URBAN LAND MANAGEMENT FOR SUSTAINABLE DEVELOPMENT IN RIYADH, KSA

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Acknowledgement

This research was commissioned by the Ministry of Municipal and Rural Affairs as a part of World Bank advisory.

Results were initially presented at the *Saudi Urban Forum*, Riyadh March 29-31, 2016.
Central concerns with urbanization in Riyadh

1. Riyadh expands outward, at low densities and in a highly fragmented manner (“sprawl”), with large amounts of vacant land throughout the city.

2. Sprawling development undermines the **FISCAL**, **ECONOMIC** and **SOCIAL** sustainability of the city.

3. Sprawl continues despite government attempts to contain it with urban development boundaries.

4. Access to urban land for economic development and affordable housing is limited.
Methodology: holistic

» Analysis of spatial data for Riyadh

» Comparative analysis of density and fragmentation of 12 international cities

» Interviews with government officials and representatives of the private sector

» Analysis of documents, Riyadh real estate market data, and international literature
KEY FINDINGS:
sprawl and its true costs
Riyadh has been growing as a low-density and fragmented city

» It has the lowest density in the sample of 12 cities

» It is 3 to 4 times more fragmented than the cities with comparable density (Paris, Frankfurt, Lima)

» Land area is similar to Seoul, which has 5 times the population
Government attempts to contain development with urban boundaries have not reduced sprawl

Urban boundaries, intended to limit development, are based on very high land consumption norms.

» If all this land were built up, in 2030 the average density would be as low as 25.3 persons per hectare

The growth of city territory will outpace population growth:

» In the next fifteen years the population will grow 25%, but the urban area will grow 31%

by 2030: 3,127 km²
Subdivision approvals are not coordinated with urban boundaries or infrastructure.

Transportation, water and sewer coverage lag far behind subdivision approvals.

Developers face high uncertainty about when—and which—infrastructure will be extended to their projects.
Low-density, fragmented development ("sprawl") erodes the city’s long-term sustainability: fiscal, economic, and social.
The full cost of sprawl is not incorporated in locational decisions for land allocation, subdivision approvals or other public investments.

Institutional fragmentation also leads to unnecessary extra costs through uncoordinated infrastructure investment.

» Cut-and-cover construction results in a 35% cost increase for water and sewer pipelines, and 85-90% for electricity.

» In Makkah, certain road segments were cut and repaved as often as 3x/year.
Sprawling development is caused by a complex mix of factors

» Land-use rules favor low-densities

» Location decisions about government-supported projects are made without accounting for the full cost of infrastructure

» These costs constitute a hidden subsidy

» Government consumes valuable land in good locations for low-density uses

» There are insufficient incentives for major landholders to develop vacant land in central locations – holding land is free of cost
There are **five major holders** of vacant or underutilized land in Riyadh:

» **Government entities**, an estimated 60% of the city territory

» **Real estate developers**, for whom development is not financially viable due to: low permitted densities, uncertainty of off-site infrastructure, high development and transaction costs

» **Land investors**, sometimes called “speculators”

» **Recipients of land plots for housing**, waiting for infrastructure and services to be provided

» **Landholders with unclear or disputed ownership**
An auction of **72 parcels** in September 2015 produced **330 million SAR**, enough for 32 km of trunk infrastructure.

The Air Force base in the central city comprises as much as 1,429 hectares.

- If only **500 hectares** were released at auction for development, it could generate over **28.4 billion SAR** in revenues (at 2015 prices).
- The remaining land could be put to public use or sold at subsidized prices for social purposes.
IS LAND TOO EXPENSIVE IN RIYADH?

Land cost is NOT the central factor for housing affordability in Riyadh.

Land accounts for less than half the cost of housing in the city.

CONCLUSIONS

» The current low density, fragmented pattern of Riyadh’s spatial development is not sustainable financially, economically, or socially.

» Despite the enormous government investment in urban infrastructure, geographical coverage chronically lags behind “runaway” land development.

» Given that the sprawl is caused by a complex mix of intertwined factors, addressing it requires a comprehensive package of well-coordinated and targeted regulatory and financial policies, tools, and positive incentives.

» The white land fee alone would not be sufficient to unlock vacant land and address sprawl.
CONCLUSIONS, cont’d

» No single ministry can curtail sprawl on its own. Effective inter-agency cooperation is needed.

» Government-owned land is a highly valuable urban resource, but its strategic whole-of-government management is lacking.

» Decisions made today about spatial development patterns will impact the urban form for generations to come.

» The task of moving Riyadh’s urban development toward a more sustainable path has sense of urgency.
POSSIBLE SOLUTIONS:
International experiences and applications in KSA
International Experiences

There are several common instruments used in OECD countries and beyond to manage urban land:

- Fiscal policies
- Regulatory instruments
- Positive incentives
- Targeted public investment
- Public-private partnerships

International Experiences
Applications in KSA

Create clear spatial strategies, make them legally binding, implement them

Spatial strategies should promote efficient and sustainable development

At the city level, spatial strategies should include three key components:

1. Land regulation
2. Management of government land
3. Infrastructure: location and capital investment planning
Land Regulation

- Priority policies and actions targeting public entities & private developers
- Encourage mixed uses and higher density and in central areas and transit nodes
- Mobilize vacant land in priority areas with density bonuses and strategic infrastructure investments
- Take action to resolve land ownership issues on a mass scale

Gov’t Land Management

- Require full cost estimates of off-site infrastructure for all publicly-supported development projects and land allocations
- Develop a government-wide strategy & plan to manage publicly-owned land

Infrastructure Lifetime Cost Management

- Estimate infrastructure costs at the urban planning stage
- Monitor actual costs of building, operating, & maintaining infrastructure by sector and geography
- Gradually increase tariffs toward cost recovery for operating and maintenance (at minimum)

Infrastructure Prioritization & Coordination

- Investment first in more central locations
- Make infrastructure plans known and consistently implemented
- Synchronize infrastructure construction in districts
- Engage the private sector capacity through PPPs

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THANK YOU