

## **Developing and Managing Municipal Land**

### **Creative ways to manage municipal land assets more effectively and to bring more land on stream for future development**

*Mark Napier and Matsubu Ragoasha, CSIR Smart Places, October 2022*

#### **Introduction**

Many municipalities face the challenge of poor data and information about land holdings within their municipal boundaries, both about what land they own and about land parcels owned by other state and private landowners. As a result, officials can find it difficult to make plans for the future about how to develop and manage their land, and they may be reticent to view land as a potential source of additional revenue because the systems are not in place.

For example, municipal finances can be bolstered by a well-run property rates system. There are also other ways to capture increases in land value to fund infrastructure and further land development.

In addition, and often because of capacity constraints, municipalities may not pay too much attention to the state of the property market in their area. How well the local property market is performing at any given time influences the degree to which land can be used as a source of revenue. An example of this is when property values are increasing, then the property rates collected by municipalities will also be increasing. When investors see favourable market conditions they may be more confident about starting new developments. At other times, a slow property market can also be an opportunity; for example if a municipality needs to buy land on the market in preparation for future development.

A municipality needs to understand both its own portfolio of land assets as well as the current and predicted state of the property market to make well informed decisions. There are many creative approaches and decision support tools available for managing your portfolio of land, and for opening up land for future residential and other development. The idea is for the municipality to try and stay ahead of the demand for serviced land that supports the development of housing and other types of development.

This page provides an overview of some of the creative ways that municipalities can bring more land on stream and manage their land assets more effectively. It serves to guide municipalities in generating solid revenue streams from the land they currently control or might be able to control in the future. These ideas might help improve confidence in planning for future land development.

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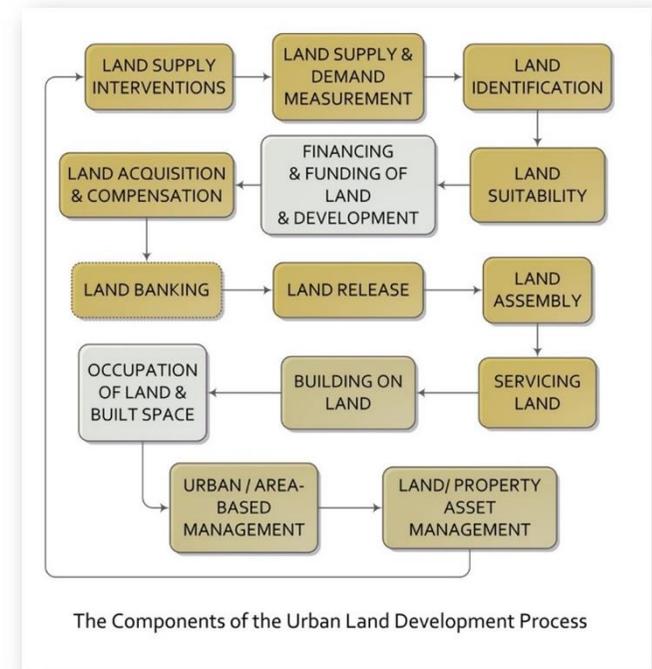
## Land Supply Pipeline

A functioning urban land development pipeline can help to anticipate future demand for land (including land that would otherwise be informally occupied), create stability and growth in the land market, attract investors and lead to better municipal revenues that can in turn finance future land servicing and timeous release.

The supply of serviced, well-located land for urban development is, in the context of ongoing urbanisation, often inadequate to meet the demand (and the social need) for built space for residential, commercial, retail and industrial purposes. The competition for buildable land in the face of inadequate supply means that middle- and lower-income urban residents are most often relegated to the margins, far from nodes of economic activity, in sprawling, often unrecognised and unhealthy settlements.

Municipalities hold many of the keys to resolving the trade-offs that need to be made to achieve more efficient, inclusive, healthy, and viable urban areas. Paying close attention to essential stages in the land delivery process helps to focus on where action is needed to unblock the pipeline of new and re-used land for development.

