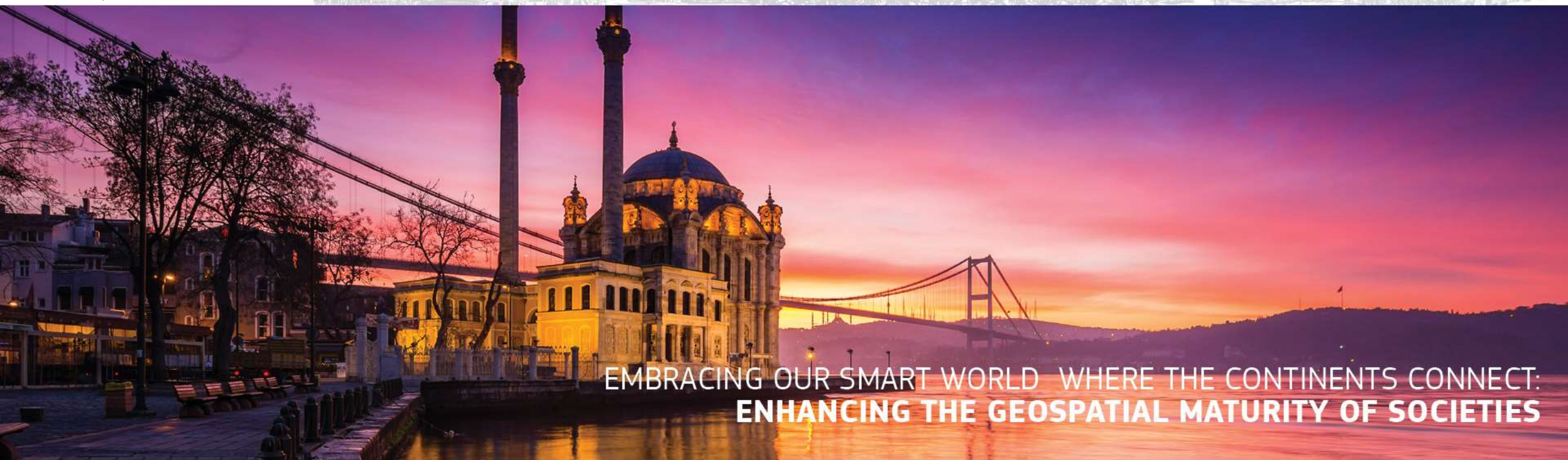
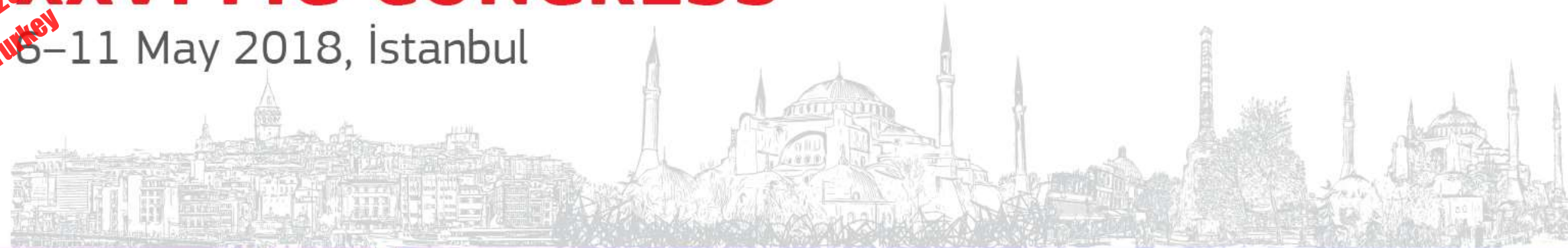


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# IMPACT OF PLANNING ON LAND VALUE IN URBAN RENEWAL PRACTICE: THE CASE OF ISTANBUL- FIKIRTEPE

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- **The purpose of this paper** is both to demonstrate flexibility in the planning system with the latest legislation on urban renewal (Law No. 6306), and to analyze the land value capture in the project-based approach resulting from the flexibility provided.

- ❖ Fikirtepe was used as a case study area.
- ❖ Fikirtepe, which is one of the first *gecekondu* areas in Istanbul, was declared a special project area in 2005, and a risky area by Law No. 6306 in 2013.



