

# FIG WORKING WEEK 2019

22-26 April, Hanoi, Vietnam

Presented by the FIG Working Week 2019,  
April 22-26, 2019 in Hanoi, Vietnam

"Geospatial Information for a Smarter Life  
and Environmental Resilience"



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# Planning informalities in China: adopting innovative land value capture strategies for TOD

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Financing Transit Oriented Development by Value Capture:  
Negotiating Better Public Infrastructure

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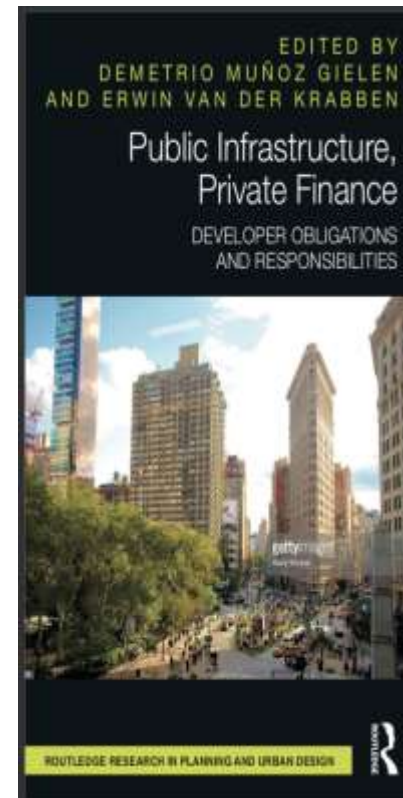
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Working Paper

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Lincoln Institute Product Code: WP14



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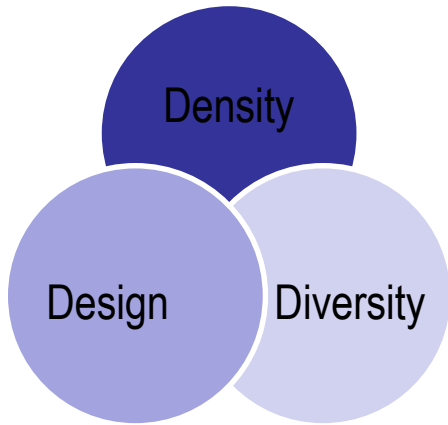
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## Increasing popularity of TOD policies in mainland China



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## TOD in China: integrated transport and land development



### Two main issues

- Potential of land value creation not fully realized.
- Few fiscal instruments available to capture value increment.

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## Institutional Context

### *China's dual land market*

- All urban land state owned; (most of) agricultural land collectively owned
- Only state can expropriate collectively-owned farming land
- After conversion into urban land, local governments sell user rights of (serviced) land to land user for pre-specified land use
  - Land will be auctioned
  - Based on regulatory detailed plan
- Foundation of China's land-based finance system
  - Land concession revenues major source of income for Chinese cities
  - Land concessions include provision of on-site infrastructure and public facilities

