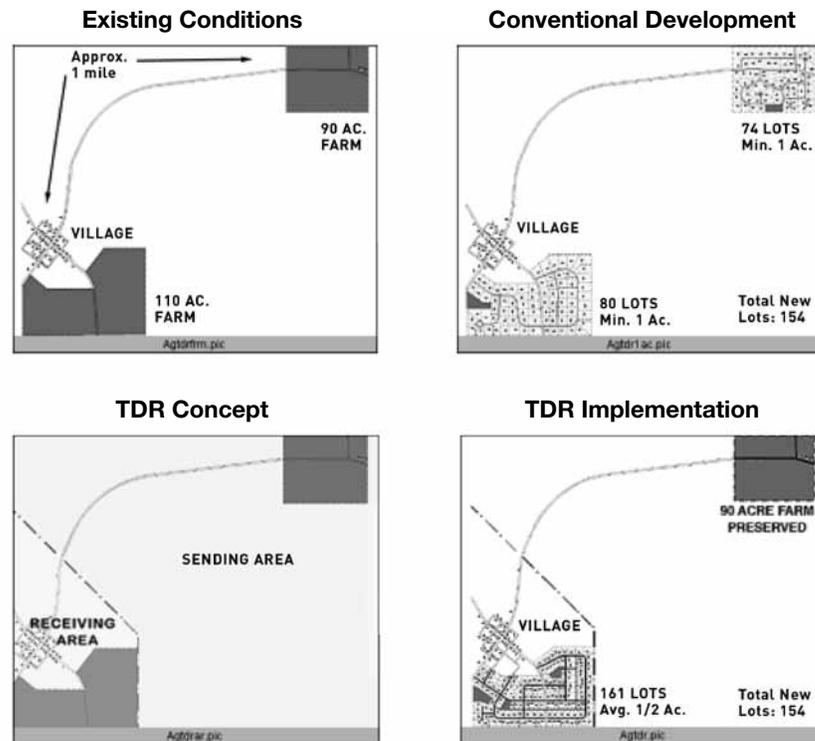
Development usually is thought of as part and parcel of a physical piece of land. But, in fact, the right to develop land can be separated from the land itself. This separation and transfer of development rights can provide local governments with an innovative way to meet certain social and economic goals and channel development to specific locations in the process. Referred to as Transfer of Land Development Rights (TDR), this mechanism involves purchasing development rights—usually from areas where development is to be discouraged—and using them to develop land in another location—in areas where more development or density is desired. In effect, the owner is being paid to not develop in one location and to develop somewhere else. While TDR does not always increase the supply of land, it can increase the supply of land for a particular use, for example, affordable housing.

The concept of making development rights transferable originated in the US, where it initially was used for purposes such as protecting farmland and environmentally sensitive areas. It has been used in other developed countries to conserve heritage or landmark areas, and to put the development rights to use more intensively elsewhere. TDR also has been used strategically to contain urban sprawl. For example in Curitiba, Brazil, TDR was an important part of the plan to guide development corridors, intensify the use of urban land, put transportation networks to efficient use, and reduce travel distances to jobs and other amenities. TDR also is a way to compensate landowners for takings. In India, TDR is a means to compensate private landowners whose land is being acquired for public purposes. By allowing landowners to develop (or sell their development rights for) a parcel elsewhere, TDR is an alternative to monetary compensation and also is a way to avoid a protracted legal battle for control of land.

Benefits of TDR

- **Limits public financial outlays**—indeed, one of the main advantages of TDR is that it does not entail outright payments, although implicit subsidies may be involved.
- **Use in lieu of disputes over compensation**—as a way to compensate land owners, TDR helps municipal governments avoid lawsuits and ensuing legal battles.
- **Improved tax base**—as some urban land becomes denser and/or used more intensively as a result of TDR, tax revenues may rise.
- **Control density and sprawl**—TDR also can be used shift development from areas with height restrictions to places where taller, denser developments are beneficial.
- **An incentive for social goals**—TDR can be provided to developers to allow higher density development in one location in exchange for upgrading or providing infrastructure in another.
- **Conservation and protection**—TDR can be used to help preserve heritage landmark areas and buildings, environmentally critical areas, and agricultural land.

Transferred Development Rights (TDR) Conceptual Overview



Source: Envision Minnesota. Transfer of Development Rights, Fact Sheet #5.

The figure above sketches out the general concept of TDR. The top row indicates the traditional scenario in which the town in the bottom left expands into adjacent rural land. The farm (or environmentally sensitive land) on the upper right also succumbs to development. Under TDR, as shown in the bottom row, owners of the sensitive land are paid to not develop it. Their development rights are re-directed to expand the town at higher density to create more (although smaller) units of housing. The sensitive land is preserved.

Where TDR Works—The Example of Mumbai, India

The Government of India has adopted the “development plan” model to ensure orderly physical development of urban areas. The plans earmark physical and social amenities needed to accommodate a growing population, such as roads, open spaces, schools, and hospitals. These are called “reservations.” However, most land in Indian towns and cities are privately owned. While local development authorities are empowered to acquire private lands, the meager compensation offered in practice often results in lawsuits by owners. In some cases, the owners encourage encroachments on their property or resort to illegal developments themselves to block official procedures. Long delays ensue and the reservations are not developed as intended.

TDR has emerged as one of the solutions for obtaining land for reservations. Owners first agree to surrender their land unencumbered, level, and free of costs. They are then provided with Development Rights Certificates

(DRCs) showing where the development rights originated and where they can be applied. The amount of TDR granted is equal to the plot area surrendered, although additional TDR may be awarded to compensate owners for certain amenities on the site. Landowners may use the TDR on any remaining area of land owned, apply it to any other land owned by the same owner, or transfer (sell) it to others who can use it on other lands.