## CONTENT

1. Literature Background
2. The Impact of Flexibility On Land Value Capture in Turkey
3. The Case of Fikirtepe Urban Renewal Area
4. General Evaluation and Conclusion



## LITERATURE BACKGROUND

- The discussions between planning systems are about the dilemma of flexibility versus certainty.
- In a comparative study, the European Commission found a two-way trend in planning practices:
  - Countries with regulatory planning systems tend to be flexible.
  - Countries with strategic planning systems are seeking greater certainty (European Commission, 1997).

- Land value capture refers to the capture of the value created by efforts of public.
- Public value capture refers to a government capturing part or all the economic value increase of land and real estate. With this goal, governments can use different sorts of instruments (Alterman, 2012; Munoz Gielen, 2016).

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# THE IMPACT OF FLEXIBILITY ON LAND VALUE CAPTURE IN TURKEY

## Characteristics of Urban Renewal in Turkey

- Turkey's planning system is a regulatory plan-led system
- The planning system offers a perspective based on plan-led approaches.
  - However, "Local spatial plans" at the urban scale are inflexible and rigid (Ersoy, 2000; Tasan-Kok, 2006; Özden, 2008; Keleş, 2012, Özkan and Türk, 2016).

Since 2000, significant changes have started in the planning system which is defined as regulatory in theory, towards a flexible planning system in practice (Özkan and Türk, 2016).

Urban renewal practices occurred with project-led approaches.

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# THE IMPACT OF FLEXIBILITY ON LAND VALUE CAPTURE IN TURKEY

## The Approach of Value Capture in Urban Renewal

➤ The Transformation Law for Areas at Risk of Natural Disaster (**Law No. 6306**) entered into force as **an important** and controversial **legal tool for urban renewal**.

- The purpose of this law is to identify risky areas for disaster, as well as other urban and rural lands in which risky structures outside these areas are located.

➤ Urban renewal legislation gives **discretionary power** to both **central governments and local administrations**;

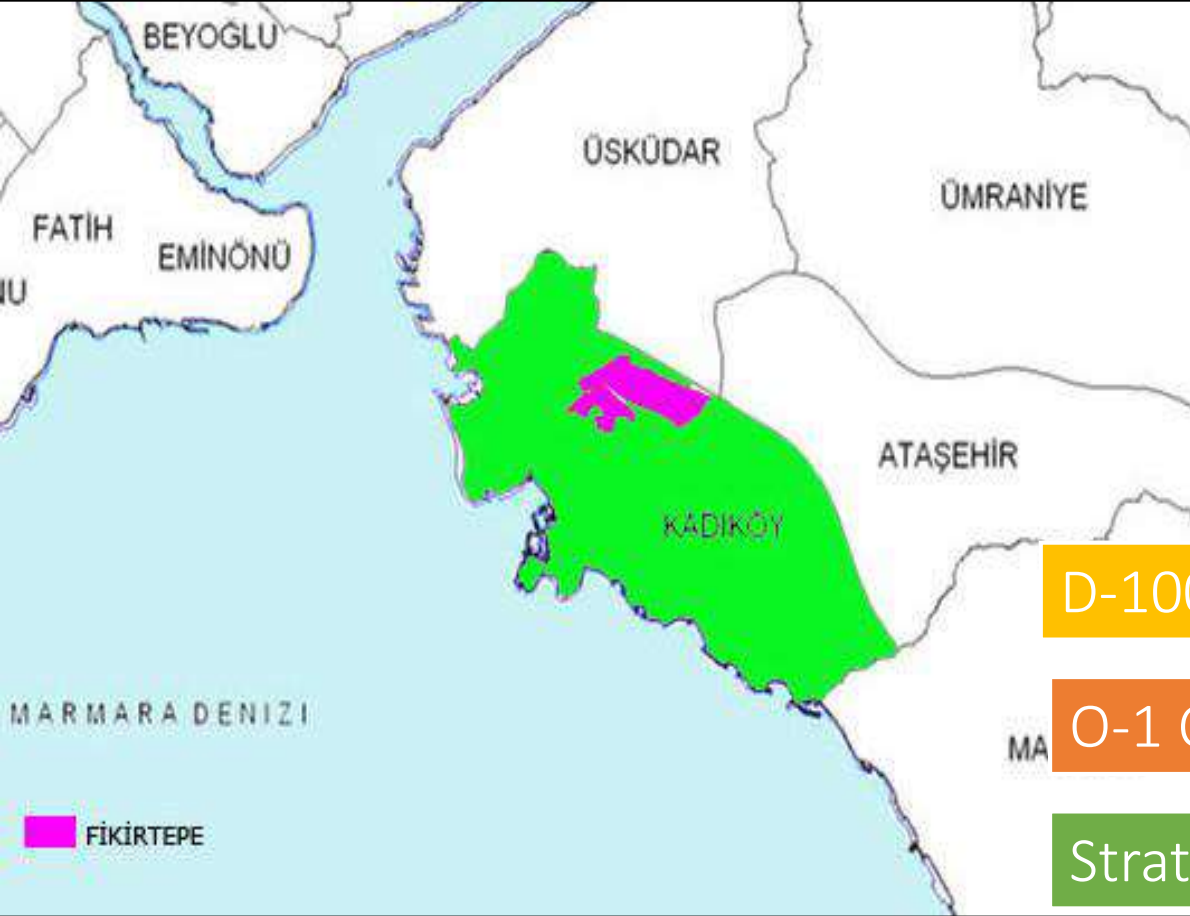
- Determination of the renewal area
- Completion of the implementation
- Planning
- Valuation
- Expropriation

