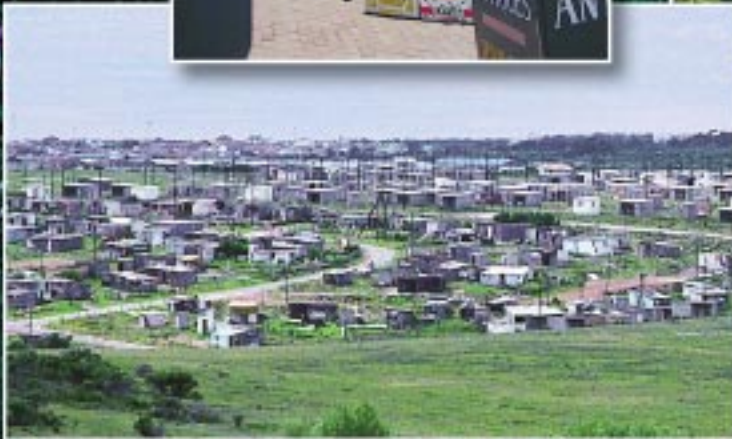


# Land Lines

APRIL 2002

Newsletter of the Lincoln Institute of Land Policy



# Land Lines

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Cover: Urban and rural communities in South Africa.  
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## From the PRESIDENT

This issue of *Land Lines* highlights many aspects of the Institute's international education program. We are engaged with colleagues around the world who share our interests in land and tax policy issues, which are often the most critical issues facing developing and transition countries. Policy makers, academics and citizens look to the Lincoln Institute for guidance and training on both the policy and practice of land use planning and development and the valuation and taxation of land and buildings.



Jim Brown

However, I believe our international program can also provide important lessons for U.S. policy makers. For example, the *participación en plusvalías* in Colombia is an effort to capture for public benefit the land value increments that result from public actions, such as infrastructure investment. The fairness of this policy seems very persuasive, and the Colombian effort to implement a practical instrument to capture this value can provide important insights.

Over the past six years, most of the Institute's international work has been in Latin America and the Caribbean. Extensive networks of colleagues help us clarify the issues, identify partners, convene appropriate audiences and develop relevant pedagogical materials that supplement our basic curriculum. In learning from them we have been instrumental in fostering the debate on land and tax policy and have had a real impact in the region.

The Institute is also actively engaged with colleagues facing the challenges of implementing new tax policies in South Africa and Eastern Europe. The editors of a new Lincoln Institute book on property taxation in South Africa are using that volume in a series of seminars and workshops with municipal officials this spring, thus providing direct input to legislation now being debated in that country. Another recently published book by Institute faculty offers a comparative analysis of property taxation in six Central and Eastern European countries whose economies are in transition from a centralized to a market-based system.

The Institute also has a 30-year relationship with the Republic of China, in conjunction with the International Center for Land Policy Studies and Training, and we are beginning a new program in the People's Republic of China through the Ministry of Land and Resources with Beijing and Renmin universities and the Chinese Academy of Sciences.

On a sad note, the Institute, Brazil and the world mourn the loss of Mayor Celso Daniel of Santo Andre, a city near São Paulo. He was tragically assassinated in January. Daniel had been a regular faculty member in our courses in Brazil and throughout Latin America. He was a progressive mayor and leader of the Workers Party in Brazil, and in 2000 he was re-elected for the third time with over 70 percent of the votes cast. He was a wonderful person and a close friend who will be missed.

In these turbulent times in so many countries worldwide, we will continue to reach out to those who are taking leadership roles in forging new alliances within their cities and regions to develop the most appropriate land use and taxation policies and practices.



# Land Reform and Property Markets in Russia

St. Petersburg was the host city for an international conference on “Land Reform and the Emerging Property Market in Russia,” organized by the Leontief Centre for Social and Economic Research and the Lincoln Institute in May 2001. Experts from government agencies, commercial entities and academic institutions in Russia, the U.S. and Europe convened to assess the progress of Russian land reforms and discuss future implementation. The conference focused on two key points: the principal obstacles to be targeted by various land reform actions and the triggers that are needed to set a series of decisive steps in motion.

From an academic and historical perspective, the unfolding story of Russian land privatization is intellectually engaging and, from a practical point of view, the process and its implications have far-reaching implications for the Russian people. The Lincoln Institute’s interest in convening the conference and its continuing involvement in Russia allow us to learn from local experts, to share Institute experience and perspectives from other countries, and to provide support for ongoing land reform efforts. The conference revealed the need for professional training for Russians working in the emerging land market, and the Lincoln Institute and the Leontief Centre are developing curriculum and training courses to be offered in St. Petersburg later this year.

## LEONID LIMONOV

In the post-Soviet period, privatization of the real estate sector in Russia has been most advanced in its urban centers, and St. Petersburg was one of the first cities to start selling land plots occupied by either privatized (i.e., former state) or new businesses. Yet even there, by 2000 only about 5 percent of urban land had been privatized. The main problems with regard to the land market in Russia arise from the lack of clear definitions provided by Russian law; the failure of the law to develop fundamental provisions contained in the Russian Constitution regarding private ownership of land; and the consequent lack of firm guarantees for private property and inadequate protections through the courts. A brief history of land policies in Russia will help to provide a context for the current situation.

### Land in Russian History

Land has been a central social and economic force throughout Russian history, although Russia has never had private ownership of land for any length of time or in any full sense of the term. Until the beginning of the twentieth century, state property was the predominant form of property ownership. Moreover, a consider-

able part of that property, including land, was unregistered and unconnected to the broader economy. It was only in 1906 that the Stolypin reforms began destroying the *obschchina* (the existing feudal-like peasant communities) as the main structure upon which allotment-based land use depended, while extending private land ownership through land tenure regulations, a peasants’ land bank and a resettlement policy. In this pre-Soviet period, Russia’s towns and cities experienced a growing market in urban land plots that were already built

upon or earmarked for further development.

Following the revolutions of 1917, private ownership of land was abolished, civil transactions involving land were forbidden, and land was transferred to the use of all who worked on it. A 1918 decree abolished private ownership of real estate in cities and towns, and the process of nationalizing land was completed with the adoption of the Land Code of the Russian Socialist Federation of Soviet Republics in 1922. During the New Economic Policy (NEP) of the 1920s, land could be leased



This area along the Moika River near the historic center of St. Petersburg is becoming an up-scale neighborhood of privately renovated residential and commercial buildings.

© Ephim Shluger

for periods of not more than six years (although subletting was not allowed) and tenants involved in working the land could use additional hired labor. However, by 1929 large-scale collectivization was under way, resulting in the creation of so-called cooperative-collective property. Leasing of land was abolished, and hiring labor on small peasant holdings was forbidden. Under socialism land was neither sold nor bought, and all land transactions were prosecutable under the law.

The situation today is reminiscent of that at the end of the nineteenth century, prior to the Stolypin reforms, when land law consisted of piecemeal legislation applying to ownership of different types of land. Private ownership of land was introduced in 1990 by the Constitution of the Russian Socialist Federation of Soviet Republics, beginning a gradual liquidation of the state monopoly on land ownership. The 1990 laws "Regarding Peasant Smallholdings" and "Regarding Land Reform" permitted citizens to hold in private ownership plots of land for use as smallholdings for horticultural purposes, the construction of houses and other personal uses. The terminology of these laws included "the right of use of land," "life-long possession with the right to pass on as an inheritance," "rent" and "property." This wide variety of bases for property rights necessitated subsequent amendments of existing legislation, a development that was also stimulated by the collapse of the USSR.

Over the past decade, land relations continued to evolve. In December 1991 the president of the Russian Federation issued a decree and the *Duma* passed a resolution that allowed for the privatization of land in a two-step process. First the decree granted collective ownership of land and other assets to collective and soviet farms. Subsequently, shares of farms could be owned by the individuals who worked on them. Only at the end of 2001 was the right to own land, which is inseparable from the right to buy and sell land, ratified in Russia, and this right applied only to urban lands. However, the prohibition on the sale of agricultural

land has no absolute force; laws introduced since 1991 permit the sale of land that is to be used as a private subsidiary smallholding for construction of a one-family residential building, or by members of stock-rearing and garage cooperatives.

According to a former minister for agriculture, there is a flourishing black market in land, which denies the general public access to information on the market values of land and negatively affects economic development. The absence of shared information on land market values means the absence of an objective criteria against which to measure land use efficiency. The extensive black market in leasing also deprives governmental budgets of property tax income since real estate cannot be properly taxed without accurate information on levels of ground rent.

Under the current Civil Code of the Russian Federation (RF), land plots are considered to be objects of real estate and rights to these plots are categorized as property rights. The land privatization process was initiated in 1997 but then stalled because the RF government overruled buyout prices established by local administrations that were perceived as too low. The RF government indexed prices at a rate higher than locally established lease rates, thus undermining the transition

to a private market in real estate. At the same time, under certain conditions (such as stable lease rates or minimal investment conditions), long-term leasing may turn out to be an acceptable substitute for title ownership. On the issue of real estate registration, the existing Russian system does not protect *bona fide* purchasers, nor does it provide adequate reimbursement when a purchaser's title is contested. Furthermore, purchasers are normally unable to get a comprehensive review to determine whether their title is clear in the first place.

### Obstacles to Land Reform

While the evolution of a private market in land is encumbered by history and politics, the participants at the St. Petersburg conference were interested in changes and adjustments in practice that land professionals might make to facilitate the transition. Zoning and surveying, as well as investment decisions, are among the areas where changes in practice might be made at the level of local government to address some of the following obstacles to land reform.

