



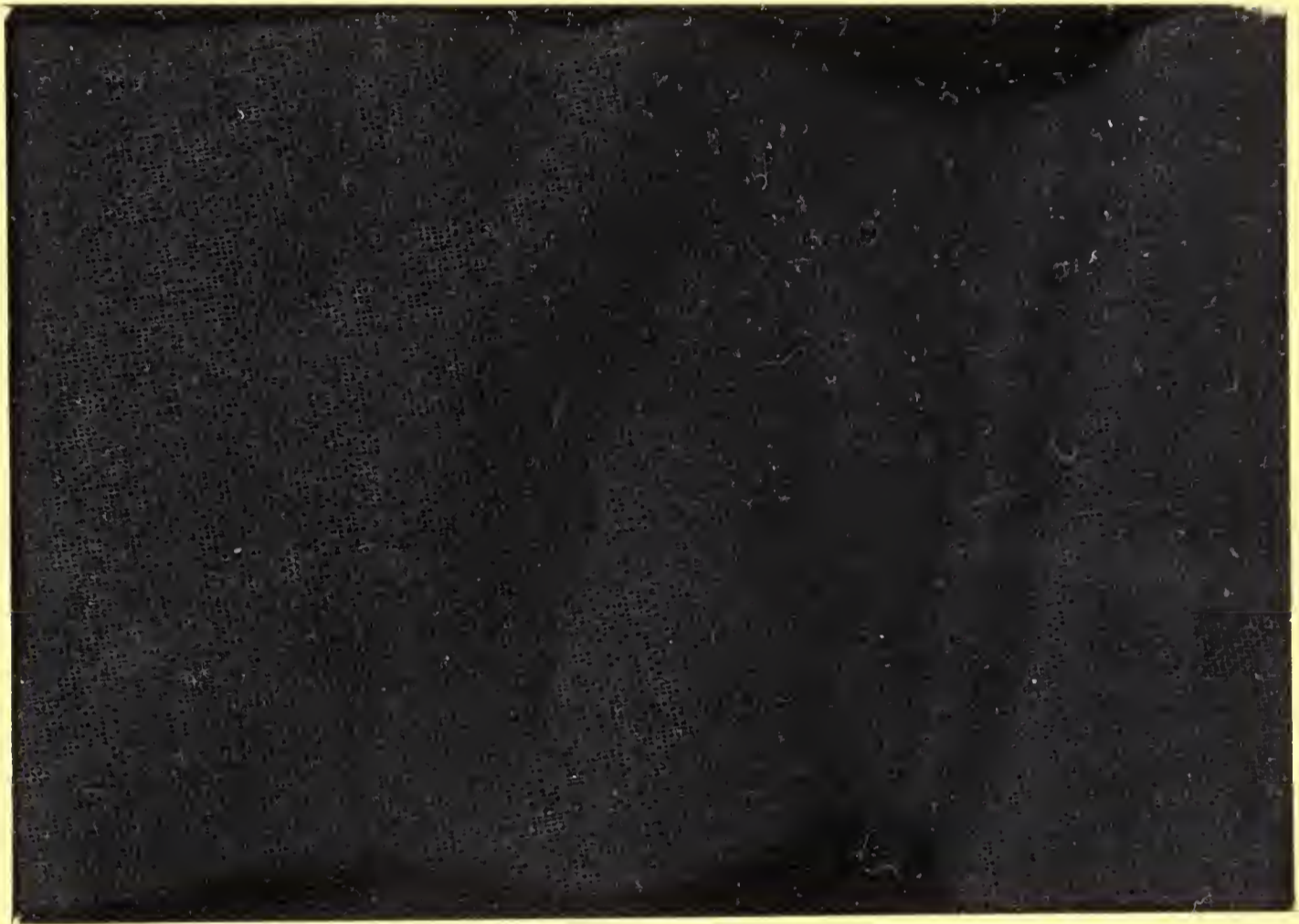
**A TALE OF TWO CITIES:
Public Land Ownership in Canberra and Stockholm**

Max Neutze

URU Working Paper No. 3
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AUSTRALIAN NATIONAL UNIVERSITY
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ABSTRACT

Public ownership and development of land is a powerful means of controlling the development of an urban area, avoiding high speculative costs of land for housing and public purposes, and siphoning increases in land values that accompany urban growth into the public purse. In Stockholm and Canberra, the balance between these three objectives in the use of public land has differed over time. Control of development has become dominant in Canberra while financial objectives have continued to be important in Stockholm.

