

Different methods of developing building land

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Abstract. The purpose of this paper is to describe the land development models in Poland and Finland, and present an outlook of integration abilities to the planning and plan implementation process. There are four sections of the paper. The first section contains the introduction concerning different methods of developing building land in different countries and a brief overview of possible connections between planning and plan implementation. Substantial sections: two and three describe the practice of land development process in Finland and Poland respectively. Section four reflects the planning practice on the local level in countries concerned in the research in terms of the integration abilities of planning and plan implementation.

1 Introduction

Different methods of developing building land.

Building land is the product of land development process. Land development is a challenging, multidisciplinary and complex process, which contains other processes such as spatial planning, investment, and adaptation of ownership and property structures. As a modern approach of sustainable development, land development moves towards more effective and efficient use of land resources, not limited to activities of converting rural land or vacant land into urban use but contains also the development of existing build-up areas, infill development, re-industrialisation and improvement of service potential of the cities.

There are remarkable differences between methods by which the land is developed in different countries (Fig. 1). Dransfeld (1993) distinguished land development models within urban growth and identified five methods of developing building land:

- Model I – Intermediate purchase by local authority,
- Model II – Intermediate purchase by publicly owned legal entities,
- Model III – Intermediate purchase by a developer,
- Model IV – Single development (without proceedings under public law),
- Model V – Single development (with proceedings under public law).

In the case of Model I, the local authority as a developer buys the whole building area, builds streets and other utilities, and sells new building plots to users. Model II include activities of companies that are majority-owned by public authorities (and also includes development agencies). Model III is the “standard” case of privately financed land development by private companies. Model IV occurs when land remains the property of

various old or intermediate owners, and public authorities only buy land for public utilities to be build up. In Model V, development is achieved with the help of regulated proceedings of land re-organisation. (Dransfeld et al. 1993)

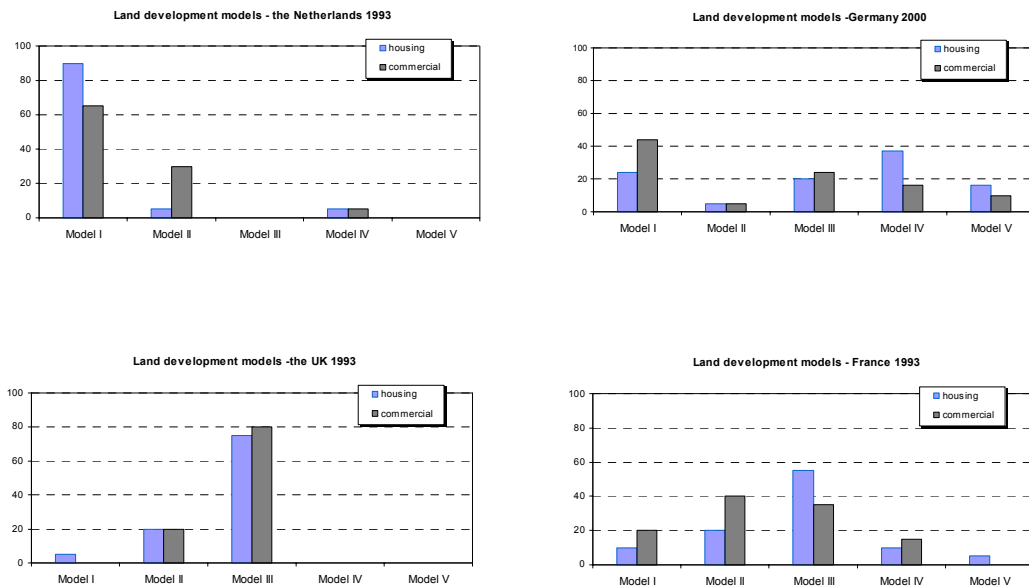


Figure 1. Five methods of developing building land. (Source: Dransfeld et al. 1993) These figures are based on evaluation of experts but not on quantitative studies.

