

UN-HABITAT AND THE GLOBAL LAND TOOL NETWORK

LAND-BASED FINANCE LEARNING SERIES 4

Theme: Land -Based Finance: Policy Innovations and Implications for Leveraging Land for Building the Social Contract, Service Delivery, and Governance

REPORT ON SESSION 1

Subject: The Land Question Underpinning the Affordable Housing Crisis

11TH MARCH 2024



Drafted by Kezia Georgina Onyango, reviewed by Jonathan Yakutiel
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Introduction and Welcoming Remarks (Giulia Lavagna and Robert Lewis-Lettington)

On 11 March 2024, the Land, Housing and Shelter Section of the United Nations Human Settlements Programme (UN-Habitat) and the Global Land Tool Network (GLTN) Secretariat, presented session one of its Land-based Finance Learning Series four, on the theme “Land -Based Finance: Policy Innovations and Implications for Leveraging Land for Building the Social Contract, Service Delivery, and Governance”. The session, titled “The Land Question Underpinning the Affordable Housing Crisis” consisted of one presentation and a discussion integrated by sidebar questions and comments, and concluded with closing observations by the discussant. The session registered 42 participants from 15 institutions. (see list of participants in Annex 1).

The session was moderated by Giulia Lavagna, who introduced the Land Based Finance Learning Series four, as a joint effort of UN-Habitat, GLTN, LoGRI and ICTD. She mentioned that the series started under the umbrella of the Norad funded project, Land-based Finance in Fragile states and had since continued. She acknowledged the presence of the Norad partner in the session as well as other colleagues. She said that the fourth learning series will have four sessions and this year’s theme would focus on land-based finance and discuss policy innovations and implications to leverage land for building the social contract, service delivery and governance. This fourth series will expand more into good practices, innovation and challenges and explore opportunities for collaboration. She mentioned that today’s session will present the results of the Expert Group Meetings (EGM) that were held in February 2024 on the linkages between land and the current housing crisis related to affordability. The EGM had three sessions covering different topics on property rights and tenure, land use planning and financialization of land. Giulia said that the EGM received good feedback from the experts and many suggestions were provided. From the EGM, it was decided to explore the relationship between land and housing further in the learning series.

As a result, this first learning series is not only to debrief on the outcome of the EGM but also to allow participants from this learning series to discuss the topic related to land-based finance and housing. Giulia then introduced Astrid Haas, who has been working as an UN-Habitat consultant, on the paper entitled: “The Land Question Underpinning the Affordable Housing Crisis”. Giulia mentioned that in today’s session Astrid will be giving a presentation exploring issues related to land-based finance for adequate housing. Giulia then introduced the discussant, Deon Van Zyl, the chairperson for the Western Cape Property Development Forum (WCPDF) and the managing director of VORTO who will be bringing in the private sector perspective in the discussion. She mentioned that the housing crisis is strongly related to the private sector. For a sustainable solution to the housing crisis, there is a need for a triple win that includes involvement from governments, tenants, and the private sector. She stated that shared efforts are required to support housing affordability. She then called on Robert Lewis-Lettington to provide some further opening remarks.

Robert stressed the importance of this subject for UN-Habitat and stated that money matters in terms of the services that local governments and central governments deliver and the change it could have on people’s lives. This should be done while ensuring that service delivery does not negatively burden taxpayers and other priorities. He said that he is attending the human rights council sessions, and a lot of discussions were about housing and the different tools that affect affordability. He mentioned that we should consider focusing on affordability and money not only from an exclusively numerical point of view but also consider the social and political impact of our actions.

He mentioned that these discussions were useful in understanding how the different tools fit together, how they work in different contexts and providing a bit more detail to UN-Habitat and GLTN on areas to prioritize our efforts. He hoped that the discussion would contribute to the UN-Habitat strategic plan and have effect on other parts of UN-Habitat consequently. He noted the effort of the team and the space to discuss pertinent issues of land.

Frequency and duration:

Four scheduled core sessions will be held during 2024, with additional events being arranged upon request, or as the need may arise.