#### *Slow implementation of legal zoning*

Legal zoning, though mandatory according to the RF Urban Planning Code, is



These former imperial stables are now dilapidated and occupied by auto repair workshops.

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being introduced slowly in Russian cities. Some speakers attributed this situation to reluctant municipalities that cling to the “operative space” currently under their direct control, for fear of losing that land. Others maintained that key municipal officials have a number of more specific concerns: (1) their professional image and the stability of their administration depend on the actions they take to attract investment; (2) the arrival of new investors automatically expands the amount of “operative space;” and (3) the realization that even a perfect system of urban planning regulations will leave out a sufficient number of special cases that will have to be considered separately. Further, municipal officers are citizens, too, and they sincerely wish to raise more funds for their cities’ renovations. The problem is that their attention is too often distracted by more immediate economic and political challenges. Nevertheless, an increasing number of Russian cities are introducing legal zoning regulation systems, including Novgorod Veliky, Ufa, Kazan, Irkutsk, Khabarovsk, Tver, Chelyabinsk and Nizhni Novgorod.

St. Petersburg’s recent practice of issuing “by-plot urban planning regulations” raised questions about whether or not they conform to the RF Urban Planning Code, which defines urban planning regulations as a set of requirements and restrictions applicable to *zones*, not to individual units or parcels. The practice of issuing plot-specific regulations was found dramatically inefficient for a number of reasons. First, it precludes making investment decisions from a representative sample of properties, since each property in the city is subject to different regulations. Second, it is more labor intensive than applying regulations to an entire zone. Finally, it is laden with higher developer risks, thus impairing the city’s overall investment profile. Participants from other cities noted that these delays in introducing zonal urban planning regulations evidently clashes with St. Petersburg’s image as the frontrunner of Russia’s reforms in legal and institutional real estate market development.



**The renovation of the Kapella Theatre and adjacent architecturally significant buildings and open spaces has increased land values and attracted developers and investors to rehabilitate other surrounding properties. This pilot project was completed with assistance from the World Bank.**

#### *Inferior surveying*

Many land-related problems in Russian cities stem from inferior surveying. Some plots are limited by the uncertainty of the parcel and/or building boundaries, and others suffer from poor siting. That is, many properties that are new to the market have no direct access to transport, communications, storm water collection systems, or other infrastructure networks. The result is a host of deficient properties that in turn inhibit the development of adjacent properties, and can bring down the value of an entire urban area. The conference discussions emphasized the importance (or even inevitability) of conducting an extensive urban land survey, which could provide more certainty to both investors and developers, reduce the time needed to prepare investment proposals, and help to expand property ownership.

#### *Confusion over privatization of apartments*

Most urban residents have not taken advantage of the recent privatization of apartments. Not only did this initiative fail to produce a new class of motivated and effective property owners capable of acting as responsible customers for hous-

ing maintenance agencies, but it created baffling new legal challenges as well. No one in St. Petersburg, where the privatization of apartments is most advanced, understands who (and on what legal basis) should be in charge of issuing permits to reconstruct general-purpose premises or reassign residential apartments for nonresidential use. As a result, apartment owners can exercise only a limited set of property rights, which in turn hampers the extension of the private real estate market. The conference participants discussed to what extent a law requiring apartment owners to purchase condominiums could help address the situation. Moreover, given an environment where apartment owners have limited experience with such ownership arrangements, discussion centered around whether economic stimulation or economic sanctions would be most successful in dealing with those who fail to meet their ownership obligations.

#### *Investment in infrastructure*

The complicated issues of engineering and infrastructure support for construction and renovation projects are evident in St. Petersburg. When determining title payments, the city takes into account the

developer's contributions to urban infrastructure development and actively mediates between the developer and the resource supplier. Provision of full, authentic and timely information is the principal factor behind the attractiveness of real estate investments, since this information allows for the quick and safe selection of investment opportunities. St. Petersburg has made progress in this direction, but its database will remain inadequate until the city fully adopts urban planning regulations (i.e., legal zoning), formulates clear heritage protection standards for its many historic properties, undertakes an overall land survey, allocates areas for municipal developments, and maps at least the contours of infrastructure networks.

### *Intergovernmental taxation systems*

A reform of intergovernmental budget relations is necessary to improve the current taxation system. Most cities receive budget support from their *oblasts* (similar to U.S. states). Thus, they are not interested in reporting increased property tax revenues, because those revenues would then be subject to redistribution to the oblast. For example, to simplify its taxation system and stimulate investment in real estate, the city of Novgorod Veliky replaced its two-part land and property tax with a single real estate tax. For legal persons, as opposed to business establishments, the tax is charged on full title owners only. Despite a certain dip in the tax proceeds from the unified tax (compared to revenues from the former two taxes), the city's overall tax revenues increased because of a higher profit-tax yield due to enhanced business activities.

### **Lessons from Russia and around the World**

The RF government's meetings and decisions on the notorious electric supply failures in the Far East and floods in Yakutia during the late spring of 2001 show that, unfortunately, only large-scale

catastrophic events seem to be able to galvanize public administrators to change their old ways. One would like to believe that less destructive developments could stimulate action as well. For example, it would be worthwhile comparing investment activities in different Russian cities to see if such activity varies with the development levels of their local regulatory bases, the amount and types of information provided to developers, and the time required to develop project applications and the time it takes for local government bureaucrats to make project decisions.

The case of recent German urban planning history is instructive to the situation in Russia. Beginning in 1990, the German system lost some of its characteristically strict reliance on municipal plans and initiatives for development and moved toward more reliance on private-sector initiatives. Now it is more common for private developers, rather than municipalities, to prepare detailed zoning plans, and then to purchase and develop the site. However, a direct borrowing of this German method is not recommended for Russian cities, since any system must take into account specific local challenges and cultural traditions.

American participants had a similar view on the risks of borrowing planning methods from other countries. Although the general guidelines and principles may seem to be similar across countries or jurisdictions, local regulations, procedures and techniques can vary significantly due to different historical precedents and the specificity of current challenges. Some principles to consider include the following:

- balancing of municipal and private interests;
- minimization of risks by preliminary establishment of all major planning and regulatory requirements;
- transparency and public discussion of planning and development decisions by the municipality;
- accessibility and reliability of information;

- minimization of costs involved with engineering services due to the monopoly that municipalities often hold on the provision of these services; and
- creation of a mechanism for appealing administrative decisions.

This opinion was supported by Russian speakers who referred to urban planning regulations in Russia before 1917 or to the current situation that compels cities to illegally hide their revenue growth and thus evidently hamper economic development. In closing, H. James Brown, president of the Lincoln Institute, reminded the participants that it is important to build mutually acceptable decisions rather than to continue disputes and quests for the ultimate (and not always absolute) truth. He called on those present to listen to their opponents' arguments in order to arrive at fruitful agreements, not to waste time and effort on trying to prove one's own case. **L**

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### **For More Information**

The working paper cited above and some of the papers produced for the conference are posted on the Lincoln Institute's website under the banner Past Course Materials ([www.lincolinst.edu](http://www.lincolinst.edu)). To order the printed version of the working paper (75 pages, \$14.00. Code: WP00LL1), contact [help@lincolinst.edu](mailto:help@lincolinst.edu) or call 1-800-LAND-USE (800-526-3873).



# The Mystery of Credit

JULIO CALDERÓN COCKBURN

The introduction of land titling programs to the informal land market seemed to offer a magic solution to the problem of poverty in third world countries. Various governments breathed a sigh of relief, as the struggle to reduce poverty would no longer require the complex and stressful income redistribution measures that always cause conflicts between social groups and classes. According to this magic formula, all that was required was for informal urban dwellers (about 50 percent of the population in the major cities) to formally register their properties and thus gain access to title deeds, so they could obtain mortgage loans from private banks. Their titles and newfound access to loans would enable them to increase their real estate capital, improve their homes and develop small businesses (de Soto 1986; 2001).

To put this hypothesis to the test, and at the request of Perú's National Institute of Statistics and Data Processing (Instituto Nacional de Estadísticas e Informática—INEI), I conducted a study of the official real estate registration policy under which more than one million title deeds were conferred in Perú between 1996 and 2000. This policy was implemented by the Commission for the Official Registration of Informal Property (COFOPRI) and the Real Estate Registry of Urban Settlements (RPU). As stated in Perú's Law Decree 803 of March 1996, the purpose of this policy was to establish a formal relationship between the distribution of land titles, access to formal credit mechanisms and better standards of living. Based on information provided by National Household Surveys (ENAHU) for 1998 and 1999, conducted by INEI, my study analyzed data on housing that either was acquired through invasions or other illegal means and did not have property titles or had obtained titles from COFOPRI through the regulariza-



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**Homeowners in both informal and regularized housing use their own resources or funding assistance from family and friends more often than bank loans to finance building improvements.**

tion process. The data base consisted of 913,335 units in 1998 and 1,033,480 in 1999, out of a total of 3,572,091 urban housing units for both years. The financing obtained for housing expansion and other domestic expenses was used as an indicator to determine the access to credit, whereas the structure of the dwelling and the supply of basic services were used to determine standards of living.

Those who advocate the regularization of property in Perú argue that property titles should be granted on a large scale by recognizing informal occupation (that is, legalizing land ownership), awarding registered land title deeds, and thus establishing the links needed to gain access to formal credit mechanisms. Official registration is the legal procedure whereby actual rights to a property result in legal ownership. A particular characteristic of this procedure is the firm resolve to establish connections between the legalization of land and property and the access to mortgages through the private banks. As described by the Path to Property Association, an organization dedicated to promoting these policies

worldwide, the basic philosophy behind the formal registration process is that prosperity in countries with market economies is largely achieved because those societies have adequate property systems that enable their markets to operate through exchangeable ownership rights in a wide-ranging market.

