

# What have Americans paid (and maybe the rest of the world) for not having a public property rights infrastructure?



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## Objectives of this presentation

- The main objectives of this presentation are the following:
  - Take advantage of the mortgage crisis in the USA, well publicized worldwide, to demonstrate the importance of Land rights infrastructure to support land market.
  - Try with this paper to promote our role in the society
  - And maybe give a hand to our US colleagues to help them to promote and, hopefully, succeed to implement such infrastructure.

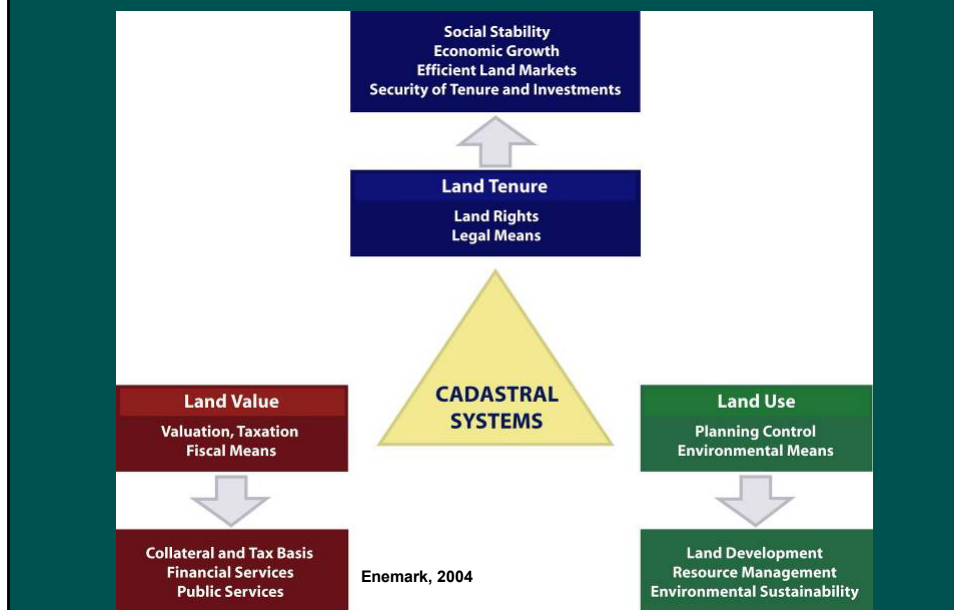


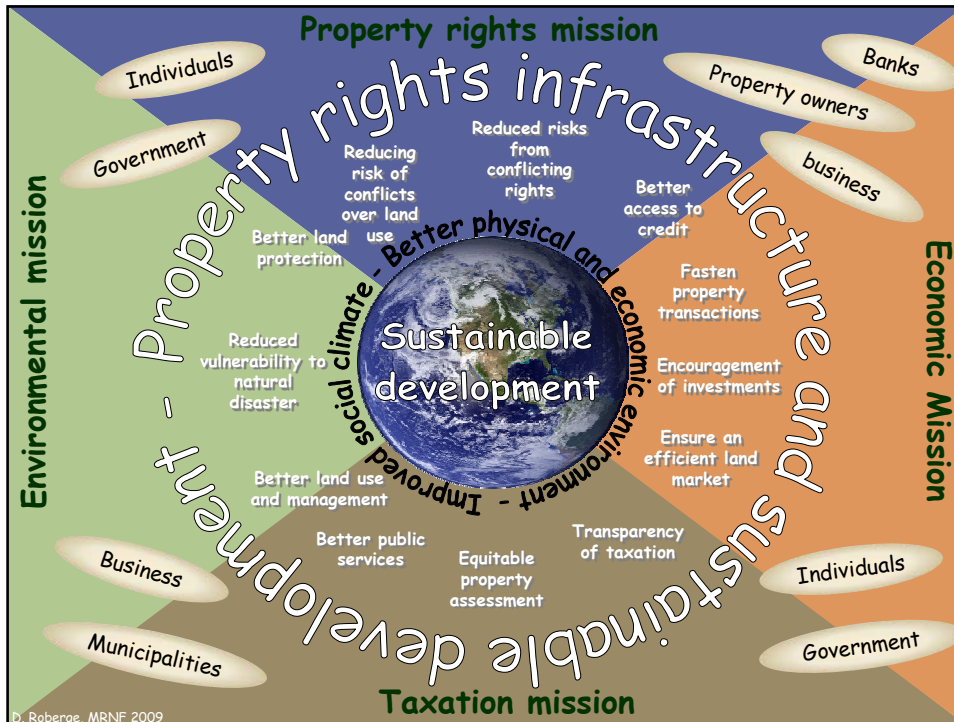
## Background

- Conference from Bengt Kjellson at the FIG Congress in Washington: «What do Americans pay for not having a public land registration system?»:
  - estimated costs of this weakness in the US economy in 2002: \$20 billion annually
- New context: Mortgage crisis
- A good property rights infrastructure could have mitigated the effect of the land market crisis ?



## What is a property rights infrastructure?





## The cadastral and property rights registration system in the USA

- National *Land Parcel Data, a vision for the future*, the status of land parcel databases in the United States can be described as follows:
  - No consistent set of parcel data
  - 1/3 of the counties in the United States have embraced digital parcel information systems;
  - 70 percent of the tax parcels in the USA now exist in digital form, the remaining 30 percent are located in the roughly 2,000 most rural counties.