Subject	Presenters	Date and time (EAT)
1. <i>“The Land Question Underpinning the Affordable Housing Crisis”</i>	Presenter : Astrid R.N. Haas, (UN-Habitat, Consultant) Discussant: Deon Van Zyl, (Chairperson, Western Cape Property Development Forum (WCPDF); Managing Director VORTO.)	11 March 2024 17h00-18h00 EAT. COMPLETED, THIS REPORT.
<i>“Taking stock of the learning series (2020-2023)”</i>	Presenter: Paterson Gauntner Discussants:	17 June 2024 17h00-18h00 EAT.
3. <i>“TBC”</i>	Discussants:	16 September 2024 17h00-18h00 EAT
4. <i>“TBC”</i>	Discussants:	4 November 2024 17h00-18h00 EAT

Programme

<p align="center">SERIES 4 SESSION 1: PROGRAMME</p> <p align="center"><i>“Land -Based Finance: Policy Innovations and Implications for Leveraging Land for Building the Social Contract, Service Delivery, and Governance: The Land Question Underpinning the Affordable Housing Crisis.”</i></p> <p align="center"><i>Presentation: Enabling factors for Land-Based Financing for Adequate Housing</i></p> <p align="center">11 March 2024, 17h00-18h00 (Nairobi time / EAT)</p>		
Moderator: Giulia Lavagna, UN-Habitat		
Time	Topic / Activity	Process, Roles
17h00	Welcome and opening remarks Purpose, agenda, and process	Moderator, Giulia Lavagna

17h05	Presentations: The Land Question Underpinning the Affordable Housing Crisis.	Astrid R.N Haas, UN-Habitat consultant <i>All: questions and comments in meeting chat during presentation</i>
17h25	Key questions and reflections	Discussant: Deon Van Zyl, Chairperson, Western Cape Property Development Forum (WCPDF) and Managing Director, VORTO
17h35	Facilitated discussion	Moderator, all (25 min)
18h00	Concluding observations to include practical recommendation to policy, legal, or technical issues discussed.	Presenter: Astrid R.N Haas, UN Habitat consultant Discussant: Deon Vanzyl, Chairperson, Western Cape Property Development Forum (WCPDF) and Managing Director, VORTO Moderator Giulia Lavagna

Presentation 1: The Land Question Underpinning the Affordable Housing Crisis

Astrid, started by presenting herself as an independent urban economist, and mentioned her latest work with UN-Habitat on the paper entitled: “Enabling factors for Land-Based Financing for Adequate Housing”. She said that the paper went through EGM discussions, to provide solutions to the analysis of the paper, on the drivers of unaffordability. During the EGM, discussions on several avenues that could be pursued in alleviating the affordable housing crisis was discussed, and land-based financing instruments were popular. For this session the discussion was on the relevance of the implementation of the suggested land-based financing tools/instruments in addressing the adequate housing crisis and focusing on the enabling factors required in different contexts. She mentioned that she looked forward to the discussion with the discussant Deon regarding the private sector perspective.

The basis for the discussion is that land is a fundamental input to housing. The adequate housing crisis is either about opening dilapidated stock or opening adequately located serviced land for new housing stock. These were the core discussions of the paper. Besides, land is fixed, finite and these characteristics mean that the price tends to appreciate particularly for well serviced and well-located places.

The three drivers explored as part of the EGM included.

1. Proliferation of excludable individualized private property rights without the limits placed on them for societal benefits favouring minorities in terms of access to land and housing. The paper explains various reasons for the proliferation.
2. Land use regulations, which determine how much land is available through zoning and other types of regulations and how much land is available for supply. The paper noted that land use planning has not been enforceable and therefore it does not play the role of unlocking land for adequate housing.

3. Access to finance was critical to increasing housing stock. Financialization alongside the characteristics of land and housing influences the prices based on speculation. The features being seen of vacant lots next to homelessness was because stock was being held in anticipation of a rise in pricing.

These various drivers differ, in contexts and have different impacts as well as magnitudes. In general, the adequate housing crisis is a global phenomenon and across the globe these drivers are linking land and housing into the adequate housing crisis. The EGM scrutinized the analysis and came up with solutions. The solutions mentioned are caveated with the fact that being able to implement these depends on the context. Five different land-based financing mechanisms were suggested in how to use land and land-based financing to address the adequate housing crisis.