To grant landowners indisputable proof of ownership and protect them from fraud and uncertainty ownership rights must be standardized, and universally accessible exchange instruments must be registered in a central government system by legal norms and regulation. Consequently, through the official registration of property, the “energy” of the informal sector can be channeled toward organized and prosperous market economies. From this perspective, informality is merely the inability of governments to make their laws coincide with the real circumstances under which people work and live. Nevertheless, this viewpoint fails to reduce a complex phenomenon to its legal dimension and neglects its economic aspects.

**Land Titling Policy and Outcomes**

To speed up the distribution of land titles and to avoid troublesome formalities, COFOPRI took over this responsibility from the municipalities. The World Bank supported this policy, granting COFOPRI a US\$38 million loan in December 1998. Between 1996 and 2000, 1,134,000 duly registered land title deeds were awarded: 645,165 of them in Lima, 112,631 in Arequipa and 74,180 in Trujillo (the first, second and third largest cities in Perú, respectively). In terms of the distribution and registration of land titles, the success of the formal registration policy is undeniable. However, the fact that municipalities were removed from the process is questionable, since their legal role in the urban system was undermined.

A close connection between the official registration of property and the standard of living was observed in Lima after the policy was implemented. Between 1998 and 1999, regularized (formerly illegal or informal) housing in the capital city showed improved construction of walls, floors and roofing; however, the nonregularized housing units also had improved construction of walls and floors. In the rest of the country, informal housing in urban areas predominates over regularized housing.

While regularized housing units outside Lima increased from 17,929 to 48,869 between 1998 and 1999, the number of units still without property titles increased from 371,005 to 392,436, indicating the persistence of invasion mechanisms. The gaps between different types of improvements on regularized and informal houses outside Lima increased between 1998 and 1999 for most categories (see Table 1).

Looking at the relationship between official land titles and access to credit, the study found that of the 70,725 houses in Lima awarded land title deeds by COFOPRI in 1998, about 23,965 (34 percent) of those homeowners gained access to varied types of financing, such as loans from banks, lending agencies or family members, to improve or renovate their homes. In 1999, the owners of about 23,804 (18.3 percent) out of a total of 129,588 titled houses

obtained such financing. Although there is no official information on how many homeowners applied for credit and were denied, this result proves that officially registered households that gain access to loans are a minority and, in fact, the number has decreased. This situation is explained by complex factors including the economic recession, the default rate of 10 percent on private bank loans, fear of giving loans to lower-income sectors, and fear among these residents of mortgaging their houses and land.

Similarly, the number of bank loans to already titled landowners in Lima decreased from 12,750 in 1998 to 8,993 in 1999. In contrast, the use of own resources to finance housing improvements rose from 12,282 in 1998 to 14,811 in 1999. Not only is a larger majority spending their own funds on housing, but they are facing more difficulties in gaining access to credit institutions, despite the formal registration of their properties. A study by COFOPRI-DESCO (Riofrío 2001) identified several characteristics of those who are willing to take mortgages:

- Stable nuclear families;
- Both husband and wife are wage-earners;
- Entrepreneurial mentality and willingness to take risks;
- Have self-owned businesses (microbusinesses, taxis, etc.); and
- Have information on the use of the Urban Land Registry.

Of the 12,750 households officially registered and regularized in Lima in 1998 that also received bank loans for renovations and improvements, 52.6 percent obtained their loans from the *Banco de Materiales* and 47.4 percent from the National Construction Company (ENACE). In 1999,

8,993 officially registered and regularized households received loans for renovations and improvements, 4.43 percent from the *Banco de Materiales* and 15.57 percent from the ENACE. Since these are both public entities that grant subsidized loans (at the same annual interest rate of 7 percent), there is no connection between the official registration of property through regularization programs and access to loans from private banks.

With respect to seeking financing for other kinds of household expenses, only 11,323 (8.7 percent) out of a total of 129,588 households registered in Lima in 1999 resorted to any kind of financial assistance. Since no public entity provides loans for these expenses, most households receive money from friends and relatives (47 percent) or other sources such as lending agencies (25 percent). Only 28 percent of these 11,323 registered households gained access to loans from private banks for household needs.

In other urban areas, the situation of officially registered households is different from Lima's experience. In 1998, the use of the households' own funds for housing improvements predominated over bank loans (78.7 percent compared with 21.2 percent), whereas in 1999 bank loans predominated over own funds (51.3 percent compared with 42.9 percent). In 1998, all of the loans were public loans granted by *Banco de Materiales*, and 93 percent were from that source in 1999. With respect to loans for other household expenses, 6,163 (13 percent) of the total of 47,302 households officially registered during 1999 received some financing. Of this small group, 45 percent received financial assistance from lending agencies and other sources, 34 percent from friends and

**TABLE 1 Improvements in Regularized and Informal Housing Outside Lima, 1998–1999 (%)**

	1998		Gap	1999		Gap
	Regularized	Informal		Regularized	Informal	
Improved walls	67.0	41.5	25.5	78.5	44.0	34.5
Improved floors	75.6	48.0	27.6	80.0	54.0	26.0
Improved roofing	61.0	21.0	40.0	78.0	23.0	55.0



relatives, and 21 percent from their employers or work centers. None of them obtained funds from private banks.

## Conclusions

The study yielded the following conclusions with regard to the relationship between official registration of titles and access to credit:

- In general, and despite the increase in the number of properties regularized between 1998 and 1999, access to loans decreased during that period, coinciding with the economic recession and related problems affecting private banks.
- The use of personal resources predominates over bank loans as a source of funds for the expansion of both regularized and informal housing. Loans for other household expenses are obtained mainly from relatives and friends, followed by private banks and informal lending systems. Lower-income families primarily use their own funds or those of social networks for improvements to both regularized and informal housing; resources from formal public or private institutions are secondary.
- Surprisingly, informal households gain more access to loans from private banks than do regularized households. For example, in 1999, 100 percent of loans for improvements to housing units regularized by COFOPRI in Lima were public loans, thus none received private loans, whereas 28 percent of nonregularized housing units did obtain private loans. This suggests that the eligibility criteria used by private banks is based on job stability and fixed monthly income, rather than on land tenancy. The information obtained from ENAHO shows that in 1998, 25 percent of families living in informal dwellings earned about US\$747.50 per month. This is the equivalent of “6 to 7 minimum monthly wages,” a frequently used measure for salaries for lower-income sectors in Latin American countries. In contrast, only 12 percent of families living in officially registered properties regularized by COFOPRI earned



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**Commercially developed housing in a gated community (in the foreground) competes for land on the urban periphery with an informal self-produced settlement (in the background).**

a comparable salary. This paradoxical situation, whereby title holders do not have access to private banks, while those without titles have higher incomes and better access to loans, may be explained by the fact that COFOPRI, seeking to grant a large number of titles quickly and to create political impact, concentrated its efforts in newer, fragmented neighborhoods where it was easier to identify the landowners. In contrast, COFOPRI tended to ignore older and more close-knit neighborhoods where it was harder to identify the owners due to the presence of multiple generations living under the same roof.

- In the case of both regularized and informal properties, the main sources of loans were public entities that grant subsidized loans (i.e., *Banco de Materiales*).

Thus, there is no direct relationship between the number of title deeds handed over to informal dwellers and their subsequent access to loans from private banks. This conclusion was confirmed when the transition government that succeeded former President Fujimori (1990-2000) revealed in 2001 that only 12,388 mortgages had been recorded in the RPU throughout the country, which is equivalent to only 5 percent of potential beneficiaries. Although registration facilities may be

useful, they are certainly not sufficient to increase access to credit. Effective policies require an in-depth study of a number of different factors, including:

- The policies on which private bank loans are based. Discriminatory policies (redlining, etc.) are prevalent in Latin America, as in the U.S.
- The popular credit culture, particularly as regards poor people's fear of losing their property (which is virtually their only asset), as well as the lack of understanding of concepts of property titles, credit and even banks. It's important to study the patterns of cultural inertia that are put to the test by this type of policies and consider the opportunities for education that could facilitate these processes.
- The reluctance of people to register their properties and use the registries.

The intention of this article, and the research behind it, is not to minimize the importance of policies aimed at facilitating access to credit by the poor by means of regularization programs. On the contrary, such policies are important and should be stimulated, although we would not suggest urban poverty can be resolved exclusively through this means. For the system to improve, it is essential to have a better understanding of the credit system and the popular credit culture, as well as

to develop financial assistance programs that address the current resistance to the use of mortgages by both the poor and the banking sector. ■

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# Housing Policy Reform in Global Perspective

This article presents summaries of a Lincoln Institute lecture by Shlomo Angel, a follow-up roundtable discussion of his book, *Housing Policy Matters: A Global Analysis*, and a review of new directions for housing policy research. The lecture and roundtable were presented at the Lincoln Institute in September 2001. Among the contributors to this discussion were Michael P. Murray, professor of economics at Bates College; Henry Pollakowski, professor in the Center for Real Estate at Massachusetts Institute of Technology; and Stephen Malpezzi, professor in the Department of Real Estate and Urban Land Economics at the University of Wisconsin-Madison. The issues presented here owe much to the work of Stephen K. Mayo, a senior fellow of the Lincoln Institute before his untimely death in 1999 and a former colleague of Angel at the World Bank. They codirected the Housing Indicators Program, a joint program of the United Nations and the World Bank, during the 1990s.