➤ As a result of the urban renewal project, the value capture determined by the public are

- Macro instruments like as land acquisition for the public service facilities;
- Direct instruments like as infrastructure participation fee;
- Indirect instruments like as value-added tax.



# THE CASE OF FIKİRTEPE URBAN RENEWAL AREA



1. The area is one of the first squatter settlements in the 1950s.
2. It was determined as the "Risky Area" in 2013.
3. The projects were completed in a way to perform valuation.

D-100 (E-5) State Highway

O-1 Connection Road

Strategic position



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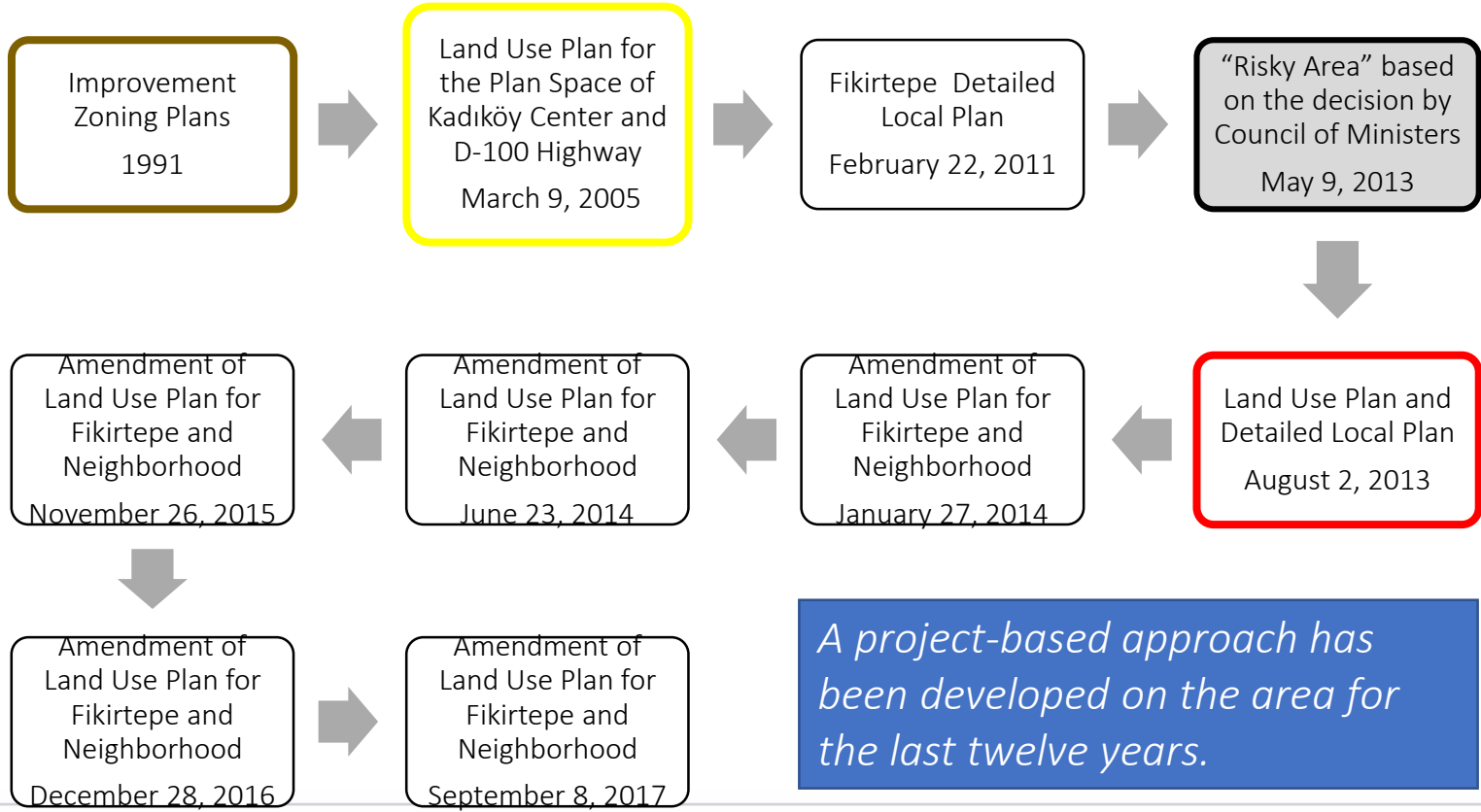