Whereas public ownership and leasehold tenure of developed land have been used by Stockholm City Council as a means of maintaining a public role in the land market following urban development, the Federal Government in Canberra have done this to a much smaller extent. The City of Stockholm has been an active ground landlord; the Government in Canberra has been almost completely passive, using lease conditions solely as a means of controlling land use. The paper explores historical reasons for the difference between the two cities. Importantly, both the initiative and financial responsibility were taken locally in Stockholm but by the national government in relation to its national capital, Canberra.

A TALE OF TWO CITIES: Public Land Ownership in Canberra and Stockholm¹

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It is frequently argued that land is different from other things that are bought and sold in the market. People who believe that relatively free markets work well in general sometimes argue that land is special and support restrictions on its ownership and use. Put another way, decisions about the use of land, more than most decisions, have an impact on members of the community other than the owner of the land, particularly in urban areas. It follows that the community, in some form or other should, and usually does, have some say in the use to which land is put.

The property rights of land owners are always limited but the degree of limitation varies with the tenure and with the legal context in different countries. Whereas laws of trespass in Australia restrict access to privately owned land, in Sweden the public has access to all land as long as they do no damage and do not infringe privacy.

The classical means by which communities influence land use is through land use controls which prevent all but the permissible uses in designated areas. "A mere veto is, however, something of a blunt instrument if the ambition is to be able to steer development and change" (Heimberger, 1976, p. 24). One possibility is for the community, usually in the form of a local government authority, to reach agreement with landowners. Another is for the community itself to take on the role of land owner. The objective of this paper is to explore the experience of two very different cities where decisions were made around the turn of the century that the community should exercise control over land use by taking on the role of land owner.

In Sweden, until the beginning of the 19th century, no private person had the right to own land in the towns; all of it belonged either to the town or the Crown. The rise of economic liberalism during the nineteenth century resulted

¹ Much of the information about Stockholm is derived from Ratzka (1980) and about Swedish land policy in general from Heimberger (1976) which have been used extensively to broaden and update information collected for my 1973 study (Neutze, 1977). Other information comes from IFHP (1985) and Anas *et al.* (1985). More details about Canberra can be found in Brennan (1971) and two other papers (Neutze, 1987; 1988).

in much urban land becoming the property of individuals and companies who had the right to determine its use. From around the turn of the century there was a gradual reversal of the trend towards privatization of land for a number of reasons.

One important reason was that rapid urbanisation was leading to overcrowded housing and rapidly rising rents bringing fears of unrest among the urban proletariat. Another had its origins in rural rather than urban areas. Large areas of land which had previously been held as small farms was bought by large forestry companies leading to displacement of owner-farmers and clear felling. A third was the desire of citizens to shape the future growth of their cities and to benefit from increases in site value over time. The City of Stockholm began an active purchasing policy in the 1880s and made its first large purchase in 1904 when it bought nearly 2000 hectares, more than the entire built-up area of the city. It bought several agricultural estates in neighbouring municipalities that were then incorporated into the city. The purchases were facilitated because much of the land near the city was held in very large estates. Most of this land was used for the construction of single family housing on leasehold sites. By 1910, excluding land bought for open space, the city owned some 3000 hectares and over the next 60 years this expanded to 40,000 hectares.

The use of leasehold tenure in Swedish cities and towns goes back as far as the Middle Ages. In 1530 during the Reformation extensive church properties were confiscated and handed over to the cities which, in turn, leased them to users. Those leases were granted in perpetuity at fixed rents which lagged so far behind market values that they came to be seen as a form of taxation and the land as indistinguishable from freehold.