Astrid further mentioned that she would describe the link between the different Land-Based Finance mechanisms and the affordable housing crisis as well as the enabling factors while assessing what was preventing the implementation of these LBF tools further. The political economy factor is key in many contexts, but there are also technical factors that hinder and exacerbate the political economy.

The suggested land-based financing tools to be considered in addressing the affordable housing crisis include.

1. Property tax

Property tax is a commonly suggested solution mentioned during all three EGM discussions. The property tax is less of a revenue source for increasing housing stock and more of a revenue source for maintaining the overall improvements in land, such as with roads, sewage and water, which were key factors in driving adequacy of housing. The property tax can also be a tool that can influence behaviours and outcomes. Some of the enabling factors for the implementation of property tax include.

- Simplifying valuation methodologies. Complex valuation methodologies often prescribed by law make it difficult to conduct valuation regularly
- Improving technology across the property tax cycle such as billing or use of mobile money payment.
- Address political economy factors which may be resistant, not just at taxpayer level but also at levels within local and national governments implementing the mechanism.
- Ensuring there is a he visible link between what is taxed and how it is spent influences voluntary compliance.
- Improved information management systems across the cycle

2. Developer Obligations

Another mechanism proposed is developer obligations. Astrid said that developer obligations are interesting as they do not require the valuation of land but rather just require understanding the cost of investments. Where cadastres are missing, becoming difficult to value land, cadastres pose as a hindering factor to implement land-based finance mechanisms. Developer obligations require knowledge of the cost of bulk infrastructure and the net cost of the bulk infrastructure to new developments. The developer obligations are about how to get the developer to contribute to the bulk infrastructure increase needed alongside new developments.

Enabling factors include.

- Legislative underpinning. Particularly where private sectors are involved, it is important to ensure that there is a legal and institutional basis for developer obligations.
- Functional building permit process for developers. Without a building permit process, the developers may not feel obligated to pay.
- Consistent, transparent, and fair calculation methodology where both developers and governments are considered.
- Ability to ringfence revenues to be able to invest in the bulk infrastructure and services. Negotiations could be used to develop more affordable housing units.

3. Vacant Land Tax

In some cases, a vacant land tax may be used as a means for preventing speculation by taxing underutilized space. This could incentivize the increase of supply or stock of housing and disincentivize people holding land for speculation purposes. Vacant land tax is used in different ways and implemented in different forms. Vacant Land tax has several enabling factors for its implementation. Vacant land tax is feasible in spaces where speculation is dominant. However, where other factors may be preventing investment in land for example in Kampala where the cost of construction is very high, vacancy is not due to speculation but funding to build, then vacant land tax can therefore not be used to incentivize more building. If the vacant land tax rate is used it should be set at a level that incentivizes development.

4. Density Bonus

An enabling factor for density bonuses includes.

- Having a vibrant property market. Having demand to build above the density that is zoned. Land use regulations play an important role, i.e. they needed to be enforceable, and developers need to adhere to the set regulations. Hence, going through the permit process requesting permission to build additional density.
- Ensuring that there is sufficient bulk infrastructure to cater for the additional density. Additional density can be used for housing units and could be a tool for increasing the housing stock and help develop mixed development as evident in the South African context.

5. Tax increment financing.

Primarily used in the US and North America. One needs a vibrant and transparent property tax system. The local government should be able to borrow against the future potential increase of property tax where the infrastructure is being implemented. Ringfencing an area and upgrading its infrastructure will result in boosting the value of the property allowing governments or developers to borrow against the potential increase in value and use the increased revenue from property tax to repay loans. Tax increment financing is a much more complex process and has more enabling factors hence why it is not being used widely.

In summary, Astrid presented a table that showed the enabling factors. The table compares increasing level of capacity and data requirements, from property tax, being widely implementable in multiple contexts, to tax increment financing which requires the highest capacity and data requirements. She also mentioned that the table summarized whether the tool is directly affecting the housing stock by increasing the housing supply or increasing adequacy by increasing the land location for housing supply to emerge.

Astrid stated that the main questions that the session hopes to answer are.

- Are these the most important land-based financing instruments to address the adequate housing crisis?
- What other enabling factors were needed to be able to implement these tools?
- Is the assessment of the increase in capacity/ data requirements accurate?
- What else is needed to be considered in terms of linking land-based financing to addressing the adequate housing crisis?

