Evaluation of land value increase after expropriation process: A case study of Samsun, Turkey

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Expropriation is the most frequently used method for land acquisition required for technical infrastructures projects. Expropriation is a “forced purchasing” process made by the government protecting public interest. The most important stage of the expropriation is the process of evaluation of the real estates because expropriation is accomplished through that value. In this study, value increase provided by technical infrastructures, produced via expropriation processes to the region is researched. In II. boulevard project which is so important for urban transportation of Samsun, the area has been provided also via expropriation. After Samsun II. boulevard project has been completed, remarkable value increases have happened in the real estates around it. However, the completed expropriated parcels could not benefit from the value increase. In this study, the expropriation values of the parcels expropriated in the project and the values of the precedent parcels around the project area after the project has been completed are compared. Determinations are propounded about the methods which would be used for more fair urbanization and; reflecting that emerged value increase to all parcels.

Key words: Expropriation, urban value increase, urban renewal

INTRODUCTION

Modern urbanization and modern urban society are concepts which emerge substantially with the industrial revolution. Urban life gains wide currency and the urban concept is beginning to be seen as progress, improvement, economic development and completely organized social life. In a sense, all these are the product of the industrialization process existing in the last 150 years (Çagla 2007). The urban places which are similar to the living organisms become dilapidated because of increasing population in time, natural disasters and bad construction. In this case, urban renovation becomes a current issue for providing the renovation which is bounded to the modern city planning principles, (Şişman and Kibaroğlu, 2009).

The population of some cities in developing countries has doubled decennially. Stressful and troublesome features of urbanization seen at the early years of industrialization in western countries due to the extremely unhealthy urbanization process have been reproduced. These features can be listed as overcrowded city, unhealthy living conditions, unemployment and lack of economic development (Çopuroğlu, 2006).

Well management of these processes depends on using elements and techniques of zoning plan well. Zoning plans are prepared gradually on national basis. Zoning application plans show the wards of the region prepared according to the city planning law, density and construction orders of these, their roads, their implementation stages that will be a basis to the zoning application programs required for the application and the other information. Zoning application plans are not the exact extended copy of the master zoning plans depending on detailed inspections and evaluations that the scale requires, and they bring differences requiring area protection and usage orders and measures.

Planned urbanization can be accomplished by the implementation of dynamic and realistic zoning plans prepared based on the social and economic conditions of the region, by depending on planning procedures and principles.

MATERIALS AND METHODS

Implementation of zoning plans

Different methods can be used in the implementation of zoning
plans in Turkey. Zoning plans are implemented according to the article 18 of the 3194 numbered zoning law and the article 10/c of the 2981/3290 numbered law. While the article 18 is applied to cadastral new residential areas, the article 10/c is applied in old residential area where many unauthorized buildings have been constructed.

In both implementations of articles 18 and 10/c, the areas which are necessary for public domains such as roads, squares, parks, parking areas, children's playgrounds, green areas, worship places, primary and secondary schools under the direction of the Ministry of National Education and the police stations are taken equally from the parcels in the adjustment as contribution percentage deduction in the adjustment area (URL 1, 2010).

That amount which could be taken up to 40% of acreages of the real estates in the adjustment proportionally with their previous acreages before the adjustment can be stated as equivalent of value increase which happens due to the adjustment. Besides, another deduction is made from all the parcels in the application area for the “Public Facilities Area” situated in the plan.

It is said above that the areas such as roads, squares, parks, etc. which are dedicated to the public domains are produced with the contribution percentage deduction done in the zoning applications in the urban areas. If the amount of that deduction exceeds 40% in the application area, expropriation is necessary for the area which exceeds that amount. Zoning applications cannot be accomplished in those regions because they are fiscal burden for local governments. To prevent this, recently urban renewal applications have been carried out according to the article 73 of the municipality law, in urban projects. Urban renewal is a general concept which includes the applications made for the renewal of existing urban structures (Şişman, 2008).

Urban renewal is defined as a vision and action aiming to find permanent solutions to the economic, physical, social and environmental conditions of a region which undergoes a change with the purpose of solving the urban problems (Thomas, 2003). Four major aspects of urban renewal are considered as:

1. Economic transition and employment change,
2. Social and community issues,
3. Physical obsolescence and new land and property requirements,
4. Environmental quality and sustainable development (Roberts, 2000)

**Land acquisition with expropriation method**

Expropriation is a frequently used method for land acquisition and for technical infrastructure facilities; and it causes additional economic costs to the investment projects (Ghosh and Robertson, 2010).

