

Mixed value urban development:

Mechanisms for sustaining the livelihoods and social capital of the urban poor in core urban areas

Mark Povey and Tony Lloyd-Jones, *Max Lock Centre, University of Westminster*

Abstract

There is a need for a more integrated and flexible approach to core area urban redevelopment at a time when pressures to maximise economic returns from inner city land threaten to disrupt the livelihoods and established social networks of many urban poor communities. This paper draws upon the experiences of established planning and partnership redevelopment strategies (i.e. land sharing, land redistribution/pooling, transferable development rights and incentive bonus schemes) and assesses the extent to which they enable poor communities to continue living close to inner city areas and the source of their livelihoods.

Furthermore, drawing upon the findings of household survey's¹ from a recent piece of work conducted by the Max Lock Centre on inner city core areas², the paper aims to highlight some of the main concerns facing many low income communities in inner city areas.

Introduction: the development and livelihoods context of core areas

With rapidly expanding urban populations, many cities throughout the developing world are finding it difficult to accommodate the urban poor. Although this is not a new or unfamiliar problem increasing commercial competition for urban land means many low income households living in settlements close to city centres are under extreme pressure to either sell or relocate to cheaper locations, often remote from the source of their livelihoods.

Historically, poor neighbourhoods in centrally located areas have been bulldozed and relocated to the outskirts of cities in order to make way for commercial development. While mass evictions are less evident these days, they still occur in many cities and the development pressures that drive them are often followed by some form of gentrification which makes it difficult for poor communities to live in central urban areas close to where they work.

The large scale relocation of existing and often well established urban communities in this way is unsustainable as it leads to the disruption of existing networks that tie together communities within neighbourhoods and link neighbourhoods to nearby city districts through commercial, political and other contacts (ie. social capital). When households move to more peripheral locations they may be forced to travel long distances to their existing workplaces which even if affordable is likely to place a

¹ The surveys form part of a recent research project conducted by the Max Lock Centre at the University of Westminster, which looked at development options for inner city core areas in developing countries. The project aims to provide both guidelines for urban design and frameworks for urban management and finance to facilitate the integrated and balanced development of commercial core areas of rapidly growing cities in the developing world.

² which are themselves subject to commercial development pressure

significant strain on household resources. Alternatively, they may be forced or chose to find sources of livelihood that are closer at hand but this can take some time to establish and is likely to place further pressure on the household (Box 1).

BOX 1

In our recent studies of Motia Khan³ and Peera Garhi⁴, two inner city settlements in Delhi facing eviction to locations on the outskirts of the City, we found that many residents will have to find other jobs or face spending most of their daily wage on transport once relocated. Both settlements are well established with 41% of those interviewed in Motia Khan having lived in the settlement for 16 to 20 years and 67% of those interviewed in Peera Garhi having lived in the settlement for 11 to 15 years. The consequences of an inevitable relocation are likely to be most severe on those who work locally in both settlements. With survey results from those interviewed in Motia Khan indicating that as much as 4/5 of workers spend no money travelling to work against less than 2/3 in Peera Garhi (ie. work within 15 minutes of their home) the implications are significant.

A large proportion of the urban poor are employed in the informal sector. This can involve a range of activities from a variety of service-based jobs to home-based manufacturing. Most service activities, like the domestic service, are based in wealthier areas where the poor cannot afford to live or where they are under constant threat of eviction in order to make way for higher value development uses. But even in situations where people work from home, they are locationally-bound relying on networks of local vendors for raw materials, on central wholesale markets and street markets or hawking in better off and more densely populated central locations to sell their wares (Box 2).

BOX 2

In Motia Khan a large proportion of people depend on Old Delhi Market for their economic livelihoods. Furthermore, many of those involved in making various kinds of product such as bamboo baskets, catapults and other household goods buy their raw materials from markets like Lal Kuan, Sadar Bazar, and Khari Baoli in Old Delhi. Once made many are sold off as finished products back to wholesale markets in the surrounding area. In Peera Garhi where most residents work in and around the surrounding industrial areas of Udyog Nagar and Mangolpuri our survey results illustrate that 56.3% of households were reluctant to move out of the site because of employment opportunities and access to other facilities.

The Delhi Development Authority (DDA) responsible for the relocation of both settlements claims to have provided sufficient employment opportunities for those being relocated, however, these assumptions have not been tested and their effect can only be established after re-location has taken place. Under these circumstances the DDA need to remain mindful of the fact that a large proportion of livelihoods in each community are locationally bound.

