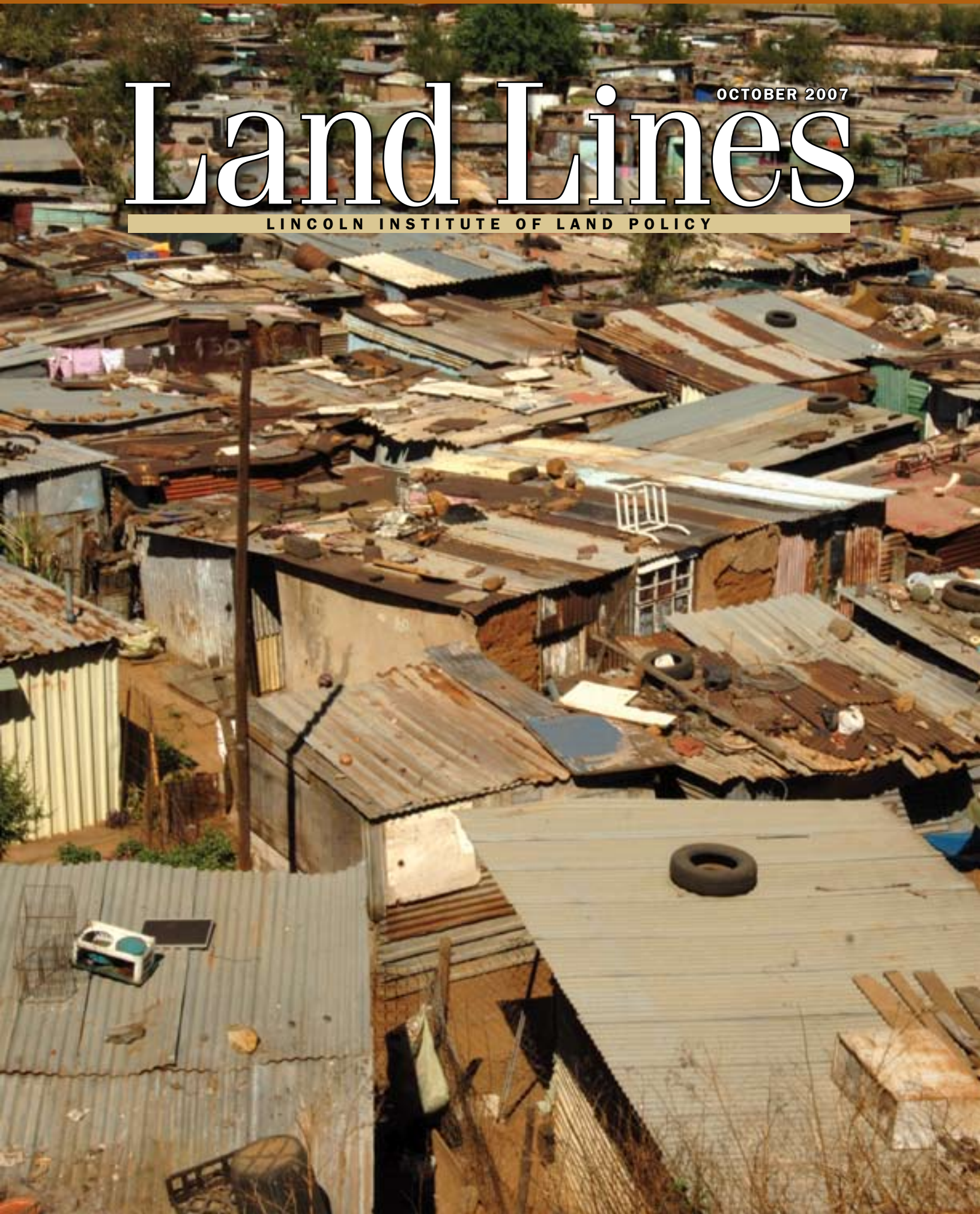


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# Land Lines

LINCOLN INSTITUTE OF LAND POLICY





# Land Lines

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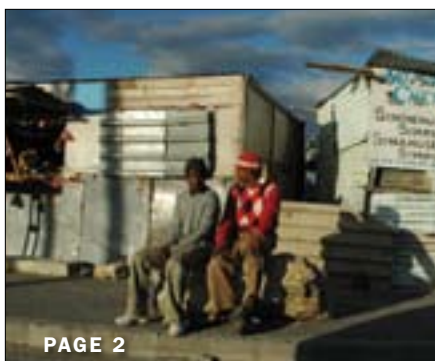
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Soweto, South Africa  
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## Community Land Trusts

**Community land trusts provide affordable housing by separating the value of land from the value of buildings.** Households pay for only the building or dwelling unit, and the CLT retains ownership of the land in this form of shared equity housing.

When the household sells, the CLT typically has the right to repurchase the unit at a price determined by a formula based on the value of improvements made by the household, the change in local housing prices, and the duration of tenancy. The CLT then resells the building or unit to another low-income household, and continues to own the land. This chain of sales ensures that the unit provides affordable housing services on a sustainable basis.

The first CLT in the United States was established in 1968, and by late 2006 the number had grown to 186, providing approximately 6,500 dwellings evenly split between owned and rented units. CLTs now appear to be on the cusp of a rapid expansion as their method of operation and sustainable results have become more widely known. Currently, a number of U.S. cities are planning new CLT projects that will be larger than any existing CLT.

Given the growing interest in and scarcity of current systematic knowledge about CLTs, the Lincoln Institute recently carried out a survey of all CLTs in the United States. The survey finds that two-thirds of operational CLTs are in the Northeast and West, and 52 of 119 responding CLTs were established since 2000. Individuals and community groups predominated as founders of the early CLTs, but local governments and public sector financing now play an increasing role in forming CLTs.

CLTs are generally modest in size, with an average of about 50 units. Overall, two out of three CLT dwellings are single-family detached or attached units; three out of five are rehabilitated buildings, with the balance newly constructed. Two-thirds of CLTs have four or fewer full-time staff, and 60 percent have annual operating budgets less than \$200,000.

CLTs are normally formed as membership organizations, including both CLT residents and people from the surrounding community. CLT members vote on important matters such as changing the bylaws and policies. Thirty percent of



Gregory K. Ingram

CLTs are overseen by a board whose members are evenly divided among CLT leaseholders, community members, and government or nonprofit representatives.

Providing affordable housing is the main activity of 85 percent of CLTs, but many also provide support to homeowners, including training in home maintenance and financial management. About a third of CLTs focus their efforts on a neighborhood, while others

encompass a whole city, county, or larger area. Three out of four CLTs target households whose incomes are at or below 80 percent of local median income.

Survey respondents had a total of 620 resales of owner-occupied units, and 60 percent of CLTs had at least one resale. Surprisingly, older CLTs had lower resale rates than newer CLTs. The shared equity aspect of CLTs is often debated because CLT homeowners receive only part of the gains from their housing price appreciation.

Steven Bourassa addresses this issue by exploring the economic return to households of purchasing a CLT unit versus renting in the open market. He finds that CLT purchase is more economical than renting, except when interest rates are high and housing price inflation is low. Of course, full property ownership has a higher return than CLT shared equity ownership when housing prices rise, but full ownership is not affordable to low-income households in most communities. CLTs thus provide a useful model for a sustainable housing affordability program in many circumstances. **L**

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# Post-Apartheid Johannesburg:



© R. Steven Lewis

*Tracy Metz*

**N**o one knows how many people live in Johannesburg or its greater metropolitan area. No one knows how many people are streaming into South Africa's cities—rural blacks in search of work, illegal immigrants fleeing their own regimes, and Chinese laborers brought in to recover the last flakes of gold from the mine dumps that cut huge swaths through the city.

No one knows how many South Africans are HIV-positive and how many will die of AIDS this year, or any other year, or how many households will then be headed by children. No one knows how many people are waiting for water, for electricity, for a house—and have meanwhile been living for years in a cardboard shack inside a warehouse.

No one knows whether the African National Congress (ANC), in the throes of its own internal leadership struggle, will be able to rise to the

challenge and provide the new South Africa with justice and equity.

But there is one thing that everyone in South Africa does know. "Post-apartheid South Africa is an experiment the like of which the world has never seen before," says Myesha Jenkins, performance poet from Los Angeles who emigrated in 1993, the year before Nelson Mandela became president. "We *want* this experiment to work." Taxi-driver Vincent from the northern province of Limpopo, speaking of the elections that will take place later in 2007, says, "We must do it right. The eyes of the world are on us."

Myesha guides us, the Loeb Fellows of 2007, deftly and with good humor on our class study trip in and around Johannesburg. Our meetings and encounters range from the World Bank in Pretoria to the worker hostels of Soweto, from the Johannesburg Development Authority to the dark slums of Alexandra, from the hip bars of Melville to the halls of the new Constitutional Court, from the



# A Work in Progress

Apartheid Museum to the day-to-day apartheid we still see all around us in the city.

We can't help noticing that people of various colors go to the same bars and restaurants, in Melville for example, but don't sit at the same table. And at most of the institutions we visit, the person speaking is white and the second-in-command is black. And we can't help wondering how many of these whites will choose to stay in South Africa, knowing that in the foreseeable future their positions will be filled by their black colleagues.

Things look different, easier, in the supercool Rocca's in the redeveloped quarter at 44 Stanley. Tonight there is live jazz and the place is packed with twenty-somethings from the media and design world. At every table every color is represented. This could be the future. Myesha loves this tough town, and it's contagious. There are a lot of can-do people like her in Joburg. The city needs them.

## Apartheid and Land Use

The Loeb Fellowship Program at Harvard University's Graduate School of Design supports ten mid-career professionals each year whose work contributes to "the improvement of the built and natural environment." The annual study trip and one of the fellowships are cosponsored by the Lincoln Institute.

We went to Johannesburg in May with many questions related to the Fellowship's mission: How did and does apartheid impact land use? How is the new government addressing the country's housing needs? What does the city expect to gain from hosting the World Cup in 2010, and what are the risks? To what extent do the environment and sustainability play a role in the rapid new development?

In 1994 the racist National Party stepped down and Nelson Mandela's ANC stepped up. Thirteen years is not enough time to change the spatial pattern of the city, which for so long had been shaped by segregation. Nevertheless, it is a shock to see the extent to which urban development still plays out along the lines set by apartheid.

"Government leaves the construction of RDP housing to developers," says Dave de Groot of the World Bank in Pretoria, speaking of the country's Reconstruction and Development Program. "Developers want to minimize the cost of land so they

build out at the edges where land is cheap. This not only promotes sprawl, but reinforces spatial apartheid."

"Apartheid has shaped the city and still does," agrees Lael Bethlehem, the young white female director of the Johannesburg Development Authority (JDA). The JDA, with a staff of 45, is city-owned and funded, but has an independent board. "Already at the end of the nineteenth century the English and the Boers were divvying the country up between them and excluding the blacks," Bethlehem adds. In 1913 the Land Act forced 90 percent of the people of this country to live on 13 percent of the land." That pattern only changed after massive resistance in the 1950s from both blacks and whites. The Apartheid Museum in Joburg by the black-and-white architecture firm of Mashabane Rose testifies powerfully to that period. But even when blacks were officially allowed to live in the cities, the Group Areas Act of 1963 still divided the cities by color.

Our meeting with the JDA is in its downtown office in the Bus Factory, which also accommodates cultural space for performances, exhibitions, and the Crafts Council shop. The JDA works with the architecture department of the University of Witwatersrand (Wits), Bethlehem explains, because

**LEFT: Informal commercial enterprises and housing remain prevalent in many townships.**

**BELOW: New RDP housing was built in the Brickville neighborhood on the outskirts of Johannesburg.**



© R. Steven Lewis

“there are simply not enough black architects yet for us to be able to meet the Black Economic Empowerment requirement that 60 percent of our funding be spent on black-owned businesses.”

Interestingly enough, according to Alan Mabin, dean of architecture at Wits, 90 percent of the planning students are black, but only 30 percent of the architecture students. “Architecture is still seen as an elitist profession, and there are hardly any role models,” he notes

### Housing Shortage

In South Africa now everyone can live wherever they like—on paper. But, that doesn’t mean there are houses available. Little affordable housing is being built in the cities. The RDP houses are stark, standardized, cookie-cutter products of 300 square feet each, grouped in settlements at the urban periphery and bearing an uncanny resemblance to the townships created as residential areas for blacks and coloreds under apartheid. South Africa’s cities are sprawling, worsening the already heavy burden on the infrastructure, and forcing people to still travel long distances to work.

The Joburg municipality, says Paul Jackson of the Trust for Urban Housing Finance, is “technically nonfunctional” as far as plan approval is concerned. The Trust manages commercial property and provides mortgages; its agenda is to arrest urban decline through investment and build low-to middle-income housing. “The banks are supposed to have done 42 billion Rand (US\$6 billion) worth of investment in housing by mid-2008, and they are not even halfway there,” Jackson states.

The banks became skittish after the well-organized civil disobedience campaign in the final stages of apartheid, Jackson explains. “As part of their resistance to the system, many people simply stopped paying their mortgage, or they lost their jobs and were unable to pay. Either way, the banks got burned.” Now a growing group of South Africans see property ownership as a way to wealth, and the demand for the Trust’s services is high. Quite a few of the new landlord/developers are recent immigrants from Zimbabwe, Congo, Cameroon, and Nigeria.

