

**Land for the future housing projects in the City of Bucharest**

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**UMD1-53  
Lund, September 2005**

## **Acknowledgements**

*First of all I would like to thank the entire academic staff of the Master Course Urban Management Development, especially to staff of Housing Development Management from Lund for their support.*

*The course was a great opportunity to come across new concepts and ideas and interesting experiences from different parts of the world.*

*I would like to specially thank my supervisor Mr. Claudio. Acioly Jr. and to my co-supervisor Alfredo Stein who guided me in finalizing this research.*

*My special thanks to persons who helped me with the field work in Bucharest.  
I would like to thank to my husband, my parents and my friends for the encouragements.*

## Summary

In Central and East- European countries, the housing sector is deeply affected by the consequences of mass privatisation and property restitution over the last fifteen years. Privatisation in the CEE countries transferred publicly owned housing from the central to local governments that, in turn, sold it to the current tenants.

Romania belongs to the group of the former communist countries, so, there are a lot of similarities between Romania and these post communist countries related to housing sector and property restitution. Compare with Hungary that started the restitution of property before 1989, Romania started after 1990 which makes Romania to be with few steps behind. After 1989 Romania tried to follow what other European countries did in this issues, but the legislation instability impede the

The discussion about Romania's changes in the last fifteen years could be written on many pages, but this paper is focused only on housing and land situation in Bucharest. The researcher chooses to discuss in this paper about restitution of property and land ownership in order to point out the fact that the property restitution and cadastral registration are factors that affects the housing sector in Bucharest.

This research is based on literature review and interviews with eight key persons who are deeply involved in the housing sector and cadastral registration. A competent person conducted the interviews but unfortunately the persons who supposed to be interviewed were not available for different reasons. They answered in private on writing. Those interviews helped the writer to find out which are the obstacles in using the vacant or undeveloped land for building new houses in Bucharest.

This research emphasize that the unclear legal situation of land ownership affects strongly the development of Bucharest and leads to a housing shortage, because the cadastral registration is not complete and centralized yet and the access to the information about land is limited. Present situation of land ownership makes the foreign investors to be afraid to invest in residential housing in Bucharest, even if there is land which has a real potential in terms of space.

## Definition of terms

**Vacant land** means any parcel or combination of parcels of real property without industrial, commercial, and residential buildings.

**Undeveloped land** means any lot or parcel which does not have a habitable building constructed on that lot.

## List of abbreviation

- **NHA**- National Housing Agency
- **MTCT**- Ministry of Transport, Constructions, and Tourism
- **EU**- European Union
- **CEE**- Central East European

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# Chapter 1: Introduction and research methods

## 1.1 Background/rationale

Before 1989 in Romania like in the other east-European countries, the only owner of the land was the State. The state had also the right over the houses and condominiums, and it was the only one who had the right to built houses and sells them to the people.

The goal of the housing policy in that period was that every worker deserves to have a house/condominium. In order to provide such an amount of houses for all workers and their families, the State nationalized the existing buildings and the land and started to build different types of multi-storey buildings.

Most of the houses and condominiums were sold by the state or in many cases by the institutions where people were working. Those workers who had the right to “buy” these houses, they did not have the property right; they had only the use rights. Nobody except the State had the right over the land under the building and around the building.

After 1989 the privatisation of State’s property started and at the same times the property restitution process. The legislation changed in order to give back the property rights to the former owners. The State started with selling the property rights for the condominiums to the tenants or to those who were calling to pay.

The issue of ownership and registration in cadastral book has to be finish till 2007 for integration of Romania in European Union but in eastern and southern part of the country it seems that it takes to much time. In this sense Law 7/1996 was adopted, in order to clarify the land ownership.

During the last five years the tendency of the city of Bucharest is to enlarge itself toward periphery and out of the city, and also there is a strong willingness and need of people and private construction companies to build within the city.

Because the land in the city became very expensive for the investors and people, the result is that building houses in Bucharest started to be a hard goal to achieve. People can not afford to buy the land within and out the city in order to build their own houses, only big real estate companies and high income people can afford to do this, but also they prefer to buy land out of the city (15-20km distance from the city) because can represent a good investment for the future or they want to live in less polluted environment. Actually, to buy land around Bucharest became, in the last five years, a good business, because is clear that after one or two years this land will be sold with three or four times higher than today’s price.

