LAND POLICIES IN THE WEST

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Abstract. The land policy deals with forming the urbanistic rules and regulations, and forbids construction in certain areas. Thus are prevented conflicts of interests in those spaces. Tax policies include property tax, income tax from real estate holdings, inheritance (bequeathed to someone), gifts, tax on trading with real estate, etc. Administrative measures are about expropriation, parceling (cutting the land up into lots, on the maps), and safeguarding of historically and architecturally valuable objects. In the West, land cannot be held down inactive (non-activated). If the owner does not activate it within a certain specified time-period, he will be reduced to the status of co-owner or share-holder, and local agencies will invest into “making” that land. This prevents the land surfaces in the cities from remaining unused.

Rezumat. Politici funciare în țările vestice. Politica funciară în Occident face parte integrantă din regulile și regulamentele urbanistice ce prevăd construirea doar în zone sigure. Prin aceasta sunt prevenite conflictele de interese în aceste spații. Politica de impunere include impozitul pe proprietate, taxa pe venituri reale din proprietăți, moștenirile, cadourile, taxa pe tranzacții imobiliare etc. Măsurile administrative se referă la exproprieare, parcelare (împărțirea pământului în loturi, pe hârtii), și evaluarea istorică și arhitecturală a valorii obiectelor. În Occident proprietatea nu poate fi menținută inactivă. Dacă proprietarul va fi inactiv, în cadrul unei perioade specifice de timp, el poate fi redus la statutul de co-proprietar sau acționar, iar agențiile locale vor investi în “lucrarea” pământului. Aceasta previne ca terenurile din mari orașe să rămână inutilizate.

Key words: owner, land policy, western country
Cuvinte cheie: proprietar, politica funciară, țările vestice

INTRODUCTION

For optimal use of land in the cities, urbanistic plans have to be made, also the zoning plans, etc. This ensures that the city residents will have access to public services, that there will be enough open spaces, and that the general environment will be improved. To achieve this, the central authorities exercise certain powers in the land policies, including the establishment of laws about it. However, many responsibilities are transferred to the local authorities (purchase, sale, specific local legislation, etc.). Local agencies for land management are formed. Land may be rented out, or leased, which may open the possibilities of better use and higher income for both sides.

LAND POLICIES IN THE WESTERN COUNTRIES

M. Janic enumerates the following characteristics of land policy (1, p. 193-246). Land is a resource, and a commodity to buy and sell. People use the land, sell it or give it
away, or buy it, to gain something for themselves: a rent, an interest rate, a profit. Rent acts in such ways that the purpose for which the land is used is sometimes altered. In the Western countries, all forms of ownership exist, but private ownership predominates. The market allows buying and selling, and there, in the market, the price of land is formed in accordance with supply and demand. Large sums are invested in land. Market passes the judgment as to how solid the investment was, and what the value of land really is. Those who wish to get financial support must make a pre-feasibility study that will estimate the profitability of an urbanistic project. But, if in some area the market does not achieve the desired results, public control over the land may be introduced, on potential construction sites. The market forces, and the State planning, ought to be complementary. People may buy land in the free market; but, administration may decree that some tracts of land are for planned city construction work only.

There are two approaches to the forming of city construction land: ex ante, and, ex post. The ex ante approach is applied, for instance, to the agricultural surfaces, or to protected zones, where in fact there is not much protecting to do. Such land is first “incorporated” into the city perimeter, and then given to developers, to cut it up into lots (parcels), to make the plans (locational, and showing the ownership), and to equip the land in accordance with the existing urbanistic standards. The ex post approach means that cities or their municipalities buy up the land and form their own reserves. There are examples for this in Sweden, Holland, Germany etc. In Sweden, as early as 19th century, some land was expropriated. Since 1968 there is the right of prior sale, which means that the owner, when he wants to sell his land, must first offer it to the municipal council. In Holland, municipalities and cities buy up the land they want, at the current market price, but not above it. In France, the intention was to decentralize urbanization; for this reason, zones of priority urbanization were formed, and in them the land was expropriated and investment stimulated. The aim was to persuade the population to move into, and find jobs in, these areas.

The marketing form of land is a lot, meaning, a strictly defined piece of land. If people are to make contracts about renting, leasing, mortgaging etc., first the land must be bought by someone, and the lots must be precisely known. “The land-lot plan (also known as parceling plan) establishes the modality of each lot, their morphology, landscape, placement of objects (buildings), links to the transportational and urban structure, also the material relationships are defined between the capacity of each object (for instance, how many floors it has) and the transportational capacities (dimensions and abilities of the traffic lines; 1, pp. 211-212). The land-lot plans are drawn to the urbanistic standards and norms, including the rules about zoning, construction, and ecology. But the owner of each lot must be clearly known, and the value of his property, and his income from it; for this reason, land-owning plans are drawn. Without such plans, it is impossible to convert the land into city construction land. The parceling and ownership plans are the condition for trading with land at the market.

In the Western countries, there are three levels of planning: central, regional, and municipal. At the central level, plans are made of development of whole branches and large territories, norms and standards are established, permits and grants are given. Then the regional developmental plans are made, and on the basis of these, in each municipality are formed allocational, parceling, and ownership plans. In some countries, such as France, urban communities are formed. In many countries a decentralization is being
conducted now, in the matters of land, urbanism and housing, at the regional level. In Germany, there is the notion of sub-region (in German, the word is Bezirk), and each sub-region can exert some influence on the construction work, amount of farming land to be turned into construction land, etc.

