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"Geospatial Information for a Smarter Life and Environmental Resilience"
Planning informalities in China:
adopting innovative land value capture strategies for TOD

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Financing Transit Oriented Development by Value Capture: Negotiating Better Public Infrastructure

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Working Paper

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Increasing popularity of TOD policies in mainland China
TOD in China: integrated transport and land development

Two main issues

• Potential of land value creation not fully realized.
• Few fiscal instruments available to capture value increment.
Institutional Context

China’s dual land market

- All urban land state owned; (most of) agricultural land collectively owned
- Only state can expropriate collectively-owned farming land
- After conversion into urban land, local governments sell user rights of (serviced) land to land user for pre-specified land use
  - Land will be auctioned
  - Based on regulatory detailed plan
- Foundation of China’s land-based finance system
  - Land concession revenues major source of income for Chinese cities
  - Land concessions include provision of on-site infrastructure and public facilities
Institutional Context

Land Leasing

The main issues:
- Low efficiency
- Unsustainable
- Social tension

Fiscal decentralization
Monopoly in primary land market
Land Finance

Leasing land revenue (Billion yuan)
Leasing land area (Thousand hactare)
Inflexibility of present system of land-based value capture

- Regulatory detailed plan defines FAR and on-site infrastructure / public facilities
  - Private developers not consulted in plan making
- Land concession will then be auctioned
- Rigidity of the system: auctioning system is only about land, not about transit services and infrastructure
- Additional negotiations about value capture (and FAR adjustments) take place, after land has been auctioned
Institutional barriers that prevent efficient implementation of TOD policies

Unsupportive planning regulations leading to separate transport and land use development decisions

- Planning regulation does not fit with mixed land-use and TOD principles in transit areas
- National planning policies promoting TOD are lacking
- Land transfer regulations hinder implementation of joint TOD-based development
Institutional barriers that prevent efficient implementation of TOD policies

**Limited value capture instruments under current land policy**
- Additional to land leasing, alternative value capture mechanisms are mostly lacking
- FAR negotiations can be used, but lack transparency

**Inefficient governance without clear rules**
- Insufficient incentives for transit companies and developers to adopt LVC
- Lack of clear rules for joint development
Informal planning approaches to bypass inflexible planning regulation

**Shenzhen Rail plus Property model**

- Conditional land listing
  - Shenzhen land and real estate exchange transfer center
    - land listing
      - Shenzhen metro corporation
        - refund land transfer revenue
          - SASAC
            - Finance bureau
  - Land transfers
    - Shenzhen metro company
      - SASAC
        - Development and reform commission
          - proposal permit
        - Urban planning and land resource commission
          - land use planning, land appraisal
            - contract
              - Shenzhen metro company
              - SASAC

- Land parcels in transit area
Informal planning approaches to bypass inflexible planning regulation

**Shenzhen Rail plus Property model**

- Additional condition to bidders for land lease
  - To qualify: must be able to construct and operate metro system

- To prevent regular tendering of land, municipal land bonds have been issued

- Adjustments to FAR guidelines

- Merger of Land Department and Urban Planning Department
Informal planning approaches to bypass inflexible planning regulation

*Wuhan land reserve model*

- Land Reserve Centre
- Land resource and Planning Bureau
- Land reserve plan
- Reserved land parcels
- Wuhan metro Corporation
- Land Exchange Center
- Financial Department
- Land leasing revenue
- Land Acquisition
- Land leasing revenue
Informal planning approaches to bypass inflexible planning regulation

**Wuhan land reserve model**

**Informalities in the planning process to make it “TOD proof”**

- Wuhan Metro Corporation (WMC) made responsible for land acquisition and consolidation for land reserve
- Land reserve transferred to Land Exchange Center
- After that, land reserve will be auctioned, but revenues earmarked for metro line development
- Revenues made available to WMC through Rail transit construction Special Fund
Some observations

• Similar to many other countries, land management and value capture strategies in China develop *bottom up* and in an experimental way.

• Local government-led experimental approaches to land-based value capture strategies undoubtedly offer new chances for additional revenue for TOD development in Chinese cities.

• Due to institutional barriers, the *institutionalization* of these mechanisms still lags behind.

• Can we think of a proper way to deal with planning informalities?
A property rights approach to planning informalities

“Spatial planning can help to improve efficiency in land and real estate markets by repairing the deficiencies in the present property rights regime” (Needham, 2006)

- Interventions aimed at **structuring the market**: create and (re)structure rights in land, so that desired land use is achieved by people working freely within that structure.

- Interventions aimed at **regulating the market**: influence, or steer actions in the market in rights in land, so that the outcome of people acting in that market is the desired one.
A property rights approach to planning informalities

(Re)structuring the market:
- By introducing a land leasing system that supports an inclusive TOD strategy (basically: Hong Kong R + P model)
- Combining rights over land, infrastructure provision and transit provision in one concession

Regulating the market:
- By introducing planning regulation that provides a legal framework for temporary experiments (copy Dutch model)
- Introduction of such a framework would stimulate local governments to start experiments with innovative planning instruments, while the legal framework allows them to temporarily abandon present planning legislation
Conclusions

- Most planning systems probably “allow” some kind of state-led informalities in planning processes.

- Additionally, in some countries local governments decide to act as private actors on the land market – using a kind of active land use planning – because it is more effective compared to passive land use planning.

- Both seem rational, but transparency and accountability problems may appear.

- Not always clear line between informal and illegal.