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## Conference Paper

# Town planning and public housing

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38<sup>TH</sup> CONGRESS OF THE EUROPEAN REGIONAL SCIENCE ASSOCIATION.

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## **TOWN PLANNING AND PUBLIC HOUSING.**

### **ABSTRACTS:**

During the last seven years, Spain has experience important legislative changes in land and housing matter. The Land Law of 1990, conceive the urban development proficiency as community result, and the cession of part of this proficiency to the land owner. This law changes the point of view about the land ownership. The use of this legislation with the objective to maximise the community utility to a minimum development cost and the transfer of the proficiency from some town zones to others, building systems of distribution of charges and benefits. A particular case is the city of Cadiz, where is used and checked. With the housing legislation has been possible the creation of public housing companies, perfect complement to the public intervention in that materials. A especial case is the San Fernando public housing company (Cadiz), with the objective of intervention in the low rent housing market without cost for the Local Administration.

Keywords: Town Planning, Public Intervention, Housing.

## **INTRODUCTION: THE BORROWED LAND.**

In the present European Union (EU), the consequences of the gradual economic integration of Europe, with a more intensive political co-operation between Member States and other interested parties is changing our spatial development functions, specially with our neighbours.

We are in a more decentralised economy, with more possibilities to take information of our neighbourhood, by the satellite T.V., the world wide web (www), the facilities to distribute multimedia publications or the database access, among others factors.

To be in a opener and more competitive economy means that some objective are more important that others and from the point of view of structured objectives, some of them had been organised like the suppression of regulations and financial obstacles. In fact, in a monetarist economy, to have a single currency for all the European countries will allow to a improve the market's permeability.

Something more arguable will be able the development of others aspects like a more safety transport by land, sea or air and with a less price, the building of a bridge with East Europe, that allow a truly integration and specially, for us, who are working in this areas of knowledge, a unique criteria about the territory ordination, because, as far as I know, is one of the clues to catch a Europe economically more supportive and a Europe that protect to the weak.

The conception of the Earth, in regard to the land, like a set of properties, which ones, in the beginning the first sealer never had had a legitimate little deed, does that with regard to the use of a surface right and his dominions, the urban planning had used different development forms to returned what a few has tale from the community.

Therefore, in respect to the coast or the air space had been disabled the appropriation in the hands of privates, in regard to the land, had been relativity easy. In Spain, from the Romanesque legislation of **Cino da Pistoia** "*cuius est solum, eius est usque ad sidera, usque ad inferos*" (the property goes from the heaven to the hell) to the division of this property in different parts, like the establishment of a right to built the space, different from the right to use the land or the right to use the subsoil, had passed half century.

The land of the Planet is Public and the owner are all his habitants. Its understandable a distribution of the resources to the optimisation of the community utility but it is only a distribution of uses and never from the property because nobody can give what don't belong to him.

The land like productive resource (cattle breeding, agriculture...) has a performance that disappear when over it something else built a concrete flagstone to support a edification. In some countries like Spain, this situation does that the price of the land grow up 10 times only with the Administration qualification of land for urban development, without any contribution of value by

the owner, that does the land a better resource, but that the new price is coming for his changing value.

Is the community the creator of this land urbanisation proficiency and to the community had to go the benefits. Is the community who give the proficiency to the land owner to be administrate in his name. Is the community who distribute burden and profits among difference zones.

This distribution of burden and profits allow that Town Councils have a set of lands to be developed to built protected houses and social, educational equipment to the town and make from the countryside urban cities and give house to the ones that the market don't gives it.

### **FROM THE PROPERTY OF THE LAND TO THE PROPERTY OF THE SPACE.**

The land market is a monopoly and don't work properly with the law of supply and demand. Exist a limited number of urban development land owners and therefore this lands are exclusive because the locacional component.

Is a little transparent market because the sales are not declared by his real price, treating to save some fiscal tax.

This market have a strong speculative character because the land owner amassed it like a inversion and not like a constructive element, in fact, treats to appropriate the potential increase of the land value or treats to conserve the capital value forehead to alternative investment.

