



The governance of land use

How land is used makes the difference between places where commuting is lengthy and onerous, city centres are unappealing and empty, housing is unaffordable, and natural amenities are scarce, to those with a high quality of life and wellbeing for residents.

About the OECD's work on land use governance

In order to develop effective policies to improve the governance of land use, the OECD has embarked on a research project involving large-scale data collection along with in-depths case studies. The results of this effort will be presented in a forthcoming thematic publication.

The OECD plans to undertake further land use case studies in co-operation with interested national, regional and local governments. For more information contact:

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Land use determines important environmental, social, and economic outcomes

Land use matters for many of the most important policy questions of our time. It is a critical factor for environmental sustainability; it affects CO₂ emissions and biodiversity. Land use also has consequences for public health, for example by influencing air pollution and determining whether cities are walkable. Land and the buildings on it constitute by far the most important share of wealth in the OECD. They make up 86% of the total capital stock, roughly evenly split between land and property—its value corresponds to a staggering 249 trillion US dollars.

A broader range of policies should be used to influence land use

Land use planning restricts how land can be used, but it does not affect the incentives that individuals and businesses have to use land. Other policies, such as tax policies, can provide these incentives and should be used more actively to steer land use. For example, taxes on car use make it more expensive to live far away from one's place of work. They encourage compact development and help to prevent urban sprawl.

Fiscal systems should provide the right incentives for local land use planning

It is not only individuals and businesses that respond to incentives for land use. Local governments do as well. If local governments receive a large share of their tax revenues from one type of development (e.g. commercial), they are likely to favour it in their planning policies. Likewise, if the development of land creates costs but no benefits for local governments, they are likely to prohibit most of it (e.g. affordable housing). National governments should take these incentives into account when designing their fiscal and land use planning systems. Otherwise, misguided incentives may cause local governments to pursue planning policies that lead to rising housing costs or suburban sprawl.

Historical zones and fragile ecosystems demand stringent regulations. But in many other spaces, more flexible planning instruments can help transform areas towards new, more efficient and innovative uses.



Housing blocks in Lodz, Poland—one of the case study cities.

Very little densification has taken place in most of the OECD in recent years and land use restrictions frequently make densification impossible. Neighbourhoods that were once in the outskirts of cities have become part of urban cores due to growing populations, but still have low densities.

More flexible approaches to planning are needed

The traditional statutory instruments of land use planning can take a long time to elaborate and even longer to effect change. They may also foster inefficient land uses and leave little scope for community and market driven land use patterns to emerge. More flexible approaches can be timelier and more responsive to new challenges. While they are not possible in all areas and should not come at the expense of forsaking important spatial objectives such as environmental protection, they can make planning more responsive in many areas. For example, moving away from single-use zoning to more adaptable, nuisance-based zoning regulation makes planning more flexible and encourages mixed-use developments, but can still ensure that core spatial objectives are met.

Land use regulation should not cause rising housing costs

Housing costs in many OECD countries have risen greatly in the past two decades. Restrictive land use regulations can be a major cause for this increase if they prevent sufficient new housing to be constructed for growing populations. To keep cities affordable for low- and middle-income families, land use regulations should ensure that housing construction can keep pace with population growth. For this reason, land use regulations should encourage densification especially in low-density areas close city centres as well as along public transport corridors. Urban growth boundaries should be adjusted in response to growing populations. If housing is built on greenfield sites, it should be compact and transport oriented.

Greater integration of sectoral policies is necessary

Housing, transportation, energy, water, agriculture, tourism, and economic development—all of these sectors have demands on land and affect how it is used. This presents a complex governance challenge between sectors, but also across levels of government since many sectoral issues are divided between national, regional and local governments.