### Downtown

“The inner city is a very different place from even three years ago,” Jackson continues. “The same group is coming to downtown as everywhere else: the newlyweds and the nearly dead. But there is

also a new move to the center, by families in their thirties and forties who are tired of the commute to Soweto.” In a survey the Trust conducted among people now living in the inner city, 42 percent of the respondents say they want to remain there. The price of property has more than doubled, and the rents have gone up 60 to 80 percent.

Neil Fraser worked for 13 years as director of the Central Johannesburg Partnership on the revitalization of downtown and now has his own consultancy, Urban Inc. He remembers vividly the empty buildings and the crime of 10 and 15 years ago. “Like Detroit,” he says. Fraser was instrumental in engineering the turnaround, but now he is concerned about the consequences. “There is 500 million Rand worth of middle- to high-income housing planned downtown, but we desperately need affordable housing and open space,” he states, noting that there are an estimated 12,000 to 15,000 homeless in Joburg’s city center alone. But with evident pleasure he points to the pavement, which is once again whole, and to people sitting at a sidewalk café. “That would have been unthinkable a few years ago; no one would have dared to sit outside,” he exclaims.

The JDA was set up to address the collapse of the inner city through the use of good design and public art. Bethlehem comments, “These help the quality of life *and* reinvestment. We must create a platform for private investment.” One old office building that was converted into 400 condos ranging from 650,000 Rand (ca. US\$100,000) to 1.25 million Rand sold in three weeks, many of the units to investors. But many empty buildings have been “hijacked” by squatters; wash flutters from broken factory windows. One of these is Mandela’s former office. Neil Fraser adds, “The owner knows he has something special and is just waiting for the price to go up; in the meantime the building is a fire and sanitation hazard.”

### Privatization

Privatization is one of the most hotly contested issues in South Africa. As the ANC struggles to transform itself from a liberation movement into a government, it looks to business to provide the services it cannot. Paul Jackson puts it succinctly: “The private sector is doing much more than government and NGOs together.” According to the Anti-Privatization Forum, however, service delivery is even worse now than under apartheid. “Yes, the ANC did inherit a backlog from apartheid,”

#### OPPOSITE

##### TOP:

**Residents use a communal water tap in Soweto.**

##### MIDDLE:

**Laundry day in the township of Alex.**

##### BOTTOM:

**Informal housing takes many forms in marginal areas.**



says Patra, an activist and musician, “but people are poorer than in 1994. The government listens to big business now, and parliament is full of aspiring capitalists.”

At the Mvula Trust, an NGO working on water and sanitation in both urban and rural areas all over the country, we learned that foreign companies brought in to provide “instant” service delivery are experiencing difficulties in getting paid and are now threatening to walk out on their contracts.

During our visit there was a striking example of the disconnect that still exists between local and provincial government. The morning paper announced that the province of Gauteng had signed a contract with a Malaysian company for the construction of a monorail between Joburg and the airport, and the mayor of Joburg purportedly knew nothing about it. “The ANC works on a committee system,” one of our spokesmen says. “It doesn’t want dynamic mayors.”

Another example is the rioting being reported in the papers during our visit in the township of Khutsong. The inhabitants are vehemently protesting the government’s decision to change the borders of Gauteng, in the process “moving” Khutsong into the province of North West, which is notorious for its poor service delivery.

Leila of the Mvula Trust spoke of the obstacles to progress. “We say, manage water at the lowest possible level, rather than introducing high tech programs. Use local skills and resources, train people to do it themselves. But local governments are reticent to work with local people; they’re in a hurry,” she says. The problem comes back yet again to education. How can South Africa educate its people after decades of disenfranchisement, and in time to provide their countrymen with the services that are so badly needed?

Meanwhile, in South Africa as in the rest of the world, households are getting smaller, but there are more of them, so many more water connections are needed. “And there is even the issue of what constitutes a household,” Leila explains. “Is that the account holder, or also the people living in the 15 shacks on his land who are dependent on him for their water supply?”

Privatization of utilities has siphoned skilled workers from the public sector into private business. After decades of under-education of blacks, there was already a dearth of black engineers. “Many municipalities do not even have *one!*” exclaims Leila. “And the World Cup of 2010 is



Photos: © R. Steven Lewis

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**New government housing offers only modest accommodations.**

a huge drain on skilled personnel and building materials.” At the same time everyone admits that the World Cup can be a boost of confidence.

### Black Diamonds

Of the entire sub-Saharan economy, 40 percent is generated in South Africa. The new prosperity, and the new opportunities, have created Black Diamonds, the new class of prosperous blacks. A three-page special report in the *Sunday Times* of May 20, 2007, quotes a survey by the University of Cape Town Unilever Institute and TNS Research Surveys putting the number of Black Diamonds at 2.6 million, of the total 23 million adult African population. They account for 12 percent of black consumers, but wield 54 percent of the buying power. They are piling up debt on property, cars, electrical appliances, electronics, furniture, and clothes (a familiar pattern for Americans). The South African economy is grateful; white spending has been stagnant, according to the Unilever report, and 35 percent of black adults are unemployed. This lifestyle is in stark contrast to that in many townships, which residents are leaving in droves.

Denis Creighton, a retired businessman who now leads tours through Soweto, shows us surprisingly wealthy suburbs. The most noticeable difference with Joburg proper is the lack of razor wire and armed response. “Housing is at a premium here,” Creighton explains, “and there is no stigma attached to living here.”

Soweto is an acronym for South Western Township, but since its founding in 1904 it has grown into a full-fledged city of between 1 and over 3

million people. In South Africa’s most famous township a mall and a megaplex are under construction. It can even lay claim to being the only place in the world with two Nobel Prize winners on one street: Nelson Mandela and Bishop Tutu. Here, too, is the memorial for a small figure who looms large in the history of Soweto: the school-boy Hector Pieterse, whose death at the hands of the police sparked the violent student uprisings of the mid-1970s. The photograph of him, fatally wounded, in the arms of a schoolmate with Hector’s sister at his side, went round the world as an iconic image of South Africa’s struggle.

Yes, there is also poverty in Soweto, for example in the crowded workers’ hostels and in Kliptown, where uncounted thousands live in shacks of corrugated metal and whatever other impromptu building materials can be found.

We witness poverty of an even more bitter order in the warehouse district of Alex, a township right next to the wealthy suburb of Sandton. No one knows how many people, South Africans and immigrants from other parts of the continent, have constructed dwellings in abandoned warehouses. Electrical wires run crisscross between the improvised walls across the pitch-dark alleys, many of which deadend. One shivers to think what happens when one of the paraffin cookers people use here falls over and starts a fire.

One of our most haunting encounters takes place here, with a woman who lives in a tiny room with her husband and three children. Her space is unbelievably proper and well-organized, and we compliment her on how beautiful she has made her home. “No,” she retorts with angry dignity, “it is not beautiful. No human being should live like this.”

### Cycles of Violence

At the Market Theater in downtown Joburg we see the play *Molara* (ash), an adaptation of the ancient Greek drama of Orestes, who slays his mother in revenge for her slaying his father. Creator and director Yael Farber has changed the ending: at the last moment Orestes takes mercy on his mother Klytemnestra. The throaty singing and rhythmic stamping of the chorus, one man and six women from Transkei in traditional blankets and turbans, is powerful and moving.

In the program Farber writes, “Coming from South Africa, the question of revenge begs enormous consideration in the light of an almost



unfathomably peaceful transition to democracy. *Molara* is an attempt to grapple with the drive for revenge, and a celebration of breaking the cycles of violence by the courage of the ‘ordinary’ man.”

Farber is proud of her countrymen. Indeed, nowhere in the world do you hear people of all colors and walks of life say so passionately and unconditionally: “I love my country. I am proud of our Constitution.” Lael Bethlehem of the JDA concurs, “The Constitution is a radical and extraordinary document that sets the basis for a new society. It accords South Africans constitutional rights that no other nation has, such as gay marriage.”

On Constitution Hill past and present come together in a deeply moving manner. It was here on a hill overlooking the city that Boer leader Paul Kruger decided in 1893 to build four prisons: the Fort, the Women’s Jail, the Awaiting Trial Block, and Number Four, the “Native” jail. Both Mahatma Gandhi and Mandela were incarcerated here. At the transition in 1994, precisely this spot was chosen for the newly created Constitutional Court, in a building designed by the Joburg firm Urban Solutions that opened on Human Rights Day, March 21, 2004.

The worst and the best of the country come together here. Justice Albie Sachs receives us in his chambers and tells us about the genesis of the building and the art collection in it—largely his doing. He does not talk about his years in prison as a dissident against apartheid, or about the bomb that took his right arm and one of his eyes when he was living in exile in Mozambique. That was the past; Albie Sachs, at 72, is looking to the future. After all, his son Oliver is just a little over a year old.

### Reflections

Our visit to Johannesburg was an intense and exhilarating professional experience, as well as an emotional, personal one. Rarely is the connection between the built and natural environment and the social and political contexts that shape it so intimate and immediate. It made us sure, if we had ever doubted it, that what we do as planning and design professionals matters.

South Africa is reinventing itself as we speak—socially, politically, economically, racially. Hope and apprehension are running head to head. Will the “unfathomably peaceful” transition be strong enough to sustain South Africa’s uncertain future? Everyone hopes so, but no one knows. **L**



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## Loeb Fellows, 2006–2007

### Denise Arnold

Architect and Urban Designer  
Chicago, Illinois

### Catherine Crenshaw

Developer  
Birmingham, Alabama

### Ulises Diaz

Architect, Photographer,  
and Activist  
Los Angeles, California

### Deborah Frieden

Capital Planning Projects  
Consultant  
Oakland, California

### Brian Kuehl

Corporate Counsel  
The Clark Group  
Sheridan, Wyoming and  
Washington, DC

### R. Steven Lewis

Architect  
U.S. General Services  
Administration  
Washington, DC

### Tracy Metz

Journalist  
Amsterdam, The Netherlands

### Elizabeth Otto

Environmental Planner  
American Rivers  
Washington, DC

### Damon Rich

Architect and Planner  
Center for Urban Pedagogy  
Brooklyn, New York

### Ingo Wolf

Architect and Urban Designer  
Leipzig, Germany

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**TRACY METZ**, a native of California, lives and works in the Netherlands as a journalist with the daily newspaper NRC Handelsblad. She is also a visiting scholar with the National Planning Institute, where she is working on a book about downtowns in the United States and Europe, and is an international correspondent for Architectural Record. Contact: Metz@nrc.nl

# NAVIGATING State and Local Finances

*Kim Rueben, Therese McGuire, and Susan Kellam*

**P**ast trends will not foretell the future, but charting how state and local finances weathered the 2001 recession suggests viable ways to navigate going forward. Lacking the deficit finance ability of the federal government, states and localities must set a spending course based on anticipated taxes and revenues. An unexpected crisis—like the stock bubble burst at the beginning of this century and the subsequent economic slowdown—that throws budgets into fiscal chaos requires such unpopular bailouts as tax increases or cuts in services and welfare. Did that happen?

Participants at a Lincoln Institute–sponsored conference in March 2007 gathered at the Urban Institute in Washington, DC, to discuss the recession and share findings on how states and localities determined various actions and policies to address its impacts. This conference, titled “State and Local Finances after the Storm: Is Smooth Sailing Ahead?”, was also hosted by the Urban Institute–Brookings Institution Tax Policy Center, and by the Kellogg School of Management and the Institute for Policy Research, both at Northwestern University.

A prior conference in April 2003 focused on what we do and do not know about state fiscal crises. Although the economy takes a downturn about once a decade, policy makers continue to be caught unprepared. The recession of 2001 was further exacerbated by tax reductions enacted by state governments in the boom period of the late 1990s and by spending accelerations.

The personal and corporate income taxes and the sales tax all yielded lower revenues in 2002 than in the previous year, according to research presented at that 2003 conference. At this year’s conference, we learned that the corporate income

tax rebounded as a share of state tax receipts starting in 2003, but that the effective tax rate on corporate profits has slipped even further.

Presentations also noted that substantial rainy day funds in some states may have staved off broad-based tax increases and protected social services for low-income families. Cities don’t have rainy day funds, however.

Many cities found that the resilience of property taxes proved to be the great equalizer as states and localities faced large declines between available revenues from other sources and the resources needed to maintain services. Yet, as a case study of Minnesota showed, no two cities respond to fiscal crises in exactly the same way. For example, more than 38 percent of Minnesota’s cities relied more on increased service charges than on property taxes (Anderson 2007).

