

ECONOMICS OF PLANNING AND PROPERTY RIGHTS

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Content

- The need for planning controls
- Incomplete arguments for planning control (example: „30ha goal“)
- What can planning control achieve?
- Implications of planning controls for land values

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Instruments

- Land use planning safeguards, e.g., development freeze, pre-emption law
- Control of land use for designated purposes
- Compensation of landowners
- Land re-allocation – adjustment of plot boundaries
- Expropriation (also called “taking”) of land designated for public purposes
- Development of local public infrastructure: landowners may be charged with up to 90% of the infrastructure costs
- Special urban planning provisions, e.g., urban redevelopment
- Real estate assessment and appraisal

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What can planning control achieve?

- Improved knowledge
- Control of undesirable external effects (noise, smoke, congestion) by planning or zoning
- Provision of public and collective goods
- Improving the mobility of resources
- Redistribution of income

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- Regulation about coordination of agricultural interests and needs and building activities aiming at protecting valuable arable agricultural land
- Decentralization and delegation to local level should be guided by formulation of and providing with appropriate, affordable and implementable land use regulations and minimum standards for land and housing development
- Implementation of "pro-active" land development tools in urban and rural areas which encourage cooperation between the public and private sectors through e.g. joint ventures and infrastructure-led strategies

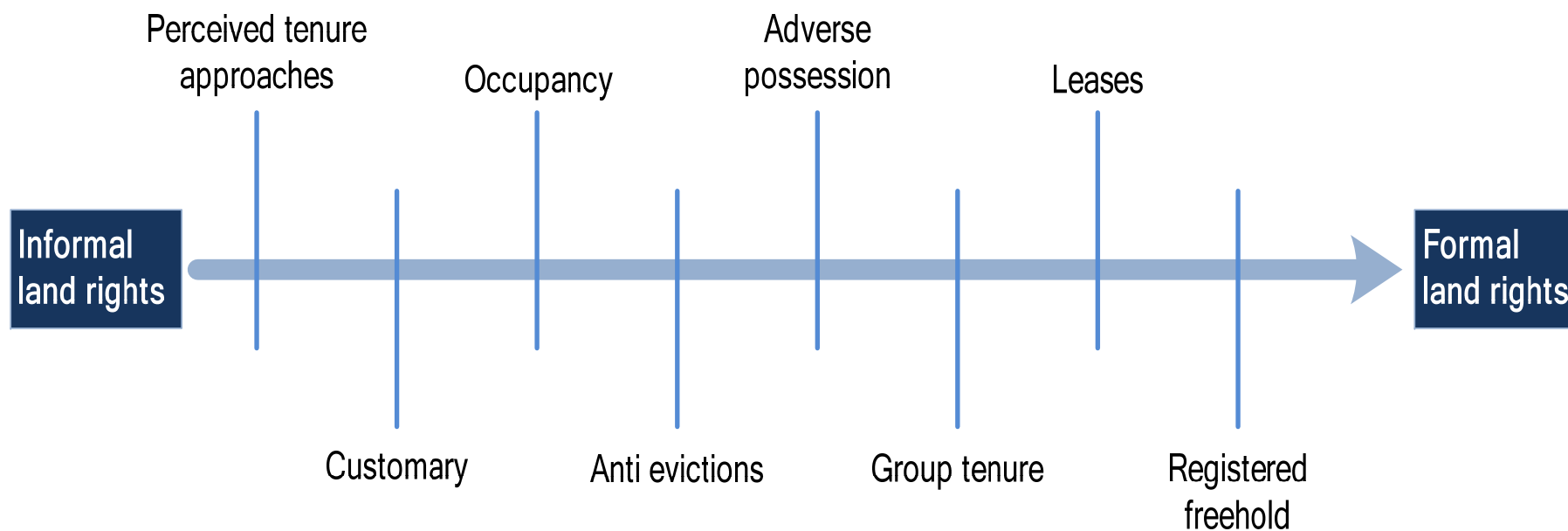
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- Adoption of planning strategies, regulations and standards which consider the administrative, political and economical framework and capability of (local/district) governments
- Recognition of self-help housing and understanding of other issues characterizing low-income areas including squatter settlements
- Promotion of “protective” land use on “hot spots” including methods which aim at limiting land speculation and provide access to land for all income groups.

Continuum of land rights

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Source: UN-Habitat, Global Land Tool Network (GLTN), 2008

Continuum of land rights

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Source: W. Christaller „The system of central places“ (1933)

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The Urban Hierarchy and Central Place Theory

- Can anything be said about the distribution of cities, towns and villages? The concept of “Central Places” seeks to answer this question. The term “central place” is an unhappy translation of the German word which means “town” as well as “place”.
- Central places are recognized in regional plans (“metropolitan regions”)
- Assumption: featureless plain over which population and resources are uniformly distributed
- Factors: (i) economies of large-scale operation, (ii) the existence of transport costs which effectively sets upper limits to the extent of a producer’s profitable market.

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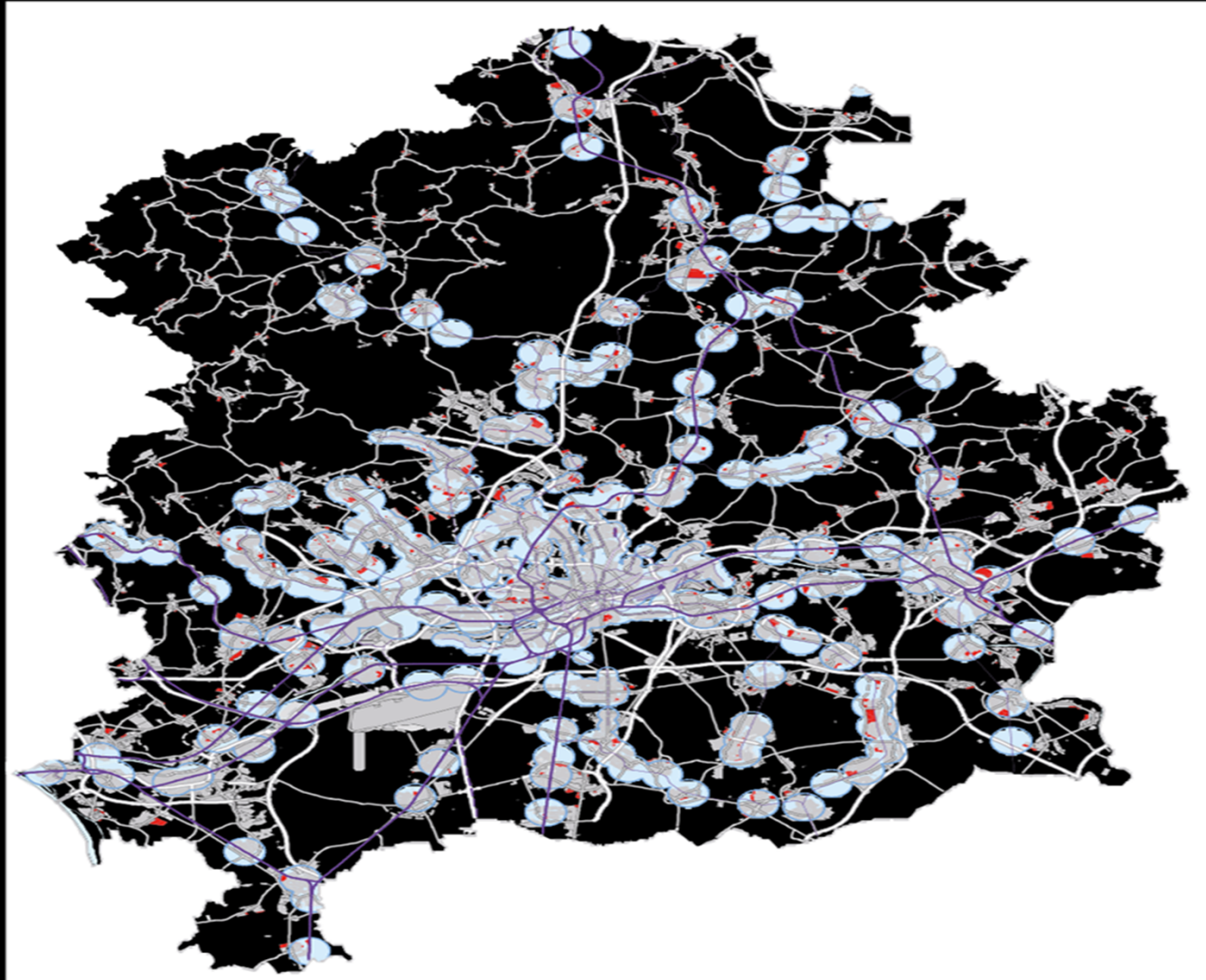
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The Urban Hierarchy and Central Place Theory