The diagram shows the whole process, and this resource page will focus on a few of these components. We will mention the idea of municipalities managing their portfolio of land holdings. Another overarching concept is the idea of “land value capture”, where municipal revenues are improved by using land and built assets to their best advantage. Land value capture can be applied at many stages in the land delivery and management pipeline.



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## Steps to Better Understanding Land in Your Municipality

Although the following points do not provide an exhaustive guide, they serve as an introduction to how a municipality might go about gaining a better understanding of the current status of land in its jurisdiction, and then to think about ways to bring more land on stream for development in the future.

Critical steps for municipalities to consider:

- audit and assess: understand the current situation
  - If not done recently, do a land audit for the municipality, including getting a clear view of current municipal land holdings, of land controlled by other landowners, of land informally settled, an overview of the current land use zoning schemes etc.
  - Understand the local property market; do a basic land market assessment if needed (see below)
  - Understand the state of your municipal finances and property rates base including how up to date municipal valuation roll is.
- manage better: adopt a land portfolio approach
  - Having understood land assets under municipality ownership or control, think about how to better manage your portfolio of land assets
  - What capacity does your municipality have and would need to do this better
- plan better and intervene proactively: look at creative ways to open up new land and ways to generate revenues from land under municipality control
  - Find out more about the land value capture approach and the different mechanisms that other municipalities around the world have used
  - See what would suit the size and capacity of your municipality
  - Identify the mechanisms that might help you fund, service and release land in new ways, e.g. look at some of the new ways to package land, like land readjustment, land pooling, land banking etc. and see what might work in your situation
- consider longer term reforms: look at regulatory and system reforms that may be needed in the medium to longer term to create the enabling environment for quicker land release and for land value capture
  - As an example of a system reform, if not already established it may be worth getting a system of development charges system in place so that there is clarity around what development charges will be levied and how the monies will be spent.
  - Another example is that if you are thinking about mechanisms such as business improvement districts or other area-based arrangements that generate revenues from members of a district, does your municipal finance department have the ability to ringfence funds collected so they can be earmarked for particular types of spending?

It is worthwhile finding out more about these kinds of approaches. The following sections show where you can find out more about each topic. However bear in mind that it is worth taking a sober view of what capacity each municipality has to implement these approaches, and also to be aware of the market conditions you are operating under at any given time.

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## Land Audits

To understand the current state of land holdings in the municipality, the Guide on Managing Urban Land has the following advice:

“In order to properly manage its portfolio of its own land holdings, it is extremely useful for a municipality to conduct a land audit. Ideally, such an audit should also include state land owned by other spheres of government and by parastatals. This enables the municipality to have a full picture of state assets within its boundaries, and to properly consider the full range of options it has to use the land, including cooperation with other spheres or state entities to access land for local development. It is worth noting, however, that there may be issues related to municipalities wanting to keep their land asset register out of the public domain for various reasons.”

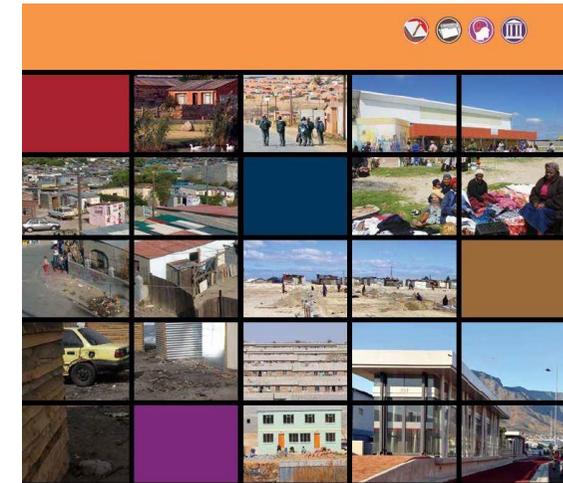
To find out more about how land audits work, we refer you to the following resources to guide municipalities in conducting their land audits.

