



Land use planning challenges and tools—tradeable development rights

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Today

- Some design considerations – TDR
- Principles level
- Tool and problems
- More in the paper

A tool - TDRs

- Land ownership – bundle of rights (use, exchange, develop)
- Unbundle the development right from parcel of land
- Allow transfer / trade
- Seller rights restricted / buyer rights enhanced

A problem – land allocation

- Alternative land uses
- Quantities and distributions of costs and benefits
- Allocation to highest value use

=> historical use of administrative/regulatory tools

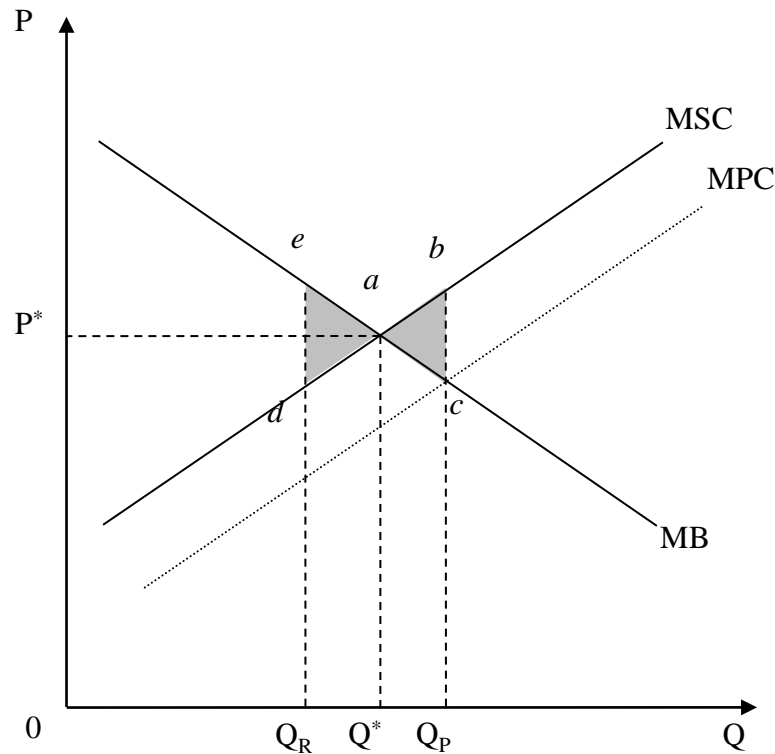
Current planning objectives

- provide sustainable land development
 - protect natural resources and maintain ecological processes
 - secure safe and liveable urban and rural environments
 - conserve and enhance significant buildings or areas
 - protect and enable provision of public utilities
 - facilitate development
 - balance Victorians present and future interest
- => Definition and tradeoffs

