

REPORT ON SESSION 1: “LEVERAGING LAND: WHY, WHAT, HOW?” 14 SEPTEMBER 2020

GLTN AND UN-HABITAT LEARNING SERIES ON LEVERAGING LAND FOR DELIVERY OF SERVICES, BUILDING THE SOCIAL CONTRACT AND PROMOTING PEACE AND SECURITY



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Introduction

On 14 September 2020 the Land, Housing and Shelter Section of UN-Habitat and the GLTN Secretariat held the first of four learning sessions on the theme of *“Leveraging land for delivery of services, building the social contract and promoting peace and security”*. The session titled *“Leveraging land: Why, what, how?”* consisted of three presentations and facilitated discussion supplemented by sidebar questions and comments, followed by closing observations by the presenters and the discussant. The session was attended by 65 people representing more than twenty institutions (see list of participants in Annex 1).

Agenda and process of the learning sessions

Jean du Plessis, moderator of the session presented the origin, theme, purpose and objectives of the series. The idea of a sequenced virtual series on land-based finance (LBF) had originated from the unfortunate cancellation of an in-person expert consultation on the same theme, which had been planned by UN-Habitat, with Habitat for Humanity as hosts, for March 2020. The original concept was adapted into a more iterative learning and network building programme, involving a broader range of participants in a series shorter, thematically focussed sessions, as follows:

Theme: Leveraging land for delivery of services, building the social contract and promoting peace and security.

Purpose: Bringing together partners, experts and implementers to learn about advances, good practice, innovations and challenges, and to create opportunities for collaboration.

Learning objectives:

1. Increased knowledge of available land-based finance and land value capture tools, methods and approaches
2. Enhanced understanding of the social, economic and political challenges facing implementers
3. Case-specific information shared on ways of overcoming challenges and building good practice
4. Proposals for priority actions for improved impact formulated
5. Areas of potential collaboration identified.

Subject	Presenters	Date and time
1. <i>Leveraging land: Why, what, how?</i>	Larry Walters, Utah State Tax Commission, Rajul Awasthi, World Bank, Abigail Friendly, Utrecht University, Adi Kumar, Development Action Group	14 September 2020, 15h00 -17h00
2. <i>Leveraging land initiatives by GLTN and UN-Habitat partners: purpose, methods, progress, lessons</i>	Development Action Group, Lincoln Institute of Land Policy, RICS, Global Fund for Cities Development (FMDV)	12 October 2020, 15h00-17h00
3. <i>Strategies and tools for financing affordable housing and participatory slum upgrading</i>	UN-Habitat Land and Shelter Section teams, independent specialist	9 November 2020, 15h00-17h00
4. <i>Leveraging land for peace, security and building the social contract</i>	UN-Habitat Somalia and Afghanistan country programmes, independent specialist	14 December 2020, 15h00-17h00

Session 1 Programme

SESSION 1: LEVERAGING LAND: WHY, WHAT, HOW? 14 September 2020, 15h00-17h00 (Nairobi time)		
Moderator: Jean du Plessis, GLTN Secretariat, Land, Housing & Shelter Section, UN-Habitat Session discussant : Adi Kumar, Development Action Group		
Time	Topic / Activity	Process, Roles
15h00	Welcome Agenda and process	- Robert Lewis-Lettington (5 min) - Moderator (10 min) <i>*Note: Participant bios will be available beforehand</i>
15h15	Presentation: <i>Where to start? A Guide to Land-based Finance in Local Governance</i>	Larry Walters, Utah State Tax Commission (15 min) - All: questions and comments in meeting chat during presentation
15h30	Presentation: <i>Good practice principles of property taxation design and administration</i>	Rajul Awasthi, World Bank (15 min) - All: questions and comments in meeting chat during presentation
15h45	- Presentation: <i>Political economy, governance and land value capture: the case of Toronto</i>	Abigail Friendly, Utrecht University (15 min) - All: questions and comments in meeting chat during presentation
16h00	Key questions	Discussant, in dialogue with presenters
16h10	- Open discussion	Moderator, all (40 min) - All: questions and comments in meeting chat during discussion
16h40	Concluding observations: <i>Key lessons, priority actions, areas of potential collaboration</i>	Speakers and discussant - All: final comments in meeting chat during discussion
17h00	- Closing	Moderator

Welcoming words (Robert Lewis-Lettington, UN-Habitat)

Robert Lewis-Lettington, Chief of the Land, Housing and Shelter Section of UN-Habitat and Secretary of GLTN, opened the session by welcoming the participants. He acknowledged the potential positive impact land-based finance (LBF) could have upon people's lives. He anticipated that the session would show that, while our role is frequently cast mainly in technical financial terms, i.e. what technical LBF instruments to use to capture land value, land-based financing is in fact an intensely political process, and that sound governance is key for success. He said that, in order to better understand how to go about developing an appropriate LBF system, we should recognize the importance of creating opportunities and strengthening the incentives for using LBF, customizing financing options to the local context, and examining the role of local government and the relationship it has to its citizens and the national government. UN-Habitat has been working on these issues for several years, in recognition of the fact that land-based finance and other urban financing tools can contribute positively to furthering the broader urban development agenda.