- The different levels of the urban hierarchy form a series of hexagonal figures. Christaller believed that he could discern these hexagons in and for the distribution of towns and cities in Southern Germany.
- Useful element: Urban hierarchy, with small towns serving small catchment areas and large(r) cities offering a wider range of services for larger areas.
- Distribution of higher-order cities and their catchment areas is far from uniform.
- Planning guidelines for transport and infrastructure axes in regional plans and preparatory land-use plans.

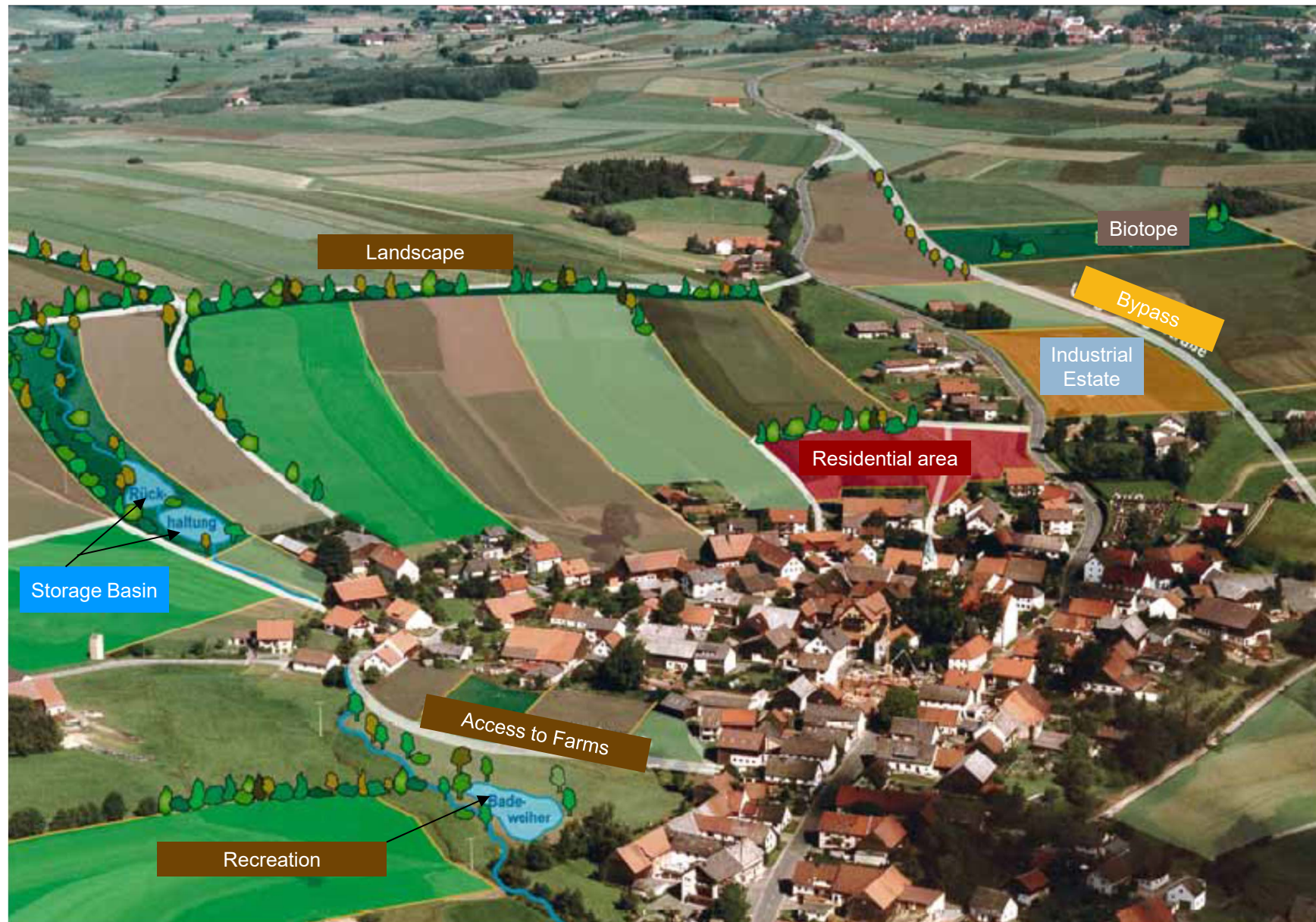
See Harvey/Jowsey, Urban Land Economics, 6th edition, chapter 16

Regional preparatory land use plan (Frankfurt Metropolitan area)



Blue = Infrastructure

Red= Vacant plots – potential for residential and eventually industrial/logistics use



“Land take” and its reduction

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“Land take” and its reduction