Model I represents traditional post-war concept of land development process in the Netherlands, where a municipality fulfils a crucial intermediary function and carry out the most of land development. It acquires the land for each land use plan area separately, carries out the necessary servicing, then disposes of it to building developers. The common practise is to acquire all land within the boundaries of its plan area (by means of amicable or by compulsory purchase). But, if the site is already build upon, agreements can be made with owners of the land that is not acquired, concerning improvements and a contribution to the infrastructure cost. A large part of the land acquired by the municipality is retained in municipal ownership for roads, paths, public open space, etc. The recommended practice is that the total income from disposals must be sufficient to cover costs, including the cost of acquisition, compensation, laying infrastructure and services, and the cost of preparing the plan, professional fees and interest charges on capital until these are recouped. The important aspect in the Netherlands is that the building is not seriously restricted by shortages of building land, which must be as readily available as gas, water, or electricity. The property developers treat building land as just one of many factors of production. In case of the Netherlands it is worth to distinguish land and property market, because there are two quite different sets of procedure and actors. 1990 was the turning point in the Netherlands from municipal land development to the increase of public-private co-operation. (Needham et al. 1993)

Model II represents the popular method for the land development process in France. In the 1970s the government in France set up several public land-banking agencies to implement large-scale land-banking schemes. The land-banking was regarded by policy-makers as a way to ensure effective development. The agencies have bought many thousand hectares of land, notably through pre-emption, and played a key role in the land development process.

Agencies are financed by a special tax levied by the local authorities, that also have majority representation on the boards of the agencies. (Acosta and Renard 1993)

Model III is the method of developing building land where private companies are the main actor in the process. In the case of the UK the main pressure for urban spatial expansion and activity in land development process come from the private sector. After 1979 the government encouraged market-led development, and the prevailing view was that the market knows best what form of development society requires. In the UK private developers often make considerable profit from the purchase of land in advance of planning permission being available. This land banking is widespread and is in part the consequence of a discretionary planning system. Private developers prefer to develop on greenfield sites. The consequence is that over time urban areas have expanded. (Williams and Wood 1994)

In the case of Model IV the process of land development is usually undertaken on a case-by-case basis through voluntary conveyances or through compulsory means. Municipality produce a development plan, which is then implemented by several different actors.

An example of Model V is an urban land readjustment procedure, which actual origins are considered to be in Germany (German *Umlegung*). In this case area in question is reorganise in this way that a group of adjoining land parcels are consolidate for their unified planning and then later subdivided. This method is used in an area with fragmented or otherwise inappropriate property and ownership structure. (Viitanen 2001)

From zoning to development. Land development versus planning process.

Development of building land is the key to the assessment of the efficiency of planning system. In urban areas land management meets the problem to link land use planning and plan implementation process. Normally, urban development is based on plans democratically approved while implementation of plans is carried out in a number of different ways (Fig. 2).

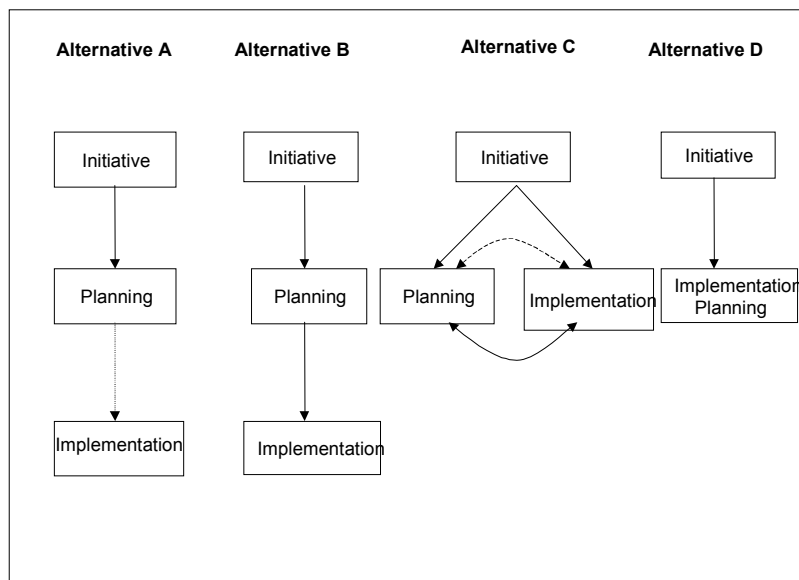


Figure 2. Optional connections between planning and the urban land implementation. (Viitanen 2001)

At its simplest, the implementation procedure only implements the existing plan without the processes themselves having any point in common. In this case a land-use plan is made and then within the designated area the land could be purchase by the municipality, who prepare the building land or agency acting as the municipality would, or plan is implemented by private developers. On the other hand, planning and the plan implementation procedure can even be integrated into one process to obtain synergetic benefits, better participation, cost and timesaving, and improved plans. This might, produce difficulties in the organisation of the functions and in the co-operation between the various processes. (Viitanen 2001)

An example of an integration of planning and plan implementation could be an active cooperation with landowners or developers in planning. In this case the land-use plan can consider the existing market demand being more aware of how the market is behaving, which could result in more efficient planning and more effective plan implementation.

