

MANAGEMENT OF LAND READJUSTMENT PROJECTS IN ECONOMY RECESSION

Hirohide Konami

Professor, Toyo University, Japan

Accomplishment of Land Readjustment Project

The up-to-date accomplishment of land readjustment projects in Japan in 1999 is 2,992km² and 3,772km² including the progressing ones. The number of progressing projects in 1999 is 2,080 sites and their total area is 779km². This is almost the same size as the built-up urban area of 5 million population. As the average project term is 5 to 10 years, annual land supply by these projects becomes about 100km². About one third of them will be built-up soon and the rest will be built-up later. Landowners sometimes do not like to sell or build-up soon because of some reasons such as to save income tax, to continue planting or to rent as parking space. Even though this amount of land supply for residential use contributes the one third of the total land supply for residential use in the country.

Principles of Land Readjustment Project

The principles of land readjustment projects are as follows.

- Public space in the project area is produced not by public land purchase but by the contribution of landowners.
- Landowners will get profit by the rise of land price.
- Project finance is made by the sale of reserved land within the project area and governmental subsidies if the project include the construction of some important urban facilities such as roads, green parks and rivers.
- The project is implemented not only by governmental agencies but by private organizations such as a landowners union as a legal person, a landowners group or a landowner himself.
- Land ownership is relocated through the project and the land area of each ownership is reduced in order to produce public space and reserved land.
- Governments prepare necessary tax exemption system, easy land registration system, subsidies and low interest loans.

Financial Impact of Economy Recess

The financial impact of the Japanese economy recess is the abatement of the need of residential land and the quick deterioration of land price. The important financial resource of the sale of reserved land faced unexpected difficulties and project faced the shortage of the project finance. According to the law, the project body is able to allocate the necessary cost to the landowners but no landowners agree to the cost allocation. Therefore many of the projects faced freezing and found nothing to do.

Countermeasures against the Difficulties of Project Finance

The countermeasures against the difficult situation mentioned above are as follows.

The succession of the project by changing the implementing body from private to public if the municipal government of the area agrees and succeeds.

Land Readjustment Law in Japan assumes the succession of the implementing body of land readjustment. If the municipality of the project area succeeds the project, the finance would be made through usual public works and the deficit of the project cost would be covered.

The revision of the project scheme if the project is still in the beginning stage.

The most simple solution is to raise the land reduction rate and produce more area of reserved land if landowners agree. Another solution is to reduce the project cost to squeeze the area of public land, to reduce the relocation of houses, to reduce the number of planting, etc. But the latter solution causes the level down of the area.

The increase of governmental subsidies if the project includes the construction of important urban facilities such as roads, parks and rivers.

The land readjustment project is authorized to request the related governments to pay for the land and construction cost of important urban facilities. In most case the related governments refuse to pay the full amount because the project will also share the benefit and it is usual that the related governments still have a room to increase the total amount of payment.

The establishment of a new legal person to hold the reserved land.

The Ministry of Construction proposed to establish a legal person that will purchase the reserved land from the implementing body and hold the land until the restoration of the economy. The Ministry of Construction prepared the no interest governmental loan refundable within 25 years after 10 years of deferment. In this case, the share of the capital stock of landowners for the legal person should be more than half. The minimum amount of the capital stock to establish a legal person is different by cases in Japan from the cheapest case of NPO of almost zero to the most expensive case of a commercial real estate corporation of 10 million yen (about 100 thousand US dollars). It is indistinct how to count the share of stock in case of NPO because the both of this finance system and NPO do not have the enough experience.

Necessary Discussions for the Future

According to the Japanese experience, the following topics should be discussed.

How to control the role of private sector in urban development in the future?

It is obvious that the development of Japanese economy has been supported by the strong need for urban land until the beginning of 1990s. One was the strong need for the residential land within the metropolitan areas and another was the strong need for factories and resorts in urban fringe or in rural areas. The private sector could enjoy enough profit by participating in supplying the land in various ways including the land readjustment project. But now, the need for the residential land declined and the price is almost the half of the peak, and the demand of land for the factories and resorts has been evaporated. The restoration of the both types of the demand of land is not so easy. Because the demand of residential land reflects the increase of population and the number of households, and their estimation shows the

decrease of both numbers after the year of 2010 or 2015. The demand of land for factories and resorts reflects the investment on manufacturing equipment and resort facilities, but the both investments are in the severe competition with the neighbor countries. It is also influenced by the extraordinary high transportation cost, tele-communication cost, land cost, human cost and anti-environment cost inside of Japan.