For an explanation of the context of urban land management, and the importance of doing a land audit, see Urban Landmark’s [Guide on Managing Urban Land](#).<sup>[1]</sup>

For an example of national land audit, see the South African Department of Rural Development and Land Reform’s [Land Audit Report](#) – it captured public land holdings and profiled private land ownership on the basis of race, nationality, and gender as of 2015.<sup>[2]</sup>

If implementing a land audit in a predominantly rural area, have a look at [this paper](#) by Stephenson et al., (2015): “Compiling a land audit in large rural areas: Results from the methodology applied in the non-urban areas of the Matzikama municipal area”.<sup>[3]</sup>

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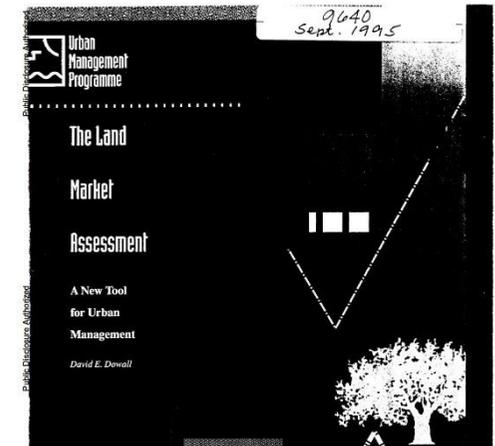


## Land Market Assessments

When it comes to gaining a better understanding of the state of the property market, land market assessments are rapid scans of the property market in your municipal area. Taking planning decisions in a growing property market with high volumes of property transactions is different from making the same decisions in a slow property market where property values may be stagnant and volumes low. Property markets go through cycles so understanding the local market can be useful information. The following resources can help you understand your local land markets:

If you want to know how land market assessment can provide accurate and up-to-date data on land prices, the supply of serviced land, and present and projected land projects, see this [paper by Dowell \(1950\): The Land Market Assessment: A New Tool for Urban Management](#). [4]

You can learn more about land markets by enrolling for a free online course offered by Open Learning Campus (World Bank Group). The course: [An Introduction to Land Market Assessment in Complex Urban Settings](#) introduces approaches and methods to collect and analyse data on the operation of the urban land market, both formal and informal. It also demonstrates how the findings of land market assessments can be used.[5]

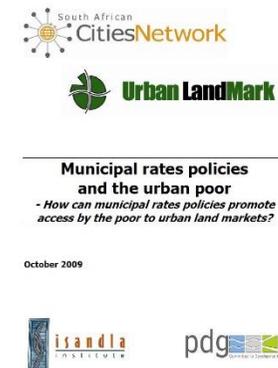


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## Municipal Finances, Property Rates and Valuation Rolls

According to a report on Municipal Rates Policies and the Urban Poor, “Property rates policies are foremost an instrument created through the Municipal Property Rates Act (MPRA) of 2004 to provide a policy framework at municipal level within which a transparent and fair system of rating, exemptions, reductions and rebates can be implemented. However, the MPRA explicitly incorporates a pro-poor objective alongside its fiscal goals. In urban areas, the poor struggle to access well located land in cities, and legal, institutional and procedural constraints impede secondary residential property markets from functioning effectively in townships.”

Learn more about municipal finances and property rates:



Find out how municipal rates policies promote access by the poor to urban land markets in [this paper](#). [6]

Learn [here](#) about how your municipality spends its money and how well it is financially performing. [7]

There are ways in which the municipality impacts on land and property markets; [Urban Landmarks' guide for managing urban land](#) provides practical ways in which municipal practitioners can practically manage urban land. [8]

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## Managing a Portfolio of Land

Larger municipalities often have the capacity to appoint people to manage their whole portfolio of land holdings. However, even medium and smaller municipalities can still adopt an approach that promotes the good management of their portfolio of land and property assets. To learn more about this, have a look at the [Cities Support Programme \(CSP\)'s Catalytic Land Development Guideline](#), which provides a comprehensive guide on how municipalities can manage their portfolio of land assets and what capacity the municipality might need to do this better. [9]

