Urban Land Readjustment: What can the Netherlands learn from South Korea?

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Urban Land Readjustment: What can the Netherlands learn from South Korea?

• Upcoming implementation of ULR legislation in the Netherlands
  - Many try-outs in experimental pilot projects

• Long tradition of successful ULR in Seoul, South Korea
  - ULR in Seoul was introduced in a completely different context from the Netherlands
  - Nevertheless, more recent experience with ULR in Seoul urban transformation may offer some guidelines for NL cities

• Research based on:
  - Kresse, Kang, Van der Krabben (2016) *On the relation between land pooling tools, the distribution of development gains, and the concentration of landownership in Korea* (working paper)
  - Radboud University, Bureau Noordzuiden, Kadaster (2016) *Experimental pilot projects on behalf of Province of Gelderland (NL)*
Fragmented ownership of land: potential hold-out problems
When fragmented landownership prevents efficient urban transformation ....

Three different types of land management strategies can be used

• *Public authority-led development model*: public authority acquires all land, services that land, readjusts the land into building plots suitable for development, and sells building plots to private developers or end users

• *Private developer-led development model*: similar to the above model, but now with a private developer as land developer
  - Public authority may offer support by using expropriation powers

• *Urban Land Readjustment model*: landowners agree to pool land, service the land and readjust the land into building plot suitable for development; after that, all landowners receive a building plot
  - In most jurisdictions decision for ULR can be based on majority vote
  - Compensation paid to correct for uneven shares of land
Why ULR is sometimes preferred above the alternative strategies?

• It supports a fair distribution of development gains (and risks) among the original landowners and private developers involved in transformation project

• It offers an efficient way for financing public infrastructure provision

• It saves the public authority from a potentially risky public land management strategy

• It creates an opening for successful urban transformation when private developers are not willing to step in (because they fear problems with land acquisition)

• (A landowners’ majority vote decision for ULR may serve as an alternative to expropriation in solving hold-out problems)
Seoul: ULR scheme 1963-1984

- Majority of redevelopments in Seoul based on ULR schemes
- Main aim was to facilitate rapid urban growth and get rid of shanty towns
- But also: Agenda of empowerment and participation
  - Fair distribution of development gains: landowners received part of them
- Number of problems made Seoul decide to abandon the mechanism in this form:
  - Actual effect was that squatters without any property rights had to leave their houses, while there was not sufficient alternative housing available against affordable prices
  - Original landowners had to finance the schemes themselves, but usually did not have the means to do so
  - ULR mechanism caused enormous speculation
  - Financing of public infrastructure provision was not foreseen in the model
Seoul: ULR scheme, 1963-1984
Seoul: Hapdong ULR scheme, 1984-2012
Hapdong ULR scheme (1/2)

• Redevelopment and upgrading of down town areas; more focus on profit maximalization

• Public authority facilitates redevelopment scheme by allowing higher densities in the area

• Initiative can come either from landowners or from municipality

• Part of development gain will be used for infrastructure provision (to be provided by private developer)
Hapdong ULR scheme (2/2)

- Landowners must form a landowner association:
  - Enables them to take a decision based on a 2/3 majority vote
  - Puts them in a better bargaining position with private developer

- Existing residents must be relocated before construction starts
  - Based on outcome of negotiations, they will receive part of the development gains (apartment or money)

- Speculative practices occur

- Hapdong system provides more efficient way for private developers to acquire land
Upcoming implementation of ULR legislation in the Netherlands

Experimental pilot projects on behalf of Province of Gelderland

*Doetinchem city centre urban transformation project*

- Mixed use area: retail and residential
- High vacancy rate; some derelict buildings; limited market demand
- Fragmented ownership: among them, five private developers that, independent from each other, developed redevelopment plans
- Municipality aims to redevelop the area; however:
  - Not able / willing to apply a public land development strategy
  - Sum of all five individual redevelopment plans not feasible and/or acceptable from public standpoint
- Private developers: none of them able to apply a comprehensive development strategy for the whole area
Goal of Doetinchem pilot project

- Can ULR strategy offer a ‘solution’ as development strategy, since apparently there is potential for redevelopment?
- Municipality works on a global master plan for the area, which still leaves room for private developers to initiate ideas
- ULR may be used as a tool for involved private developers to share development gains (and risks) that result from redevelopment
- ULR may be used for private developers to ‘change positions’ in the area
  - In order to bring private developers’ initiatives in line with preferred redevelopment
Uitgangssituatie
SCENARIO 1
eindbeeld
SCENARIO 1 tijdens
## Expected financial results

<table>
<thead>
<tr>
<th>Investments</th>
<th>Amount (million €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Demolishments and renovations</td>
<td>€ 3.50</td>
</tr>
<tr>
<td>• Public space</td>
<td>€ 2.25</td>
</tr>
<tr>
<td>• Additional costs</td>
<td>€ 0.50</td>
</tr>
<tr>
<td>• Project management</td>
<td>€ 0.75</td>
</tr>
<tr>
<td><strong>Investments total</strong></td>
<td><strong>€ 7.00</strong></td>
</tr>
<tr>
<td><strong>Expected real estate values after redevelopment</strong></td>
<td><strong>€ 10.75</strong></td>
</tr>
<tr>
<td><strong>Present values existing properties based on redevelopment potential</strong></td>
<td><strong>€ 3.75</strong></td>
</tr>
<tr>
<td><strong>Estimated book values properties</strong></td>
<td><strong>€ 8.00</strong></td>
</tr>
</tbody>
</table>
Conclusions: what can NL learn from ULR experiences in Seoul? (1/2)

Motivations for applying ULR in NL

• ULR as a tool to support cooperation among land-holding private developers in redevelopment area
  - By sharing development gains and development risks in the development process
  - To bring them in the preferred position to invest
  - May prevent ‘leaking away’ of development gains by speculative behaviour
  - Includes an efficient way of financing public infrastructure provision

• In a situation that neither public authority nor private developer is willing to step in, and take the lead on its own for comprehensive redevelopment
Conclusions: what can NL learn from ULR experiences in Seoul? (2/2)

Motivations for applying ULR in South Korea (Hapdong scheme)

• ULR as a tool to support cooperation among landowners in redevelopment area

• Landowners’ intention is to initiate redevelopment, with or without intention to stay in the area
  - Landowner association as a vehicle puts them in better bargaining position with private developer
  - Allows them to share in development gains
  - Compensation can be in kind or financial

• In a situation that private developer is willing to step in and take the lead on its own for comprehensive redevelopment
  - From private developer perspective: it reduces land acquisition risks
  - Only one deal needed with landowners association (with majority vote power) to compensate landowners