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Jamaica: Land Issues in the Urban Sector
An overview of selected structural problems and issues.

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EXECUTIVE SUMMARY

This paper examines recent USAID and Government of Jamaica (GOJ) activities in selected areas related to land policy, and offers potential avenues of exploration which the USAID/RHUDO might undertake as a catalyst for future land reform programs.

The two principal sections of the paper are:

Section 1: Land Interests in Jamaica

Section 2: Issues leading to potential Intervention Strategies

In the first section some basic data is presented on land ownership, land management, land titling, taxation through property and transfer taxes, physical planning and the recent formation of a GOJ National Land Policy Committee (NLPC), land pricing, informal uses of land and land information systems. The data is taken from recent papers prepared by and for the RHUDO, from memos prepared by subcommittees of the NLPC, from interviews conducted in September 1991 with USAID officials in Jamaica and with key officials in MOC(H), the NLPC, the Ministry of Agriculture and the Inter-American Development Bank.

In this data review we note:

- The lack of a reliable source of data concerning public land holdings.
- The activities to date of the NLPC.
- The backlog in land titling from numerous settlement programs.
- Inefficiencies and delays in assessing land values and in collecting annual property taxes.
- The high rate of Land Transfer Taxation and the potential for mis-reporting land sales.
- A continuing decline of the Town Planning functions and efforts of NLPC to create alternative systems for coordinating land policy.
- Differing ministerial policies for acquiring and disposing of land.
- Informal uses of land, especially squatting.
- Recent efforts at creating land information systems

The second section of this paper deals with selected issues raised by the data and examines intervention strategies in the areas of:

- The Impact of Titled Land on Development
- Land Taxation
- Recoupment of Infrastructure Costs
- Affordable Housing: Supply and Demand
- Land Information Systems
- Development and Building Standards
- Land as an Economic Asset

In Section 2.1 (**Impact of Titled Land on Development**) we argue that very little capital formation is likely to result from the process of issuing titles to 250,000 currently untitled properties. The potential for capital formation in the form of loans using titled property as collateral is limited by two principal factors: (a) these properties are generally of very low value (less than \$4000) and thus cannot sustain large loans, and (b) these properties appear to be mainly rural, with limited potential for investment or value-enhancement in terms of construction/development. We suggest a program for testing this hypothesis, by comparing selected groups of titled and untitled land in various categories of value and location.

In Section 2.2 (**Land Taxation**) we summarize two papers in the recent Lincoln Institute of Land Policy on the Jamaican Tax System, which pertain to land taxes, and note that land transfer taxes appear to be relatively major source of GOJ revenue compared to annual property taxes which are ineffectively assessed and collected. Additionally, such a system appears to be inequitable in terms of the heavy burden placed on a few by the land transfer tax, compared to the negligible burden placed on the majority of land-owners by (often delinquent) annual property tax collections. We believe this may be a cause of the current stagnation in private development and land markets.

Jamaica's system of taxing only the unimproved value of land was originally intended to encourage subdivision and development. We observe from other data that this may have already taken place.

In Section 2.3 (**Recoupment of Infrastructure Costs**) we note that several attempts to collect betterment taxes to cover the costs of public improvements have failed. However recoupment of such costs may be achieved if government agencies acquire additional land surrounding the improvements, which may then be resold at a profit. The MOC(H) 'Land Mobilization' program may be an effective way to do this, as well as attracting private developers into the low-cost housing field.

In Section 2.4 (**Affordable Housing Supply and Demand**) we note that there appears to be no reliable assessment of whether the supply of affordable housing (through HG and other programs) has been keeping pace with demand as evidenced by squatting and urban overcrowding.

In Section 2.5 (**Centralization vs Decentralization of Land-related Activities**) we tie together conclusions from recent USAID papers on urban environmental issues and an assessment of local government strengths and weaknesses which argue for decentralization of certain central government functions. This would appear to be most feasible in the case of functions such as Land Titling, Surveying and Tax Collection which can be linked to a central records source. Local governments are charged with responsibilities for land policy (e.g. development and building permits) under the constitution, but are effectively hampered from doing so by their inability to collect local taxes to cover the costs of carrying out these responsibilities. In line with suggestions by NLPC we believe Development Orders could eventually be prepared locally (perhaps by each county, plus KSA). In any event such de-centralization should not impose an additional layer of

bureaucracy, but merely shift centralized decision-making to the local level.

We suggest USAID support of a pilot program in this area

In Section 2.6 (**Land Information Systems**) we suggest that USAID should closely monitor current efforts by the IDB, NLPC and others to create Land Information systems and undertake cadastral surveys. In view of the potentially enormous costs and disappointing previous experiences, such investments should be very carefully controlled. One negative effect of a national cadastral survey at this point would be to overload the land titling and courts systems with boundary adjudication cases.

In Section 2.7 (**Development and Building Standards**) we report on efforts by NLPC to produce revised (lower) standards suited to affordable housing. We also note opposition to this from the Town Planning Dept. and MOC(H). By contrast, 4,800 'hurricane homes' were built in the aftermath of Hurricane Gilbert to substantially lower standards. Rather than deteriorating as predicted they have been upgraded in ingenious ways by their owners. We suggest that local determination of development standards might result in healthy competition between parishes to attract private investment.

In Section 2.8 (**Land as an Economic Asset**) we summarize the financial and administrative costs of taking raw land to full development, which may be inhibiting private developers from becoming involved in low-cost housing. GOJ can intervene by subsidizing the cost of raw land from its own inventory, but it appears that this inventory is dwindling. The issue revolves around marketing GOJ land at full value as an economic asset (UDC's approach) versus writing down land value as a means of encouraging housing as a social asset.

