

Paper 4: The Role of Urban Land Readjustment Institution in Urban Development and its Challenges

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Urban Land Readjustment (ULRA) is deemed a good alternative form to complete the urban development and to provide necessary public facilities. ULRA is assumed to be better than eminent domain or compulsory purchase institution by which it does not need government budget and causes less conflicts. ULRA theoretically demonstrates how government can recapture the spillover effect of public goods from landowners and therefore sponsors the necessary neighborhood public facilities by associated landowners. Taiwan is indeed a country where widely adopted ULRA successfully to accomplish the Taiwan's urbanization. This chapter will unveil how ULRA is introduced, designed and applied in Taiwan.

Moreover, Lincoln institute ever published a book in 2007, *Analysing Land Readjustment*, (Hong and Needham, 2007) concluded that the ULRA is worth to study further and considered to be applied in countries such as United states and those not yet conducted. According to Hong (2007) the successful application of Land readjustment institution has four key elements. The first one which is a country must uphold the private property rights regime. Second element is the robust legislation for ULRA. Third is the proper economic inducement. The fourth is the value of trust and reciprocity among the related parties. After ten years, Taiwan and globe all went through the financial crisis and asset bubble that also shaped Taiwan's ULRA evolves into different direction and faces more problems need to be solved. This chapter will not only examine the important elements that had revealed in 2007, but also discussed the new problems and challenges of ULRA in current days and near future, which will provide valuable information for many countries. This includes, the side-effect of low threshold of landowners' agreement, the booming of the real estate market and the impact of Taiwan's low birth rate, which does very need more future researches.

Keyword: Urban Land Readjustment, Urbanization, Taiwan, Institutional Analysis



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The role of Urban Land Readjustment Institution in Urban Development and its Challenges

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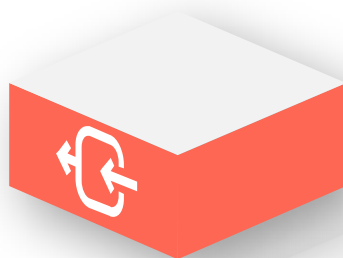


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Overview of presentation

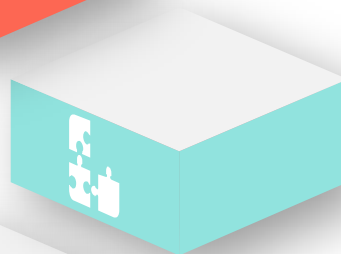
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**The Concept,
Method and
Application of ULRA**



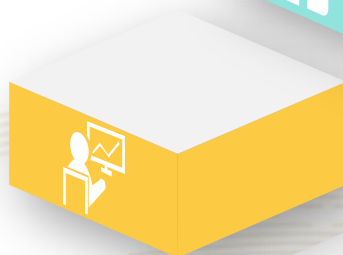
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**The Historical
evolution of ULRA in
Taiwan**



[3]

**The sunny and dark
side of ULRA in
Taiwan**



[4]

**Lessons and its
challenges**



The Concept, Method and Application of ULRA

1

ULRA/land assembly/land consolidation is a kind of urban development tool that follows the urban planning

2

Government or an association can do the readjustment of all parcels of lands within a certain scope of the urban area.

3

ULRA can provide lands for public uses and resemble parcels of land suitable for construction without government budget.

4

When the readjustment process is completed, the remaining lands are then redistributed to landowners.

5

These lands for public use and associated construction costs will be deducted from participants of landowners and expected these costs will be covered by land value increment.

Urban land readjustment operational processes



The advantages of ULRA and its applications

Many nations support ULRA because it **does not need government budget to support** and more importantly **does not need to ease the opposition from landowners** as expropriation does.

Sociologists supports ULRA because it demonstrates that **landowners can cooperate together to increase their land value and living quality by their own action and mutual-aid spirit.**

Economists supports ULRA **because it demonstrates that local public goods just as like club goods**, which can be provided not only government .



The ULRA is conducted worldwide for many reasons. For example, countries such as Japan, Germany, and Korea applied ULRA **is due to government's financial power is too weak to reconstruct cities from WWII.**



Urban land readjustment implementation across the world

Four key institutional factors of ULRA

1

The prerequisite condition, a country must uphold the private property rights regime.

2

The exclusive legislation for land readjustment to minimize free-rider problem.

3

Trust relation exists between involved parties.

4

Keep the acceptable ratio of the trade-off between reserving land for public use and sale, and land returns to landowners.