SHLOMO ANGEL  
and DOUGLAS KEARE

What constitutes housing policy, and what constitutes good housing policy? Since there is no accepted definition of housing policy or who attends to it, we must speak of a *housing policy environment*—the set of policies or government interventions that motivate, constrain and enable housing action. Housing policy is considerably broader than what government does when a specially designated public authority finances, produces and/or manages a small part of the housing stock by itself. It is rather what government as a whole does in all possible policy spheres that has a direct and measurable effect on the performance of the housing sector as a whole. These government actions could be the control of inflation as part of its monetary policy that leads to affordable mortgage interest rates; the balancing of its budget through its fiscal policy that leads to the elimination of housing subsidies; or the increase of police protection in neighborhoods that leads to increased residential property values and stimulates improvements to the housing stock.

In other words, housing policy in its broadest sense takes it as given that

government agencies, at both the national and the municipal levels, are key, yet ultimately not the most important, stakeholders in a housing arena where most decisions and actions are taken by dwellers, builders and lenders in a multiplicity of interconnected housing markets. The conduct of modern housing policy should increasingly take these housing markets as given, and proceed to enable them to function much more efficiently, equitably and sustainably (World Bank 1993). Fortunately, many of those housing policies that have ignored the market or even actively sought to thwart it have been abandoned. We can safely say that new housing policies will have no choice but to face the housing market and make it behave.

#### Components of the Housing Policy Environment

Five key components of the housing policy environment matter most to stakeholders in the housing sector, and cannot be provided solely by the “hidden hand” governing the operations of housing markets: (1) the property rights regime; (2) the housing finance regime; (3) housing subsidies; (4) residential infrastructure; and (5) the regulatory regime governing land and housing development. Specific actions are needed in each of these policy components—coupled with a parallel reform of



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**An overview of Caracas, Venezuela, showing two solutions to the housing problem: high-rise public housing below and spontaneous settlements above.**

government institutions engaged in housing—to transform existing housing policies from the earlier nonenabling mode into an enabling one that provides support while creating conditions that will allow markets to close the gap that persists between demand and supply and remove the gross quality deficiencies in housing markets throughout the world.

The establishment of an orderly *property rights regime* in housing is the cornerstone of housing policy reform. Initiatives in this area may include a wide range of changes, from improving and streamlining urban property registration to phasing out rent control and moving toward the establishment of market rents.

There is an undeniable economic logic in borrowing money for building or buying a house: a house should be paid for over a long period of time because it is a long-lasting asset that yields its services over time. Thus, the establishment, consolidation and protection of an efficient, equitable and sustainable *housing finance regime* are also critical.

Housing needs at standards considered minimally acceptable to society at large cannot generally be met without government subsidies, requiring the establishment and maintenance of an efficient, equitable and sustainable *housing subsidy regime*.

Housing quality, as well as affordability, increases when housing is properly served

by infrastructure networks (i.e., roads and walkways; water, sewerage and drainage; and power and telecommunications) and when houses are accessible to jobs, schools and markets through an efficient transport system. These services must be provided through the establishment of an efficient, equitable and sustainable *residential infrastructure system*.

An effective *regulatory regime* provides practical, equitable and enforceable laws and regulations that affect the timely conversion of rural to urban land, the location of residential communities, the subdivision and development of land, and the enhancement of neighborhood quality. Policy reform initiatives in this area may range from reducing regulatory complexity and increasing adherence to building regulations to creating and maintaining legal protections for historic town centers.

A corollary component of housing policy reform is the transformation of the institutional framework for government intervention in the housing market, from engagement in the direct provision of housing into enabling institutions that oversee and guide the housing market as a whole, and that only engage in housing production, improvement and finance through intermediaries.

### **A Critique of *Housing Policy Matters***

Murray focused his roundtable critique on four aspects of Angel's book: (1) the call for housing policies that enable housing markets to perform well; (2) the depiction of the housing sector as a key economic sector; (3) the appeal and limitations of the housing indicators; and (4) the econometric analyses of housing outcomes.

Murray is in full agreement—as he expects most other economists to be—with grounding housing policy in the creation of an institutional environment in which markets can thrive. He believes that the combination of empirical analysis, revealing examples and abstract discussions about the nature of shelter, may prove more convincing to policy makers and advocates than would economists' leaner argumentation. He expresses the hope that *Housing Policy Matters* finds its



way onto the bookshelves and into the practices of housing policy practitioners the world over.

While Murray does not support the identification of housing as an economic sector in the traditional sense, he does support Angel's arguments for including housing as a facet of economic policy—as a productive capital good, a generator of wealth, a factor in labor mobility, and a tool for deepening the financial system—and against the marginalization of housing policy as a subcomponent of social policy. He also agrees that good microeconomic policies, in this as in other areas, are apt to serve good macroeconomic ends as well.

Murray notes that a particular strength of *Housing Policy Matters* is the detailed explanation of the 100 housing and housing-related indicators gathered in the Global Survey of Housing Indicators of 1990. The book provides a guide to the construction of individual as well as composite housing indicators, and presents useful indicator definitions, a thorough summary of global comparisons of indicators, and a host of findings about the interrelationships among them. The findings are arranged in a manner that allows for useful comparisons through stripping indicator definitions of their units of measure (e.g., using ratios instead of absolute numbers), and by presenting them in a consistent format that summarizes variations among them by countries' income, state of development and region.

Angel's culminating goal in the book is to demonstrate that housing policies around the world are gradually converging to an enabling mode. In the final chapters, through econometric analysis of housing indicators from 53 countries, supplemented by macroeconomic data and policy variables expressed as quantitative indices, he investigates these cause-and-effect relationships with considerable though inconclusive success.

Angel's chief concern is to examine the variations in housing outcomes—prices and rents; dwelling units and living space; the quality of housing; the value of housing; housing production and investment; residential mobility; and tenure—by variations

in the macroeconomic context, the housing policy environment, the land market, the mortgage market, and conditions in the construction sector. In particular, he focuses on the effect of the housing policy environment—represented by a composite *Enabling Index*—on housing outcomes. Murray reviews the statistical limitations

and econometricians should “mine the book” by applying the best techniques of quantitative analysis to sharpening and extending Angel's findings. Another suggested “regionalizing” the analysis by asking how Latin American countries differ from those in Eastern Europe, East Asia, South Asia, the Middle East and Africa.

*Housing is not a discrete entity. Housing production is part of the construction sector, housing investment is part of overall capital formation, residential property is part of the real estate sector, housing finance is part of the financial sector, housing subsidies are a part of social welfare expenditures, and residential development is a part of urban development. They are, no doubt, large parts, but they still are parts of many larger wholes, each with its own bundle of policies. We cannot, therefore, hope to carve out an autonomous housing policy from these disjunct parts of so many different policy wholes, so as to distinguish housing policy from other kinds of policy. We must satisfy ourselves with examining the policy environment of the housing sector in pursuit of policies that matter to dwellers, builders, lenders, and government agencies concerned with housing.*

Shlomo Angel, *Housing Policy Matters: A Global Analysis* (2000, 11)

of Angel's analysis, and concludes by issuing a call to econometricians to attend to extending and enhancing the empirical agenda that the book sets forth. “Angel argues clearly and forcefully that housing policy matters and that consistent and comparable cross-country data are a key to understanding how housing policy matters,” Murray stated. “It's time for economists to join the fray.”

### New Directions for Housing Policy Research

Following Murray's comments, the roundtable participants explored possible productive new directions for housing policy research. One conclusion was that economists

Four specific examples of research under these two themes were offered by Malpezzi.

1. Careful estimates of the size of the housing and real estate capital stock in different countries.
2. Studies to improve available measures of housing prices and to model the determinants of these prices from the perspective of both supply and demand.
3. Using this information on prices, careful studies on their determinants proceed, again from both the supply and demand sides.
4. Research of property rights, notably security of tenure, proceeding along

two tracks: additional country studies of the determinants of tenure security (including institutional and regulatory features) and the benefits of alternative arrangements; and cross-country analyses of the kind typified by the Housing Indicators Program. New indicators need to be developed to “unbundle” the important elements of tenure in ways that facilitate valid and informative comparisons.

Murray declared his own intention to extend his research into economic growth and urbanization by examining the indicators as indicative of barriers to urbanization and growth. Angel recommended taking different elements of the approach and pushing each to its logical extension. Noting that the urban population of the developing countries would double in the current decade (notably in Asia as China and India progressed up the steep portion of the urban transformation curve), he advocated the urgent extension of the indicators concept to broad urban development issues. The roundtable participants agreed that this, and an analogous definition of an enabling environment for appropriate urban development, was an increasingly urgent need. **I**

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## IN MEMORIAM

### Arlo Woolery

**I**t is with great sadness that we announce that Arlo Woolery passed away on February 28, 2002, at his home in Sun City West, Arizona.

Arlo brought zest, courtesy and unflinching curiosity to all of his endeavors over 82 years. Even before graduation from Luther College in Decorah, Iowa, in 1943, he turned his gift for public speaking to early success as a radio broadcaster. He provided play-by-play radio descriptions of baseball games, complete with sound effects for hits and cheering crowds, guided only by wire service score reports. Later he held several executive positions in radio and television, dealing both with broadcasting, equipment manufacturing and the first development of cable television networks.

He became an expert on public utility regulation and valuation, earning the Certified Assessment Evaluator (CAE) designation from the International Association of Assessing Officers and serving as chairman of its education committee. He was an expert witness in numerous utility valuation cases and taught in the annual Wichita State University program on railroad and utility valuation for many years. The Supreme Court of Utah reflected the respect with which he was regarded when it described him as a “well-educated, long experienced and highly qualified appraiser.” From 1967 to 1976 he served as director of the Property Tax Program for the state of Arizona, dealing with issues of valuation and tax administration and taking the lead in the development of computer-assisted mass appraisal.