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BACKGROUND

Land is functional component of virtually every aspect of the social and economic activities of a community, whether it be a neighborhood, an urban region or a nation. It is an integral part of a broad spectrum of policies relating to land use, housing, transportation, infrastructure, employment, the environment, community services, or taxation to support these services. Land policies for a community of any size are typically determined through a comprehensive analysis and planning process, variously styled "comprehensive planning", "master planning", "structure planning" or in Jamaica's case "Development Orders".

The opportunities for public input to this process are often a measure of the level of democratization of a governmental system. Jamaica's system, patterned on that of Britain's inter-war years, permits few opportunities for local involvement, leaving broad discretionary powers to the Town and Country Planning Department. Democratic control is wielded largely through parliamentary action in terms of national land policies and laws, with very little opportunity for subsequent local implementational judgement at the county or parish level. In a sense, this 'top-down' approach to land policy is reminiscent of that of a centrally-planned economy; there is almost no local initiative or competition to attract private investment in the sense that counties or states in the United States compete for development and investment. Neighborhood action groups dealing with community development issues are rare in Jamaica, with the result that almost every land-related issue we deal with in this paper is a national issue, and every problem and solution must be approached through a parliamentary reform.

This paper can in no sense be considered comprehensive. In fact the title permits discussion of a broad variety of topics but it is impossible to cover more than few in a paper of this nature. What we have done therefore is to isolate certain aspects of land which in the past have been of some concern during the course of interventional activities by USAID, the World Bank, and other international institutions. All such interventions are related to land policy, but this paper does not presume to present a Land Policy as such.

It is worth stressing at the outset that a comprehensive land policy as expressed through a Development Order has been virtually non-existent in Jamaica for a decade or more. We refer to earlier work by the Urban Institute and others dealing with the demise of the Jamaica Town Planning Department in recent years, and the historic failures of various legal instruments of planning to deal with land policies in anything like a comprehensive manner. It is against this backdrop that GOJ formed a National Land Policy Committee in 1989 to address past systemic failures. It is against this backdrop also that USAID/RHUDO is seeking ways to assist GOJ to put its comprehensive planning and land policy houses back in order.

Section 1

LAND INTERESTS IN JAMAICA

Jamaica comprises approximately 2.7 million acres of land, of which 1.0 million as estimated to be publicly owned. Of this, some 342,000 acres (34%) are Land Settlements, 290,000 acres (29%) are Crown Lands originally owned by the British government or the royal family, and 200,000 acres (20%) are leased for bauxite mining. Less than half of 1% of public land is dedicated to institutional uses such as schools, clinics, parks or governmental functions. Agricultural and urban land settlement programs have effectively passed control of much of what used to be Crown Lands into private hands, although the distinction between public and private here may simply be that new titles have not been issued. As a result most if not all the 342,000 acres of Land Settlement property may have been privatized in all but the long-delayed issuance of legal title. De facto private land ownership may therefore be as high as 2.3 million acres.

1.1 Public Land Management

At least thirty government agencies are expressly concerned with land management and distribution in Jamaica. Seven of these are within the Ministry of Agriculture; three are within the Ministry of Finance and Development; thirteen others are represented by the thirteen parish councils.

Ministry of Agriculture:

- Land Administration (controls public land, prepares valuations and purchases land for GOJ)
- Land Surveys Dept. (surveying and mapping)
- Titles Registry Office (registration and issuance of land titles and recording of mortgages and liens)
- Land Development and Utilization (promotes maximum utilization of large parcels of agricultural land, over 50 acres)
- Production/ Extension Division (provides assistance to rural settlements)
- Rural Physical Planning Unit (planning, demographic and soil surveys)
- Data Bank and Evaluation Branch (data processing)
- Forestry and Soil Conservation Dept.
- Forest Industries Development Branch

Ministry of Finance and Development:

- Land Valuation Division (prepares records of 580,000 parcels for taxation purposes, and basic information for land cadaster)
- Revenue Board (manages records of the Land Valuation Division and collects property taxes)
- Town and Country Planning Dept.(T&CP) (established under the T&CP Act (1957) to consult with local parishes and prepare legal documents, i.e. Development Orders for regulating land use)

In addition, several agencies are related to the Ministry of Construction:

- Ministry of Construction (Housing) maintains a land bank and acts as developer of low- and moderate-income housing as well as upgrading squatter settlements.
- Ministry of Construction (Works) provides and maintains infrastructure.
- Estates Development Company (EDCO), an extension of MOC(H), undertakes land surveys and develops property under contract.
- Sugar Industries Development Authority, provides essentially the same services as EDCO.
- Urban Development Corporation (UDC) is an autonomous agency with powers to buy, sell and develop land on its own account, primarily for economic development such as hotels, offices and employment centers.

Further, the thirteen parish councils themselves own a considerable amount of land (estimated at 1760 parcels) although their land management efforts are limited by a lack of revenue.

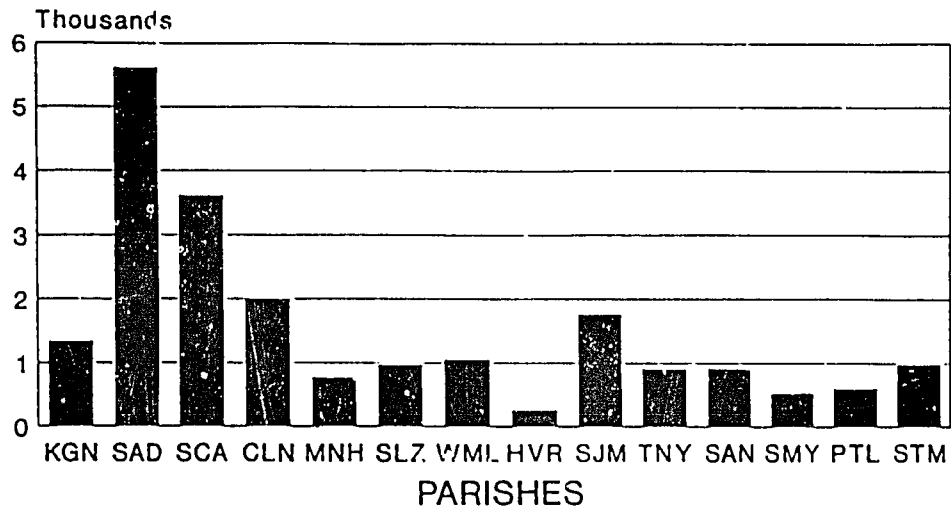
In addition to USAID a number of international agencies are closely involved with various aspects of land development in Jamaica, notably the World Bank (IBRD), the Inter-American Bank (IDB), the Canadian Development Bank (CDB) and the United Nations (UNDP).

