FRANCE
PARIS— SALE OF PUBLIC LAND OR ASSIMILATED

Concession for development plan

DESCRIPTION

The Paris Rive Gauche development project envisages 2.34 million square meters on 130 ha of redevelopment area in downtown Paris. It comprises 745,000 m² of offices, 585,000 m² of housing (50% of which are social housing), 405,000 m² of shops and utilities, and 605,000 m² of public facilities, including the National Library, a University, as well as a metro station. The final funding for the operation (estimated total cost of more than € 4 billion) comes from the sale of land once that it gained value thanks to public investments and regulatory changes. The SEMAPA, a mixed enterprise supervized by the City of Paris, is in charge of its implementation. It buys plots of land along the way as needed by the principal owner, Réseaux Ferrés de France (RFF), and resells it to finance the infrastructure works, with an intermediate funding by means of loans guaranteed by the Paris City Hall. Due to its size, the project extends over several decades, and is split into various development stages in order to allow for a good absorption by the real estate market.

LOCAL GOVERNMENT INVOLVED

Paris City Hall

INSTITUTIONAL AND REGULATORY FRAMEWORK

The Municipality has control over the urban planning regulations, and bears the burden of most planning and intervention operations realized on public space (these tasks are increasingly assumed by groups of municipalities (conurbations, metropolises), but Paris remains for the moment an exception. The mechanism of the Concerted Development Zone - ZAC (created in 1967) is the regulatory tool that allows both to modify zoning and to use instruments such as expropriation or urban pre-emption right on perimeters previously demarcated as public interest, urban extension or redevelopment areas. It makes it possible to internalize the creation of added value linked to the operation (but also the risks associated!) to finance the investments related to it.
MANAGEMENT AND PUBLIC ACCOUNTABILITY

The results of the overall operation of SEMAPA are public. Numerous consultative meetings were held, particularly in the first years after the change of municipal majority in 2001, and information / consultation mechanisms were put in place. However, local civil society deplores a decline in their influence in recent years.
ANALYSIS AND ASSESSMENT OF THE TOOL

This type of mechanism makes it possible to maximize the capture of the property value added, but also the risks taken. Indeed, the operation is extremely risky because it takes place over a long time and is thereby necessarily subject to changes happening on the real estate market. This risk is mitigated by the arrangement made with RFF regarding the availability of land (but the added value is shared with this partner). It is based on an extensive use of land acquisition, including by expropriation, and generates structural indebtedness, since expenditures are made before revenues are collected. On the other hand, it allows the greatest control over the urban form, densities and uses, with the associated advantages (social benefits) and disadvantages (clientelism, lack of understanding of the market mechanisms) that may generate such supervizing by political entities. To mitigate these disadvantages, the use of a dedicated structure (SEMAPA), with expertise in both real estate and operational planning, is a major asset.

Sources: Albrecht et. al. (2012)