

# The Role of Land in Achieving Adequate and Affordable Housing

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### **THE ROLE OF LAND IN ACHIEVING ADEQUATE AND AFFORDABLE HOUSING**

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**HS Number: HS/011/21E**

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### **Acknowledgements**

This publication was prepared at the United Nations Human Settlements Programme (UN-Habitat) Land Housing and Shelter Section by Geoffrey Payne, Daniela Muñoz Levy and Giulia Lavagna, under the general supervision of Christophe Lalande.

The authors would like to acknowledge the contribution of Jean du Plessis, Danilo Antonio, Gianluca Crispi, Emrah Engindeniz, Lennart Fleck and Anthony Lamba.

# Contents

List of acronyms	V
Introduction	VI
<b>Section One. The role of land for affordable housing</b>	<b>1</b>
1.1 The right to adequate housing	1
1.2 Land at the core of adequate housing	3
1.3 Land planning for adequate housing	5
1.3.1 Managing urban land and housing markets	5
<b>Section Two. Land-based finance for affordable housing</b>	<b>6</b>
2.1 Land-based finance	7
2.2 The application of LBF policies	8
2.3 Tax-based instruments for affordable housing	10
2.3.1 Land value increment taxes	10
2.4 Fee-based instruments for affordable housing	12
2.4.1 Sale of development rights	12
2.5 Development-based instruments for affordable housing	14
2.5.1 Developer charges and impact fees	14
2.5.2 Land sales and leases	16
2.5.3 Land Pooling or Land Readjustment (LP/LR)	17
2.5.4 Inclusionary housing	20
2.5.5 Requests for Proposals (RFPs)	22
2.5.6 Land Banking	23
2.6 Community-led instruments for affordable housing	26
2.6.1 Community Land Trusts (CLTs)	26
2.6.2 Housing Co-operatives	27
2.6.3 Communal land ownership	29

<b>Section Three. Land governance and housing</b>	<b>31</b>
3.1 The regulatory framework	32
3.1.1 Planning and building standards	32
3.1.2 Planning and building regulations	32
3.1.3 Administrative procedures	34
3.2 Spatial and land use planning	35
3.3 The institutional framework	35
3.4 Land tenure policies and practices	36
<b>Conclusions</b>	<b>38</b>
<b>Bibliography</b>	<b>41</b>

## List of acronyms

CEPAC	Certificados de Potencial Adicional de Construção (Certificate of Potential Additional Construction)
CLTs	Community Land Trusts
GLTN	Global Land Tool Network
IADB	Inter- American Development Bank
LBF	Land-based finance
LP	Land pooling
LR	Land readjustment
RFPs	Requests for Proposals
OECD	Organisation for Economic Co-operation and Development
TDR	Transfer Development Rights
U.K.	United Kingdom
U.S.A	United States of America
USAID	United States Agency for International Development

# Introduction

Despite the efforts of national and local governments, the private sector, civil society and the international community, access to adequate housing remains a major challenge for an increasing number of people throughout the world. What is perhaps different now is that this challenge is affecting people in countries at all levels of social and economic development. A key factor has been the increasing dominance of market economics that promote housing as an economic asset and not a place in which to live and grow as part of a community. Despite the lessons of the 2008 financial crisis, housing costs have risen far faster than incomes, making access to all forms of tenure increasingly difficult.

At the root of this challenge lies the legal and institutional frameworks by which land and housing are managed (Ryan Collins et al, 2017). A key factor in improving access to affordable housing is to improve the governance and management of land markets, especially in urban and peri-urban areas where demand far outstrips supply, causing inflationary spirals. While the costs of labour, public services and construction materials are commonly similar from one housing project to another, the costs of land can vary dramatically depending on its proximity to urban centres, commercial zones and public services, planning and development potential. For example, an

urban residential plot of land may be worth a hundred times more than an adjacent agricultural plot, while another plot with full planning approval and access to public services may be worth significantly more than one without.

As Section 2 of this Review demonstrates, a wide range of innovative approaches to urban land management exist in the form of land-based finance (LBF). These approaches can provide a practical framework for improving access to affordable housing and include a range of tax-based, fee-based and development-based policy instruments, many of which have been applied in highly diverse contexts. While revenues from tax-based instruments tend to be integrated into general revenues, rather than to specific infrastructure projects such as housing, fee-based and development-based instruments provide an excellent opportunity to strengthen synergies between housing, land and urban planning by integrating housing with spatial planning through land management. For these reasons, this Review focuses on fee-based and development-based LBF instruments.

Government actors, at central and local levels, can play an important role by formulating and implementing policies and regulations that generate a reasonable

share of the increment in land values resulting from state actions to be recaptured for allocation in the public interest. It is important to acknowledge that the methods of managing land vary from one context to another, so no single policy will be applicable in every case. For this reason, this document reviews a wide range of instruments that have been implemented in at least one context and lists their relative advantages and disadvantages. By reviewing the characteristics of each, policy makers and officials responsible for addressing the challenge of improving access to adequate and affordable housing will be able to apply those options most appropriate to local conditions. However, it may also require determination in addressing vested interest groups who are benefiting from the status quo.