A significant percentage of the urban poor gain their livelihoods from working in centrally located areas and are therefore an essential element of the urban economy.

³ Motia Khan settlement is roughly 2kms from Chandni Chauk and Connaught Place which are part of Delhi's main commercial city centre.

⁴ Peera Garhi settlement lies some 13-14 kms from Connaught Place. It is located at the north east corner of the junction of Rohtak Road (NH10 main road to west) and the Outer Ring road

However, the experiences of Motia Khan and Peera Garhi above, continue to provide worrying evidence that city authorities in general persistently underestimate the potential negative impact that relocations can have on the livelihoods of urban poor communities. With this in mind, strategies that integrate the commercial interests of urban land markets and housing needs of the urban poor need to be encouraged in inner city areas, if cities are to become inclusive rather than exclusive living environments.

Many cities continue to manage and regulate urban development and city growth using conventional city planning techniques (ie. master plans, zoning, regulatory building codes, and so on). Rapid urbanisation and increased commercial and residential demand for well-located urban space, however, have placed significant strain on these inflexible planning systems.

With this in mind a number of countries have introduced innovative land redevelopment mechanisms in order to reorganise and plan urban space in a more effective and sustainable manner. These include the introduction of land sharing agreements in Thailand and Indonesia, land pooling and readjustment techniques in South Korea and Japan, and incentive zoning and transferable development rights in India and in a number of other countries.

The following section takes a critical look at each mechanism, identifies some of the main strengths and weaknesses of each approach and assesses the extent to which each technique might enable poor communities to continue living close to inner city areas and their livelihoods.

Land sharing

Land sharing is an agreement between the illegal occupants of a piece of land and their landlord. It essentially involves illegal occupants moving off high value land in return for being allowed to either rent or buy a part of the land below its market value. The advantage of such an agreement is that it allows the landowner to regain control of the site and realise higher commercial returns from the land without having to evict illegal tenants. In return, illegal residents gain legitimate tenure and are able to continue living close to their established livelihoods (BOX 3).

BOX 3 Better known examples of successful and less successful land sharing arrangements include:

- a) An agreement between squatters on a 65 hectares stretch of land belonging to the Port Authorities (PAT) called Klong Toey in Bangkok, 5km from the city centre⁵. Following eviction notices from the Port Authorities in 1973 squatters, with the help of a local NGO and government, entered into an agreement with the PAT to lease 10 hectares of land to the National Housing Authority (NHA) for a period of 20 years. The NHA then serviced sites and leased the land on to squatters. The agreement allowed PAT to regain control of 55 hectares of the 65 hectare site for commercial purposes. It also provided the local community, whose livelihoods were tied to activities around the harbour area, with a legitimate stake of 10 hectares of land for at least an initial 20 year period⁶.
- b) A large land sharing urban renewal project of Industri Dalam slum land near the city centre of Bandung, Indonesia. The project involved a partnership between government, the private sector and community (supported by an NGO). In this case, slum residents were given the option to buy or rent walk-up apartments that had already been developed in the area. The remaining land owned by the government was sold to the private sector for commercial development. Despite the fact that the project had incorporated the urban poor and economic interests of the private sector, many complained of having to live in small apartments that could not be extended to accommodate large families as their previous dwellings had done⁷. Although, in principle, land sharing techniques employed in this redevelopment were sound, poor financial management and project support, and lack of community participation throughout the project, contributed to its failure.
- c) A Land sharing scheme in the city centre of Samarinda, East Kalimantan, Indonesia⁸ which involved a partnership between a developer, architect, NGO and community. The idea was to develop a mixed-use site, which would enable rich and poor to live close to the city centre. The urban renewal project used 30% of the site to accommodate the existing population in walk-up apartments and sold the remaining land for commercial development that helped cross-subsidise the housing component of the project. In this instance the project was well managed and had the full support of the resident community and a local NGO who worked with the local community, private sector and government to ensure that community interests were fully realised.

The local DKI authorities in Jakarta, Indonesia have also made some moves towards encouraging the development of a more socially integrated urban residential development policy, which encourages mixed land use. The programme stipulates that for each future new high income residential unit built the developer must build 3 middle income and 6 low income units in the same development location. The (1:3:6) programme aims to create an environment where low, middle and high-income families have the opportunity to live close to centres of employment and their livelihoods through cross subsidisation. However, developers have complained that the projects are too expensive to build and substantially reduce their profit margins. In addition results from our own surveys indicate that flat developments tend to produce small units which are not able to accommodate the life styles of those who

⁵ Turner, J FC (1988) *Community Building*, Building Community Books.