Why Taiwan needs ULRA ?

Taiwan implemented a series of successfully land reform.

1950

Moreover, the military tension between Taiwan strait had hugely eased during 1960s.

1960

The massive economic development emerged, especially during 1960-1980.

1980

So, it caused mass migration from countryside to cities and created many environment problems.

Taiwan at that time needed to build modern planning system. This task was assisted by United Nations specialists between 1966 to 1971. A panel of United Nations' specialists from United States was sent to Taiwan.

Taiwan's modern urban planning in the early stage reserved huge amount of lands for public use and mainly relied on eminent domain, which proved to be impossible to achieve and desperately need alternative institution.

The features of ULRA institution in Taiwan

Therefore, the alternative cheaper way to provide lands for public use became a crucial task for government. However, the construction of ULRA institution in Taiwan is not a easy job.



First institutional milestone is in 1958, the reasonable appraisal method had formed to certain the trade-off ratio of land value before and after the ULRA.



Third one is in 1979, Taiwan government announced the “The Encouragement to Owners for Urban Land Readjustment”, which provided a chance to private landowners to organize an association to enforce land re-adjustment(AULRA).



Second one is in 1964, the threshold of landowners' agreement and land holdings dropped from two thirds to half, which hugely speed up the operational time and reduced cost to enforce ULRA by municipal government(MULRA).



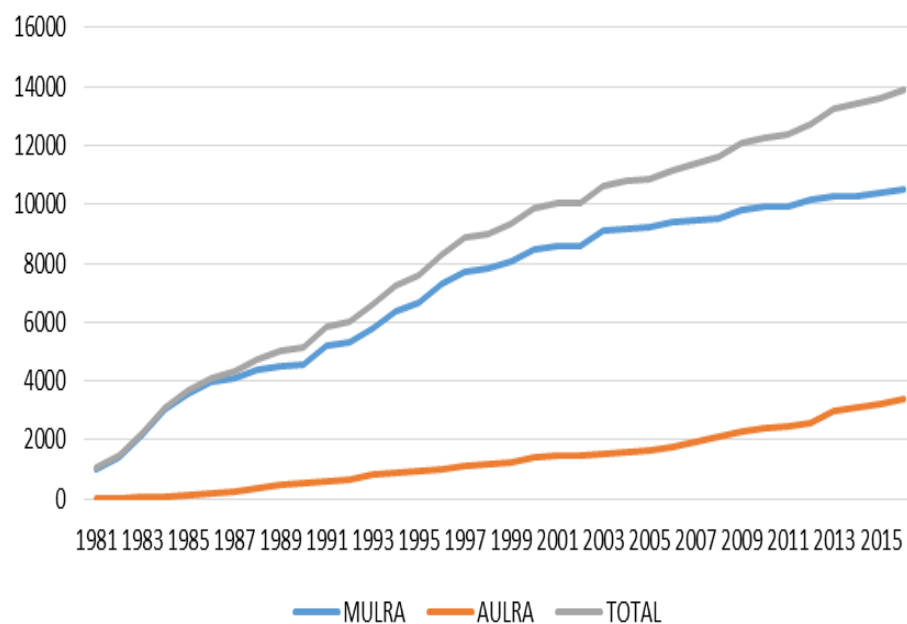
Fourth one is in 1986, the regulations of AULRA also dropped the threshold of landowners' agreement from unanimity to half owners' agreement and half landholding. Moreover, there only need seven landowners to organize the working association of ULRA.