In Greater Mumbai, TDR has been used since the early 1990s for lands reserved for roads, open spaces, and amenities. While TDR can originate from anywhere in Greater Mumbai, it can be consumed only at designated receiving zones in northern areas which are less congested and have more development potential where additional infrastructure can be laid. They may not be used in the island city. Other administrative details apply. Development charges and municipal property tax are payable on TDR consumption and both transfer and use of TDR are subject to payment of duties. In this way, TDR also generates revenue for the State.

However, the use of TDR in Mumbai presents some unique challenges. The city has a long-standing policy of trying to limit density and development by capping the Floor Area Ratio (FAR is the ratio of total built area for a given plot area) of new construction on parcels of land. Critics say these limits on FAR have created the unintended consequence of immense sprawl in the city. Moreover, the policy affects the implementation of TDR in that the ceiling applies to construction on TDR receiving plots. Specifically, regardless of its original FAR, the FAR on the plot receiving TDR cannot be increased by more than a total of one. In other words, a plot with a permissible FAR of 1.0 will now have 2.0 or a plot with a permissible FAR of 1.33 will have 2.33.

The record of TDR in Mumbai is somewhat checkered. It was part of a success story when, due to a railway expansion, more than 200,000 people had to be relocated. This would have cost the government Rs 2.22 billion, but TDR enabled this to be achieved more or less free of cost to the city government. On the other hand, results were mixed when TDR was applied as part of a slum redevelopment scheme. Developers were to provide low-income units by cross-subsidizing them with units for higher-income households. In addition, developers were provided with TDR rights for floor space in receiving parts of the city (or they could opt to sell those rights). However, the scheme received a lukewarm response from builders who feared delays due to problems over land ownership and possible opposition in the communities. They also had concerns about the lack of infrastructure in the receiving area. Some slum dwellers were receptive because they were offered some security of tenure; others however, declined to participate because they were fearful of giving up their homes temporarily during redevelopment or were concerned about having to permanently relocate. These fears were compounded by the potential loss of access to their livelihoods.

Where TDR Works—The Example of Curitiba, Brazil

The Brazilian city of Curitiba is best known for its model bus rapid transit system. The bus system was developed as an integral part of an overall master plan that included radial expansion of the city along five corridors, integrating land use and transport, and protecting the traditional city center. A number of innovative land-use policies have been put in place to spur development along these corridors. In addition to providing to developers the option of “buying” additional stories on top of buildings, the city also uses TDR to manage densities.

As one observer, Claudio Acioly, describes it, in essence the TDR system compensates the losses incurred by a property owner whose rights to build have been subject to restrictions imposed by zoning ordinances or another higher public interest. Based on the concept of *solo criado* (the separation of the right to build from property

rights), this system regulates the purchase and exchange of development rights within the city. How and when land restrictions are applied become the subject of negotiations between local government and the private sector.

Within the Curitiba Historic Area, owners of historical buildings are allowed to sell and transfer their development rights to property owners elsewhere in the city. This has served both to protect historically significant buildings and to transfer densities to locations where they are most beneficial, such as the main corridors. Many of the density transfers have gone to parcels within these corridors because these properties receive additional bonuses. TDR fulfills the dual purposes of historic preservation and guided development.

What are the keys to making TDR programs successful?

Certainly, if the TDR program is not attractive to private owners, it will fail from the outset. Title to property needs to be clearly established in order for owners to participate and be justly compensated—certainly a sticking point in many places where TDR could be useful. The value of the TDR must be sufficient, otherwise, owners will opt to sell their land or buildings for uses the program is actively trying to discourage. For this reason, too, developers must find the receiving areas for the TDRs appealing both in terms of a good location and allowable uses.

In the Mumbai area, the use of TDR has been controversial. Some critics contend TDR is useful as a “second best” solution when limits on FAR prevail, but that a preferable policy for increasing density and fostering development would be to lift the FAR restrictions entirely. Although the government avoids paying outright cash subsidies, critics see TDR as an implicit tax used to finance development rights. That is, since the program regulations effectively transfer the development rights into public ownership that are then granted to individual landowners and developers, this is arguably a form of taxation. In addition, some observers, such as Pethe, worry that such programs are breeding grounds for corruption. Finally, concerns about inequities have been raised in the use of TDR. While TDR certificates are provided to compensate landowners, renters and residents who cannot prove ownership of the land are not entitled to the same compensation. There are additional considerations concerning the value of TDR. Over time, indexing of TDR may need to be put in place so that higher TDR can be granted on land acquired from prime areas.

TDR works well in markets where growth is generally strong and there is a growing demand for property. In places where there is a great deal of fluctuation in prices, the value of TDR becomes uncertain. A drawback, though, particularly in hot markets, is that it is unlikely that developers will utilize the program to build affordable housing for lower-income households. However, it may be possible for local governments to provide additional incentives (bonus densities, for example) if some affordable housing is included in new developments.

For their part, municipal governments need to be flexible. Where urban areas are extremely built up, it may be difficult to consume TDR, even if permitted. Additional vacant land may need to be made available and arrangements for infrastructure on this land will have to be provided. In Mumbai, the slum redevelopment scheme was stymied both by developers and by residents in the receiving area who were concerned that existing infrastructure was inadequate to handle the increased growth TDR would bring.

Finally, as some observers have pointed out, TDR is simple only on paper. For all its advantages, the details of TDR are somewhat complex and, therefore, substantial administrative burdens may be entailed in getting a program up and running. This suggests that some cities may require technical assistance from the state or provincial

level. Still, as cities look to find ways to re-direct growth and use some land more intensively, interest in establishing TDR programs is likely to grow. As international experience with TDR accumulates and is shared south-to-south, some of the set-up costs eventually may be reduced.

