

Urban LandMark

making urban land markets work for the poor

URBAN LANDMARK FUNDS SHORT COURSE ON VALUE CAPTURE AND LAND USE MANAGEMENT

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Gender and Property Formalisation: Ann Varley Paper Published Urban LandMark is currently funding a series of short courses on "Land Use Management and Value Capture" being run by the Development Action Group (DAG). The first module of the course, held in Cape Town between 21 and 23 April 2008, focused on challenges and opportunities in the South African context.

Value capture refers to the process by which all or a portion of the increments in land value attributed to public and community interventions are recouped by the public sector. In this way, government can recapture increases in land value not attributed to the investment or labour of the landowner for the purposes of reinvesting in development initiatives. Such increases can arise from changes in land use regulations, and installation of infrastructure.

"Value capture mechanisms can play a significant role in creating sources of funding for urban development"

The course module was introduced by Mercy Brown-Luthango of DAG, who presented on the concept, mechanisms and importance of value capture as a land management tool through the use of international case studies. Marie Huchzermeyer's presentation explored informality in the South African land context, mapping out key issues around the scale. forms, causes behind and government responses to informality. She further discussed how these phenomena might be managed in ways that respond effectively to informal settlement challenges. Stephen Carnovits' presentation dealt with the provision of basic services in South Africa, outlin-

ing the legal framework and socioeconomic rights context for land and housing. The state of municipal finances in South Africa, particularly the need to generate and manage revenue, was presented by Philip van Ryneveld. David Solomon delivered two presentations for the course, one on the issue of property tax as a value capture instrument in South Africa, and another on key land economics issues in the context of considering value capture as a tool. Nigel Tapela outlined current land planning and regulatory tools in South Africa, exploring their capacity for capturing value. Some of the challenges presented by rapid urbanisation in developing countries were unpacked by Solomon Haile, who introduced the Global Land Tool Network (GLTN) as a response to the need to promote sustainable, propoor tools for dealing with urbanisation. He further explored the GLTN's interest in land value capture.

Value capture mechanisms can play a significant role in creating sources of funding for urban development. As Mercy Brown-Luthango noted in her presentation, political will and leadership as well as appropriate adjustments to legal and regulatory frameworks are needed to maximise the potential for value capture in South Africa.

The second module of the course will be run in July 2008.

For more information on the DAG's Value Capture Programme, go to www.dag.org.za and follow the services and strategies link to programmes

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URBAN LANDMARK COMMISSIONS LAND BIOGRAPHIES RESEARCH PROJECT

Urban LandMark has commissioned research to construct land biographies for three areas in Gauteng. The project is aimed at understanding and unpacking the trajectories of urban land through formal and informal systems of land management over time. These biographies will form part of a growing body of theoretical and empirical knowledge about land, land use, administration and management in South Africa.



Doornfontein: now and then



Diepkloof, Thokoza and Doorn fontein have been selected for the study, each representing different land histories spanning pre -apartheid, apartheid and postapartheid periods. Told from the perspective of the land, narratives of dynamic transition and significant change emerge. These include considerable shifts in land management, formal structures, governing bodies and administration for the area, as well as divergent livelihood and life strategies including the use of, access to, and trading of land. Formal control systems and livelihood strategies have variously conflicted with and complemented one another.

By unpacking these land histories, the project therefore offers a narrative illustrating what has and has not worked over the years in terms of land markets, land management, urban redevelopment and community participatory approaches. As such, it is hoped the knowledge generated will provide a good resource to inform future urban land interventions. The project will be completed soon and reports made available.

"Mapping histories from the perspective of the land, narratives of dynamic transition and significant change emerge."



WORLD BANK ENTERS INTO PARTNERSHIP WITH THE SOUTH AFRICAN GOVERNMENT

The World Bank has entered into a Country Partnership Strategy (CPS) with the South African government. One element of the partnership is aimed at providing support for government's policies and programmes related to urban and rural development, through relevant and demand-driven analyses. This will include three focus areas:

- Built environment/spatial development;
- Housing; and
- Municipal infrastructure finance.

Initial work on spatial and housing issues has already begun, with the South African government and the World Bank agreeing to engage a range of local

and international experts to identify key issues and refine research concepts. These experts took part in a workshop in April 2008 focused on the experience of providing government-subsidised housing.

"The partnership between the World Bank and the South African government is aimed at providing support for urban and rural development programmes"

Several issues were highlighted and some of the following suggestions made:

- Reconsideration of current sub -letting or resale restrictions that prevent mobility;
- Portable subsidies that would allow subsidy recipients to optimise trade-offs between housing standards and location;
- Rental subsidies allowing subsidy recipients to make tradeoffs between houses now and rental over time; and
- Land use and subdivision regulations allowing the poor to legally make what they consider the best trade-off between location and quantity of land.

A key starting point has therefore been identified as the documentation of what is happening on the ground and to develop scenarios for what could happen in the future.



LOCAL NEWS



STATE TAKES NEW STEPS TO ADDRESS "CRISIS" OF INEQUALITY

On releasing the annual report of the Accelerated and Shared Growth Initiative for South Africa (Asgi-SA), Deputy President Pumzile Mlambo-Ngcuka has spoken out strongly against poverty.

Arguing that pervasive poverty and inequality in South Africa translates into a "crisis" that is "politically unsustainable", Mlambo-Nqcuka stressed the need for Asgi-SA to improve its strategies towards shared growth among the poor. Asgi-SA was designed to tackle critical economic growth constraints, including those related to the second economy.