Arlo was the first executive director of the Lincoln Institute of Land Policy, from 1974 to 1986, and upon retirement was named the Archibald M. Woodruff Fellow. He led the Institute’s move to Cambridge and its establishment as a center for education on land use and land-related tax



issues. He organized and participated in numerous international symposiums on property taxation, land policy and computer-assisted valuation. He assisted in the development of the International Center for Land Policy Studies and Training (formerly the Land Reform Training Institute) in Taiwan and served on its Board of Directors from 1975 to 2000. He also wrote and edited many books, including *The Art of Valuation* (1978); *Introduction to Computer Assisted Valuation* (1985); *Property Tax Principles and Practice* (1989); and *Valuation of Railroad and Utility Property* (1992).

“Arlo’s legacy to the Lincoln Institute is its solid academic underpinnings,” notes Kathryn J. Lincoln, Chairman of the Board. “Even after his official retirement, Arlo remained involved with the Lincoln Foundation, and his continuing leadership and teaching at the International Center for Land Policy Studies and Training were instrumental in the development of that Lincoln program. We shall miss his wisdom and guidance.” **I**

## FACULTY PROFILE

### Harvey M. Jacobs

**Harvey M. Jacobs** is on the faculty of the University of Wisconsin-Madison, where he holds a joint appointment as professor in the Department of Urban and Regional Planning and the Institute for Environmental Studies and serves as director of the Land Tenure Center. His research and teaching investigate public policy, theory and philosophy for land use and environmental management. During the last decade he has focused his domestic work on the impact of the private property rights movement. He wrote the book *Who Owns America? Social Conflict over Property Rights* and the Lincoln Institute policy focus report *State Property Rights Laws: The Impacts of Those Laws on My Land*; and his work has been published in academic and professional journals in the U.S. and Western Europe. Jacobs also has investigated international issues of land use policy formation in Eastern Europe and southern Africa, with a specific focus on peri-urban (urban fringe) land management and the definition of private property rights. He is particularly interested in how societies define property and the policy structures they develop to manage the public-private property relationship.



Jacobs is a faculty associate of the Lincoln Institute, where he teaches courses for policy makers and practitioners in land use planning and management. He developed a Lincoln course titled "Land Use in America," originally designed for staff of the Environmental Protection Agency and now available through open enrollment. As part of his current education and research project with the Institute, he will lead a seminar in Cambridge in May on the future of private property rights in America, and he is working on another book to be titled *Private Property in the 21st Century*. This essay outlines his views on the uncertain future of the American ideal of private property rights. *Contact: [hmjacobs@facstaff.wisc.edu](mailto:hmjacobs@facstaff.wisc.edu).*

#### Property Rights and Environmental Planning

Social conflict over property rights is at the center of all U.S. land and environmental planning and policy. One key source of this conflict is the differing interpretations of the so-called Takings Clause of the Fifth Amendment in the Constitution's Bill of Rights: "...nor shall private property be taken for public use, without just compensation."

Those who support the integrity of private property rights and stand against land use and environmental regulation by state and local governments can be understood as participants in one of the most significant U.S. land use and environmental movements of recent times. This movement is referred to by a variety of labels, including the private property rights movement, the land rights movement, the wise use movement and, by the environmental community, the anti-environmental movement. This movement's leaders have succeeded in keeping their agenda before the U.S. Congress since the early 1990s, though as yet no action has resulted from their efforts. More significantly, they have

succeeded in having bills reflecting their agenda introduced in all 50 states, and they have secured the passage of significant legislation in over half of the states. In addition, they have promoted significant parallel activity in over 300 counties. Perhaps most important, they have reshaped public debate on how the media communicates to the American public about issues of land and environmental management, and the balancing of the public good with individual property rights.

The potential power of the property rights movement became even more important after the 2000 elections. While governor of Texas, George W. Bush exhibited strong sympathies to the arguments of the property rights movement and supported state-based legislation in accordance with the movement's goals. Among his most prominent initial appointments as president were the selection of a secretary of the interior and a solicitor general with explicit ties to the property rights movement and commitments to the property rights issue. These developments, together with renewed activity at the state level, indicate that the property rights move-

ment seems to be alive and well in America. The passage of Measure 7 in the state of Oregon in the fall of 2000 is of particular interest, since this measure is one of the most stringent state property rights laws in what is considered one of the most progressive states in its land use and environmental management policies. The measure, passed by initiative, requires landowners to be compensated if the value of their property is reduced by a state or local law or regulation. It is under state constitutional challenge by land use and environmental groups, and its implementation is being held back until this challenge is settled by the Oregon courts.

#### Historical Context

Underlying the policy agenda of the property rights movement and the conflict with the land use and environmental movements is a fundamental debate about U.S. history, the cultural myths that inform our understanding of ourselves as a nation, and the intended meanings of selected provisions of the Bill of Rights. From the perspective of the property rights movement, strong individual private property rights are an



integral component of our democratic society. Drawing from the writings of the nation's founders such as John Adams, James Madison and Thomas Jefferson, these proponents argue that liberty, equality and citizenship in a democracy, in fact democracy itself, can not be secured and sustained without a robust set of property rights essentially unassailable by the power of the state. From this perspective, land use and environmental laws become a threat to the very nature of democratic way of life. Richard Epstein, one of the leading legal scholars articulating this view, has suggested that “the [entire] system of land use planning is a form of socialism in microcosm” (Epstein 1992, 202).

In opposition, the land use and environmental movements also draw from the writings of the founders, including Benjamin Franklin and Thomas Jefferson, to argue that property rights are created by the public sector to serve social ends, and that citizens' rights in property have to bend and flex with society's changing needs over time. Land use and environmental proponents tend to make arguments about rights *and* responsibilities in property, rather than to see individual rights as preexisting or standing before the rights of society, as expressed through the actions of government.

The historical challenge for this debate is the that private property has been subject to substantial local regulation even since colonial times, and it has been fundamentally reshaped at several times in American history, to reflect changing social values and changing technology. For example, in the 1860s the property ownership rights of slave-owning plantation farmers in the South and in the 1960s the commercial trespass rights of lunch-counter owners were significantly reshuffled to reflect changing social values about race relations. In the early part of the twentieth century it was necessary to reconceptualize the property rights bundle as a function of the invention of the airplane and the seeming nonsense of allowing individual owners to claim trespass for air travel above their property.

## Changing Conditions

Social reformulation of private property to reflect changing conditions continues. During the 1990s resistance by male-only membership clubs and male-only colleges to the admission of women was prominent in the media and the courts. Like the prior slavery and civil rights situations, here, too, individuals lost their rights in property, absent compensation, to reflect changing social values.

Thus, we know that private property is not a static concept or entity. In America it has changed since its creation during colonial times, and there is every reason to believe it will continue changing in the future. In fact, for over fifty years some ecologists and land ethicists—most prominently and enduringly Aldo Leopold (1949)—have called for a fundamental reinvention of property, based on new scientific knowledge that is less individual-rights oriented and more oriented toward social and ecological responsibilities.

It is reasonable to say that both sides to this debate have legitimate concerns and perspectives on the issue. Some property rights reforms through land use and environmental planning and policy, when taken too far, do seem to violate fundamental American understandings about the social contract that underlies national life. On the other hand, unassailable bundles of private property rights seem to leave society in a place that does not allow for change through the integration of new technologies, new social values, or new concepts of ourselves and the land on which we live.

Social conflict over property rights is at the center of all U.S. land and environmental planning and policy. However, much of the current scholarly inquiry and legislative and judicial debate that occurs now is formalized posturing, with little real communication around an issue that is one of the most central to our democratic society. Too often, the well-known players trot out their already settled analyses and opinions and wave them at one another. Little real progress occurs, either in intellectual understanding of these matters or in policy innovation.

The goal of my current work is to get key actors to put aside their rancor and agree to talk *with* one another instead of *at* one another. Is it possible to move beyond the broad rhetoric in this debate to a determination of clear, specific areas of agreement and disagreement about the place and role of the property rights bundle and the concept of property rights in our American democratic-legal schema?

The challenge is twofold: accepting that private property is fundamental to the American character and the design of American democracy, and acknowledging that private property has changed significantly through the centuries and thus will continue to change. The issue is not if private property will evolve, but how it will evolve.

As we seek to address this issue, many questions present themselves. How much will new ecological knowledge and social values transform our sense of what is mine to use (and misuse and abuse) as I please? Is the evolutionary transformation of private property a slippery slope that eventually undermines the viability of contemporary democratic forms of governance? Are the ideals and principles of the founding fathers about the relationship of land ownership to liberty and democracy irrelevant in a world of urban wage earners, in contrast to the world of farmers, foresters and ranchers for which they were formulated? These are among the challenges we face in trying to untangle a puzzle that is the key to the future of American (and increasingly global) land use and environmental planning. **L**

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## Property Taxes in South Africa

Editors Michael E. Bell and John H. Bowman have assembled the first comprehensive overview of the challenges of adapting property taxation to the many changes brought about by the end of apartheid in South Africa. This volume brings together the perspectives and insights of researchers who collectively have spent many years studying and analyzing the fiscal issues facing South Africa, as well as public finance experts and practitioners from several cities and provinces. This work is important both as a general contribution to our understanding of the role of land and building taxation in specific settings and as a case study of the complex and multifaceted reality of the new South Africa.

