



Urban LandMark

making urban land markets work for the poor



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INTERNATIONAL LAND BANKING PRACTICES: Considerations for Gauteng Province

Together building sustainable communities.



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- What is Land Banking?
- The Practice of Land Banking
- Land Bank Practice
- Institutional Possibilities
- International Land Banking Experiences
- Conclusions
- Gauteng: The Current Context
- Considerations for Gauteng



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Introduction

Gauteng is South Africa's smallest and most urban province.

Gauteng's population is growing at 3.8% per annum.

It is projected this growth will continue and by 2015 there will be 15 million residents in Gauteng.

In-migration continues putting pressure on an already heavily urbanised province. In this context, land is at a premium.

The status of urban land is vital to the success of the provincial housing strategy. One of the most critical questions facing the Department of Housing is how to source and secure land for low income housing in localities that are optimally positioned in a sustainable way.



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Introduction

The Gauteng Growth and Development Strategy isolates the internal imbalances within the province as a potential constraint to future economic growth. In the strategy, it is argued that ‘the most urgent issue – apart from creating a non-racial urban context and providing acceptable residential alternatives and employment for some two million informal settlement residents – is to create a more compact urban region’ (GPGa, 2006: 25).

Creating a compact urban form requires the provincial government to have significant influence over land use in the province. Historically and currently, Gauteng’s urban poor are marginalised socially, economically and spatially. The urban poor continue to be thrust onto peripheral land located vast distances from economic opportunities.

Well located urban land remains the preserve of those who can afford it.



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Introduction

The dilemma of a growing urban population coupled with a limited supply of land confronts most major urban centres internationally – in both developing and developed countries.

There are a number of state-managed strategies for acquiring land for affordable housing. On the whole these have not been as successful as is necessary to secure affordable housing at the required scale. Strategies include:

- Use of eminent domain to obtain private land
- Subjecting land to social use requirements
- Land banking
- Controlling price – price control, speculation tax
- Progressive real property tax (Marcuse, 2006: 3)

Land banking is one possibility.



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Introduction

Land banking is one strategy where governments acquire land cheaply and hold it for future housing developments.

Land banking in the 1960s was viewed as an important mechanism through which public authorities could control urban development (Alexander, 2005: 26). But this idea has largely been discarded in recent times in favour of land banking as an instrument for urban renewal. Contemporary documented practice on land banking is primarily based on the experiences of the United States of America (USA).

The SA national perspective on land banking seems to be aligned with the view of land banking from the 1960s.



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Introduction

This presentation provides an overview of the international experience of land banking. Specifically, it will do the following:

- Outline definitions of land banking.
- Investigate the practice of land banking in an international context.
- Look at best practice in land banking and land banks.
- Present a conclusion.



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Land Banking Definitions

There is no one single definition of land banking. The land banking concept can be applied in a variety of different ways depending on the context and whether it is applied by the private sector or public sector.

Land banking is not only a tool for public authorities it is also used by private investors speculating on land value as a profit-making endeavour.



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Land Banking Definitions

Land banking in the context of the public sector in developed countries is most often discussed as a strategy for dealing with:

Urban renewal
Preserving open spaces and
Stabilising property and land values in a particular
area (Cleveland State University, 2005: 17)

Technically, 'Land banking is the practice of purchasing land with the intent to hold onto it until such time as it is useful or profitable to release the land for housing or other purposes' (http://en.wikipedia.org/wiki/land_banking).



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Land Banking Definitions

Land banking in developing countries is a concept most often associated with accessing land for the provision of public purposes such as housing, managing land markets and directing land speculation.

A more appropriate definition of land banking and one that which seems more fitted for developing countries is presented below:

‘Land banking implies that government acquires land in advance of needs. The main advantages are that it allows the purchase of land, relatively cheaply, for public purposes and provides a tool to influence the pattern of development in accordance to overall planning objectives’ (UNESCAP, 1993).



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Land Banking Definitions

The guiding principles of land banking in developing countries are as follows:

- ‘To improve access of the poor and other specific target groups to land.
- To support the implementation of urban development projects.
- To reduce inflation in land prices and reduce land speculation.
- To promote public/private partnerships.
- To improve the land tenure structure.’ (GTZ, 1998: 1)



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The Practice of Land Banking

Successful land banking is able to ensure:

Allocative efficiency, and
Distributive equity

Land banking is underpinned by the belief that if government has access to a valuable pool of land, they will be a responsible custodian of this resource and allocate it more equitably than if left to the market.

In principle this is accurate but in practice this has not been the case.

Land banking practices in Chile, India and Turkey have not been successful at delivering land to the poor primarily due to a lack of finance and administrative inefficiencies.

