

Friday, February 8, 2019

The need for policies to restore the role of land in the making of a livable city

Mona Fawaz and Dounia Salamé

Everyone agrees that land is at the heart of Lebanon's crisis today. Yet there is no agreement about how or why it is the case.

To real-estate developers and investors, the private banks that finance building projects, and the Central Bank that regulates and incentivizes their financing, the crisis materializes with the slowing down of the real-estate sector, an unmistakable omen, they argue, of the economic crash that will follow. The assumption here is that if real-estate depreciates, the Lebanese pound will follow, and then unemployment will rise, so will inflation, and poverty.

To many others, however, the land crisis is equated to its prohibitive cost that renders access to a home, a workplace (e.g. office, factory, farmland), or even a public park an impossible dream. They further argue that prohibitive real estate prices have come in the way of local public authorities to set in place the direly needed social infrastructure of public parks, libraries, hospitals, and/or even sidewalks precisely because the expropriation of the smallest land is well above most municipal budgets.

Yet, a problematic assumption underlying both arguments is that land prices are a given determined by the simple and direct application of the laws of supply and demand. If land prices are high, the assumption goes, it is because Lebanon is a small country and consequently land is a scarce resource. In this short piece, we argue that the price of land is not a given. Rather, current land prices are the outcome of Lebanon's policies that have incentivized and rewarded speculative behavior. Let us first note that at the heart of the tension between the two conceptions of the land crisis in today's

Lebanon are different valuations of land: Is land an "asset" for investors looking for the highest returns on their wealth? Or is it the only security for the citizens of a state that doesn't provide safe retirement plans or public housing? Or is land the very substance of life: The basic ingredient for shelter, workplace, leisure, mobility that should not be dealt with like any other commodity?

An overview of the policy framework in today's Lebanon shows a clear slant towards the role of land as an asset. Hence, major interventions have been deployed to facilitate land acquisition and exchange (e.g. digitalization of the land registry, reduction of all forms of taxes, easing land purchases by foreigners, facilitation of property consolidation, waiving property registration taxes) while incentives and facilities extended to building developers (e.g. more intensive building exploitation rates, easier permit processing, exceptions, waivers) were deployed to increase the private development of multi-story apartment buildings. They ultimately pushed capital towards the built environment, often at the expense of other cultural, social, or ecological imperatives. Meanwhile, the absence of social protections (e.g. social security, unemployment subsidies, affordable rental policies and/or public housing), coupled with financial packages targeting the middle classes, ultimately made of homeownership the ultimate dream of the urban majorities. These policies have precipitated increases in land prices given that real-estate developers often adopt the loans' ceiling as the floor for apartment prices.

A more socially-aware policy framework would prioritize the social value of land through an array of policy interventions that could include:

1. Powerful incentives for investors to shift capitals towards productive, employment generating sectors such as high-tech, agro-business, design, and others.
2. Powerful taxes imposed on land speculation to reduce vacancy rates and to capture land price increases and redistribute them by funding public projects such as infrastructure and public parks;
3. A national planning framework cancels the current principle that all land is earmarked for development, restoring ecological and social values to the national territories, while existing regulations (e.g. Loi de l'Urbanisme) are activated to empower authorities to change floor to area ratio (FAR) and other exploitation ratios at will, and with no compensations, in the service of guiding development.

Meanwhile, research conducted by the Social Justice and the City Program at the Issam Fares Institute at AUB has charted less ambitious propositions, likely more feasible in today's policy climate. It has shown the possibility to restore the social value of land through simple planning interventions and small policy changes. For example, a **seafront planning proposal** produced in September 2018 opens up spaces for the public on the coast, by imposing more set-back of constructions and cancelling exceptions on bigger constructions. This plan re-connects the city to its coast and improves access for all residents, re-vitalizing its economic activity in a redistributive scheme that benefits a multiplicity of small and medium size businesses such as restaurants, hotels, and recreational services. Similarly, a proposed **housing policy scheme** emphasizes the necessity of generating a permanent stock of affordable housing in Lebanon's urban contexts through financing housing cooperatives, providing incentives to limited-profit developers, imposing an inclusionary housing requirement on every new development, and revisiting urban boundaries of transportation policies to integrate cities and suburbs. The scheme also proposes a palette of interventions to curtail speculative practices, including imposing taxes on empty apartments and undeveloped urban lands.

In closing, let us emphasize that what is needed today is a reversal of the value given to land: Policies need to restore the role of land in the making of a livable city, as the main ingredient of affordable housing, public or green spaces, transportation infrastructure, and life more generally.

Mona Fawaz, Director, Social Justice and the City Program, Issam Fares Institute for Public Policy and International Affairs, American University of Beirut.

Dounia Salamé, Program coordinator, Social Justice and the City Program, Issam Fares Institute for Public Policy and International Affairs, American University of Beirut.

In line with its commitment to furthering knowledge production, the Issam Fares Institute for Public Policy and International Affairs publishes a series of weekly opinion editorials relevant to public policies.

These articles seek to examine current affairs and build upon the analysis by way of introducing a set of pragmatic recommendations to the year 2019. They also seek to encourage policy and decision makers as well as those concerned, to find solutions to prevalent issues and advance research in a myriad of fields

✉ Issam Fares Institute for Public Policy and International Affairs (AUB Policy Institute) American University of Beirut P.O.Box 11-0236 Riad El-Solh / Beirut 1107 2020 Lebanon



Issam Fares Institute for Public Policy and International Affairs
معهد عصام فارس للسياسات
العامة والشؤون الدولية

📍 Issam Fares Institute Building
AUB

☎ 961-1-350000 ext. 4150

📠 +961-1-737627

@ ifi.comms@aub.edu.lb

🌐 www.aub.edu.lb/ifi

📘 aub.ifi

🐦 @ifi_aub