Planning, Property Values and Property Rights
The value capture and compensation issues revisited

Rachelle Alterman
Professor, Urban planner and lawyer

President of the International Academic Association on Planning, Law, and Property Rights

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Takings International
A Comparative Perspective on Land Use Regulations and Compensation Rights

Rachelle Alterman
The Issue

- Almost all countries today have planning laws (though not all implement and enforce them)
- Wherever land-use regulation is applied to the rights to use or develop land, there may a rise or depreciation of land values
  - The plus side – “betterment” or the “unearned increment” - is not the focus here; however, it has commanded considerable international academic and organizational interest, and resurfaces as a policy agenda from time to time in different countries
  - However, the reverse – compensation for decline in property values – has been on a “low burner” of national or international discussion or academic research. The USA is an exception.
  - Yet the differences among countries in law and policies in an era of globalization is bound to kindle the internal debates within countries

Some history and terminology

- The “classical” conceptualization of the relationship between regulation and land values is anchored in Britain since 1909.
- In Britain and international literature, known as “betterment” and “compensation” (or “betterment and ‘worsenment’”)
- Thorough re-thinking towards the end of WWII - Canonical British government report. Since 1947 – dramatic revolution in conception of planning regulation - “development rights” abolished, therefore compensation rights (mostly) abolished.
- Since then in the UK: Many vicissitudes on the “betterment “ side, but no revisit of the compensation issue.
- Americans don’t have an official term – professionals use “windfalls and wipeouts” - and “takings and givings”
Why is cross-national learning relevant?

- The current state of systematic comparative knowledge is rudimentary
- Different countries have different constitutional, statutory and practice rules about rights to compensation
- Analytical comparison may help to frame the internal debates within countries and give them a sense of SCALE
- Assessment of outcomes in those cases where there are compensation rights may provide some “simulation” for other countries considering a change in laws or policies – but it is difficult (and not part of this research)

Examples of situations where a land-use planning decision may reduce private property values

All situations discussed do not involve direct expropriation; title remains and the landowner remains in control of access, transfer etc.

1) A former land use plan had permitted intensive development, but the landowner did not utilize these; an amendment to the plan (= zoning) reduces the development rights (but does not take them all away)

2) A rural area had not before had a statutory land-use plan and landowners had traditionally built farm homes, workplaces, storage areas. A new plan now limits land use to agriculture and there are much more limited development rights

3) An owner of farmland near an area of quick urban expansion submits a request for rezoning to permit development but the request is rejected

4) A new plan is under preparation. Meantime, a freeze is placed on issuing building permits – for a limited number of years

5) A plot of land is designated as agriculture and expectations of development are disappointed
Examples of situations – cont.

6) A plot of urban land is designated as open space, but is not necessarily slated for expropriation

7) A plot of land is designated for future expropriation but is not expected to be needed for 10 years and government is not yet expropriating

8) A major highway is planned. Landowners bordering the new highway are not expropriated but land values decline sharply

9) An area next to a quiet neighborhood is rezoned, from public open space (park) to a school. The values of the bordering homes decline

10) Landowners in a quiet single-family neighborhood learn that a neighboring plot is designated for a high-rise residential tower – land values decline because the view is blocked, more traffic...

11) Same as above, but the single-family neighborhood is not yet built – only as development rights now reduced in value

The compensation-rights span of policies

No compensation rights except for physical expropriation  
Extensive compensation rights

A broad range of interim positions
The Countries included in the systematic comparative research project:

- The USA
- Canada
- The UK
- France
- The Netherlands
- Sweden
- Finland
- Germany
- Austria
- Poland
- Greece
- Israel
- Australia

The Findings: Compensation rights around the world

<table>
<thead>
<tr>
<th>No compensation rights (minimal)</th>
<th>Moderate or ambiguous</th>
<th>Broad compensation rights</th>
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<tbody>
<tr>
<td>The UK</td>
<td>Finland</td>
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<td>Canada</td>
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<td>Australia</td>
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Key findings

- There is a great variety of laws and practices among the countries (and within single countries)
- There are major differences among countries in compensation rights
- There are major differences even among European countries despite the shared European Convention on Human Rights
- There are major differences even among neighboring countries with shared cultures
- Often, the findings per country are counterintuitive and cannot be “predicted” based on other attributes of that country’s history, socio-economic policies or even macro land policy.

Conclusions

- The issue of whether there should be compensation rights and for what situations merits attention and solid policymaking
- The research findings indicate that there is a large pool of very different laws and practices around the world which may be viewed as alternative policies
- International comparative analysis and evaluation can provide a relative scale, and some “previews” of some of the legal, financial and other public policy issues and impacts that might arise

*Thanks for your attention.*

Write me at alterman@technion.ac.il