1.2 Land Parcelization and Ownership

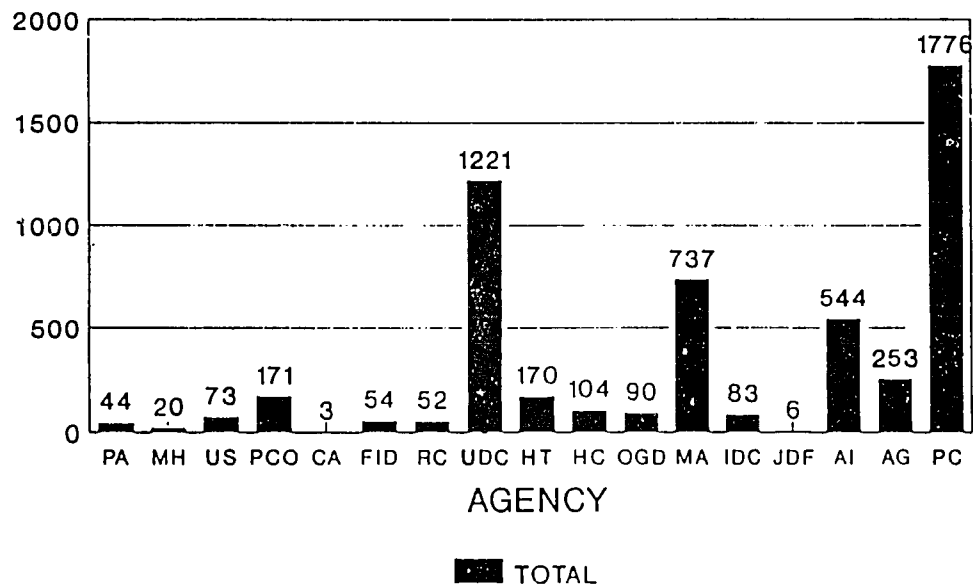
Depending on the data source there are 550,000 or 580,000 discrete parcels of land in the country. Government agencies are reported to own 50,000 parcels according to a recent Revenue Board Report to the National Land Policy Council. It should be noted that there is very little hard data to support these numbers. The IDB Titling Project Paper (10) reports 1 million acres of government-owned land in various categories, most of which have been disposed of to private users but never titled. For example, Settlement Lands (34% of total acreage), Land-Lease properties (10%) and Bauxite lands (20%) are effectively under private control. Thus only 36% (360,000 acres) may actually be government-owned. If these percentages are applied not only to acreages, but also to the estimated total of 50,000 land parcels then only 18,000 parcels may be under GOJ's immediate control. According to a recent survey of ministries by the National Land Policy Council (NLPC) only 5,400 parcels of public land were reportedly controlled by government ministries, with the notable exception of MOC(H) and the Commissioner of Lands (COL) which did not respond. (see Fig 1)

Despite the fact that MOC(H) did not respond to the NLPC survey, the NLPC reports (Fig 2) that MOC(H) owns or controls 15,885 land parcels. However, the MOC(H) Permanent Secretary states that there are 48,000 parcels which nominally belong to the ministry but are awaiting issuance of titles to beneficiaries of earlier housing projects. The apparent inconsistencies in these figures point up the fact that no clearly-defined or uniform criteria have been used to identify the ownership of land and the nature or limitations of such ownership.

GOVERNMENT OWNED LANDS BY PARISHES



GOVERNMENT OWNED LANDS BY AGENCY *



*(EXCLUDES MIN. OF HOUSING 15885 PARCELS)

Fig 1.

Government-Owned Land in Jamaica by Parish and by Agency
(Source: National Land Policy Council survey 1991)

Many land parcels which are said to be MOC(H)-owned are effectively in private ownership from earlier housing and development programs, but are still awaiting the issuance of titles. Interestingly, the USAID Housing Guaranty (HG 13) Implementation Plan (1991-92) states that "The perception [exists] that MOC(H) is in possession of large acreages of unused land which could be made available to private developers... Investigations have shown that MOC(H) inventory of developable land is limited. However, larger portions exist which are under the control of the Commissioner of Lands." This appears to be borne out by the fact that MOC(H) regularly purchases land required for projects such as the Portmore development and recent HG projects.

We conclude that at present no immediately accessible source of reliable data exists concerning land ownership by GOJ. This in itself has implications affecting all of the land-related issues which we discuss here, and particularly the need for a coordinated land information system, as reviewed in sections 1.10 and 2.6.

