

Building public spaces in Rosario (Argentina) with land value capture instruments

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Land value capture instruments

Rosario is the only city in Argentina where these kinds of instruments created for the “capture of plus values” have been put into practice; a modality of the local urban policy that has been developing since approximately five years ago. In Rosario, this kind of instrument was first mentioned in 1997 in the document “Rosario New Urban Plan”, where it was specifically proposed “to guarantee a reward to the Municipality by the developers, of the most important benefits for the performed ventures, due to the modification of the current urban parameters (1.1.4.1 Instruments for building incentive in urban interest sites).

As an instrument of municipal action, it was established for the first time with the sanction, in December 2004, of the Regulation Number 7799, which establishes new building heights on avenues and streets which form the riverfront. The permission to build higher constructions is granted upon payment of a compensatory tax, on the surplus of surface authorized to build. The obtained resources with the payment of the compensatory tax are distributed, in equal parts, between the “Rosario Urban Preservation Fund”, and the paving of streets on the periphery.

Afterward, the plus values capture –also known as “compensation for urban requalification” in the municipality regulations– is defined in the article N° 25 of the Rosario Urban Plan 2007-2017 in this way: “The Municipality of Rosario will be able to establish economic compensation mechanisms when, as a result of the appliance of special urban indicators (either for change of uses, or heights, or building factors or for any other performed normative regulation), more benefits are verified for the private sector involved. These compensations will be established in the different normative instruments, which will be sent to the Municipality Council to be approved”.

According with the current regulations, the plus values capture instrument (compensation for urban requalification) is applied in different situations. The obligation of reward to the Rosario Municipality is established in the instruments known as “urban agreement” and the “building agreement”. Until now, these agreements have been used in four cases:

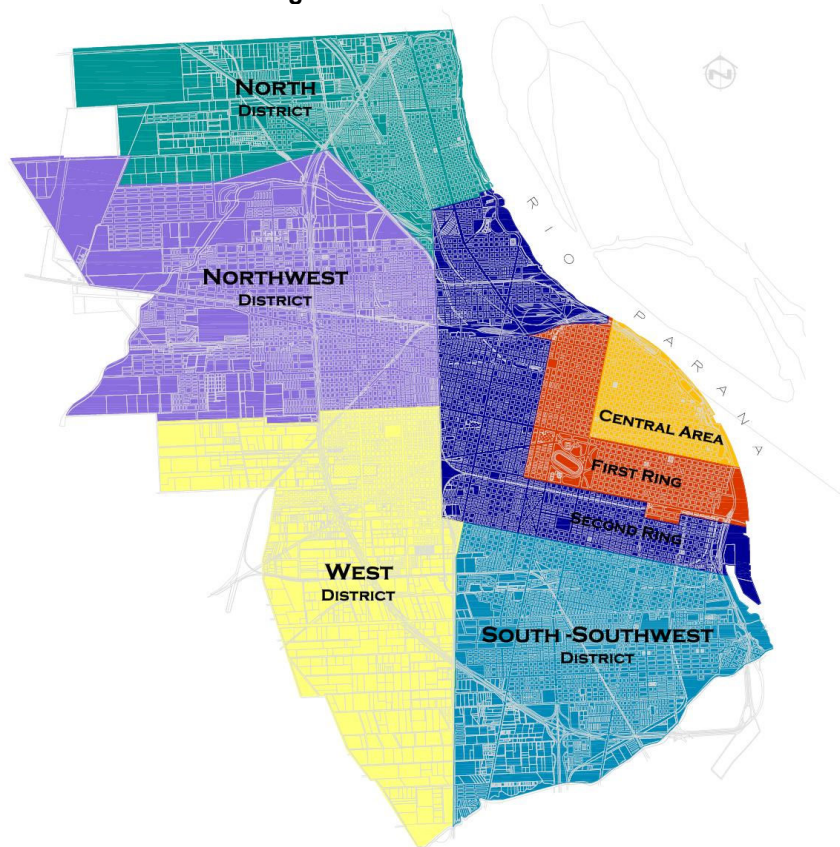
- a- **Special building agreements**, used only in the central area for those small buildings which exceed the established maximum height, on condition that the new building be adapted with the existing surrounding (basically in order to hide high party walls). They are, generally, slight interventions in bigger than an average medium plots (as a result of it, the annexation of lots appears like the unique way to make possible the development of this type of projects). The tallest heights to reach above the maximum allowed heights are not previously indicated in the regulations.
- b- **Building agreements**, to take advantage of the tallest height, used only in the sectors of the city where the “new urban arrangement” has already been approved. They are, generally, slight interventions in regular and small dimension plots. The tallest heights being able to reach above the allowed heights are also indicated in the same regulation.