Obtaining, arranging, and equipping the construction land is the work of private developers who may be private individuals or companies, and, also the work of public firms, established and controlled by the cities. The publicly-owned firms may be (1) an integral part of the administrative structure, (2) with a certain degree of autonomy, and (3) mixed-ownership (1, p. 216). The first of these types of publicly-owned firms was formed after the Second World War, and when the new cities were built in Great Britain. This type of firm has all the necessary manpower and equipment for the jobs described above, and works to the stipulated zoning, standard and norms.

The other type (number 2) of these firms has the following characteristics: (1) they are autonomous in financial and administrative matters; (2) they function in accordance with a healthy economic orientation and with the market rules; (3) they can hire competent experts because they are autonomous in the matters of creating attractive hiring conditions; and, (4) their influence is decisive when defining the developmental aims, programs, and priorities in land policy. (1, p. 218).

Programs for arranging the land (bringing it into good order) require a feasibility study. Depending on the bank and on the enterprise being undertaken, the interest rates and the repayment periods will vary. The shortest period of repayment and the highest interest rates are seen among the commercial banks. The mortgaging banks give credits with a longer period of repayment and with lower interest rates. Construction of “flats for solidarity” (for the lowest-income citizens) is subsidized.

When a feasibility study shows that a project is profitable, and when the project is approved by the financial organization, a financial plan is composed, and on the basis of them, a contract is concluded about the “making” of the location (in the sense of its production: removing all that is unneeded on it, and, fully equipping it; 1, p. 223). When land is being made, we see a distinction between two kinds of expenses: the on site expenses, inside the project itself, to be paid by the users, and the off site expenses, really the city expenses, which ought to be paid by the inhabitants of the entire city or town. When a parcel of land is thus made, its value ought to be assessed, and this is done by combining three criteria: the market criterion, the spending criterion, and the income criterion. When the first of these is used, we also want to see whether any mortgages were made and by how much the market value of the land was increased. In Holland (Netherlands), the municipalities tax the developers accordingly, if the value of the land has been increased, but the money thus taxed does not go into the State budget; rather, the developers have an obligation to spend that money to build particular public objects (a school, a medical facility etc.). When the spending criterion (method), namely, the expense method is used, we look at all the investment previously made, at amortization (meaning, how worn and used-up the land is) and at the new investment. This is, for the investors, a better way to calculate, when they want to get a credit. And, finally, the third, income criterion is to calculate the earnings that the owners will probably have, after the job is done. Combining all three methods, we can come to a price (per square meter) of the location.
Cities rent out their land to private individuals, who are expected then to equip it or also to build something on it, but the city remains the owner of the land. This differs from concession. Concession gives to the developer the right and duty to build, but after the contract term expires, this developer must surrender the object to the owner of the land. Renting is different because after the time, defined by the contract, expires, the market value of the property is paid to the renter, and also a compensation is given to him for the benefits which he will not be able to continue to draw. Renting may be short-term, medium-term, and long-term; it depends on the duration (“life-time”) of the project. With long-term renting, there may be a clause, in the contract, specifying that every five years the terms of the contract may be re-examined. In leasing, the property may be sold, mortgaged (buildings only, not the land itself), inherited, rented out again. Leasing may be for an indefinite, unlimited period of time (for instance, for large industrial zones, large complexes). If there are changes reflecting on the leasing, there must be a payment to compensate the value of the property and the lost income.

The “making” of city construction land and other real estate is financed from the price, from taxes, subsidies, and credits. The price is set as the two contractual sides wish. The contract must be in writing (in written form). Rent is paid, to the amounts determined by the supply-and-demand, interest rates for the credits, tariffs for communal products and services, and land annuity. To “make” the land for construction purposes, taxes are used, because land creates income. For this reason, taxes again “make” land. These are the taxes on property holdings, such as, tax on profiting from increased value of land, tax on income from land, and tax on real estate possession; tax on inheritance, on presents (gifts), and tax on the trade with real-estate (1, p. 244).

From such sources, the State gives subsidies, to cover the expenses of construction and/or exploitation, for those households who cannot endure the full economic price. Credits and loans may be of profitable or non-profitable character. Commercial banks are profit-oriented; they give short-term and medium-term loans, at interest rates higher than the central bank’s prime lending rate. Mortgage banks, and institutional investors, give long-term loans with lower interest rates. Loans with non-profit orientation are given by cooperatives (housing, building, and credit ones). Citizens form such cooperatives, to solve their own existential needs. For this reason, “the property owned by such a cooperative society has the status of existential goods, and is so treated in the tax evidence books, until the owners change their economic status” (3, p. 245).

CONCLUSION

The land policy deals with forming the urbanistic rules and regulations, and forbids construction in certain areas. Thus are prevented conflicts of interests in those spaces. Tax policies include property tax, income tax on income from real estate holdings, inheritance (bequeathed to someone), gifts, tax on trading with real estate, etc. Administrative measures are about expropriation, parceling (cutting the land up into lots, on the maps), and safeguarding of historically and architecturally valuable objects. In the West, land cannot be held down inactive (non-activated). If the owner does not activate it within a certain specified time-period, he will be reduced to the status of co-owner or share-holder, and local agencies will invest into “making” that land. This prevents the land surfaces in the cities from remaining unused.
LITERATURE