⁶ Sheng Y K (1989) Some low-income housing delivery subsystems in Bangkok, Thailand. *Environment and Urbanisation*, Vol. 1, No 2.

⁷ Winarso, H, 'Housing for low-income people in Indonesia, the inner city redevelopment strategy: A learning From The "Industri Dalam" case in Bandung. Paper presented at an International workshop on Neighborhood Redevelopment Zhongshan University, Guangzhou, China 1995.

⁸ Winarso, H, 'Inner-city Redevelopment Strategy: The role of agents in the development process, a lesson from two cases in Indonesia', to be published in forthcoming edition of the *Town Planning Review*.

moved from Kampung settlements⁹ or those who are perhaps more used to living in a single storey informal dwelling with more space.

Although the regularisation of unauthorised settlements through the provision of infrastructure and/or shelter provision is well intended it can lead to an increase in the cost of housing which is often unaffordable to the settlements original inhabitants. Under these circumstances profits generated from commercial ventures on the site can be used to cross subsidise free or highly subsidised housing. Once delivered however, it may be difficult to prevent gentrification occurring as land owners, owner occupiers or those with long term rights of occupation suddenly find themselves in a position where they can realise large profits from their new or improved properties if they so wished.

These examples provide evidence that redevelopment through land sharing can be used to reorganise valuable urban space in inner city core urban areas in a way that not only satisfies the commercial interests of the private sector but also the social interests of poor urban communities squatting on the land. However, it should be noted that land sharing agreements often fail because of; lengthy periods of negotiation between the partners involved in the process, inadequate access to economically viable land, lack of stakeholder support, poor knowledge and management of the process, and affordability constraints of the urban poor.

Land Readjustment and Pooling¹⁰

Land readjustment/pooling is a mechanism used to develop large tracts of urban land. The process begins with the consolidation of a number of pieces of land. A proportion of each piece of land, the 'cost equivalent land' (CEL) is then used to finance the infrastructural costs of the project. Once land has been serviced and developed, each landowner then receives a proportion of the serviced land according to the nature and amount of land contributed to the project in the first place.

Governments are particularly keen on this kind of urban development strategy because it transfers the costs of servicing the land to the private sector. Having said that, landowners also benefit from the arrangement because the cost of servicing their land is shared between those taking part in the project.

The mechanism is usually used to convert rural land for urban use¹¹ although it has also been used in the renewal of core urban areas as is illustrated in the case studies below (Box 4)

BOX 4

⁹ The name Kampung applies to semi-urban villages built on swamps that form a large part of the Indonesian cities.

¹⁰ **Land pooling** - land is legally consolidated through the land pooling agent before it is returned to the owners.

Land readjustment - land is notionally consolidated by the Land readjustment agency before it is redesigned and returned to the landowners who effectively exchange old title documents for newly developed plots of land (source: Archer R W, 'The potential of land pooling/ readjustment to provide land for low-cost housing in developing countries' in Payne GK (1999) ' Making Common Ground, public-private partnerships in land for housing'

¹¹ Archer R W, 'The potential of land pooling/readjustment to provide land for low-cost housing in developing countries' in Payne G K (1999) ' Making Common Ground, public private partnerships in land for housing.

Some of the best known examples of successful land readjustment are in South Korea and Japan where the technique has been used as an effective planning tool for over 70 years. Although used generally to plan cities, in the mid 1980's the South Korean government also began transferring a proportion of CEL to local and central housing authorities at subsidised rates to build low-income housing for the urban poor¹². Whilst the system succeeded in increasing the amount of serviced land and land available for housing in cities more generally, it failed to provide the poorest urban households with an affordable housing solution. Recognising this shortfall, the government has since entered into land readjustment programmes as a participating landowner and uses returned serviced land to house the landless.

The experience of land readjustment in Japan however is perhaps more unique. After the destruction of a large number of Japanese cities during the Second World War, the Japanese government used land readjustment to rebuild many affected areas. With an established and successful history, the government continues to encourage this form of urban development and even provides support grants to finance a significant proportion of the infrastructural costs normally borne by landowners. Japan's Housing and Urban Development Corporation (HUDC) has also used the technique to provide housing for the urban poor and increasingly participates as a landowner in mixed used development projects where it builds low income housing on returned serviced land⁵.

