

# Why Fallow Land in Core Urban Areas?

## Planning or Market Deficits for Sustainable Development in Norway

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### Abstract

All over Europe cities are facing high immigration rates and are growing. The bigger cities in Norway are no exception. In Norway, as in most other European countries, Compact City Development is regarded as the most sustainable urban growth model. For more than 20 years urban land transformation and the reuse of grey- and brownfield urban land into urban residential areas has been the main tool in sustainable accommodating of the growing population. Despite many successful developments there are still attractive areas in the core of the cities *staying undeveloped*. It stays undeveloped despite being designated for redevelopment by the local planning authority, despite rising house prices in the neighbouring area and despite high land values. This paper outlines a theoretical approach aiming at explaining why such area stays underdeveloped. It addresses *planning theory*, *market theory* and *collective action theory* in order to better understand urban redevelopment processes.

The ideal of the compact city runs parallel with another important change in urban planning in Norway. There has been a market orientation in urban planning since the 1980s [4] [6] [3]. This market orientation has three characteristics: In Norway today, implementation of plans – in the understanding of producing urban space – in practice has become a *private* matter. Developers are drafting detailed zoning plans tailored for the projects they want to build. Also, the Norwegian local governments have few financial instruments to finance municipal land purchase: the local authorities do not own urban land (only smaller spots pepper-sparkled around the cities, and land already used for public services). The local authorities are refraining from buying lands and are reluctant to use eminent domain and pre-emption. Therefore the local governments are dependent on private, commercial developers implement land use plans, and to realise their housing objectives as well as pushing economic development.

This is why the understanding of developers' investment decisions and land owner considerations are important to the planning authorities, so they can work with the market and push development.

The paper addresses three theoretical perspectives which approach urban development and governance with different terminology and methods. Following are short descriptions of the perspective of these theories.

**The planning perspective:** Planning is no longer just a public activity. In Norway, most local development plans are made by private actors. Unlike most countries private developers are entitled to propose draft development plans and submit them for political approval by local governments. This kind of development planning, where building permit application and development planning is closely integrated, is labelled "project plans" due to their miniature format within the urban build up area [7] [3] [9]. Projects plans include binding land use zoning and regulations which are specifically tailored for a particular building project in urban built up areas. This market oriented planning is a project generated bottom-up activity where private developers are principal actors. This private planning are challenging the *bureaucratic top- down hierarchical system*, not only because the different private initiatives need to be coordinated but also because the private initiated land use changes are interlinked with net return calculations and the economic viability of the project, which is not always in line with what is the best public or the city at large.

The rise of a market-based planning system has only lately influenced planning research. Planning theory has given strong emphasis to collaborative planning and deliberative planning processes. Bengs argued that the deliberative theorists as naïve mandarins of the neo-liberal state [2]. The influence of neo-liberal values in planning practices has since then gradually been incorporated into planning theory [2][4]. It is our assumption that neoliberal practices and ideas entered the field of planning theory relatively late, and most often via researchers working on outcome-related planning research or empirical research and theory.

The prominent role of the private developers in urban development is strongly linked to their role in the investment in urban developments. Therefore planning has to work with the market [5][6]. So far, the urban areas which have been redeveloped appear to have been "easy" to develop: the land was accessible, had low "starting cost", had one or few landowners, was developed through public-private partnership, etc. Many of these "easy" areas have therefore been successfully developed. Left back are the more complex (under)developed urban fields. It seems that the planning authorities need to facilitate (re)development of complex undeveloped urban areas. In other European countries similar debates take place with respect to the effectiveness of present planning tools for urban redevelopment and the implementation of new instruments [11].

The market perspective: A complex stakeholder structure might explain why fallow land stays undeveloped in urban areas. Further, the market perspective departs on the notion that the *maturing processes* of central located underused or fallow land are affected by planning activity, and that planning might identify and counteract market failures. The urban economics address the complex *relationships* between individuals and organisations for understanding economic motivations for urban

development as price levelling, distances, transport costs and (low) market interests in redeveloping central brown- and grey field areas. The perspective pays attention to *market failure* as explanatory factors for why development does not appear where it “should” according to policy visions as well as mono-centric price ideas.

We will assess whether *government failure* in terms of how costs and other burdens are distributed between the public and the land owners/developers might explain why development does not take place. We will also assess whether *market failure* through hold out problems or complex multiple land ownership adds to the “urban price gradient” and makes land prices exceed threshold for development. Other issues might add to this, for instance lack of information about the total development cost related to cleaning up pollution, demolition costs etc [1] and the impact of bargaining processes between municipalities and land owners on the outcome of land and property development [10].

#### The collective action perspective

Property rights theories emphasises the formal structures of property, the distribution of rights to use properties as recourses for income, the transaction costs related to exchange of property rights and hence the incentives for economic behaviour. It addresses the constitutional and institutional arrangements of property rights as well as municipalities’ and other government authorities right to constrain certain use and certain transactions of properties. In central urban areas fragmented land ownership structures challenge urban development and raises coordination problems. This opens for the third perspective: *the collective action perspective* and the role of planning in releasing development potentials in multiple land ownership: The different land owners might cooperate on voluntary basis and address development as and collective action, but their stakes will normally differ in terms of type of stake, intensity and complexity. This affects their willingness to take part, depending on the cost to take part in a network action and their gain to act in terms of a viable and sustainable business and management. The unequal distribution of costs and benefits raises questions of free riding and uneven competitions. Stakeholders’ participation is based on stakes as ownership, interests, knowledge and means. Procedures aiming to facilitate interaction and openness are often critical in networks in general [8] in urban brown and greyfield development in particular [7].

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