The context for property tax reform in South Africa is complicated. With relatively minor exceptions, the property tax laws of the current nine provinces are essentially the same as those of the original four provinces that existed before the end of apartheid in 1994. Furthermore, the racially segregated and fragmented local governments of the apartheid era have undergone two major reforms and demarcations, in 1996 and again in December 2000. This municipal reorganization process, which has reduced the number of local governments by about two-thirds, has been driven by goals of racial desegregation, redistribution of financial and administrative resources, and the introduction of more rational service delivery arrangements.

The property tax is now being extended into rural areas and traditional tribal areas where private property ownership and property taxation previously did not exist. At the same time, new legislation is being developed to deal with fundamental local government and structural issues, such as the nature of the local tax base and the scope of property tax relief. As local governments wrestle with these challenges,



the property tax has come under attack from all sides as newly amalgamated cities move toward a uniform property tax system by bringing tax rolls into conformity, updating out-of-date rolls, moving toward rate uniformity throughout the municipality, and bringing new areas into the tax net. This transition is particularly contentious in the rural and tribal areas that now fall within municipal government structures.

The work included in this book has both evolved within this dynamic situation and has helped inform the debate of property tax reform in South Africa. It will have a direct impact on emerging property tax policies at the national, provincial and local level of government. Students of property taxation will find the book an interesting case study of tradition and change in an important country making the transition to democracy. Policy makers and concerned citizens in South Africa will find a policy framework for understanding complex property taxation and local finance issues. Policy makers in other countries undergoing similar transition, or strengthening the role of local self-government, will find important comparative lessons to be learned.

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## Vacant Land in Latin American Cities

Vacant urban land is the product of many combined factors, including the functioning of land markets, the actions of private agents and the policies of public agents, and it constitutes an important challenge for the governments and policy makers of Latin America. Vacant lots located on the urban fringe and in central and interstitial areas have been a determining factor in the growth patterns of cities in the region.

A new Spanish-language Lincoln Institute book, *Tierra vacante en las ciudades latinoamericanas* (*Vacant Land in Latin American Cities*), edited by Nora Clichevsky, identifies the many problems related to vacant urban land, as well as the opportunities that it presents. The anthology is the culmination of an Institute-sponsored research project coordinated by the editor between 1997 and 1999. Using a common methodology, researchers analyzed and compared the issues around vacant land in five cities: Buenos Aires, Argentina; Rio de Janeiro, Brazil; Quito, Ecuador; Lima, Perú; and San Salvador, El Salvador. Earlier versions of the chapters were presented in two international forums: a working group meeting held in Buenos Aires in August 1998, and the “International Seminar on Vacant Land: New Challenges and Opportunities,” held in Rio de Janeiro in April 1999.

A great variety of vacant land situations coexist in Latin American cities, but there are common threads throughout the region. Two of the groups most often affected by this phenomenon are low-income urban sectors that cannot occupy lots that they once would have been able to purchase, and small real estate agents who are unable to sell the lots. The problems derived from



vacant lots include increased costs for the provision of infrastructure in low-density areas, as well as long commutes and high transportation costs related to growth further from the urban center. The existence of unused lots also places a burden on society as a whole to maintain investments in infrastructure and services, as well as their administrative management, at extremely high costs. As long as significant amounts of urban land remain unoccupied, equally important numbers of poor urban residents will continue to occupy land lacking infrastructure or services, located in areas not appropriate for urban development. This pattern both creates precarious habitats and deepens the processes of socio-spatial segregation.

In general, the topic of vacant land has not garnered the interest of researchers, planning entities or government officials at any level in Latin America. This anthology, therefore, is an important contribution to incorporating this topic into the urban policy debate and agenda in the region. The essays suggest that, at this moment when urban planning and management are being redefined in many Latin American countries, vacant land could play an important role in the dynamics of cities and metropolitan areas. The creative reuse of

vacant land could be beneficial to all social sectors, if its management forms part of society's broader policies of urban equity. The editor formulates a number of recommendations toward this end.

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*Mario Lungo and Francisco Oporto*

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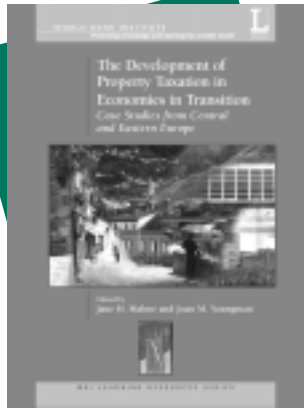
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## International Land and Tax Policy

*The titles listed here include both Lincoln Institute publications and books distributed by other publishers that present research by authors and editors whose work was sponsored by the Institute.*



### The Development of Property Taxation in Economies in Transition: Case Studies of Central and Eastern Europe

Jane H. Malme and Joan M. Youngman, editors

Over the past decade of transition from communist to market economies in Central and Eastern Europe, property taxation has taken on an important role as many countries have developed new fiscal policies and new approaches to property rights. Taxes on land and buildings have served not only as revenue instruments but also as adjuncts to decentralization and privatization. In spite of the complex national differences in this region, a number of common issues have emerged in regard to property-based taxes. Case studies of Estonia, Poland, Russia, the Czech and Slovak Republics, and Armenia illustrate varied approaches to and experiences with the introduction of property taxation in these transitional economies. Published by the World Bank Institute.

2001. 108 pages, paper. \$22.00  
ISBN 0-8213-4983-X

To order this book, contact:  
[books@worldbank.org](mailto:books@worldbank.org) or  
1-800-645-7247

### Global City Regions: Their Emerging Forms

Roger Simmonds and Gary Hack, editors

Based on research by local experts in eleven city regions (Bangkok, Boston, Madrid, Randstad, San Diego, Santiago, São Paulo, Seattle, Taipei, Tokyo, West Midlands), this book offers comparative evidence about how the cities changed between 1960 and 1990. Detailed changes in land use and infrastructure are illustrated with numerous maps and accompanied by discussions of the socioeconomic and physical forms of these city regions. Essays explore broad questions about emerging human settlement patterns by presenting different ways of looking at the present moment of change in cities. Published by Spon Press/Taylor and Francis Group.

2000. 286 pages, cloth. \$99.00  
ISBN 0-419-23240-0

To order this book, contact:  
[www.routledge-ny.com](http://www.routledge-ny.com) or  
1-800-634-7064



### An International Survey of Taxes on Land and Buildings

Joan M. Youngman and Jane H. Malme

This study summarizes and compares property taxation and administration in 14 nations, including several countries that have undergone recent reforms. It summarizes and compares the elements of the different systems in simple charts and tables, and analyzes important underlying trends in contemporary property taxation issues around the world. Copublished with Kluwer Law and Taxation Publishers.

1994. 225 pages, paper. \$32.95  
ISBN 90-6544-793-8

### Methodology for Land and Housing Market Analysis

Gareth Jones and Peter M. Ward, editors

The aim of this innovative book is to bring methods of land market and land price analysis to the foreground. A dozen case studies on housing and land markets in Africa and Latin America and a community in California examine how the research design and methodology can shape the analysis of the problems being studied and lead researchers to certain frameworks, conclusions and policy prescriptions. The book also reviews international assistance programs for housing and urban development. Copublished with UCL Press.

1994. 288 pages, cloth. \$37.95  
ISBN 1-55844-123-9

### Rethinking the Development Experience: Essays Provoked by the Work of Albert O. Hirschman

Lloyd Rodwin and Donald A. Schon, editors

In critically reappraising ideas about social learning and economic development advanced by Hirschman, twelve distinguished economists, development theorists, social scientists and practitioners show how his innovative ideas bear on the theory, policy and practice of development in the 1990s. Copublished with the Brookings Institution.

1994. 369 pages, cloth. \$44.95  
ISBN 0-8157-7552-0

1994. 369 pages, paper. \$19.95  
ISBN 0-8157-7551-2

### The Story of Land: A World History of Land Tenure and Agrarian Reform

John P. Powelson

How did our current understanding of land ownership arise in different parts of the world? This book traces the evolving rights and obligations linked to the land and its various uses, spanning the centuries from ancient Mesopotamia, Egypt, Greece and Rome to the modern era in Europe, Latin America, Africa and Asia.

1988. 347 pages, cloth. \$30.00  
ISBN 1-55844-218-9

### Urban Planning for Latin America: The Challenge of Metropolitan Growth

Francis Violich with Robert Daughters

The authors offer an historical, comparative perspective on urban planning in Latin America and suggest how urban policy could have a positive role in solving problems caused by rapid development.

1987. 435 pages, cloth. \$26.25  
ISBN 1-55844-213-8

## Spanish-language Books



### Value Capture in Latin America: Alternatives for Urban Development

Recuperación de plusvalías en América Latina: Alternativas para el desarrollo urbano

Martim Smolka and Fernanda Furtado, editors

Latin American urbanization is characterized largely by dramatic social inequities, particularly in the access to urban land and services. These inequities are expressed in formidable urban land price differentials associated with the process through which land value increments are generated, appropriated and used. In this context, it is not surprising that ideas such as the mobilization of land value increments to benefit the community, as inspired by the work of Henry George, have attracted so much attention in the region. Eight essays by Latin American scholars demonstrate that value capture policies are theoretically feasible and that legislation and tools for their implementation already exist in many countries. The case studies offer valuable lessons not only for Latin America and

the third world, but also for the developed world. This book inaugurates the editorial collaboration between the Lincoln Institute and the Postgraduate and Research Institute of the School of Architecture, Design and Urban Studies of the Catholic University of Chile, which published the volume as part of its EURELIBROS series.