Even in such situation, it is not clever to conclude that the private sector in urban development becomes less important. Though the size of projects in urban areas may become rather smaller, the importance of each project will become more important. Some will be the projects of urban redevelopment and others will be those of new industries like multi-media information, adult education, rehabilitation for unable or aged people and so on. Resort development will be activated by the increase of foreign tourists supported by the increase of income in developing countries or by the global tendency to be interested in different culture and history.

It may be said that the control system will become more flexible than the strict governmental permission at present, and the importance of a master plan for each area will also become more important. Private sector will be able to find their identity and profit market in master plans.

How to educate landowners to contribute for land readjustment projects?

It is vital importance to educate landowners to make understand that the land is not the possession of adventure purpose but the national resource to improve the social welfare. If they understand that the proposed reduction rate of their land lot is not unreasonable but honorable contribution for the future society, land readjustment projects will become financially sound and the project design becomes more sustainable with the enough amount of public facilities.

It may be necessary to handle the experienced engineers and technicians in the field in more kind and honorable ways so that the young generations notice the importance of land readjustment projects in the country. Those experienced experts are really helpful to educate landowners.

Necessity of the improvement of the project system.

The project system of land readjustment is not easy and sometimes faces difficulty to apply in developing countries or densely developed areas.

In developing countries, land registration system has not been completed and landowners are not interested in a sustainable development. Therefore it is necessary to establish a strict land registration system and easy information materials to teach them the necessity of sustainable city planning. It is also important to introduce the better taxation system on land to prevent urban sprawl.

In densely developed areas, it is hard to produce public spaces by means of land consolidation. Then it becomes necessary to transfer the right of land ownership to the right of floor ownership. Japan amended the Land Readjustment Law in 1999 to combine land readjustment projects with urban redevelopment projects. This amendment made it possible to assign the special district of urban redevelopment within the area of land readjustment project. Then the landowners in the project area can select the right of land ownership or floor ownership. If landowners like to manage apartment houses, they can advance their will that they hope to change their land ownership into floor ownership within the special district. Then they will obtain the apartment floor instead of the land lots. The ground will become commonage. If the price of land is high enough, for example 200 thousand yen (about 2 thousand US dollars) per square meter, this will meet the cost of building floor. Then landowners will obtain almost the same size of floor space as the land area that they kept before the project. All of these process will be done with the complete tax exemption and bring a big benefit to landowners. Even though, the fact that the urban redevelopment project within the special district is authorized not by Land Readjustment Law but by Urban Redevelopment Law causes considerable complication for the related people because the land readjustment project is handled mainly by civil engineer group and the urban redevelopment project by architect group. Then the related people should study both laws and two different project systems. It is necessary to combine the both systems in more smart way.

Necessity of the honorary system of urban design.

There is no honorary system for urban designers and the residents cannot identify the urban designer who designed the area. If some honorary system for urban design is introduced, the record of urban design will be kept well and the residents will notice that who is the good urban designer. Especially in case of land readjustment project, the urban design is so important that the area will be completely changed into a sustainable urban area. Never the less, there is no such system and the design of every land readjustment project is very similar like a unit standard.

A famous architect designed a part of Tama New Town. He designed not only the variety of houses but also the urban landscape of the area. As a result, purchasers could choose the house in their affinity and the area itself became sustainable and beautiful. His name and his way of consideration were kept on the stone nearby. This is one of the good examples for the coming century.

Conclusion

Economy recess in Japan hit the finance of land readjustment projects managed by private sector and the national and local governments proposed some financial aids. But those financial aids are not necessarily working well because of the tight financial situation of local governments, and it seems to be more important to make landowners understand that the land ownership is not the right of adventure but the tool to contribute to the future society. For that purpose, we need more educated experts as a seedbed of the projects and good urban designers to propose sustainable and beautiful communities. It is also important to improve the land readjustment system that brings easier understanding and the variety of application especially in built-up areas and developing countries.

References

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