He was very pleased to see so many institutions with impressive track records and in-depth experience of these issues joining this series. Their insights can help others to better navigate the LBF domain. A strong relationship with other institutions that are working in the field of urban finance is critical to achieve better outcomes for the urban development agenda. Lastly, he commended the depth and breadth of the different sessions in the series. He urged participants to keep strengthening the relationships they have built thus far, and through participation in the sessions to expand them even further moving forward.

First presentation: Where to start? A Guide to Land-based Finance in Local Governance? (Larry Walters, Utah Tax Commission)

Larry Walters presented the recently published publication *Where to start? A guide to Land-Based Finance in local governance*.¹ (Presentation slides attached at Annex P.18) He said the foundation of the guide is based on the understanding that urbanisation rates are increasing rapidly around the world, which presents major challenges for local governments as to where revenue will be collected to support and provide services and infrastructure for the growing urban populations. He pointed at three broad categories of options:

1. **Transfers**, meaning transfers from other levels of government. This option is not always a reliable source for local governments.
2. **User charges**, which are essential but often inadequate, since there are many services which simply cannot be charged for due to practical or equitability/affordability considerations.
3. **Taxes**, taxes on land specifically have been argued to be the 'least bad tax'.

The purpose of the guide is to introduce land-based finance concepts to urban leaders. UN-Habitat and GLTN partners have been developing and promoting land-based finance concepts and tools for over a decade. The guide is intended to serve as a starting point for urban leaders who are looking for options to improve local financial resources. It ties directly to "Leveraging Land" the training materials previously developed by UN-Habitat and GLTN,² as well as many other publications, initiatives and efforts.

The *Where to start?* guide is organised in four parts:

- **Part 1** provides an overview of LBF, it discusses the advantages of using land as a foundation for revenue generation. It gives examples where land has been used successfully as a source of revenue and where LBF fits into the context of municipal finance more broadly. It is the What? Why? Where? and ultimately the Why not?
- **Part 2** deals with taking inventory, understanding context and assessing strengths, opportunities and the remaining challenges. It provides guidance regarding four dimensions:

¹ <https://gltn.net/download/where-to-start-a-guide-to-land-based-finance-in-local-governance/?wpdmdl=15917&refresh=5f6900e377c201600717027>

² <https://gltn.net/download/leveraging-land-land-based-finance-for-local-governments-a-trainers-guide/> and <https://gltn.net/2016/12/05/leveraging-land-land-based-finance-for-local-governments-a-reader/>

1. **The legal environment:** How to review the current legal environment and what changes may be necessary to introduce LBF.
 2. **Administrative capacities of the agencies:** How to identify the key agencies, where the needed capacity lies and what the current level of capacity is.
 3. **Historical and cultural context:** How to adapt LBF to the historical and cultural context. Understanding and sensitivity to the precedence is critical.
 4. **Understand the condition and maturity of the land market:** How to assess the local land market. Understanding this will influence both the tools selected and how they can be implemented.
- **Part 3** addresses the question of why LBF is not more commonly used in developing countries. This is due to institutional and societal challenges. There are four that are considered in the guide:
 1. **Lack of public support:** especially among elites, as they control a high number of properties and land. Hence, it is essential to mobilise public support and share the accomplishment of what LBF can accomplish.
 2. **Political will:** Unless there is political will from the most senior level of government no change will occur or be sustainable. The guide provides information on how to build and nurture political support and commitment.
 3. **Exemptions:** The guide speaks about the pros and cons of exemptions in the LBF system for both vulnerable populations and economic development.
 4. **Supporting infrastructures:** The guide looks upon the administrative capacity within which LBF is nested, how they fit and how they may be improved.
 - **Part 4** deals with moving from aspiration to actual implementation. This part looks at how to develop an action plan and presents an example of a LBF reform process.

Larry Walters concluded that successful execution of an LBF plan starts by cultivating and nurturing a will for political change. On this basis, there are three activities that should be pursued. Identify the lead agencies and key actors to lead reform; run a public information campaign; and initiating a legal reform (if needed).

Second presentation: Good practice principles of property taxation design and administration (Rajul Awasthi, World Bank)

Rajul Awasthi started his presentation by mentioning some of the good practice principles of property taxation design and administration. (Presentation slides attached at Annex P. 19) As the previous presentation mentioned, land taxation is one of the taxes that economists have long considered to be the 'least bad' tax because it has several positive elements: it doesn't impact economic transactions, doesn't create friction, it doesn't act negatively to investment, and by nature it is progressive because one can tax more while easily exempting the vulnerable and poor sections of society.

The reasons why we want to implement property taxation as a source of revenue for developing countries is because it is a vital source of revenue. If we look at sub-Saharan Africa, urbanisation is increasing significantly. There will be an additional of 500-600 million people moving to urban areas in

the next 20-30 years as per UN projections. Therefore, the need for raising resources at local government levels is out of sheer necessity to keep up services and infrastructure for the growing urban population. Hence, such a tax instrument is vital.

Even though property taxation counts for a relatively small proportion of revenue at the national level, it is critical for the lower levels of government. Transfers to sub-national governments can be quite political, and is not a reliable source of revenue for local governments, as already mentioned. Hence, it is critical for sub-national, local governments to raise their own revenue. Once the design of a land tax system is put in place administration of that can be relatively simple. This is particularly true today with IT systems that are both affordable, easily available, and user friendly.