The National Housing Agency was set up in 1999 and is a state-agency, which is building houses for residents of the entire country using private or public land. The programme’s goal was to provide houses for young people who have low and middle income in order to decrease the housing shortage in Bucharest.

In this programme the Central Government offered subsidy to the beneficiary (the beneficiary could be a person or a family) can be till this year. The subsidy covered 20% from the price of the house/apartment for the first time when a person buys it. Even if the people have the access to this subsidy many of them from middle and low income people, cannot afford to buy a house because the price is to high compare with their salary.

Another reason for housing shortage in Bucharest is that the land titles are not so clear from two points of view:

1. The fact that in many cases the owner is unknown;
2. For the National Housing Agency's projects the municipality provides the land and infrastructure, but after everything is built the owner of the land is the municipality. So, the householders own only the house and they can use the land around the houses as long as the house exist - this is not very clearly mentioned in the legislation and it could be a problem later in the sense that the municipality could start to sell the land in one moment and people maybe will not afford to buy it, in the case when the municipality is the real owner.
3. Another problem is when the land is private and the owner doesn't want to sell it to the municipality because he is thinking to speculate it later.

Trying to solve the problem of ownership the Central Government set up a department within the Ministry of Transport, Construction and Tourism, named General Department of Cadastral and Administration of Territory, which has as a first target to realise the cadastral book for the whole country and make it public. That was establishing in 1996 by a government law and this target has to be achieved till the year of 2007 for integration in European Union.

The General Municipality of Bucharest made some maps in order to define the zones and differentiate them within the city: Existing Zones Map, Proposed Zones Map, and General Urban Map.

An obstacle for building new houses is also the lack of planning of infrastructure networking in this city. In the periphery of the city infrastructure is poor or doesn't exist.

The finance for housing on a large scale is coming from the real estate companies "pocket" and from the state budget through NHA programmes. From finance point of view most people can not afford to take a credit bank in order to buy a house because the prices are higher compare with their income. They have to make a real effort to save 20% or 25% from the price of a house otherwise the banks don't give them a credit. As a consequence of this is that the number of young couples who are living with their parents in the same apartment is growing (2 or 3 rooms, space 50m<sup>2</sup>-67 m<sup>2</sup>).

## **1.2 Definition of problem**

The development of housing sector in Bucharest, at this moment, is threatened by an unsolved land issue that is leading to a housing shortage.

## **1.3 Scope and Limitations**

This research does not pretend to be an economical or legal research, but it point out the present situation of housing sector and land ownership in Bucharest.

The scope of this study is to show the obstacles in using the land for building houses for residents of Bucharest, obstacles that could lead to housing shortage in this city. It will be included the experience from other post-communist countries in order to see how was the situation and learn from it.



#### **1.4 Description of the research area**

Population of Bucharest is 1,926,334 inhabitants and the density is 8,074.6inh/km<sup>2</sup> according with the last census. The reason for a high demand for new houses is the degradation of housing stock, not only in this city but in whole country as well. In the next 20 years 80% of existent housing units will be out of order.

National Housing Agency and private real state companies want to build houses for the resident in order to satisfy the demand for new houses, but they have to face with obstacles in using the undeveloped land existed in the perimeter of the city.

The research will focus on lack of management of land being a cause for housing shortage in Bucharest and what kind of obstacles make this to happen.

This research tries to investigate the problem and introduce recommendation to avoid the obstacles that stops the private construction companies and National Housing Agency to use the land and try to prove that there is a severe housing shortage in Bucharest. For this research it will be very helpful to find out how is the situation in housing sector in other East European Countries after the communist period.

#### **1.5 Objective:**

1. To find out if there is housing shortage in Bucharest and if using the vacant or undeveloped land in Bucharest represent a solution for this problem.
2. To identify what are the main obstacles in using the vacant and undeveloped land for decreasing the housing shortage in Bucharest.

#### **1.6 Research Questions**

1. Which are the solution for alleviate housing shortage in Bucharest?
2. Which are those obstacles in providing land for housing?
3. How many residents (low and medium income) need a new house/dwelling and why they prefer or not to live in a particular zone of the city?

#### **1.7 Research Methods**

The study is based on literature review and interviews with decision makers from important public institution from Bucharest.

The literature about land issue and property restitution in post communist country to see if there are similarities was reviewed. This was the first step in this study. It was selected only the relevant literature and resources that gives an idea about the situation of housing in post communist countries and about the factors which has increased the housing shortage after 1989 and how the property restitution was done.