The process of land development which includes making the land-use plan, acquiring the land and undertaking large-scale engineering works to service it – is a time consuming process and can take often up to 10 years or even longer. Because preparation for supplying building land begins so long before land is brought to the market it is difficult to forecast demand. In a such a long period the demand can turn out differently from what has been forecast before. Land development also is a huge financial operation and very often the city budget is not able to bear the cost of the large-scale development project for long time. The integration of planning and plan implementation divide the time, cost and risk involved in the process of land development differently.

Dransfeld (1993) distinguish two different property market systems, market-led and plan-led system. Both can produce satisfactory market results – adequate supply of properties for large section of population at affordable prices. The ground to distinguishing between these two systems is the legally binding nature of content of plans. According to Dransfeld exert on land and property markets are much greater where the content of plans is legally binding (Dransfeld et al. 1993). There is not clear system of plan-led developmet or market led in particular country. In practice in diferent countries there is a mix between this two extrema. In addition in today's changing European context the whole idea of spatial planning has undergone some marked changes from a formal and legally binding documents to a project-based settings, where the outcome much depends on the interest, negotiation skills and power position of actors (Kauko 2003). In between purely plan-led (hierarchical, old institutional) and market-led (competitive, neoclassical) systems we have often a model that emphasizes the role of negotiation and public-private partnership, to avoid tensions in decision making involved when establishing plans and lower level building regulation (new institutional models, Nijkamp et al. 2002, cited in Kauko, 2003). Between two institutional ideal approaches emerges a broad approach, where the outcome is determined by an interactive network of actors (Kauko 2003). In the process of land development there would be a different procedure whether the land development process is a straightforward case of plan implementation or whether the process involves a spatial development plan with a private developer involved. According to Kalbro (2000) the development process can differ depending on land ownership (private or public), and it also depends on the role of the owner in the planning process. Kalbro has presented a categorization of the land development process for Sweden using the matrix below (Fig. 3).

	The developer does not participate actively in plan preparation	The developer and the municipality prepare the Detailed Plan jointly
The developer owns the land	Case 1	Case 2
The municipality owns the land	Case 3	Case 4

Figure 3. Four typical cases of development procedure. (Kalbro 2000)

The co-operation on the local level results with the different kind of development agreement between local authority and the private developer. These agreements are defining common objectives and/or the rights and obligations of the parties in connection with a development. According to Kalbro (2000) there are two main reasons for a developer to play an active part in planning: to improve the quality of the plan with regard to building development, economics etc. and to speed up the development process. There is a risk associated with the development agreements, which will be not discussed here, as the democracy-deficit, or delay in the implementation of the project if the partner is not capable to fulfil his duties (Viraten 1997). This also should be carefully studied before the signing of the agreement.

The following section two and three of the paper are aimed at description of land development methods in Finland and Poland in terms of different models presented above as a starting point for further research.

2 Urban land development methods in Finland

Finland is one of the strongholds of the so-called Nordic welfare regime, the country of the most equal income distributions in the Western world and in the relatively low poverty rate. (Kauto 2001, Uusitalo 1997, cited in Vaattovara and Kortteinen 2003)

In local urban and housing policies, the national policy of welfare state is expressed by a long tradition of social mixing. The result is seen in development of heterogeneous and socially balanced neighbourhoods. This was especially true in Helsinki area. During the past decade Finland has undergone a change to become one of world's leading information societies. Recently however it seems that the economical growth based on ICT technology and a globalised economy, or information economy, breeds urban inequalities even in political conditions specifically designated to prevent this from happening. (Castels 1996, cited in Vaattovara and Kortteinen 2003)