In 1907 a Leasehold Act was passed which changed the rules governing the leasing of land to facilitate the development of housing on land leased from municipalities. The objective of the national government in encouraging municipal ownership of land was to enable them to make land available for housing at a modest rental. Housing was encouraged also by the establishment of the Land Distribution Fund in 1907 to help cooperative societies, often founded by labour unions, to provide housing lots for their members. The Leasehold Act provided for a limited, though renewable, lease period, fees (land rent) to be renegotiated on the expiry of the term, prescription of the precise land use,

and for the structures built on the leased sites to be acceptable as collateral for mortgage borrowing. No private body was permitted to dispose of land with leasehold tenure because that was thought likely to foster slum housing. In the same year a new Planning Act was passed which made land use controls legally binding for the first time.

In Australia, since Aborigines were not regarded by the invading Europeans as owning land, the whole of the continent was regarded as crown land from the time of European settlement. Initial occupation of much of rural Australia was under some kind of lease. During the nineteenth century land policy was one of the major political issues (Else-Mitchell, 1974; Roberts, 1924). On the one side were those who favoured private ownership of the land as a way of encouraging settlement and development and who were frequently taken advantage of opportunities for alienation from the crown at prices that were much below market value. On the other side were the advocates of leasehold who argued that speculative ownership did not result in development and that lease covenants could at the same time require that land be developed and obtain for the community the unearned increment in its value. Though the majority of the more productive parts of the continent were soon converted to freehold, in some states large areas of extensive grazing land are still held under leasehold title. In the urban areas almost all privately occupied land is freehold.

When, in the 1890s, the political leaders of the six colonies were planning to federate they paid particular attention to the proposed national capital. They were anxious to avoid in it the land speculation which had occurred in the established cities (Cannon, 1966). They were also influenced by Henry George, the American reformer, who was a strong advocate of land as a suitable base for taxation (George, 1881) and who visited Australia in 1890. Others, including Edmund Barton, Australia's first prime minister, pointed out that the value of urban land results from the actions of the community as a whole rather than those of the individual landowner, and the increase in its value should therefore accrue to the community rather than to private owners.

One result of the popularity of these views was that Australia and New Zealand were among the few countries to adopt the unimproved value of land as the basis for local government taxes. Another result was the decision, implemented through Section 125 of the Constitution, the *Seat of Government Act* (1908), the *Seat of Government (Acceptance) Act* (1909) and the *Seat of*

Government (Administration) Act (1910), that the Capital Territory should be acquired by the Commonwealth and that the land should remain in public ownership and be leased rather than sold. In this way the 'betterment' would accrue to the public. The site for Canberra, the national capital, was acquired by the mid-1920s and the remainder of the Territory, 2358 square kilometres in all, in the 1960s.²

Local and National Initiatives

In Sweden, the local governments (and in particular Stockholm) were primarily involved in initiating the system of public ownership of land for urban development. Apart from providing enabling legislation (Leasehold Act and Planning Act) the national government provided no other assistance to municipalities until after the second world war when a new Expropriation Act (1949, amended in 1953 and 1971) facilitated compulsory purchase of land for housing and loans were made available for municipal leasehold (1966) and municipal land acquisition (1968). In 1938 the City of Stockholm decided that in future it would lease rather than sell land it had purchased.

Prior to its designation as the seat of government, the Australian Capital Territory was a sparsely populated pastoral district in which there had been no local initiative for urban development. The views about leasehold that have developed in the local community as the city has grown are ambivalent. There has, however, been general support for the public ownership of land prior to urban development. Canberra has no local or territorial government and therefore the administration of the public land estate has been the responsibility of a series of national government departments and authorities. The whole cost of purchasing and developing the land has been borne by the national government and all revenue from leases has been paid into national revenue.

In Canberra public ownership of land administered through the leasehold system has been seen as an imposition by the national government; when new generations of national politicians with different priorities came into office there was little to prevent erosion. In contrast, in Sweden the local authority acts as both the initiator of public land ownership and development programs,

² The 1960s acquisition was questioned by the owners who had plans drawn up for its development, perhaps in order to argue for a price based on its value for urban rather than non-urban use.

and administrator of leasehold tenure. This helps to explain why, as the later sections of this paper show, the integrity of leasehold has been maintained in Stockholm to a much greater extent than in Canberra. In particular, the fact that the costs of purchase and management have been borne by the city and the land rents received by the city has ensured close local political interest in its operation.