To find data about actual situation of land and the demand for housing in Bucharest the researcher used information from Ministry of Transport, Constructions and Tourism from the department, which is working under MTCT authority, named General Department for Cadastral and Administration of Localities that it supposed to have programmes for implementing a modern system of cadastral book and make it public. The writer of this paper asked for the maps

of Bucharest in order to search and classify the land, and to analyse the possibilities of using the land for future housing projects. In this paper the only description about the land is based on data from the General Municipality of Bucharest website.

The research has been done on secondary data from NHA, which can show how big the demand for housing is and how this agency functions in order to solve the housing shortage. The NHA data base is based on questionnaires filled in by costumers in order to be registered. These questionnaires contents data about each person or family who wants a house: age, gender, number of family members, wage/month, marital status, how many rooms they want, which zone they prefer, and how much money they can give in advance- in percentage, and also if the potential costumers own or don not own properties. These questionnaires allow to NHA to know what are the preferences of the habitants of the city and how many of them need new houses. The researcher contacted the agency staff to provide data for this paper.

The research is based also on the interviews with representative peoples from Ministry of Transport Construction and Tourism, one private Construction Company, The Union of Architects of Romania, and NHA. The researcher contacted a professional person to do the interviews. This person has interviewed 8 key persons who supposed to be able to answer to research questions and it was used a set of questions based on the research objectives and in order to get answers for the research questions. It is very important to have information from sides, public institution and private companies as well in order to see if there are different opinions about housing shortage and vacant and undeveloped land.

The key persons who supposed to be interviewed are deeply involved in land registration and housing provision not only for Bucharest but for the whole country. The assumption was that they would be willing and able to answer all the questions and be well informed about the issue. The interviews were conducted by a competent person involved in housing issues and not directly by the writer of the present paper. Interviews were supposed to be a face to face, but unfortunately it was not like that. All respondents were not opened for interviews but they answered to the questions by themselves, in private on writing. The reasons given were that they did not have time for interviews or they were in vacation during that period. Nevertheless, seven of the eight officials answered to all the questions. The other one person answered to thirteen questions from fifteen.

The questions for interviews focused on housing shortage issue, and on obstacles in providing land for houses, in order to categorise them at the end. The questions were different from person to person depend of their background and implication in this issue: political, economical or legal.

The following persons were interviewed:

Chart 1: Research Methods:

Institutions	Key persons	Questions
Ministry of Transport, Construction and Tourism	Minister of public working and territorial administration General Manager of Cadastral Department General Manager of Housing Department	All questions were focused on obstacles in using land for building new and affordable houses in order to reduce housing shortage in Bucharest. From 5 to 15 questions
Union of Architects of Romania	Vice President of Housing Commission	
National Housing Agency	General Manager	
Baneasa Entrepreneurial Company	Manager of Houses' Resistance Department	
Baneasa Entrepreneurial Company	Manager's Assistant of Houses' Resistance Department	
The Construction Buildings Inspectorate	former Manager of Technical Department of NHA	

## 1.8 Structure of the thesis

### Chapter 2

The theoretical and conceptual framework is based on literature review. The writer tried to see what happened in the other post communists' countries and learn from it about the housing shortage, property restitution, and privatisation process. Researcher tried to find which the main problems were in property restitution in those countries because before 1989 the property system was similar with the Romanian system.

### Chapter 3

After all information has been collected, the next step in this research was to describe the field work and what were the preliminary findings in the field and how relevant are they for the research: what kind of answers for the research questions there were found and how those answers from the interviews and information from internet could be analysed. .

### Chapter 4

The analyse of data is based on the data (maps) from General Municipality of Bucharest, data from the General Municipality website, and take into account the theoretical framework and information from interviews. Data from journals and newspapers' articles, and websites of private investors in housing sector were taken into discussion because in the writer opinion they have relevance for this paper. The data was analysed trying to build an argumentation based on theoretical and conceptual framework.

This brings arguments about that the main cause for housing shortage in Bucharest is the land issue and if the problems related to the land would be solved then housing shortage will decrease in this city.

### **Chapter 5**

After analysing the fieldwork results conclusions and recommendations will be done in order prove that this research it will be useful for housing development in Bucharest.