Key questions and reflections with discussant (Deon Van Zyl)

Giulia thanked Astrid for the presentation. She then introduced Deon Van Zyl, speaking on the private developer perspective, on land-based financing and the role of governments and the private sector in contributing towards addressing the affordable housing crisis.

Deon thanked Giulia for the introduction and Astrid for her presentation and mentioned that he had reviewed Astrid's presentation beforehand and that he had been reflecting on it. He noted Robert's comment, that costs and charges exist in a bigger context. He further stated that the real debate is how to create an enabling environment in which housing can be provided. The method of financing and the methodology is secondary to the need to provide housing. Before diving into the tools, he gave an example from the private sector view. In a struggling business there are one of two choices, either increase revenue or reduce cost. It is a simple principle in which either business continues, and the cost are reduced and hopefully survive or reduce the cost and provide a more efficient environment for an increased revenue.

In this debate, the dichotomy is the provision of housing versus the raising of revenue for governments. All the tools presented, and other tools debated, search for a methodology for increasing revenue for governments so that governments can be able to provide housing. However, it is important to first ask if the government is efficient in providing housing in the first place and whether the revenue being spent is done in the right way. This should be asked before delving into the best way to tax the private sector to provide additional revenue. He recommended that we pause at that question and further ask, is government as a concept able to provide housing even if it taxes the private sector more? Some of the tools highlighted by Astrid tries to place an obligation on the private sector to step into government shoes and provide housing opportunities in lieu of other privileges.

Another question to ask is what is a developer? He stated that most developers can be grouped into one of two categories, those that own land and those that speculatively seek land to service a market. Those that own land try to attract a market to a static entity. i.e., already owning land and now there is a need to attract the market to the opportunity. The other side is viewing land as mobile capital. There is a potential end user or a perception of who the end user is and one seeks an opportunity that could serve the end user in the best possible way at the lowest cost. It is therefore important to note that not all developers are landowners and not all landowners can speculate or move around geographically.

He further stated that a developer is a change agent, they perceive an opportunity, see a potential end value, and can run the variables to make a profit. The gamble for a developer is to be able to perceive or have an opinion on who the end market is going to be. In a complex environment such as South Africa, it is important to take a bird's eye view, five to seven years into the future, and predict the market. At the same time, you need to convince the financier that the vision and expectation is bankable. In South African, finance is not granted on land. Land is funded by developers out of equity or other option

structures. The other gamble is in the plethora of technical constraints and legislative contexts and the fact that governments are often the biggest risk in terms of timelines and unpredictability. Governments on the other hand get frustrated in terms of why developers do not adhere to the land use regulations.

He mentioned that a town planner in Cape Town once asked him why developers do not go where the planning authorities are telling them to go. His response was that the planning authorities quite simply do not know where the market is. The private sector chases the market, while governments use the theoretical base to predict and suggest where the market should go and the two end up disjointed. The government therefore becomes the biggest risk because it delays private developers and changes the rules of the game in extreme.

He then asked, how can the private sector, a specialist change agent, assist the government in providing accommodation and housing?

He argued that increasing cost (taxes) and increasing the risk to the developer reduces the developer's contribution to the debate. The inverse should therefore happen, that is, reducing risk, reducing cost, and then a conversation on the developer's role can be discussed. Another noteworthy point is that the developers do not pay the tax but passes the tax in whatever format to the end user, while also making a profit out of it, from handling fees of the tax.

Furthermore, Deon said that in a perfect economy, and in a perfect environment where the economy is booming, there is an opportunity to harness private sector energy. In a low growth environment, there is very little incentive for the private sector to put its capital and invest. These land-based models, he suggested, must be selective of the economic environment in which they are being implemented. Policy and legislation are often slow and static and does not consider reality in terms of the economic environment. He suggests to first design a system where land-based instruments can be implemented or removed based on real time economy. The warning is that if these tools are turned into policy and legislation, they become static, which could only work in artificial growth contexts while in low growth environments it would disincentivize the instruments further.

If we are to incentivize the private sector into providing housing, what could be done to make the beneficiaries of the housing opportunities an active economic player? In poorer communities where people cannot afford their home, the challenge is how to turn this poorer person into an opportunity? It is important to first understand what economic activity that person is involved in and turn this around into a contributor to a housing fund. For example, do we start taxing public transport or other activities such as cell phone usage, instead of targeting the developer directly?