"Encouragingly, Asgi-SA has highlighted the need for institutional reform in the areas of planning and land use management"

While government was pleased with aspects of Asgi-SA's progress, particularly in infrastructure investment, it acknowledged that second economy interventions needed to be improved. The government will soon reveal an anti-poverty strategy, as well as redesign the current job-creation project, the Expanded Public Works Programme (EPWP).

While the government reiterated its commitment to reach the EPWP's job-creation targets despite slowed economic growth, Mlambo-Nqcuka expressed concern that employment opportunities be created in a sustainable manner. She also emphasised the importance of economic strategies targeting the youth, including wage subsidies and income transfers for youth linked to productive work. These suggestions may be challenged by COSATU which has expressed

concerns over youth wage subsidies, including the argument that it will create a dual labour market.

In the meantime, presidential advisor Alan Hirsch insisted that Asgi-SA targets for growth would be reached, and that recent figures from Statistics South Africa showed an 80% increase in income among the country's poorest 10%, and a 40% increase among the country's richest.

State investment in urban infrastructure, and job opportunities arising from this investment, are currently the focus of second economy work being managed by Urban LandMark. In partnership with TIPS (Trade and Industrial Policy Strategies), Urban LandMark is formulating recommendations aimed at improving the impacts of urban investment on sustainable poverty alleviation and the inclusion of the poor into the mainstream economy. This would include more effective land use management which equitably provides urban spaces for living, trade and production by poorer people. Encouragingly, Asgi-SA has highlighted the need for institutional reform in the areas of planning and land use manage-

(see Karima Brown & Amy Musgrave, Business Day, 28 April 2008)



IS THE LAND PROCESS TO BLAME FOR COSTLY HOMES?

Lengthy "land to stand" processes might be to blame for steep price increases in the affordable housing market, according to the Banking Association of South Africa. While the common perception is that cost increases are linked primarily to developer profits and increases in materials prices, the drawn-out develop-

ment approval process traversing through several government departments could be adding as much as 20% to the cost of a residential unit.



According to Pierre Venter, financial services charter coordinator for housing within the Association, Banking lengthy processes result in significant holding costs and levels of risk for developers. While he says the banking industry is committed to targeting households earning between R1800 and R9600 per month for housing finance loans. Venter argues that the land process is pushing housing beyond the affordability level for this target market.

"While the common perception is that cost increases are linked primarily to developer profits and increases in materials prices, the drawn-out development approval process could be adding as much as 20% to the cost of a residential unit"

Venter said that in pilot studies commissioned by four major banks, a "process consultant" was able to lessen development approval time by as much as half. As a result, the Banking Association has commissioned research into cost drivers for housing, the results of which should be available by the end of this month.

(see Nick Wilson, Business Day, 6 April 2008)

INTERNATIONAL NEWS



THE UK'S PROPERTY BOOM BUBBLE BURSTS

UK property prices that have been dropping slowly over winter are beginning to fall more rapidly, dropping by 2.5% in March according to Halifax. This is the biggest monthly drop since September 1992, and concerns have been raised that the sharp decline of property values will have significant impacts.

Mortgage lenders and Labour politicians have downplayed the significance of this monthly drop in prices, pointing to the precariousness of monthly data and arguing that other indices sketch a very different picture. The Nationwide Building Society thinks that prices fell by just 0.6% in March. The annual rate of growth has slowed to 1.1%, they say.



However, both these estimates may be outdated. Their data indicates an approximate drop of 4% from property peaks, but given that they are based only on mortgages approved by lenders they may not show the full picture. Marc Goldberg of estate agent Hamptons says that the Halifax data lags behind the market reality, and asserts: "The prices we are getting now are about 10% down from the peak last summer".

The swift drop in property prices should be regarded in the context of Britain's long-standing property price boom, in which the average price of a home increased by 215% between 1997 and 2007 according to the Na-

tionwide's index. Because most of the homeowners affected by price falls are sitting on significant gains made during the boom, they should be able to buffer themselves and their mortgage lenders from a severe downturn. On the other hand, however, the magnitude of increases could mean that the property prices have further to fall. The housing market has undergone much higher valuations over the past few years than previously thought possible. The International Monetary fund says that Britain's housing prices are about 30% higher than fundamental factors such as disposable income, interest rates or size of the working age population can explain. It seems, however, that the property market is witnessing a new season.

(The Economist, 10 April 2008)



GENDER AND PROPERTY FORMALISATION: ANN VARLEY PAPER PUBLISHED

In a recent paper published in World Development, Ann Varley explores the gender implications of both conventional title-based approaches to the formalisation of urban property and alternative strategies with an emphasis on local or customary laws and procedures ("informal formalisation").

In terms of gender, the linkages between legal equity, ownership of resources and control over resources have been widely interrogated in the development arena, against the backdrop of a relatively widespread consensus over the importance of land rights towards socio-economic transformation for women. The paper discusses such issues in the context of campaigns to regularise urban property through the extension of full titling. An approach that centres on formal titling has been critiqued from numerous perspectives, including one that holds it to be counter to women's interests.

Ann Varley looks at such debates from the perspective of the gender implications of both individual titling and alternative proaches, drawing on recent engendered property rights research from Africa and Latin America. She notes that while much of the advocacy that has been done around issues of "informal formalisation" in urban areas has been shaped by an empirical concentration on Africa, it has not participated much in debates around gender and land rights in Africa. The paper aims to stimulate engagement with these debates. Varley questions the ability of either approach to successfully address gender inequalities without affirmative action, but also suggests that informal responses within state institutions could contribute.

(Ann Varley, 2007. "Gender and Property Formalization: Conventional and Alternative Approaches" in *World Development*, 35(10), pp1739-1753, Elsevier)



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