## **Chapter 2: Theoretical and conceptual framework (Literature review)**

## 2.1 Situation of property in transition period in east-European countries

In Prague, this is one of the largest cities of Czech Republic, in terms of development and redevelopment the supply of land and buildings was made available by a privatisation of real estate during the first half of 1990s and the municipal land was sold or long-term leased to the private commercial developers. The industrial units, stores and vacant places were replaced with a very intensive space utilisation like banks and other financial services, company headquarters, consulting and legal firm. The consequence of this fact is a concentration of jobs in the city centre and a high densification of build-up environment which has a negative impact on new development of the city and on historical heritage because of increasing traffic.

“The municipality of Prague owns about 20% of the developable land within the municipal boundary. The Municipality is therefore most probably by far the largest real estate landlord in Prague. The policy adopted to dispose or rent or lease municipal property is therefore of vital importance to the spatial development of the City.”

The temptation to use the municipal properties to “regulate” the land markets is common among Central European municipalities. Everywhere else where municipalities have tried to regulate land markets by using their land assets, the outcome has been the opposite of the one sought.

Starting from the point that the land is the one of the most important instrument in development in the city all the post communists countries confront with using efficiently the land in order to decrease the housing shortage.

Before 1989 in the east European countries the only owner of land and building was the State. Starting with 1990s all those countries revised the legislations about ownership and decided to give back the property right to the people using a constitutional reform. In most of the countries the local governments became the real owners, the exception was Slovakia where the municipalities has the right to administrate, manage the commercial and service facilities.

The property was categorised by law as core property which means public spaces, streets and monuments that are still state property, and outside the core the property was a subject of other kinds of law such as civil codes, sectoral legislation, privatisation or concession laws. In Hungary, for example, core property includes two categories: 1. non-negotiable core property that includes roads and city parks, 2. sub-group of core property which under specific conditions could be alienate.

One of the first steps was to sell the condominiums to the people who were living in. In some cases the land under the structure was sold because “according to basic legal concepts, the fate of any structure carries ownership of the land below that unit”. In Bucharest it can be found that the ownership of the building does not include always land ownership. It has to be mentioned that after this process was finished many households cannot afford to maintain the buildings which start to deteriorate fact which is determining a bad city image.

Another main concern in those countries was to give back the land to the old owners or to privatise the land and sell.

The restitution act was implemented in all this countries but the authorities have to face with a lot of problems such as finding and establishing the real owners, missing documents that prove the ownership and the situation when the land was developed in the previous period.

In order to solve those problems in all these countries the legislation was changed and the governments set up agencies for cadastral registration but other obstacles came up.

As Grenville Barnes, David Stanfield, Kevin Barthel sustain in their theory the main cause for a lot of problems including housing and infrastructure in those pos-socialists countries is a lack of clarity of registration of property.

In order to do a cadastral registration the agencies had to face with other difficulties such as:

**A. Multiple claimants to land.**

For example in east Germany where there were the landlords reclaim the land that has been given to them by the Nazi, but initially the land has been taken from the Jews or other minorities. In the end there is more than one owner and is very hard to establish who the owner is when the documentation is missing or it had been destroyed or forged.

**B. Unidentified owners of rights**

In some cases, like Albania, the restitution programs were forced by a short period of privatization to give the right of property to someone without knowing “ the heirs of X” until it will be determined who these heirs are using special procedure.

Sometimes the land was given to the head of the family without any protection of the rights of the other members of the family or it was given to one family without a proper registration of the family.

**C. Identified but missing holders of rights**

Other difficulty is with the people who emigrate during the last decades in other countries because of the political regime and many of them just disappeared or dyed during this period and anybody from their family does not came to reclaim the property.

**D. Rights to land separate from rights to buildings on the land**

In urban areas in the post-socialists countries the state kept the ownership of the land and has given back by privatization only the ownership of the buildings. That happened because there were difficulties in evaluation of the land or because there was no need in doing this. This has happened in Hungary, Macedonia and Slovak Republic and in some cases in Romania.

**E. Rights to non-existent parcels**

Another situation was that during the restitution process had been recognize the private rights to public spaces such as parks, roads, streets and the land under public buildings. In the same time the privatization programs have given the rights to plots or parcels that had existed but in the mean time they were incorporated in other plots.

**F. Tenants versus owners**

The restitution legislation is giving the property right to the former owners and the problem was in the cases where the tenants or present occupants made investments in the building and now they have to move out or they have legal ownership rights over the building.