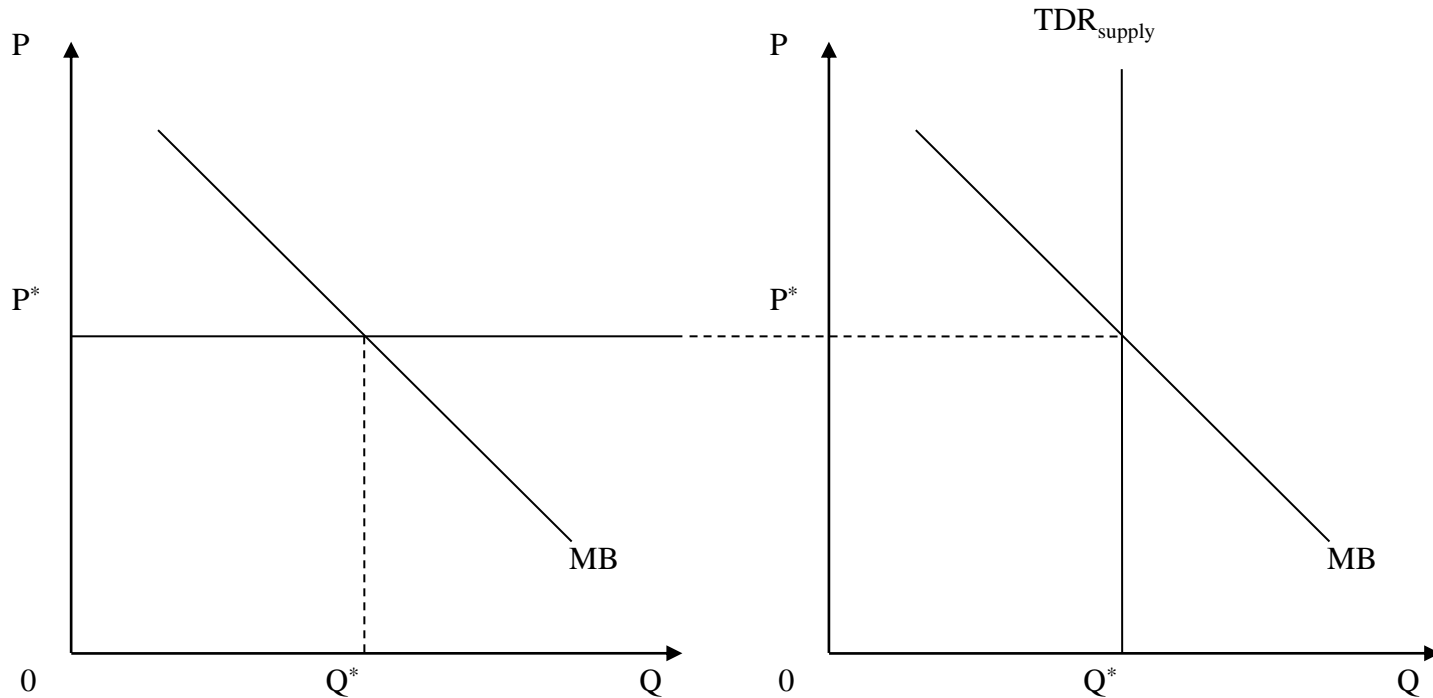
Planning challenges

- Externalities
- Information asymmetry
- Transaction costs
- Rent seeking
- Community return and equity

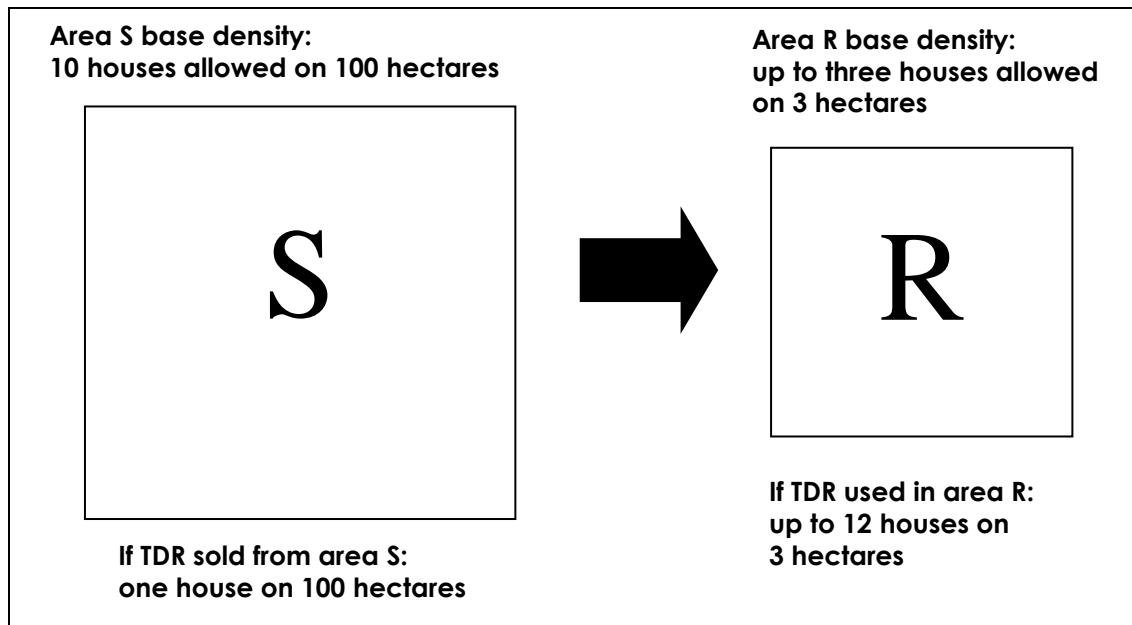
Regulatory response to externalities



Market based approaches



Tradeable development rights (TDR)



TDR options

- Stand-alone mechanism:
 - multi-directional trade within an overall cap

- TDR within a land use planning system:
 - trade from a sending area to a receiving area