Definitively is a segmented market territorially, economically and socially. The more profitable uses move the less, producing bad effects to the all city. The one hand, exist a social segregation of the space, and the pressure of some zones over others trying to broke the urban fabric. On the other hand exist pressure of commercial over residential, of banks over commercial and so on, and all of then over the free space that now exist, and this situation is producing movements of school, movies..., to the peripheries.

### **MECHANISM TO FORMAT THE LAND PRICE.**

Exist lots of theories trying to explain the operation of the land market and is not the objet of this exposition to evaluate it, therefore use some of them to explain what had happened and what to do to changes the bad influences looking for the cities and communities that we want.

The rent theory explain, in base to the monopolistic character of the land owner, different components of the rent. Therefore, exist a first component, the absolute rent, that consider the minimum price a function of the possibility of the development of the land. If on a land its possible to build two floors, his price must be the double that other with only one floor. This rent can be

modified if changes the PIB or the price of the money or other elements that can affect to a investment.

From this point of view, the land market don't vary according social needs o market requirements but for the variation of capital market.

A second component is the differential rent, that come from the locacional component than have the lands and therefor by the benefits to develop a land versus other.

In Spain, to correct the differences for locacional factors, type of constructions, use, number of floors... and other components, was create a mechanism to transfer the profits to one zone to other.

In fact, in the 90's was published a land law trying to lessen the effects of a period of strong market imbalance, with strong growing of demand, attending the anticipation rent, (rent produced by the price that the seller think is going to have the house when it were finished) very difficult to change in short term, and the supply of edification treats to produce increase of final prices.

The increase of demand was a development of sales that cause a growth of prices and unordinary profits, what does to the land owners to sell the land in function of the future selling prices of the houses.

The consequence of this increase of demand was the reduccion of the land market. The developer thoughts that not was possible to acquire more land because the anticipate rent. The land owners considered that the cost of keeping land were bigger that the expecting future rent. Therefore, uses and typologies were changed and disappeared the protected house and the industrial land. This crisis of the development house market, inflexible to go down, only was modify by the inflation.

## **PUBLIC INTERVENTION.**

If exist a monopolistic market it's necessary the intervention to keep the same opportunities in the competition. It is necessary the public intervention.

In USA, the state act in the land market as a "policeman" against unfair competition. The public control is extended to the techniques of planning areas marking uses and the limits of land available for development. The main principle is the shortage of supply, that produce that the state built basic infrastructure and protected housing. The state have to make strong investment normally financed by credit and returning the capital with a franchise system.

The principles consequences of this system is (from the point of view of the land) that the monopoly don't degrease but increase and diversify not only to the property of the land, but the commercialisation and the housing development, therefore that the market is linked to the location of the public investment.

Other consequence is that the house for low rents is not provided by the housing market, but that is developed by foundations or by the state, financed by tax but never returning the profits of the estate keepers to the community because is afraid of the raising price of free houses.

Of course, exist in earth, other approach about urban planning with beggar intervention. The public intervention consist in broke the economical laws of the a estate market that is not effective and efficient. What it's about making public the land available for urban development paying the original value and no the increased by the Administration.

The growth of the land price by the classification of land available for urban development belongs to the community who does that exist a right about the urban land, different to the countryside.

The British model is based in the return of appreciation. Laws like the Housing & Town Planning Act. 1909, the Burrow informe, 1937, the Uthwatt informe, 1941 and the Scott Informe, 1942, are proof of it, finishing with the Town & Country Planning Act. 1947.

The system consist about to take the property of the land by the Administration, controlling the process by the Central Land Board (C.L.B.) expropriating by the existing use value.

The Conservator and Labour Parties have been repealing and publishing alternatives laws before the Community Land Act (11/12/1975) which one treats to take the land to the council. The Thatcher policies repeal the C.L.B. and create the community charge (the poll tax).