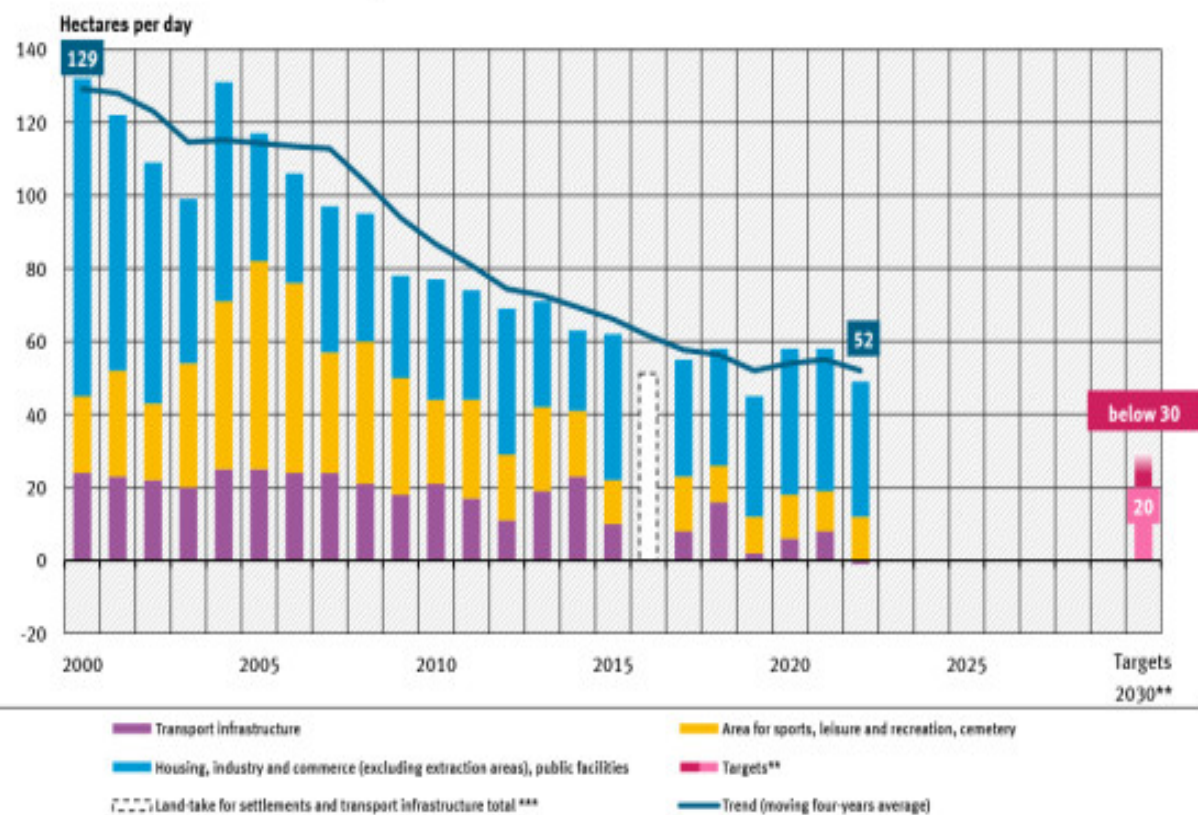
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“Land take” (sprawl) and its reduction

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Land-take for settlements and transport infrastructure*



* Land use survey is based on the evaluation of the states' (Länder) land registry. Data on increase in land-take for settlement and transport infrastructure have been distorted from 2004 due to a change over in land registries (preceding land use types in course of digitalisation).

** Targets 2030: "30 minus X" hectares per day: German Sustainable Development Strategy, revised 2016; 20 hectares per day: Integrated Environmental Programme 2030

*** Since 2016, the distinction between "buildings and adjacent open areas" and "operating area excluding extraction areas" has become obsolete due to the switch from the automated property book (ALR) to the automated real estate cadastre information system (ALKIS). This means that time comparison is currently impaired and the calculation of changes is made more difficult. The settlement and traffic area determined after the changes contain largely the same types of use as before. Further information is available at www.bmu.de/WS2220R10929.

Source: Values from Federal Statistical Office 2024, Increase in settlement and transport area (moving 4-year average) and increase of sub-types in settlement and transport area (yearly basis) (in German only)

Urban regeneration/Urban decline

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Urban regeneration — “Property Rights”?

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Urban regeneration — “Edge City”

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Aerial Images: Alex S. MacLean



Detroit between „Downzoning“
and „land-banking“

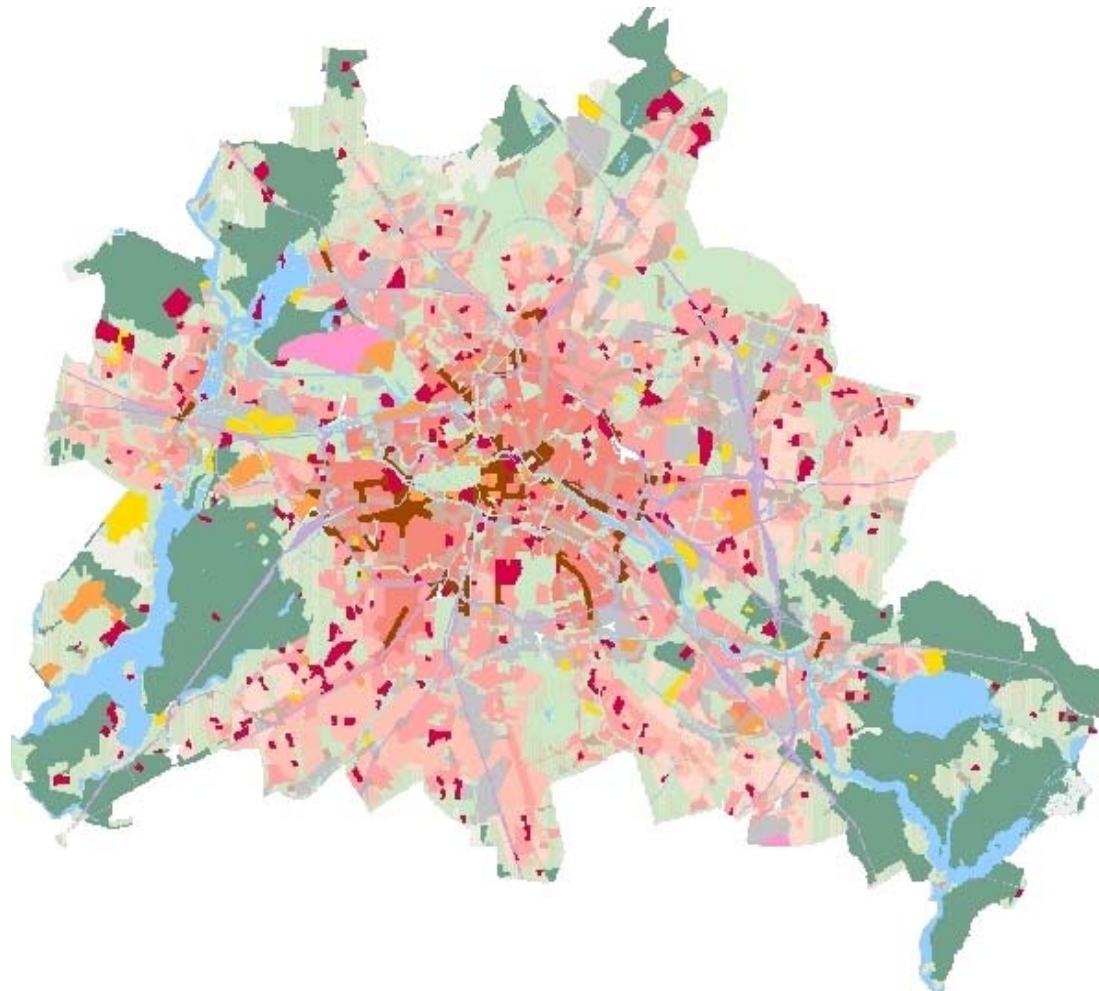
Aerial images: Alex S. MacLean





Packard Factory, 1905, now in ruins (Aerial Image: Alex S. MacLean)