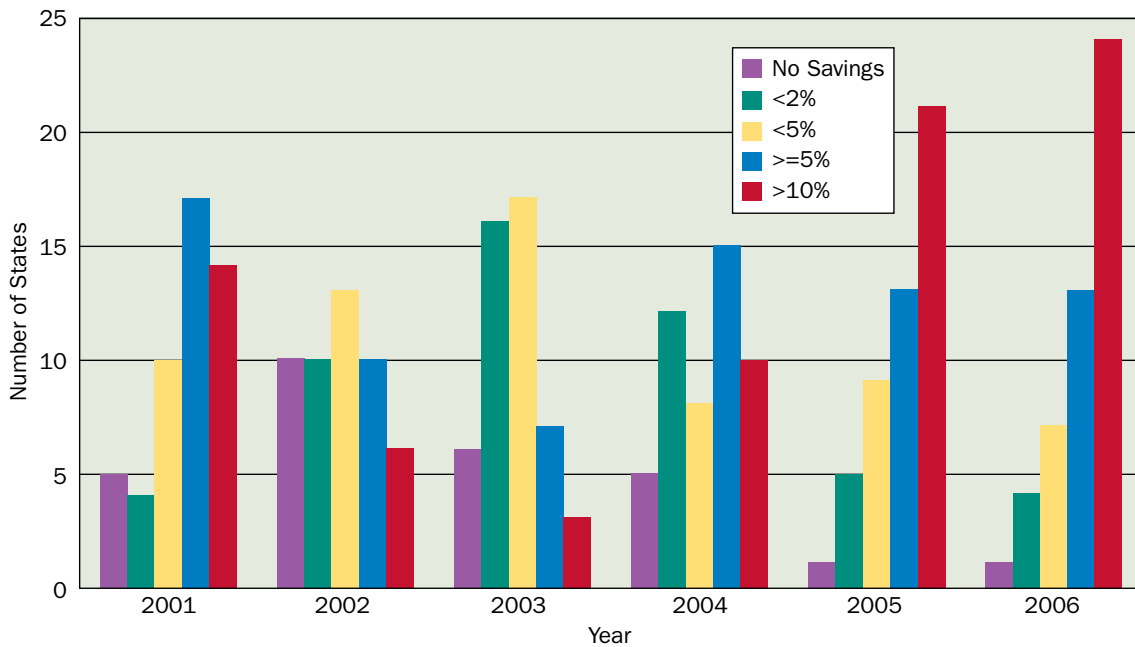
Cutting funds to K-12 education is perhaps the most unpopular way to reconcile local budgets during a recession. However, new numbers presented at the 2007 conference showed that while state and local education spending trended slightly upward in 2002, it dipped briefly in 2003 and 2004. Many localities’ direct education spending has recovered; states, however, have not returned to pre-recession education spending levels.

What are the budget busters going forward? Medicaid recently became the largest spending category for states, and it is one of the most rapidly growing areas of state and local budgets. Recent court-mandated school finance reforms and local tax limitation efforts have been shifting the onus of education spending from localities to the states. Both of these trends are expected to continue as the baby boom generation ages.

State pension fund activity, both growth and decline, is also affecting the long-term fiscal health of many states. Overlooked unless it is headline news—such as underfunding of pension funds in



**FIGURE 1**  
**State General Fund and Rainy Day Fund Savings as a Percent of Expenditures**



Source: Adapted from Figure 5 in Maag and Merriman (2007)

Illinois or New Jersey’s diversion of billions of dollars from its pension fund for state and local workers into other government purposes—pension funding could have a huge impact on state finances.

### Responses to the 2001 Recession

“To many people the recession of 2001 probably seems like ancient history. But we need to understand it because what happened in the first few years of this decade was, by some measures, the worst fiscal crisis in at least 50 years,” said Nick Johnson of the Center on Budget and Policy Priorities in Washington, DC, and a moderator at the 2007 conference. He noted that states did make some expenditure cuts with scaled-back health benefits, declines in Medicaid enrollment eligibility, and cuts or freezes in childcare assistance.

But according to David Merriman of the University of Illinois at Chicago, states entered the 2001 recession better prepared than they had been for downturns in recent decades (see figure 1). Using 2001–2006 data from the National Association of State Budget Officers, Merriman and Elaine Maag of the Urban Institute showed that state tax revenues grew only two-thirds as fast as gross domestic product (GDP) in those five years—remarkable since state revenues grew almost 25

percent faster than GDP in the two-and-a-half decades prior to that recession.

Still, state savings in general funds or rainy day funds propped up spending and deterred draconian tax increases or budget cuts. Simulations suggested that, if states did not have savings at the recession’s start, per capita spending would have fallen about 21 percent by 2004, rather than the observed 5 percent drop. States also appear to be replenishing their savings rapidly, thus preparing for future fiscal crises.

Those looking at state corporate income tax reform to shore up budgets against future economic dips may be disappointed. The corporate tax is surprising small, according to William Fox of the Center for Budget and Economic Research at the University of Tennessee, amounting to only about 10 percent of state and local business taxes. Although perceptions of corporate tax abuse may be wildly overstated, Fox, with coauthors LeAnn Luna and Matthew Murray, argued that corporate taxes should have rebounded dramatically with the recent growth in profits, but they have not. The ability to carry losses forward may explain part of the lag, as would increasingly effective business tax planning.

Fox suggested that participants look to Ohio, where gross receipts taxation offers a viable alter-

## State and Local Bonds Weather the Storm

Three major credit rating agencies, Moody's, Standard and Poor's, and Fitch Ratings, evaluate the creditworthiness of states and localities before they issue municipal bonds. Ratings provide an independent assessment of credit quality, thus facilitating state and local government market access to borrow for capital projects. Ratings are continuously upgraded and downgraded as economic and fiscal circumstances and governmental behavior change the credit outlook.

According to Melanie Shaker and Laura Porter of Fitch Ratings, local governments can be more vulnerable than states to economic shocks due to their more limited tax base. Any large loss of taxpayers, increased expenditures (including for out-of-work taxpayers), changes in industrial concentration, or drops in housing construction can impede financial performance, force increased debt issuance, and, possibly, lower bond ratings.

Cleveland's recent experience with high mortgage foreclosure rates, for instance, required a rating discussion when the city issued bonds in 2007; Detroit was downgraded to 'BBB' based on its financial and economic woes. Future challenges for localities, said Shaker, will be their ability to withstand fluctuations in the housing market and sustain financial integrity despite fiscal pressures such as rising health care and pension costs.

Varied tax structures and regional economies led to very different changes in state ratings during the 2001 recession. Impacts were generally more severe in such higher-income states as California, Massachusetts, and New York, which had benefited the most from capital gains and stock option runs-ups, according to Porter. Of the eight states with rating downgrades in the recession, only California and Oregon have been upgraded since then, and neither is back up to its pre-recession rating. These states also reflect the impact of voter initiatives that limit financial flexibility.

With upturns in the last few years, state government finances appear strong enough to weather a recent deceleration in the pace of growth, particularly to the sales tax. Issues to watch, Porter said, include rising health care and transportation program costs, property tax relief demands, and a softening housing market.



native to corporate income taxation. Gross receipts taxes have several obvious problems, such as the repeated taxation of goods as they are resold during the production process and the introduction of incentives to firms to vertically integrate to avoid the tax. However, this type of taxation has some advantages.

The Ohio Commercial Activity Tax (CAT) replaces franchise and personal property taxes with a lower rate on gross receipts. The tax is levied on all businesses that have an economic presence in the state. The application to all businesses promotes the perception of fairness, and its relatively simple application in Ohio helps control administrative and compliance costs.

After the 2001 recession many states adopted tax amnesty programs that provided a short-run boost to state revenues at little direct cost to the states. Most amnesties forgive penalties and interest charges. Their repeated use, however, may prove to be self-defeating if taxpayers start to cheat with the reasonable expectation of being offered an amnesty in the future.

### Pushing Down the Problem

The federal government transfers about one-fourth of its revenues to the states, which in turn disburse



important operating funds to cities and counties. State governments play a major role in funding local governments—including counties, municipalities, and school districts—for education, transportation, public health, and social services. When tough economic times depress revenues at the top, jurisdictions at the bottom bear the burden. Many cities saw a decline in revenues after the 2001 recession, according to Christopher Hoene of the National League of Cities. Some local governments raised public service fees to make up the shortfall, and others responded to reduced state fiscal assistance by increasing property taxes—their major revenue source.

Despite rhetoric on the importance of public education, 29 states—enrolling two-thirds of the nation’s public school students—reduced education aid per capita between fiscal years 2002 and 2004, according to Richard Dye of Lake Forest College in Illinois. These data, presented in a paper coauthored with Andrew Reschovsky of the University of Wisconsin-Madison, “understate the fiscal pressures placed on local school districts,” Dye said. New accountability standards imposed by the 2001 No Child Left Behind law only compounded the pressure to maintain public education in light of state aid cuts and rising costs.

How did school districts cope in the wake of state aid curtailment? Dye and Reschovsky reported that increases in local school district property tax revenues between fiscal years 2002 and 2004 largely offset decreases in state aid, providing strong evidence of the strength and resiliency of the property tax. Of the 22 states with decreases in state aid, 19 increased property tax collections, and eight of these—Alabama, Arkansas, California, Georgia, Kansas, Massachusetts, South Carolina, and Utah—increased property tax collections by more than 5 percent. These eight states also had the largest cuts in inflation-adjusted per capita state aid. These revenue increases might be the result of actions taken by local governments or, as noted by Hoene, the result of rising property values leading to higher property taxes.

James Alm and his coauthors Robert Buschman and David Sjoquist of Georgia State University, also studied the negative impacts of the 2001 recession on K-12 education spending, mainly at the state government level. They looked at both education spending trends and the variables behind the trends, and they found that the legal and institutional restrictions on states and localities appeared

to have little consistent impact on revenues in the post-recession period.

However, they also found that the fiscal structures of state and local governments, as well as regional differences, are important explanatory factors in these trends. The increase in local spending in the Northeast was substantially larger than in other regions, for example. As for “tastes,” states with more educated citizens, all else being equal, are less likely to reduce education spending, Alm said, while states with higher home ownership rates were found to be more likely to reduce spending.

Nathan Anderson of the University of Illinois at Chicago offered a case study of Minnesota to illustrate the importance of examining responses at the local level. While the aggregate data for Minnesota suggest that cities responded to aid cuts primarily by raising property taxes, individual-level data reveal that more than one-quarter of Minnesota cities actually lowered property taxes. About 38 percent of the cities replaced more of their lost aid with service charges than with property taxes. He emphasized the “local heterogeneity” of cities, especially since many similar cities received very different aid cuts and responded very differently in terms of whether or not to raise property taxes and by how much to raise them. Again, these increases in property taxes might be due to rising property values.

Anderson also discussed responses to what he referred to as broken promises by the Minnesota





state government to its local governments. State aid is promised one year in advance so that cities can set their property tax rates. In 2003, the exact nature of the aid cuts was not revealed until city policies had already been set. Once cities realized that they had been misled, in some cases it was too late to raise property taxes, forcing those cities to either dip into alternative funds or to cut services.

#### Likely Budget Busters Going Forward

Many of the policy choices that states and localities make this year—or have already made—will influence the major issues of health, pensions, and education for years to come. “We’re often setting ourselves up for failure,” said Eugene Steuerle of the Urban Institute, “since many policies are pre-set before the relative importance of different types of pressures and needs of society can be known.”

This is particularly evident with the Medicaid program, which has grown dramatically since its inception in 1965 (see table 1). Now providing health benefits to about one-sixth of the national population, Medicaid has become the biggest expenditure item for state governments and is a major element in the system of federal transfers to the states.

To illustrate the growth in Medicaid, James Marton and David Wildasin of the Institute for Federalism and Intergovernmental Relations at the

Marton School of Public Policy of the University of Kentucky compared the health program spending to welfare spending. In 1967 both aid programs were approximately equal in amount. By 1988 Medicaid spending was nearly three times as large as cash welfare spending. By 2003 Medicaid was nearly nine times as large as what is now called Temporary Assistance for Needy Families. The 1996 landmark welfare reform law, which made welfare temporary, continues to have a spillover effect on Medicaid. Demographics pose another important factor going forward, since the elderly requiring long-term care are a very large share of current Medicaid spending.

Considering the health care pressures stemming from an aging population, and a growing number of uninsured workers, Marton discussed the potential for Medicaid reform. State experiments may be the key to any national reform effort, he said, as evidenced by the number of states receiving waivers from federal law to launch innovative new systems. This continues the “laboratory of the states,” since the granting of welfare reform waivers in the early 1990s served as a model for the 1996 reform. Any major Medicaid reforms, Marton predicted, are likely to involve some change in the intergovernmental fiscal and regulatory relations that now underpin the program.



Changing demographics is another major factor when examining the road ahead on education spending. “We’re aging and the number of school-age children is growing,” said Kim Rueben of the Urban Institute. These changes indicate a greater need for education spending, which may lack political support since older residents are often less inclined to vote for education funding increases than are younger voters and those with children.

The large role of education spending in state budgets is partly due to lawsuits that cropped up in the 1970s and 1980s as questions of equity and adequacy were raised across different states, resulting in requirements that education expenditures be equalized across school districts. This change meant moving reliance for school funding from the property tax to state sources. The growing number of special needs students, such as those with disabilities and limited English skills, also increases the cost of education. Some estimates put the cost of educating a special needs student at 50 percent more than the cost of educating an average student.