Where to out more about TDR:

- “Partnership Approaches in India” by Uma Adusumilli in *Making Common Ground: Public-private partnerships in land for housing*, ed. By Geoffrey Payne, ITDG 1999.

Adusumilli reviews the experience of TDR as well as other public-private responses to land consumption in India. The author concludes that TDR models are replicable throughout that country as long as market conditions are conducive to making TDR attractive.

- “Guided Densification in Brazil versus Informal Compactness in Egypt: Can Urban Management Deliver the Sustainable City?” by Claudio Acioly in *Compact Cities: Sustainable Urban Forms for Developing Countries*, ed. M. Jenjs and R. Burgess, Spon Press, 2000.

This chapter compares the informal compact development of Egyptian cities with the managed densification of Brazilian cities. Acioly argues that guiding policies, urban management tools, and capable local government are necessary ingredients for a successful TDR program and as part of a sustainable city environment generally. His description includes details of the TDR programs in Curitiba and Sao Paulo.

- *Contextualizing Land Management Issues Within the Framework of Urban Governance: The Case of Mumbai*, Abhay Pethe, University of India, PowerPoint presentation at World Bank Workshop on Expanding Urban Land Supply: What Works, April 28, 2010. Available at www.worldbank.org/urban.

The presentation raises important considerations regarding the political economy of implementing various land management techniques in India, with lessons for other countries.

- *Mixed Value Urban Development: Mechanisms for Sustaining the Livelihoods and Social Capital of the Urban Poor in Core Urban Areas*, by Mark Povey and Tony Lloyd-Jones, Max Lock Center, University of Westminster, 2000 available at: <http://www.n-aerus.net/web/sat/workshops/2000/papers/povey.html>.

This paper compares several innovative land strategies (land sharing, land pooling, and TDR) and assesses their potential for enabling poor communities to continue living close to inner city areas and the source of their livelihoods.

- *Transfer of Development Rights in U.S. Communities: Evaluating Program Design, Implementation and Outcomes* by Margaret Walls and Virginia McConnell, Resources for the Future, September 2007.

Although concerned primarily with the TDR practice in the U.S., this is one of the most recent and comprehensive reviews of TDR programs. The extensive case studies provide models for TDR that can apply in many countries. Also, it includes an overview of administrative considerations as well as suggestions for monitoring and evaluating the outcome of TDR programs.

- Innovative Tools in Urban Land Markets, by PADECO, World Bank report, 2009. Available at www.worldbank.org/urban.

This series of reports reviews both conventional and innovative land tools utilized in four countries in Asia including Indonesia, India, Pakistan and Vietnam. Individual country reports as well as a synthesis report are available at www.worldbank.org/urban. The report concludes that innovative land tools, such as TDR, have potential but often are underutilized for a variety of factors. Among these factors are the traditional approaches preferred by local governments, insufficient legal and institutional frameworks, and the lack of familiarity with international experiences.

Innovative Land Tool—#4

Land Pooling/Readjustment

Assembling Land for Urban Development

What is Land Readjustment?

The old adage about land says it is valuable because “They aren’t making any more of it.” While that’s undoubtedly true, in fact, there are ways to pool plots of land to create value and potential for use that is greater than the sum of its individual parcels. Land Pooling/Readjustment (LP/R) refers to the process in which small land parcels are combined into a larger land area for efficient subdivision and development. Once improvements such as infrastructure or public spaces are made, the reconfigured land is returned to the owners who usually receive smaller—but significantly more valuable—plots. This is appealing to landowners because they are able to reap increases in value without a capital outlay on their part. LP/R also is appealing to local governments because, although the upfront costs can be considerable, much of the project administration costs, site surveys, and provision of infrastructure can be recovered by selling some of the plots.

LP/R is versatile in that it offers the potential for a more systematic settlement pattern in the urban periphery and helps to avoid the problem of “leap frog” development where different types of land uses and densities are mixed. At the same time, it has been implemented in informal settlements in areas closer to the central city. LP/R requires extensive consultations. As long as landowners, government agencies, and community constituencies are involved in the process, LP/R schemes can overcome political hurdles and can be applied in a variety of circumstances.

Compared to the other innovative land tools—such as community land trusts, guided land development, land sharing, and transfer of development rights—LP/R is relatively widespread, and there is a broader range of international experience to draw upon when introducing the concept elsewhere. This experience includes extensive use in several countries in East Asia, including Japan, Republic of Korea, and Taiwan, China, and in post-World War II Europe and Australia as well as in South Asia in India, Nepal, and Malaysia. An LP/R scheme was used to assemble land for Times Square in New York City. New LP/R efforts are underway in Bhutan and in Colombia (as part of a complex scheme to produce affordable housing), both with World Bank support.

Benefits of Land Readjustment

- **No displacement**—Landowners can remain on the land; there is no need for compensation for resettlement.
- **Voluntary association**—Individual landowners must agree for the LP/R scheme to work. There is less outright coercion than with eminent domain or takings.
- **Political acceptance**—Because displacement and compensation issues are minimized, LP/R can be appealing to various constituencies.
- **No large government outlay**—Scarce public resources do not have to be spent on infrastructure improvements, rather the increase in land values after the project and sale of some of the serviced plots covers initial costs.

- **Increased future revenues**—Higher value and more intensive land uses can increase local property tax revenues over time.
- **Orderly development**—LP/R brings development to land on the urban fringe in an orderly way with a unified process of planning, servicing, and subdivision.
- **Environmental benefits**—Land reconfiguration often results in improved shape of land parcels, better road access, and provision of open space.
- **International experience**—A number of countries have used LP/R, including some, such as Germany, Japan, and Republic of Korea, for many decades. This knowledge can be transferred to places where the practice is not widely adopted.