Although Stockholm had the first and has the largest stock of land of all Swedish municipalities many others have followed the same path. Some of them sell land for development and others lease it. Heimberger (1976) reports that nationally 60 per cent of housing constructed in the decade to the mid-1970s was on land purchased from municipalities and another 20 per cent on land leased from them. In contrast to this situation, purchase of the site for Canberra was regarded as a special measure, warranted because it was to be the national capital. Following the recommendations of the Commission of Inquiry into Land Tenures (*First Report*, 1973) government purchase of raw land for future urban development was assisted by the national government in a number of cities. In few cases were the developed sites leased for development. While leasing of rural land in Australia is not uncommon it is quite rare in urban areas. As a result Canberra is seen as exceptional and its leasehold system not well understood.

Objectives

The three objectives generally pursued through public ownership of land are:

1. A lower cost of land for urban use, especially for housing and for public purposes such as open space, schools and roads;
2. A source of income for public purposes, either from the capital gain if the land acquired at rural values is sold for urban purposes, or from land rents if it is rented; and

3. More effective urban planning through public ownership so as to avoid competition between the planning authority and private owners of freehold in determining the use of land: the specification of development rights in the lease agreement is a clear and positive means of controlling land use.

Whether public ownership of land is likely to achieve any or all of these objectives is open to question (*see*, for example, Carr and Smith, 1975). The intention in this section is not to assess the extent of success (*see* Ratzka, 1980 and Neutze, 1987) in pursuing the objectives, but to trace which objectives were the most important in the each city at different periods.

The primary objective of the national government of Sweden was the provision of cheaper housing. Cheaper housing was also an important objective for Stockholm though it was concerned also to ensure that its real estate operation, if not profitable, at least was not a net cost to the city treasury. Ratzka reports several attempts to assess the effectiveness of the policy, especially in terms of the returns to the city. Most of those attempts fail to take account of the very considerable value of the stock of land held by the city at the end of the evaluation period and therefore understate the true return. Ratzka's own assessment shows that investment in land has been profitable for the city and has returned more than the city's borrowing rate on the capital invested.

The first two objectives are, as Ratzka points out, in competition with one another: the more housing costs fall as a result of lower land prices or rents, the smaller are the returns on the public investment in land. Political pressures to keep down land rents for housing have significantly reduced the return on the City's investment in land. From the City's point of view, however, cheap land for open space and other public uses is itself a return on investment. It appears that both of the first two objectives have been significant throughout the century but that low cost housing has probably become a more important objective in recent decades.

Land use planning is mentioned relatively little in the early documents dealing with the establishment of public land ownership in Sweden. Nevertheless, Swedish cities have used their purchases of land extensively to provide for future development. This has been most apparent in the building of new communities, linked to other parts of the city by public transport and fully

planned in advance of any actual building. From experience both in Sweden and other countries it is difficult to imagine such programs being carried out without public ownership of the land. The so-called "municipal monopoly" of urban development is maintained not only by a statutory planning system which covers land owned by the cities as well as privately owned land, but also by the availability of cheap loans for both construction and long term ownership of housing which, since 1975, have been available only for housing built on municipally owned land. The municipal monopoly is both a cause and an effect of the powerful initiating role municipalities play in urban development. Since 1907 all development in areas covered by plans, and since the 1947 Building and Planning Act all urban development, has had to accord with a detailed development plan. The municipalities normally both plan and initiate development.

The main objective of the founders of the Australian Federation for public ownership of land in Canberra was to reap for the community a substantial share of the increase in the value of the land that was expected to occur as the city was built. Indeed, it was claimed, with the experience of the land boom of the 1880s fresh in mind, that the return on investment in the city's site could pay a substantial part of the operating costs of the new Commonwealth Government. The public finance goal seemed to be paramount. Nevertheless, cheap land for urban use was also an objective: public ownership would avoid the land speculation that had recently occurred in and around other Australian cities and had resulted in high land prices.