In the French system (Code de l'Urbanisme), the policies treats to acquire land to the constitution of estate reserves, using the expropriation, a right of preferment acquires and buying land. The finance to acquiring the estates have been done by private saving to create land reserves.

In the Spanish model, exist important differences with the rest of the European countries. The one hand, and from the Expansion Law of 1.864, identify the land owner as developer agent. This situation today is the same (in this century have been published land law in 1956, 1976 and 1990) except the present Valenciana Law. On the other hand, and from the 1996 law and specially with the, exist a distribution of burden and profits among difference zones of the cities with redistribution ending results.

Between 1985 to 1991 had a strong increase of land prices caused by (among other factors) the economical recuperation, the retarded demand of crisis time, the extent of the mortgage market, the surfacing of black money, the foreign investment, the fiscal benefits, the expectation of profits in estate investment and the new regulation of renting. All of it brought us a retention of land looking for speculation and make possible to publish the Land Law (8/1990) and next the founded text of 1992 with the transfer of burden and profits techniques, the gradual acquiring of urban development faculties and the losses of property if the owner don't develop they estate in time and form.

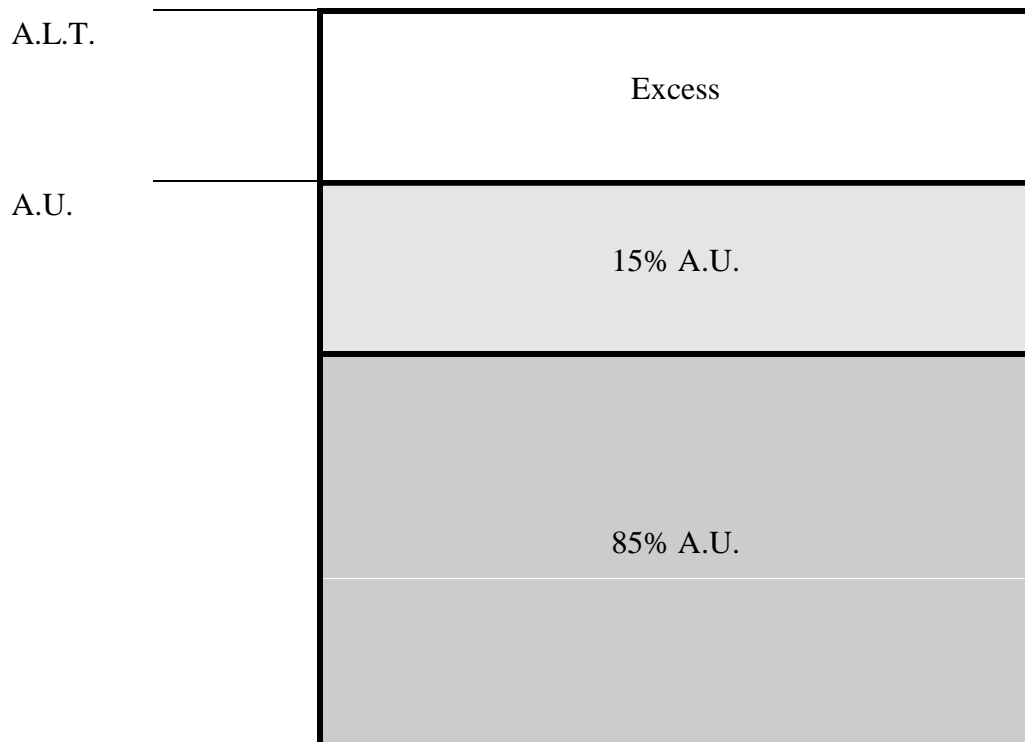
This law force the private initiative to keep the historical and artistic heritage and don't allow rebuilding the town centre and moving the public service to the periphery's areas.

**THE PROFITS TRANSFERENCE TECHNIQUE.**

The technique use in the Urban Plan of Cadiz (Plan General de Ordenación Urbana) is based in the utilisation of the method of “pondered media available for development of a zone” (aprovechamiento tipo, A.T.) with distribution endings, It's a technique that treats to compensating the losses of an area with the profits of other. The base is that in a land is possible to divide in three parts. The administration give one part (the 85% of the media performance, A.T.) to the owner of the land, what is denominated, performance expected to be appropriated, that is the 85% of the media edification of the zone, uses on his estate.