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## The planning process of the Fikirtepe;



*A project-based approach has been developed on the area for the last twelve years.*

- *Depending on the plan notes more rather than the legal regulations*
- *Land Use functions and densities are uncertain*







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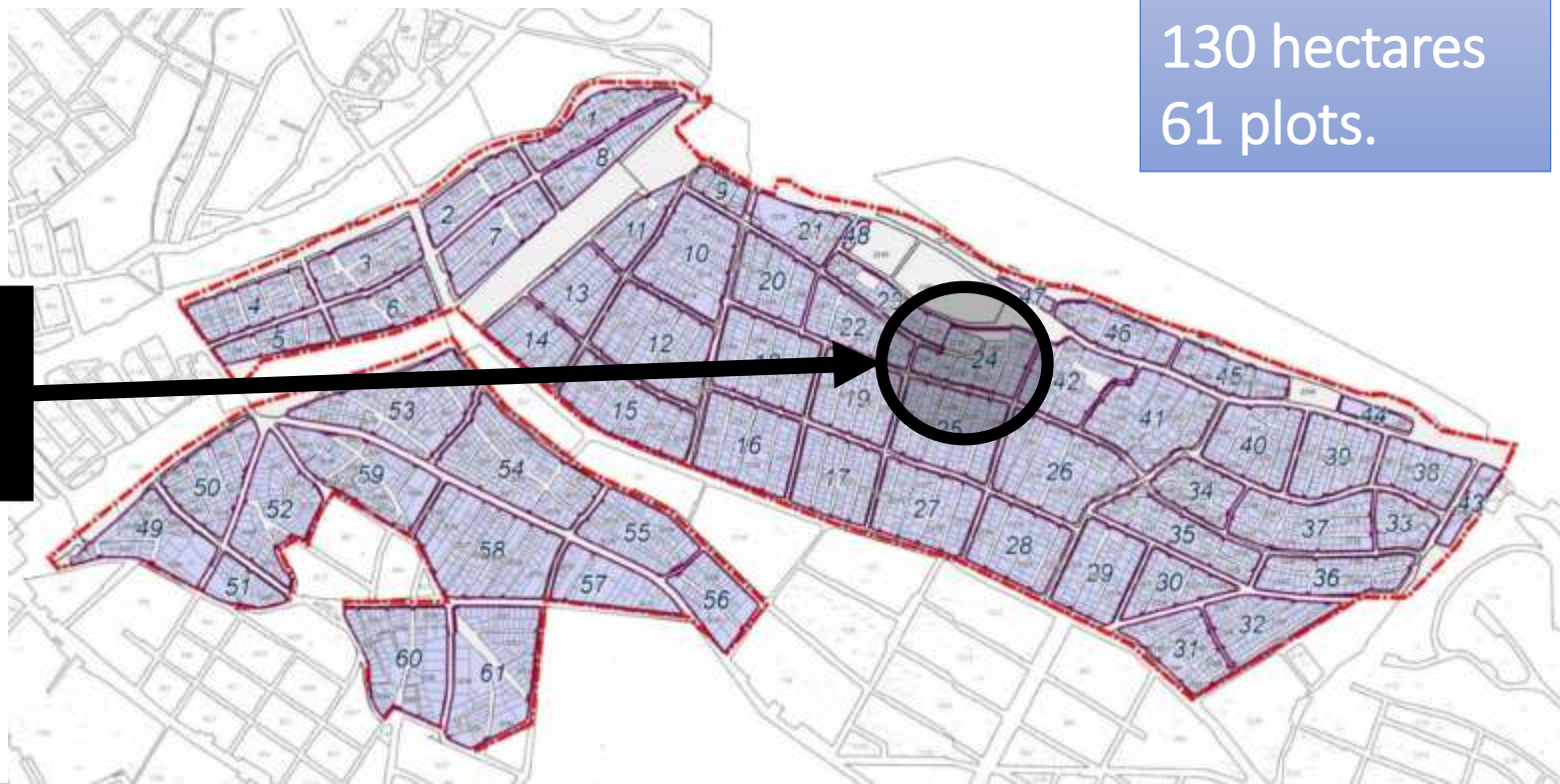
THE ACTORS;