Preparatory land use plan of Berlin



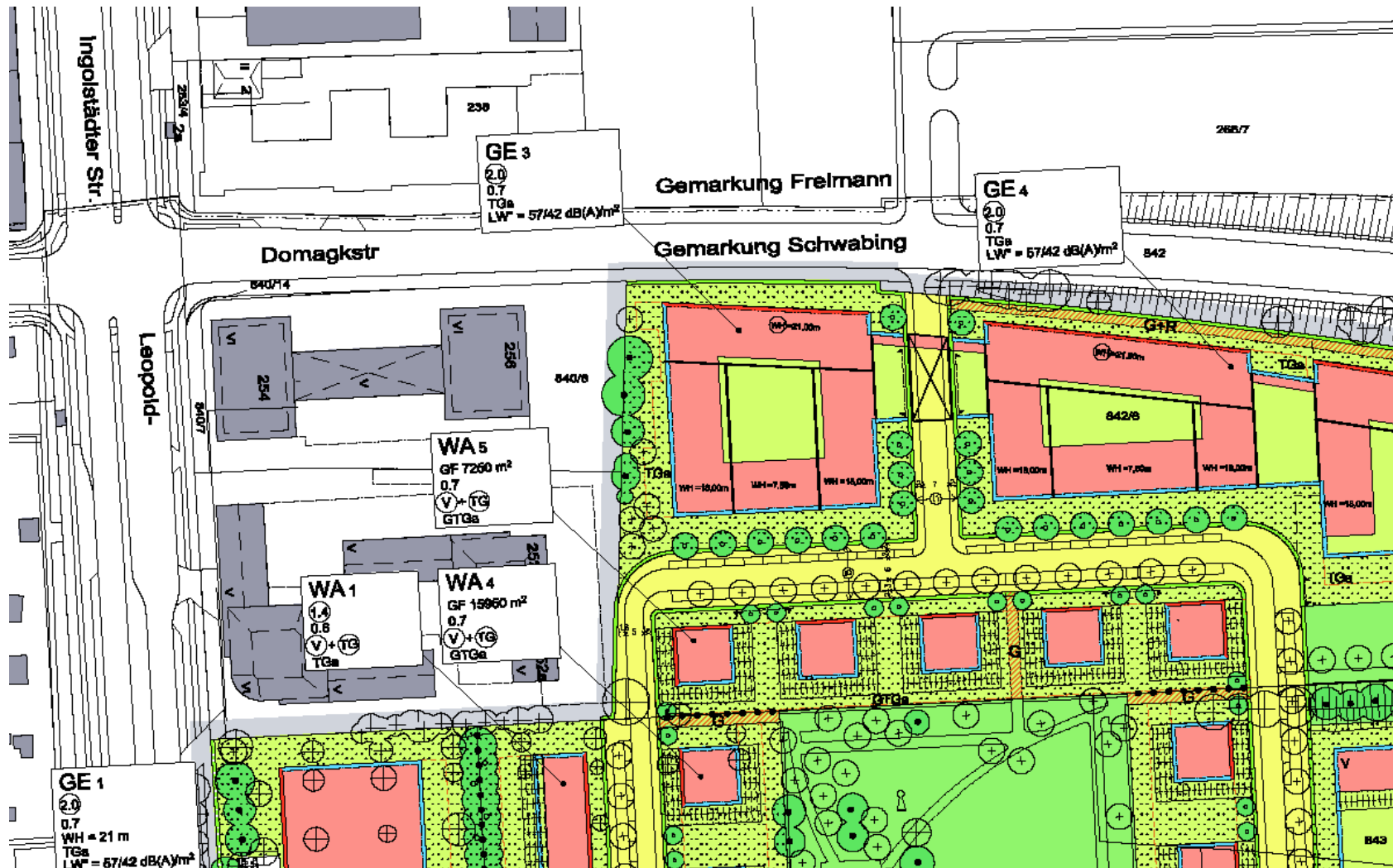
Legend

- Residential building land
- Mixed building land
- Commercial/ industrial land
- Retail concentration
- Land for community facilities
- Green areas
- Water
- Wood land
- Agricultural land

Preparatory land use plan of Berlin

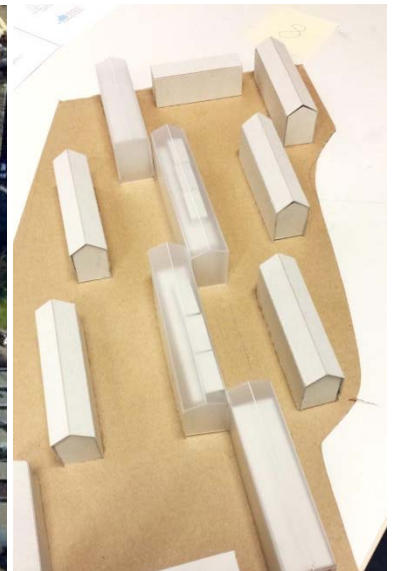
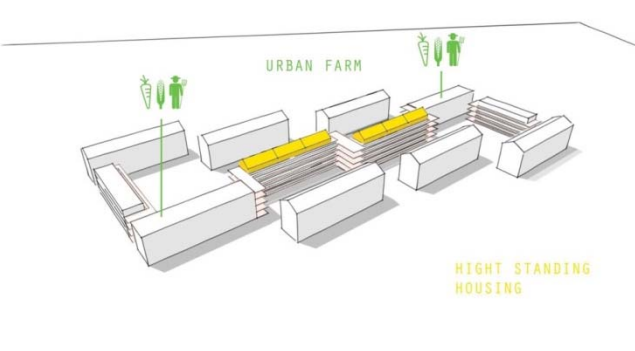
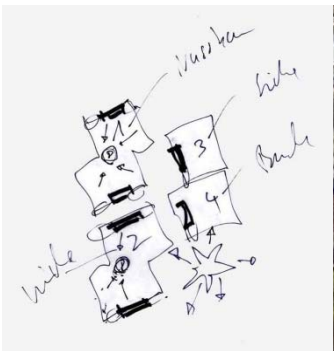


