Compulsory Acquisition

Compensation för Development Values?

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Background

A main rule is that compensation shall correspond to the *market value* of the property.

However, in some countries there is an exception to this rule:

- *Values based on expectations of a permitted change of land use – development values – are not compensated.*
Development – or "hope" – values

Fair compensation?

- The problem of "unearned increment"?
- "Equal treatment" of property owners?
"Unearned increment"

It is reasonable/fair that property owners are entitled to values that originate from *their own investments*!

But, who “deserves” increase in land values due to:

- Planning/permits to change land use?
- Public investments in infrastructure?
- General economic development, e.g. technological achievements, migration, lower interest rates etc.

**Case 1**

The compulsory acquisition is made in order to develop an urban area (with e.g. several property owners)
Case 1

Fair compensation level?
Case 2

The compulsory acquisition is made in order to construct e.g. a new road, which "destroys" development values.

Case 2

Road Planning

Compulsory Acquisition

Market Value

Development value

Current Land Use Value

Time
Fair compensation level?

- Road Planning
- Compulsory Acquisition
- Market Value
- Development value
- Current Land Use Value
- Time

Compensation for planning decisions?

A Swedish "Master Plan" can be altered without paying compensation.

The green area can then be used by anyone according to the rules of "public access to land".
Conclusions