Municipalities and Urban Development, During and After the Crisis

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SUMMARY

The Kadaster investigated the land market related to urban planning, together with the Ministry of the Interior and Kingdom Relations (BZK). The research focused on the properties and transactions of undeveloped land by the municipalities (local authorities).

Municipalities have an import role in urban developments. In The Netherlands the spatial planning policy and its implementation are, in so far as possible, shaped at the municipal level. The municipalities are also responsible for the construction of (underground) infrastructure, public spaces, public green and other facilities in new developments. To achieve public goals efficiently, municipalities participate in developments projects and in many cases even have a strategic land portfolio. The implication is that municipalities bear financial risks of crises in the housing market and other real estate markets.

The Dutch municipalities indeed suffered losses from their participations in development projects during the financial crisis. Public investments in developments and land acquirements proved to be worthless. Some municipalities went practically bankrupt. As a result, during the crisis, the risk aversion grew and most municipalities became reserved with new developments.

From 2014, with the economic recovery, the Dutch real estate markets recovered. However, the lack of new developments in the crisis led to a shortage in the housing market and increasing house prices. Municipalities are now stimulated by the national government to take an active role again in urban developments, to increase the supply of new houses.

The Ministry of the Interior and Kingdom Relations (BZK) is, on a national scale, responsible for the stability on the housing market. BZK is also responsible for the financial stability of
municipalities. As a result, it is important for BZK to monitor new housing supply and the involvement of municipalities.

BZK has therefore asked the Kadaster to investigate the market for new developments and in particular the involvement of municipalities:

• How much land do municipalities possess at this moment which can be used for housing development? Is this potentially enough to meet housing demand?

• Have municipalities become more active in land transactions (2009-2019)?

• How do these market trends differ in a historic perspective (crisis, pre-crisis)?

Conclusions

• The research showed that municipalities (and other organizations) possess enough land to meet housing demand until 2040.

• Transaction data indicate that municipalities have become more active. However, transaction volumes are still clearly below the volumes before the financial crisis (< 2008).

• These results learned BZK that the availability of land is not a bottleneck for new developments. However, the relative low activity of municipalities indicates that there may be other bottlenecks. This insight helps BZK to address the shortage on the housing market and discuss possibilities to increase new housing developments together with municipalities.