The Ministry of Environment and Urbanization

Istanbul Metropolitan Municipality

The Contractor Company (developer)

The land owners



130 hectares  
61 plots.

The plot No. 24 selected as the working area.  
➤ *one of the firstly completed projects upon 100% agreement in Fikirtepe district*

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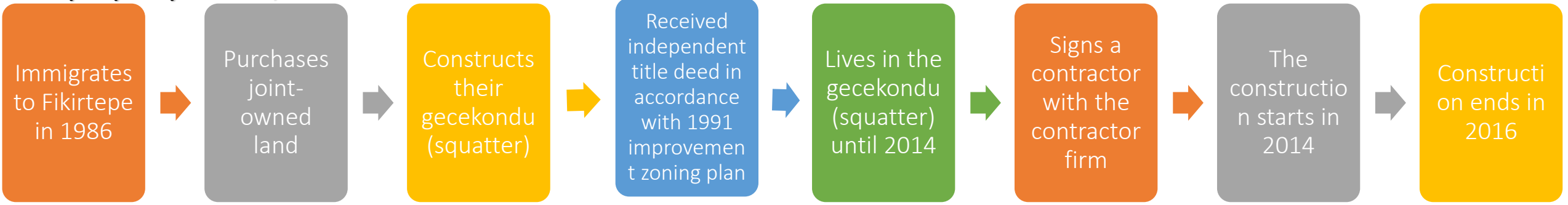




A scenario was drafted considering the real data in order to perform all calculations.

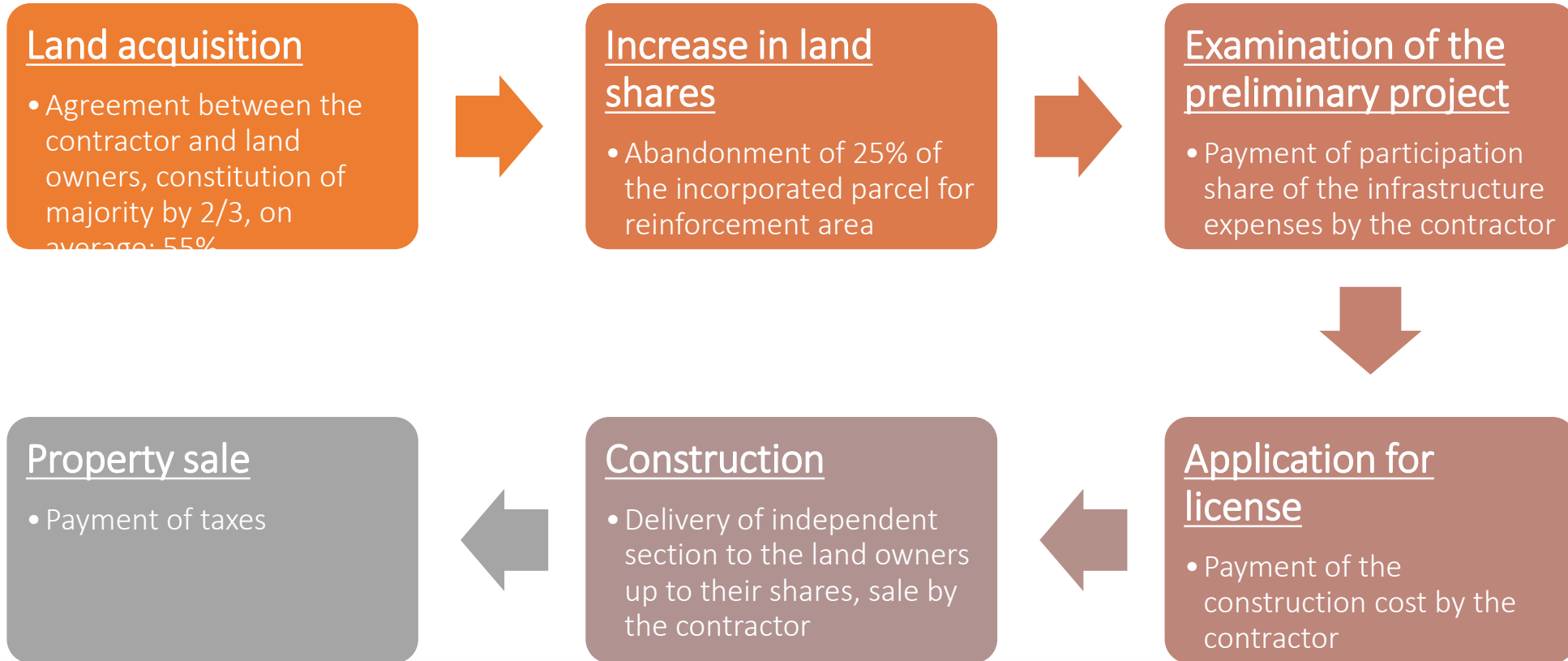
\*Also some assumptions were made in order to calculate the value increase.