2001. 226 pages, paper. \$10.00  
ISBN 956-14-0620-9

To order this book in Latin America,  
contact: [gacacere@puc.cl](mailto:gacacere@puc.cl)

### The Poor of the City and the Country

Los pobres de la ciudad y la tierra

Alfonso X. Iracheta Cenecorta and  
Martim O. Smolka, editors

The essays and case studies in this volume were presented at the seminar, "Value Capture Policies to Provide Land for the Urban Poor," cosponsored by Lincoln Institute and El Colegio Mexiquense in March 1999. The essays are presented in three thematic sections: 1) land markets, public interventions, and the evolution of precarious and informal urban conditions; 2) fiscal and regulatory instruments for mobilization of land value increments for the provision of infrastructure and urban services; and 3) land policies for the urban poor. Authors from Mexico, Brazil, Venezuela and France discussed a variety of problems affecting Latin American cities, including irregular occupation of land, change from rural to urban land use, and the pressures of demographic changes and urban expansion. They also examine the application of various policy instruments to address these problems, including property taxation, value capture and regularization of land tenure.

Published by El Colegio Mexiquense.

2000. 247 pages, paper. \$12.00  
ISBN: 970-669-020-4

To order this book, contact:  
[adqbib@cmq.edu.mx](mailto:adqbib@cmq.edu.mx)

### The State of Knowledge on Urban Land Markets in Mexico

El estado del conocimiento sobre el  
mercado del suelo urbano en México

Alfredo Delgado and Manuel Perló

This annotated bibliography features 82 documents published between 1940 and 1999 on the topic of urban land markets in Mexico.

The authors also present their analysis of the evolution of this area of study and the influence of this knowledge base about land issues on government policies in Mexico. Published by El Colegio Mexiquense.

2000. 138 pages, paper. \$10.00  
ISBN: 970-669-019-0

To order this book, contact:  
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### Urban Land and Territorial Reserves: Policies and Land Markets in Latin America

### Suelo urbano y reservas territoriales: Políticas y mercado del suelo en América Latina

Adriana Fausto Brito, editor

This volume is the product of the "International Conference on Urban Land and Territorial Reserves," held in Guadalajara, Mexico, in April 1997 and cosponsored by the University of Guadalajara's Center of Metropolitan Studies and the Lincoln Institute. The essays presented at the conference and edited for this collection are organized in four sections: (1) globalization and its effects on urban development; (2) urban planning, the municipality and sustainable development; (3) liberalization of the ejido and its effects on land production; and (4) policy makers, management and urban instruments. The contributing authors represent ten different Latin American countries. Published by the University of Guadalajara.

1998. 160 pages, paper. \$7.00  
ISBN: 968-895-827-1

To order this book, contact:  
[lalvarez@cuaad.udg.mx](mailto:lalvarez@cuaad.udg.mx)

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## PROGRAM REPORTS

This section of *Land Lines* summarizes selected courses and educational programs recently offered by the Lincoln Institute. They reflect the broad range of land use and tax policy topics the Institute addresses in its open enrollment courses and specialized seminars and conferences. In some cases, the papers and reports prepared in conjunction with or following these programs are published as books or reports and/or posted on the Lincoln Institute website ([www.lincolninst.edu](http://www.lincolninst.edu)).

### The Theory and Practice of Land Valuation: A Case Study Approach

The accurate estimation of land value is critical to both taxation and land use decisions, but it is also one of the most difficult appraisal tasks. It is far easier to value an existing building or an improved parcel at its current use than to determine the highest and best use of the land component and to quantify its development potential.

A panel of experts dealt with this issue at a Lincoln Institute course in February. Two appraisers, James Czupryna and Paul O'Leary, analyzed in detail a parcel of more than 600 acres of land to estimate its value for alternate uses, including farmland, residential subdivision and oversized estate lots. Because this property was of special interest to the conservation community and to Massachusetts officials who sought to preserve its agricultural potential, the course faculty included Richard Hubbard, assistant commissioner for the Massachusetts Department of Food and Agriculture, and Leslie Badham, executive director of the Dartmouth Natural Resources Trust. They provided background on the property's value as open space and the Massachusetts agricultural preservation program that purchased the development rights after their market value was established.

Course participants included assessors, appraisers, land trust members, and state and local officials concerned with valuation and land conservation issues. A course workbook provided full documentary background on the property including site descriptions, plans, maps, relevant land use regulations, and data on comparable sales. The day's discussion drew on this background to consider the full range of valuation issues presented by this appraisal, from the derivation of appropriate discount

rates to the analysis of soil samples, and from the relative markets for alternate housing configurations to the impact of conservation land on the value of adjacent property. The Massachusetts agricultural preservation program offered a context within which to consider the effect of development restrictions on economic activity, market values and regional growth patterns as well.

This course is one of a series in which the Institute considers issues of land valuation. "Valuing Land Affected by Conservation Easements" has been offered several times and is available as an audio cassette packet (contact [help@lincolninst.edu](mailto:help@lincolninst.edu)). An advanced course, "Technology-driven Market Value Assessments," will be presented at Lincoln House on May 10 (see page 20). It will build on the individual fee appraisal issues raised in the February case study and consider how land valuation can take place on a jurisdiction-wide basis appropriate for tax and planning purposes by use of computer-assisted mass appraisal (CAMA) and geographic information systems (GIS). Each of these courses will be offered again in the 2002-2003 academic year.

Contact: **JOAN YOUNGMAN**, chairman of the Department of Valuation and Taxation, [jyoungman@lincolninst.edu](mailto:jyoungman@lincolninst.edu).

### Redesigning the Edgeless City

Edgeless cities are a recurrent outcome of the decentralized pattern of post-World War II urbanization that sprawls beyond the beltways of many metropolitan regions. Some of these localities, also known as suburban activity centers, have grown rapidly and are choking on traffic congestion, while others are experiencing disinvestment, abandonment



of retail and commercial property, and declining tax bases. Over the past two decades, the earlier trend of low-density, use-segregated developments has spawned new national movements focusing on smart growth, new urbanist and sustainable development principles that seek to design more compact places to reduce the pace of land consumption and reinvigorate older cities and suburbs. A growing number of older suburbs are looking for help to redesign and transform their communities into places with greater densities, a more varied mix of activities and new transportation options.

In the fourth of a series of programs cosponsored by the Lincoln Institute and the Regional Plan Association (RPA) of New York, a small group of urban planners, architects, public officials and community activists met in October 2001 to learn how suburban strips, regional shopping malls, office and industrial parks, interstate corridors and other elements of the edgeless city can be redesigned and repositioned to play a more vital role in their larger regions.

Following an overview of the significant challenges presented by edgeless cities, Robert Yaro and Robert Lane of



RPA discussed several case studies of communities and regions that have transformed their sprawling suburban landscapes, including the Nassau Hub on Long Island, New York, and Somerset County in New Jersey. Landscape architect Patrick Condon of the University of British Columbia outlined ideas for using green infrastructure to develop more sustainable suburban neighborhoods, and Dan Marckel of the University of Minnesota shared his work on multi-jurisdictional efforts to redesign interstate highway corridors.

A significant focus of the workshop was a mini-charrette of the edgeless city surrounding a suburban highway corridor in Broward County, north of Miami, which had been the subject of a previous community charrette in Florida led by the Institute and RPA. Working in small teams, each led by a faculty member, the Cambridge participants developed a new set of planning and design alternatives for the corridor. A similar hands-on workshop using a different edgeless city site will be offered at the Institute in the fall semester.

Contact: [ARMANDO CARBONELL](mailto:acarbonell@lincolninst.edu), *cochairman of the Department of Planning and Development*, [acarbonell@lincolninst.edu](mailto:acarbonell@lincolninst.edu).

## Teaching Land Policy in Latin America

Land policy encompasses many different issues and disciplines, requiring the integration of theoretical knowledge and practical experience in such fields as law, sociology, economics, planning and architecture. The traditional compartmentalization of the policy dimensions of these fields within both university departments and public administration offices in Latin America creates a critical bottleneck in land policy education and practice.

For example, land policy issues are typically taught in urban planning programs within architecture schools that emphasize a physical approach to urban

design and management. As a result, planners receive little training in such topics as land market economics or property taxation systems. In the public finance arena, officials are concerned primarily with raising revenues, and thus may have little understanding of the possible consequences of alternative property taxation systems or procedures on both formal and informal land markets. Likewise, city officials involved in regularization and upgrading programs may overlook the social and economic impacts of such programs on land values (i.e., windfalls or wipeouts) and, most importantly, the feedback effects on the causes of informality in the first place. Managers of large-scale development projects often neglect opportunities for capturing the value of improvements generated in such projects as a source of financing for future investment.

The Lincoln Institute's challenge in developing educational programs for its varied Latin American audiences has been two-fold: (1) to help current public officials with varied backgrounds and experiences to better understand the complex land policy issues that they face every day; and (2) to support faculty members in improving curriculum materials and teaching methods that are relevant for a new generation of students who will enter professional practice and public policy-making positions with a broader understanding of and proficiency in the issues.

To address this phenomenon, the Institute invited 23 leading faculty members from universities in 11 countries to a five-day program in Cambridge last November, to share their own experiences and to develop new approaches to teaching land policy. The Institute's senior fellows and several adjunct faculty introduced materials for curriculum development, pedagogy and issues analysis on five key topics: functioning of urban land markets (both formal and informal), land use regulation, spatial segregation, property taxation and value capture. The course also provided the Latin American participants with new

tools and methodologies for designing a more interdisciplinary approach to land policy, including web-based instruction and use of the case method.