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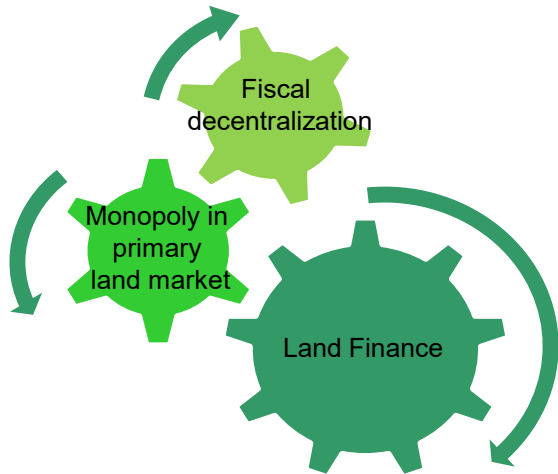
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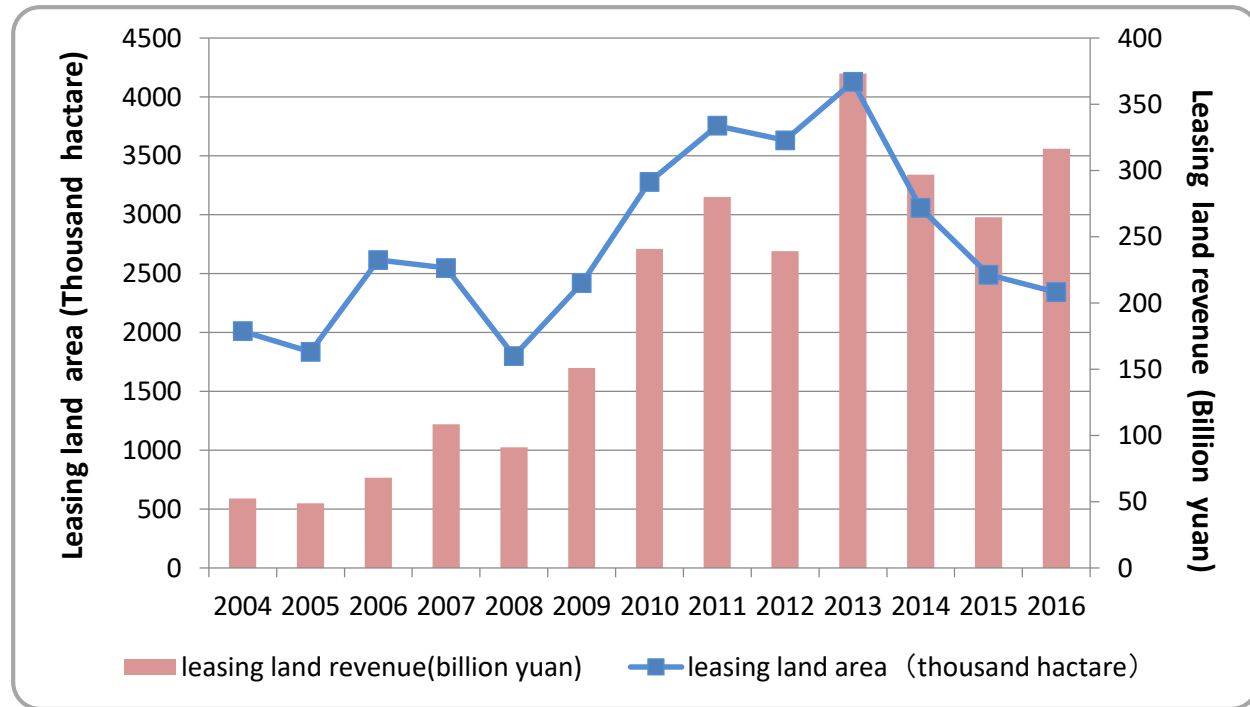
## Institutional Context

### Land Leasing



**The main issues:**

- Low efficiency
- Unsustainable
- Social tension



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## Inflexibility of present system of land-based value capture

- Regulatory detailed plan defines FAR and on-site infrastructure / public facilities
  - Private developers not consulted in plan making
- Land concession will then be auctioned
- Rigidity of the system: auctioning system is only about land, not about transit services and infrastructure
- Additional negotiations about value capture (and FAR adjustments) take place, after land has been auctioned

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## Institutional barriers that prevent efficient implementation of TOD policies

### **Unsupportive planning regulations leading to separate transport and land use development decisions**

- Planning regulation does not fit with mixed land-use and TOD principles in transit areas
- National planning policies promoting TOD are lacking
- Land transfer regulations hinder implementation of joint TOD-based development

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## Institutional barriers that prevent efficient implementation of TOD policies

### **Limited value capture instruments under current land policy**

- Additional to land leasing, alternative value capture mechanisms are mostly lacking
- FAR negotiations can be used, but lack transparency

### **Inefficient governance without clear rules**

- Insufficient incentives for transit companies and developers to adopt LVC
- Lack of clear rules for joint development