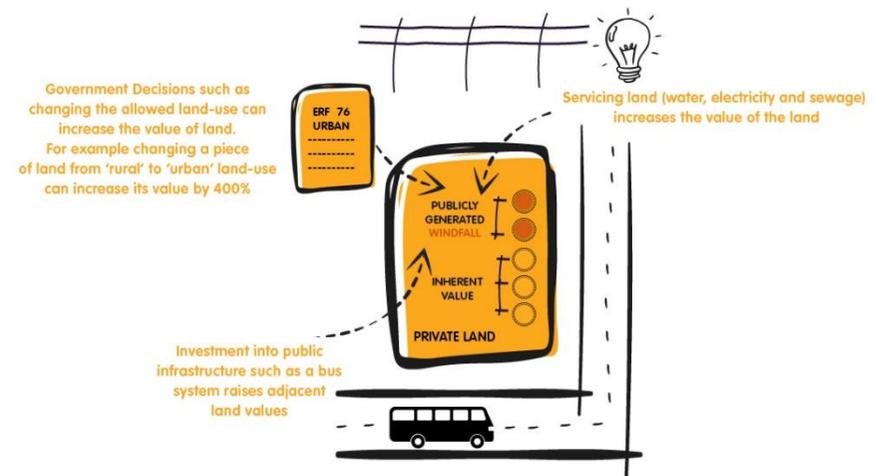


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## Land Value Capture

The approach of finding ways to capture additional revenues from land is encompassed in the idea of “land value capture”. A series of mechanisms can be considered with the aim of improving municipal revenues by using land and other assets to their best advantage. Land value capture can be applied at many stages in the land delivery and management pipeline.

These resources provide you with some introductory ideas and some of the mechanisms for land value capture:



To understand the concept of Land Value Capture; and learn more about Land Value Capture tools and strategies in South African metros, have a look at [the National Land Value Capture Programme](#).<sup>[10]</sup>

Urban LandMark has developed a [Booklet - “Improving access to the city through value capture: An overview of capturing and allocating value created through the development of transport infrastructure in South Africa”](#). The booklet focuses on the creation, measurement and capture of value from transport interchanges. It also looks into the opportunities and obstacles to municipalities' use of value capture instruments; and it investigates the economics of value creation and value capture to identify the possibility of 'getting ahead of the curve' in securing these sites for more socially orientated development.<sup>[11]</sup>

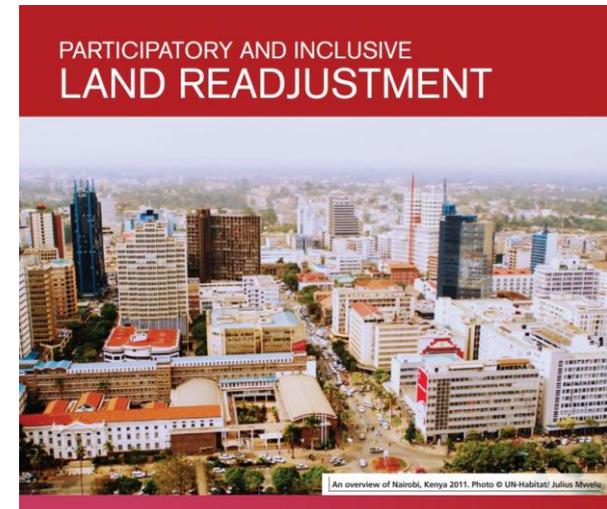
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## Land readjustment and other ways to repackage land

The idea of land readjustment is to take a collaborative approach in redeveloping tracts of land often on urban edges including the interests of existing land owners and also the needs of existing land occupiers, or future residents.

Land readjustment is where a municipality can work with existing landowners to consolidate and then sub-divide (re-parcel) land for new types of development. See the UN Habitat report, [“Participatory and Inclusive Land Readjustment”](#).<sup>[12]</sup>

There are many mechanisms, one of which is “land banking”, where municipalities or other agencies buy land or keep land they have for future development. More on land banking see [“International Land Banking Practices”](#).<sup>[13]</sup>



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