The sunny side of ULRA in Taiwan

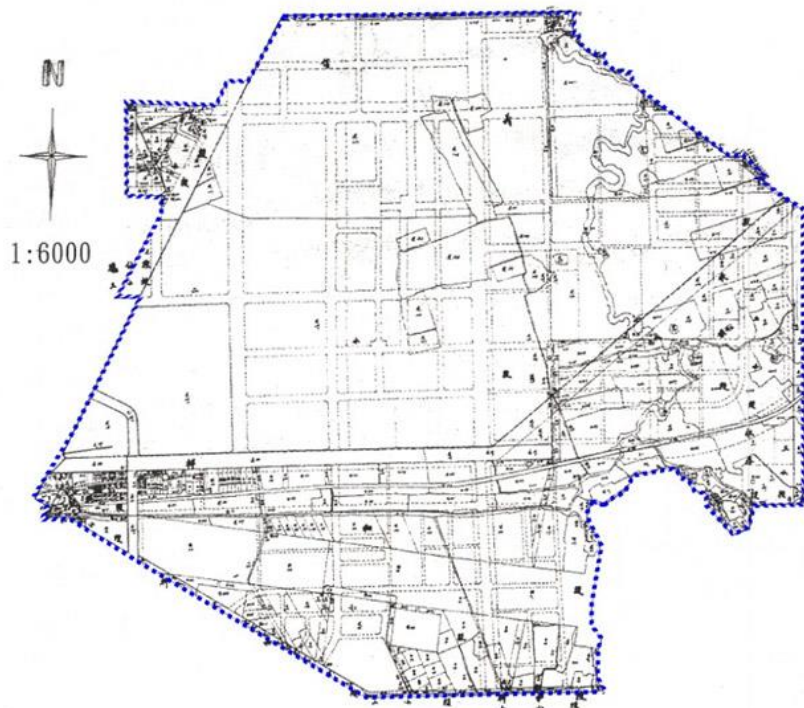
- ✓ Since 1980, Taiwan starts to experience the Golden Age of ULRA. From 1981 to 2016, the total areas that implemented ULRA are about 16,158 ha, in other words, approx 8,000 ha of lands are provided for public use without government project, which greatly assisted the transition of Taiwan to high urbanization country.