Legally binding land use plan of Munich

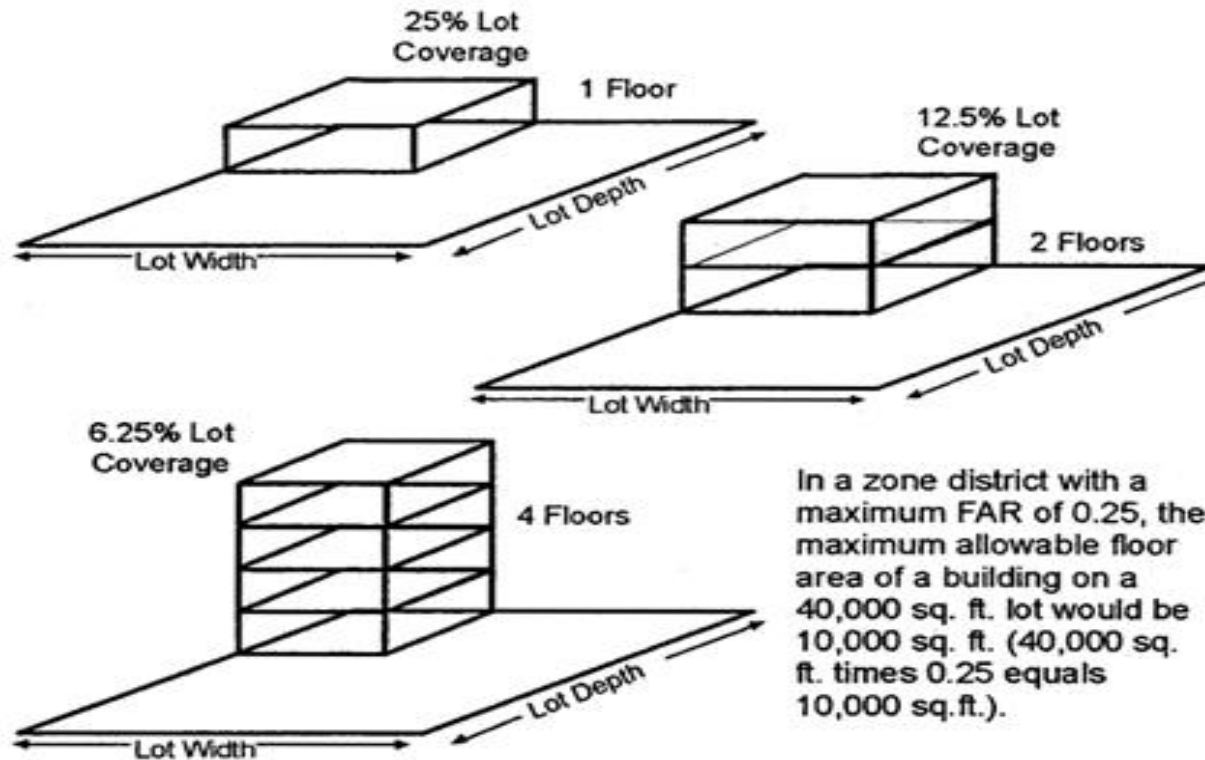


Legally binding land use plan





Possible Building Configurations for 0.25 FAR



In a zone district with a maximum FAR of 0.25, the maximum allowable floor area of a building on a 40,000 sq. ft. lot would be 10,000 sq. ft. (40,000 sq. ft. times 0.25 equals 10,000 sq.ft.).

NOTE: Variations may occur if upper floors are stepped back from ground level lot coverage.

$$\text{Floor Area Ratio (FAR)} = \frac{\text{Gross Building Area (All Floors)}}{\text{Lot Area}}$$

Relationship between LP,LT, LA and LM in Germany

L a n d P o l i c y a n d L a n d T e n u r e

overall concept and basic conditions of land related action
as well as the initiation of corresponding measures by public authorities

Stat. LA

Land Administration (with Cadastre and Land Register as central elements)

existing constitution, distribution, use and documentation of land and land ownership as well as overall concept and regulations for its sustainable use in conformity with the relevant plan in urban and rural areas

Dynamic Land Management

Sustainable comprehensive Land Management

Policies, goals and fields of action for efficient consulting, planning, controlling and coordination of all measures and instruments with reference to access, availability, use and change of use, development, allocation and building up of land including buildings for housing, ecological, economic, cultural, social and other purposes in urban and rural areas by means of:

Participative
Spatial and
Landuse
Planning

Controlling
and Securing
(incl. Risk
Management)

Land Consolidation and Land Readjustment
Reconciliation of individual legal rights with
objective planning goal