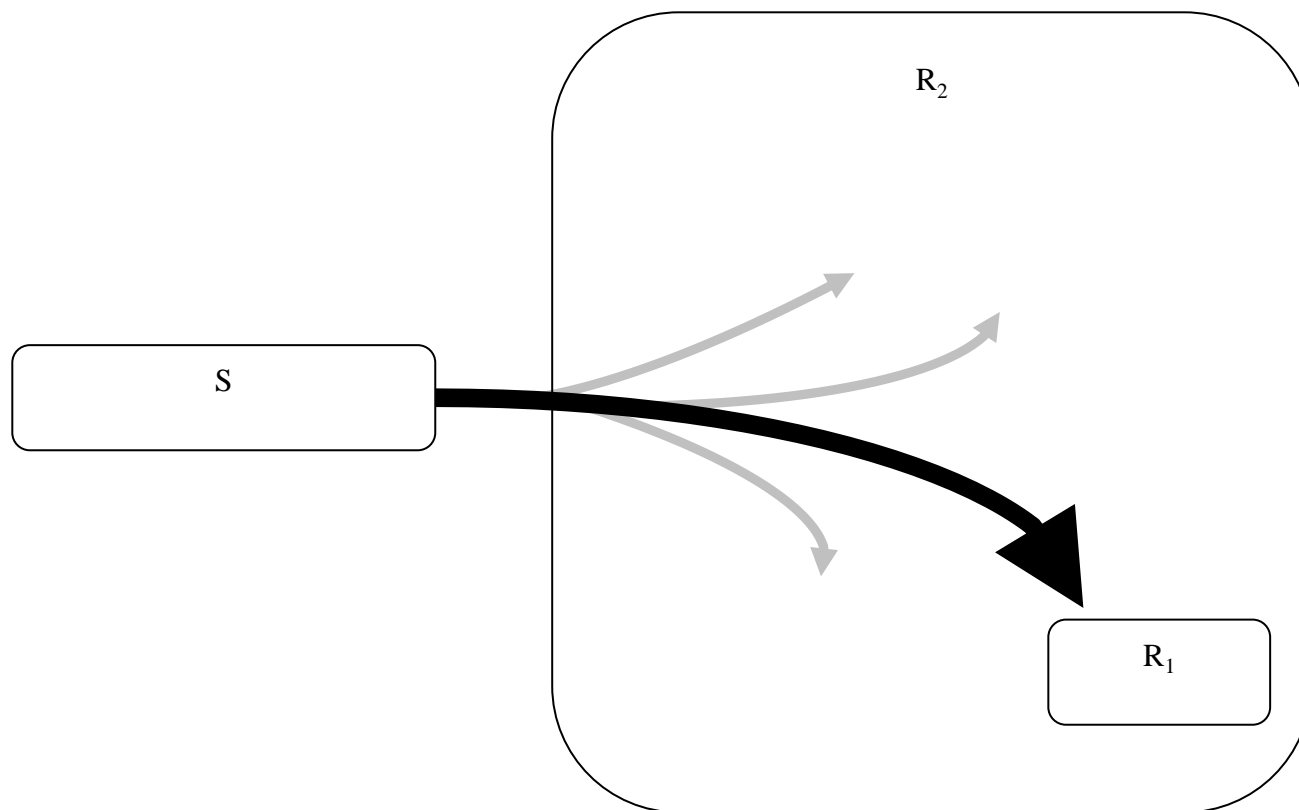
Experience with TDR

- Objectives – environmental, farmland, historic buildings...
- Piloted in China, France, Netherlands and Germany
- Widely used in USA
 - 191 programs in 33 states
 - Conserving 142,000 hectares
- Limited experience in Australia
 - Mounty Lofty Ranges – SA
 - Heritage buildings preservation – Sydney and Melbourne

TDR design considerations

- Victoria specific
 - Property rights (RTA v RTD)
 - Infrastructure externalities
- General design challenges
 - Metric
 - Development hotspots
 - Non-quantity development attributes
 - Distributional considerations
 - Credible commitment
 - Development leakage

Development leakage



Potential for TDR in Victoria (I)

Protecting agricultural land from competing uses

- ‘excessive’ urban encroachment on agricultural land
- functioning land markets?
- underlying market failures (unpriced congestion, infrastructure externalities, amenity benefits of open space)
- TDR best tool for addressing these?

Potential for TDR in Victoria (II)

Providing adjustment income for rural landholders

- sale of TDR a potential revenue stream
- rent transfers depend on scheme design
- transparency?

Potential for TDR in Victoria (III)

Protecting native vegetation

- Native vegetation externalities matter
- Vic Native veg management framework
- Permits and offsets
- Native Vegetation Exchange trialled 2010-2011
- Need/benefits of TDR?

Potential for TDR in Victoria (IV)

Efficiently allocating development

- Potential to improve existing planning system
 - inf. revelation, allocation to high value use, transaction costs, rent seeking, community return
- TDR adoption would require modification of existing system
 - Definition of quantity based development objectives
 - Define dev right (RTA v RTD)
 - TDR allocation
 - Trading platform?
 - Infrastructure funding/costing
 - Credible commitment

Concluding remarks

- Planning system faces challenges
- TDR offer potential to address some
- Existing system would require modification
- Clarify objectives
- RTA v RTD
- Infrastructure externalities

Thankyou

Land use planning framework