The Quantity of Urban Land Readjustment in Taiwan
From 1981-2016



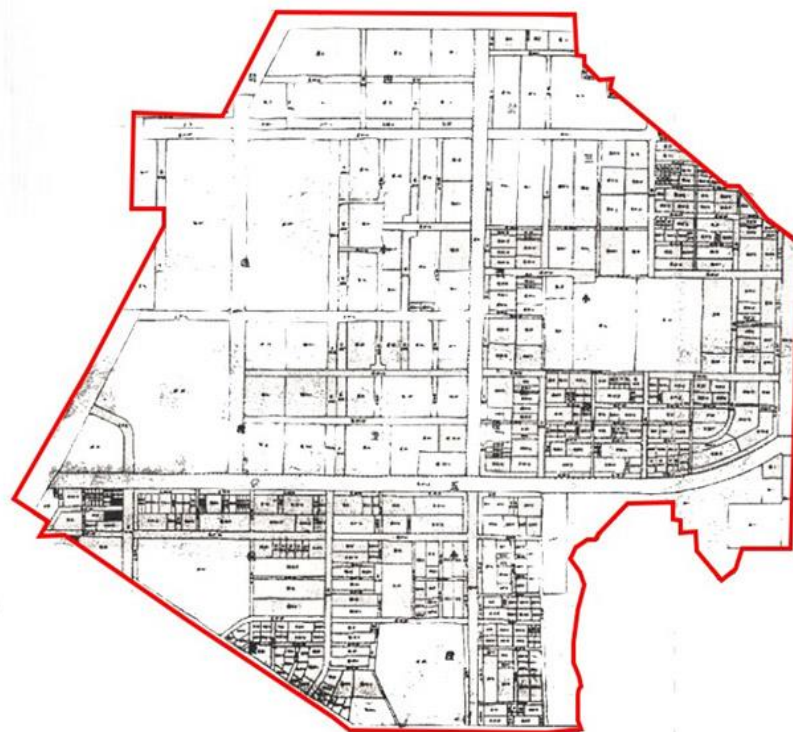
The sunny side of ULRA in Taiwan

- A case of Xinyi Plan area, Taipei -



Pre-readjustment cadastral map of
Xinyi Plan Area

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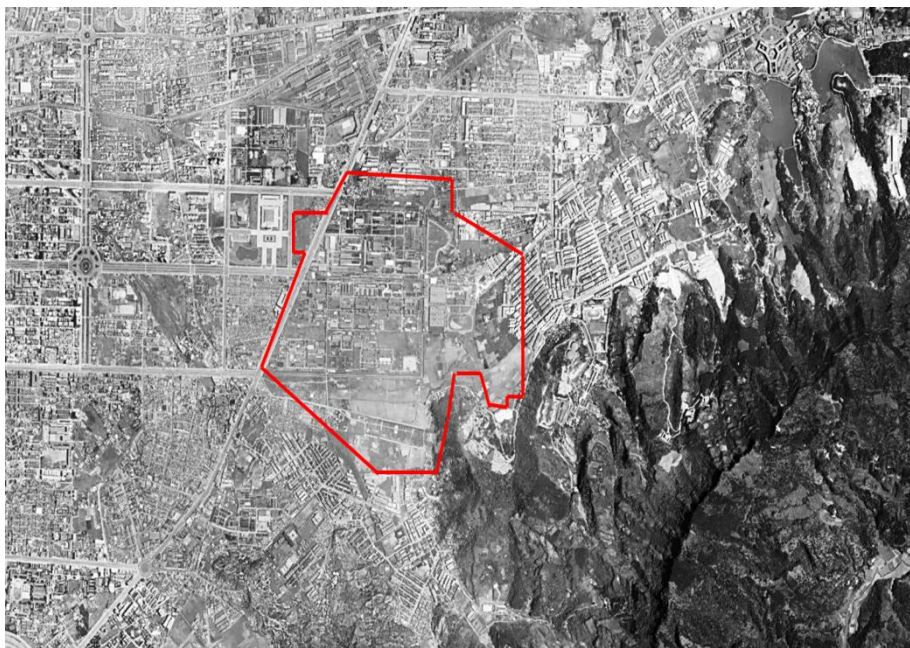


Post-readjustment cadastral map of
Xinyi Plan Area

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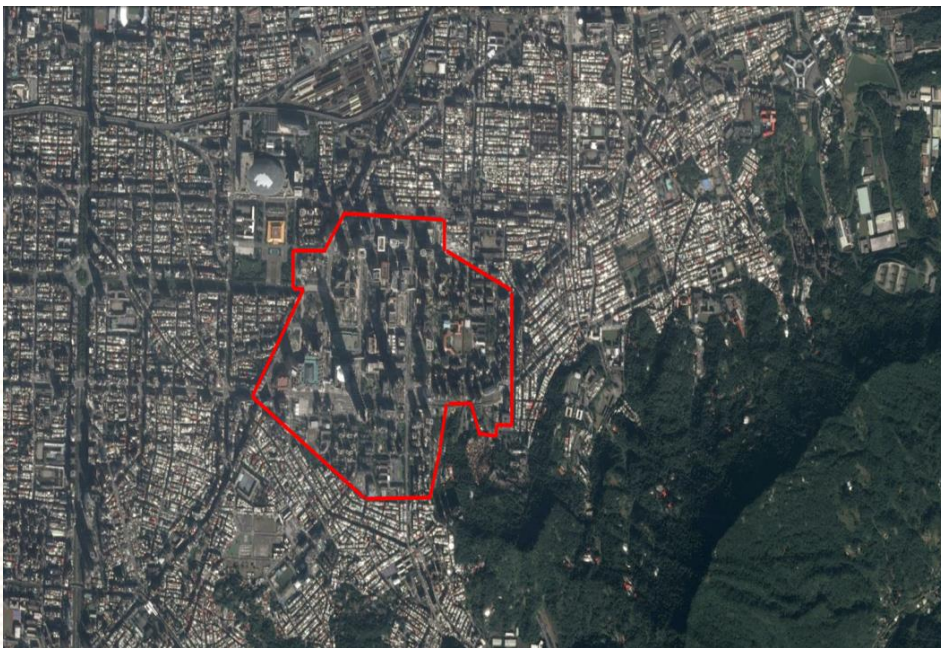
The sunny side of ULRA in Taiwan

- A case of Xinyi Plan area, Taipei -



The satellite picture of Xinyi Plan Area in 1975

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The satellite picture of Xinyi Plan Area in 2018

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The dark side of ULRA in Taiwan

The side-effect of low threshold of owners' agreement and land holdings has become more severely, especially in association-led ULRA.

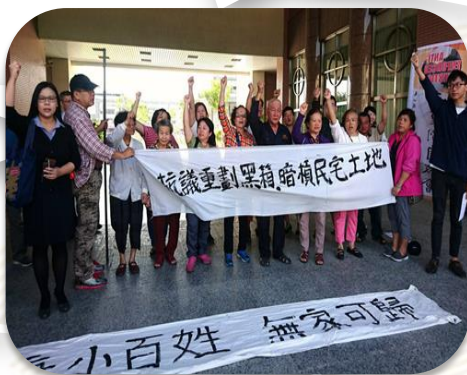
Some members purposely arranged many owners shared within a small piece of land to fit the requirement of half owners' agreement.

Also, some association members using information advantage to manipulate the ratio between cost, the returning lands, and location.

These behavior severally hurt members 'trust' and become worse when Taiwan society transformed to democracy. More political power intervene and media report all intensified these conflicts.