Over the years there has been a dramatic change in the objectives which have been pursued in Canberra. The public finance goal gradually became less important during the 1930s and 1940s as a result of depression and war, and then because rent revisions were deferred and became politically unpopular in the 1950s and 1960s. It disappeared almost entirely in 1971 when land rents were abolished. Even in the absence of self government, there was strong political pressure to reduce land rents during the whole period of collection. Because local residents did not benefit from the revenue collected there was almost no opposition to their abolition. There remained, of course, the return which the Commonwealth received when leases of non-urban land were sold for development, but that was not much than the cost of servicing the land. Once such a lease had been issued the government received a financial return from it

only if the lessee gained approval for a change of purpose clause, when a 50 per cent betterment levy was charged.

It has often been claimed that low cost housing has been a further objective of land policy in Canberra. Public ownership of land for development can reduce the price of housing sites by ensuring a sufficient supply of land for building to meet the demand and avoiding speculative holding of vacant serviced sites. Whether the price is actually reduced depends on whether the responsible authority is able to accurately estimate future demand and has sufficient resources to service enough land to meet it. As a monopoly supplier it can influence the price by varying supply. Costs of servicing are a more important component than the cost of raw land. Comparisons are difficult, but house prices in Canberra are not clearly lower than in other comparable cities. Land for public use, however, for the purposes of the Federal Government and for the needs of the city, is available much more cheaply in Canberra since the raw land was purchased at its non-urban value. Even with carrying costs and development costs it is less costly than in other cities.

As in Stockholm, land use planning ranks very little mention in the discussions of land policy in the early history of Canberra. It may have been assumed that, with the purchase of the site and the successful conclusion to a competition for the design of the city, the land use planning had been completed; it simply remained to build to the selected design. In the event, the control public ownership of land gives the government over the supply of land for different urban uses at different locations and over the use of land has become the most important objective of public land ownership in Canberra. The whole of the site is in public ownership and there is no statutory control over land use as there is in other parts of Australia. The sole control over the use to which a lease may be put is the purpose clause in the lease. Public land ownership has made it possible to establish in Canberra, alone among Australian cities, a planning authority which is also a development authority and which actually initiates development rather than simply waiting for and reacting to the initiatives of private land owners and developers wishing to change the use of privately owned land.

Lease Administration

Allocation of leases

In the absence of a competitive market for leases, the monopolistic supplier has to find some means of allocating them. When land rents are set below what the market would pay for the supply provided, a rationing device is required. If land rents exceed the market level for that supply, not all of the supply will be taken up and lots will be available over the counter. Waiting lists have been employed as the rationing device in Stockholm whenever, as has been common, rents for housing sites were below market-clearing levels. One result was that those who received residential leases could, if they wished, sell them at a considerable profit within a short time.

In Canberra a number of different measures have been used over the years. In the first years leases were auctioned to establish a market-clearing price. The rent charged was then 5 per cent of the sum bid. In effect the bids were for rents to be paid for the first 20 years. Perhaps because buyers discounted their future obligations to pay land rent at more than 5 per cent per year, or perhaps because they expected increases in land values that did not materialise (the first leases were auctioned in the mid-1920s!), many of these leases were subsequently surrendered. From 1935 the first 20 years' land rent was based on a reserve price set prior to the auction and any amount bid above that price had to be paid immediately as a cash premium. Unrealistic bids were less common under the new system. Finally, with the abolition of land rents from 1971, the bidding was for a capital sum: the premium in what had become purely a premium leasehold system. Since the first auctions there have been periods when supply exceeded demand and land was available over the counter by paying, until 1971, the first year's land rent and after 1971, the reserve price. There have been other periods when supply was less than demand and high premiums were paid.

For the most part, the same means were used to allocate land in Canberra for non-residential as for residential uses, with the emphasis on reserve prices and auctions, and with land available at the reserve price when it was not reached at the auction. There is, however, provision for direct negotiation between the government and prospective business lessees. In Stockholm, reflecting the emphasis on housing goals, very little land was made available for commercial and industrial purposes prior to 1950, but since then, with the increased emphasis on new communities, the number of non-residential leases

has expanded rapidly. Ratzka estimated that by the late 1970s about one third of all commercial and industrial land within the City was leased from the City. The objective has been to set market rentals for non-residential leases, though it seems probable that these too lag behind true market values.