- c- **Urban agreements of great urban projects**, referred to new urbanizations on the Western periphery of the city or to urban renewal operations in former railroad or port areas in the East Side.
- d- **Urban agreements of plot adequacy**, referred to the resizing of large plots on the periphery, where the street opening has not yet been carried out.

The new urban arrangement in Rosario

At the end of 2006, the Rosario Municipality started a revision process of the current Urban Code in order to replace it progressively so as to formulate proposals of a new urban arrangement for various sectors of the city: the central area, the first and second ring to the central area, and the North, Northwest, West, Southwest and South Districts. (See Map N° 1)

MAP N° 1: New Urban Arrangement Areas



SOURCE: Done with data of the Municipal Urban Planning Authority

The aims of this new urban arrangement are:

- The definition of building regulation considering: a-the character of the different sectors of the city, and b- the transformation or conservation processes which are intended to protect (protection of sites and buildings, completion of vacant areas, building situation, urban renewal).

- The urban and environmental quality protection of certain characterized areas of the city by means of the reduction of established height.
- The preservation of the neighborhood character in those sectors where the private dwelling prevails, where a considerable private investment in the rehabilitation, conservation and construction has been noticed, in this kind of dwelling.
- Higher building clusters in particular axes or urban avenues and thoroughfares (“urban corridors”).
- The use of new building patterns in particular urban sectors, according to the proposed transformation or conservation policies.
- The drive to plot annexation for developing of special projects which are intended to qualify different urban areas.

This new urban arrangement took place in the most prosperous moment for construction industry, basically due to the capital surplus from the agricultural sector to the real estate sector. That is why urban developers and professional boards fought – and still fight– these rules.

In March 2007, a public hearing was carried out to expose the agreements and disagreements with the new arrangement proposals for the central area and for the first ring. A three-expert jury (city planners from Argentina, Uruguay and Mexico), summarized the opinions and brought forward a series of modifications which, by and large, were accepted by the Municipality. The reformulated proposals were then submitted to the Municipality Council, which issued the Regulation Number 8243 (New Urban Arrangement of the Central Area) and the Regulation Number 8244 (New Urban Arrangement of the First Ring), in March 2008.

The New Urban Arrangement in the Central Area

The New Urban Arrangement in the central area and the first ring, issued in March 2008, considers the use of the plus value capture instrument. The new urban arrangement in the central area defines a unique maximum height for the total sector (23 meters), which is modified in the cases of the denominated “preservation sections” and “completion sections”. In the first case, the definition of “preservation sections” is defined with the purpose of protecting the presence of a heritage building (architectural and historic heritage), establishing a maximum height of 13 meters for them.

In the second case, the definition of “completion sections” is defined with the purpose of completing a street façade between two tall buildings, at the same height as the neighboring buildings, the maximum height being able to reach up to 36 meters.

In this last case, if it is decided to continue building above the established general height, a compensation for urban requalification must be paid, on account of the surface that can be built above that general height.

The New Urban Arrangement in the First Ring

The New Urban Arrangement of the first ring consists of defining areas that will have a homogeneous construction (areas of 19, 13 and 10 meters high). Beyond these areas, a taller height in the denominated “urban corridors” is allowed (avenues, boulevards,

park fronts), depending on the category of the urban corridor (36, 30 and 19 meters high).

This building permission in the thoroughfares, with a taller height than the one allowed in the areas, implies a compensation payment for urban requalification, on account of the surface that may be built above the established height in the area.

The price of the square meter built with which the compensation payment is calculated is also established in the corresponding New Urban Arrangement and the Ring regulations.