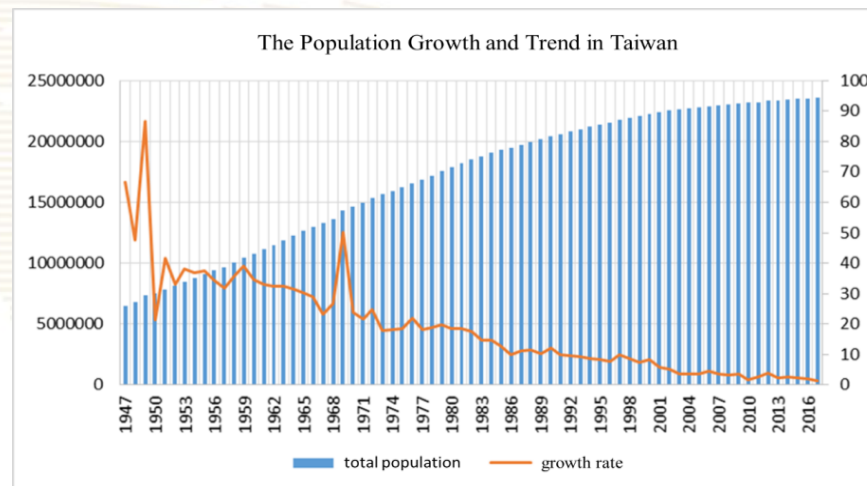
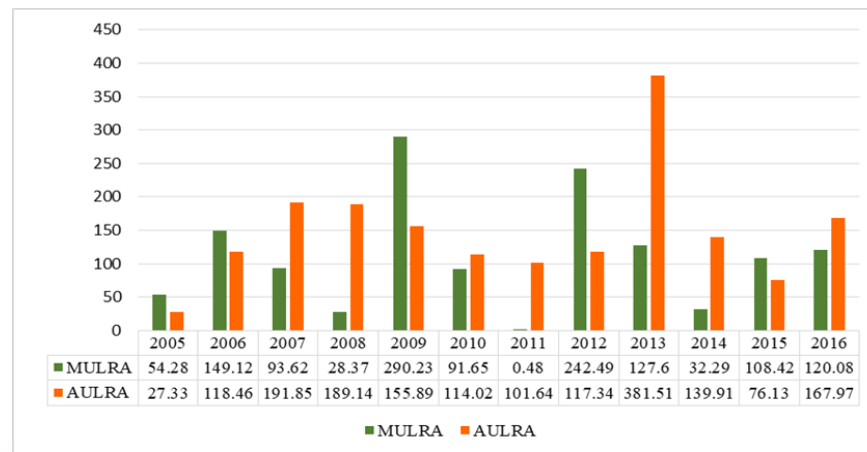


The dark side of ULRA in Taiwan



The dark side of ULRA in Taiwan

- ✓ After 2005, the longest period of booming real estate market in Taiwan attracts more developers to participate in ULRA.
- ✓ We can see the contrasting trends in Taiwan, where there has more and more ULRAs led by developers but has less and less birth rate.
- ✓ ULRA has brought more conflicts and has been deemed as a type of land speculation in Taiwan that become an icon, which should be blamed for high housing price.
- ✓ In 2016, the Constitution Court issuing the No. 739 Explanation, announced the threshold of forming working association is too low and violated constitution in protecting property rights.



Lessons and future challenges

The ULRA does play an important role for filling the gap of lands for public use during the time when Taiwan experienced rapid urbanization and also the time when Taiwan has limited budget resource.

The low threshold designation of landowners' agreement and land holdings did speed up the procedures of ULRA in Taiwan, but has severe side-effect as time goes on.

When society goes more openness and transparency, conflicts increases as like the experience in Japan, Taiwan government therefore has to lift the threshold at least to two thirds of owners agreement and landholdings to resolve current dilemma.



Taiwan's booming real estate market has caused the ULRA as a catalyst of land and housing speculation. Korea's ULRA also has been blamed for the same reason.

ULRA should be developed by actual housing demand rather than rely on the demand of financial investment. In Japan, there is no support of booming real estate market and the low birth rate and high aging population has created the factors that fundamentally threaten the assumption of ULRA.

Because once urban starts to shrink, ULRA is incapable to be applied due to there is no land value increment that can be created. This will be the most the most important challenges to Taiwan and other nations facing similar condition. Taiwan government should think once without the support of speculative capital, whither should Taiwan's ULRA go?



Thanks

For Your Watching

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