On the local level there are many big differences between municipalities in Finland concerning land policy, the use of instruments which promote the implementation of land use plan as an expropriation and other legal measures. The main reason for that is that the size of the municipalities varies very much. Some of the municipalities persuade an active land policy. Many others are quite passive concerning the plan implementation and land acquisition. Helsinki the capital traditionally persuades the strong land policy owning 50 % of its administrative area. Another typical phenomenon of land development in many bigger Finnish cities are planning agreements, which are the result of an active cooperation with developers in planning. (Virtanen 1997, Virtanen 1998)

The municipalities in Finland often persuade an active land policy, by buying undeveloped land for planning and then selling or renting out the developed plots. In 2002 the municipalities used approximately 13 € per capita in land acquisition, whereas the incomes from land sales were approximately 40 € per capita (Viitanen 2003). In this case municipalities prepared a statutory plan concerning the future development, and developers are adapting to it. The municipality initiates the land development process when the direction of spatial development of the city is formulated. Then the strategic land acquisition process starts immediately after the land policy concerning the area in question was formulated. The process of land acquisition consists of many meetings and discussions with people in order to acquire the land in voluntary measures. The voluntary sale is the most preferable model of land acquisition. It is a quite lengthy and complicated process. Expropriation is used quite seldom in Finland. Usually all the greenfield sites are bought. After municipality had planned the new development area, the process of building site disposal and construction of the necessary infrastructure starts. The principles of site disposal are decided on the local level. In case of sale municipality chooses the better offer. In case of renting the land for housing purposes the following criteria for choosing the applicants could be used: number of children in the family and the size of current apartment. There could be some additional point for: people who live in the same area and their children can stay in the same school or day-care, for displeased people who have some references from doctor, for people who have really bad current living conditions. The municipality has an extensive control of the development of the planned area. In case when the owner does not build the plot the municipality can cancel the contract of rent of land or charge the high penalty in case of sold land.

In the context of land use agreement the developer becomes involved in land development process earlier. From the municipality side, the main goal of such cooperation is from the municipality side to promote the implementation of the urban plan. Municipality gets easily and often without payment the necessary areas for public purposes (areas for streets, parks and other public areas as well as areas for subsidised housing), developers secure the possibility to carry out the project quickly, and to get a reasonable profit. In 1960s and 1970s in many bigger Finnish cities the large-scale development agreements, which aimed at the development of whole neighbourhoods, have been signed with big construction firms, who were the owners of the land. This was due to the insufficient resources of municipal economy, weak land and planning policy and bad housing situation. The main reason for signing such a big development agreement was to promote housing. The construction companies acquired the land, had it planned and constructed the infrastructure and residential buildings. After 1980s co-operation between municipalities and private sector has been concentrated more on smaller and varied types of projects, which involved the cooperation in urban renewal projects, planning and development of small raw land, building of commercial centres and sports arenas, and development of tourist centres and summer house areas in the countryside. In 2002 municipalities received income of 30 million €, from which 39 % (11 million €) was infrastructure compensation from private person (Viitanen 2003). (Virtanen 1997, Virtanen 1998, Viitanen 2003)

In case of land use agreement the development process can be initiated by the private company, which decided to acquire the land. The developer discusses with the planning authority, which judges the potential development in the light of the current, land policy, the benefits and cost to the local community and responds by accepting the developer's strategy. It wishes also to ensure that there would be public benefits from this development (planning gain). Discussion between the developer and the municipality results in an agreement regulating the responsibilities for planning process until the plan adoption, land transaction and land use. Usually the profitable nature of the development in the prime high-value

location enables the developer to accept the strategy to finance the design of plans and payment in land.

Viitanen (2003) distinguished two main types of land-use agreements:

- *The agreement to implement a plan, which is a detailed agreement between the municipality and the landowner. The responsibilities and the rights for implementing the plan are specified in the agreement. The agreements are attached to the detail plan.*
- *The skeletal agreement, which is a procedural agreement by nature. It is made for areas that are too large to be planned at once in detail and for projects that are significant in their size or value.*

The city of Helsinki has adopted certain principles concerning land policy according to which the negotiation with landowners are needed always when a new town plan or the alteration of an old plan leads to considerable increase in land value. The aim of these negotiations is to get a part of the increasing value of land to the city. These sources of finance will than used for infrastructure, public buildings, or advancement of municipal housing policy. The agreements between the city and the landowner must be reached before the city board approves the town plan finally. The direct cost based on the new plan made in the interest of the landowner and associated with changes of the infrastructure were covered by the landowner. A share of the land value increment, which should come to the city, is evaluated as one third of the estimated increment in value. Very small increment remains intact. There is also some a basic reduction in order to soften the differences between cases that fall outside the agreement procedure and the ones that require an agreement. (Virtanen 1997)