State pension systems are also quietly raising concerns, but not necessarily alarm. “Turbulence is a matter of comfort, not safety,” said J. Fred Giertz of the University of Illinois at Urbana-Champaign in a paper with Leslie Papke of Michigan State University. “Underfunding has become a fact of life,” he said. As evidenced in Illinois and New Jersey, state governments do not always invest pensions in a way that guarantees security for retiring workers. This was not always the case. High investment returns in the late 1990s allowed some states to reduce or eliminate their annual contributions to pension funds, just as some companies reduced their contributions to their fully funded pension funds. State and local public pensions are predominately of the defined benefit form—that is, employee and employer contributions, plus the investment returns, are intended to cover the cost of benefit payments.

In summary, the conference highlighted that throughout the 2001 recession the sustained strength of the property tax and the presence of rainy day funds largely protected state and local governments from the need to cut spending drastically or to raise tax rates. What does this tell us about potential fiscal pressures on the horizon? Ensuring sufficient revenues going forward, as well as having the flexibility to revamp fiscal structures, will be important for state and local governments, especially due to growing future spending need. **L**

**TABLE 1**  
**Share of Total State Expenditures by Function (%)**

	1985	1990	1995	2000	2005
K-12 Education	22.2	22.8	21.0	22.3	21.8
Higher Education	11.1	12.2	10.4	11.4	10.6
Cash Assistance Welfare	6.1	5.0	4.0	2.6	2.0
Medicaid	11.0	12.5	19.8	19.5	22.9
Corrections	2.2	3.4	3.6	3.9	3.5
Transportation	10.7	9.9	9.1	9.1	8.6
All Other	36.7	34.2	32.1	31.8	30.8

Source: Adapted from Table 1 in Murray, Rueben, and Rosenberg (2007) using data from the National Association of State Budget Officers, Washington, DC.

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# IMPACTS OF REGULATIONS ON UNDEVELOPED LAND PRICES

## A CASE STUDY OF BOGOTÁ

*Oscar Borrero Ochoa and Carlos Morales Schechinger*

Urban regulations in Latin America that create benefits to landowners as increased gains are usually welcomed, especially by those who own land where more benefits have been concentrated; for example, when zoning plans authorize development in one area but restrain it in another, or when building codes stimulate a type of housing but condone the provision of infrastructure. But urban regulations that impose charges on development, such as the provision of trunk roads, the dedication of land for environmental purposes, the inclusion of social housing, the readjustment of land with neighbors, or the payment of special charges, generate strong resistance.

### Confronting Conventional Wisdom

One of the most frequent arguments against imposing charges on land development is that those charges will be transferred to the consumer through higher prices. However, land economics theory tells us that charges will be capitalized in the price of land, and therefore will be absorbed by the landowner. This happens because of the relative inelasticity in the supply of land that is well-located, has infrastructure, and is available for development. The relative scarcity of such land allows the landowner to collect the highest bid price, usually taking all of the payment capacity from the demand side, whether from the developer or the final user of the land.

Latin American stakeholders are skeptical about these theories, especially when discussing urban regulations. They are skeptical (if not cynical) about any land policies that impose new charges, including new laws and the implementation of

existing ones. This subject generates intense debate throughout the region for three reasons:

- 1) **ignorance**—architects, who are largely responsible for urban planning in the region, generally have little or no training in economics, and even economists working in fiscal policy may not differentiate the economic behavior of land taxes from other types of taxes;
- 2) **ideology**—right-wing politicians prefer deregulated markets, including land markets, but, paradoxically, left-wing politicians also favor deregulating the production of social housing for different reasons, but with similar effects; and
- 3) **interest**—landowners and land-holding developers seeking higher short-run gains versus lower yet more stable and sustainable profits resist extra costs, scaring consumers with an increase in prices and threatening politicians with an eventual collapse of business.

### A Case Study of Bogotá

There have been few studies in Latin America on how regulations impact land prices, in part because information is difficult to come by and there are many methodological problems when one tries to isolate effects on prices that are dependent on many variables. A recent study in Bogotá, Colombia, sponsored by the Lincoln Institute, is producing some interesting though preliminary findings. One key purpose of the study was to measure how recently issued regulatory benefits and charges are impacting prices of undeveloped land.

Colombia introduced a new comprehensive urban law ten years ago, Law 388 of 1997. One of its main principles is “equitable distribution of costs and benefits of urban development.” That is, if a landowner wants to reap the benefits of land

**TABLE 1**  
**Regulatory Benefits and Charges on Undeveloped Land in Bogotá**

	Group A	Group B	Group C	Group D
Specific Regulation	Decree 327, 2004, for undeveloped large parcels below 10 hectares	Decree 436, 2006, for undeveloped large parcels above 10 hectares	<i>Plan Zonal Norte</i> for the northern periphery (decree expected to be approved in late 2007)	<i>Plan Zonal Nuevo Usme</i> for the southern periphery (Decree 252, 2007, approved after this market fieldwork was done)
Basic Benefits	FAR: up to 1.0 (1)	FAR according to zoning contained in the urban plan (POT)	None; see extra benefits	None; see extra benefits
Basic Charges	Those derived from discounts when calculating FAR (1) and for standard neighborhood facilities (2)	Those derived from land readjustment, for discounts when calculating FAR (1), and for standard neighborhood facilities (2)	Those derived from land readjustment, for discounts when calculating FAR (1), and for standard neighborhood facilities (2)	Those derived from land readjustment, for discounts when calculating FAR (1), and for standard neighborhood facilities (2)
Extra Benefits	Additional FAR, depending on zoning, up to: 1.75 residential 2.0 residential 2.5 mixed, office and commercial	Additional FAR, depending on zoning and shared with neighbors through land readjustment, up to: 1.75 residential 2.0 residential 2.5 mixed, office and commercial	Profitable land uses and higher FAR established in a specific partial plan and shared with neighbors through land readjustment	Relatively profitable land uses and higher FAR established in a specific partial plan and shared with neighbors through land readjustment
Extra Charges	<ul style="list-style-type: none"> <li>• 20% social housing</li> <li>• Payment for trunk roads</li> </ul>	<ul style="list-style-type: none"> <li>• 20% social housing</li> <li>• Payment for trunk roads, except if 100% is for social housing</li> <li>• 4.0 m<sup>2</sup> per inhabitant for green space; minimum of 17% of total area</li> <li>• Develop the land only by establishing a specific partial plan implemented through land readjustment</li> </ul>	<ul style="list-style-type: none"> <li>• Social housing in various proportions; unprofitable land uses and costs of infrastructure and major facilities established in a specific partial plan and shared with neighbors through land readjustment</li> <li>• Land value increment tax at a rate of 50% (3)</li> </ul>	<ul style="list-style-type: none"> <li>• High percentage of social housing; plots and services for self built housing; unprofitable land uses, costs of major facilities and infrastructure established in a specific partial plan and shared with neighbors through land readjustment</li> <li>• Land value increment tax at a rate of 50% (3)</li> </ul>

Notes

- (1) For basic FAR (floor to area ratio) the 'area' is the net surface of the undeveloped land, i.e. after major rights of way, environmental areas, and areas of unfeasible development have been discounted.  
 (2) All developments are required to provide basic standard neighborhood services and land dedications (approximately 40% of net area).  
 (3) According to Municipal Bill 118, 2003, all parcels are subject to this tax (*Participación en plusvalías*). Parcels in groups A and B were virtually exempted from the tax because they are located in areas that were downzoned in the new zoning regulations of the urban plan.

Source: Adapted from Borrero (2007)

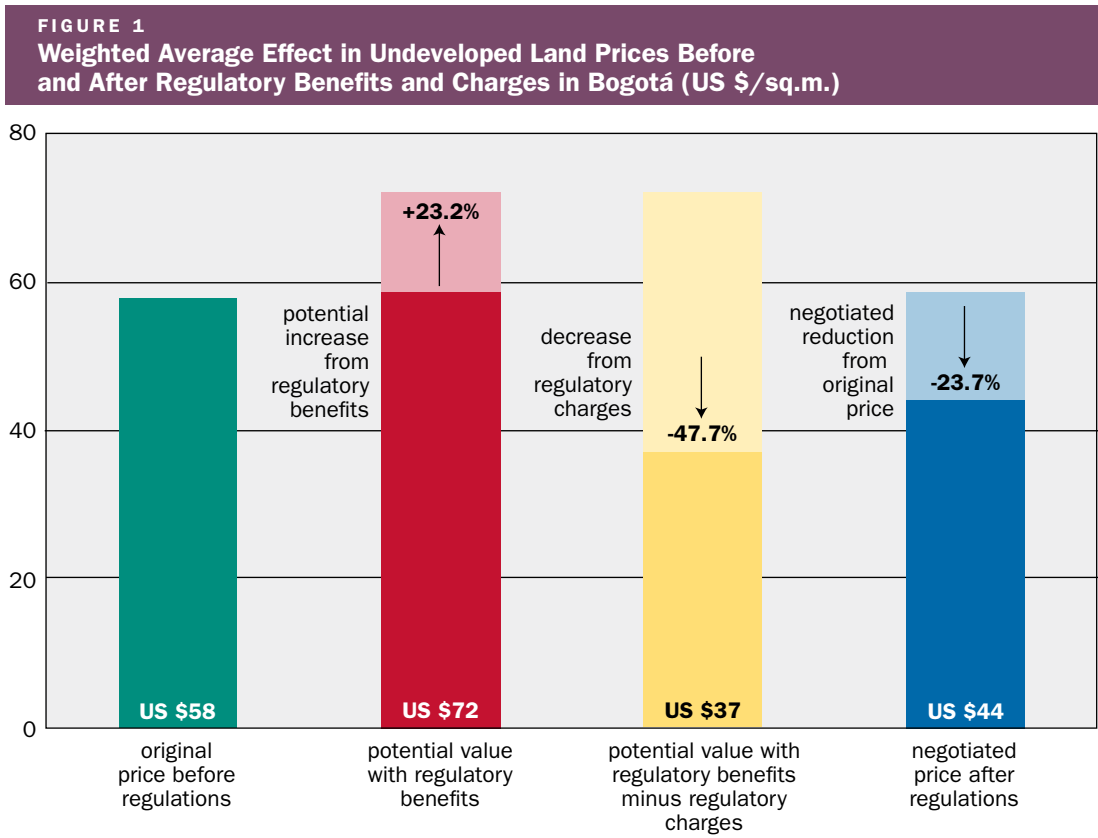
being developed for urban purposes, he or she should bear part of the costs of doing so.

Bogotá's local government has been quite advanced in implementing many aspects of the law. Among the city's initiatives are: an urban plan (*Plan de Ordenamiento Territorial, POT*) with many specific zoning regulations; a new tax on the increase in land value due to public investments or changes in land use; two specific regulations that allow extra density for undeveloped parcels that pay for trunk roads and include social housing and extra green space; and two major zonal plans in the expansion areas that will regulate how land-

owners assemble their land in large projects, and how they should share costs and benefits under a multiple land use *Plan Parcial*. Table 1 organizes and summarizes regulations for four groups of parcels in Bogotá.

The research team defined a sample of 30 properties comprising 335 hectares, or about 13.6 percent of the urban area of Bogotá. This area represents 45.4 percent of the 737 hectares of undeveloped land that was offered in the market from June 2005 to March 2007, and 6.2 percent of the 5,408 hectares of undeveloped land regulated by the four types of regulations.





- For each parcel the research team:
- surveyed the original asking price either before regulations were imposed or before landowners became aware of them;
  - calculated the potential value of each parcel with extra regulatory benefits derived from new densities or land use allowances;
  - calculated the cost of regulatory charges deducted from the potential value (actually calculating the residual value of land), and confirmed with developers if it was the maximum value that they would view as acceptable; and
  - negotiated the price with the landowners to see how much they would reduce (or increase) their original value after arguing that new regulatory charges and benefits would be involved. Actual closing prices were used when they were available instead of the (hypothetically acceptable) negotiated prices.

Figure 1 shows the behavior expected under different conditions using the average value of the 30 cases surveyed, weighted by the surface of each parcel. The findings show that the regulatory benefits increase the potential value to 23.2 percent higher than the original price. But these benefits are only possible when used against regulatory charges, which then reduce the potential value by

almost 47.7 percent (or 35.6 percent if compared with original price). When landowners are made aware of regulatory charges and benefits and negotiate a new price, they are accepting a reduction of only 23.7 percent of their original price.

These are weighted averages, yet they show a trend: in general, prices are not going up as skeptical stakeholders in Latin America usually expect, but in fact are going down. It is quite understandable that if regulations on land only increased benefits, then prices would go up in those areas that are affected. But if regulatory benefits are combined with extra charges, then the increase might be offset. If these charges outweigh the benefits, then prices are likely to go down. This seems to be true in most of the cases under study, but the exceptions are also of interest.

**A Closer Look at Affected Properties**

Owners of 18 of the 30 properties in the survey accepted reductions of their original asking prices at a level that would allow the developer to absorb all the statutory charges, thus not transferring them to the consumer. In seven cases the landowners agreed to reduce their prices, although not enough to incorporate all of the charges; two of these owners came within 5 percent and 7 percent

of covering all charges. In five cases, landowners actually asked for higher prices than originally, arguing that their expectations were now higher, whether because of better zoning or different market conditions that would allow regulations to be changed. On the other hand, developers were not willing to pay higher prices than those calculated by the research team, even in cases where the parcel was considered well-located.