National Research Council, 2007



## The cadastral and property rights registration system in the USA

- Commercial firms in the United States are capitalizing on the public's interest in parcel data.
- Many other private companies in the utility, insurance, or location-based services industries also maintain their own parcel databases.
- Federal agencies are acknowledging their need for parcel data to fulfill their missions
- Appropriate funding mechanisms are needed.
- The financial/technical issues are minor compared to the organizational/political ones.
- There is no single inventory of federal lands.

National Research Council, 2007



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## The cadastral and property rights registration system in the USA

- The lack of nationally integrated land parcel data has led to massive duplication of effort among various levels of government and between the public and private sectors.
- Local governments are suspicious that development of a national land parcel data set may become another "unfunded mandate"

National Research Council, 2007



## The cadastral and property rights registration system in the USA

- Many issues related to privacy (data should be in the public domain or not)
  - The “due process” clause of the US Constitution and other enumerated rights within the amendments to the constitution give individual citizens significant protection from intrusion by the government and have been cited as substantial constraints in converting to a land registration system;

Harlan J. Onsrud. The Land Tenure System of the United States presented at the BDVI Forum in 1989 (Onsrud, 1989).



## Time to change

- But, the context in the US – and globally – is very different today.
- As President Obama has said, there is a need for “remaking”, a time to reassess and to change.
- There is maybe a real possibility today to create a Property Rights Infrastructure modeled after those existing in other countries.



## What have Americans paid for not having a public property rights infrastructure?

- It is hard to evaluate.
- But, what is sure it that a good land registration system could have :
  - mitigated the effect of the land market crisis
  - avoided the lost of many hundreds or even thousands of billion dollars.



## Worldwide losses

- Worldwide losses on debt originated in America (primarily related to mortgages): \$ 1 400 billion.
- American and European banks will shed some \$10 000 billion of assets in 2009.

International Monetary Fund

- Based on these data it is fair to say that if a property rights infrastructure had been in place in the USA, the mortgage crisis would have been of less intensity.



## Other proposed solutions

- 2 proposals from IT/GIS industries to participate to the Plan to Revitalize Economy and Protect American Families of the new US President Barack Obama (Obama, B., 2009):
  - One proposal is coming from ESRI
  - the other coming from Autodesk, Microsoft, ORACLE, Google and Intergraph.
- Based on the National Data Parcel project.
  - Estimated costs for a parcel coverage: \$200 million.



## Other proposed solutions

- Objective: establish a nationwide land parcel database
- A huge improvement compared to current situation in USA where often analogue index maps are mainly hold at the deeds office at county level.
- Such a database would include data for the total of about 150 million parcels across the country.



## Improvement of the registration of property rights

- But this project does not include the need for improving the legal basis.
- However, the improvement of the registration of property rights would be important to rebuild the land market on more sustainable basis.



## Improvement of the registration of property rights

- The National Land Parcel Data project therefore does not fully support property rights infrastructure solution as described previously.





## Improvement of the registration of property rights

- A reliable land rights infrastructure that would support the registration of rights based on surveyed boundaries would cost many billion dollars.
  - advantage of surveyed boundaries: security in identification of properties.
  - accurate boundaries are also needed to establish integrated land information systems that enable combination of the property with topographic maps and all kind of information on land rights, utilities and natural resources.



## Costs and benefits

- Costs of establishing such an infrastructure can be recovered with user's fees.
- In effect, it is probably one of the only infrastructures for which it is possible to establish user fees to pay back the investment.



## Costs and benefits

- Even if those involved in land transactions were to pay such fees their work would be made considerably more efficient.
- A Property Rights Infrastructure as described above would inevitably create a more innovative business climate with new products and improved competition, something that is of great benefit to consumers.
- The property market would change, and change for the better!



## Limitations and obstacles

- Maybe, it is time to improve the protection of rights of the US citizens instead of continuing to invest in risk management (title insurance).



## Limitations and obstacles

- One of the main obstacles : title insurance companies.
- But, in the context of the mortgage crisis, it is obvious that :
  - the land title insurance companies cannot replace a public property rights infrastructure
  - and they did not protect neither the land owners nor the land and financial markets.



## What should be done to rebuild the US land market on more sustainable basis?

- Why not implement a public property rights infrastructure in each state?
- Maybe the initial investment looks like a barrier but it is possible to make a cost/benefit analysis that can prove its profitability and sustainability on a long term period.



## What should be done to rebuild the US land market on more sustainable basis?

- In its inauguration speech, President Barack Obama said «Starting today, we must pick ourselves up, dust ourselves off, and begin again the work of remaking America.».
- So, why don't remake America and its land market on more sustainable basis?



## What should be done to rebuild the US land market on more sustainable basis?

- Implementing a property rights infrastructure across the USA is a big challenge, but as said President Obama:
  - «Today I say to you that the challenges we face are real. They are serious and they are many. They will not be met easily or in a short span of time. But know this, America — they will be met.»
  - «For everywhere we look, there is work to be done. The state of the economy calls for action, bold and swift, and we will act — not only to create new jobs, but to lay a new foundation for growth.»