Where Land Readjustment Works—The Example of Katmandu Valley

While the LP/R examples of Japan, Republic of Korea, and Taiwan, China are perhaps best known, countries with nascent urbanization also are potential candidates for embarking on LP/R. As urbanization is a recent phenomenon in Nepal, the example of Katmandu Valley is particularly instructive. As described by urban planner Tej.K Karki, who did a mid-decade assessment of LP/R projects in 2004, what also makes Nepal an interesting case is the lack of a large stock of state-owned land. Most land in Nepal is owned by a diverse set of individual landowners which makes securing consensus for urban land use and development particularly challenging. Nevertheless, LP/R projects have been implemented in the country since 1988, most by central government planning agencies but several by municipalities.

Typically, the percentage of land contributed to roads averaged about 20 percent, and the percentage contributed to open space ranged from 3 to 12 percent—the contributions for both items running roughly in line with that of LP/R projects in Japan. However, in one project in the Bagmati Corridor, landowners were so opposed to the proposed layout, they only agreed to participate on the condition the allocation for open space were eliminated. The net results for the 11 projects studied are substantial. A total of nearly 7,000 housing plots were produced from 237 hectares with the involvement of 10,000 landowners. The landowners contributed nearly 82 hectares of land for road, open space, and reserve plots and benefitted from a 300 to 600 percent increase in land values after the projects.

Experience can lead to efficiencies and reduced costs. The first two land pooling projects took 8 and 7 years to complete, respectively, while later projects took roughly half that time, or 3 to 4 years. The quality of land subdivision layout also improved as more LP/R experience was gained. Initial projects had right-angled road turnings that proved too difficult to navigate by vehicles, so later projects incorporated diagonal cuttings at the turns.

While successful in this regard, the project exposed several weaknesses in both policy and process. The major difficulty turned out to be the ambiguous attitude and ignorance of landowners towards the usefulness of the project. Landowners ranged from illiterate farmers, government officials, land brokers, migrant workers, and members of many political parties, all contributing to an atmosphere of conflict and indecision. The intense and even threatening political standoffs sometimes resulted in the transfer of project managers and other staff, further delaying the project. As Karki describes it, “once the bulldozer is allowed to work in the field freely, the chances of the project’s success becomes higher.”

A scramble for upfront funding plagued some of the projects. Although the implementing agency had access to revolving funds for LP/R projects, some of those funds were diverted to other projects as the LP/R negotiations

dragged on. Some plots were reserved from the project so they could be sold for funds to continue the project, but at times these plots were sold for less than had been hoped. In other cases, funds had to be obtained from commercial banks at considerable rates of interest, thus increasing the risk that project costs would not be largely recovered.

Inaccurate land records also turned out to be a serious problem since ownership and boundaries have to be ascertained to make the project work in the field. Finally, the administrative and technical burdens of the project on management staff were considerable. Lack of training contributed to a high rate of staff attrition with the result that very few projects were completed by a single project manager.

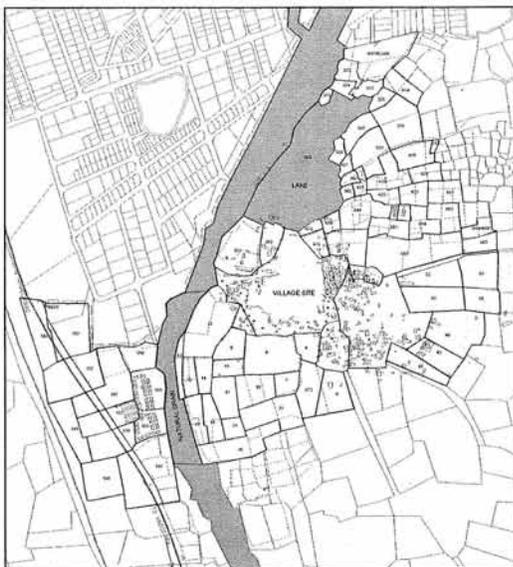
Where Land Readjustment Works—The Example of Gujarat, India

LP/R has a long history in India, dating back to town planning schemes that were authorized in Bombay in 1915. As Ballaney notes, for the last four decades, it has become the predominant urban expansion tool in the major cities in Gujarat. In Ahmedabad alone nearly 170 LP/R schemes have been carried out by two implementing agencies. Despite this long history, projects take much longer than the 3 to 4 years stipulated in Gujarat state planning act. In fact, the typical project in Ahmedabad takes 10 years from initiation to final government approval, although some have taken as long as 15 years.

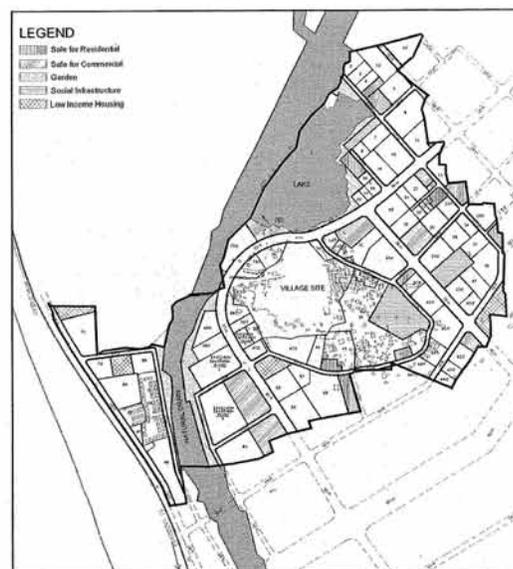
A recent comparison by the Infrastructure Development Finance Company of three projects in Ahmedabad found that the portion of land taken from landowners for infrastructure and public facilities ranged from 25 to 40 percent. The three LP/R schemes all used betterment levies as part of cost recovery and the calculation of these levies proved difficult to make. The original plot values were ascertained and then projections made of the future values of the plots once the infrastructure was to be in place. The betterment charge was set at half the difference