The difference in original and negotiated prices varies from one group to the other; apparently this depends on the balance between the regulated benefits and charges (see tables 2 and 3 for survey results and weighted averages in each group).

In Group A, where regulations allow for extra FAR, benefits may increase the value to a weighted average of 18.1 percent above of the original ask-

ing price. Yet, regulatory charges such as social housing and payments for trunk roads represent 25.2 percent of the potential value of the parcels once new regulatory benefits have been incorporated. Since charges outweigh benefits, the end result is that original prices drop by 12.5 percent on average.

In Group B, with similar regulatory benefits, potential values actually decreased by 15.2 percent when compared to the original asking prices, apparently because old regulations allowed for higher densities and almost any land use, and therefore expectations were high; new zoning has curtailed this intensity of development because of infrastructure constrains. Regulatory charges for this group include those of the previous group plus extra green space and land readjustment with their

**TABLE 2**  
**Regulatory Benefits and Charges on Undeveloped Land in Bogotá**

	Group A			Group B			Group C			Group D		
Total surface of regulated undeveloped land	909.0 ha			2,705.0 ha			1,044.3 ha			749.7 ha		
Surface of undeveloped land actually in the market or being negotiated during the period of survey (June 2005–March 2007)	284.9 ha			129.3 ha			139.5 ha			183.7 ha		
	# (1)	ha (2)	% (3)	#	ha	%	#	ha	%	#	ha	%
Parcels surveyed	13	27.6	3.0	9	47.1	1.7	6	99.4	9.5	2	160.3	21.4
Subgroup of parcels that reduced the price enough to absorb regulatory charges	9	20.6	2.3	4	29.5	1.1	4	80.6	7.7	1	6.3	0.8
Subgroup of parcels that did not reduce the price or not enough to incorporate all regulatory charges	4	7.0	0.8	5	17.6	0.7	2	18.9	1.8	1	154.0	20.5

Notes

(1) Number of parcels in the group or subgroup

(2) Total surface of parcels in the group or the subgroup

(3) Percent of surface of parcels in the subgroup, compared to the total surface of undeveloped land regulated in the group

Source: Adapted from Borrero (2007); Maldonado (2007)

ha = hectares

**TABLE 3**  
**Average Variations of Values Weighted by Total Surface of Parcels by Group**

	Group A	Group B	Group C	Group D
Extra regulatory benefits as % of original price	18.1%	-15.2%	25.9%	142.7%
Extra regulatory charges as % of original price (before extra benefits)	11.7%	28.5%	49.2%	39.3%
Extra regulatory charges as % of potential value (after new regulatory benefits)	25.2%	15.7%	59.6%	75.0%
Reduction of price after new regulations as % of original price	12.5%	14.3%	38.6%	10.2%

Source: Adapted from Borrero (2007)

neighbors, representing 28.5 percent of the original asking price. Five of the nine landowners in this group resisted price reductions and in fact increased their original price. This is a possible explanation for a reduction of 14.3 percent of the group's weighted average, similar to the first group where charges are not as high yet benefits were similar.

Groups C and D are more complex because these northern and southern areas of the city are experiencing the most pressure to develop and are subject to special provisions. These additional regulations not only require land readjustment with specific partial plans, but also must include a mixture of profitable and unprofitable land uses (such as high schools and special environmental areas); substantial social housing, and in the southern area substantial numbers of plots for self-built housing; important investments in infrastructure; and a land value increment tax of 50 percent to be paid by the developer. In such areas the discussion about the impact of regulations on land prices has become quite heated, yet preliminary evidence from the survey shows that prices are going down and will continue to do so.

Table 3 shows that for Group C in northern Bogotá regulatory benefits will increase the value of the parcels on average by 25.9 percent above the original value, but regulatory charges will be 49.2 percent. The original prices already contained some high expectations because the parcels are located in the path of the most noticeable development of Bogotá and in high-income and commercial areas. Nevertheless, four cases that actually closed transactions have fully accepted the charges, and two others accepted substantial reductions, though not enough to cover all charges. The average weighed reduction from the original asking prices was 38.6 percent for this group.

Group D, in the Nuevo Usme area south of Bogotá, represents an interesting situation where the government is trying to win the battle against illegal subdividers that supply unserviced plots to the poor at comparatively high prices (Maldonado and Smolka 2003). The government's intentions are to provide for alternative serviced land at reasonable prices by engaging landowners and developers in land readjustment schemes that are almost self-financed. The city is using most of the land management tools provided by the new law, although the subdividers are resisting the new regulations as much as they can.

To understand how regulation affects land

prices, the research team was able to document two cases in Group D: one landowner closed the deal by accepting a price reduction and incorporating the full cost of extra charges; the other—the largest parcel in the survey and in the area—had not closed at the time of the survey, but had substantially curtailed his expectations. The average increase in value of these parcels from the extra benefits of mixed land uses and increased density represents 142.7 percent of the original asking value; thus the potential value represents 242.7 percent of original price.

Yet the extra charges in Group D are also high at 75 percent of the potential value, or 39.3 percent below the original value. The weighted average shows that the landowners are accepting a 10.2 percent reduction compared to their original asking price. (Just as this article was being finalized, the large landowner was negotiating an additional reduction of his asking price, which would bring the weighted average to 39.3 percent instead of the 10.2 percent reported in the survey, in fact accepting all of the regulatory charges.)

### Some Observations

One of the most important results of this data, preliminary though it may be, is that individual land prices tend to go down when regulatory charges are imposed. These charges are clearly not transferred to prices as erroneously argued by some stakeholders. It is expected that other findings from the Bogotá survey will add to the discussion, along with other studies that the Lincoln Institute is undertaking in Latin America. At the same time, more questions need to be asked.

For example, the Bogotá research team found very diverse levels of awareness of the 1997 law and other regulations among the landowners, and even among some of the brokers who act on their behalf. Among property appraisers and developers the implications of the regulations seem to be more internalized. Local authorities and policy makers seem to have mixed feelings, though they are putting the new law into practice slowly. Scholars from universities in Bogotá have played a major role in explaining the issues to the stakeholders involved.

Markets take time to adjust to new regulations. Thus, some of the cases in the survey that have shown little or no reduction in prices might take longer to adapt. It is not surprising that landowners are slow to assimilate new regulations, because for many of them this land transaction will be a



once-in-a-lifetime experience. Other stakeholders representing the demand side will have many such opportunities and tend to be more aware of the impact of regulations. This difference fosters even further asymmetric information from the supply and demand sides, which is characteristic of Latin American land markets.

Another interesting point is that, except for the increment in land value tax, the regulations affecting parcels in groups C and D had not fully come into force at the time of the survey. Nevertheless, the benefits and charges were already having an impact on prices. Two possible reasons are that some of the landowners have been involved in discussions about the new regulations and are thus more aware of the future implications, and there has been a stronger commitment from the local government to implement the regulations in these areas.

A related issue has to do with the stability of regulations, or at least of public policy, and the commitment of politicians and city officials. Some landowners in the survey asked for higher prices originally, betting that regulations would change in their favor—that is, that regulatory charges would be removed or subsidized—and that benefits would remain or increase to reflect more profitable land uses, even when demand would not pay for them in the long run.

In some cases the negotiated price was even lower than the potential value that had already been diminished by the regulatory charges. We suggest two possible explanations. One is a manifestation of asymmetric information, that is landowners might be aware of the new regulations, yet they can not calculate the impacts as well as developers. Another explanation is that these parcels have not been on the market long enough for more than one developer to bid on the land and take the price to a more realistic residual value. The regulations are still in the process of being enforced, and developers have been acting very cautiously. Furthermore, many of the negotiated prices are not yet closing prices. Even though substantial amounts of land appear to be on the market, in the few transactions actually completed, landowners seem not to be in the position to retain their land until they have a clearer picture of the future.

Owners who retain land benefited by regulations in anticipation of a more favorable gain might impose burdens on cities that would then have to expand future development into unfavorable areas

## ▶ ABOUT THE AUTHORS

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**CARLOS MORALES SCHECHINGER**, an architect and urban planner, lectures on land policy at the School of Architecture of the National Autonomous University of México and the Institute for Housing and Urban Development Studies (IHS) in Rotterdam, The Netherlands, and he coordinates and participates in classroom and online courses for the Lincoln Institute. He has held various posts in federal and local government and in development and commercial banks in Mexico. Contact: [moraleschechinger@gmail.com](mailto:moralesschechinger@gmail.com)

## ▶ REFERENCES

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Maldonado Copello, Maria Mercedes. 2007. Inclusión y derecho a la ciudad: Línea gestión del ordenamiento territorial. Secretaría de Hábitat de Bogotá, Misión Hábitat Bogotá. <http://www.habitatbogota.gov.co/>

Maldonado Copello, Maria Mercedes, and Martim O. Smolka. 2003. Using value capture to benefit the poor: The USME project in Colombia. *Land Lines* 15(3) July.

at higher costs. A sharing of costs and benefits between supply and demand in the land business, a central principle in the Colombian law, seems to be a constructive alternative. One of the benefits to the landowner from retaining land is to put pressure on the market to get to higher prices.

When the increment on land value charge (*Participación en plusvalías*) was introduced in Bogotá, it included a rate that increased during the first three years, from 30 percent in 2004 to 50 percent starting in 2006. Landowners were thus eager to sell as quickly as possible during the first two years in order to prevent their gains from diminishing further. A 50-percent rate on net land value increment reduces the retention premium in half, though not enough to preclude retention, and is certainly a mitigating factor.

This Colombian case is increasingly under scrutiny by policy makers throughout Latin America who are considering similar options. These preliminary findings on the impacts of regulatory benefits and charges on land prices will help to throw some light, if not on actual policy making, at least on inviting more research to be done on additional parcels and conditions. **L**



*John Emmeus Davis, a visiting fellow at the Lincoln Institute of Land Policy, is a founding partner of Burlington Associates in Community Development, a national consulting cooperative based in Burlington, Vermont, that specializes in the sustainability of nonprofit organizations and the design of public policies promoting permanently affordable housing. Davis is documenting the history and evolution of the community land trust movement in the United States during his Lincoln fellowship.*

*Before founding Burlington Associates with six other colleagues in 1993, Davis was the director of housing and Enterprise Community coordinator in Burlington. He has taught urban studies, neighborhood planning, and housing policy at New Hampshire College, the University of Vermont, and the Massachusetts Institute of Technology. He holds a BA in philosophy from Vanderbilt University and an MS and PhD in development sociology and city and regional planning from Cornell University.*

*Davis's research and consulting have focused on nongovernmental, nonmarket models of affordable housing such as community land trusts, limited equity cooperatives, and deed-restricted homes. These are now widely referred to as either "third sector housing" or "shared equity homeownership" (both terms originally coined by Davis). His many publications include The Community Land Trust Handbook (1982), The Affordable City: Toward a Third Sector Housing Policy (1994), Permanently Affordable Homeownership: Does the Community Land Trust Deliver on Its Promises? (2003), and Shared Equity Homeownership: The Changing Landscape of Resale-Restricted, Owner-Occupied Housing (2006). Contact: BurlAssoc@aol.com.*

## John Emmeus Davis

**LAND LINES:** *How did you come to be involved with the Lincoln Institute?*

**JOHN DAVIS:** I have been working as a course designer, lead teacher, and board member of the CLT Academy, a joint project of the National Community Land Trust Network and the Lincoln Institute. In developing and presenting an intermediate-level curriculum for CLT practitioners, I discovered that most CLT staff and board members have little familiarity with the origins of the model to which they are so committed. Few have heard of Henry George, Ebenezer Howard, Arthur Morgan, Ralph Borsodi, or Bob Swann. Few know of the link between CLTs and the Garden Cities movement in England, the Gramdan movement in India, or the Civil Rights movement in the United States.

Although practitioners come to the CLT Academy primarily to polish their technical skills, they have been surprisingly receptive to exploring the intellectual underpinnings of their work in the popular "Roots of the CLT" course session. Roz Greenstein, chair of the Department of Economic and Community Development, asked if I would be interested in collecting and publishing the background readings for this course, and to flesh out my slide show for a CD to provide wider distribution of this information. These are two of several projects I'll be pursuing during my fellowship.

**LAND LINES:** *What is the connection between Henry George and the community land trust movement?*

**JOHN DAVIS:** Somewhat the same, I would say, as the connection between Henry George and the Lincoln Institute. He was a source of inspiration for the people who created both institutions. In the case of the CLT, the father of England's Garden Cities movement, Ebenezer Howard, drew directly upon George's idea that all land gains are socially generated and should be captured for the benefit of a wider community, instead of claimed by a few fortunate landowners. Howard proposed to achieve this result through the municipal ownership and long-term leasing of the land underlying his Garden Cities, rather than through George's single tax.

Ralph Borsodi, another disciple of Henry George, proposed something similar in the United States. In 1936, he founded a leased land community in Suffern, New York, that he called a *land trust*. Like Howard, he believed community ownership of land, combined with individual leaseholds and individual ownership of buildings, to be the best way of effectively capturing and equitably distributing land values created by the larger society. The modern-day CLT is a descendent of the prototypes pioneered by Howard and Borsodi.

