

## JAPAN

### TOKYO — URBAN EXPANSION

#### LAND VALUE CAPTURE

## Land readjustment to finance public transport infrastructures

### DESCRIPTION

- Land readjustment ( "redevelopment") of a territory in parallel to the creation of an urban railway station / line. The initial owner (s), the railway company and possibly the developers shall agree on a development project at the end of which they will recover land (or property for the redevelopment sectors ) of a value equivalent to or greater than the what they owned originally, as a result of the valuation generated by public investments, but with less surface area or its financial equivalent. The surface area thus obtained (and / or the constructibility due to the increased authorized density) makes it possible to physically accommodate public investments and to finance them (totally or partially) by the resale of part of this land. There is a modality of urban extension for New Towns and a modality of redevelopment of areas already built but underused.
- This mechanism can be implemented on the initiative of an urban rail transport company (public or private), sometimes in partnership with promoters, by local authorities in coordination with the public agencies in charge of housing, by the inhabitants and local protagonists (traders, owners), who must then demonstrate their viability (and pay all or part of the costs). Landowners create an entity that can receive potential subsidies, carry out development and redistribute land after the operation.
- There are 6 types of mechanisms that can use voluntary land readjustment:
  - Internalization (in the reconstituted or new town a private railway transport company implements land readjustment, recovers land for real estate projects that are "internalized" on its balance sheet, through sale or leasing operations)
  - Requirement (in a new town, developers finance half of the costs of construction of new lines and provide public land at an administered price, as part of their development balance sheet)
  - Integration (in new towns, local governments, in partnership with developers, transfer land for the passage of railway tracks with adjacent land intended for residential use),
  - Petition (in new towns and rural areas, residents and developers pay the costs of setting up the resort and public spaces),
  - Agreement (Developers, landowners and property owners agree to share construction costs and profits associated with the installation of the railway line);
  - Auctioning (in town constituted, sale of unused railway tracks to developers to reduce the debt of JNR).

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## INSTITUTIONAL AND FINANCIAL FRAMEWORK

Territorial development is structured by the National Capital Region Masterplan (NCRMP) released by the government (last one in 1999), which defines new towns, natural belts and development corridors. The metropolis includes many jurisdictions: the metropolitan government of Tokyo, 23 wards, 3 prefectures, and many towns and villages. The land is private (freehold), and the philosophy of the authorities is to limit authoritarian public intervention as far as possible, which has worked in favor of the consensual approach of voluntary land readjustment. This mechanism is sometimes promoted through specific grants to finance the public space in the context of land development nearby subway / train stations. The urban rail network is administered by 48 entities, public, mixed or private, which are authorized to produce and manage lines decided within the framework of the regional government plan (last one in 2000). Building and management tasks can be legally separated since the 1987 Railway Business Law (which also privatized Japan National Railways).

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## TRACK RECORD OF THE USE OF THIS INSTRUMENT

For a long time, the government authorized the creation of new railway lines on operators' proposal based on their overall profitability, linked to attendance but also to adjacent property transactions. Increasing construction costs and competition and decreasing urban growth have led to more broadly shared funding mechanisms. The Urban Redevelopment Law, which covers already urbanized sectors, allows the national government to finance one-third of the overall costs covering the prefeasibility study and land readjustment operation, and half of the infrastructure costs in this framework, through a specific fund financed by a tax on gasoline and vehicle registration (Road Program, ex Roadway Special Fund). The Urban Regeneration Special Act of 2001 identifies 8 districts and 2514 ha in the city center, mostly nearby the large public and railway lands that are redevelopable, for which the urban parameters (COS, uses, withdrawals, etc.) are made more flexible to allow for better use.

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## OUTCOMES

Non-railway revenues account for between 20% and 40% of the total revenues of the largest urban rail transport companies. For Tokyu, the largest (USD 3 billion in revenue in 2011, 40.5% not from railway operations), railway line's operation represents only 41% of its net income between 2003 and 2012, compared with 34 % from real estate and 25% from residential, business and leisure services. The complex redevelopment of the Futakomagawa station (11.2 ha, more than 400,000 m<sup>2</sup> built), implemented by Tokyu, which owned 95% of the site, together with more than 200 other owners and users, has cost USD 1,38 billion over 15 years, of which 3/4 were financed by land valuation (and one quarter by subsidies). The Kashiwanoha Campus project (272.9 ha divided among several large landowners, including Mitsui Fudosan Corporation, owner of a golf course and participating as a developer) enabled 26.45% of the land to be freed for public use and 13.55% to finance about one third of the USD 900 million investments in public spaces and infrastructure (including the train station).

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## STAKEHOLDERS INVOLVED

The protagonists vary depending on the setup: local landowners, developers, local governments, public or private urban railway companies, housing agencies, etc.

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## **PUBLIC MANAGEMENT AND ACCOUNTABILITY**

The search for consensus guarantees the project transparency. Expropriation is used only exceptionally to put an end to the abusive behavior of owners who would be blocking the project (free rider), and is justified by the extensive preliminary process of concerted action.

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## **ANALYSIS AND ASSESSMENT OF THE TOOL**

This mechanism is based on a clear and stable vision of urban development / planning at the metropolitan level, clearly oriented towards TOD principles and dense polycentric development. It implies building consensus among the protagonists which can be extremely long but will be all the more effective as the benefits of access to the rail network makes general consensus. It can be implemented in many ways at the initiative of various actors, and adapted widely according to local contexts. But it requires expertise in real estate market and operational planning on the part of the rail transport operators, who are key stakeholders in many ways. The experience of other partners, landowners and developers, can be particularly valuable to optimize the project. High building density bonuses make it possible to optimize the provision of public infrastructure and conglomeration effects.