Construction
and Ecological
„Development“,
Calculation
Financing

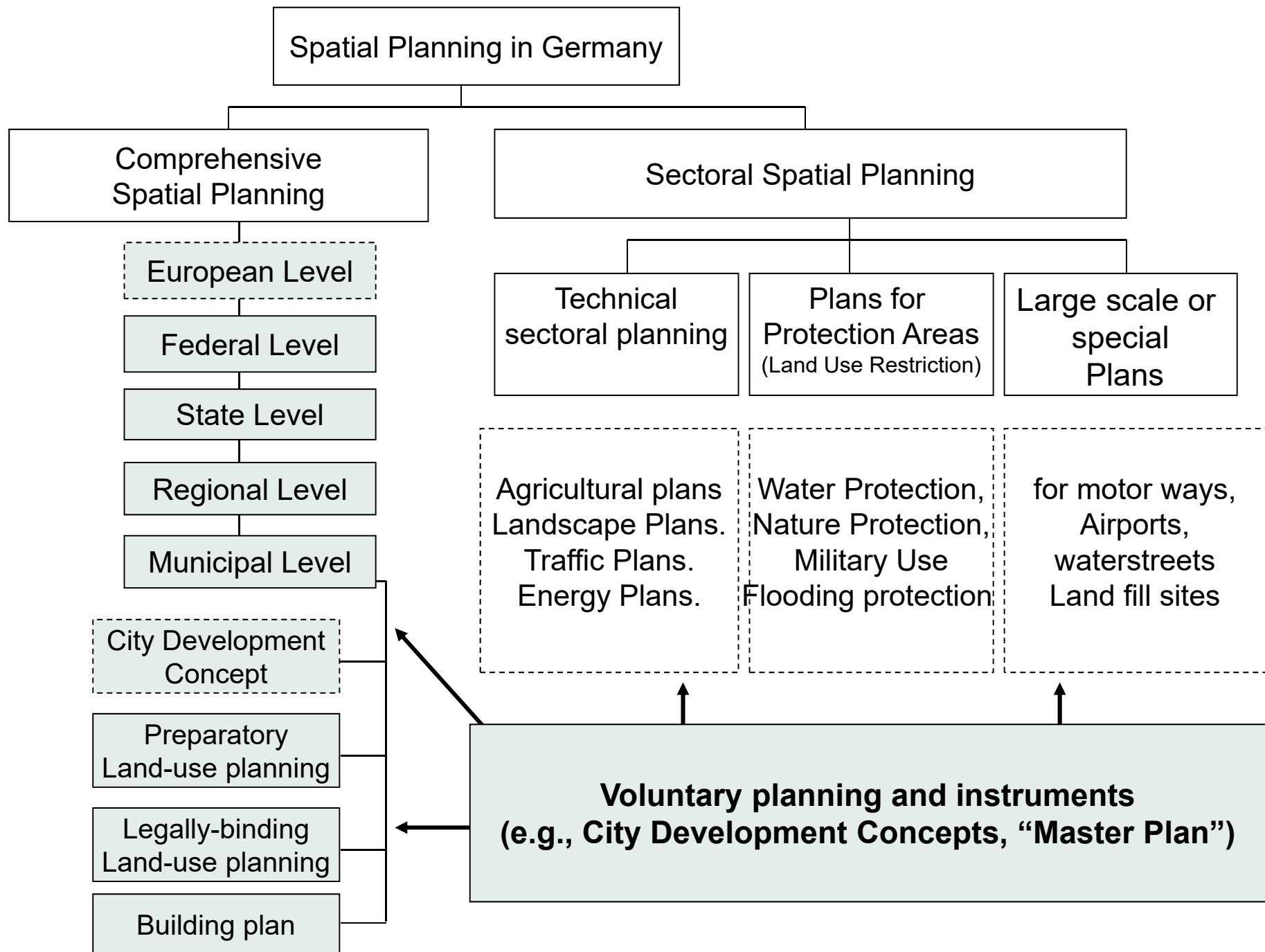
Landbanking

Application of different programmes of support (e.g. urban and rural development programmes,), GIS ,
surveying, land valuation, taxation, land transactions, credit system

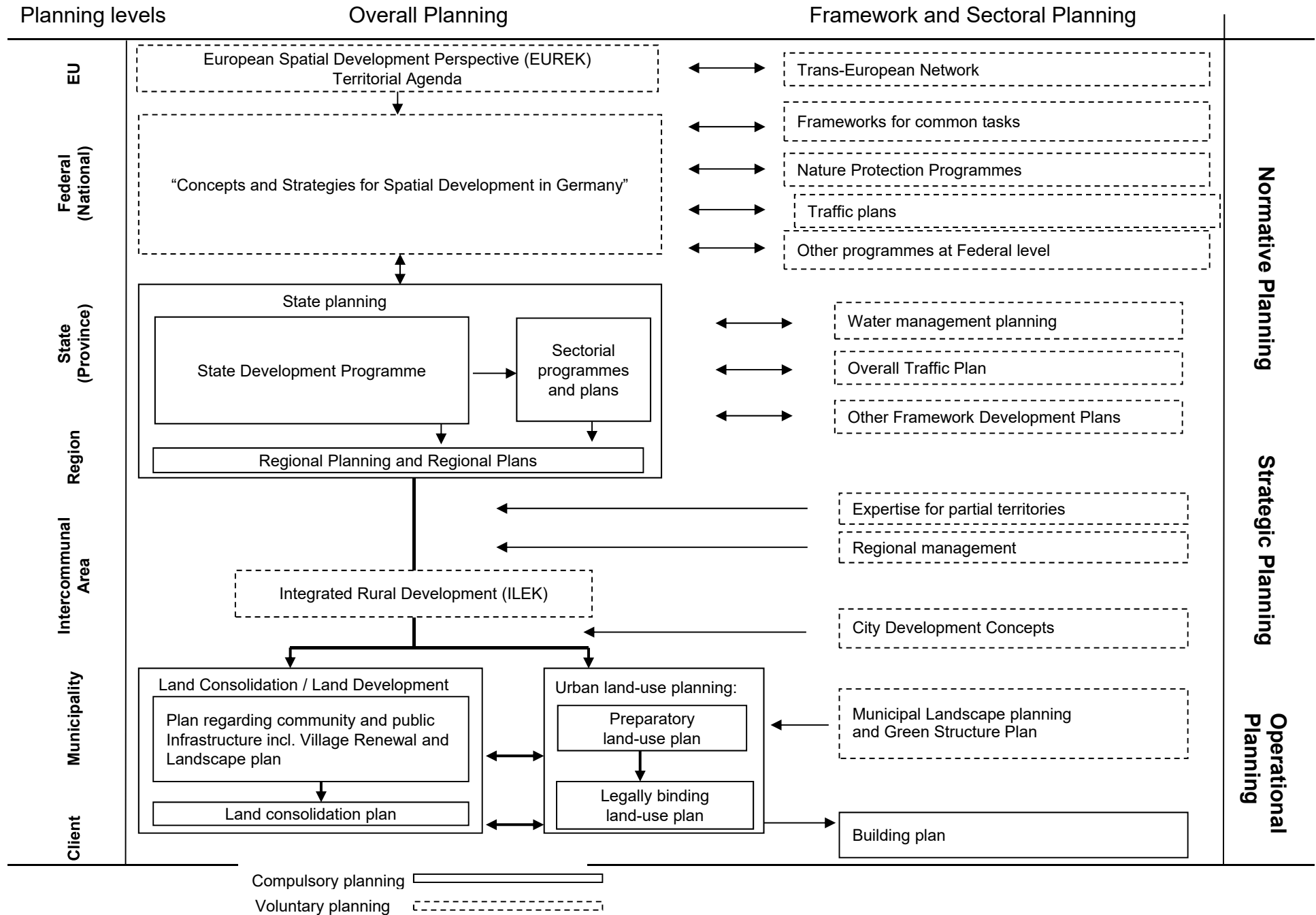
Stat. LA

Land Administration (with renewed Cadastre and Land Register)

New (rearranged) constitution, allocation, distribution, use and documentation of land and land ownership



Planning Flow



Zoning versus planning

„100 years of zoning“

- social zoning
- exclusionary zoning
- form-based zoning
(see Colin Rowe, Aldo Rossi et al.)
in Denver, Milwaukee, Miami
- „zoning for sale“
- „rent-seeking zoning“



New York City's 1916 Zoning Ordinance

„We shape our buildings, and afterwards our buildings shape us“ (Winston Churchill)

Zoning und Eminent Domain

- *Village of Euclid, Ohio v. Ambler Realty Company* (22.11.1926)

The Court held that the zoning ordinance was not an unreasonable extension of the village's police power and did not have the character of arbitrariness, and thus it was not unconstitutional.



- *Suzette Kelo v. City of New London, Connecticut* (23.6.2005)

The governmental taking of property from one private owner to give to another in furtherance of economic development constitutes a permissible "public use" under the Fifth Amendment.