He also said that there is a need to highlight the relationship between the resident, the employee, and the employer. In the history of garden cities, employers fulfilled a very specific role in the housing of staff. He mentioned a scenario where employers took a head lease on key staff members' accommodation because it is not about the ability to pay the rent but the strategic value to the employer that gets looped around into the equation. There are several other aspects, other than the direct line to the developer, that could be explored. The developer can only tolerate extra costs up to a point at which the risk and profitability becomes too high to invest in affordable housing. The private sector is in the business for profit. With all these instruments, when the risks become too high and the profitability drops too low, you can lose the change agent. When considering high urban, high density urban environments such as

Sao Paulo at 20 million people or Hong Kong, the market available to take up the opportunity is higher. In lower density environments, where the market is less active, putting obligations on the change agents could lead to harm as there is not a broad enough market that could carry the risk.

He mentioned that it is important to try balancing the delivery of housing with the ability of the government to generate revenue. In South Africa, the hypothesis was that local authorities would become self-funding through rates and taxes. However, the state of local authorities has been a dismal disaster. The ability for local authorities to generate enough revenue to provide the required social services is out of balance. There is a critical conversation to have on what is an efficient local government, what it should be spending and what it should be generating as a revenue. Once the balance has been established, then it is important to ask how performance could be increased and where the soft spots to increase taxes for critical services. He mentioned that one of the important statements mentioned is that land is a resource. In South Africa, governments do not know what it owns. The ability to trickle flow land into the market strategically is not a private sector problem, but a government problem that needs to be addressed. The second statement mentioned is the government's role as a player in land acquisition. Governments have always been looked at to release land strategically. He suggested considering the inverse, land being acquired by governments for future generations. He cited Berlin, where the local government had taken a strong position in acquiring land for affordable housing as in product stock. But what about paying a premium in open market conditions to bank land for the future? Government /society can afford to take a 10, 50, 100-year view by acquiring land for land banking purposes. The way that public land is released into the market on long term leasehold rather than sale and title should be explored.

He stated that there are several other tools that could be considered, specifically because land is a finite resource. He concluded by saying that Government's ability to use public finance to acquire the scarce resources should be considered. In a booming economic environment, there is a space for the instruments suggested to be tolerated bearing in mind that the end user pays. However, considering the low economic growth and high urbanization rate of South Africa, the private sector might be removed from the conversation if these tools are applied.

Facilitated Discussion

Giulia gave the opportunity to the participants to be part of the discussion and give feedback as well as ask questions. She invited Patterson Gaunter who commented that cities and economies are not monoliths. He cited that in his city, there has been a lot of discussion about changing the tax code to tax developers heavily, especially those developing luxury style buildings and high-income high value properties while property taxes being higher in hot neighbourhoods or high-income areas. He further posed the question to Astrid Haas, on whether she had considered developer obligations in the form of affordable housing?

James Kavanagh also shared some interesting documents that can be viewed here.

<https://consultations.rics.org/affordablehousing/consultationHome>

<https://consultations.rics.org/landagreementsfordevelopers/consultationHome>

Astrid Haas commented on Deon's presentation and said that she understood that governments can be risky business. However, in the context of land-based financing instruments, governments also invest in creating public values through infrastructure investments and without these tools in place, the benefits would be to private property owners. It is not only about increasing the obligation on developer but also

capturing the non-privately created benefits and being able to invest in those. She also asked what role can taxes and incentives have in providing affordable housing for the majority.

She then responded to Patterson's question by stating that looking at developer obligation, she considered both cash and in kind and she requested to be emailed with any other information on obligations.

Deon responded to Astrid's question on who benefits from public investment and infrastructure by stating that economy and society benefits. He further stated that infrastructure is at a stage where the economy plays out either efficiently or inefficiently. The developer is not a charity nor a profit centre with a percentage to give away. The developer has a ratio between exposure, income, and profitability expectation and that is where the government could reduce risk by being more efficient. But it passes the tax to the end-user. He stated that the ratio of need to income is out of sync. By milking the cash cow is not to anyone's benefit.