The Practice of Land Banking



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There are at least three fundamental actions to land banking namely:

- Land acquisition
- Land management
- Land development

Achieving efficiencies in every one of these actions determines whether land banking objectives are met. It is most often a delayed and expensive land acquisition process that undermines the objectives of land banking. Slow land release also undermines success.

Given the technical and legal nature of each of these steps, structuring the appropriate managing entity is crucial. What is required is an entity that has the authority to acquire, assemble and manage the development of large parcels of land.

In most instances land banking is managed through an independent body such as a Land Bank or Community Land Trusts (CLT).



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Land Acquisition

The land acquisition process for land banking is critical.

If government entities wish to acquire and hold land, they need to purchase it first. International land banking practice has occurred in situations where the public sector has been able to purchase land cheaply.

Given the scale of land purchase for land banking, managing the cost of land is vital.



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Land Management

The management of large parcels of land over a long time period requires considerable resources.

Maintenance and security issues are vital especially in locations where land is in prime position for economic, transportation and social opportunities.

Alexander (2005) recommends that land banking should have a specific geographical focus and that land is purchased for the purposes of productive re-use.

Land Development



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One of the core functions of land banks is managing the redevelopment of the parcels of land.

The land can be transferred to private developers or non-profit organisations. However as public entities, they need to ensure when redevelopment does happen, it does so within the interests of the local community and according to their strategic objectives.

Historically in a South African context, government has had limited success in negotiating with private developers and at a municipal level have sold off land to developers without in all instances evaluating the strategic benefits of doing so.

Internationally, the redevelopment of land for the urban poor has not been financially viable and it is here that the urban poor lose access. This has been the case in India and Colombia and is discussed later



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Institutional Possibilities

Urban Land Banks have been used as instruments for accessing, holding and managing urban land.

Urban land banks are specific agencies directly tasked with the acquisition of land for housing development, urban development and the preservation of open spaces

Urban Land Banks are very much a phenomenon of the USA. Introduced as a mechanism for state intervention in urban regeneration and the management of neighbourhoods in decline, many Land Banks have provided an innovative mechanism for dealing with urban sprawl and decline.

The term 'Land Bank' is used in the USA to describe 'a governmental entity that focuses on the conversion of vacant, abandoned and tax-delinquent properties into productive use '(Alexander, 2005: 9)



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Institutional Possibilities

Community Land Trusts are 'local, regional, state-wide or national organizations that protect lands that have natural, ecological, recreational, scenic, historic or productive value' (City of Miami, 2005:4).

Land Trusts are commonly associated with land practices in the USA and in this context they also acquire, manage and protect land (City of Miami, 2005: 4).

According to Tom Peterson, Community Land Trusts in particular are concerned with housing and community development issues. CLTs own land but they sell buildings on the land to individual owners. These owners are most often low income households.



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International Best Practice

Most of the work done on urban land banking is US focused and at a city level.

In a review done by Cleveland State University of land bank best practice, the following eight features were considered to be the most important contributing factors to land bank success.

The eight features are as follows:

- 1) The objectives of Land Banks should be narrow and focused and the aims of Land Banks should be specific.
- 2) The coordination of city departments is crucial. Unless, city departments cooperate and work closely together with the Land Bank, efficiencies will be hindered. The success of a Land Bank relies on coordination amongst the various players. If there are inefficiencies within local authorities, the success of the Land Bank will be severely undermined.



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International Best Practice

- 3) An accelerated judicial process for obtaining land is necessary.
- 4) An independently established entity is required to manage the distribution of land.
- 5) An integrated management information system with detailed property information is essential.
- 6) The aims of land banking should be incorporated into the strategic planning of municipalities or states.
- 7) Expropriation procedures should be efficient.
- 8) Funding is required to be efficient and progressive. (Cleveland State University, 2005).

Genesee County and City of Flint Land Bank, USA



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The City of Flint, home to General Motors, is in Genesee County, Michigan. Flint was a city on the move and the dynamic Manufacturing sector in this city meant that it experienced consistent in migration for decades. In 2000 however, the City of Flint experienced a mass exodus of residents as a result of economic changes and a slump in the manufacturing industry. The consequence of its declining population was the surfacing of thousands of unoccupied buildings and empty lots. These properties were purchased by private land speculators and the state, but were not rehabilitated.

The establishment of the Genesee Land Bank in 2003 sought to transform the city and these properties.

The Land Bank with the support of progressive legislation converted these non-performing assets into performing assets. One of the most useful legislative changes was the authority given to the Land Bank to expedite the acquisition of land.

The Delhi Development Authority



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The Delhi Land Bank, known as the Delhi Development Authority (DDA), is the largest landowner in Delhi, India. It was established in the 1950s to ensure that the Indian state was able to control land use in the city. The DDA has acquired huge tracts of land in the City over 50 years but the efficiencies of the DDA have been questioned.