The design and implementation issues of land taxation in developing countries comes first with the difficulty of taxing communities as you have **low and stagnant revenues**. At the same time, there is **inequity** because it is the elite that tend to own most of the property. As a result, they tend to favour the status-quo. If we do not tax land and property properly, **economic inefficiencies** result. This creates a **socio-political environment** which does not favour development and improvement. To fix these issues, you need to solve the **property tax policy**. For example, by proposing a revision of the tax base, tax rates and tax reliefs/exemptions. Finally, the property tax administration should also be reviewed, by including IT solutions which make it easier to design an effective tax administration. Given that such administrations often lack capacity it is key to support the administration in building capacity.

When considering designing a reform on property taxation the variables to be considered include: the policy variables, which include the tax base and tax rate; the administrative variables, which include the Tax Liability Assessment Ratio (billing), the Collection Ratio (collecting, enforcing), Coverage Ratio (property identification, cadastre), and Valuation Ratio (property valuation). In each of these variables developing countries are lacking capacity to increase their revenue base.

When looking at a framework for reform, in terms of policy we need to:

1. **Update Property tax laws** by eliminating inefficient exemptions and special treatment of high value commercial properties in developing cities.
2. **Build complete, GIS-based, accurate property rolls** through satellite imagery and surveys.
3. **Bring modern valuation approaches** such as capital value based; close to market prices and introduce mass valuation methodologies.

Third presentation: Political economy, governance and land value capture: the case of Toronto (Abigail Friendly, Utrecht University)

Abigail Friendly presented on the political economy of land value capture using a case of Toronto. (Presentation slides attached at Annex P.20)

The presentation started by referencing the political economic debates around land value capture, focusing on land rent, the urban commons, and the social function of property. By using an equity approach, to LVC, a political economy approach raises issues beyond efficiency by focussing on equity.

Then the presentation turned to the example of Toronto. In Toronto, density bonusing has been used to secure public amenities in exchange for granting higher density. This is known as Toronto's Section 37 of Ontario's Planning Act. In recent years this has become controversial because of the governance processes surrounding the tool. Section 37 allows developers to exceed density and height restrictions in exchange for facilities, services or matters, through cash contributions or amenities. Benefits are either cash or in-kind contributions and are negotiated on a case by case basis by city councillors and developers. The political economic situation that it produces is that these benefits are concentrated in the upper-class suburban areas of Toronto and the downtown, while peripheral low- and middle-income neighbourhoods benefit significantly less. Moreover, there is a considerable discretion in interpreting planning policy and urban development as well as discretionary freedom to deal with multidimensional problems in Canada's planning system. Hence, these practices are not increasing equity but increasing spatial injustices.

While the justification for Land Value Capture is not often related to improved equity, it is useful to explore whether Land Value Capture includes a re-distributional component. Distributional concerns are relevant in the context of negotiations between local governments and developers. To understand who is benefiting from Section 37 agreements in Toronto a study was done by separating two groups: those areas benefitting least from Section 37 and those who are benefitting from Section 37. The results are staggering in terms of socio-economic results. The ones benefitting least from the Section 37 have:

- A lower average household income
- A higher average unemployment rate
- A lower % of the population with post-secondary certificate, diploma or degree
- A higher % of the people born outside of Canada

To conclude, a politicized process and discretionary approach frames the context in Toronto with considerable implications in terms of power and planning dynamics.

Key Questions: Discussant, in dialogue with presenters (Adi Kumar, Development Action Group)

The discussant, Adi Kumar, thanked the presenters for their presentations. He also highlighted that numerous thought-provoking comments, questions and discussion had been entered by participants on the chat-box. From notes shared by the discussant, the main topics were as follows:

1. Land taxation and exceptions: Many participants had questioned the validity of exceptions and 'special concessions' for particular groups. For instance, many faith-based institutions are exempt from land taxation.
2. Linking taxation to basic services and infrastructure: Several participants said the benefits of land taxation need to be directly linked to visible improvements in Cities.
3. Valuation of properties: Several questions were raised about valuation processes across the African continent, but also in conflict ridden regions. And that there is direct co-relation

between tax compliance and valuation. In instances, where valuation is updated regularly, there can be regression in compliance.

4. Urbanisation context: In the context of urbanisation, taxation raises the necessary revenue for cities to address backlogs both for housing and infrastructure.

Adi Kumar started off the dialogue by reflecting on the question of tax exemptions, the special treatment that some groups of society get and its impact on compliance. Particularly, participants have highlighted how faith-based organizations get exempt from quite a colossal amount of taxes. On this matter Larry Walters said he is not fond of tax exemptions, though he recognizes that they could be introduced to protect vulnerable groups. On the other hand, in terms of faith-based organizations, politically they are going to receive exemptions. However, one must distinguish between the different land use that these faith-based organizations are engaged in. If it is a place of public worship, an exemption is suitable. However, if it is their farms and manufacturing facilities there is no reason to exempt those. Hence, if you need to provide exemptions to faith-based organizations at least distinguish the exemption in terms of land use.