1.3 National Land Policy Committee

In 1989 GOJ established the National Land Policy Committee, a multi-agency, public/private committee chaired by Ms Jaqueline da Costa (also chair of the T&CP Dept) to review and report on a broad range of land-related issues. Seven subcommittees have reported on the following topics:

- Land resources and Land use policy
- Land information systems
- Land pricing, taxation and incentives for development
- Land acquisition and divestment
- Management of lands, especially government-owned lands
- Environment, conservation and disaster-preparedness
- Land ownership, access and tenure

The main report and recommendations are being written at this time, including identification of 144 laws which the Committee has concluded should be redrafted. It is understood that recommendations will include the formation of a Physical Planning Institute to take over town planning functions. A draft Planning Manual will include a revised set of development and environmental standards, and the report will recommend decentralization of several agency functions to those parishes which are experiencing rapid growth.

1.4 Land Titling

In Jamaica land titling is a cumbersome process often taking 2 -3 years, although by payment of attorneys' fees it is possible to obtain a title in 5 -6 months. Land titling is currently of concern to USAID because of the need to issue titles to beneficiaries of HG projects and agricultural programs. A UNDP/IDB program is also attempting to issue titles to recipients of World

Bank agricultural subdivisions from the 1970's. There is a question as to whether a lack of title is an impediment to the improvement of either agricultural or urban land, and whether the absence of collateral in the form of a secure property title inhibits the flow of capital in the form of loans from financial institutions.

It is believed that the delay in issuing titles is a contributing factor to the reluctance of private developers to enter the affordable housing market.

Stanfield (7) estimates that of the 550,000 land parcels in the country 200,000 are untitled. He then proceeds to calculate that the number may be closer to 250,000. The Permanent Secretary of MOC(H) has stated that 48,000 parcels from earlier housing programs (including HG) have not yet been titled.

The UNDP/IDB Land Titling Program (JA-0030) commenced in 1988. It is designed to streamline and computerize the titling process down to 2 - 4 months; however the program itself is 3 years behind schedule. The program intends to issue 12,000 titles in Phase I. A further 24,000 properties will then still await titling from earlier World Bank agricultural programs.

USAID Action Plan (FY 1991-92) outlines a project component to provide policy and technical assistance to review and rewrite laws especially on land titling.

1.5 Land Taxation: Property Taxes and Transfer Taxes

Property taxation in Jamaica is nominally based on the unimproved value of land under a system adopted in 1956, following a British High Commission report in 1944. There are arguments for and against using unimproved land value as the basis for taxation, as well as for using improved land value as is the case in most developed countries. In Section V of "The Jamaican Reform", the final report of a study conducted for USAID by the Lincoln Institute of Land Policy, Holland and Follain (17B) argue for retaining this system due to its simplicity and because it theoretically encourages development and subdivision. The Land Pricing and Taxation subcommittee report to the National Land Policy Committee (18A) also supports this view. Property taxes are applied progressively - at a higher rate for more valuable properties - with a flat fee of \$5 for property worth less than \$2,000. The progressive tax was intended to force large idle landholdings into active use, and to encourage subdivision. This may have already occurred since only 1% of agricultural properties are currently valued over the top rate category of \$50,000, and only 2% of residential properties are above this figure. Holland and Follain report that 330,000 properties (60% of the total) are valued at less than \$4,000. They also argue for a change to a flat tax rate and a higher flat fee for the lowest value properties. The Land Pricing and Taxation committee supports the latter but is silent on the former.

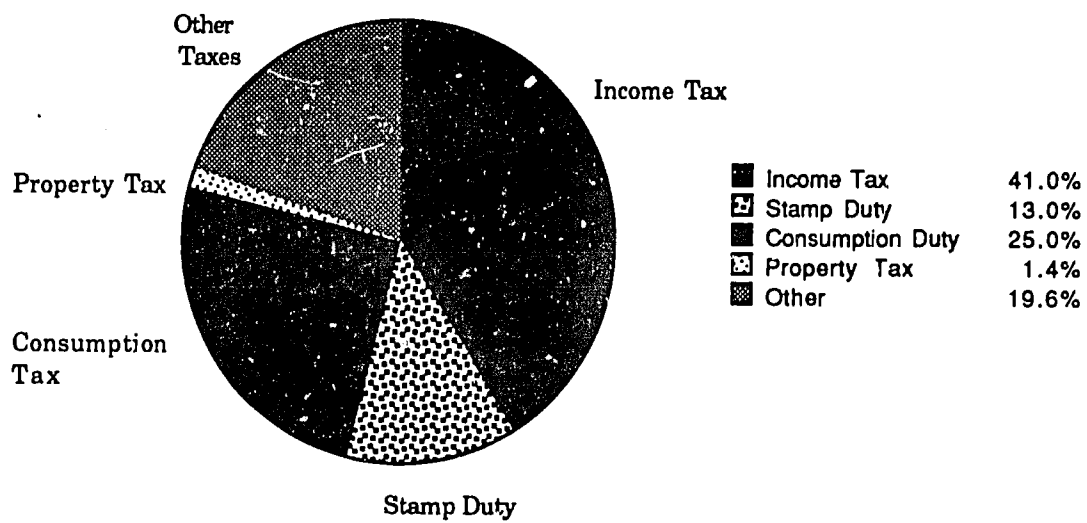


Figure 2

Government of Jamaica Revenue Sources FY 1988 - 89

Source: Economic and Social Survey Planning Institute of Jamaica

Maintaining the tax rolls and updating property valuations is the responsibility of the Revenue Board. The first island-wide valuation took 18 years to produce (1956 - 74). At that time property taxes raised \$24 million, or 5% of total GOJ revenues. In 1983 a revaluation was started; it was completed in 1990 but has not yet been applied. In FY 1989 property taxes raised only 1.4% of total GOJ revenues (see Fig 2).

Property tax collections are typically in arrears and only 60% of assessments are actually collected each year. In the Jamaican Tax Reform, Section V, Holland (17A) estimates that total cumulative arrears may amount to 250% of annual assessments. Total annual assessments for the island are currently \$37 million, of which Kingston/ St Andrews (KSA) accounts for 54%. "Urban" land accounts for 68% of property tax liability, while "rural" land accounts for 24%. However an accounting problem arises because 35% of the parcels in the land valuation rolls have no land-use classification.