The property owner;





it is possible to see the phases of the applications performed in Turkey on the following table.



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## Examination of Value Capture after Urban Renewal

Large-scale projects are conducted within the scope of the Project-Based Scenario.

- a. **The construction floor space**, Building Coverage Ratio (BCR) is taken as 0.50, and calculated based on the net parcel.
- b. The area remaining outside the floor space used by the building constructed on the net parcel was taken as **the landscape area**.
- c. **The total number of independent sections** were determined as a result of the the project introduction catalogues and examination of the floor plans.
- d. **The floor area ratio was calculated as 4.00** since an agreement was made on the selected plot and the parcels formed a plot.
- e. It is accepted that the basement floor at the lowest level of the basement floors constructed for the parking and non-floor area ratio areas **were transformed into the trading function**.
- f. In the interviews with the contractor company that provided the information that **the areas not included in the floor area ratio occupy the same size of area as the ones included in the floor area ratio**.

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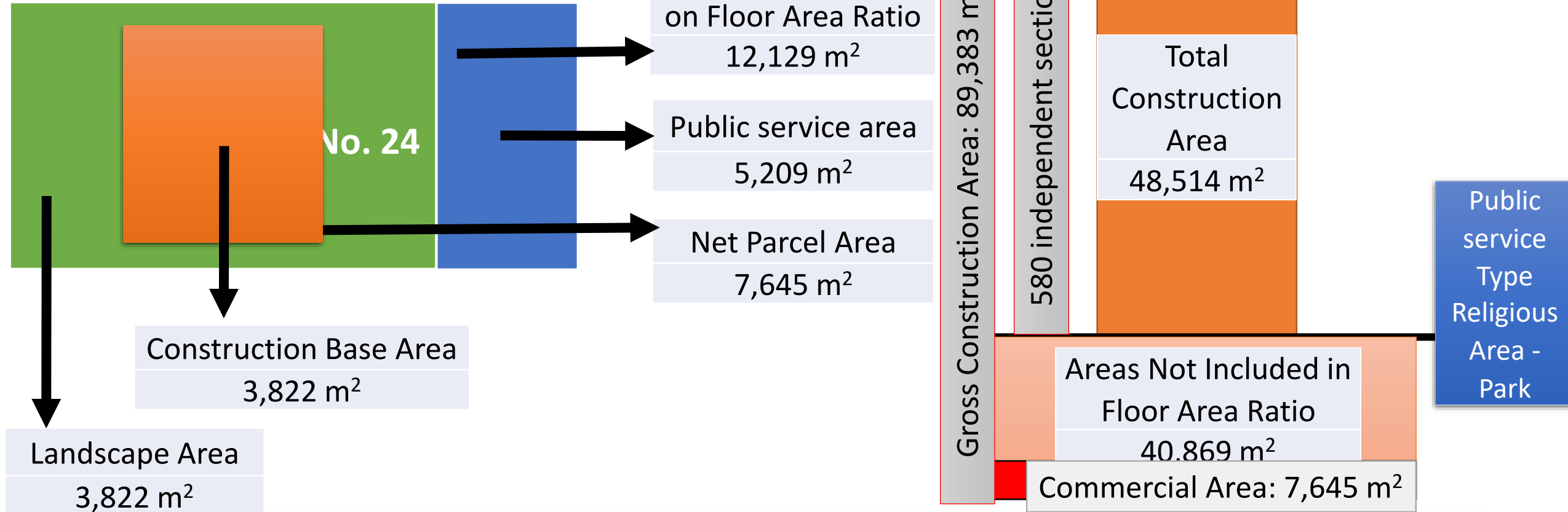