Land Rent Setting and Revision

As reported above, land rents in Canberra were 5 per cent of the sum bid at auction from 1924 to 1935 and 5 per cent of the reserve price from 1935 to 1971 when land rents were abolished. Five per cent was maintained despite changes in the rate of interest. It is less clear how the reserve price was set. Broadly, for residential land the reserve price was related to costs of production and for businesses leases, it was set at a conservative market value. Whether the raw land was entered at book value or included holding costs is not clear. It would be unlikely to have been entered at its replacement value as there was no market for raw land from which replacement value could be assessed.

In Canberra, a consequence of having only a single (federal) level of government was that the discussion of these matters occurred solely within the bureaucracy. Without any locally responsible government, they did not need to be exposed to public scrutiny. The first leases provided for rent revision after 20 years and then each 10 years. When they were revised they were set at 5 per cent of the estimated market value at the time of the revision. Revision of the first leases came due during World War II but was deferred. When they were revised after 20 or more years, especially after inflation at the rates experienced after the second world war, some rents were increased by many times.

The abolition of land rents in Canberra was announced during a by election for the local seat in the national parliament. It resulted in part because they were perceived as of no benefit to the Canberra community since they flowed directly into national revenue, and they were not sufficiently important for the national Parliament to be concerned about the revenue they produced. In addition local taxes had been very low for a long time and, as in Sweden in the sixteenth century, land rents had become almost indistinguishable from property taxes. They had, however, one feature that made them even more unpopular: they were revised very substantially every 20 years rather than by a small amount each year. When land rents were abolished, property rates were adjusted upward to raise the same revenue as they, plus land rents, had previously raised. Very few people in Australia protested that the abolition of land rents resulted in

an end to any hope that the founders' plans for the collection of betterment would be achieved, or that a very valuable national asset was being given away in a fit of absentmindedness. The national parliament should have been the guardian of those matters but it had lost interest.

In Stockholm the rent-setting procedure for housing land is clearer and has been a matter of intense debate. For new residential leases a value is set which is the actual cost to the city of producing the sites, comprising capital costs, holding costs and administrative costs, all at book value unadjusted for inflation. National legislation requires that local governments cover all costs but they must not make a profit on residential portion of their real estate operations. The annual lease fee (land rent) is then a percentage of their costs, the percentage being based on the current average interest rate for municipal bonds with a 10 year maturity.

Before 1953 land rents in Sweden were set for the whole life of the lease, usually 60 years for residential leases in Stockholm. The 1953 Amendment to the Leasehold Act uses the criterion of a fair rate of return on the market value of the site at the time of rent revision, taking into consideration land rents on contracts being written for comparable new leases. This criterion is not necessarily consistent with the requirement that local authorities cover costs and make no profits on their real estate investments in land for housing. Evidence presented by Ratzka suggests that land rents on some of the older residential leases are a very low percentage of their current market value, implying that revisions have been made on conservative estimates of market value or of the 'fair' rate of return or both.

Recent Supreme Court decisions in Sweden have been concerned with the rate at which land rent should be calculated from the capital value of a site. The Court decided to accept a recommendation that the rate of appreciation in values should be taken into account in setting land rents. The principle, which derives from capital theory (Jorgenson, 1965) and has received some recognition in literature on housing values (Anstie *et al.*, 1983; Bethune and Neutze, 1987), shows the current value of a stream of net returns that are expected to increase over time at a constant rate. Whereas the current value of a constant stream of net returns of R for an infinite period will have a present value of R/i where i is the discount rate, the value of a stream that is expected to increase at the rate of a per cent per year will be $R/(i - a)$. If y is the allowable rate of return on assets

whose value is fixed in money terms, the owner of an asset expected to appreciate in value by a per cent per year will need a return of only $(y - a)$ per cent per year. Such an argument implies that a relatively low rate of return on the capital value is acceptable if it is anticipated that returns, and hence the value of the urban land, will continue to increase.