### **G. Informal holders of rights**

This is happened when the people just occupied the public land and made it their own and the authorities prefer to not respond to this and live the occupants with informal rights to the land.

Another kind of informality is when the people transfer their rights to the other people without any registration of this action and in many cases without any legal documents.

### **Legal Framework**

According with Grenville Barnes, David Stanfield, Kevin Barthel research, it seems that in those post socialists countries in the transition period is and “absence” of property adjudication and land market institution. “One of the main functions of privatization is to stimulate the buying, selling, leasing, mortgaging, inheriting the land”. Indeed this is the role of privatization but in the same time is necessary to have an institutional support and guidance which it those countries does not exist or does not function properly. More than that, the clarification of property rights didn’t have, from the very beginning an institutional home which made the process of registration harder.

The demand for housing increased in the last years in all this countries because:

1. Overcrowding- the big number of people who are living in those condominiums
2. The willingness of one category of people to move in a new house because of deterioration of the that the own
3. the lack of registration of land property
4. the inadequate management of land supply

One main cause of housing shortage is the supply of land. The land market has to function freely taking in account the demand and supply. “Like any other market, the land market is governed by the forces of supply and demand. These forces determine the dynamics of land market operations and thus affect adjustments to land prices” (Catherine Farvacque; Patrick McAuslan).

In order to make the land market to work properly is vital to have a precise registration of the owners and to make it publicly.

### **Hungary in transition**

In 1990 a new system of local democracy was established and as a consequence of this was that the centralized hierarchy of local council based on Soviet model was not sustainable anymore. In order to decentralize the system they purchased for a proper legislation. In that sense they create a Property Transfer Act. The basic principles of this Act are:

1. The all properties become the local government property, and the transfer is without recompense.” This includes all properties managed by councils and their organs as well as institution and public enterprises founded by the council for public service provision.”

2. Local governments do not have to accept the ownership of transferred property if its management or maintenance would incur extra costs
3. "Property was transferred according to the requirements of management and assigned responsibilities."
4. Local governments must agree with a proper transfer of property and the committee is the last authority which has the power of taking the final decision.
5. The process of recording real estate ownership in the land registry was simplified

According to the Local Government Act lands and forests were transferred to the local government. The Property Transfer Act regulates the transfer of lands and forests managed by public enterprises, in urban areas or used by cooperatives. Land managed by enterprises refers to:

- construction sites and lands under cultivation;
- companies involved in public enterprise activity
- lands managed by public enterprises, public squares and public utilities
- 

The urban lands which has not specifically slated for state ownership, were transferred to the local government. There were some exceptions mentioned in State Property Act such as:

- lands attached to another unit: garden, in front of the factory
- vacant lots in urban areas managed by the central government
- vacant lots managed by state enterprises in the process of being privatized
- vacant lots in urban areas in the case that building permit was issued before the Property Transfer Act went into effect

In the case of compensation for land in urban areas if the land was left to a commercial entity the local government was entitled to entire value. If the vacant lands managed by the state-owned companies were given to a company the same rule was applied and the Property Transfer Act did not allow property to be transferred to local governments.

There were some special regulations in this Property Transfer Act referring to the urban land which said that the value of urban lands were give to the city government or to the district government or shared 50-50% between them.

In Hungary there were special problems in terms of transferring the property in the transition period. For example, in the case when the companies being privatised were bankrupt and their only values was the value of the urban lands and this land value contributed to the transformed company's capital then the entire amount went to the local government. Between 1991 and 1992 for several times, local governments had to force the central government using the power of law I order to receive this value.

Another example is the case of the property previously owned by the churches. In some situations property that was previously owned by churches had already been transferred to the local government. I such cases it was forbidden for the local government to sell or rent until the status of the property had been finalized.

A different situation is when the local government property was transferred to the churches then the local government received compensation. Property was to be return within ten years.

It was allowed for churches to make agreements with the local governments without any involvement of central government, but the minister of culture had to be informed about the final agreement.



According with Gabor Peteri theory in Hungary the legislation in the property issue left room for errors. The inventory of the property was lacking. "Preparation of the property transfer process was insufficient due to the failure of the land registry. The amount of cases which had to be registered with the office bogged down the registry. As the privatisation was happening at the same time, the changes in ownership were rapid and confusing. This was especially the case in the capital, due to the two-tier system of local government. Major problems occurred when two levels of government simultaneously took the ownership of an object and it could not be recorded in the land registry in time."