In both countries, land readjustment has been heavily supported by government and used in the renewal of large areas of urban city space. Since 1977, 40% of the total annual supply of urban building plots in Japan have been secured through land readjustment⁵. In South Korea between 1962 and 1981, 95% of urban land was delivered through land readjustment⁶. Although land readjustment has been primarily supported because it passes on the cost of financing infrastructure to the private sector it has used in both cases to provide the urban poor with housing.

The close association with financing infrastructure costs means that this mechanism is mostly used to provide new land for urban development through the conversion of rural land but the basic principles could be generally adapted to redevelop existing land in core areas. Key to this approach is a partnership arrangement (institutionalised in the planning legislation) between local landowners and municipalities. There are two ways in which this approach might be applied more widely in the core area context:

1. Consolidation of core area land with fragmented ownership for commercial redevelopment with 'CEL' for subsidised housing for the urban poor:

Typically, central area land consolidation is achieved, where regulations permit, through compulsory purchase by local authorities, or through large developers gradually buying up small landowners over a lengthy period. Neither approach is satisfactory and the clarity of a statutory 'partnership' approach may bring significant advantages with all stakeholders knowing what they are getting in to and what they will get out of it.

2. Consolidations of core area land occupied by the urban poor with fragmented or uncertain ownership for mixed value redevelopment:

¹² Lee T, 'Improving Urban Land Management in Korea' in Ansari J H, Von Einsiedel N (1998), 'Urban Land Management, improving policies and practices in developing countries of Asia.'

Again a formal partnership arrangement led and regulated by the local authority, could benefit poor communities living in consolidated settlements with some degree of established tenure. Our core areas research project has been investigating the possibility of such an arrangement in the squatter settlements of Santa Teresinha in Recife, Brazil and Karet Tengsin in Jakarta. Both settlements have commercial redevelopment potential that could subsidise improvements in the living conditions of the established communities. The problem is in getting individual households to act together towards a common interest, once individual rights of housing or tenure, fought long and hard for, are achieved. In the case of Karet Tengsin and to a lesser degree in Recife, such a mechanism would also provide the community with some protection against the gradual buy out of the best commercial locations by developers.

Transferable Development Rights/Incentive zoning

Planning regulations effectively represent the transfer of development rights into public ownership. Local authorities, in turn, grant these rights to individual land owners and developers in return for compliance with the rules laid down in the planning regulations. With the Transferable Development Rights (TDR) mechanism, land owners involved in transferring the development rights of a piece of land they own first surrender the land to the local government. In return, they receive monetary compensation or the development rights to another piece of land, equal to that surrendered, in another area of the city.

The mechanism is used by governments to acquire land that is later developed for public use. Land may be acquired on a voluntary or involuntary basis but, in return, landowners are compensated, monetarily or in kind, at the market value. If plots being transferred already have the services and/or buildings that local government requires or can effectively use, then the landowner receives an additional TDR equal to the service or built area being transferred. However, where the compensation takes the form of new land received in return for the surrender of the original land, limitations are often placed on TDR plots in order to constrain the amount of development that can occur within desired planning.

Through the consolidation and reorganisation of the use of urban land, TDR brings economic and social benefits and allows government to regain control over areas of land, which can then be redeveloped for public use (i.e. public housing). Although the mechanism has been used in Mumbai and other cities in India its use in providing access to land for low-income households has not yet been fully explored.

The Mumbai municipal government also makes widespread use of Transferable Development Rights and a version of incentive zoning that employs the concept of the floorspace bonus (also widely employed in the United States, Hong Kong, and other places). This requires land development and redevelopment to be constrained by developable floorspace: site area ratios ('plot ratios'). Landowners or developers are permitted to go beyond the allowable amount of commercial floorspace for the given site area in return for providing subsidised housing for the poor.

In order for the scheme to work 70% of the slum residents need to agree to the scheme before the private developer is allowed to own the land¹³. Whilst the scheme provides qualifying slum dwellers with a serviced flat and prevents them being moved

¹³ Adusumilli U, 'Partnership approaches in India, in Payne GK(1999) ' Making Common Ground, public-private partnerships in land for housing'

away from their livelihoods it does not stop residents selling their flats and moving to other slum areas in the hope of qualifying for further housing.