The graphic express the normal situation relatively to development. Exist a 15% that belong to the Council and a part used to compensating other situations less profitable. The urban available development (Aprovechamiento urbanístico, A.U.) only is function of the land size because when is published the urban plan the A.T. is fixed.

The total lucrative performance (aprovechamiento lucrativo total, A.L.T.), is the real edification developed when use the maxim development with the normal use of the zone, or with a use with a coefficient of one.



If the development had belonged 85% to the Administration had to compensate to the owner of the land.

Therefore, in Cadiz, in the Town Centre, the operations of re-equipment, re-urbanisation and reform, had not enough profits to be able to develop for private activity. On the contrary, in the exterior areas, exist some development speciality profitable that allow putting superior burden out the estate to compensate the town centre.

The technique of profits transference let the shift of profits from the exterior areas to the town centre, doing all of them development able.

The technique of pondered media available for development of a zone consist in calculating the media of available edification of different uses and typologies, corrected by coefficients of profitability divided by the all land. (resting the land to equipment and green zones because are not possible the merchandise.

This quotient give us the available for development of a zone, the before denominated absolute rent in percentages by one.

The differential rent is the one to award some estates by his localisation and in the Cadiz case, a very consolidated city formed in an island, this differential rents were known at the moment of make the city planning.

In Cadiz case, the absolute rents belongs to exterior zones because it had more floors moreover had better differential rent, and the transfer of a exterior zone to the centre not only carry a higher rent caused by the taller building furthermore a more expensive one.

Being Cadiz an island and being practically finished or consolidate us a pleasant urban city, the land available for extended areas (half of the territory) was protected as a result of his extraordinary environment so only was classify urban land and countryside and not was classify land available for development (this technique is used with towns in expansion). Therefore, in the first year of life of the city plan, the Administration get more that 6 millions of Euros in concept of profit transfers, letting act in the town centre.

The work of a economist in a City Plan is specially concrete in the "Action Program" (A.P.) and the "Financial and Economical Studio" (F.E.S.) .

The Action Program define when and who is going to act to make the Plan, and the estimation of the economic cost of the Plan. The Financial and Economical Studio, does a evaluation of the viability of the Plan, and verify and contrast the rest of the document of the Plan.



This outline is getting richer and complex from a conception of the Plan as a tool to define an integrated model of city ordination, the control of development process and the needed strategy to reach the model of city that we want to get.

In a society worried for the economy and dominated for the achieving of economical goals, is paradigmatic that the price that the society have to paid to reach the concerted objectives by a determinate urban police, the timing and the investment effort that the different Administrations have to do, are the less studied aspects in the urban planning, the less important to the acting Organisms and less published. The reasons of this situation are numerous. Rather is difficult to expose in a attractive way documents with a strong economical and financial contained. On the other hand, the Spanish Administration have a historical heritage of concerned to the short terms, and lacked of a vision of future, opposite to the concept of programmatic and is translated into the no utilisation of the action programs as a guide in the process of decisions. (urban development or not)

This focus in the administrative biased practices to the short terms, is getting slowly been corrected by the use of budget by programs in the different organisms of the Administration and incorporating process long time ago used by the private sector, and experimented successfully by foreign Administrations or public companies.

The definition of objectives, his chronology, and union during the time, the establishment of strategies to reach, the design of alternative actions, are today instruments to manage organisations or companies.

The limited use that Councils and investment organisms does with the Action Programs, is in part caused by the tradition of urban planning in Spain, that till the 80's have been kept out of the public projects, separated of the budget decisions and isolated of all consideration of resources allowance. To change the negatives aspects of this described situation, using the top of possibilities that offer the urban planning, must be an objective not only for the planner teams but the Councils in charged of the implementation and execution of the urban plan, because is the best way to do a urban planning policy of the Local Administration.