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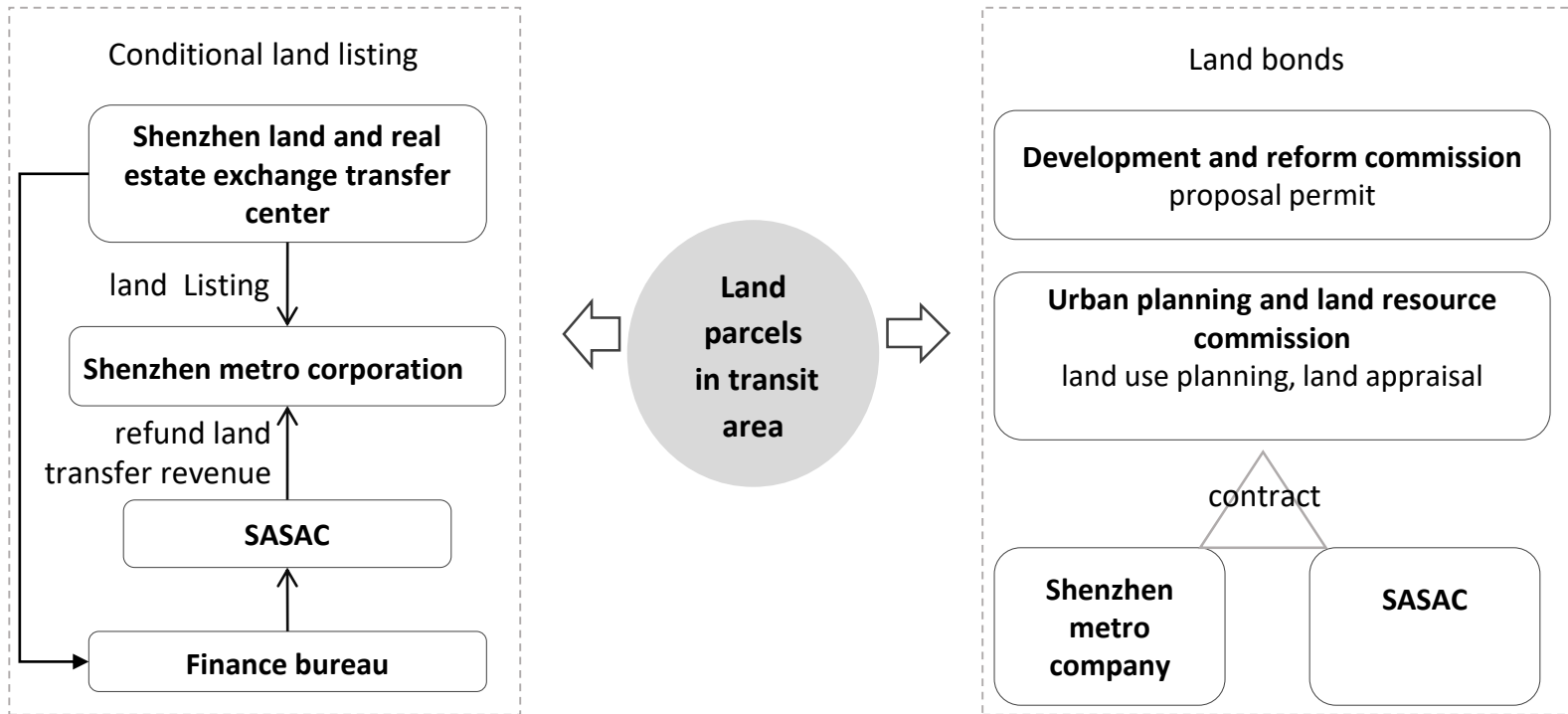
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## Informal planning approaches to bypass inflexible planning regulation

### Shenzhen Rail plus Property model



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## Informal planning approaches to bypass inflexible planning regulation

### Shenzhen Rail plus Property model

- Additional condition to bidders for land lease
  - To qualify: must be able to construct and operate metro system
- To prevent regular tendering of land, municipal land bonds have been issued
- Adjustments to FAR guidelines
- Merger of Land Department and Urban Planning Department