A fundamental problem with all of these rules is that the general level of the market value of sites is itself a result of policy. The Commonwealth Government in Canberra and the Swedish local governments are in such strong monopoly positions as suppliers of land that they can have a major impact on market value by increasing or decreasing the supply. In Canberra there is some political constraint because buyers can and do compare land and housing prices in Canberra with those in other cities, and a market constraint because they can choose to buy in Queanbeyan which is within commuting distance but outside the Capital Territory. In Stockholm a small volume of development occurs on privately owned land and there is some competition between municipalities to attract development. Nevertheless, in neither city can the general level of market values be used as if it were an independent rent-determining criterion. It is much more sensible to set rents on the basis of costs and attempt to meet demand at those rents as long as sufficient resources are available. For setting relative land rents for housing sites, market values are appropriate. Market rents must necessarily be used for commercial sites because they have a natural monopoly value.

Period of the Lease

Under the 1907 Leasehold Act in Sweden, lease terms could be between 50 and 75 years. Stockholm chose 60 years with the provision that the lease could be renegotiated if the city did not want the land after 60 years. The assumption was that after 60 years, when the leases expired, the sites would be ready to be cleared and made available for multi-family housing. A 1953 amendment to the Leasehold Act required that at the end of a 60 year lease the lessee was to be given another 40 year lease unless the city had given notice of cancellation. Thereafter, successive periods of 40 years were to be offered. Lessees have a very secure title. If a lease is withdrawn during one of the periods the lessee is compensated for disruption, though not if it is withdrawn at the end of a 60 or 40 year period. In either case the lessee is compensated for the value of improvements to the site.

Residential leases in Canberra are almost invariably for 99 years. Commercial and industrial leases were originally for the same period. After the war, commercial leases for shorter terms were issued but they can now be renewed for 99 years at any time for the payment of a modest premium. In both kinds of leases there has been, since 1936, provision for compensation for the value of improvements if the lease is not renewed. There has been a government announcement that residential leases will be renewed at the end of their 99 years without payment of a further premium (though no amendment to the Ordinance). This implies that in effect they have become leases in perpetuity with a zero land rent, financially if not legally indistinguishable from freehold. It is widely believed that it would be politically impossible for a government to make residential leases significantly less attractive than freehold. The way in which they differ is that residential leases can be converted to non-residential use only by application to the Supreme Court and after payment of a betterment charge.

In the early 1970s some commercial leases in Canberra had less than 20 years to run and the lessees expressed concern about their, or potential buyers', ability to borrow on the security of leases which had such a limited life, and about the financial wisdom of investing in buildings on such leases. It was not the first time that the value of a Canberra lease as security for a mortgage loan had been questioned. Early in the history of its leasehold system lending institutions had expressed reservations about the security of leases. As in Sweden, the reaction of the government was to reassure investors that they were secure and to back up that assertion by a reluctance to terminate leases. In this respect, too, Canberra leases have become as secure as freehold. In effect the government now has to pay as much in compensation to resume a lease as to acquire freehold. The reaction to protests of insecurity near the end of a commercial lease was to allow lessees to renew leases for a further 99 years well before their expiry date.

Redevelopment

It is often argued that leasehold tenure facilitates redevelopment because lease terms can be set so that the lease matures at the time a building is ready for redevelopment. In Stockholm the initial intention was to lease land for single family housing for 60 years, then make it available for multi-family housing and sell it freehold. Unfortunately, it is seldom possible to predict with accuracy so

far in advance when redevelopment of a site will become appropriate. Even if it was possible there would be serious problems with buildings deteriorating as their leases run out (though this may be economically optimal for individual properties, its environmental effects may be undesirable). In any event, the mechanisms for handling commercial redevelopment of leasehold sites has become a serious issue in Canberra because all redevelopment had to occur on leasehold sites. In Stockholm, where development of commercial and industrial leasehold sites began later, there is plenty of privately-owned commercial and industrial land available for redevelopment.