Most of the national and international project areas do not belong to the public; therefore, first step to realize public projects is the expropriation of real properties which belong to the real and legal entities. When public interest is required, the land and resource belonging to real and legal entities, price paid in cash or in advance equal installments to be purchased by legal authorities are called expropriation.

The projects which require the expropriation,

1. Agricultural reform projects,
2. Urban land reorganization projects,
3. Urban and rural development projects,
4. Other public investment projects that do not have sufficient land.\n
Expropriation process is made according to article 46 of The Turkish Constitution and the Expropriation Law is numbered 2942 in Turkey. For instance, real properties in the area for the implementation of projects such as a road project, a dam project or a pipeline project etc., may be belong to real and legal entities. The construction activity cannot start without the expropriation being completed, despite public interest decision. By considering the public interest, the places which are the subject of private property are expropriated or the easement right is enforced to be established in accordance with the expropriation law in Turkey.

In urban renewal projects, expropriation method is used in cases where lands acquired via contribution percentage become insufficient for providing the public domains. Expropriation can be defined as forced purchasing process (Kantor, 2009).

**Real estate valuation in expropriation**

The values of the real estates have to be known for collecting taxes from them, expropriating or nationalizing them partially or fully, establishing a right on them, determining rental values of them in case of dispute and for carrying out similar processes about real estates.

The most important point of expropriation process is the real estate valuation. There are various legislations to make the real estate valuation impartially (Çağdaş and Açlar, 2008). There are also different reasons affecting the expropriation costs even when they are explicit (Chen et al., 2010).

The principles of real estate valuation according to the expropriation law numbered 2942 (URL 2, 2010) are:

a. Type of real estate;

b. Area;

c. All features and factors which can affect the value of the real estate and the value of each factor

d. Tax statement if there is;

e. Real estate valuation done by the public authorities at the expropriation date

f. In the areas how much exact income the real estate will bring if it is used as it is and according to state and conditions of real estate or source at the expropriation date;

g. In the lands, sales value of the real estate compared to precedent sales without special purpose before the expropriation date;

h. In the constructions, official unit prices and construction cost calculation and depreciation

i. The other objective factors which affect the valuation of the real estate

The value of real estate is determined based on a justified evaluation report considering concerned people’s statement and indicating all answers of these factors separately in the report prepared based on the information given above. If there is an agreement between the person and the institutions, the real estate is purchased by the public institution, otherwise trial process begins for valuation of the real estate (Table 1).

**Samsun II. Boulevard project**

Local governments construct required social and technical infrastructures via urban renewal applications in old residential area. The second boulevard road construction project, with 8900 meters length and 25 meters wide was carried out by Samsun Metropolitan Municipality under “Samsun Urban Renewal Project” in 2008 (Figure 1).

The project area was completely covered with old buildings and narrow streets (Figure 2a). There was not enough area for the road construction. Therefore almost all area was acquired via land expropriation methods.

In the second boulevard project, the values of the real estates in the project area were determined before the road construction and
Table 1. Frequently used real estate valuation methods in expropriation.

<table>
<thead>
<tr>
<th>Expropriated object</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban parcels</td>
<td>Comparison</td>
</tr>
<tr>
<td>Rural parcels</td>
<td>Income capitalization</td>
</tr>
<tr>
<td>Building and structural facilities and other accessories</td>
<td>Cost</td>
</tr>
</tbody>
</table>

Figure 1. Samsun II. Boulevard project route (Courtesy of Google Earth™).

Figure 2. (a) Study area before road construction in 2007, (b) Study area after road construction in 2009 (Courtesy of Google Earth™).

owners of estates were allocated newly built houses near project area. But, several owners preferred to take the expropriation cost in cash.

In this study, Samsun II. Boulevard road application was searched to determine the effect of the projects produced via expropriation on the values of the real estates in the region. In this
project, we tried to determine the differences between the
determined values of the real estates becoming subject of the
expropriation and the values of the real states located in close real
estates but not becoming subject of the expropriation, after the
application.