A following question was addressed to Rajul Awasthi: Is any specific method of valuation that has worked well in sub-Saharan African countries and are there any best practices in the context of fragile states where governments could improve land taxation for peace and stabilization? He answered by mentioning the challenges that sub-Sahara Africa and other developing countries in the world are facing in terms of valuation, which is that these countries do not possess good data on market prices, market value, and transactions as these are not properly recorded. Given these factors, these countries should move to capital value-based property tax and market prices. The question is now if we can find such sources of data for valuation in developing countries. In post-conflict countries, for example in Nigeria in the region of Borno, a GIS management agency has been set-up to collect urban property records. The valuation method to use, will be assessed based on a practical solution. I.e. setting up zones in urban centers where we approximate market prices, providing a rate per square foot and make it simple and affordable.

A question was then addressed to Abigail Friendly on whether LBF solutions can create an environment in ensuring that the redistributive side of land-based taxation is met. She mentioned that there is not one best solution to ensure equal redistribution. However, assessing the political context and framework in which such systems are imbedded are of critical importance to ensure equity in the system.

Larry Walters also responded by saying that land is an immovable good. It is a reliable and attractive base to collect revenues at the local level. There are a variety of tools that can be used to achieve this, the most obvious one being an annual tax on property. A step-back should be taken by assessing what the system currently has and what the gaps are in terms of laws, policies, administrative capacities, etc. This inventory will allow the system to move forward based on the local context, needs, and financial support to establish a solid system to collect revenues at the local level. We need to assess and learn from the available tools that exist internationally, but we must adapt those to the local context.

A final question was asked to Rajul Awasthi regarding the link between the work of GLTN on the different land tenure forms that exist across sub-Saharan Africa and the challenges of making them secure, and how this can be linked to the various land valuation processes. He responded that this is important as many legitimate forms of tenure work outside the jurisdiction of governments such as ancestral land or community owned land, which are treated in a different way. This becomes very challenging when we want to introduce a modern land taxation system in such forms of tenure. Countries should develop their own context specific solutions to these challenges, which are in some ways similar to the challenges of tax exemption for faith-based organizations. Nevertheless, citizen engagement in developing the tax system and their participation in building the local tax system is critical to develop a sustainable and legitimate system.

Open discussion, facilitated by the moderator

The remarks and responses from this session are summarised below:

Observation: Density bonus or development bonus tend to be exclusive to high-end neighbourhoods and is detrimental to the planning criteria.

Discussion: Larry Walters said that there may be ways to get around that problem depending on what you do with the resources that you collect and the price of selling those development rights. It should not be taken out from the toolkit, but a great deal of sensitivity must be given to the issue of distribution. Abigail Friendly mentioned that in Toronto, there have been efforts to pool resources towards social housing and that was done through a social housing company while working together with the downtown ward. The pooling of resources from development bonuses towards the benefit of the most vulnerable in society is critical to ensure a system that is durable. Nevertheless, such pooling is easier for some resources and less for others.

Observation: On the aspect of valuation of unregistered land, when we look at these aspects there is a strong connection between tenure security and valuation as it often is the case that informal land is undervalued. Hence formalizing such land within the continuum approach developed by GLTN is beneficial so that such land is valued properly. The difficulty is taking a western economic concept like market value and applying that in the development world. Hence, customization of determining valuation and levying taxes is essential, particularly when such land is being bought off. As an example, local juries could value such properties and building that information/data for future use.

Discussion: A participant responded that updating valuation on property is a challenging aspect. In London valuation of property is based on the market price of 1991. In that sense the tax is totally regressive. In the developing world, with so much land not formally registered customary groups should be made responsible for raising revenue to finance development such as through land pooling and land readjustment projects. Another participant said that when considering customary land or informal settlements one should ask the question if they should be part of the property tax base. Moreover, these lands are never sold so applying market value or value-based options is challenging. Hence, we should look at other assessment approaches, which are simple that could proxy what the value is. The other point is that some countries apply either national or local value-based deductions. Hence, such

informal settlements are taken out of the tax base because they are below the value deduction. A third participant said that many informal settlements pay much more rent per square meter than people sitting on formal land. This is true when paying basic services such as water and electricity. Hence if such communities are recognized through the formal system and taxes can be levied from them a knock off effect can occur, whereby they would acquire formal services that are based on often lower prices.

Observation: LBF can be used not only to raise revenue but as a way to direct urban development and investment particularly in encouraging the development of affordable housing and to find a way to reduce the price of land when it comes to housing provisions for the most vulnerable. This is often an area where we are asked to provide advice. Are there any practical examples that can be shared within the developing world?

Discussion: Larry Walters mentioned that the challenge here is not so much the LBF instrument but the priorities of local governments and how they use the resources that are generated through the instrument of LBF. In response to the question, Rajul Awasthi said that there are many examples in the developed world. Within the developing world there should be examples. (He said he would share some of these examples).

Margin comments: During the discussion, additional margin questions and comments were made by the participants. Most of the comments acknowledged that land is an extremely important asset which can and should be used to generate revenue but perhaps more importantly to equitably distribute the costs and benefits of urbanization. The participants acknowledged two particular challenges in successfully using LBF and LVC:

- **Nurturing political incentives:** land ownership is disproportionately in the hands of higher income groups, which tend to find ways to shape LBF systems to their advantage. How do we then build the incentives and foster political will to use LBF in an equitable and adequate manner? Is this a matter of data transparency, political institutions, fiscal decentralization frameworks?
- **Adapting to local conditions:** The manner in which common LBF reforms are carried out largely depends on the context. While land valuation is common reform priority, it should be flexibly handled, balancing considerations of practicality and equity. As such city centers and upper-income areas might use market value as a tax base while other areas or governments in a fragile context may opt may require more simplified valuation approaches. Despite the importance of land valuations in general, updating valuation rolls may not always help improve overall revenue where compliance issues abound. Ultimately, the entry points for LBF reform will also differ for different local governments.