Land Readjustment (Town Planning Scheme) in Ahmedabad, Gujarat

Base Map for preparing the TPS



Delineation of final plots in TPS



Source: World Bank/Ballaney, 2008: Town Planning Scheme (TPS) in Gujarat, India

between the two and is payable when the landowner applies to change the land use from agricultural to urban. In the three case studies, values were estimated to increase by 2 to 3 times the original value.

In theory, if paid in the first year of the project, the betterment levies should have provided sufficient revenues to cover between 88 and 98 percent of the cost of the project (with the remainder paid for through the sale of reserved plots). In practice, the coverage was a fraction of that. One reason is that the future values tend to be underestimated which, in turn, lowers the betterment levies. Since the fees are actually paid only when the owner officially changes land use, long delays in payment result. But, the fees are not indexed to take account of increased land values in the interim. In one case, betterment levies were set in 1978 and did not start coming in until 1993 onwards and are still trickling in, covering only about 6 percent of the project cost. A further finding of the study is that cost recovery hinges on the early start of infrastructure development. The sooner infrastructure is completed, the sooner land use is converted, and the sooner payments of betterment charges start to roll in. The sale of reserve plots turns out to be a good strategy for increasing cost recovery and acts as a hedge against increases in construction costs. It was found, overall, that Gujarat has made great strides in the use of LP/R and that its use can be expected to continue as the state deals with rapid urbanization.

What are the keys to making Land Pooling/Readjustment successful?

Central- and/or state-level government law and regulations are prerequisites for LP/R projects. They are needed to set out the principles and procedures to be followed and to recognize the authority of local governments as well as the rights of landowners and occupants of the land. An important issue is the proportion of landowners required to approve a development. While majority support is critical to success, the LP/R agency also must have the authority to use the government power of compulsory purchase against any minority holdout landowners if this becomes necessary.

Although, in many ways, LP/R is a technical solution for addressing lack of land for development, it also is highly dependent on the skills of the people who administer the projects and work with landowners and other participants to reach consensus. Lack of technical expertise and negotiating skills in government agencies are cited repeatedly in case studies of LP/R as persistent barriers to successful projects. Poor documentation means that as project managers leave or are removed, new managers slow the process until they get up to speed. National and state governments could assist here by helping to train project managers and to share experiences across projects and cities.

The success of individual LP/R projects rests upon open dialogue, consultation, and participation among all parties involved. The case of Nepal underscored the diversity of backgrounds of the players. Landowners and occupants should be able to participate in the language with which they are most comfortable. Media campaigns, community meetings, and study tours of nearby projects are all ways to get the community informed and involved in important decisions.

A reliable land record system also is critical to the success of LP/R schemes. Inordinate delays can result as ownership rights are contested and taken to court. This puts individual LP/R projects at risk and can prevent the LP/R concept, itself, from taking root throughout the city. Even landowners who ardently support LP/R become discouraged if the projects cannot be implemented quickly. Delays can prevent them from constructing their homes or mortgaging their property to meet the needs of their families and businesses.

Usually, the share of land returned to each landowner is based on the estimated increase in market value that results from the land improvements—not a difficult concept but difficult to implement in practice if there is a lack of skilled appraisers and if the basis for the original land values also is unclear. In some places, such as Japan and Taiwan, China, a formula is used to weight land parcels by land quality, location, and other variables. If betterment levies are used along with sale of reserve plots to recover costs, how such levies actually are collected matters. As it may be a hardship for some landowners to pay upon completion of the infrastructure, it is not uncommon to allow payment later on—in installments or upon sale of the plot. But, as was illustrated in the case of some projects in Gujarat where owners did not pay until change of use, failure to account for future values of land and money has resulted in diminished cost recovery.

The main limitation of LP/R is that it may take years for project land to become fully developed whereas the government’s goal is to achieve early development so that costs are quickly recovered, and new urban areas are occupied and used. This raises an important question as to whether LP/R projects provide built-in incentives to landowners and government to skew development towards higher-income uses. Steps can be taken to ensure low-income housing is provided. Landowners can be encouraged to build smaller units or rental units, and government agencies can reserve some plots for low-income housing. In some cases private developers may be able to cross-subsidize less expensive units.

As William Doebele, an expert on LP/R noted, “LP/R is strong medicine and, like all strong medicines can either be highly effective as a remedy, or if misused, become worse than the disease.” Implemented well, it can create new opportunities for development for all, including the poor, and at little or no expense to the local government.

Where to Find Out More About Land Readjustment

- “The potential land pooling/readjustment to provide land for low cost housing in developing countries” by Ray Archer in *Making Common Ground: Public-Private partnerships in land for housing*, ed. Geoffrey Payne, ITP, 1999.

This article provides an excellent overview of the LP/R concept and explains its main features, advantages and disadvantages, and best practices in Asia.

- *Land Readjustment* by William Doebele, DC Heath and Company, 1982.

Although more than one-quarter century old, the case studies of Japan, Republic of Korea, and Taiwan, China; Australia; and Germany still are very informative and the basic principles still are relevant.

- *Analyzing Land Readjustment: Economics, Law, and Collective Action*, ed. By Yu-Hung Hong and Barrie Needham, Lincoln Land Institute, 2007.