The developmental process in Finland follows to some extent Kalbro's "Four Case" model as well as Dransfeld's model of land development, as outlined above. Nowadays the share of the development on the municipal assigned land is approximately 50 % to 60 % of all developments (Viitanen 2003, Fig. 4). By acquiring the areas for urban development before the area is planned the municipality can carry out its housing and commercial policy plans. According to Viitanen (2003) by estimation 10 % to 20 % of plans involve agreements and the popularity of agreements in the municipalities is increasing.

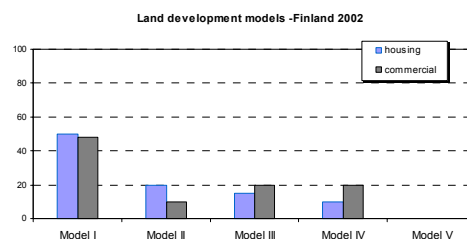


Figure 4. Five methods of developing building land. (Source: Viitanen 1993)

In the case of Finland we can speak of the planning monopoly of municipalities. Traditionally Finland has been an advocate of plan-led system, though not in an absolutely pure form (Virtanen 1998). On the one hand we have situation of so-called active land policy, where the public sector takes the lead in land development process. On the other hand there are situation were passive land policy prevails and private actors take initiative in the implementation of land development plan. In between there are possibilities of cooperation in the preparation of a development plan. When the landowner wish to change the use of land, the negotiation about the possible new uses began with the municipality, because planning monopoly belongs to the municipality.

3 Land development methods in Poland

During the transition period land development methods in Poland have evolved from the centrally administered and uniform rules of development to independent self-government and the play of market forces.

In previous economic period the state administration played remarkable roles in the land development. It made all decisions and distributed the financial and material means for development. Land policy, as practiced during the communist era, was driven by an ideological belief in common or social ownership of property, and the allocation of resources according to centralized planning. The central planning system limited the interests of private ownership by giving priority to the State. In general terms, the planning process at this time existed without regard for historical property rights and without regard for the monetary value of land (Węclawowicz 1998). Location decisions, deciding where a project is to be built were characteristic features of the land development process. Much of the construction of a great many new industrial regions, including housing for the labour force, relied on the nationalization and use of former agricultural lands. The next step was to allocate land to co-operatives, state-owned companies or municipalities, to develop basic infrastructure, and then to begin building work. Housing policy aimed to provide adequate housing for the labour force in the quickest possible way. This resulted in low quality construction, in the use of rapid (panel) technology, the homogeneous design of projects and of individual buildings, and in inadequate provision of services for the new housing estates. The investment period was often excessively elongated, due to central regulation and to the incapacitation of participants in the investment process. It is worth to explain also that Poland avoided the total nationalisation of land, with the exception of Warsaw, and the majority (70 %) of agricultural land remained in the private hands of individual farmers, even if they did not possess documents to confirm the right of ownership (Ney and Poczobut-Odlanicki 1998). Private owners of land were active in the construction of one-family houses (Fig. 5). Market activity was limited however by several restrictions and by the State's land policy practice (nationalisation procedures, pre-emption rights of the State as well as rigid regulations concerning urban development). Legislation discouraged or inhibited trading in land and property. Although the private ownership of land existed, the land market was limited by the fact that there was an omission of the right to the value of land and of the right of land ownership.

In the course of the political reforms of 1990s in Poland the cities have become a self-governed administrative units fairly independent from central authorities. The political, social and economic changes resulted with the shift of control of space from central to local authorities. In terms of town development there appeared many different actors, which constitute the development forces. The city, however, has had to resolve not only with routine problems of urban development but also with the heritage of the previous (un)economic period, such as difficulties in establishing land ownership titles, the existence of empty spaces particularly in central locations because of the ignorance of the land value, etc.