1.6 Transfer and Stamp Taxes

Property Transfer Taxes, introduced in 1971, and Stamp Taxes are currently set at 7.5% and 5.5% of sales price respectively, with an exemption from Transfer Taxes for properties valued at less than \$133,000. These two taxes accounted for 13% of total GOJ revenues in 1989 (see Fig.2). Relatively high taxation rates are likely to engender widespread misreporting of land sales prices, or even non-reporting of land sales, thus distorting the market and further exacerbating the problems which arise from incorrect titling of land.

1.7 Physical Planning

Between 1987 and 1989 the Urban Institute undertook an assessment of the Jamaica Town Planning Department's operations and outputs. Their report, published as "Improving Jamaica's Land Regulations and Processing Systems" (14) by Kingsley, Olsen and Telgarsky noted that problems at the Town Planning Department had reached 'crisis proportions', with a dramatic loss of qualified staff and paralysis in the production of plans and development orders. Key development orders are 20 years out of date and at least 50% of new housing is currently being built without formal approval, due to onerous processing procedures and extended review times. Kingsley's recommendations resulted in cabinet-level agreement that systematic changes were justified, and in 1989 the National Land Policy Committee was formed, charged with a comprehensive reassessment of all land issues. Among the recommendations of the Land Resources and Land Policy subcommittee are likely to be the following:

- Establishment of a National Physical Planning Institute to replace the Town Planning Department.
- Devolution of certain planning powers to the local level.
- Publication of a revised Land Development Standards Manual
- Proposed reforms to the legal basis for planning, to mandate timely production of plans and development orders, and processing of planning applications.

1.8 Land Disposition Policies

There appear to be three distinct GOJ policies regarding the disposition of government-owned lands: (i) The Crown Property (Vesting) Act, Section 4, subsection 3 favors the retention of Crown Lands by the Commissioner of Lands (COL) as a non-reproducible asset. (ii) However, subsection 2 of the same section provides for the active divestiture of land by COL to MOC(H) for the express purpose of developing housing. (iii) The Urban Development Corporation (UDC) Act on the other hand, encourages the government's active involvement in creating a land market in the interest of maximizing returns to GOJ from real estate development.

The National Land Policy subcommittee on Land Pricing and Taxation acknowledged that the various socio-economic functions of different government agencies will always result in different land pricing strategies. They did however recommend that all lands should continue to be valued and assessed for property taxes, except for Crown Lands.

Recent interest in creating a National Parks system as part of the government's environmental protection strategy would seem to add a fourth important pricing strategy to those outlined above. Several areas are under discussion for national park status:

- Blue Mountain (200,000 acres)
- Cockpit (100,000 acres)
- Portland/Hellshire (25,000 acres)
- A marine reef off Montego Bay

The effects of this program might be to effectively remove 10 - 15% of the nation's land resources from consideration for rural settlements and development, although not necessarily from agricultural use.

1.9 Informal Uses of Land

The informal use of land in Jamaica, as elsewhere, reflects a failure of formal institutions (both public and private) to provide an adequate supply of appropriately located and serviced land to satisfy the demand from the social and economic sectors. Urban land is perceived as being unaffordable and/or risky for low-income housing due to its scarcity, high interest rates, high carrying costs, delays in obtaining planning approvals and titles, inappropriate development standards, and the deleterious effects of blight in both the infrastructure and the environment.

Both the government and the private sector have increasingly shunned urban sites for affordable housing, as evidenced by the location pattern of USAID/HG sites scattered across the island. There appears to be no overall strategy toward for the location of low-income housing. Land is acquired as and where it becomes available at an affordable price, and land on the urban fringe is becoming increasingly expensive at \$8,000 to \$11,000 for a 1500 - 2000 sq ft plot. (see Section 2.8)

At present there appears to be no data to show whether the formal supply of land is keeping pace with the informal sector's demands from overcrowded neighborhoods and squatter communities. Indeed with the decline of Town Planning as a formal governmental policy function (see section 1.7) there is no strategic plan for the location and supply of appropriate land for *formal* land-use purposes, let alone for acknowledging the demand from the informal sector.

1.10 Land Information Systems

Several agencies have expressed an interest in a computerized Land Information System. They include the IDB Land Titling Project (1988), UNDP Land Information Project (1989), USAID/MOC(H) Land Inventory (1988-90). Additional proposals for assistance in developing land information systems have been prepared by various agencies. The Land Valuation Division, Revenue Board, Town Planning Department, MOC(H), and the Rural Physical Planning Unit all have some form of computerized records, but there is currently no uniform coding system or means of interlinking systems to access data. The Land Information Council (LIC) has been established to coordinate the systems in these and other agencies. They plan a national cadastral survey as well as the formation of a National Land Information Systems Unit to interlink agency data.

The IDB Titling Project will provide for computerization of records in the Land Titles Office, as well as an initial cadastral survey. A national Land Asset Management system has also been proposed to identify all government-owned lands and show the status of development, location, environmental characteristics and planned uses for each parcel. A land sales data bank has also been proposed by the National Land Policy Committee to record all land sales, particularly in the KMA market.

Section 2

ISSUES AND POTENTIAL INTERVENTION STRATEGIES

2.1 Impact of Titled Land on Development

Stanfield (7) postulates the theory that titled land is an essential prerequisite for capital investment because lending institutions will not recognize untitled land as collateral for loans or mortgages. Further, he argues that substantial development capital will begin to flow if the 250,000 untitled properties can be properly titled and used as collateral.