Concluding observations

Abigail Friendly: A broad societal understanding of the purpose of LBF is necessary to ensure implementation of LBF. This has much to do with discussions about democracy and social movements. When looking at what happened in the 80s and 90s in Toronto the idea was much more progressive in

how we should share these revenues and this has moved away towards a more neo-liberal type of concept.

Rajul Awasthi: If you are trying to raise revenue from LBF, three lessons can be mentioned: 1. Link LBF to the broader reforms. 2. Simplify and rationalise policy, get rid of exemptions, make it easy to understand. 3. Make use of technology, focus on administration, build capacity of local governments, involve citizens and citizen groups in reform. Once you have the revenues you can talk about how using them i.e. for affordable housing.

Larry Walters: Recommended that participants should read the *Where to start?* guide. Many of the issues raised are discussed in the guide. He hopes that in the next three sessions we can come up with some agreements as to where the opportunities for collaboration are in moving this initiative forward by developing an action plan.

Upon request after the session, Adi Kumar as discussant submitted the following concluding observations:

1. Context matters: There is significant contextual differences between Toronto and Nairobi and the land markets work in very different ways. In such instances, global tools need to be localised and adapted to perform appropriately.
2. Production of informality and urbanisation: Highlighting that land and property markets and the valuation roll can also be a key element in the production of informality. And, as a result, lead to greater inequality in our cities.
3. Deal making versus administrative capacity: That the administrative process has to move beyond deal making towards core capability in local municipal structures to address land taxation and land rights.
4. Direct linkage with land tenure: Land taxation has to be an outcome of the land tenure arrangements, and in cities where customary land is the norm, new ways of land taxation need to be innovated.
5. Land taxation and redistribution: In many ways, land taxation has to move beyond the fiscal benefits but much more focused on the redistributive elements. And perhaps the re-tooling of land taxation should be primarily in addressing inequality and poverty.
6. Use of technology: whilst the element of technology in land surveying and valuations did not get discussed in detail, it is a very important debate to take forward.



ANNEXES




Annex 1. Attendance list

Name	Organization	Email Address
Lawrence Walters	Utah State Tax Commission	larrywalters@gmail.com
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Dr. Davis Peadar	Ulster University	Pt.davis@ulster.ac.uk

Annex 2. Presenters

Name/Position of Resource Speaker	Role/Title of Presentation	Short Bio
<p>Jean Du Plessis (UN-Habitat)</p> 	<p>Moderator</p>	<p>Jean du Plessis is a land specialist based in the Land, Housing and Shelter Section of UN-Habitat, Nairobi. He draws on more than 25 years of experience in the areas of land, housing, human rights, forced evictions and development. He has previously held positions in local, national and international NGOs, the South African government’s land restitution programme, and the UN Land and Property Unit in Timor-Leste. He has country experience in South Africa, Namibia, Zambia, Zimbabwe, Botswana, Rwanda, Ghana, Uganda, Kenya, Tanzania, Egypt, Palestine, Timor-Leste, Cambodia, Thailand, Indonesia, Haiti, Nepal and Iran; and has produced a variety of reports and publications on land-related issues. Jean has been with UN-Habitat since 2011, leading on the continuum of land rights, land-based finance, land readjustment and capacity development. See www.gltm.net and www.unhabitat.org.</p>
<p>Robert Lewis-Lettington (UN-Habitat)</p> 	<p>Welcoming words</p>	<p>Robert Lewis-Lettington is Chief of the Land, Housing and Shelter Section at UN-Habitat. Robert has more than twenty years professional experience, primarily working in programme management, multilateral processes and in providing technical assistance in policy formulation and legislative processes to a variety of partners. With field experience in more than seventy countries, Robert’s specialist areas include land management, human rights and rule of law, urban development, legislative drafting, intellectual property rights and information management, digital governance, environment and natural resources and international trade. Robert is Secretary to the Drafting Committee of the UN Habitat Assembly and its subsidiary bodies and was Vice Chair of the International Telecommunication Union’s Focus Group on ‘Data Processing and Management to support the Internet of Things and Smart Cities & Communities.’ Robert is also a Salzburg Global Fellow in Law and Technology, a member of the International Law Association (and its study group on the Role of Cities in International Law) and a member of the Human Rights Lawyers Association (UK). Robert holds a Juris Doctor degree in law from the College of William and Mary (USA), an MA (Hons) degree specialising in Architectural History from the University of St. Andrews (Scotland) and an MLitt (Dist.) degree in History specialising in land and population displacement from the University of the Highlands and Islands (Scotland).</p>