To confront general problems of ordination, is not a banal question and not a formal complaint. The planning, in anyone of his figures, types and ambits, and specially the city planning, to deal, not without difficulties, to satisfy citizen needs.

This main object, to satisfy local social needs, is been constricted to the budget exponent, that study the Financial and Economical Studio and the temporal exponent, that is developed by the Action Program.

To maximise the community's utility, to a minimum cost, and in a period of eight years, does that the objectives don't been finished as time goes, but been alleviate the existing ones and been projected to solution new needs.

The guidelines and procedure to reach that objectives can be aimed to the demand, under a policy of promotion of capital social relationship, or been closing up to co-ordinate our efforts to achieve our goal to a city strategy.

The first, based in a free marked economy, without administrative participation, except to subsidy the invested capital, produce centre-periphery relationship, dysfunction in the land use, and a polarisation of income per capita. Try, definitely, to dismantle services and traditional administration activities with the ending to reduce the public spending, supposing a development of the private activity, to lessen this deficits. The reality is that this services are covered by the private activity for that population segment that are profitable.

The second model, the co-ordinate plan, designed and planned by the Administration, can be more inefficient assigning resources, from the point of view of the profits, but is, alternatively, social and economically fairer.

The Action Program have to:

- To reflex the global urban planning strategy to serve like guideline in the Local Administration budget, in consequence the priorities must be clear.
- To systematise the Local Administration performance: land to be obtained, development costs, summarise costs, etc. and to give an idea of the measure of the tasks where is going to act the Council.
- To define the time program in the foremost actions, sizing it and defining the investment percentage, not only from the Local Administration but other organisms, that will act in the development process during the programmed period.
- To specify the planning of development, the order of importance, time table and technical resources that is going to be consumed.
- To program the calendar of land getting therefore it be available at the moment that is programmed the execution. That means to mark the mechanisms to obtain the land, the timing to obtain it and the settling between needs of land and capacity of Local Administration achievement.
- To select the actions to execute by the public organisms of other Administrations.

The Financial and Economical Studio must verify the appropriated among the program, the investment forecasting and the prediction of Local Administration Revenue.

The Financial and Economical Studio of a City Plan don't propose to analyse the investment that to deal with the elevation of income per capita, or to investment to increase the employment levels, or to treats the react the local economy to reach a level of consumption right to the national production levels. Above all, don't study the investment as a strategy to counteract the cyclic depression or structural. This type of national investment, are not contemplated in the Cadiz Plan, are based in a policy of public spending to support the effective demand and to keep a elevate level of resources occupation. Of course, such actions affect us but is not possible to control it from the city.

As a result, the main objective of public projects of investment, is centred in to satisfy community or public needs of the population. It's true that acting on our objectives can server to economical reactor, and it will multiply effects on the area economy, our objective is to satisfy local social needs.

In conclusion, our analysis system and our methodology is closer to the Cost Benefit Analysis that to the macroeconomic expositions. We want **to maxim the community utility to a minim cost of execution**. Naturally, we have not to mistake benefit with profit, meaning valid to the private companies. When we speak about benefit we have the idea to be useful to the society.

### **LAND & HOUSE PUBLIC COMPANY OF SAN FERNANDO.**

The company E.S.I.S.A. (Land and house company of San Fernando, Cadiz), was created the 29<sup>th</sup> of February of 1996. This company has the social headquarter in San Fernando Town (Cadiz).

The social object is the realisation of same of the next fines:

- The development planning.
- The urban development, giving the services needed to built house and infrastructure.
- The integral management of all the Local Administration land, and all the services that were necessary for the correct use.
- To acquire and sell the land destined to the social company object and his public activity assigned by the Local Authority.
- To acquire, to promote, to construct and to restore houses, protected or not by the National Administration, attending especially the needs of groups of populations with low income, renting, selling or giving rights of use.
- To foment the edification and the restoring the estate heritage.
- The investment, study, advising and co-operation in urban and housing subjects.