Holland and Follain (17B) estimate that 330,000 properties are valued at less than \$4,000, so the average value of these properties is likely to be considerably less than \$4,000. It seems likely that the 250,000 untitled properties comprise a substantial portion of these low-value properties, not only because the time and cost of obtaining title is prohibitive compared to the land value itself, but also because the market dictates that higher-value properties be used productively (i.e. developed), typically requiring a title. The issue therefore is how much capital formation can result (or indeed whether banks would consider lending anything) against such low-value collateral.

A test of this might be to select groups of titled and untitled properties valued at, say \$0 - \$4,000; \$4,000 - \$10,000; and \$10,000+, to check whether the incidence of land improvement (in either long-term crops or construction) was significantly higher in the titled lands group, and to see whether any relationship exists between improvement and underlying land-value. A further survey of local lending institutions might attempt to discover the incidence of capital improvement loans for properties in these value brackets.

In an interview the Permanent Secretary of MOC(H) estimated it is costing \$3,000 for surveying and legal fees to title HG properties. If this rate is typical for rural small holdings as well as land on the urban fringe one would question the efficacy of such expenditures to title land whose value (\$4,000) is not much more than the cost of titling.

We may infer from the Holland and Follain data above that the vast majority of the low-value - \$4000 - parcels are rural, since (as we note in sections 1.9 and 2.8) even small unimproved (1500 sq ft) plots on the urban fringe are currently worth \$8,000 to \$11,000. The potential capital formation from lending against a rural plot worth \$4,000 is likely to be considerably less than for an urban plot of the same value, simply because the potential returns from long-term crop planting is far less than from construction.

2.2 Land Taxation

In FY 1989 Stamp Taxes and Transfer Taxes raised 13% of total GOJ revenues, whereas Property Taxes raised only 1.4% (Fig. 2). Assuming (hypothetically) that on average each property changes hands every 25 years (once per generation), then with a total of 550,000 properties there would be 22,000 transactions per year. If the vast majority of these were formally taxed to individuals as opposed to companies the data suggest that 13% of GOJ's revenues are being raised from less than 1% of the population. On the other hand, only 1.4% of revenues are raised from annual Property Taxes on the 550,000 land parcels throughout the island. This apparently disproportionate allocation of taxes may be one indicator of the reluctance of the private sector to enter, create or sustain a land market.

Holland and Follain (17B) note that in developed countries tax revenues are spent fairly evenly across the population for education, water supply, emergency services etc. In less developed countries tax revenues are distributed to services which are mostly used by the wealthy, especially for education. By foregoing an opportunity to raise revenues more evenly through Property Taxes, Jamaica may be depriving itself of essential services to the general population and perpetuating a governmental system by and for the landed upper-income groups.

As noted earlier Jamaica's progressive Property Tax rate structure may be justified as a means of forcing large landholdings into productive use. However, with 300,000 properties valued at less than \$4,000, less than 1% of agricultural properties valued over \$50,000 and less than 2% of urban properties in this category, we must conclude that most of the potential land subdivisions have already taken place. We should therefore begin to look elsewhere for remedies to the stagnation in development and land markets.

One possible avenue toward energizing the land market would be to aggressively collect the 60% of unpaid taxes each year. In addition, the 1983 land revaluation should be implemented and adjusted annually for inflation on an indexing system. These measures would begin to redress the imbalance between Transfer Taxes and Property Taxes.

2.3 Recoupment of Infrastructure Costs

Betterment charges, Capital Gains Duty and Land Improvement Taxes have all been contemplated or tried in Jamaica as a means of collecting the costs of public infrastructure improvements. For various (largely political) reasons all have failed. As an alternative, a process of Recoupment was successfully tried in Negril and Ocho Rios by UDC, whereby the agency acquired more land than required in the vicinity of planned improvements. Afterwards they were able to recoup the cost of infrastructure improvements by re-selling the excess land at a higher value.

A modification of this system might enable MOC(H) to engage the private sector in affordable housing, something which has proved elusive to date. If a large tract of land were to be made available to a developer under an agreement that a portion of the land (say 50%) be used for affordable housing, while the remaining 50% could be put to any legitimate profitable use, the effective cross subsidies from profitable use to affordable use would be a means of cost recoupment for the developer. The Land Mobilization scheme currently being proposed by MOC(H) does not specify a recoupment methodology, but may in fact produce some competitive proposals along these lines from the private sector. The scheme is currently soliciting proposals from interested developers for four sites across the island. At this point USAID might wish to offer technical assistance to MOC(H) to help consolidate and enhance such proposals when they are received. The deadline for submission is December 1991. Depending on the level of response, MOC(H) might be encouraged to make additional site available in more urban locations and at market rates.

2.4 Affordable Housing: Supply and Demand

A historical review of the demand and supply for affordable housing in Jamaica is beyond the scope of this paper. Indeed we were not able to readily identify any secondary source material which had collected such data. The demand for low-income housing was estimated in a HG 12 paper to be approximately 15,000 units per year, but historically there appears to be no record of the incidence of squatting, nor the degree to which low-cost housing development (either public or private) has kept pace with demand. This assessment should perhaps be undertaken prior to the design of future HG programs in order to evaluate the effectiveness of the HG program and others like it.

2.5 Centralization vs. Decentralization of Land-related Activities

At present virtually all land-related activity (records, titles, planning, tax-collection, etc) is concentrated in central government agencies in Kingston. Not only are these services difficult for the average citizen to access, but they force applicants to by-pass normal local government channels.

In "An Analysis of Local Government in Jamaica" Hamilton (24) concludes that 'the local government system has numerous strengths which set the foundation for making it a sound vehicle for bringing government to the people, and for delivering certain public services more cost-effectively.'