## **2.2 Importance of using vacant land in the city**

The main reason for using vacant land is to prevent undesired sprawl out of the city and to prevent unused land. This could be a strategy for a sustainable development of a city which means according to the Commission (WCED, 1987:43-46) that it has to meet today's human needs, without compromising the ability of future generations to meet their own needs.

United States developed a theory, named Smart Growth that refers to "managing the use of land in order to accommodate expanding populations or other growth pressure". The principles of this theory are to provide affordable housing, to preserve natural resources and containing urban growth. They noticed that "too little containment encourages sprawl and too much containment causes land and housing price inflation". This is a truth and that's why the using of land has to be done in an efficient way.

The most important tool to implement this theory is land monitoring, which is helping planners and policymakers when they are planning future housing projects. Land monitoring involve a good information system about the land and housing market.

This theory can be applicable in Bucharest for the vacant land that could be use for future housing projects. First of all it has to be implemented the Geographic Information System, computerized tax assessment records, and integrated land information systems for making possible to the inventory of land uses, land values, and infrastructure capacity. According to this theory there are five actions that can lead to asses the development capacity, which is the first step for starting land monitoring:

1. Identifying the vacant land and those lands that can not be developed due to different constrains
2. Subtracting land needed for urban public services
3. Adding land that can be redeveloped or developed at greater intensity though infill
4. Identifying land with public services
5. Estimating development capacity

### **2.2.1 Methods to identify vacant land in the city**

a) Identifying the vacant land can be done in many ways such as field inspection, tax assessment records, and remote sensing. The better way is to combine them in a way that fit to the situation. In the filed inspection is a good way but not so efficient and sufficiently for recording the vacant land because it doesn't provide all data about the piece of land that is inspected. It was used in Bucharest for register the land in the cadastral book.

b) Using the method to identifying parcels that are considered as a vacant land in the records is a costly method and can lead to errors according to the theory of Smart Growth. The errors refer to the size of the parcel that could be wrong and the assessor usually takes in account only the parcels that are completely vacant.” A ten acre parcel, for example, with a single-family structure maybe classified as developed even if local zoning allows, for example, six units per acre.” This method is recommended for identifying the partial vacant land.

c) One of the popular methods used for identifying the vacant land is aerial photographs, but the resolution of the images is an obstacle in clarifying the difference between vacant and developed parcels. This method has limits in urban areas.

d) The best way to identify the vacant land in the city is a combination of these methods that were mentioned above. For example, in Portland, Oregon, the regional government uses air photo interpretation in combination with tax-lot maps and information about the size and characteristics of the land and information about public utilities. For this combination of methods it is necessary to have a GIS already implemented and functional, because through GIS it is possible and easy to identify parcels that are completely vacant and those that are partially vacant. In order to assure that the data base of classification of vacant land is clear and it reflects the reality it has to use the field inspection method.

In Bucharest the GIS is not implemented yet.

### **2.3 Reasons for compact city**

There are a lot of debates about urban density and how cities are going to be compacted. The question is where it should be the city more concentrated on the existing zones or on the development of new neighborhoods. There are also discussions about how cities are going to be compacted.

In many world cities urban density represent a significant issue because the development of the cities has to be sustainable and in the same time with a rapid urbanization.

In the paper of the Commission of the European (Green Paper on the Urban Environment, 1990) communities about compaction strategy there is underline the advantage of a compact city. It says that a lack of qualities of life such as cultural and functional diversity can appear as a result when the city enlarges itself in suburban or exurban areas. This is because the city is the one that provides multiple contacts and activities for the people. The city is the centre for social dynamics and political, as well as the centre for production and consumption of culture. The fact is the city is a good place for living because it offers public life, culture, job opportunity, and social contacts.

The Commission’s Paper is in favor of compaction because in their description urban pattern does not include a suburban development: “Urban village is a cluster of settlements having a characteristic of rural but most of the services are available”. So, the suburban development is seen as a threat for a well functioning of a city. Density is necessary to maintain the diversity and richness in urban life such as a historical core of the city which is many in Europe.

On the other hand there are arguments about how a densification could lead to overcrowding, traffic, air pollution, noise and so on.

Another argument in favor of compaction is related with conservation of energy. Other research shows that where a high density is there is a low energy use for transport (Newman and

Kenworthy, 1989). In addition to this argument, another research shows that in a compact city supports more efficiently the heating system in the sense that a multi-storey house has lower energy consumption per square meter for heating than a detached single family house.