- The performance of any operation about estate and housing product.
- The conservation of the San Fernando Council's houses.
- To construct, selling and renting of parking.

The practice activity of E.S.I.S.A., as a property company, during 1997 to determinate the business evolution was:

In the general shareholders meeting, celebrate the passed 4<sup>th</sup> of March of 1997, was approved the capital increase by 290.200.000 ptas. (1.727.381 Euros) represented by the estates of La Magdalena, Faustino Ruiz and La Ardilla. With that increase the social capital was 300.200.000 ptas. (1.786.905 Euros.)

Was signed the agreement (1/14/1997) between the Regional Administration and E.S.I.S.A. to built 85 houses in La Magdalena for very low income families and rent it and conserve the edification. The 3<sup>rd</sup> of July was signed the agreement with the building company and today is been executed in time, price and original project. It will be finished in November of 1998.

The 19<sup>th</sup> of May was signed the Program-Agreement of the Regional Administration, till 31<sup>st</sup> of December of 1999. That Agreement define the protected actions to develop in the city, compromising the public investment (Central and Regional Administrations) and the subside to the different programs and create a base or co-ordination among the three Administrations to the public sectors and recognising preferment city instead other that have not concert the actions.

We got subside for 512 houses in Madariaga neighbourhood. After invite tenders in order to award the contract of restoring was signed it the 3<sup>rd</sup> of July and today the houses are repaired.

The more important road network was contracted the 30<sup>th</sup> of July with a cost of 350.000.000 ptas. (s.083.333 Euros) and 12 months of execution. Today is finished.

Our first 96 protected houses for sale was contracted en 22<sup>nd</sup> of December, and been redacted before the project, qualified, paid taxes and rates, have been raffled the customer in the notary to determinate the buyers, to get the loan and all the administration permissions also like the signature of buys and sells contract with the clients. The building is been executed on time. A second project of 76 protected houses for sale have been prepared in 1997 and today is been building.

We are building the central food market of San Fernando and before the construction we have been looking for subside to the Council from the Regional Administration 200.000.000 ptas. (1.190.000 Euros), re-deal a agreement with the Regional Land Company for 600.000.000 ptas. (3.571.429 Euros) and get a bank guaranty for 750.000.000 ptas. (4.464.286 Euros) to guarantee the construction.

At the end of the year, we auctioned a estate to build protected houses by private companies.

## **Housing Policy.**

The objective marked by our board of directors for housing is to centre the efforts in the low income population that up to now cannot access to the housing market for economical reasons.

Considering the development of the our 96 and 76 houses, the conditions of our houses has a media of util surface of 69'32 m<sup>2</sup>.

The payment to the majority buyer is:

Down payment: 300.000 ptas. (1.786 Euros).

Month payment 23.000 ptas. (137 Euros) (16 months).

Nothing else when hand the keys over.

Mortgage to 25 years, 5% fixed of rate of interest that means 23.500 ptas. monthly. (140 Euros).

The social structure is:

90'79% have incomes inferior o equal to 2 times the Inter-professional Minimum Salary. I.M.S.

9'21% have incomes between 2 y 2'5 times the I.M.S.

The 63% of families are less than 35 years old, consequently, young families.

This media buyer is representative of the real demand of housing.

During the month of June of 1997 was convoked to all population of San Fernando to present their application forms to buy houses with the necessary documentation (tax return, job contract, and a declaration of don't be owner of a house). Were presented 843 applications and 619 had all the legal conditions to buy this kind of protected houses and the minim conditions to have a mortgage.

The selection system of buyers for each building consist in to raffled the customer in the notary to determinate the order to select the house to buy. After it we check all the legal and economical conditions and if all is right we will sell the house to the customer.

In this year, we have promoted two buildings, of 76 each one, of protected houses for sale, and other two of 88 houses for rent. We wont to create a office for restoring.

## **Profit, cash flow and auto-financing.**

The company account profit is the normal for the property product that we work. This is the first year of real activity of the company and we have start the basic and structuring development of our buildings: the road network call "Ronda del Estero".