**LAND LINES:** *Does this intellectual history have any relevance for current CLT practice?*

**JOHN DAVIS:** Two-thirds of this nation's 200 CLTs are less than twenty years old, and half were formed since 2000. With such a rush of new people coming to the CLT, and with so much variability in the way the model is being adapted and applied, there is a fragile consensus on what it means to be a community land trust. By cultivating a common understanding of the model's origins, including the ideas and values underlying its many variations, we make it easier for disparate CLTs to find a common identity and to pursue a common agenda for bringing this fledgling movement to scale.

Wider agreement on core principles becomes especially important at a time when much of the growth in the movement is being spurred by local government. When municipalities take the lead in starting a CLT, they have a tendency to sample selectively from organizational features of the "classic" CLT, choosing only those that neatly fit within a municipality's existing programs. Some of the model's more democratic elements, like a community-based membership and popular election of the governing board, often are diluted or lost.

A wider knowledge of this model's roots and the reasons for its original structure may help contemporary CLT organizers hold the line when well-meaning backers say, "We like this approach to land ownership; we like this idea of retaining subsidies and preserving affordability; but do you really need to have leaseholders on the board; do you really need members?" Understanding our past may help us to secure our future.

**LAND LINES:** *How and why are cities and counties promoting the development of CLTs?*

**JOHN DAVIS:** Municipalities have been making grants, donating lands, and using powers such as inclusionary zoning to expand the holdings of CLTs around the country. In a few cities, like Irvine, California, and Chicago, the municipality itself has initiated the formation of a local CLT. My colleagues and I are currently preparing a report for Lincoln that documents the many ways in which municipalities are supporting CLTs and identifies the "best practices" for arranging such support.

As to *why* this is happening, I would point to the changing municipal role in the provision of affordable housing. Over the past 20 years, there has been a wholesale retreat of the federal government from the housing field. Municipalities have been forced to dig deeper into their own coffers and to make wider use of regulatory mandates and incentives to ensure the availability of housing that is affordable to people of modest means. Having worked so hard and spent so much to produce affordable housing, a growing number of municipalities are becoming loath to allow the affordability of this publicly assisted, privately owned housing to lapse.

When subsidizing homeownership, in particular, where the public's investment in many high-priced markets is now approaching \$50,000 per unit, municipal officials are now less likely to condone policies of the past that allowed homeowners to pocket most of the subsidy at resale, along with all of the land gains. These officials have begun looking to the CLT, along with other models of "shared equity

homeownership," to preserve the affordability of homeownership opportunities that public monies or public powers helped to create.

**LAND LINES:** *Protecting the public's investment does not sound like a rationale likely to excite most community activists. Are there other motivations for forming a CLT?*

**JOHN DAVIS:** Well, we are all taxpayers. We all have an interest in seeing that the dollars invested, powers employed, and gains engendered by government will benefit the largest number of people for the longest period of time. But it's true that public finance is not exactly an issue that is going to stir the hearts of most people. What does resonate widely is the notion of preserving community and promoting access to homeownership, especially in disinvested neighborhoods where land values are rising.

I was recently at a regional housing conference in the South, where grassroots activists from nearly two dozen African-American communities in North Carolina, Georgia, Florida, and Louisiana shared similar stories of low-income people being pushed aside by booming downtowns or expanding waterfronts. The CLT's main attraction in these places is its potential for preventing displacement, while granting long-time residents a degree of control over the future development of their neighborhood.

**LAND LINES:** *Has the focus of your consulting changed since starting Burlington Associates in 1993?*

**JOHN DAVIS:** Most our work was once aimed at nonprofit organizations serving neighborhoods like those I just mentioned, but today most of our nonprofit clients have a city-wide or county-wide service area. Much of our current case-load also consists of local governments seeking help to redesign their policies and programs to be more supportive of the kind of resale-restricted, owner-occupied housing that CLTs (and many other nonprofits) produce.

Inclusionary zoning, in particular, has become a major focus. My partners and I

spend a lot of time these days evaluating IZ ordinances and their administrative rules, helping cities to plan for the long-term stewardship of the affordable housing produced through IZ, density bonuses, and the like.

A more unexpected professional turn for me has been designing and facilitating nonprofit mergers. There is a certain irony here. After helping to create dozens of nonprofit organizations over the years, I now find myself being called upon to reduce their number through consolidation. I sometimes wonder, with an equal measure of amusement and dismay, whether by the end of my career I will have pruned as many nonprofits as I have planted.

**LAND LINES:** *The unconventional models of land and housing that you have championed still account for only a small percentage of the nation's residential property. What are the prospects for bringing this sector to scale?*

**JOHN DAVIS:** There may be as many as a million units of resale-restricted, owner-occupied housing currently under the stewardship of either a CLT, a limited equity cooperative, or a durable affordability covenant. There may also be fewer, since nobody really knows the number. Either way, there is less than I would like. Yet the number of nonprofits making use of these unusual forms of tenure is rising rapidly. So is the number of cities imposing long-term resale controls over the affordable housing they have helped to bring on line.

There is also fertile ground for the growth of shared equity homeownership among the millions of units of subsidized rental housing with affordability controls slated to lapse in the years ahead, among the thousands of mobile home parks precariously perched on absentee-owned land, and among millions of homeowners with sub-prime mortgages who could face foreclosure if interest rates were to rise precipitously.

I don't expect models like the CLT to play a leading role on the national stage anytime soon, but they are no longer waiting quietly in the wings. They are beginning to make a lot of noise. **L**



# FELLOWSHIP *programs*

The Lincoln Institute offers three types of fellowship programs to demonstrate its commitment to support scholars, practitioners, and graduate students at different stages of their academic and professional careers. These visiting, research, and graduate student fellows contribute to the land and tax policy knowledge base and develop ideas to guide policy makers throughout the world.

## VISITING *fellows*

Each year the Lincoln Institute sponsors a number of visiting fellows who have worked closely with the Institute in the past or have a special expertise in land and tax policy issues. These fellows undertake research and are involved in the Institute's education programs.

### Ciro Biderman

Associate Professor, Getulio Vargas Foundation; Associated Researcher, Center for the Study of the Politics and Economics of the Public Sector (CEPESP/FGV) (on leave); and Affiliated Researcher, Department of Urban Studies and Planning, Massachusetts Institute of Technology

### Patrick M. Condon

James Taylor Chair in Landscape and Liveable Environments, University of British Columbia, Vancouver, Canada

### John Emmeus Davis

Partner, Burlington Associates in Community Development, Burlington, Vermont

### Richard F. Dye

Professor, Institute of Government and Public Affairs, University of Illinois at Chicago, and Professor of Economics Emeritus, Lake Forest College, Illinois

### Richard W. England

Professor of Economics and Natural Resources, Whittemore School of Business and Economics, University of New Hampshire, Durham

### Jack Huddleston

Professor of Urban and Regional Planning, University of Wisconsin-Madison

### Daphne A. Kenyon

Principal, D. A. Kenyon & Associates, Windham, New Hampshire

### Gerald Korngold

McCurdy Professor of Law, Case Western Reserve University School of Law, Cleveland, Ohio

### Daniel P. McMillen

Professor, Department of Economics and Institute of Government and Public Affairs, University of Illinois at Chicago

### Douglas Meffert

Professor and Deputy Director, Tulane/Xavier Center for Bioenvironmental Research, Tulane University, New Orleans, Louisiana

### Andrew Reschovsky

Professor of Public Affairs and Applied Economics, Robert M. La Follette School of Public Affairs, University of Wisconsin Madison

## RESEARCH *fellows*

### PROGRAM ON THE PEOPLE'S REPUBLIC OF CHINA

The China Program offers two types of research fellowships to qualified scholars to enhance their capacity in land and tax policy fields that address the Institute's primary interest areas in China. Priority topics include urban economics, land use and policy, urban and rural planning, local public finance, and property taxation.

The Institute awards research fellowships to international faculty and researchers who are working on land and tax policy issues relevant to China.

### Bingqin Li

London School of Economics and Political Science

### Mark Duda

Joint Center for Housing Studies, Harvard University, Cambridge, Massachusetts

### Huamin Peng

Department of Social Work and Social Policy, Nankai University, Tianjin

### Low-Cost Urban Housing Markets:

### Serving the Needs of Low-Wage Rural-Urban Migrants?

### Robert Cervero

Department of City and Regional Planning, University of California, Berkeley  
**Effects of Residential Relocation on Household Expenditures in Shanghai**

The Institute also awards research fellowships to faculty and researchers based in China.

### Guangzhong Cao

Department of Urban and Regional Planning, Peking University, Beijing  
**Competition for Investment, Land Development, and Local Public Finance in China: Panel Data Analysis and Case Study of Beijing**

### Xiangmin Guo

School of Architecture, Tsinghua University, Beijing  
**Feasibility Analysis of Population Evacuation Index in Inner-City Renewal Planning: A Case Study of Beijing**

### Weida Kuang

Department of Urban and Real Estate Economics, Chinese Academy of Social Sciences, Beijing  
**Development Zones and Regional Economic Growth in China**

### Jinghua Li

Chinese University of Political Science and Law, Beijing  
**China's Real Estate Sector: An Experiment with Input-Output Techniques**

### Zhengqiang Mao

China Land Survey and Planning Institute, Beijing  
**Regional Production Difference and Its Implications on Interregional Farmland Preservation Subsidy**

### Jingkui Zhou

Institute of Economics, Nankai University, Tianjin  
**Impacts of Property Tax or Land Value Tax on Land Use and Housing Supply Structure: A Case Study of Tianjin New Coastal District**

NOTE: Research fellows who received the Institute's David C. Lincoln Fellowships in Land Value Taxation or Planning and Urban Form Fellowships for 2006–2007 were announced in the January 2007 issue of *Land Lines*. For more information about these fellowship programs, visit the Institute's Web site at [www.lincolninst.edu/education/fellowships.asp](http://www.lincolninst.edu/education/fellowships.asp).

# FELLOWSHIP *programs*

## GRADUATE STUDENT *fellows*

### DISSERTATION FELLOWS

The Dissertation Fellowship Program assists Ph.D. students, primarily at U.S. universities, whose research complements the Institute's interests in land and tax policy. The program links the Institute's educational mission and its research objectives by supporting scholars early in their careers. The Institute hosts a seminar each year so the fellowship recipients can present their research and share feedback with other fellows and Institute faculty. The next deadline for dissertation fellowship applications is March 1, 2008.

#### **Dziwornu Adanu**

*Agricultural Economics, Michigan State University, East Lansing, Michigan*  
**Essays in Eminent Domain Takings, Compensations, and Public Choice**

#### **Yanay Farja**

*Agricultural and Resource Economics, University of California, Berkeley*  
**The Use of Conservation Easements by Land Trusts: Is It Socially Optimal?**

#### **David Grover**

*Department of Geography and Environment, London School of Economics and Political Science*  
**Regional Economic Development and the Environmental Goods and Services Sector in the United Kingdom**

#### **Ron Horne**

*Institute of Urban and Regional Studies, The Hebrew University of Jerusalem*  
**A Spatial Analysis of Variation in Residential Property Tax: Israel, 1999–2005**

#### **Benoy Jacob**

*College of Urban Planning and Public Affairs, University of Illinois at Chicago*  
**Bargaining for Development: An Event History Analysis of Fiscal Development Strategies of Public Officials**

#### **Carolyn Kousky**

*John F. Kennedy School of Government, Harvard University, Cambridge*  
**Floods as an Anthro-Natural Disaster: Locational Choice, Risk Externalities, and Ecosystem Services**

#### **Nancy Lozano-Gracia**

*Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign*  
**Spatial Econometric Aspects in the Estimation of Hedonic House Price Models**

#### **Yandan Lu**

*Urban Planning and Policy, University of Illinois at Chicago*  
**Examining Path Dependency of Urban Development and Work Trip Modal Balance Using Agent-Based Modeling**

#### **Michael Manville**

*Department of Urban Planning, University of California, Los Angeles*  
**Heterogeneity and Collective Action: Evidence from Massachusetts**

#### **Joseph Mazor**

*Department of Government, Harvard University, Cambridge, Massachusetts*  
**The Justice of Land Value Taxation**

#### **Jeremy Meiners**

*Department of Economics, Washington University, St. Louis, Missouri*  
**The Causes and Consequences of Resistance to School Consolidation in the Early Twentieth Century**

#### **Hui Shan**

*Department of Economics, Massachusetts Institute of Technology, Cambridge*  
**Property Tax Relief Programs and Elderly Homeowners**

### INTERNATIONAL FELLOWS/ LATIN AMERICA

The Program on Latin America and the Caribbean offers fellowships to doctoral and master's students. Fellows participate in an online seminar for orientation and feedback on their projects. Applications for these fellowships are due March 15, 2008.

The Program also cosponsors, with the City Studies Program at the National Autonomous University of Mexico, the FEXSU (*Formación de expertos en suelo urbano*) fellowship, available to graduate students writing theses on subjects directly related to urban land policy. Information on the FEXSU program is available at [www.puec.unam.mx](http://www.puec.unam.mx).