He also mentioned that the idea of incentivization should not be taken out of the table, but rather consider efficiency. By getting the green road and volunteering a percentage to inclusionary housing, which is a direct benefit of time and cost, incentivization would make sense. However, governments does not have the tools in the statutory environment to do so. He also added that there are other ways to turn time saving to cash benefits to housing benefits through the concept of affordability tax. He concluded by saying that his biggest contention is what is done with the money and whether it is used efficiently. He added that there is also a need to work on the definition of the concept of affordable, especially on who private developers and governments are trying to house and who could not house themselves. Giulia responded by saying that the UN defines affordable housing as the ratio between the income and the cost of housing, which is around 25-30% depending on whether it was purchased as home ownership or rental. The lower the income, the lower the price of housing to be afforded.

Giulia mentioned that this is a very large and deep discussion and raised the comment from the chat on the role of the informal developers providing affordable housing and how governments and the tools raised could address this. Astrid responded to this by saying that this is where land use regulations can play a role. A lot of land use regulations are out of date, and it is important to learn from what the informal developers are doing. Her other response to this was that the government should increase the supply of serviced land by creating space to support adequate housing.

Deon stated that he fully supported Astrid's response by saying that small-scale rental development is the most profitable property development in South Africa. It is profitable because it is the highest risk environment with lack of formal finance and lack of land. The informal sector is taxing the end user substantively more than the formal sector because of lack of land, access to formal finance and lack of a fully regulated environment. To address the housing shortage, there is a need to unleash the powers of small-scale informal developers.

Concluding Observations

Giulia said that she is glad to be concluding the session in agreement. She said she was grateful for everyone's contribution to the discussion and stated that a report of this session would be shared and as mentioned from the past EGEM sessions, the team would be reaching out sharing the outcomes and the next output related to the topic.




She then thanked Astrid and Deon for taking the time to contribute to the discussion and welcomed everyone to the next session scheduled for June 17th, taking a deep dive in all the topics that the land-based financing learning sessions have been touching upon, the patterns and its gaps.

ANNEXES

ANNEX 1: ATTENDANCE LIST

NAME	INSTIUTUTION
Giulia Lavagna, Jonathan Yakutieli, Ruth Nyambura Nyagah, Kezia Georgina Onyango, Sophos Sophianos, Antony Lamba, Remy Sietchiping, Jong Hee Paik, Ran Wang, Robert Lewis-Lettington, Luciana Cardoso, Beza Desta, Namrata Mehta, Herman Jean Pienaar, Alexandre Arcos Pujades, Avril Bundale, Nicolas Tamayo, Jane Muriuki	UN-Habitat
Astrid R.N. Haas	Independent Consultant
Sergyo Vuthegha	UCBC
Mark Lewis, Llewellyn Louw, Louise Muller	City of Cape Town
Deon Van Zyl	Western Cape Property Development Forum (WCPDF)
Woebke Irene, Lessin Jakob, Middleton Judit	GIZ
Enid Slack	University of Toronto
Paterson Gauntner	Independent Consultant
Helen Rourke, Claudia Hitzerth, Ashley Howard,	Development Action Group
Sibongile Mazibuko	National Treasury City, South Africa
Jane Katz	Independent expert
Colette Nyirakamana, Rosetta Wilson	ICTD, LoGRI
HoltedahI Jan-Petter	Norad
Davis Peadar	Ulster University
Aparna Das	Independent Expert
Sunday Aliti	UNCDF
James Kavanagh	RICS
Geoffrey Payne	Independent expert