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## The plot No. 24: General Calculations;



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## Examination of Value Capture after Urban Renewal

Land value capture from the planning are transferred to the public as *macro*, *direct* and *indirect* (Alterman, 2012).

In the working area, the value capture on the area determined by the public;

Macro instruments	Direct instruments	Indirect instruments
Land acquisition for the public service facilities	Infrastructure Participation Fee	Value-added Tax

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## Land acquisition for the public service facilities

- Project-based scenario starts by assembling the parcels.
- The new plot numbered 24 was established by assembling 85 parcels.



In the areas determined as Residence, Commerce and Commerce-Residence areas, a public service area shall be separated up to 25% of the total net parcel areas.

- An area equal to the total of roads, which were closed according to this plan, are separated as an additional public service area.

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Plot No	Public service Area Land Value	Reclaiming Authority	Public
24	4,218,717 Turkish Liras (12,412,309-14,846,508 USD)	The Ministry of Finance	





## Infrastructure Participation Price

- One of the most basic features of the Law No. 6306 is the exemptions related to charges, fees and taxes.

In the planning notes, it is stated that all road and infrastructure prices shall be borne by the property owners or the contractor company.

As a result of the negotiations, it was determined that **the participation share of the infrastructure expenses were borne by the contractor company.**

The Infrastructure Participation Price was decided to be determined by multiplying the unit cost with the gross parcel area making basis of the floor area ratio.

- The infrastructure participation unit cost for the year 2014 is 313,28 m<sup>2</sup>/TL.

Accordingly, the Infrastructure Participation Price obtained is as follows:

Plot No	Infrastructure Participation Price	Reclaiming Authority	Public
24	3,799,616 TL	Istanbul Metropolitan Municipality	

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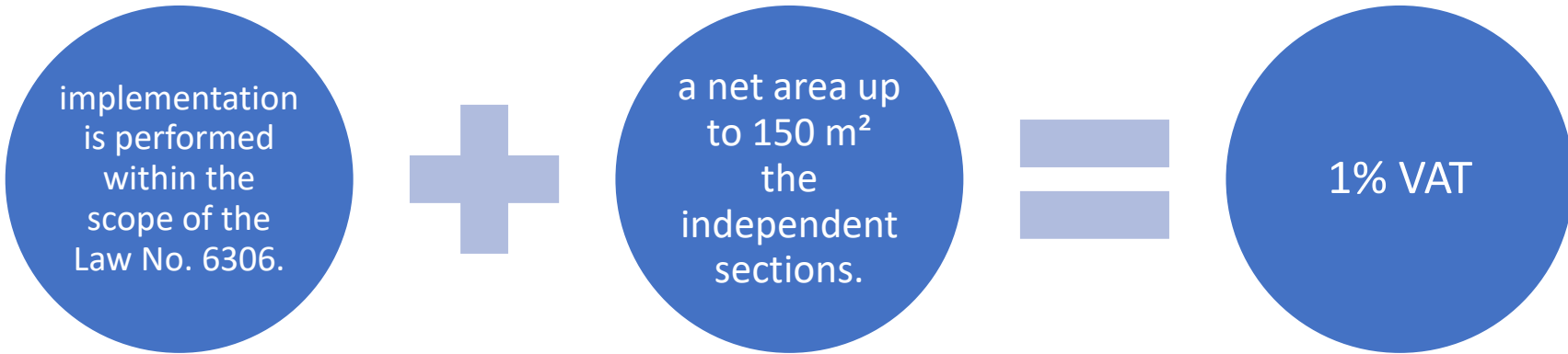






## Value-added Tax

- According to Law No. 3065 on Value Added Tax (VAT), the deliveries and services, which are performed within the framework of commercial, industrial, agricultural activities and self-employment activities, are subject to VAT.



*When the projects realized in the working area were examined, it was determined that the average size of the independent section is below 100 m<sup>2</sup>.*

In this respect, this study assumes that the VAT paid in the working area is 1% and this was paid only by the contractor company at delivery to the third parties.