#### **Isabela Bacellar Brandão Guimarães**

*Master's candidate, Department of Architecture and Urbanism, Federal Fluminense University, Rio de Janeiro, Brazil*  
**Transfer of Building Rights as an Instrument of Urban Planning: Obstacles and Conflicts in Application, Management, and Regulation in Brazilian Municipalities**

#### **Liliana Rocío Buitrago Beltrán**

*Master's candidate, Department of Economics, Externado University of Colombia, Bogotá*  
**The Speculative Dimension of Urban Land Prices in Bogotá: Four Case Studies in Two Large-Scale Urban Projects**

#### **Mauricio Adrián Cortazar Lara**

*Master's candidate, School of Architecture, National Autonomous University of México, México, D.F.*  
**Special Zoning Areas as an Instrument for the Recovery of Urban Land Value Increments: Case Study from the 2000–2006 Administration of the Mexico City Government**

#### **Fernando Cardoso Coteló**

*Doctoral candidate, School of Economics of São Paulo, Getúlio Vargas Foundation, São Paulo, Brazil*  
**Low-Income Housing in a Context of Revitalization of the Central Region of São Paulo: Decadence, Illegal Gentrification, or Real Estate Speculation?**

#### **Ana Lúcia Fialho**

*Master's candidate, Department of Architecture, Post-Graduate Program in Urban and Regional Planning (PROPUR), Federal University of Rio Grande Do Sul (UFRGS), Porto Alegre, Brazil*  
**The Supply of Urban Parcels in Porto Alegre: For Whom?**

#### **Inés Rosario Flores Guzmán**

*Master's candidate, Post-Graduate Department, University of San Simon, Cochabamba, Bolivia*  
**Informed Decisions: Land Management Policies in Large-Scale Projects in the Historic Centers of Cochabamba**

# FELLOWSHIP *programs*

## **Rosa María Guerrero Valdebenito**

Doctoral candidate, Department of Political and Social Sciences, National Autonomous University of México, México, D.F.

**Socio-Territorial Effects of the Declaration of Local Urban Spaces as World Patrimony Sites: Case Study of the Historic Area of the City of Valparaiso**

## **Alexandra Paulina Mena Segura**

Master's candidate, Program on Public Affairs and Management, Latin American Social Sciences Institute (FLACSO), Quito, Ecuador

**Regularization of Informal Settlements in Quito: Analysis of Urban Policies**

## **Luiz Fernando Carvalho Moller**

Doctoral candidate, Department of Civil Engineering (Cadastre and Urban Management), Federal University of Santa Catarina, Florianópolis, Brazil

**How Much Can (or Should) Brazilian Cities Charge for Property Tax?**

## **María Paz Mozó Moreno**

Master's candidate, Institute of Urban and Territorial Studies, Pontificia Catholic University of Chile, Santiago

**Urban Revitalization and Social Integration in Santiago, Chile, as a Result of Well-Located Social Housing Developments**

## **Dalia Gabriela Niño Sicard**

Master's candidate, Interdisciplinary Center for Regional Studies (CIDER), University of Los Andes, Bogotá, Colombia

**Land Market Dynamics for Housing and Land Regulation in Bogotá's Northern Expansion Area**

## **Diego Martín Ríos**

Doctoral candidate, Department of Philosophy and Humanities, University of Buenos Aires, Argentina

**Large-Scale Urban Projects in Unoccupied Areas Vulnerable to Flooding: Gated Megacommunities in the Municipality of Tigre**

## **Raphael Bischof dos Santos**

Master's candidate, School of Architecture and Urbanism, University of São Paulo, Brazil

**Potential and Limits of the Land Regularization Policy of Precarious Settlements Occupied by Low-Income Populations**

## **Claudio Alejandro Sehtman y Cavo**

Master's candidate, School of Politics and Government, National University of General San Martín, Buenos Aires, Argentina

**Informal Settlements and Social Representations in the City of Buenos Aires, 1996–2006: Case Study of Villa 31**

## **INTERNATIONAL FELLOWS/ CHINA**

The Program on the People's Republic of China awards fellowships to master's and doctoral students residing in and studying land and tax policy in China. Candidates participate in a workshop in China to present their proposals and receive comments from an international panel of scholars. Awardees reconvene after one year to present their findings and receive further critiques from experts in land and tax policy.

## **Linlin Diao**

Master's candidate, Shandong Normal University, Jinan

**Effect Analysis of Urban Fringe Expansion on Economic Growth: A Comparative Study of Jinan and Qingdao**

## **Ke Ding**

Master's candidate, Research Center for Real Estate and Project Management, Shanghai Jiaotong University, Shanghai

**Establishing the Mass Appraisal Method for Real Estate Tax in China**

## **Zhonghua Huang**

Doctoral candidate, Department of Land Management, Zhejiang University, Hangzhou

**Land Supply, Interest Rate, and Housing Price Dynamics: Evidence from the Shanghai Real Estate Market**

## **Wei Li**

Master's candidate, Institute of Economics, Nankai University, Tianjin

**Property Tax and Speculative Bubble: An Empirical Analysis of Tianjin**

## **Xiaoqia Li**

Doctoral candidate, Department of Economics, Chinese University of Hong Kong

**Local Public Finance in China: Administrative Hierarchy and Government Structure**

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Doctoral candidate, Department of Urban and Regional Planning, Peking University, Beijing

**Spatial Impacts of Agglomeration Externalities: Evidence from Zhejiang Province**

## **Rongrong Ren**

Doctoral candidate, Department of Construction Management, Tsinghua University, Beijing

**Land Price Discovery in a City with Changing Land Uses: Evidence from Beijing**

## **Shizheng Xu**

Master's candidate, Institute of Economics, Nankai University, Tianjin

**An Analysis of Spatial Distribution of Land Price and Its Influential Factors: The Case of Tianjin**

## **Dong Yan**

Master's candidate, Department of Land Management, Zhejiang University, Hangzhou

**Compensation and Its Distribution: An Empirical Analysis of the Compensation Policy of Land Acquisition in Yiwu City**

## **Ling Yang**

Doctoral candidate, Department of Regional Economics, Xi'an Jiaotong University, Xi'an

**Causes of Regional Disparity in China: Investigation Using Urban Data**

## **Yuchuan Yang**

Doctoral candidate, Institute of Urban and Regional Economics, Nankai University, Tianjin

**A Study of the Spatial Structure of Urban Land Use Efficiency: Case Study of Tianjin**

## **Chun Zhang**

Master's candidate, Department of Urban and Regional Planning, Peking University, Beijing

**Analysis of the Transformation of Danwei Communities in China's Transition Period: From the Perspective of Land and Housing Market**

## **Shufen Zhao**

Master's candidate, Department of Finance and Taxation, Sichuan University, Chengdu

**The Impact of Metro Construction on Real Estate Value: The Case of Chengdu**



## Urbanization in China: Critical Issues in an Era of Rapid Growth

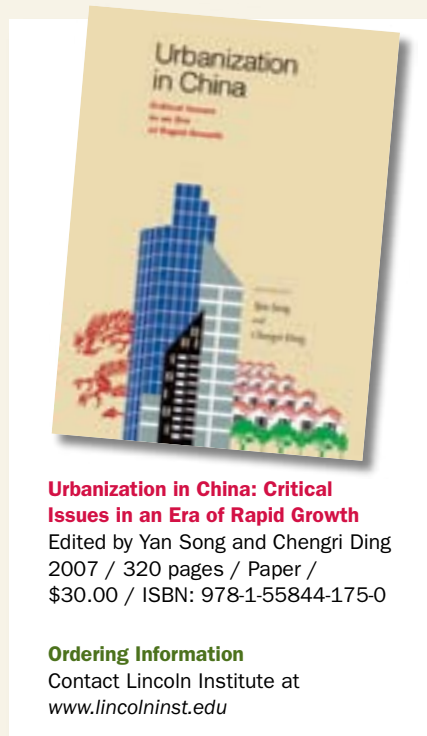
Unprecedented urbanization is taking place in China and will continue over the next decades. China's level of urbanization rose from 18 percent in 1978 to 30 percent in 1995 and to 39 percent in 2002. It is expected that China will quadruple its total GDP and reach 55 percent of urbanization by 2020.

Urbanization in China is a comprehensive process involving transformations in many areas, including the management of spatial expansion via modern urban planning, the administration of land use changes via land policy reforms, the process of rural-to-urban migration, and the development of public finance systems. All of these changes are part of China's transition from a centrally planned economy to a socialist market economy.

Not surprisingly, this rapid urbanization process, along with ongoing social and economic transitions, has presented great challenges for Chinese urban planners and public policy makers who are faced with urban sprawl, resource shortages, urban redevelopment, environmental pollution, economic restructuring, and social inequity.

In response to these issues, the Lincoln Institute held a conference in May 2006 to facilitate the search for urbanization strategies and instruments that promote urban growth in ways that are economically sound, environmentally desirable, politically feasible, and socially acceptable. This volume presents the proceedings of that conference in four sections that address the most pressing issues: urban planning, land policy, rural-to-urban migration, and financing China's urbanization.

Editors Yan Song and Chengri Ding and the other chapter authors shed light on these and related issues. Their contributions enhance our understanding of the challenges at hand, and help to inform those involved in policy decisions in this rapidly changing environment.



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3. Introduction of Price Signals into Land Use Planning: Are They Applicable in China?, *Paul Cheshire*

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4. Policy and Praxis of Land Acquisition in China, *Chengri Ding*
5. Assessing Farmland Protection Policy in China, *Erik Lichtenberg and Chengri Ding*
6. Managing China's Arable Land Resources in an Era of Sustainability, *Robert Ash*

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- Conclusion, *Yan Song and Chengri Ding*

#### ▶ ABOUT THE EDITORS

**Yan Song** is assistant professor in the Department of City and Regional Planning at the University of North Carolina at Chapel Hill. Her research interests include economics of land use regulations, growth management, spatial analysis of urban form, land use and transportation interactions, and the use of GIS and other computer-aided planning tools. Contact: [ys@email.unc.edu](mailto:ys@email.unc.edu)

**Chengri Ding** is associate professor in the Department of Urban Studies and Planning at the University of Maryland in College Park. He specializes in urban economics, housing and land studies, GIS, and spatial analysis. He is also special assistant to the president of the Lincoln Institute for the China Program. Contact: [cding@umd.edu](mailto:cding@umd.edu)

## Courses and Conferences

The education programs listed here are offered for diverse audiences of elected and appointed officials, policy advisers and analysts, taxation and assessing officers, planning and development practitioners, business and community leaders, scholars and advanced students, and concerned citizens. For more information about the agenda, faculty, accommodations, tuition, fees, and registration procedures, visit the Lincoln Institute Web site at [www.lincolninst.edu/education/courses.asp](http://www.lincolninst.edu/education/courses.asp).

### Mediating Land Use Disputes Series

**Lawrence Susskind, Merrick Hoben, Patrick Field, and Ona Ferguson, Consensus Building Institute, Cambridge, Massachusetts; Matthew McKinney, Public Policy Research Institute, University of Montana, Helena; Ric Richardson, University of New Mexico, Albuquerque**

Land use disputes are among the most contentious issues facing communities throughout the United States. Local officials struggle to find ways of balancing environmental protection, economic development, and private property rights. Through this joint venture project of the Lincoln Institute and the Consensus Building Institute, trainers bring a wealth of experience, drawing on both theory and practice, to help land use professionals, stakeholders, and mediators develop the specialized knowledge and skills required to successfully mediate land use disputes.

**TUESDAY–WEDNESDAY, OCTOBER 2–3**

**Salmon, Idaho**

#### Resolving Land Use Disputes

This introductory course presents practical experience and insights into negotiating and mediating solutions to conflicts over land use and community development. Through lectures, interactive exercises, and simulations, participants discuss and work with cases involving land development and community growth, designing and adopting land use plans, and evaluating development proposals. Questions of when and how to apply mediation to resolve land use disputes are also explored. This course qualifies for 13.25 AICP continuing education credits.

**THURSDAY, NOVEMBER 1**

**Leominster, Massachusetts**

#### Negotiation Skills for Conservationists

Good negotiation skills are essential to the preservation of open space, habitat, and farm and ranch land across the United States. This intensive negotiation skills course is tailored explicitly for those who are seeking to conserve open space, land, and habitat. It includes lectures on mutual gains negotiation, hands-on opportunities in negotiation exercises, and group discussion about the challenges of land trust negotiations.

**WEDNESDAY–FRIDAY, NOVEMBER 28–30**

**Cambridge, Massachusetts**

#### Advanced Course on Mediating Land Use Disputes

This interactive course is designed for those who have attended the introductory course on Resolving Land Use Disputes or are trained mediators with public policy dispute resolution experience. Participants explore different approaches to consensual land use decision making and deepen their understanding of assisted negotiation techniques to settle land use disputes. They also learn about the problems associated with infrastructure and facility siting disputes, disagreements over how to manage new development, environmental justice battles, zoning and permitting rights, and discord over the preparation of long-range resource management and land use plans. This course qualifies for 13.25 AICP continuing education credits.