ANNEX 2: PRESENTERS

SERIES 4 SESSION 1: PRESENTERS AND FACILITATORS		
Name and Institution	Role and Topic	Brief Bio
<p>Astrid R.N Haas, UN-Habitat Consultant</p> 	Presenter	<p>Astrid Haas is an independent urban economist working across research and practice, supporting cities in Africa, the Middle East and Asia with questions of strategy related to financing and funding. She also has appointments as an Adjunct Professor at the School of Cities, University of Toronto; Research Associate at the African Centre for Cities at the University of Cape Town and ODI; as well as an Extraordinary Lecturer at the African Tax Institute, University of Pretoria. She holds an MSc in Public Financial Management from SOAS, University of London and an MA in International Economics and International Development from Johns Hopkins University. In 2016, she was nominated by the University of Cape Town as one of Africa's Young Leaders and in 2020 she received the Johns Hopkins Outstanding Recent Graduate award for her leadership and work on urbanisation. For more information, please see: www.astridrnhaas.com.</p>
<p>Name and Bio Picture</p> 	Discussant	<p>Deon van Zyl holds a degree in architecture from the University of the Free State, a diploma in project management and a master's degree in urban design from the University of Cape Town. He cut his teeth in the redevelopment of brownfield land, with exposure to land remediation, and his passion lies in development facilitation through a multi-disciplinary approach. Deon is the MD of the newly formed VORTO, a specialist development management consultancy which is part of the AL&A group of companies focused on the built environment. He has been the Chairperson of the WCPDF since 2011 and is a regular industry commentator, informed by various development industry sub-sectors aligned with the WCPDF.</p>
<p>Giulia Lavagna, UN-Habitat</p> 	Moderator	<p>Giulia Lavagna is an Italian Architect and Urban Planner, working as Programme Management Officer within the Land, Housing, and Shelter Section of UN-Habitat. Giulia has professional experience on project as well as knowledge management in the areas of urban development, housing policy, homelessness, and land management. During over seven years of service at UN-Habitat, Giulia has collaborated closely with national and local governments for the development of policies and interventions that promote sustainable urban development through inclusive land management and affordable housing. She has country experience in Angola, Bulgaria, Malaysia, Morocco, Paraguay, Saudi Arabia, Spain, and Tunisia. Giulia is also a doctoral candidate in Public and Urban Policy at the New School University in New York. She holds an MSc in International Cooperation in Sustainable Emergency Architecture from the Universitat Internacional de Catalunya and a MSc in Science of Architecture from the Politecnico di Milano.</p>

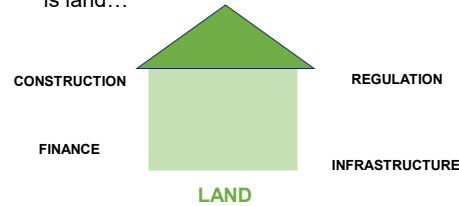
ANNEX 3: PRESENTATIONS

Enabling Factors for Land Based Financing for Adequate Housing

Land-Based Finance Learning Session
11th March 2024

Astrid R.N. Haas

One of the fundamental inputs to housing is land...



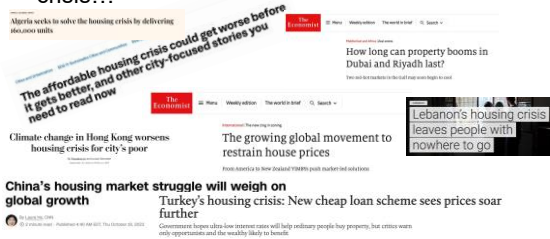
...which through three key drivers is impacting the adequate housing crisis...

Property rights: Proliferation of individualised private property as the prevailing form of tenure in many countries. This coupled with the rising values of land has meant that in some parts of the world, land available for housing has become exclusionary to the majority in favour of a smaller minority.

Land-use regulations: Land-use planning regulations and policies directly, and significantly, affect the final costs and the amount of land available for housing.

Financialization: The acceleration of financialization through which the land and housing markets have become subject to the rapidly increasing influence of financial institutions and markets, has meant there has been a substantial increase in demand for land and housing because of speculation.

... which also makes land an important factor in addressing the global adequate housing crisis...



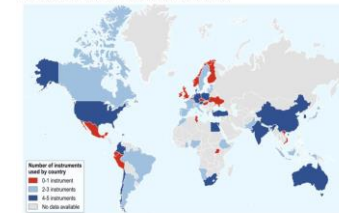
...and solutions found in land-based financing mechanisms...

Land Based Financing Instrument*	Definition
Property Tax	Recurrent tax on property (levied on land, buildings or both) Cash or in-kind contributions that defray costs for additional infrastructure or services that need to be provided due to private development.
Developer Obligations	A specific subset of land tax that is levied on undeveloped or underutilised land.
Vacant Land Tax	Charges in cash or in kind which are payable for additional development rights beyond what has been zoned for in a particular area.
Density Bonus	A loan taken out against the future flow of increase in property value and therefore tax revenue based on infrastructure improvements in a specific area.