Taking into account this argumentation about saving energy the Commission of European Communities, in their Green Paper (CEC, 1990) says that a compact city assures a more livable urban environment and that a high concentration support better local services.

A very strong argument that appears in discussion in the last years is “loss of land”. The urban sprawl leads to a loss of land and agricultural land. From biodiversity point of view is much better to have green area around the city than small green pots within the city: “large green areas outside the city are more valuable than many small green spots within the urban area” (Nyhuus and Thoren, 1997).

### **2.3.1 The concept of overcrowding**

Jane Jacob, in her book “The Death and Life of Great American Cities” says that is not correct to measure density using person/acre because it hides the real problem of overcrowding in the sense that from statistical point of view the density may not include overcrowding as too many people/room. From her point of view this kind of overcrowding destroys the urban livability. Her theory states that it does not matter how dense is the neighborhood in terms of shops and bars, if residents have all things that satisfy their needs they do not care about density.

There are opinions against compaction of cities. The strong argument against it was that the traffic congestion will increase in these kinds of cities which lead without any doubt to a greater air pollution in urban areas.

Breheeny argue that a higher density in the city could lead to increasing rate of crime, noise and pollution, and from privacy point of view is not acceptable to develop the city in this way because overcrowding means in their point of view less privacy.

Breheeny said that the dominating choice of life style is suburban because the quality of life and the environment. Hence, the preference of people could be in a conflict with urban density.

In some of the east European countries there is a tendency of developing the city towards suburban- case of Bucharest. The market shows that the people prefer to live outside of the city because they had enough with living in overcrowding buildings and they are running to have privacy such as their own yard, single house and garage-case of Bucharest.

The concept of densification means an efficient use of urban land and revitalizing the city and is a very important tool in urban planning domain. Therefore this tool has become a strategy in urban policies and has been used into practice in many cities.

Bucharest is a city with a high density in the core centre in terms of buildings and many of those buildings are in bad shape. 84% of housing stock in Bucharest is representing by multi-store buildings which are in a continuous degradation (National Institute of Statistics website). This could be a real reason for why the demand for house increased in last years and taking into account the overcrowding and the fact that in the periphery of the city is not so dense to create a compact city could be a good idea. There is potential for developing Bucharest in this way. The compact city concept says that it is better to use efficiently every piece of land within the city and its boundary and then start building outside the city. In the case of Bucharest the situation is going to be without any order. This could be a result of many things:

1. decision makers do not think of the city as an entity
2. the planners and designers of the city don't have a strategy for city development

3. the prices of the land are low outside of the city compare with land within the city
4. lack of land management

The concept of compact city can meet the demand for housing in Bucharest in order to alleviate the housing shortage.

The point of this theory is that the term compact city does not mean to live in a very dense area without having open spaces. Actually this concept is in favor to ideas to bring people closer to the amenities and use in the best way the scarcely available resources specially land in our case and organize the city in such a manner so that it is efficient in terms of land use.

### **2.3.2 Advantages and disadvantages of a compact city**

“It is claimed that the compact city can improve the economic attractiveness of an area; but it could be argued that the compact city generates higher land prices, making housing and business premises prohibitively expensive” (Institute for Ecological and Regional Development, 01217, Dresden, Germany).

The density of urban area can be very different from one city to another, even within the same locality the density figures might vary. On one hand urban densities directly affect urban development processes both at the city and neighborhood levels, but on other hand they are also affected by land and housing policy shortcomings, inefficient urban management, planning and regulatory standards and urban design.

In order to use the land in an efficient way, the policy makers, decision makers, planners and designers have to take into account the demand for efficiency of the urban development and the role of the density in urban area.

From technical point of view the density is maybe the most important parameter in designing housing and human settlement planning. Usually it is expressed as a population per unit of land, or number of dwellings per unit of land. For planners and urban designers it represents a very important tool to realize efficiently a subdivision plans. Those who have experience in housing sector realized that where the density is higher there is a better utilization of infrastructure services and land. It is also verified that a higher density leads to a maximization of public investments including infrastructure services and transportation and assures efficient utilization of land. The high concentration of population and their activities in one area can be the reason for recovering the investments using high rates of return.

On the other hand high density can be like pressure for infrastructure services and creates overcrowded and a bad living environment in the city.