The developmental process in Poland under the new economic conditions follow, to some extent, Kalbro's "Four Case" model as outlined above. It is worth, however, to bear in mind the distinctions that must be made regarding the different historical and economic background in each country, as well as specific national legislation. According to the provision of law in Poland planning work is entirely a municipal responsibility. A private commercial developer has neither the right to organize/produce nor to finance plans. It could happen in practice that the municipality co-operate with the developer at the stage of the preparation of the Local Plan. It means that the developer plays an active role in this process, and that the municipality has a more in-depth knowledge of the expectations of the developer, and of the possibilities for development. However the institution encourages this participation

is not ready in Poland. Another important problem that should be mentioned is that the people are convinced that many state public servants take unauthorized profits from their public positions and the number of this people is still increasing.

In the example of Poland, it is needed to extend the models to include state or other local authority ownership of land. In Poland the State, the local authority or private developers may supply the land for development. Furthermore, limited access to credit and the lack of financial resources in the domestic sector in the first period of transition resulted that it should be distinguish a situation within Kalbro's case 1 when a developer is only a co-ordinator and does not own the land. The developer, acts on behalf of the future owners of the land, negotiating with the present owner the conditions of land allocation and the allocation of land to future owners. At the same time the agreement with the developer is signed for the construction of the property.

Another specific form of land development in Poland includes the possibility of a public authority offering land via a public tender process, in the form of the right of perpetual usufruct. In Poland, by law, The State Treasury and local authorities can only offer land for sale via a public tender process, the principles of which are laid down in the Regulation of the Council of Ministers of 13th February 1998. This sets out detailed rules and procedures for the disposal of real estate owned by the State Treasury or municipalities. Departures from mandatory public tender procedures are allowed only in cases strictly enumerated in statutory law. The tender process is necessary in the cases of both the sale of ownership rights and perpetual usufruct rights. In the public tender process, the municipality is required to inform the public as to the properties available for sale or let, and to the date and terms of for the receipt of bids. The municipality must provide detailed information about the property, including:

- a description of the property and its designated use under the local development plan,
- the development required and the dates of commencement and completion of construction,
- the form of sale,
- the sale or rental price.

When offering land for sale or use, a municipality is obliged to specify its designated use as set out in a local development plan. This gives investors certainty that a proposed project can be carried out on the selected site. The starting price cannot be lower than the valuation of the property as made by a certified valuation expert. The law provides for a departure from this rule (with a maximum reduction of 50 %) only in the case of the sale of structures listed in the register of historical monuments. In order to participate in the public bidding process, the investor must pay a deposit within a time limit specified by the organiser. The outcome of the bidding process is the basis for entering into a notarial deed of sale for the property or for contract to grant the right of perpetual usufruct to the land.

A municipality may allocate land in the form of a special entitlement to land popular in Poland, the right of perpetual usufruct. Perpetual usufruct is a right established only on land owned by the State or self-governing institutions and represents a long-term interest in land. The State Treasury or local authority remains the landowner while perpetual usufructors (the holder of perpetual use) may use the land as owners with limitations only in time and as specified under the perpetual usufruct agreement. This right can be established on land in urban areas and settlements, and/or in areas designated for future development. It is concluded by contract between the State Treasury or a local authority and a natural person or legal entity in the form of a notarial deed. The agreement describes the use of land, the period of agreement (a minimum period of 40 and a maximum period of 99 years, but usually for 99 years, with an option to extend the term), investment conditions and development work, the

usage of buildings and structures, and commission arrangements for the perpetual user for building and structures existing on the land at the date of expiry of the agreement. If the perpetual usufruct uses the property in a manner inconsistent with the use designated in the contract, in particular if he has not developed the land within the time limit specified in the contract, the perpetual usufruct can expire before the term fixed in the contract. The conclusion of an agreement concerning perpetual usufruct is the subject of an obligatory public tender organised by the owner, the State or by a self-governing institution.

After 1990s, some municipalities encouraged development by means of joint-venture development by foreign capital. In this case the input of local councils is in the form of land. This was the way to avoid the public tender process in order to allocate the land to private developers.

The author's intention is also to emphasise that the dominant models in the first phase of the transition period driven by reforms and market are Kalbro's cases nos. 1 and 3. Due to the introduction of new laws concerning the planning system and the extension of former spatial development acts enacted before 1995, in the first period of transition any active participation of developers in the preparation of local plans was limited. The majority of developments occurred when existing, former local plans were legally binding.

In the housing sector in Poland, land development can be analysed by the number of dwellings completed, taking into consideration the main participants in the process and the form of construction. This can take the following form:

Model I – Private construction

In this case of privately finance buildings, the natural person (also if they are conducting economical activity) realized the development in order to meet the residential needs or in order to earn a profit. This includes the activity of churches and religious associations.