The thirteen parish councils (including Kingston/St Andrews) are responsible under the Ministry of Local Governments for providing a variety of services: public street cleaning, public markets, fire and rescue services, disaster preparedness, poverty assistance, maintenance of cemeteries, street lighting, maintenance of minor roads, parks and traffic control. Notably the parish councils are also responsible for Building Controls and Planning Controls; they collect planning applications and are

supposed to review them and be consulted by the central Town Planning Department on matters ranging from long-range land-use planning to individual development approvals. Because of serious deficits they are unable to perform many of these basic functions which are required by law.

The collective costs of providing services by the parish councils in 1989-90 was \$229 million. This was financed in three ways:

- \$91.9 million collected by central government from property taxes, motor vehicle taxes and consumption taxes, and them redistributed locally.
- \$130.4 million provided by central government in the form of grants to cover deficits.
- \$6.7 million collected and retained locally from user fees for services.

In spite of the wide range of parish responsibilities, this system of financing local government activities tends to hold local parish council decision-making hostage to the dictates of central government. Hamilton notes that local government has been delivering services in Jamaica for over 300 years, with a tradition of democratic policies and direct accessibility to the ordinary citizen. However Hamilton (24) states "most of the existing laws and regulations of local government are not compatible with the financial services, or resource mobilization strategies that are required to bring about the social and economic viability of local government.... Many fees for high value services are below their economic value because the legal process for adjusting fees is very tedious."

Central government has held on to power through a policy of concentrating specialized expertise in the ministries, by retaining control over revenues, and by effectively denying parishes the ability to raise user fees to finance local services. By contrast, Parish Councils are charged with responsibility under the constitution for subdivision approval, planning and building approvals, urban renewal, parking, and advocacy of investment projects. Instead they do very little other than collect applications for forwarding to central government. Land records are maintained in Kingston, and parishes cannot afford to engage policy planning or land management staff. Only two of the 1791 parish council employees in 1989 were engaged in any form of planning. On the other hand, parish councils collectively have extensive land holdings, reportedly 1760 parcels in 1989, making them the second largest land holder after the Commissioner of Lands (see Fig. 1).

In an Urban Environmental Management Study completed for USAID in July 1991, Bell, Jackson and O'Callaghan (15) suggested that management of essential services such as water supply, sewage treatment, solid waste disposal, control of run-off and water quality are best managed at the local level. The study looked at Montego Bay, Mandeville, May Pen and Spanish Town as population centers with distinctly different economic characteristics and market bases. The chair of the National Land Policy Committee has suggested unofficially that if Development Plans and Development Orders were in place the decentralization of planning and development decisions could effectively be decentralized to Ocho Rios, Mandeville, May Pen, Negril and Montego Bay.

Activities described elsewhere to computerize Land Titles and other Land Information records could also facilitate the decentralization of public access by inter-agency and inter-departmental hook-up. Property Tax collections, now running at 40% of total assessed value might be more effectively managed at a local level. Similarly, with accurate data on local government land holdings, parish councils would be able to make better economic use of their property to stimulate the local land market by attracting jobs, private developers, and investors.

The parishes presently compete for central government finance, projects and technical assistance on a *political* basis; there is every reason to expect that decentralization of key policy and technical centers would result in competition between local governments on an *economic* basis in which local land planning, management and marketing policies would play a key role. Parishes would be encouraged to compete among each other for jobs, capital investment, housing and ultimately for locally generated taxes to support local services. Such a process might start with pilot projects to locate land information, land titling, surveying and property tax collection offices in two towns. To cover the costs of these activities a portion of the present budgets of their respective ministries would be allocated directly to the parish councils, which would then also be empowered to collect user fees. Property taxes might also be divided into national and local components, with the local component retained by the parishes to pay for locally provided services.

A subsequent phase would involve the decentralization of land-centered policies, including land-use, land valuation and property tax collection. The three counties (each comprising 3 - 5 parishes) would produce their own local Development Plans and Orders by contracting either with a central planning institute or privately. Goals and objectives for each plan would be decided locally within the framework of a national structure plan for transportation, communications, utilities, emergency services and civil defence. Administration of the plans would then be a relatively simple local matter, with planning appeals forwarded to a central adjudication authority. Local control and administration of development standards and building codes might also be possible within nationally determined limits to protect public health and safety. Two of the proposals of Kingsley, Olsen and Telgarsky (14) would be particularly applicable to a decentralized planning administration, notably:

- A one-stop service for subdivisions of less than 15 lots
- Site evaluations performed by private engineers with user-fees paid by the applicant

A system of user fees would be unlikely to pay for all services, but under a decentralized system there would be a great incentive for parishes to act efficiently and responsibly in making local property valuations and tax collections.

The design of a pilot program for Phase I decentralization would enable USAID to assemble case histories and experience from other countries to bear on a unique Jamaican solution. In view of Jamaica's relative shortage of experienced professionals and managers, a local government initiative should concentrate on simple solutions with zero net increase in bureaucracy. A true decentralization from ministry to parish/county would involve some relocation of personnel and decision-making away from Kingston, not merely the creation of another layer of bureaucracy.

2.6 Land Information Systems

Land Information Systems tend to be extremely expensive. They are born out of a need for better data for specific targeted purposes (control of government-owned land, issuance of titles, etc), but the process is necessarily broad and all-inclusive. The aerial photography, digitized land-use systems, locally updated ground surveys leading to a full cadastral survey of the island has been estimated at \$200 million.

USAID has been asked to assist in the design and implementation of various information systems. However, recent local experience has not been encouraging: the creation of an MOC(H) land data bank, funded by AID has been singularly unsuccessful. Visible results of this effort appear to consist of computer print-outs of properties owned not only by MOC(H) but by all other ministries; data which is 18 years old (1972), and with no ability to distinguish raw land from parcels which were subdivided (but never titled) under earlier HG programs. According to the MOC(H) Permanent Secretary there are 48,000 properties still in these records for which title has never been issued. Although this is contrary to its FY 1991/92 Action Plan, USAID should probably await results from the current IDB Land Titling and Information Project (10) in which a limited cadaster and land information bank is to be created.