In addition to land-based finance policy instruments, Section 3 reviews ways in which urban land governance exerts both direct and indirect impacts on access to affordable and adequate housing. It stresses the need for the regulatory framework to formulate planning standards that reduce land costs and planning and building regulations that permit incremental housing construction, or the use of residential units for home-based economic activity. Similarly, it demonstrates the need for administrative procedures that are clear, simple and fast. Other factors

include the need for spatial planning that puts land to efficient use, an institutional framework that is clear and a range of land tenure and property rights options available to reflect diverse and changing forms of housing demand.

Meeting this challenge will require senior officials in local government to develop and strengthen their understanding of land and housing markets. It will also be important

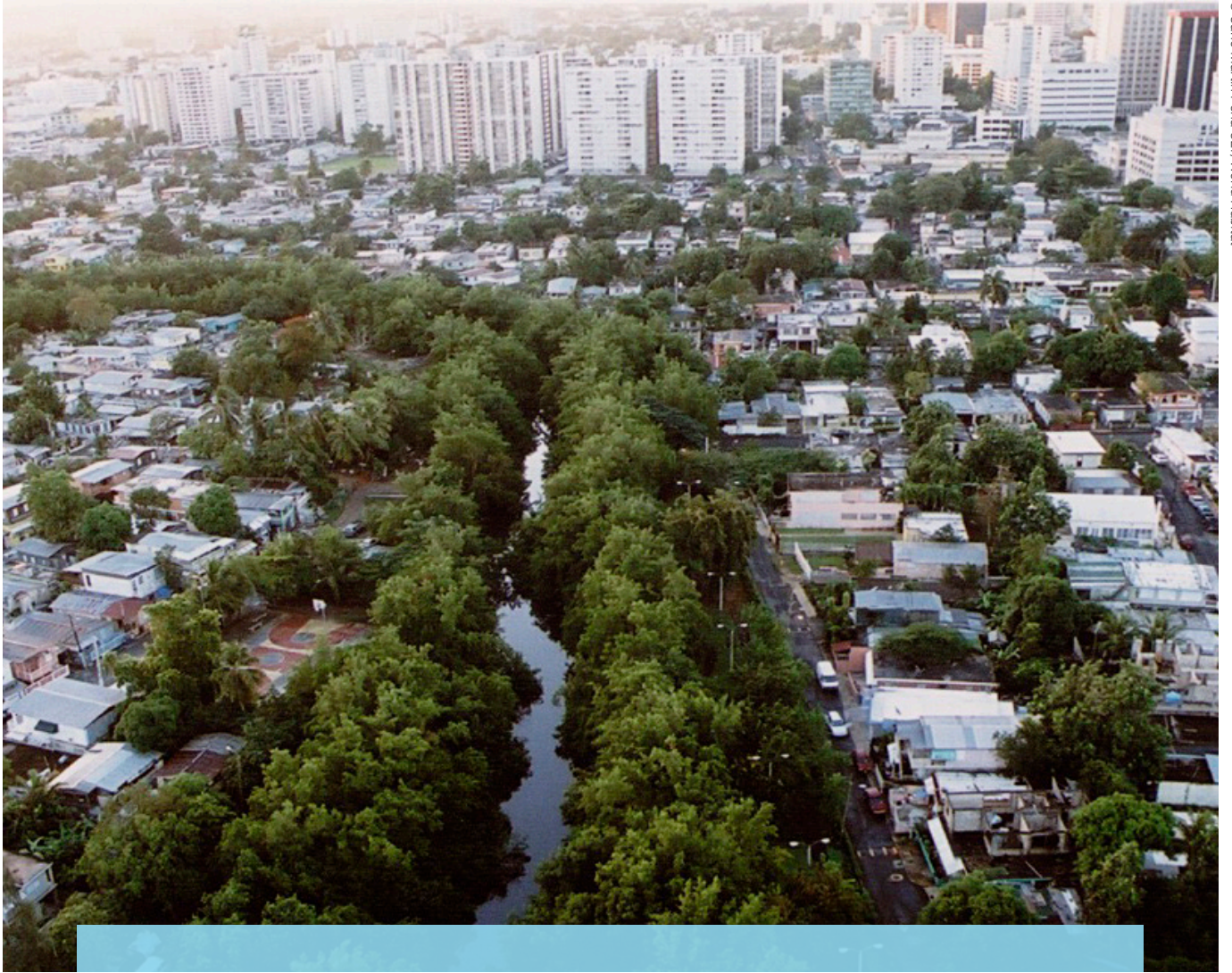
to devise and enforce an administrative and regulatory framework that recognises the unique value and dynamics of ownership of each land parcel. This is particularly important in peri-urban areas, where changes in officially sanctioned land use from agricultural/pastoralist use to commercial/residential results in substantial price increases. Such a process of land market management needs to command broad public support to prevent

it from becoming a basis for disputes. It will also be important to take into consideration different land tenure and property rights systems to improve access to land and housing.

UN-Habitat stands ready and willing to use its international experience to support the application of these innovative, yet practical, policy instruments.



Aerial view of Apsa Pada slum in Malad East, Mumbai, India © Shutterstock



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