Model II – Housing co-operative construction

This is the case when co-operative is a developer and construct the housings for their members.

Model III – Municipality construction

Realized by local authority and finance by them for low-income households. This activity has a social or interventional character.

Model IV – Company construction

In this case company from public or private sector realizes the development in order to meet the residential needs of the employees.

Model V – Construction designated for sale or rent

This is the typical case of development realised in order to earn a profit. The investor can be private or public (e.g., development companies, municipalities, but also public building society if they acted to earn the profit from rent or commercial sale of dwellings)

Model VI – Public building society (Budownictwo społeczne czynszowe)

This construction activities is performed by public building association (Towarzystwo Budownictwa Społecznego), operating on a non profit basis, and using credit from the National Housing Fund (Construction – Activity Results in 2001 Central Statistical Office, p. 33)

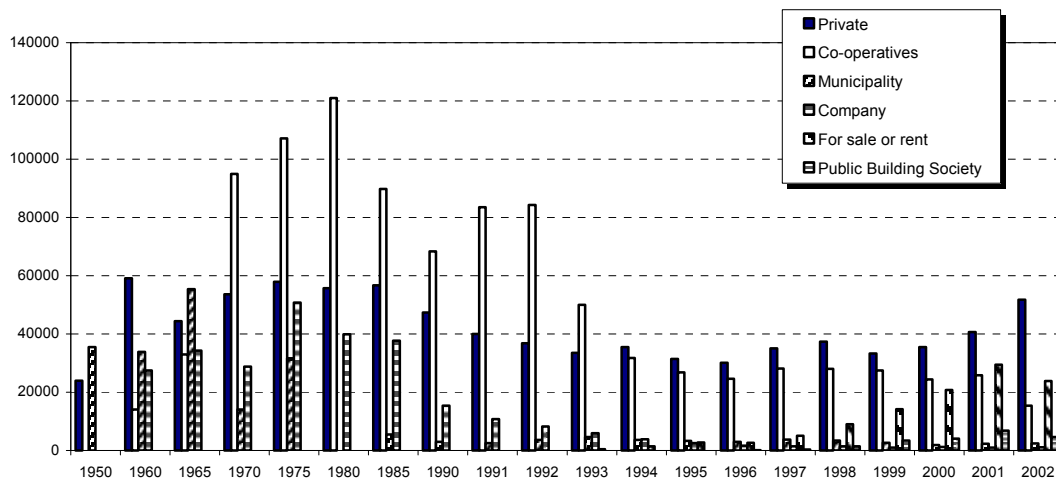


Figure 5. Land development models.

Figure 5 shows the number of dwellings completed based on data collected by Central Statistical Office in Poland over the last 50 years. In terms of the classification of developments, private construction and co-operative development is self-explanatory. Municipality construction refers to construction with a “social/interventionist” character, usually providing housing for low-income households. Company construction refers to development to meet the residential needs of the employees. The final two categories construction designated for sale or rent and public building societies (Budownictwo Społeczne Czynnzowe) are new construction forms, which appeared during the period of transition. This form of models could represent different models of developing building land by different actors. The figure 6 summarises the activities of private and public body in context of balance between private and public involvement in the preparation of building land. During the transition period it could be seen the shift to the private initiative in the market of housing. In it worth having in mind that there are a big regional differences between biggest cities and prosperous regions and the smaller cities and in the recession regions. In first period of transition biggest and faster developing market of commercial estate was in Warsaw, than also in other biggest cities.

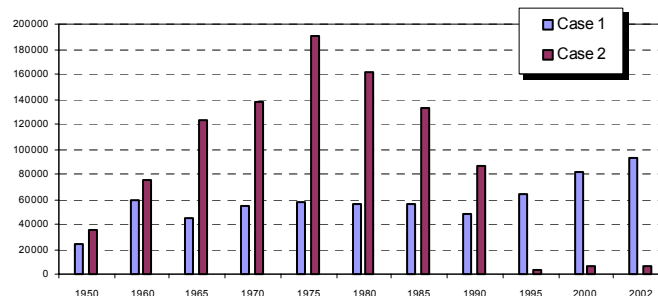


Figure 6. Balance between private (case 1) and public (case 2) property development in housing sector.