The amounts and the sites of the plus value capture

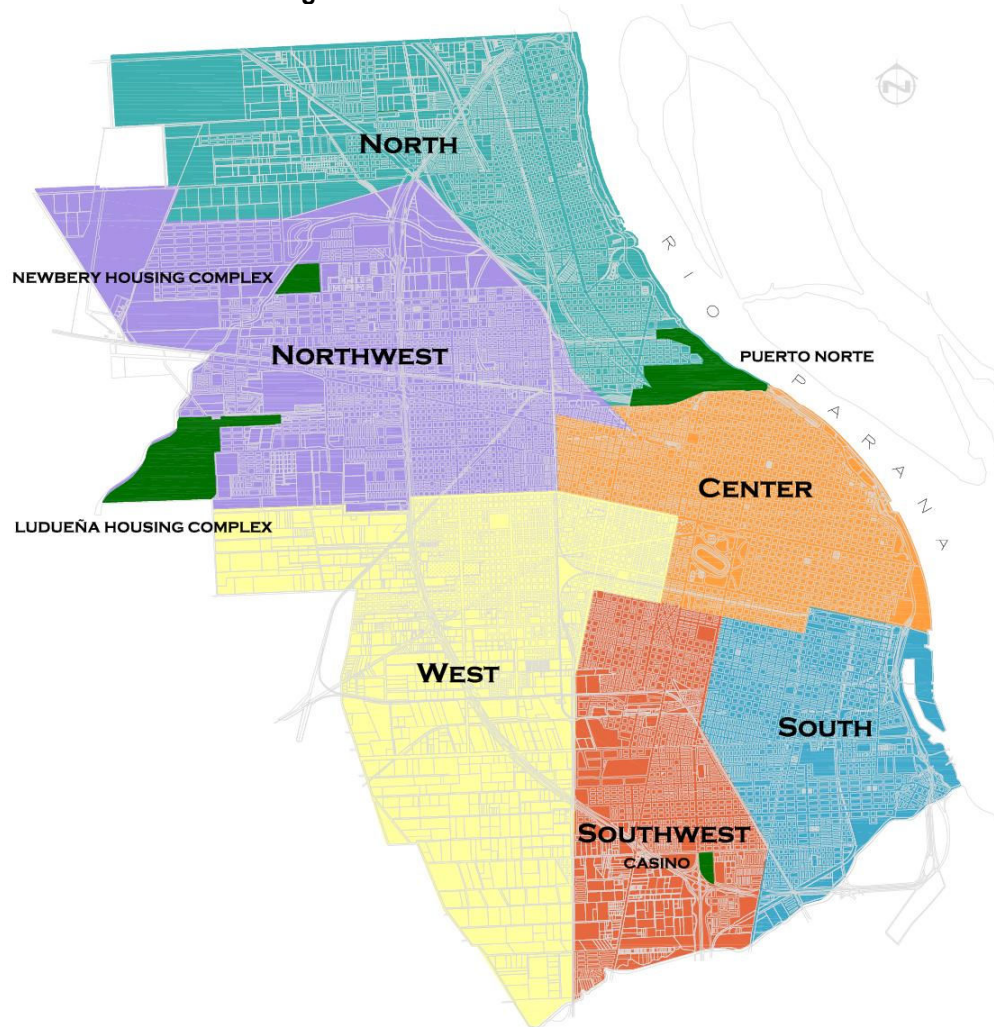
According with the different agreements signed between the Rosario Municipality and urban developers, the former will receive an amount of USD 56,345,417.-. The most percentage of these amounts corresponds to the urban agreements of great urban projects, which contribute with the 96% of the total. The rest corresponds to the special building agreements (2%) and, in equal parts, to the building agreements for the profiting of taller height, and to urban agreements for plot adequacy.

The great urban projects

These great urban projects correspond to four sites of the city (See Map N° 2):

- Puerto Norte (North Port), on the Paraná River and to the north of the central area, in former railroad and port areas (six projects of urban renewal which involve the developing of housing, shops, offices, hotels and parking).
- Ludueña Housing Complex, in the western end of the city, on the Ludueña Creek shore (one new urbanization project mainly devoted to gated neighborhoods).
- Wilde and Newbery Housing Complex, in the western part of the city, also close to the Ludueña Creek shore (one new urbanization project).
- Rosario Casino, in the southern main gate of the city (Rosario-Buenos Aires Highway (one new construction project: casino, hotel, shopping mall and convention center).

MAP N° 2: New Urban Arrangement Areas



SOURCE: Done with data of Municipal Urban Planning Authority

The six Puerto Norte (North Port) projects are the ones that contribute the most, with regard to compensations (approximately the two-thirds of the total). The next are the new urbanization project of Ludueña Housing Complex, the Casino project, and lastly, Wilde and Newbery Housing Complex project.

Puerto Norte (North Port)

Puerto Norte is one of the most representative sites of the Rosario urban transformation (together with building renovation/substitution in the central area). The urban transformation highlighted by daily press always and also by specialized journals. (See Map N° 3)

agreements”, which allowed starting such constructions. In those agreements it is established which will be the reward that the developer will have to make, on account of compensation for the greater obtained benefits.

The development project for the land of public property must yet be finished to be approved. Great surfaces for green spaces are also gained with this project. It is the commitment of the national state to invest the obtained amounts of money for the land sales in works of restructuration of the city railroad network.

For the six projects (See Map N° 4) which are currently been executed in the sector of the city known as Puerto Norte (the former city port facilities), the Municipality will receive the following amounts of money (data from Municipal Urban Planning Authority):

Land Fund	USD 5,393,900
Infrastructure works	USD 12,844,600
Public spaces	USD 17,514,400

MAP N° 4: Puerto Norte. The sites of projects under construction and to start



SOURCE: Municipal Urban Planning Authority

The first two amounts of money correspond to established obligations in the Regulation of Urbanization; the third one corresponds to the plus value recovery.

The infrastructure projects are developed in the same sites as the projects are, and they correspond to necessary projects to service supply (gas, electricity, water, drainage), and to complete the Coast Avenue), started by the Municipality several years ago.