**MONDAY–TUESDAY, OCTOBER 8–9**

**Philadelphia, Pennsylvania**

#### Anchor Institutions in the Twenty-first Century

**Eugenie L. Birch, Penn Institute for Urban Research, University of Pennsylvania, Philadelphia**

Anchor institutions, including universities, medical complexes, arts and culture institutions, public utilities and some large corporations, are important to their home cities and regions due to their resources, high levels of employment, and purchasing power. As a class and singly, they play central roles in their communities, contributing to their economic health and civic pride. Their significant location-based real estate investments and/or clientele anchor them in place, making their departure unlikely or difficult. They are an important, yet relatively untapped asset for metropolitan development.

**TUESDAY–THURSDAY, OCTOBER 9–11**

**Brasilia, Brazil**

#### Urban Reform in Latin America: Legislative Production and the Parliament–Society Relationship

**Martim Smolka, Lincoln Institute of Land Policy; and José Roberto Bassul, Federal Senate of Brazil**

This *VIII Cities' Conference*, organized with the Urban Development Commission of the Brazilian National Congress, targets members of the parliament and their staff, and other authorities and specialists in the area of urban development. It aims to disseminate knowledge, form partnerships, and foster discussion on land use regulation and related urban public policies. The conference panels, organized with representatives of other Latin American countries, address topics such as zoning, building rights, urban violence, the right to housing, and access to basic services such as water, electricity, and sewer treatment.

**WEDNESDAY, OCTOBER 24**

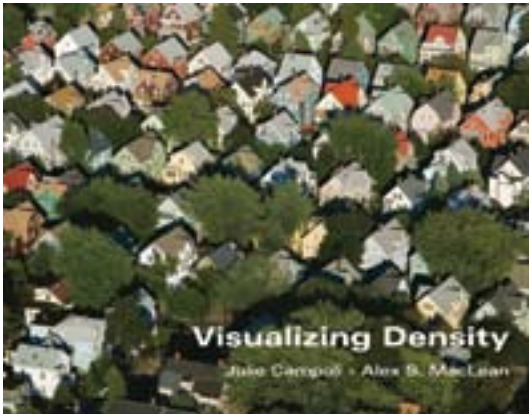
**Burlington, Vermont**

#### Visualizing Density

**Julie Campoli, Terra Firma Urban Design, Burlington, Vermont**

As smart growth initiatives gain momentum across the country, one of the persistent obstacles to compact development is the public's aversion to density. Misplaced concerns over density often prevent the construction of urban infill projects or the

revision of zoning regulations that would allow for compact growth. This workshop offers planners, designers, and community development officials specific tools for understanding residential density, as well as graphic techniques for illustrating it. Using aerial photography and computer graphics, it focuses on the link between urban design and density, and explores how various design approaches accommodate different levels of density. This course qualifies for 13 AICP continuing education credits.



Published by the Lincoln Institute in 2007, this book complements the Visualizing Density course. It includes more than 1,000 aerial photographs documenting density in America. Visit [www.lincolninst.edu](http://www.lincolninst.edu) for more information.

**WEDNESDAY–FRIDAY, NOVEMBER 14–16**

**Baltimore, Maryland**

**Before It's Too Late: Community Control and Benefits in Land Use**

**John Barros and Junious Williams, Center for Community Builders, Oakland, California**

This three-day national conference, jointly sponsored with the Center for Community Builders (CCB), provides an introduction to land control tools and strategies, extensively exploring three tools that rely on community building approaches: community land trusts, inclusionary zoning, and community benefits agreements.

**MONDAY–FRIDAY, NOVEMBER 19–23**

**Salvador de Bahía, Brazil**

**Value Capture in Brazil**

**Martim Smolka, Lincoln Institute of Land Policy; and Fernanda Furtado, Federal Fluminense University, Rio de Janeiro**

This special offering of the Institute's annual course on Value Capture in Latin America focuses exclusively on the Brazilian experience with the social manage-

**National Community Land Trust (CLT) Academy**

The Lincoln Institute and the National Community Land Trust Network have formed a joint venture to provide comprehensive training on theories and practices unique to community land trusts taught by highly skilled and experienced instructors. The CLT Academy promotes public understanding of the community land trust model, sets a high standard for practitioner competence, and supports research and publication on evolving practices.

A community land trust is a means to allow community-based nonprofit organizations to own land and then lease it to building owners. Future increases in the value of the land remain with the community land trust and do not affect the value of the buildings, so the housing built on CLT land can remain affordable in the long run.

**WEDNESDAY, OCTOBER 10**

**Minneapolis, Minnesota**

**CLT Introductory Level Training**

**Michael Brown, Burlington Associates in Community Development, Vermont; Dannie Bolden, Gulf County Community Land Trust, Port St. Joe, Florida; and Allison Handler, Portland Community Land Trust, Portland, Oregon**

The introductory professional development course targets affordable housing practitioners and board members, elected legislative officials, housing program administrators, planners, lenders, and other intermediaries with little or no prior experience with CLTs. The course includes comprehensive sessions on the nuts and bolts of the “classic” CLT: Why do CLTs exist? How do CLTs operate? Why do CLTs make sense as a community development strategy and as an affordable housing tool? How and why have CLTs grown from small neighborhood-based efforts to large-scale, citywide initiatives in Florida, California, Chicago, and Washington, DC? What role can the targeted audience play within the CLT framework? This course offers participants the resources and tools to answer such questions.

**WEDNESDAY, OCTOBER 10**

**Minneapolis, Minnesota**

**Financing Permanently Resale-Restricted Homes**

**Julie Brunner, OPAL Community Land Trust, Eastsound, Washington; and Brigid Ryan, Church Community Housing, Newport, Rhode Island**

This one-day technical course is intended for people who expect to be directly involved in arranging financing for the development and/or sale of CLT homes. The prerequisite for the course is a basic familiarity with the nature of the CLT approach to home ownership and ground leases, and a general familiarity with housing finance. Such familiarity may be gained through an introductory level CLT training event or through direct involvement with a CLT program.

**THURSDAY, OCTOBER 11**

**Minneapolis, Minnesota**

**Designing Resale Formulas and Managing Resales**

**Julie Brunner, OPAL Community Land Trust, Eastsound, Washington; and Crystal Fisher, Orange Community Housing and Land Trust, Chapel Hill, NC**

This one-day technical course is intended for people who expect to be directly involved in the development of ground lease resale provisions and of policies and procedures for the implementation of such provisions for a new CLT, or for an older CLT that is in the process of reconsidering such provisions, policies, and procedures. The prerequisite for the course is a basic familiarity with the nature of the CLT approach to home ownership, the CLT ground lease, and the types of resale provisions commonly contained in the CLT ground lease.



ment of land value increments resulting from public action. Topics to be covered include all the instruments contemplated by the Brazilian national urban law (Estatuto da Cidade) including the selling of building rights, urban operations and progressive property taxation, among others. The course is conceived to train trainers and staff capable of assisting municipal governments in overcoming the practical problems that result from implementing value capture policies and associated instruments. In this sense, the course relies on innovative pedagogical tools and a hands-on approach to policy implementation.

**WEDNESDAY–FRIDAY, NOVEMBER 21–23**  
**Salvador de Bahía, Brazil**

**Capacity Building to Improve the Performance of the Property Tax in Brazil**

**Martim Smolka, Lincoln Institute of Land Policy; Jerry Grad, International Property Tax Institute; Maria Cristina MacDowell, School of Fiscal Studies, Brazil; Claudia De Cesare, independent researcher and consultant, Porto Alegre, Brazil**

This seminar is organized and promoted in partnership with the International Property Tax Institute (IPTI) and School of Fiscal Studies (ESAF), Brazil. Sessions

focus on the implementation of property tax reforms; the role of agencies to support local government initiatives; innovation, modernization and practical solutions to improve the property tax performance; the taxation of informal property and low-income families; and particularities of property tax policies and administration.

**MONDAY–FRIDAY, JANUARY 21–25**

**Caracas, Venezuela**

**Informal Land Markets: Regularization of Land Tenure and Urban Upgrading Programs**

**Martim Smolka, Lincoln Institute of Land Policy; and Claudio Acioly, Institute for Housing and Urban Development Studies (IHS), Rotterdam, The Netherlands**

Participants examine informality and the land tenure regularization process through the analysis of Latin American and other international cases. Topics include the formal-informal urban land market nexus; legal issues associated with the security of tenure; property rights and housing rights; alternative policy instruments; new institutional settings; managerial procedures leading to alternative modes of project implementation, including community participation; and program evaluation at the project and city levels.

## Lincoln Lecture Series

This annual lecture series highlights the work of scholars and practitioners who are involved in research and education programs sponsored by the Lincoln Institute. The lectures are presented at Lincoln House in Cambridge, Massachusetts, beginning at 12 p.m. (lunch is provided), unless otherwise noted. Consult the Lincoln Institute Web site ([www.lincolnst.edu](http://www.lincolnst.edu)) for information about other dates, speakers, and lecture topics. The programs are free, but pre-registration is required. Contact [help@lincolnst.edu](mailto:help@lincolnst.edu) to register.

**THURSDAY, OCTOBER 11**

**Perpetual Growth: Costs and Coping Strategies**

**Anne Mackin, author, *Americans and Their Land: The House Built on Abundance***

**Anthony Flint, author, *This Land: The Battle over Sprawl and the Future of America*, and director of public affairs, Lincoln Institute of Land Policy**

**FRIDAY, NOVEMBER 2**

**The Potential for Uneven Economic Development in Massachusetts: The Role of Property Taxation and State Local Aid**

**Barry Bluestone, Stearns Trustee Professor of Political Economy and director of the Center for Urban and Regional Policy, Northeastern University, Boston**

**TUESDAY, NOVEMBER 27**

**The National Status of Community Land Trusts with Local Examples: A Panel Discussion**

**John Davis, visiting fellow, Lincoln Institute of Land Policy, and founding partner, Burlington Associates in Community Development, Vermont**

**John Barros, executive director, Dudley Street Neighborhood Initiative, Boston**

**Yesim Sungu-Eryilmaz, research associate, Lincoln Institute of Land Policy**



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## Publications and Films

The Publications and Films section of the Lincoln Institute Web site has been updated to allow easy access to nearly 1,200 items that have been posted as of October 1, 2007.

### Making Sense of Place Film Series

This documentary film and educational outreach project was launched by the Lincoln Institute in 2003, in collaboration with Northern Light Productions of Boston. The one-hour films about growth and change in large metropolitan areas explore the powerful impact of individual choices and the democratic process on the shape and dynamics of cities. The first two films are *Phoenix: The Urban Desert* and *Cleveland: Confronting Decline in an American City*, and a third film on Portland, Oregon, will be completed in 2008.

The Phoenix and Cleveland films are set to air on public television stations across the country this fall. The Web site features information about the films, viewing schedules and events, educator's kits for the Phoenix film, background materials, and ordering instructions for DVD or VHS formats.

### Program & Publications Catalogs

Program 2007–2008 is a new, comprehensive overview of the Institute's mission and its expanding diversity of programs for this academic year (see back cover).

The 2007 Publications catalog lists current books, policy focus reports, and multimedia resources.

Both catalogs can be viewed and downloaded from the Web site. To request a printed copy, contact [help@lincolnst.edu](mailto:help@lincolnst.edu).

### Publications

A new search engine helps users find the following types of publications:

**Books** document conference proceedings, course materials, and research. More than 80 books are listed for purchase on the Web site, and some entire books or selected chapters are available for free downloading.

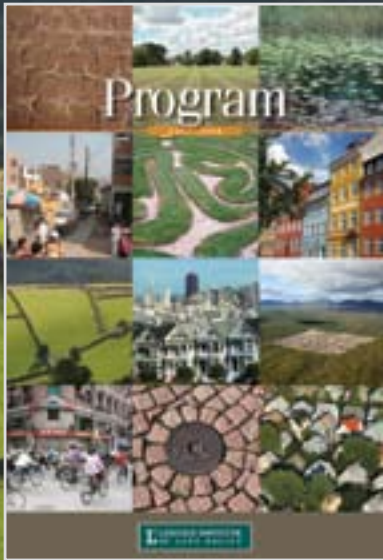


**Policy Focus Reports** summarize differing viewpoints on timely land use and taxation issues. All 14 policy focus reports published since 1995 are posted for free downloading, and most of them are also in print and available for purchase. Several new reports will be published and posted during 2008.

**Working Papers** report the results of Institute-sponsored research, course-related materials, and occasional reports or papers cosponsored with other organizations. Some papers by associates affiliated with the Institute's programs in Latin America and China are available in Spanish, Portuguese, or Chinese. More than 480 papers are currently available for free downloading.

**Land Lines** presents articles on Institute-sponsored programs, research, and publications. This quarterly magazine is mailed free of charge on request and is available on the Web site for free downloading. All issues published since 1995 are posted in full, and each article is posted separately.





## Program 2007–2008

The Lincoln Institute's annual Program catalog presents a comprehensive overview of the Institute's mission and its expanding diversity of programs for the new academic year. It includes

- introduction to the Lincoln Institute and department descriptions;
- courses, seminars, conferences, and online education programs;
- research projects;
- demonstration and evaluation projects;
- Web-based resources and tools;
- publications and media; and
- board of directors, staff, fellows, and faculty.

The complete catalog is posted on the Lincoln Web site. To request a printed copy, contact [help@lincolninst.edu](mailto:help@lincolninst.edu).

[www.lincolninst.edu](http://www.lincolninst.edu)



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