It has been argued the DDA is a failure. This is attributed to problems experienced in the acquisition, management and development of land.

Instead of regulating land values, land values have risen dramatically since the inception of the DDA.

One of the objectives of the DDA was 'to prevent the concentration of land ownership in a few private hands and safeguard the interests of the poor and underprivileged'. However, no specific targets were set along with the objectives.

The Delhi Development Authority



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By 1982, only 44 per cent of plots of land distributed had gone to low income groups.

Gill argues in a later paper that low-income families have not received access to affordable housing because the income categories required for allotment were ignored. Instead, middle and high-income families were the recipients of housing (Gill, year unknown: 8) thus undermining the equity objectives of land banking.

MetroVivienda, Bogota, Colombia



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The MetroVivienda is Bogotá's land banking agency. It was established to address the problems of the lack of affordable housing in the City and to mitigate against an expanding informal housing market.

The function of the MetroVivienda is to purchase open spaces on the periphery of the city for housing development.

The agency assembles large land parcels and sells them off to private developers to develop affordable housing. The agency is financially self-sufficient and this has undermined the development of low-cost housing.

The MetroVivienda purchases land on the periphery of Bogotá and not in more strategically located inner city land.

MetroVivienda, Bogotá, Colombia



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A series of criticisms levelled at the MetroVivienda include:

Their housing reaches low-income households but not the urban poor.

The acquired land is divided into uses such as commercial, residential and institutional.

Most often residential blocks are built and sold prior to the development of commercial building leaving residences without access to services (Cullen-Cheung, 2007).

Conclusions



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International land banking has been done at the city level.

International land banking experience suggests land banking is a viable option in the following instances:

When City policies allow for affordable housing to be built on the periphery of an expanding city. Land is cheaper on the periphery thus making the acquisition process financially viable.

When City's project their future housing needs using a medium and long-term timeframe. These timeframes enable public authorities to secure land at a low price and hold it until the demand for affordable housing grows. This is the case in Delhi, India.

Conclusions



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When City's are able to secure access to properties in neighbourhoods experiencing urban decline and redevelop these properties into affordable housing. This is the case in cities in the United States.

And even in these circumstances, successful land banking is not guaranteed. In most instances, state-managed land banking has been unsuccessful.

International land banking best practice is not applicable in the case of Gauteng. The commitment of the province to sustainable human settlements both discounts the purchasing of land on the periphery and using land banking solely as the tool for urban renewal.

Gauteng: The Current Context



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There is not an unequivocal response to the feasibility of land banking in Gauteng.

Issues in the USA differ fundamentally from the concerns in Gauteng. Although some American cities lack sufficient affordable housing stock and available land, much of the work done through land banking initiatives and by their urban land banks addresses the problems of urban decline and vacant and abandoned buildings.

While urban decline encompassing the illegal occupation of buildings, absentee landlords and expensive housing stock, is a problem faced by major cities in Gauteng, it is but one of the concerns to the Gauteng Department of Housing.

Gauteng: The Current Context



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The objective of land banking in a local context would be to secure optimally located land for the purposes of creating sustainable human settlements and addressing future housing needs, mostly for the urban poor.

Given that current land values in Gauteng are so high, the likelihood of a cheap land acquisition process is limited. But the most pressing issue – the lack finite amount of land available in the province - remains.

The pace of urbanisation brings with it the possibility of no obtainable land in the future. Therefore public ownership of large tracts of land in the province is *one* possible solution for ensuring continued public access to the land. This practice would need to happen alongside other policies for facilitating the development of sustainable human settlements.

Gauteng: The Current Context



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Existing properties and land in Gauteng are inefficiently managed at a municipal level. Could these properties be better managed and used as a source for affordable housing?

The Johannesburg Property Company attempts to turn existing CoJ properties into performing assets thereby optimising their potential.

The CoJ Better Buildings programme is one attempt to regenerate inner City buildings through the use of property tax foreclosure.

Considerations for Gauteng



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On a policy level land banking would comply with Gauteng's overall policy framework. The GPG's Global City-region and Growth and Development Strategies both emphasize an integrated Gauteng.

Land Banking internationally has mostly happened at a city level and therefore international best practice at a provincial level is not available.

Therefore, a provincial land banking process is not necessarily a natural progression from the lessons learned internationally. The failures of land banking in the international context has related to financing and efficiency of the process. An ineffective land bank could act as a large monolith obstructing the efficient acquisition and development of land by other government departments and the private sector.

Considerations for Gauteng



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Should Gauteng consider land banking as an option for accessing land for affordable housing?

Can Gauteng afford land banking?

Should this be a provincial process or would it be better situated at a local government level?

What is the viability of Gauteng Province and local authorities in Gauteng collaborating on the issue of land banking?

Is land banking the most effective way of ensuring pro-poor access to urban land?