This study is meant for determining the differences between the
values obtained from the valuations done during the expropriation
and the values emerging under today’s circumstances; and
examining these value differences, the expropriation values of the
real estates expropriated in that region were examined by taking
that information from the Urban Renewal Unit of Samsun
Metropolitan Municipality.

After the expropriation values were determined, 11 real estates
were selected homogeneously in the region and market research
was made in those parcels to analyze the other differences via
comparison. In that research, estate sale prices were obtained from
the realtors protecting commercial function in the region and the
officials of the companies continuing their construction businesses
in the region and necessary arrangements were made on those
prices (inflation data were updated to compare them with the
expropriation). Furthermore, the precedent comparisons below are
formed by interviewing the people residing in the region to analyze
the differences seen in the dynamic process (Figure 3).

Comparison stages

1. Expropriation value of selected real estate was updated
2. Selected expropriated real estates’ unit (m²) value was calculated
3. Selected real estates’ unit (m²) value was calculated
4. Change in value was determined between the expropriated real
estates and the others.

RESULTS

The lands required for social and technical infrastructures
investments which are necessary for the urban
development are acquired via either the zoning plan
applications or the expropriation method. No matter
which one is used, the conclusions such as increasing of
welfare level and improving of means of transport and
infrastructure services of the region emerged and real
estate values increased. In this study a significant
increase in real estate value “average 250%” is observed
(Table 2 and Figure 4).

When it is thought that the real estates in the
expropriation area are decrepit, many of them are not
suitable for earthquake regulations, means of transport
have been limited before II. Boulevard road is
constructed, correspondingly marketing conditions of the
period are unstable for supply-demand balance with
value differences arising, it is not a realistic approach to
say that the expropriation valuation is low or wrong.

DISCUSSION

As a result of the construction of the technical
infrastructure projects, an increase happens in the values
Table 2. Selected expropriated real estate value and precedent real estate value near the road project.

<table>
<thead>
<tr>
<th>Number</th>
<th>Selected expropriated real estate</th>
<th>Precedent real estate</th>
<th>Increase %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expropriation value (TL)</td>
<td>Area (m²)</td>
<td>Unit price (TL)</td>
</tr>
<tr>
<td>1</td>
<td>18376.63</td>
<td>92.24</td>
<td>199.27</td>
</tr>
<tr>
<td>2</td>
<td>49954.00</td>
<td>200.00</td>
<td>249.77</td>
</tr>
<tr>
<td>3</td>
<td>34459.00</td>
<td>115.85</td>
<td>297.45</td>
</tr>
<tr>
<td>4</td>
<td>22105.61</td>
<td>88.06</td>
<td>251.03</td>
</tr>
<tr>
<td>5</td>
<td>27212.11</td>
<td>96.76</td>
<td>283.16</td>
</tr>
<tr>
<td>6</td>
<td>14675.64</td>
<td>92.11</td>
<td>159.32</td>
</tr>
<tr>
<td>7</td>
<td>18806.45</td>
<td>112.19</td>
<td>167.63</td>
</tr>
<tr>
<td>8</td>
<td>18361.47</td>
<td>77.88</td>
<td>235.76</td>
</tr>
<tr>
<td>9</td>
<td>21099.01</td>
<td>112.52</td>
<td>187.51</td>
</tr>
<tr>
<td>10</td>
<td>19490.16</td>
<td>82.22</td>
<td>237.04</td>
</tr>
<tr>
<td>11</td>
<td>22008.22</td>
<td>97.35</td>
<td>226.07</td>
</tr>
</tbody>
</table>

Figure 4. Real estates’ unit prices.

of the all real estates in the region. If value increase happens as a result of equal contribution percentage deductions from the real estates, all the real estates in the region can benefit from that increase. However, if the land required for the investment causing that value increase is acquired only from the lands in the project area via expropriation method, expropriated real estates cannot benefit from the increase. This occasion creates an unfair situation in urban areas.

Land acquisition for construction of technical infrastructure projects in urban areas has to be done by zoning plan implementation in the large area. All parcels in the project area must have equal deduction up to 40% and then all parcels around the project area have to
benefit from value increase after project. If required area for the construction of technical infrastructure projects is more than 40% of the implementation area, expropriation can be applied to all parcels in equal proportion from their area.

REFERENCES