The Land Fund is assigned to the land purchase for the construction of social housing. Until May, 2010, only USD 1,652,800 were received in such concept (roughly one-third of the total; the other two-thirds are still in process. Part of such amount was assigned to the purchase of 21 hectares in the city Southwest District, where social housing will be built.

The amount corresponding to public spaces are also invested in the public spaces project that the Municipality is preparing for a surface of approximately 14 hectares, which the developers render in concept of plus value recovery.

Ludueña Housing Complex

The Ludueña Housing Complex encompasses a surface of approximately 200 hectares in the west end of the city, on the Ludueña Creek) border, and near the Jockey Club, where a series of gated neighborhoods and traditional urbanizations will be carried out. The reward the developer must pay is already mentioned in the Decree Number 3138/05, where the developer's obligations are established, which is countersigned, one month later, in the Regulation Number 7932/05, which approves The Ludueña Housing Complex Space Plan.

The first article of the decree attachment refers to the "reward assessment" and it is established that the urban developer assumes a series of "complementary demands", which are defined after special studies carried out by the Municipal Planning Authority. These studies tend to assess the benefits that the development of this particular project represents. The same refer mainly to the modification of official outlines, to the reduction of the lot sizes, to the incorporation of new dwelling patterns, and to the strategic location of the public park. These studies establish that the rewards the urban developer will have to carry out represent an equivalent value of 14,5 hectares, rated on the date of the signing of such agreement.

The hectare value refers to the site where the lot to be urbanized is located. That amount is equivalent to 55 paved squares, which is the other measure unit that the Municipality uses to establish the amounts, without having to update them when the urban developer pays such amount. That amount corresponds to the following projects the urban developer will have to carry out:

- West District Square, across from the West Municipal District Center, located in the surroundings of the irregular settlement known as Villa Banana, one of the most neglected sectors of the city.
- Ludueña Housing Complex Equipment, on the creek shore.
- Street paving in the urbanization surroundings.
- Infrastructures: sewers, which serve not only for the new urbanization, but also for the sector where this service is both available and unavailable.

In the Regulation Number 7932/05, it is established, besides, the obligations that correspond for the Urbanization Regulation and the deadlines to completion. Some of these obligations, deadlines and the reward concept projects are then modified by the Regulation Number 8432/09. Such modification is the result of negotiations for the construction of a grass hockey field before the 2010 International Championship. Thus, due to the construction of the grass hockey field, which starts to be part of the municipal control, some obligations must change. In a few words, the obligations the urban developer assumes are as follows:

- Construction of a grass hockey field
- Infrastructure projects and street openings

- Infrastructure projects and street openings in the arrangement of an irregular settlement
- Children square
- Social Promotion Center
- Ludueña Creek sewage system
- Public housing project competition
- Public Park on the Ludueña creek (19 hectares).

First conclusions

The execution of the plus value capture instruments is very recent, and the results are yet to be examined. The amounts of money the Municipality must receive in concepts of such rewards, just a small part has effectively been received, and the rest of it is still in process, since the most part of the projects which have been analyzed have been started recently. Anyway, some considerations about the results of its execution can be done:

The state, through its public projects, (being on either road system or on new parks), has always been the one that has contributed with the real estate valuation, by stimulating the building renewal of sectors of the city, and consequently, the performance of profitable real estate deals.

The adopted modality for Puerto Norte projects implies a change in this logic: the public space construction is under the developer's supervision who, besides, must donate the necessary lands for those public spaces. Thus, the city gains new parks and promenades and the Municipality continues with a project to guarantee the public access to the coast and to transform the river front into a multifunctional park. However, it is about investments in the same site, which add an extra value to the developers' project.

The aim of the use of instruments such as the plus value capture is to distribute the benefits of the real estate activity equally; therefore, the money incomes should be assigned to the poorest sectors of the city. The purchase of lands, which will be rendered for the social housing construction, is a decision which is included in this principle of promoting a more equal development in the city. In such a way, this process is carried out with the funds received by the Urbanization Regulation, and not for the compensation instruments (plus value capture). It should be guaranteed that a part of the reward funds be invested on the public space construction on other sectors of the city different from the project site. The Municipality should guarantee the construction of similar quality public spaces in different sectors of the city.

In the Ludueña Housing Complex, part of the obligations the developer assumes consists of the construction of public place in other sectors of the city. In this case, in the heart of one of the most neglected sectors of the city, where the Municipality has already built a District Center. Notwithstanding, in view of counting with a new grass hockey field, and of guaranteeing that Rosario be the 2010 Hockey World Cup Center, some obligations have been changed, on condition that the developer is in charge of the new sports facility construction, in the same project site. This way, the new square

in Villa Banana will not be built, at least with the funds which arise from the plus value capture of this urbanization project.

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