This book focuses on institutional settings that help foster the cooperation and collective action upon which LP/R projects rely heavily for success. Case studies include China, Germany, and Israel.

- “Implementation experiences of land pooling projects in Kathmandu Valley” by Tej Kumar Karki in *Habitat International* 28 (2004) 67-88.

This article takes a detailed look at the issues of landowner conflicts and project management weaknesses in 11 LP/R projects in Nepal and provides useful lessons for other countries.

- “Land Pooling and Reconstitution: A Self-Financing Mechanism for Urban Development” in Policy Group Quarterly No. 7/March 2010, Infrastructure Development Finance Company Ltd., Mumbai, India.
- Town Planning Scheme Gujarat by Shirley Ballaney, World Bank, 2008 also discussed in PowerPoint presentation at World Bank Workshop on Expanding Urban Land Supply: What Works, April 28, 2010. Available at www.worldbank.org/urban.

These sources draw lessons from the LP/R experience in Gujarat where there is a long history of using the technique and it is widely practiced.

- Innovative Tools in Urban Land Markets, by PADECO, World Bank report, 2007.

This series of reports reviews both conventional and innovative land tools utilized in four countries in Asia including Indonesia, India, Pakistan and Vietnam. Individual country reports as well as a synthesis report are available at www.worldbank.org/urban. The report concludes that innovative land tools, such as LP/R, have potential but often are underutilized for a variety of factors such as traditional approaches preferred by local governments, insufficient legal and institutional frameworks, and the lack of familiarity with international experience.

Innovative Land Tool—#5

Land Sharing (LS)

A Negotiated Alternative to Eviction

What is Land Sharing?

Disputes between landowners and the settlers or slum dwellers living on their land can be protracted and bitter. Landlords believe they have the right to use the land as they see fit and call upon the government to protect their rights and assist them in evicting residents. In some cases, the landowner is a public agency which believes its mandate to construct public facilities (such as a rail station or a port) trumps the right of squatters to remain. For their part, residents say the land is critical to their survival. Some may even have lived there for generations. They want to maintain access to their livelihoods and to continue living with their neighbors in their established neighborhoods. They invoke the media and politicians to rally to their cause and call upon the government for protection. Governments are caught in the middle, unable to support the surrender of private (or public) land to squatters on the one hand but reluctant to sanction the eviction of poor, vulnerable residents on the other.

Land Sharing (LS) can provide a peaceful, pragmatic resolution of such conflicting claims. LS is an agreement between the illegal occupants of a piece of land and their landlord. A negotiated settlement results in the partition of land into two parts: one—usually the more valuable portion—is used by the landlord most often for commercial development, and the other—a less valuable piece—is used by the illegal occupants for low-cost housing with secure tenure. An additional feature of land sharing is that it often promotes densification. Because most of the existing community is re-housed on a smaller portion of the land, the newly constructed units are of more compact design but also are of improved quality and better serviced with infrastructure.

Benefits of LS

- **Evictions are avoided**—one of the main advantages of LS is that residents are allowed to stay and keep within reach of their jobs.
- **Protracted disputes are avoided**—landowners are able to proceed with development plans and avoid the uncertainty and cost of protracted legal battles.
- **Governments achieve twin objectives**—governments are able to obtain resources for housing for the poor while also promoting needed development
- **Limited government resources are required**—although governments provide technical assistance and mediation, most projects are carried out with little in the way of direct government funding.
- **Community cohesion is strengthened**—The process of resisting eviction, negotiating with the landlord and the government, agreeing on plans, and managing the development housing can create strong bonds among residents.

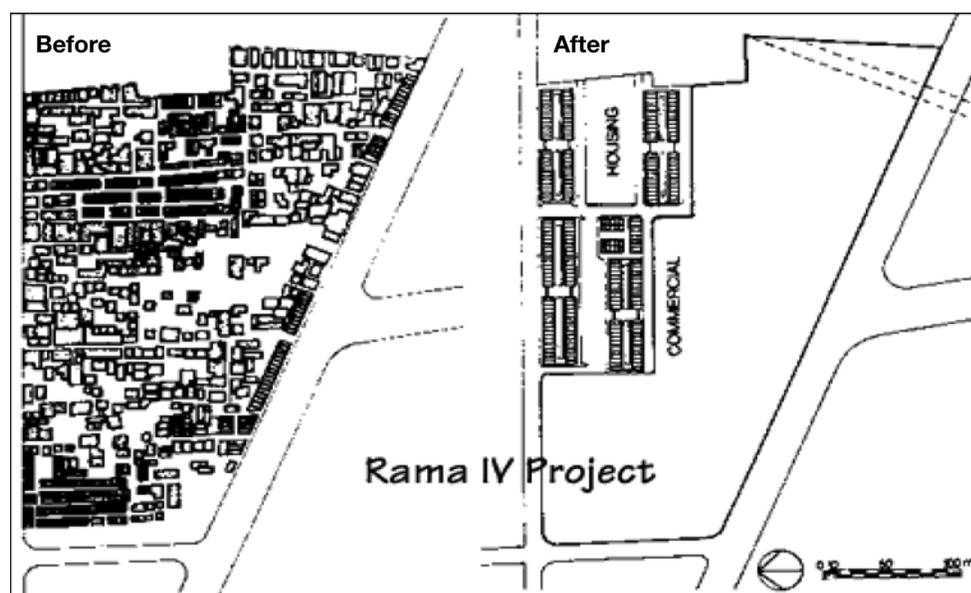
Where LS Works—The Example of Bangkok

Bangkok was an early adopter of the LS principle for minimizing evictions and providing low-cost housing and a measure of tenure security to low-income residents. Angel and Boonyabancha documented the experience of five LS projects undertaken in Bangkok starting in the early 1980s. At the time, the growing trends of democratization and media independence were among the conditions that were ripe for promoting LS projects. The authors also suggest that the strong orientation in Thai culture for peaceful settlements of arguments, compromise and negotiation, and secure, incremental solutions played a role in the success of the concept.