Land Policy Objectives

Secure assets, property and livelihoods
Socio-economic development



Land Policy Framework

Principles:

Efficiency:

- Clarity in rights
- Simplicity in process
- Affordability
- Sustainable System

Equity:

- Equitable access to land processes
- Fair outcomes
- Protection for vulnerable groups

Accountability:

- Clear roles and responsibilities
- Public access to records
- Transparent processes

Policy Themes / Strategy:

Land
Management

Land Tenure
and Access

Institutional
Responsibilities

Land
Disputes

Land-related
Revenue

Land
Markets

Other

Enabling Platform:

Legislative and Institutional Framework and Capacity Building



Instruments / Tools:

Land Administration

- Land registration system
- Cadastral surveying and mapping
- Etc.

Land Use Planning

- Land use maps/zoning
- Development application/approval
- Resettlement planning
- Spatial information strategy
- Etc.

Property Fees and Taxes

- Tax mapping
- Valuation assessment
- Valuation system
- Tax collection
- Etc.

Public Land Management

- Inventory
- Management
- Allocation
 - Lease/Licence
 - Sale
- Etc.

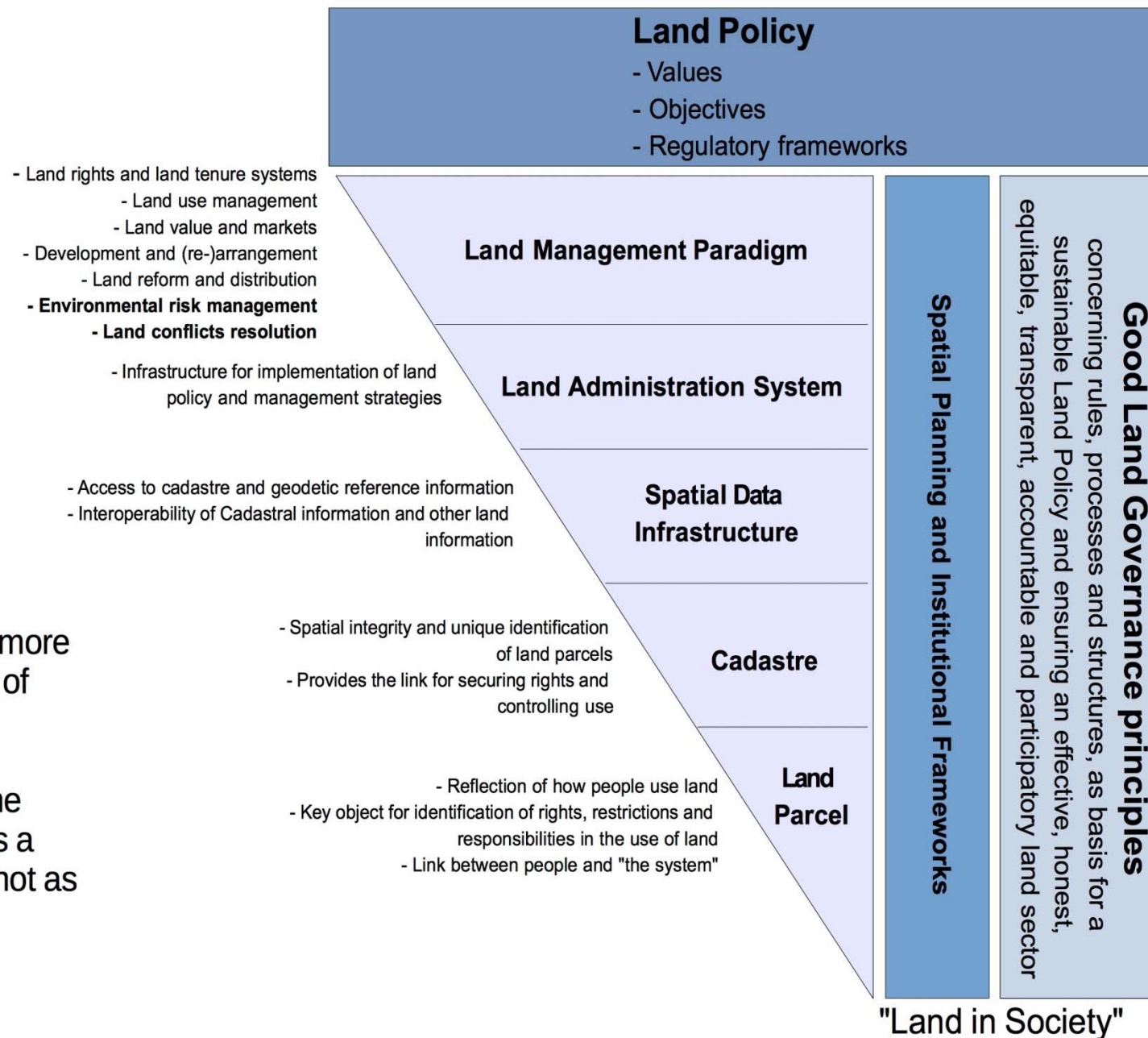
Dispute Resolution

- Mediation
- Court system
- Alternate dispute resolution mechanisms
- Etc.

Land Information Management

- NSDI and ICT support
- Geodetic control
- Etc.

The whole is more than the sum of the parts.
We need to understand the land sector as a system, and not as separated independent components