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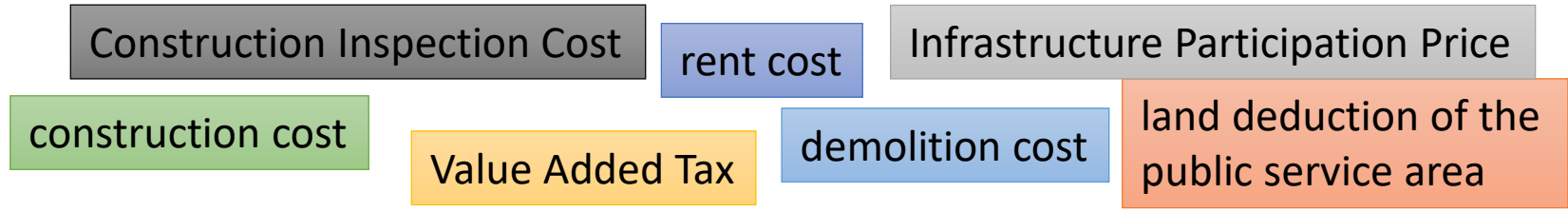
Plot No	VAT PRICE (1%)	Reclaiming Public Authority
24	2,161,085 Turkish Liras (6,358,347,605,290 USD)	The Ministry of Finance





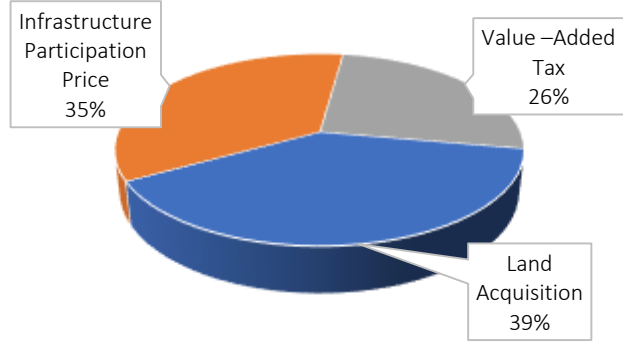
In Fikirtepe Urban Renewal Project, the public value capture was realized as obtaining the public service areas free of charge through deduction, infrastructure contribution share and value added tax.

As a result of the research carried out in the working area, it was determined that all the costs were provided by the contractor company.



The property owner does not have any costs during this process. As a result of completion of the construction, the land owner receives his/her share at the ratio of 55%.

### Distribution of Land Value Capture



■ Land Acquisition ■ Infrastructure Participation Price ■ Value-Added Tax

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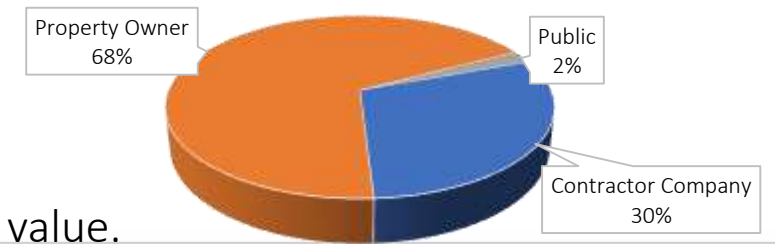




## GENERAL EVALUATION AND CONCLUSION

- Large-scale projects are conducted within the scope of the Project-Based Scenario.
- The results of analysis demonstrate that the urban renewal project is the least winner public (2%).
  - Land value capture for public is few.
  - Public captured the most value with the macro instruments as land acquisition.
- All of the flexibility gained through both a project-led approach and discretionary power benefits the private sector.
  - On the other hand, all the costs were provided by the developer.
  - So that, value capture of the developer is always the same (30%).
- The property owner does not have any costs during this process.
  - The land owner receives his/her share, and captured 68% of the total value.

**Distribution of Value Capture Among The Actors**



■ Contractor Company ■ Property Owner ■ Public

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## GENERAL EVALUATION AND CONCLUSION

- The research analysis demonstrates that the public have not got benefit from the planning flexibility that has done for value capture in urban renewal projects.
- The value should not be seen only as financial gain but also destroying of the cities from the flexibility.
- The public can not ensure enough benefit for urban sustainability, while at the same time it damages urban development with the dense population decisions.
- For these results it should be created new methods for ensuring value capture from increasing land value in urban renewal projects in Turkey.

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