

Value Capture Capacity of Area-Based Land Readjustment (LR) in Turkey

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SUMMARY

Infrastructure works and the granting of the development rights bring added site value to affected properties, which could result in surplus value. The important question is who should benefit from the surplus value (the unearned increment). The sharing of surplus value is closely related to how and by whom this value is created. The main principle is that the created value belongs to the creator of that value. In this sense, if the surplus value arises from the impact of public action, all or some part of the created value can be captured by the public. Value capture can be defined as a type of public financing in which increases in land values generated by public investment are all or in part 'captured' through a land related tax to pay for that investment or other public projects.

Land readjustment (LR) has an important value capture capacity. With the implementation of LR, value capture can be provided in order to cover the infrastructure costs. Costs related to service areas and infrastructure are compensated with land deductions from the parcels involved in the LR. However, the value capture capacity according to LR models in countries can be changed. In models of the countries that base distribution on area size (area –based LR), the landowners are provided with the amount of area remaining after the deduction of land from the original plot area at the end of LR. However, it is a principle in distribution that the readjusted plot is provided in its original location, adjacent to or close to its original location, or in case this is impossible, within the LR area. In Turkey, area-based LR has been used so far. Although Turkey has been an important experience on the using of area- based LR, the area- based LR has some limitations, especially related to value capture capacity in urban areas. The first aim of the paper is to examine the value capture capacity of Turkish area- based LR. The second aim of the paper is to seek answer to the question how the value capture capacity of area- based LR can be increased in urban areas as a whole.