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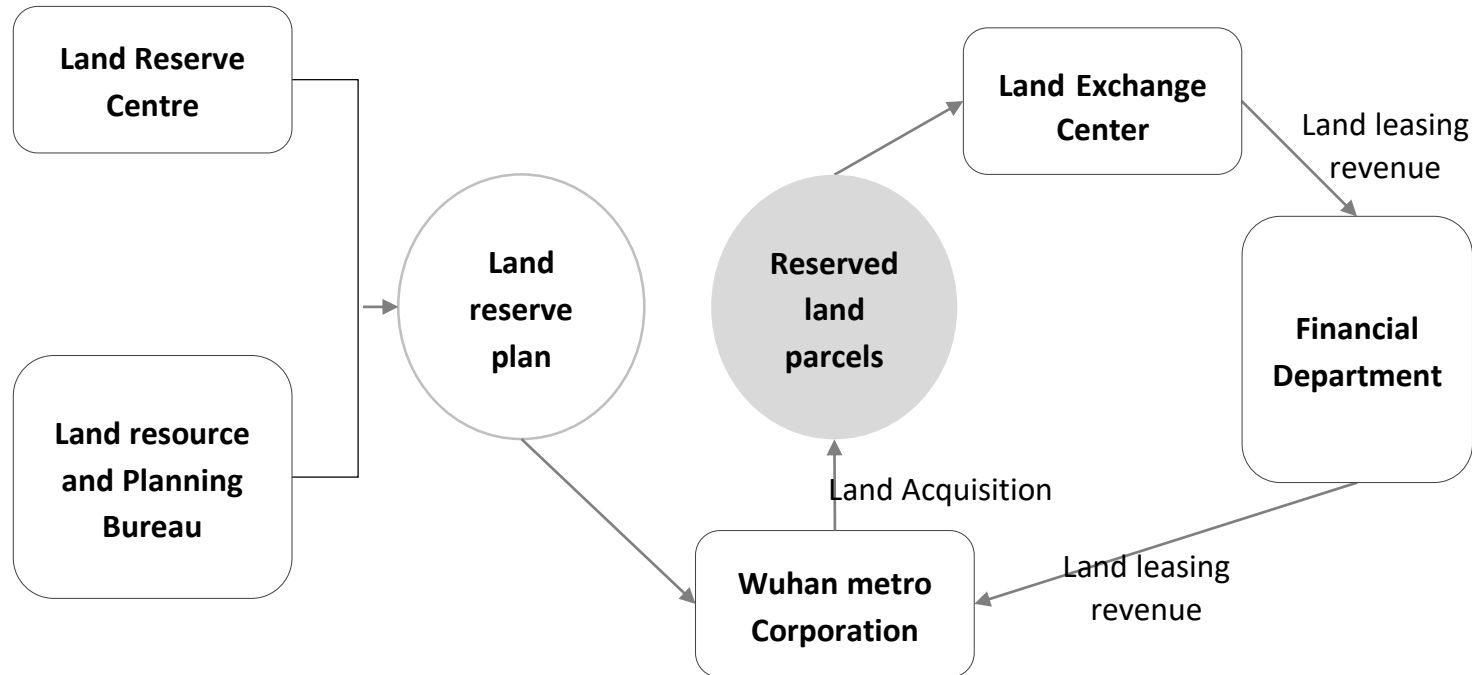
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## Informal planning approaches to bypass inflexible planning regulation

### Wuhan land reserve model



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## Informal planning approaches to bypass inflexible planning regulation

### Wuhan land reserve model

#### Informalities in the planning process to make it "TOD proof"

- Wuhan Metro Corporation (WMC) made responsible for land acquisition and consolidation for land reserve
- Land reserve transferred to Land Exchange Center
- After that, land reserve will be auctioned, but revenues earmarked for metro line development
- Revenues made available to WMC through Rail transit construction Special Fund

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## Some observations

- Similar to many other countries, land management and value capture strategies in China develop *bottom up* and in an experimental way
- Local government-led experimental approaches to land-based value capture strategies undoubtedly offer new chances for additional revenue for TOD development in Chinese cities
- Due to institutional barriers, the *institutionalization* of these mechanisms still lags behind
- Can we think of a proper way to deal with planning informalities?

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## A property rights approach to planning informalities

**"Spatial planning can help to improve efficiency in land and real estate markets by *repairing* the deficiencies in the present property rights regime"**  
(Needham, 2006)

- Interventions aimed at **structuring the market**: create and (re)structure rights in land, so that desired land use is achieved by people working freely within that structure.
- Interventions aimed at **regulating the market**: influence, or steer actions in the market in rights in land, so that the outcome of people acting in that market is the desired one.

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## A property rights approach to planning informalities

### **(Re)structuring the market:**

- By introducing a land leasing system that supports an inclusive TOD strategy (basically: Hong Kong R + P model)
- Combining rights over land, infrastructure provision and transit provision in one concession

### **Regulating the market:**

- By introducing planning regulation that provides a legal framework for temporary experiments (copy Dutch model)
- Introduction of such a framework would stimulate local governments to start experiments with innovative planning instruments, while the legal framework allows them to temporarily abandon present planning legislation

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## Conclusions

- Most planning systems probably “allow” some kind of **state-led informalities** in planning processes
- Additionally, in some countries local governments decide to act as **private actors** on the land market – using a kind of **active land use planning** – because it is more effective compared to **passive land use planning**
- Both seem **rational**, but **transparency and accountability problems** may appear
- Not always clear line between **informal** and **illegal**

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