One of the negative effects of creating a national cadaster is likely to be a major increase in land adjudication cases. The cadaster will throw into focus cases of boundary and ownership which may otherwise have lain dormant for many years. The resulting strain on the legal system could have a negative rather than a positive effect on the speed of the land titling process.

2.7 Development and Building Standards

The National Land Policy Committee has produced a draft version of a new development standards manual which is designed to make housing more affordable, and thus encourage the private sector to enter the low- to moderate-income housing market. This manual was among the recommendations by Kingsley, Olsen and Telgarsky (14) in their 1989 evaluation of Jamaica's Planning System. The proposed new standards have been prepared by EDCO, as a result of their experience with HG programs.

Opposition to the new standards is understood to be coming from the Town Planning Department, as well as from MOC(H) itself, on the grounds that lower initial construction standards may cause higher maintenance costs at a later date, thus resulting in net additional costs to the public sector.

We do not have sufficient background information to enter this argument. However, it should be noted that following hurricane Gilbert 4,800 "hurricane homes" were erected across the island using substantially lower building standards and materials than current codes permit. Subsequent experience has been that, rather than deteriorating rapidly (as some predicted) the owners have, over time, found ingenious ways to upgrade them by replacing walls, roofs and other elements with more substantial materials. With conventional "affordable" housing costing \$118,000 - \$138,000 (Portmore development) this experience should perhaps be a pointer toward future low-cost housing policy.

As discussed earlier, decentralization of some degree of responsibility for determining and administering development standards might result in greater competition between parishes in their urgent need to find solutions to local housing and squatting problems.

2.8 Land as an Economic Asset

As an ingredient for low-cost housing programs land has traditionally been viewed as a catalyst for public intervention. At the time of its independence GOJ inherited over 1 million acres, almost 40% of the island. Following several decades of agricultural and urban settlement programs only 400,000 acres may now be effectively controlled by GOJ. MOC(H) regularly purchases land for housing programs, no longer relying on GOJ's dwindling inventory. In attempting to recover the cost of developing affordable housing from low-income beneficiaries, the true value of the land itself has often been written down. Frequently this has been a political rather than an economic decision.

Rural land in Jamaica is currently valued at between \$45,000 - \$70,000 per acre (\$1 - \$1.60 per sq ft) depending on its location. A 2000 sq ft rural plot might be worth \$2000 - \$3500. This is consistent with Holland and Follain's assertion (see section 2.1) that 60% of Jamaica's land parcels are worth less than \$4000. By contrast, land on the urban fringe of Kingston may cost \$5 - \$7 per sq ft, and fully serviced downtown land ranges upwards from \$30 per sq ft. (MOC(H) sources). Currently MOC(H) is paying \$5 - \$5.50 per sq ft for land for affordable housing. A subdivided 1500 - 2000 sq ft plot thus costs \$8000 - \$11,000. Survey, legal fees and Transfer Taxes add \$3000 per plot, and development costs (infrastructure and grading) may total \$14 - \$16,000. The total price for a finished lot is thus \$25,000 - \$30,000 of which the raw land component is 30 - 35%.

Completed one and two bedroom "affordable homes" at Portmore are currently costing \$118,000 - \$138,000. The raw land component may thus be 8 - 10% of sales price, and the finished lot component may be about 20%.

In recent years attempts to entice the private sector into constructing affordable housing have had limited success. Over a two-year construction/ marketing period, interest and carrying costs are expensive, site security is a problem, and high development standards add unnecessary cost. Typically there are four key inducements that can be activated to convince private developers to enter this traditionally public arena:

- Reducing development standards to an "affordable" range
- Streamlining the approvals and titling processes
- Subsidized interest rates for construction loans
- Write-down of the price of government land

Considering the last of these, we see that with land costs at 10% of sales price, a 50% adjustment downwards in the price of raw land will have a minimal effect on sales price. However, a raw land subsidy of 50% may reduce the finished urban lot price by 15 - 20%. If GOJ programs were directed toward providing serviced land to private developers, such a discount might be attractive. Unless assurances are forthcoming in all four areas above developers are unlikely to be attracted to this field. The first two areas have been addressed elsewhere in this paper.

The combination of GOJ's dwindling land inventory and its need to increase the pace of affordable housing production are highlighting the fact that government lands have an economic value; they are a scarce asset which could be sold at market value to finance other essential GOJ activities. At the same time the perception that the private sector can produce affordable housing more efficiently leads in the direction of discounting GOJ land to developers. There is presently no empirical data in Jamaica to support either side of this dichotomy; in the past government land has not generally been sold to the private sector, nor has the private sector been involved in low-cost housing. (The exception to this has been UDC which in many respects has operated as a private entrepreneur, but while they have bought and sold land at market they too have stayed away from low-cost housing.)

One recent program in MOC(H) seeks to change this. Eight sites (now reduced to four) were identified as candidates for private sector development of affordable housing. The MOC(H) Land Mobilization Program has challenged developers to present virtually any innovative mechanism for developing these properties, or portions of them, with housing which will be affordable to those at or below the 1991 median income (\$25 - 30,000). It is expected that developers will present concepts for developing part of the land as affordable housing and the remainder for other more profitable uses. MOC(H) intends to sell the land at market rates, but is reserving judgement until proposals are received in Dec. 1991.

While the Land Mobilization Program is outside the USAID HG program, the RHUDO should monitor it closely. There may be opportunities to offer technical assistance to developers, as has been provided to the Kingston Restoration Program since 1986.

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