TDR's and incentive zoning mechanisms like those described above help governments regain control of misused or redundant land in areas which should command high commercial land values and to ensure that social value in the form of housing for the urban poor in central locations is achieved.

Conclusion

In this paper, we have considered a range of mechanisms that are being used, or could potentially be used, to provide affordable and secure shelter for the urban poor in central locations, close to their livelihoods and social networks. The experience with applying these approaches is both limited and mixed but lessons can be learned from both successful and unsuccessful examples to ensure a wider and more successful use of such mechanisms in future.

In the case of land sharing, this is an informal partnership approach that does not require a particular regulatory, institutional or legal framework. However, it is clear that the city authority has an important role to play in facilitating land-sharing arrangements and it is quite possible to see such arrangement have a formal role within in a regulatory framework.

The benefits of a regulatory approach are transparency, clarity and a degree of certainty about the likely outcomes for the stakeholders involved. These benefits often outweigh any negative outcomes that can occur from the element of compulsion involved, and the potential for municipalities to abuse their powers. Each of the other approaches considered here - land pooling and readjustment, transferable development rights and incentive zoning – are all located within a regulatory framework, but involving different degrees of partnership and complexity in the partnership arrangement.

We have focused on land redevelopment where existing poor communities are affected. The mechanisms being explored look beyond conventional 'urban upgrading' and land regularisation approaches. They are more flexible and take account of variations in land value over time and in different locations, as well as the impact of the redevelopment process itself on values.

However, the same mechanisms can and in some of the examples given above, have been used to provide new subsidised housing provision for the urban poor in central locations where none existed previously.

One the main issues that needs to be addressed includes finding ways of facilitating the complex multi-stakeholder negotiations that are often involved. A set of rules with an element of compulsion may help, since this creates a 'level playing field' for all private interests involved. However, rules cannot substitute motivation and there has to be a sufficient monetary return if commercial market forces are to work in the first place for social benefits to be realised. Essentially, this means that any scheme has to be flexible enough to allow variations in the amount of 'planning gain' or social benefit that can be leveraged from commercial development.

A further, and related issue is how to ensure affordability whilst avoiding gentrification. Owner occupiers or main tenants may enjoy low housing costs while sub tenants may be forced out by high rents associated with improvements in their

living environment. Dwelling owners or those with long term rights of occupation may realise the increase potential value though selling off or renting out and move elsewhere.

A common lament among the middle classes and local government officers in areas where our research has been carried out is that in helping improve squatters housing, they will realise the latent value and go off and squat elsewhere¹⁴. As these are often extremely poor people, it is not altogether surprising if this happens and might even be regarded as a useful piece of redistribution of wealth. However, it is clear that local authorities cannot operate on this basis and housing management mechanisms, such as housing co-operatives with collective rules governing all residents or even ownership residing in the collective, need to be explored.

The type of housing that is provided through these schemes is also an issue. Land redevelopment involving cross-subsidy through partial commercial development invariably involves high density housing, whether for new or existing residents. Since space standards will often be higher than existing, multi-storey development is usually necessary. Four or five storey walk-up apartment buildings are the most economical and widely used solution.

This can be problematic where households have been used to a self-build solution on their own plot of land. Ways around this include permitting a degree of extension to multi-storey dwelling units. This occurs informally in many places but could be planned for. Alternatively, or in addition, there needs to be flexibility in the planning of dwelling blocks with a variety of dwelling unit sizes and flexibility in the letting arrangements. Above all, existing communities need to participate in the planning of their new dwelling arrangements.

The findings from this brief review suggest that the benefits of the different mechanisms to providing affordable and secure shelter for the urban poor in central locations, close to their livelihoods and social networks are more potential than actual. However, it is clear from the experience so far, that there is considerable potential for applying these approaches in a creative way to the shelter and livelihood problems of the urban poor.

¹⁴ Studies carried out by Dr Srirangan in an area of Delhi known as Rohini subcity indicate low income communities who had been evicted to plots in Rohini had made significant profits selling off their plots (i.e. allocated price 1982 - Rs.100-200 per m² resale price 1992 Rs.1538-14, 844 per m²). in 'Public Land and Property Development and Cross-Subsidisation for Low Income Housing in Delhi', Dr K Srirangan unpublished paper. The paper was prepared when the author was a sabbatical researcher at University College London. Currently, the author is associated with Delhi Development Authority, New Delhi.