Development of land values and rents



Developers Profit

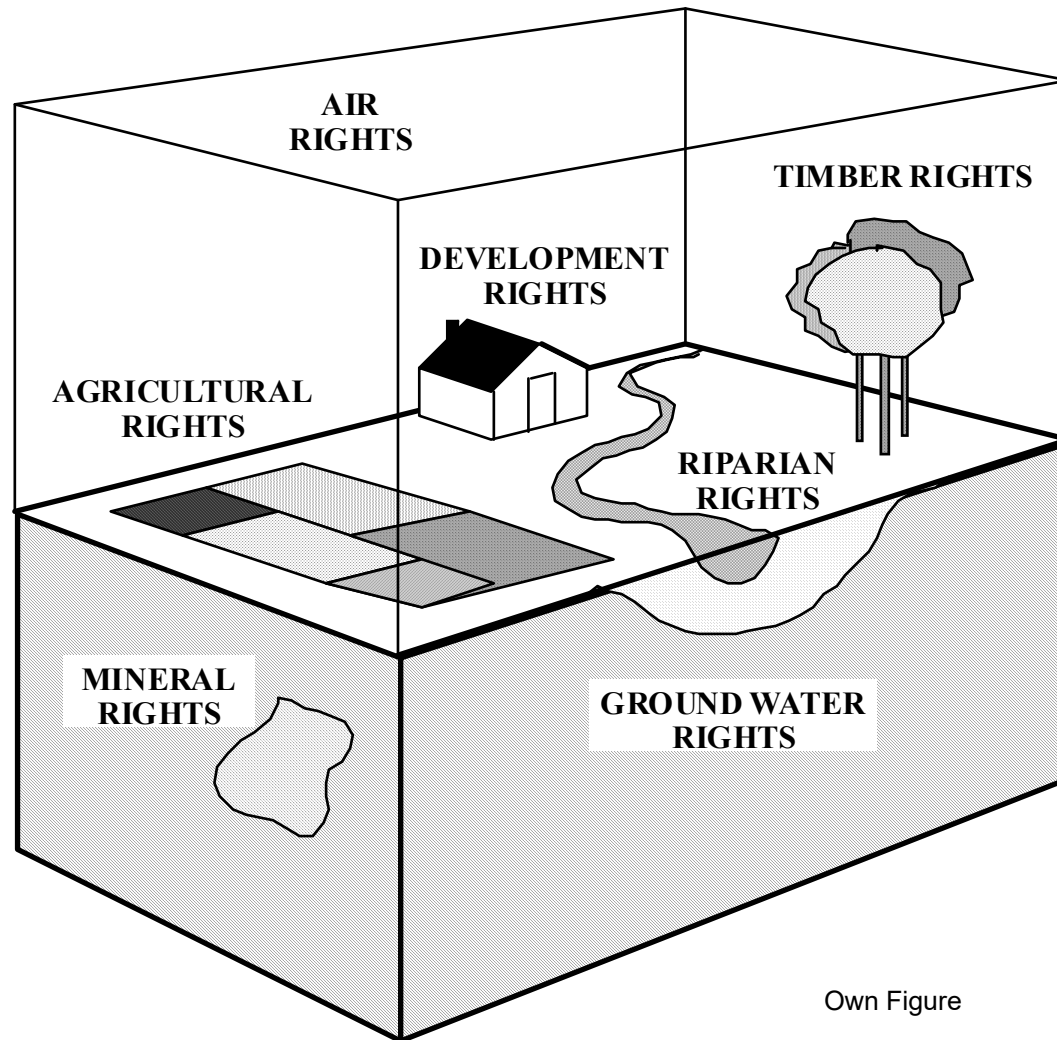


Partly „skimmed-off“ by the municipality; „uneared“?

- “LULU” – Locally unwanted land use
- “NIMBY” – Not in my backyard!
- “NAMBY” – Not all in my backyard!
- “NIABY” – Not in anybody’s backyard!
- “BANANA” – Build absolutely nothing anywhere near anyone!
- “NOPE” – Not on planet earth!
- “NIMTOO” – Not in my terms of office!
- “YIMBY” – Yes in my backyard!
- “YIMBY-FAP” – Yes in my backyard – for a price



„Property Rights“



Own Figure



„Land readjustment“ (Takahashi et al. 2018)

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Summary:

- Externalities are costs and benefits which are not provided for in market prices. It may be possible for these externalities to be accounted for by private bargaining.
- In most cases, however, it is necessary for governments to intervene in order to ensure that externalities are accounted so that socially optimal outcomes are achieved.
- The planning system is one way in which government intervenes to try to ensure that the defects of the market are dealt with to achieve a social optimum.

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Summary:

- Planning control can be used to cope with a variety of problems such as:
 - (1) the need to preserve land resources for future generations
 - (2) Urban sprawl
 - (3) Factories in inappropriate locations
 - (4) Monopoly ownership of land resources
 - (5) Provision of public and collective goods.

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Summary/Outlook:

- Reflect the current discussion in Cyprus: streamlining the property title licensing process and improving efficiency in local governance (for Etek members and regional self-government organization staff etc.)
- Abolition of the obligation to obtain town planning permits for “small developments” (what are these?); horizontal and vertical land division
- “*Build to Rent*”-scheme
- Planning modifications: Developers are being granted additional building coefficients of up to 45 %, provided they allocate additional units for affordable rent for at least six years (goal: 800 residential units over the next three years); 25 % to be sold at a price reflecting the average construction cost for affordable housing

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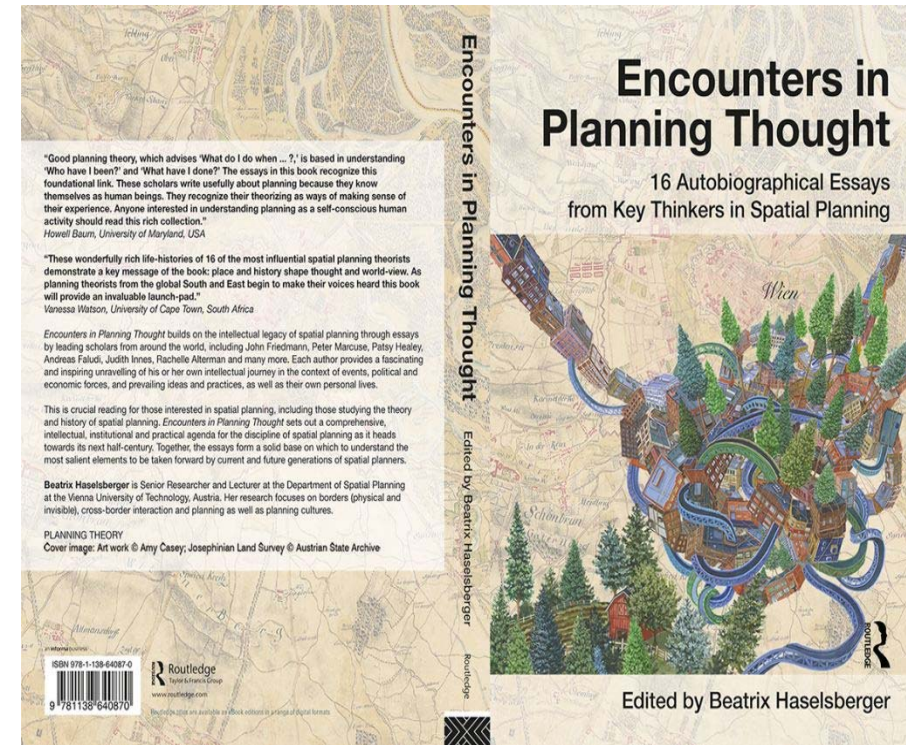
Review questions:

- What forms of government intervention are available to cope with externalities?
- Discuss the rationality of planning interventions at the example of the “land take” reduction.
- Why are planning controls necessary?
- Explain the difficulties of control by planning.
- Describe the planning procedure (hierarchy).
- What effects does strict(er) land use control have on the land prices of future building land, vacant land plots, and the size of the land plots?

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Recommended Reading:



„In a world where the majority of humanity lives in cities – the hubs of economies, cultures and political decisions – we have a profession of the future“ (Rachelle Alterman)

„Places matter: Creativity, Culture, Planning and the land rent“ (Klaus Kunzmann)

„Development projects really matter („spot zoning“), and granting exceptions to plans was the rule in the U.S“ (Andreas Faludi)