<p>Adi Kumar (Development Action Group Executive Director)</p> 	<p>Session Discussant</p>	<p>Previously, Adi worked as the Deputy Director at Community Organisation Resource Centre, an affiliate of Slum Dwellers International. Over the last fifteen years, he has worked on post disaster, post conflict and informal settlement upgrading from Lebanon, India and United States. His practice focuses on intersectoral partnerships, community activism and housing policy.</p>
<p>Larry Walters (Utah State Tax Commission)</p> 	<p>Where to start? A Guide to Land-based Finance in Local Governance</p>	<p>Lawrence (Larry) Walters is Emeritus Professor of Public Policy and Management at Brigham Young University (United States). He received his Ph.D. in 1987 from the Wharton School, University of Pennsylvania. In addition to his appointments at Brigham Young University, he has been a visiting scholar at Xiamen University (China), Erasmus University (Netherlands) and the Lincoln Institute of Land Policy (United States). Dr. Walters has also worked on international public finance issues with the International Monetary Fund, the World Bank, USAID and UN-Habitat. He was appointed by the Governor of Utah and currently serves as Commissioner on the Utah State Tax Commission. Dr. Walters has over fifty publications. His most recent books focus on land-based finance for local governance and property tax administration in developing countries. He has also published on the behavioural implications of the local option sales tax, state tax and spending limitations, and alternative financing mechanisms for urban infrastructure.</p>
<p>Rajul Awasthi (World Bank)</p> 	<p>Good practice principles of property taxation design and administration</p>	<p>Rajul Awasthi is a Senior Public Sector Specialist and a member of the Domestic Resource Mobilization Global Solutions Group at the World Bank where he is the global focal point for property taxation. Rajul is based in Abuja and leads the World Bank's tax reform program in Nigeria and several other West African countries. He has experience of about 12 years in the World Bank leading tax reform programs in Africa, South Asia, Latin America and the Caribbean, and Europe and Central Asia. Before joining the World Bank Group, Rajul worked as an advisor to the Finance Minister of India from 2004-2008, where he helped initiate tax policy, revenue administration, and investment policy reforms. Rajul started his professional career as an officer of the Indian Revenue Service managing tax administration for over 10 years. Rajul has published several World Bank Policy Research Working Papers, contributed to country reports and documents, and co-authored the Bank's flagship publication on tax reform: "Strengthening Domestic Revenue Mobilization: Moving from Theory to Practice in Low and Middle-Income Countries". Rajul holds a master's degree in economics and public policy from Princeton University's School of Public and International Affairs, and an MBA from the Indian Institute of Management, Ahmedabad.</p>

<p>Abigail Friendly (Utrecht University)</p>	<p>Political economy, governance and their impact on LVC reform success: The Case of Toronto</p>	<p>Abigail Friendly is an Assistant Professor in the Department of Human Geography and Spatial Planning at Utrecht University, and a Research Fellow at the Global Cities Institute, University of Toronto. Previously, she held a Postdoctoral Fellowship at the Institute on Municipal Finance and Governance, Munk School of Global Affairs and Public Policy at the University of Toronto. She received a PhD in Planning from the Department of Geography and Planning at the University of Toronto. Her research examines intersections between planning, governance and urban policies, and the potential of planning tools and community participation to address spatial inequality in cities, with a particular focus on Brazilian and Canadian contexts. Current research includes work on planning and metropolitan governance, land value capture, incremental housing, and infrastructure planning within urban corridors. Her doctoral research investigated the local practice of a 2001 local called the Statute of the City in Brazil.</p>
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Annex 3. Presentation slides

First presentation: "Where to start? A Guide to Land-based Finance in Local Governance?" (Larry Walters, Utah Tax Commission)

LAND-BASED FINANCE LEARNING SERIES
Session 1: "Leveraging land: Why, what, how?"
 Monday, 14 September 2020

WHERE TO START?
 A GUIDE TO LAND-BASED FINANCE IN LOCAL GOVERNANCE

Lawrence Walters
 Springville, Utah
 LarryCWalters@gmail.com

THE "WHERE TO START" GUIDE

WHERE TO START?
 A GUIDE TO LAND-BASED FINANCE
 IN LOCAL GOVERNANCE

A WORLD IN WHICH EVERYONE ENJOYS SECURE LAND RIGHTS

WHY "WHERE TO START"?

WHERE TO START: OUTLINE

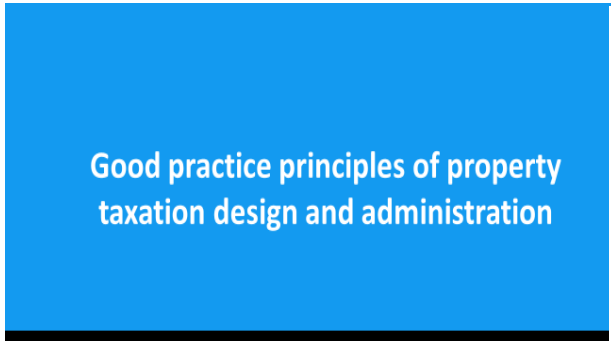
<p>Part 1: Introduction</p> <ul style="list-style-type: none"> • What? • Why? • Where? • Why not? 	<p>Part 2: Seeking opportunities</p> <ul style="list-style-type: none"> • Priorities • Legal bottlenecks • Administrative capacity 	<p>Part 3: Addressing challenges</p> <ul style="list-style-type: none"> • Public support • Political will • Exemptions • Supporting infrastructure 	<p>Part 4: Taking action</p> <ul style="list-style-type: none"> • Plan development • Process
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KEY POINTS

- Land-based finance (LBF) is a key resource for effective local governance
- LBF tools are not more widely used for both political and technical reasons
- The Where to Start Guide
 - Introduces basic LBF concepts and principles
 - Provides guidance on how to assess the opportunities for expanding LBF
 - Identifies and provides strategies to overcome common challenges
 - Outlines the steps necessary to develop a meaningful plan of action to achieve desired outcomes
- Key question: How can GLTN/UN-Habitat extend and expand their LBF efforts and impact?