*Based on inputs from the Expert Group Meetings held in February 2024

...the question is why are they not more widely operationalised...

Number of LVC instruments countries use at least on an occasional basis



Note: Instruments that are used only rarely are excluded from counts.
Source: Authors' elaboration based on OECD-Lincoln LVC survey

Source: OECD-Lincoln (2022)

Property tax

- Provision and upgrade of local infrastructure and services to improve adequacy
- Obligations can be negotiated to build adequate housing units in lieu of infrastructure payments

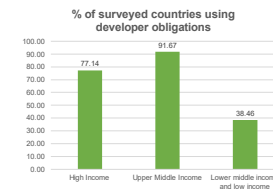


- Simplified valuation methodologies
- Technology across the property tax cycle
 - E.g. GIS for discovery, mobile money for payment
- Tax-payer education
- Visible link between property tax and local expenditures
- Improved information management systems

Developer Obligations

- Help to invest in bulk infrastructure for adequate housing
- Obligations can be negotiated to build adequate housing units in lieu of infrastructure payments

- Legislative underpinning
- Functional building permit process
- Understanding the cost of bulk infrastructure
- Consistent and transparent regulation methodology or negotiation process
- Ability to ringfence revenues to be able to invest in infrastructure and services



Vacant Land Tax

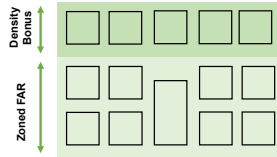
- Incentivising development of underutilised land to increase the stock of housing
- Disincentivise the holding of land due to speculation on the basis of potential future appreciation

- Legislative basis for land tax
- Ability to value land
- Identification of vacant parcels as well as owner of parcel
- Vacancy as a result of speculation (rather than other factors)
- Setting tax rate at a level that can incentivise development

Place	Tax Base and Definition of Land Subject to Extra Levies	Tax Rates
Seoul, Republic of Korea	Surtax on vacant properties: Land left vacant for a minimum of two years is subject of higher tax than the 2% property tax on improved lots.	<ul style="list-style-type: none"> 5% if left vacant for 2-3 years 7% if left vacant for more than 3 years 8% if left vacant for more than 5 years 9% if left vacant for more than 7 years 10% if left vacant for more than 10
Bogota, Colombia	Land that has been zoned as urban but no construction	30%
Washington D.C., USA	Vacant Land Property • Disincentivised property	<ul style="list-style-type: none"> 5.0% on assessed market value 10% on assessed market value

Density Bonus

- Additional density can be awarded for adequate housing provision in alternative areas
- Can be used for inclusionary zoning within the building (i.e. requirements to keep a number of units for adequate housing)



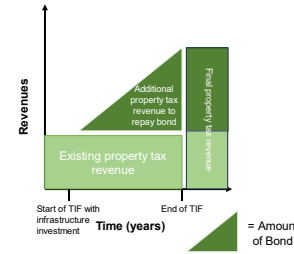
- Vibrant property market with demand for density
- Clear land use and zoning plan with stipulated FARs
- Ability to determine relative value of additional density
- Ensuring that sufficient bulk infrastructure to cater for increased density
- Community education

Tax Increment Financing

A loan taken out against the future flow of increase in property value and therefore tax revenue based on infrastructure improvements in a specific area.

- To upgrade infrastructure in a particular area that may improve housing adequacy

- Vibrant and transparent property tax system
- Clear land use and zoning plan with stipulated FARs
- Ability to zone TIF district for a specific period of time (years)
- Municipality able to float bond against future increase in property tax revenue



Summary of Enabling Factors for Implementation

	Land / Property Value	Enforceable Land Use Plan	Building Permits	Cost of Infrastructure	Vibrant Property Market	Land / Property Ownership Data	Ability to Borrow	Housing Supply	Infrastructure Upgrade
Property Tax	Green	Green	Green	Green	Green	Green	Green	Orange	Orange
Developer Obligations	Green	Green	Green	Green	Green	Green	Green	Orange	Orange
Vacant Land Tax	Green	Green	Green	Green	Green	Green	Green	Orange	Orange
Density Bonus	Green	Green	Green	Green	Green	Green	Green	Orange	Orange
Tax Increment Financing	Green	Green	Green	Green	Green	Green	Green	Orange	Orange

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