While the planning and development authority in Canberra, the National Capital Development Commission (NCDC), took full advantage of the public ownership of undeveloped land in its initial development of rural land for urban use, this is not true of redevelopment (Neutze, 1988). Once the land is in urban use the Commission seems to accept the view which commercial lessees and developers have promoted: that the lease should be treated as if it was freehold. (In part, this results from the efforts that have been made to assure mortgage lenders that Canberra leases were secure collateral for loans.) It follows that, in respect to leased land, the Commission sees itself as similar to a planning authority in any other Australian city except that its land use control instrument happens to be a lease purpose clause rather than a statutory planning scheme. Even where the Commission directly initiated residential redevelopment it was unable to take advantage of the fact that the sites for redevelopment were held under leases.

There is provision under Section 11A of the City Area Leases Ordinance for a lessee to apply to the Supreme Court for a variance of the lease purpose clause. The Minister can veto such applications, in which case they do not go to the Court but, as far as is known, has seldom imposed such a veto. The matter is complicated because the leasehold system is administered by the ACT Administration, part of a Commonwealth Government department, which provides services and administration for the Australian Capital Territory, while the NCDC is an independent statutory authority, although under the same Minister. The Administration has been criticised for its lease administration as some lessees have breached their lease purpose clauses over many years without prosecution (Wensing, 1986).

Commercial redevelopment in Canberra is directly initiated by lessees, though either the Commission or the Administration may encourage or actively promote it. In this respect, they neglect the role which a ground landlord would be expected to play in initiating redevelopment when it is thought appropriate. The public sector, having no financial stake in the lease, seems to assume that it has no development responsibility, except on unleased land. The leasing authority should negotiate the purchase of leases of sites where redevelopment is desirable.

The situation in Stockholm is different. The municipality is likely to initiate redevelopment where it believes it appropriate and might enter into a partnership arrangement with a private developer or freehold land owner. If lessees wish to redevelop a site they have to get the permission of both the City Real Estate Department – the ground landlord – and the Planning Department. If permission is granted land rent is automatically adjusted to accord with the value of the site with the new lease purpose clause. A Canberra lessee who is successful before the Supreme Court (and to date all have been) will be charged a betterment levy of half of the assessed increase in value less \$1500 – all that is left, after the initial conversion to urban use, of the plans of the founders to recover substantially all of the betterment resulting from the building of the new national capital.

Conclusion

Why the great difference between the two cities when they started out along similar lines and when they handle the conversion of rural land to urban use in a very similar fashion? An immediate explanation is that Canberra's institutions do not recognise, as Stockholm's do, the distinction between the function of owner of the land and that of the planning authority. In Stockholm the Real Estate Department and the Planning Department are recognised as having separate and complementary roles in the development and administration of urban land. Planning schemes control the use of land owned by the municipality as well as privately owned land. The Stockholm Real Estate Department is seen as an investing and development authority which has to work within the constraints of the planning scheme. To guide future developments the National Capital Development Commission has begun to produce policy plans for parts of Canberra which are noted by the Minister. Thus the Commission has increasingly fulfilled the role of planning authority within the established urban

area, but the role of ground landlord in the established urban area, formally the role of the ACT Administration, continues to be exercised in a completely passive way, lending substance to the view that Canberra leases are almost indistinguishable from freehold.

Unlike their Swedish counterparts, the planners and administrators of land in Canberra seem uncomfortable with the idea that they might make commercial judgements about what kinds of redevelopment are appropriate. This is surprising in the light of their readiness to make those judgements at the time of initial development. In a property market in which all land is owned by the government the planners and administrators may see the right of lessees to initiate redevelopment as an important safeguard against inappropriate land allocations. There could be such safeguards, of course, without the public sector adopting its current completely passive role.

The different financial arrangements also have had important effects. Despite access to concessional loans, Stockholm City Council has had to take full financial responsibility for its real estate operation. Its costs are borne by city residents and businesses and the returns benefit them. In Canberra, however, all costs were paid and all revenue received by the national government. There has not even been a land development/management account which would show whether the operation was paying its way.

Underlying these differences is the fact that land purchase, development and leasing were initiated by Stockholm City Council, though with the encouragement of the national government. In Canberra they were initiated by the national government without the introduction of local responsibility as the city has grown. To make matters worse, the national government has lost interest in such matters.

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