Second presentation: "Good practice principles of property taxation design and administration" (Rajul Awasthi, World Bank)



Rajul Awasthi
Sr. Public Sector Specialist
Co-Lead, Global Solutions Group,
Domestic Resource Mobilization

Property tax as a source of revenue

Developed Countries

- **1-3 percent of GDP**
 - 2.5-3.0% Canada, US, UK
 - 1.5-2.5% NZ, Japan
 - 1.0-1.5% Aus, France, Den, Sweden

- **2-4 percent of Total Govt. Revs**

- **40-80 percent of Local Govt. Revenues**

Over 70% Canada, UK, US, Ireland, Aus, NZ

Source: Bahl, 2002, Bird and Slack, 2004, Sepulveda and Martinez, 2011, Mohanty, 2016

Developing/Transitional

- **0.5 percent of GDP**
 - Bahamas (1.1%), Argentina (0.9%), Chile (0.6%), Indonesia (0.45%), Mexico (0.31%), India (0.16%), Peru (0.16%), Nicaragua (0.13%), Egypt (0.08%), Vietnam (0.07%), South Africa (1.15%)

- **1-2 percent of Total Govt. Revs**

- **20-60 percent of Local Govt. Revenues**

Property Taxes In OECD

Country	Year	All Property Taxes as % of GDP	Recurrent Property Taxes as % of GDP
Australia	2009	2.48	1.45
Belgium ¹	2010	3.00	1.24
Canada	2010	3.49	3.05
France	2010	3.65	2.46
Germany	2010	0.85	0.48
Greece ²	2009	1.24	0.17
Israel ³	2010	1.56	0.88
Israel	2010	3.12	2.32
Japan	2010	2.70	2.14
Luxembourg	2010	2.65	0.07
Mexico	2009	0.30	0.19
New Zealand	2010	2.16	2.11
Switzerland	2010	2.22	0.09
United Kingdom	2010	4.23	3.29
United States	2010	3.21	3.07

Source: OECD Revenue Statistics (2011) as reported by Horregard (2013).
McCluskey and Franzen, 2017, p. 32

3% < Canada, US and UK

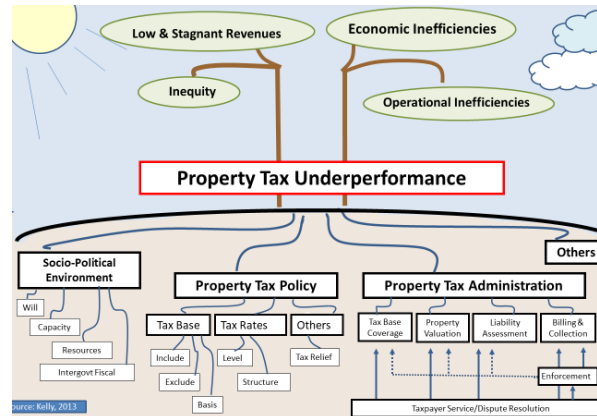
< 1% Germany, Greece, Ireland, Luxembourg, Mexico, Switzerland

Why Property Taxation?

1. Revenue potential is good / stable
2. Important own source revenue for local / subnational governments
3. Administration is relatively simple
3. Economically efficient for land
4. Taxes on ability to pay (wealth equality)
5. Captures benefits of capital investments

BUT: Politically sensitive (visible, lumpy, property owners)

DESIGN AND IMPLEMENTATION STRATEGY IS CRITICAL



Reform Design : Policy and Administration

$$\text{Revenues } \$\$ = \text{Tax Base} * \text{Tax Rate} * \text{TLAR} * \text{CLR} * \text{CR} * \text{VR}$$

- TLAR: Tax Liability Assessment Ratio (billing)
- CLR: Collection Ratio (collecting, enforcing)
- CR: Coverage Ratio (property identification, cadastre)
- VR: Valuation Ratio (property valuation)

Taxpayer Service: (Liability Assessment, Collection, Coverage, and Valuation)

Critical to focus on Administration to realize revenue, equity, efficiency and accountability objectives.

A framework for reform - 1

Update	<p>Update property tax laws</p> <ul style="list-style-type: none"> • Quick wins: • Eliminate inefficient exemptions • Special treatment of high-value commercial properties
Build	<p>Build complete, GIS-based, accurate property rolls through satellite imagery and surveys</p>
Bring	<p>Bring modern valuation approaches into use</p> <ul style="list-style-type: none"> • Capital value based; close to market prices • Introduce mass-valuation methodologies

A framework for reform - 2

Strengthen property tax administration: Critical role for ICT

- Web-based platforms for taxpayer interface; e-filing, e-payment
- Improved property identification, aspects of valuation automated, improving data management, reduced discretion and corruption
- On-line GIS based Property Tax Management Systems, integrated to an Integrated Financial Management System of the government
- Semi-autonomous, centralized agency housing fiscal cadaster and IT platform for e-administration

Build capacity of municipal/local body levels of government in property tax administration

Third presentation: *“Political economy, governance and land value capture: the case of Toronto”* (Abigail Friendly, Utrecht University)

LAND-BASED FINANCE LEARNING SERIES

Session 1: “Leveraging land: Why, what, how?”