In Poland municipalities do not persuade an active land policy, by means of acquiring the land, laying down an infrastructure and dispose than later the land to building developers. This is because of the lack of financial resources but also because of the weak urban land policy. The emerging real estate market in Poland was dominated by initiative of private developers, who play their role within the framework of existing former plans of spatial development and also the instability of the legal environment concerning the development process. Poland is a special combination of plan-led system build around plans which are legally binding under public law and the market-led system (found in Great Britain) where the system is shaped by market forces and show preferences for more economic intensive uses.

4 How formal limitations such as legislation concerning planning on the local level encourage or limit the integration of planning and plan implementation process?

Finland has a long tradition in supporting the implementation of urban development plans as the legislation, which strives for the promotion of the implementation of plans, has been developing gradually with time (Virtanen 1998). There are different types of instruments, which promote the implementation of land use plan in Finland. Virtanen (1998) classified them in the following groups (from strictest to loosest):

- a) laws, permits, orders, administrative actions,*
- b) economic instruments (especially taxation),*
- c) education, information.*

The legal basis for the process of integration of planning and plan implementation process, which result with some development agreements lie down in, first, the Planning and Building Act which gives the municipalities a planning monopoly and, secondly, the Civil Law which includes the freedom of contract principle. Thus one basic source for the possible legal problems is that land-use planning belongs under public law whereas agreements belong under private law. It is advised that the development agreement should come into force only after the normal acceptance and approval procedure of the plan. The agreement does not bind those authorities and decision makers who prepare and make decisions about land-use plans. The making of an agreement is legal, but it must not contain such paragraphs, which lead to land-use plans, which are against, the rules in planning legislation. (Virtanen 1997)

Land Use and Building Act gives the municipality the right to start and direct the planning process. The authorities make all planning decisions and the process of planning follows the stages described by the act. However when the real property owner has a special need for planning, it is possible to start the process with the owner's suggestion. This case is a subject of planning agreement with the municipality. The owner has to pay at least a part of the cost of the planning process and of the infrastructure needed. The land-use agreements are the normal practice in Finland. Before the year 2000 the agreements were not mentioned in the legislation, although they were very usual. (Viitanen 2003)

Section 59 of Land Use and Building Act (issued in Helsinki on February 5, 1999) concerning compensation payable for drawing up a local detail plan states as follows:

When the local detail plan or an amendment to it is mainly required by private interests and drawn up on the initiative of the landowner or other titleholder, the local authority is entitled to charge the cost incurred in drawing up and processing the plan to the landowner or titleholder concerned.

The changes in planning system in Poland were introduced by the Act on Spatial Development of 7th July 1994 (which came into force on 1st January 1995). Recently in Poland a new Planning and Physical Development Act (from 27th March 2003) came into force and has been intensely debated among planners. Important subject of the debate is the effect of the expiration of all physical development plans prepared before 1995. The new act introduced mechanism of procedures to be followed when physical development plans are non-existent or not officially valid. In Poland the content of Local Plan is legally binding, however, a general feature of the existing, former plans was the limitation of its control function. Simultaneously, another obstacle to land development is the expiration of many local plans enacted before 1st January 1995 and the lack of local plans in municipalities where no new comprehensive plans and/or local plans have been enacted. This in practice does not exclude the possibility of obtaining Planning Permission via an administrative trial, however it prolongs the procedure. The plan itself can be financed only by the public authorities or by an investor that is in charge of public purpose investment.

5 Conclusions

There is an on-going debate about more market within the spatial planning and more private involvement in the land development process. Attention should be given to the possibilities to do land development by private bodies or by public–private partnership.

The purpose of this paper was to provide a focus for the development practice in Finland and Poland. In the period when cities have to compete with other cities the time schedule for the implementation of the ideas of improving the quality of city facilities are of crucial importance. One way of reducing the time and at the same allow the planning to be more aware of the need of the market is to integrate the planning and plan implementation process by means of public-private partnership. From the study above we see how institution limit the margin of the decision-making. In Finland the in-between models that emphasize some form of collaboration among the actors involved find its expression in the provision of law. In Poland during the years of socialism town planning followed central dictates and was based on the application of the centrally determined standards. Today, in order to cope with a dynamic free market and changing European context planners need the new tools and techniques that enable the cooperation among different actors.

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