Planning, Property Values, and Property Rights:
The Value Capture and Compensation Issues Revisited

Rachelle ALTERMAN, Israel

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ABSTRACT

No planning-control system in any country can escape the issue of how changes in land values due to planning and zoning should be handled: Should landowners be compensated for decline in land values due to planning controls or should that be regarded as legitimate intervention which merits no compensation? And should the rise in land values created by public planning decisions be taxed away in full or in part? These are the issues that Hagman and Misczynski whimsically tagged "windfalls for wipeouts" in their seminal 1978 book. Known internationally as "compensation and betterment" or "value capture", these issues have trailed planning policy and law ever since their inception, yet are no closer today to being resolved. This paper opens by addressing the conceptual underpinnings and dilemmas underlying the value capture and compensation issues. It then reports on conclusions from a comparative research project now in progress, which studies how various planning-law and property rights systems in selected countries have reacted to each of these issues. The selected countries include the USA (where “compensation legislation” is now hotly debated), the UK, The Netherlands, Sweden, France, Germany, Poland and Israel. The findings indicate a great variety in approaches and tools adopted or left aside. These differences are apparent both among the countries and within the countries over time. The conclusions are that despite the apparent logic of the formula for balancing compensation with value-recapture, this formula has remained grossly imbalanced in practice. Most of the countries surveyed have not, for the most part, sought to implement the balancing notion. The paper ends with an analysis of some of the reasons why public policy has apparently shunned the conception of a balancing formula, and evaluates the implications of this imbalance for the future of planning controls and their justification.

CONTACTS

Prof. Rachelle Alterman, Director
Center for Urban and Regional Studies
Technion - Israel Institute of Technology
Technion Campus
Haifa 32000
ISRAEL
Tel.: + 972-98991455
Email: alterman@technion.ac.il