Among one of the first projects was a large and well-established slum on land that was government owned but eventually transferred to the Saha Krungthep Pattana Company, a private land developer. Residents' resistance to efforts by the company to evict them was fierce, and a community committee obtained the support of NGOs, the media, and prominent politicians, to help negotiate a settlement with the company. The sketch below shows the negotiated agreement which includes a 2.4 hectare part of the site—roughly 28 percent of the total—set aside for more than 850 flats, with the larger portion of the site cleared for commercial development.

These early projects met with varying degrees of success, and also served to highlight some overarching conditions that presented difficulties for the projects. For one, it was difficult for residents to obtain financing to develop housing on their portion of the land, because long-term leases were not sufficient in a housing finance system in which titles were required. For another, virtually none of the housing that had been completed at the time conformed to existing planning standards because adhering to these requirements would have made the housing unaffordable to residents. Another notable feature of these early efforts was that the National Housing Authority took on a strong mediating role and provided technical assistance to residents and landlords.

The Rama IV Land Sharing Project in Bangkok



Source: S. Angel and A. Boonyabancha, 1988.

Some of the projects took years to complete. The Rama IV project described above was begun in 1981 and not completed until 2000, and the project was not without controversy. Some residents have refused to pay rent and others have sublet their units and moved to other unauthorized settlements. But the concept of LS has taken hold and is part of the portfolio of activities undertaken by the Community Organizations Development Institute (CODI). CODI was set up by the Thai government to carry out LS and other efforts including financing for housing cooperatives, savings programs for residents, land pooling, and other schemes.

Among CODI's more prominent, recent successes has been the LS project in Klong Lumnoon. This was a canal-side community in suburban Bangkok that, over the period of several decades as the city mushroomed in size around it, found itself situated on prime, centrally-located land. A feud over the land between the landowner and residents raged on for a number of years. Some residents accepted cash from the landlord to leave, but about 50 households who worked nearby fought to stay. With the help of intermediaries in the government and NGOs, they purchased a portion of the site at a below-market cost. Registering as a cooperative, the community was able to buy the land with a loan from CODI at 1 percent which was on-lent to residents at 3 percent. The residual interest payments were used for social activities and facilities. Architects from CODI helped the community develop several models for core units with rooms which can be completed as households' resources permit. The residents also built by themselves a community center and day-care center.

Other Examples of LS—Indonesia and Phnom Penh, Cambodia

Researchers Povey and Lloyd-Jones report on two LS projects in **Indonesia** with mixed outcomes for residents. The first was carried out in a slum near the city centre of Bandung. Slum residents were given the option to buy or rent walk-up apartments that had already been developed in the area. The remaining land owned by the government was sold to the private sector for commercial development; however, residents complained of having to live in small apartments that, unlike their original residences, could not be expanded to accommodate large families. The authors conclude that although the LS techniques used in the project were sound, poor financial management and project support and lack of community participation throughout the project contributed to its failure.

They compare this to a similar LS scheme in the city centre of Samarinda, East Kalimantan which was designed to enable rich and poor to live close to the city centre in a mixed-use site. Here some 30 percent of the site was used to accommodate the existing population in walk-up apartments and the remainder sold for commercial development that helped cross-subsidize the low-income housing. In this instance the project was well managed and had the full support of the resident community which was assisted by a local NGO.

In 2003, Cambodian authorities launched four pilot LS projects in the capital city of **Phnom Penh**. The projects aimed to attract private development on lands occupied by slum dwellers and to move the slum dwellers into new housing on-site using cross-subsidies from commercial development. The land sharing projects appeared to represent an historic breakthrough for the urban poor in Phnom Penh who often were the target of frequent and sometimes violent evictions instigated by the Municipality and private developers in the name of city "beautification." Between 1990 and 2003 an estimated 61,500 people were banished to empty fields in the urban periphery where they lacked basic services and livelihood opportunities. Development threatened the homes and livelihoods of hundreds of thousands more people living in the city's urban poor settlements in prime locations.

In this context, LS seemed to offer a compromise solution that appealed to public authorities, commercial developers and slum dwellers alike. International donors and NGOs sought to transplant the Bangkok experience to Phnom Penh, but by early 2009 it became clear that, with only one partial exception, LS in Phnom Penh had failed. In his analysis of these projects, Rabe attributes this outcome to several issues. In contrast to Bangkok, in which much of the land involved in LS was publicly owned and residents were responsible for financing some or all of the housing, the LS projects in Phnom Penh were all designed to be financed through cross-subsidies from commercial development, with housing allocated for free to beneficiaries as part of the Royal Government’s social land concession policy.

Moreover, the necessary institutional structures and political will were not yet in place. Specifically, community organization and impartial third party intermediation were lacking. Rabe reports that fragmentation of the slum populations was readily exploited by developers. One big divide was the distinction between those residents who were eligible in principle for new housing (house owners and those supporting the slum redevelopment plans) and those who were not (such as renters, opponents of the slum redevelopment plans and certain others). Another point of contention among residents was the breakdown in trust due to the perception of community leaders “selling out” to developers.

In all four cases, residents were reluctant to engage in open dissent of the redevelopment plans for fear of losing their right to free new housing or for fear of other reprisals by the developer or by public authorities. Collective action and resistance by the resident communities was weak and diminished. Compounding this was the fact that no external party (whether public authority or NGO) was able or willing to act as a consistent mediator between slum dwellers and private sector developers in shaping LS outcomes.