Among the results of the course was a recognition that the region needs help in developing and synthesizing course modules and teaching materials on land policy for different types of students, including traditional university students, practitioners, policy makers and community residents. Those who already teach land policy topics are eager to find ways to support their work through networking and recognition of the profession.

Through innovative programs such as this one, the Institute, too, is exploring new ways to enhance the teaching, research and institutional capacities of Latin American faculty in land policy and practice. For example, 15 participants are using ideas from the seminar to write new case studies (in Spanish or Portuguese) on topics such



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as illegal land markets in environmental preservation areas; community participation in the economic benefits generated by a new airport; and the role of the informal economy in the recovery of public space in historical centers. The case studies will be posted on the Latin America section of the Lincoln Institute's website ([www.lincolninst.edu](http://www.lincolninst.edu)) for use by faculty and students throughout the region.

Contact: [MARTIM SMOLKA](mailto:mamolka@lincolninst.edu), *director of the Program on Latin America and the Caribbean*, [mamolka@lincolninst.edu](mailto:mamolka@lincolninst.edu).

## PROGRAM CALENDAR

### Courses and Conferences

The courses and conferences listed here are offered on an open admission basis and are presented at Lincoln House in Cambridge, Massachusetts, unless otherwise noted. For more information about the agenda, faculty, accommodations, tuition fee and registration procedures, visit the Lincoln Institute website at [www.lincolninstitute.edu](http://www.lincolninstitute.edu) or email to [help@lincolninstitute.edu](mailto:help@lincolninstitute.edu).

#### WEDNESDAY–FRIDAY, APRIL 3–5

##### Advanced Course on Mediating Land Use Disputes

Armando Carbonell, Lincoln Institute, and Lawrence Susskind, Consensus Building Institute, Cambridge, Massachusetts

This interactive three-day course is designed for planners and other practitioners who have attended the introductory course on “Mediating Land Use Disputes” and professional 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. This course offers instruction, exercises and case studies on the special problems associated with various types of land use disputes.

#### MONDAY–FRIDAY, APRIL 15–19

##### Land and Building Taxation in Latin America

Martim Smolka, Lincoln Institute, and Claudia De Cesare, Municipality of Porto Alegre, Brazil

This course builds on the Institute’s first training course and network meeting on property taxation in Latin America, held in Porto Alegre in April 2001. The curriculum includes the determination of property values; property taxation in the context of urban finance; components and definition of the property tax base (assessment levels, valuation methods, complex properties); assessment performance; property tax rates and exemptions; property information systems (cadastres, maps and GIS); and collection and appeal. (This course is conducted in Spanish.)

#### FRIDAY, MAY 10

##### Technology-driven Market Value Assessments: GIS, CAMA and Spatial Analysis

Jerome C. German, Lucas County Auditors Office, Toledo, Ohio

The technological revolution in assessment administration requires assessors to fill many new roles and meet new challenges. They must understand and be able to make use of advances in computer-assisted mass appraisal, statistical modeling and spatial analysis while being able to explain and defend appraisal results in nontechnical communications with taxpayers, public officials and tax review tribunals. This seminar offers a unique opportunity to learn from one of the country’s leaders in development and implementation of these contemporary property systems.

#### MONDAY–FRIDAY, MAY 20–24

##### Large-scale Urban Public Interventions

Martim Smolka, Lincoln Institute, and Mario Lungo Ucles, Office of Planning of the Metropolitan Area of San Salvador, El Salvador

Developed for experts involved in large-scale urban redevelopment, this course is set in the context of the land regulation crisis in various Latin American countries and the new paradigms of urban management. Students discuss the rationale and implementation process of large-scale interventions and criteria to evaluate their impacts on cities. This program includes analysis of alternative regulatory environments; examination of the broader redistributive effects of land use regulation; the social and economic costs (or benefits); and case studies of programs for the recuperation of deteriorated or technologically obsolete zones and the reuse of vacant land. (This course is conducted in Spanish.)

#### THURSDAY–FRIDAY, JUNE 6–7

New York University Law School

##### The Humane Metropolis: People and Nature in the 21st Century City

Armando Carbonell, Lincoln Institute, and Rutherford H. Platt, Ecological Cities Project, University of Massachusetts, Amherst

This symposium commemorates the work of William H. “Holly” Whyte (1917-1999), the preeminent analyst and proponent of shared spaces and open land in and around American cities. He wrote *The Organization Man*, *The Last Landscape* and *City: Rediscovering the Center*. Today, when U.S. urbanization is increasingly private and exclusive, as evidenced by gated subdivisions, edge cities and private recreation retreats, it is timely to revisit Whyte’s appeal to conserve lands and design places for common benefit.

### Lincoln Lecture Series

The lecture series is presented at Lincoln House in Cambridge, Massachusetts, at 12 noon, and a complimentary lunch is provided. Pre-registration is required; contact [help@lincolninstitute.edu](mailto:help@lincolninstitute.edu).

#### WEDNESDAY, APRIL 17

##### Subnational Financing: The Property Tax and the Challenges for Its Modernization in Latin America

Luiz A. Villela, Inter-American Development Bank, Washington, DC

This lecture will examine the importance of the decentralization process in Latin America and its main characteristics, stressing the need for adequate local government financing and focusing on the main characteristics, advantages and shortfalls of the property tax as compared to other forms of municipal funding. It will conclude with an analysis of the technical, cultural and political challenges to improve the collection of property taxes in Latin America.

#### MONDAY, APRIL 29

##### The Property Tax as a Coordinating Device: Financing Internal Improvements in Indiana, 1834–1842

John Wallis, Department of Economics, University of Maryland

In 1836, the state of Indiana set out to build a system of canals, railroads and turnpikes after a decade of intense debate.

This presentation investigates the role played by the adoption of an ad valorem property tax in ameliorating sectional rivalries by coordinating the costs of financing the transportation system with the taxes levied to finance it.

**TUESDAY, MAY 7**

### Visualizing Density

Julie Campoli, Terra Firma Urban Design, Burlington, Vermont, and Alex MacLean, Landslides Aerial Photography, Cambridge, Massachusetts

In the realm of community planning and land development, density can be a loaded term. To some it conveys efficiency or urbanity. To others it represents crowding. Planners use quantitative measures to determine and regulate density, but are often at a loss to express its look and feel. Aerial photographs of cities, suburbs and small towns across the country will be used to translate density numbers into mental images, and to demonstrate how various urban design approaches affect the perception of density.

### Audio Conference Training Program for Planning Officials

This audio conference series is cosponsored with the American Planning Association (APA). For registration information, contact Angela Lawson, 312/431-9100, [alawson@planning.org](mailto:alawson@planning.org), or [www.planning.org/educ/audiocn.htm](http://www.planning.org/educ/audiocn.htm).

**WEDNESDAY, MAY 22**

### Preserving Community Retail

Economic analysts assert that America has overbuilt for retail, as evidenced by the many retail businesses that move or go out of business annually. This situation can be very disruptive for a community and can seriously alter the viability and economic stability of a neighborhood. Learn what communities can do to preserve or attract new retail, explore new options such as ethnically oriented businesses, and find out how to help new entrepreneurs and sustain mature businesses.

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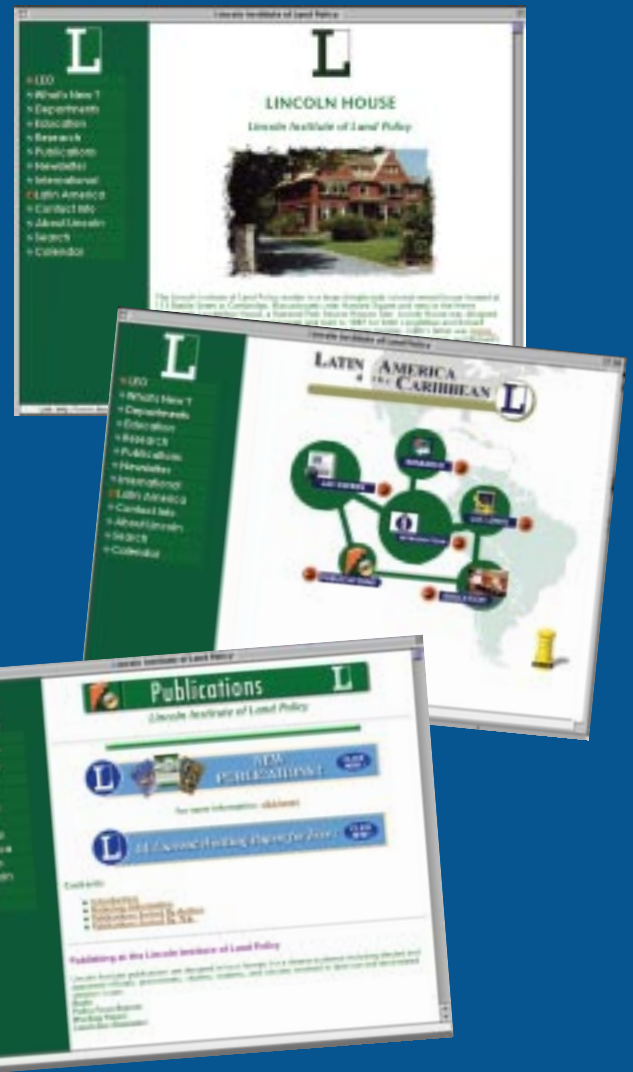
## LATIN AMERICA

- Descriptions of upcoming courses and conferences
- Links to selected working papers and conference papers, in English and Spanish

## CALENDAR

- Brief listing of upcoming course topics, dates and locations

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