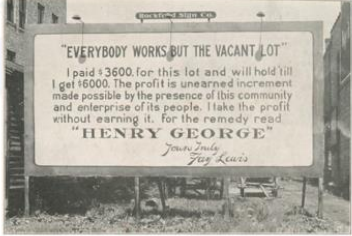
Monday, 14 September 2020

POLITICAL ECONOMY, GOVERNANCE, AND LAND VALUE CAPTURE: THE CASE OF TORONTO

Abigail Friendly
 Utrecht University
 Utrecht, The Netherlands
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19TH CENTURY DEBATES

- Land value should accrue to society because the collectivity created value from land use
- To connect LVC to equity, there is a need to broaden the debate: land rent, the commons, social function of property



A POLITICAL ECONOMY APPROACH TO LVC

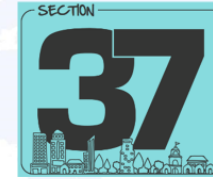
- **Land rent:** appropriation of revenue resulting from surplus value created by the production process
- **Urban commons:** structural issues underlying the creation & exercise of power, producing distributional injustices
- **Social function of property:** obligation to use property in ways contributing to the common good

TORONTO'S SECTION 37



TORONTO'S SECTION 37

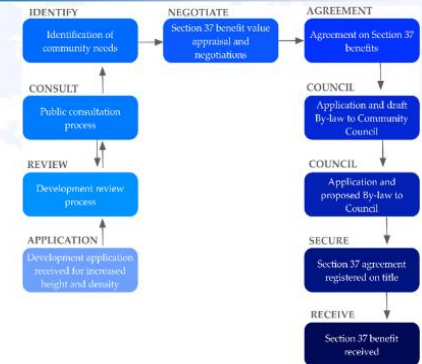
- The *Planning Act* does not specify types of 'facilities, services or matters'
- 'Good planning'
- Nexus between benefit & increase in height/density
- A negotiated process



Section 37 community benefits

Heritage	Public access to ravines/valleys	Rented residential condominium units
Childcare facilities	Streetscape improvements	Local improvements to transit facilities
Other non-profit arts, cultural community or institutional facilities	Purpose built rental housing	Land for other municipal purposes
Parkland/parkland improvements	Rental housing to replace demolished housing or preservation of existing housing	Other local improvements
	Public art	

THE SECTION 37 PROCESS



A DEAL-MAKING CITY?

"Some places have these rules laid out in a plan that people follow. In other places, the rules amount, in effect, to a proposal to "make us an offer"
—Edward Keenan

Section 37 – What it is, and why everybody's fighting about it: Keenan

By Edward Keenan, City councillor
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THE ROLE OF DISCRETION

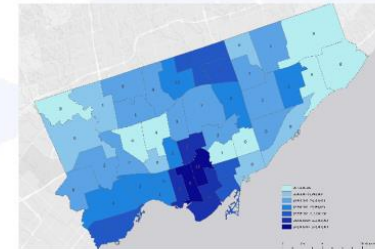
- Considerable discretion in interpreting policy
- Discretionary freedom to deal with multidimensional problems in Canada's planning system

Planning lawyer to a city councillor:

"... what was the process that was used to determine that this was a priority? She says proudly, there was no process. I just decided! I was like, no process! She said it so proudly. The funny part is, I actually think in their mind [they think] they're doing good things."

SECTION 37: 1998–2015

- 1998–2015:
 - More than CAD\$400 million + in-kind benefits
 - 926 Section 37 agreements across 43 wards



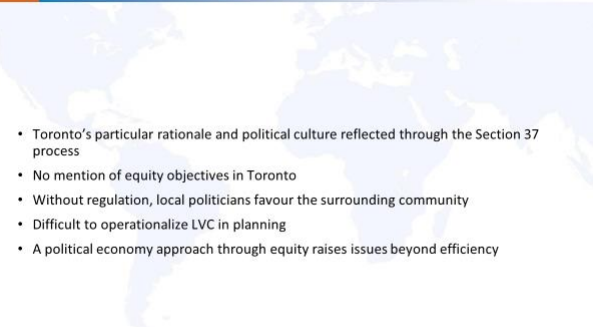
SPATIAL CONCENTRATION OF BENEFITS

	Low agreement group	High agreement group
No. of agreements	9	314
% of total agreements	2	56
Total funds (CAD\$)	1.867.000	260.256.117
Total funds (CAD\$), % of total	1	72



- Compared to *High* agreement group, *Low* agreement group has:
 - A lower average household income
 - A higher average unemployment rate
 - A lower % of the population with post-secondary certificate, diploma or degree
 - A higher % of the people born outside of Canada

CONCLUSIONS

- 
- Toronto's particular rationale and political culture reflected through the Section 37 process
 - No mention of equity objectives in Toronto
 - Without regulation, local politicians favour the surrounding community
 - Difficult to operationalize LVC in planning
 - A political economy approach through equity raises issues beyond efficiency