This network is financed with the construction of the houses, as a result, we have to be specially careful with the finances of our building and to share charges and benefits along of all estates.

In this first year have been possible to close the financial year with a little profit that reflex too the type of house and the client that demand our houses; low income families and very low income families that ask for a inexpensive and lasting product, and beyond that, with a financed house that allow accessed, breaking the saving frontier. That financing to force to be extremely careful with the cash flow and to assume us a cost the finance of the subside that have right the buyer of the house, been possible to reach to the 18% of the house price.

All of company cost are cover for our enterprise activity without any subside from any Administration. In consequence of all this, have been produced a specially hard year caused by the recuperation of the investment capital in development is plurianual.

### **Bank and companies.**

The bank have show his confidence in our company, offering the very best rates of interest, accounts with personal guaranty, and other financial products, and what is more, the specialised bank in mortgage.

Most significantly is that the first building companies of the country have been offering his services, with very competitive prices and showing the trust in our company.

The action of a social housing policy, if it's wanted to be sharp and reliable, have the limit of the possible economically.

The next figure shows the finance planning of our first promotion for sale. (96 houses and 3 local shops and 1 supermarket).

**FINANCIAL PROJECT**
**EUROS**
**COSTS**

CONCEPTS	PAID INVESTMENT	NEW INVESTMENT	TOTAL
Acquiring.	727.595		727.595
Notary.		1.897	1.897
Fiscal Cost.		1.819	1.819
Others.		7.933	7.933
<b>LAND COSTS</b>	<b>727.595</b>	<b>11.649</b>	<b>739.244</b>
Basic Project.	2.106	45.085	47.191
Execution Project.		35.393	35.393
Direction.		70.787	70.787
Security study.		8.973	8.973
Others.	455	3.250	3.705
<b>TECHNICIANS</b>	<b>2.561</b>	<b>163.488</b>	<b>166.049</b>
Municipal Licence (tax & rates).		139.884	139.884
Rates of protected housing.	4.507		4.507
Notary & New Building Declaration.		1.971	1.971
Notary & Horizontal Division.		8.735	8.735
Others.		1.626	1.626
<b>FORMALISATION &amp; QUALIFICATION</b>	<b>4.507</b>	<b>152.215</b>	<b>156.723</b>
Construction		2.992.351	2.992.351
<b>CONSTRUCTION</b>		<b>2.992.351</b>	<b>2.992.351</b>
Sales		30.685	30.685
Generals Cost	36.733	167.803	204.536
<b>GENERALS COSTS</b>	<b>36.733</b>	<b>198.488</b>	<b>235.221</b>
Mortgage formulisation		5.676	5.676
Financial cost		110.294	110.294
<b>FINANCIAL COSTS</b>		<b>115.969</b>	<b>115.969</b>
<b>TOTAL COST</b>	<b>771.395</b>	<b>3.634.161</b>	<b>4.405.557</b>
<b>V.A.T. SUPORTED</b>	410	244.726	245.136

**INCOMES**

96 Houses		3.755.872	3.755.872
Local 1		514.221	514.221
Locals 2, 3 & 4		166.448	166.448
<b>TOTAL SELLING INCOMES</b>		<b>4.436.541</b>	<b>4.436.541</b>
<b>SUBSIDE TO PROPERTY COMPANIES</b>		<b>181.679</b>	<b>181.679</b>
<b>TOTAL INCOME</b>		<b>4.618.220</b>	<b>4.618.220</b>
<b>V.A.T. REVERBERATE</b>		<b>259.142</b>	<b>259.142</b>

**RESULT**

<b>TOTAL COSTS</b>		<b>3.634.161</b>	<b>4.405.557</b>
<b>TOTAL INCOMES</b>		<b>4.618.220</b>	<b>4.618.220</b>
<b>DIFFERENCE BETWEEN COSTS &amp; INCOMES</b>		<b>984.058</b>	<b>212.663</b>