What are the keys to making LS programs successful?

Several factors tend to work in favor of success for LS projects. One is a booming property market. Although such markets make evictions more likely, they also set the stage for both landowners and slum dwellers to reach a settlement—the former to pursue commercial development and the latter to compromise to avoid eviction. As noted earlier, another crucial factor for success is strong community cohesion. This can be increased through strategic alliances with NGOs, media, political figures, and others.

As Rabe demonstrates, a third party intermediary, or “honest broker”, also is vitally important for LS projects to work. This was lacking in the case of the failed projects in Phnom Penh whereas most of the projects in Bangkok benefitted from involvement by an intermediary. In addition, flexibility in implementation also is key. In Thailand the government was willing to adjust building regulations (or overlook instances where they could not reasonably be implemented) in order to make negotiated LS settlements work. Finally, the projects have to be financially feasible both for developers and for residents. In both Bangkok and Phnom Penh there were cases where residents opted to sell their units to others who could afford it and moved elsewhere.

As a number of observers have pointed out, although LS sounds simple—it is anything but. Its successes often are difficult to replicate. For all its advantages, not all communities have the wherewithal—financial or emotional—to weather the long, extensive, complex process of negotiating a settlement. Nor are all community members willing or able to take on the burdens of planning, managing, and paying for reconstructed housing. Income inequities on the part of residents can take their toll. Mohit argues that when some families must leave the plot for denser reconstruction of homes to take place, it is usually the poorest that go.

Still others point to the fairly limited set of circumstances under which LS is likely to work—for, as Durand-Lasserve notes, even in Bangkok, LS projects are the exception where there have been many large-scale evictions. He also cites the limited success of LS projects in India and the Philippines where the lack of available land, poor community cohesion, and lengthy processes have led to delays and increased costs, and goes on to suggest LS may not translate well to sub-Saharan Africa where customs and practices regarding land are different. Experience shows that LS best applies where the landowner expects the cost of LS will be covered by the rate of return for investment in the commercial part of the development project. In times of economic downturn, returns may not be judged sufficient.

While LS may not be a large-scale solution to eliminating slums, it remains a compelling response to the problem of eviction in some cases and in some places. To Angel and Boonyabancha, LS should not be thought of narrowly, but rather as a “veritable genre of possible solutions” in which negotiated compromise is possible. As the authors point out, perhaps the greatest strength of LS is that it focuses the energies of all parties on achieving a binding agreement, physical plan, and a technical solution, thereby removing the abstract and ideological notions that leads to acrimony and stands in the way of resolution.

Where to find out more about LS:

- Land Sharing as an Alternative to Eviction: The Bangkok Experience, Shlomo Angel and Somsook Boonyabancha in *Third World Planning Review*, May 1988 pp 107-127.

This seminal work on Land Sharing discusses the first five projects in Bangkok and their five basic elements (1) community organization, (2) a stipulated agreement, (3) densification, (4) reconstruction, and (5) capital investment. The authors’ preliminary assessment was that the projects avoided eviction and resulted in major improvements in housing for the urban poor.

- Land Sharing in Phnom Penh and Bangkok: Lessons from Four Decades of Innovative Slum Redevelopment Projects in Two Southeast Asian “Boom Towns” by Paul Rabe, Univ. of Southern California, 2009 www.worldbank.org/urban

This paper compares and contrasts the experience with LS in the two cities. Rabe concludes that lack of community cohesion and institutional support were major factors in the failure of three of the four LS projects in Phnom Penh to take root.

- Housing the Poor in Asian Cities—Vol. 3—Land and Vol. 4—Eviction—Quick Guides for Policy Makers, UNHABITAT, 2008.

These publications discuss land sharing within the context of broader strategies for increasing the supply of land for the urban poor and alternatives to destroying existing communities.

- Mixed Value Urban Development: Mechanisms for Sustaining the Livelihoods and Social Capital of the Urban Poor in Core Urban Areas by Mark Povey and Tony Lloyd-Jones, Max Lock Center, University of Westminster, 2000 available at: <http://www.n-aerus.net/web/sat/workshops/2000/papers/povey.html>

This paper compares several innovative land strategies (LS, land pooling, and transfer of development rights) and assesses their potential for enabling poor communities to continue living close to inner city areas and the source of their livelihoods.

- A Level Playing Field: Security of Tenure and the Urban Poor in Bangkok, Thailand, by Radhika Savant Mohit in *Land, Rights and Innovation: Improving Tenure for the Urban Poor* ed. Geoffrey Payne (ITDG: London) 2002. pp. 278-299

Mohit considers land sharing in the context of a variety of strategies employed by the government to address urban land tenure, and argues that LS is best in specific cases.

- Partnerships Between Public Sector and Informal Actors: Some Comments on Asian and Sub-Saharan African Case Studies by Alain Durand-Lasserve in *Making Common Ground: Public-Private Partnerships in Land for Housing* ed. Geoffrey Payne (ITDG: London) 1999. pp. 134-152.

Durand-Lasserve notes the limitations of LS for wide-scale improvements in slums.

- Innovative Tools in Urban Land Markets, by PADECO, World Bank report, 2009. Available at www.worldbank.org/urban

This series of reports reviews both conventional and innovative land tools utilized in four countries in Asia including Indonesia, India, Pakistan and Vietnam. Individual country reports as well as a synthesis report are available at the website. The report concludes that innovative land tools, such as LS, have potential but often are underutilized for a variety of factors including insufficient legal and institutional frameworks, and the lack of familiarity with international experiences.

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