The other extreme is low-density in the city which could generate:

1. increasing the cost of the land per capita
2. increasing the cost of infrastructure
3. affecting the sustainability of human settlements

The role of urban designers and planners is to take into their consideration the size of the plot and the height of the building even from the design phase. In the same time, using the planning and building permission, the authorities have to control all these parameters. Usually this job is taken by the officials from municipality or a special agency. Those actions sometimes are not sufficient for a successful development of the city in order to deal with densification because the density is strongly linked with land and housing policies, real estate market developments and so on.

Seoul is a good example for restrictions in the land delivery system and planning control on densities of residential development. Studies about this city show that because of these restrictions the cost of the land is strongly affected (Dowall and Clarke, 1991). It is true that specific regulation on zoning, urban standards, plot layout and building setbacks could reduce the space for residential development.

The city is a man made product and the main characteristic is the concentration of a large number of people and their activities in a limited space. Another characteristic for the cities is high density and without this density we speak about rural landscape. Actually the number of people makes the difference between what we call city, town, and village. The distinction is given also by the facilities like infrastructure services. Usually in the west part of the world, in developed countries, even if the place has a low number of people but it has a high quality of services and facilities, the place is called town. That's why the term "urban" can fits for those countries even for the rural places.

From the physical point of view there are two main aspects that characterize the city:

1. high number of buildings built closely to one from another
2. high number of people who are living in a limited area

### **2.3.3 Dutch experience**

After 1978 the planning policy was changed by the new politicians in order to create the compact city policy meaning to concentrate development activity in existing cities and towns. From administrative point of view and planning one the policy has been a success. At a local level they increased decentralization of land use plan-making powers to district councils.

In the 1980s and 1990s the implementation of the compact city policy has been focused on the redevelopment of existing urban areas and the maintenance of the environment. The main restriction of the policy was on urban development outside the cities which had had an important impact on the Dutch approach to urban vacant land.

Now, the goals of this policy are to optimize the using of existing land, infill sites, building and facilities. Take into account the recent emphasis on economic development, consideration is given to attract business, hotels, shopping and high-class residential development.

In this way, compact city policy achieved to use the urban space as efficiently as possible, limiting the distances between home and work, and creating different residential environments.

Another main concern of Dutch national government is to put the right business in the right place. In order to do that, policy classified locations taking into consideration accessibility by the public transport or by car or combination of these two. This policy tried to match the accessibility profiles of locations to mobility profiles of firms and services but the implementation had to be through an aggressive use of zoning and other land use control.

The main rule for Dutch growth management is "order. It means that from planning point of view they are very careful with location, intensity, and timing of development. The principle of growth management is to prevent the growth on first-class agricultural land, in fragile environments, and where the hazards could take a place such as on flood plains, or next to major polluters.

In Netherlands the level of public control over the land is high, almost 80% of all land used of urban development comes from the municipality owned land. This is the explanation for land price speculation which is not an issue in the Netherlands compare with east European countries where it represents a cause of a great trouble.

In Netherlands municipalities are autonomous that can develop their own independent policies and strategies. In order to determine and implement policy the municipalities have to co-operate with other levels of government. In practice, after the decisions are already made they have to be implemented rapidly because they are widely supported even by those who have failed to achieve their individual objectives.

### **2.3.4 Portland experience**

Usually each metropolitan area has to draw an urban growth boundary. Inside of this boundary has to be the area of the city that can be urbanized. Portland contains 24 cities and three counties and become the most important urban area of the regional urban planning. Portland is using its growth boundary to increase housing density and redirect the investment into inner cities. For example, Portland has to achieve a goal of 10 housing units/acre on average throughout the city, with a mix housing which is 50 percent multi-family and 50 percent single family. First of all the cities have to make an inventory of land where development can take place in order to protect environmentally sensitive lands. In Portland the land use control is publicly supported.

The Urban Growth Boundary policy objective is to maximize the efficiency of land use and this is going to be by managing its location not limiting the growth. One of the urbanization's goals adopted by Land Conservation and Development Commission in 1976 says: "to provide for an orderly and efficient transition from rural to urban land use, urban growth boundaries shall be established to identify and separate urbanizable land from rural land."

In order to reduce densities most of American zoning contains a lot of "keep your densities low" and "separate your uses". Kunstler said that European style facilitates the density of urban space; it is a style of mixed-use planning. Compare with European cities Portland, which is a mixture of public investments, plans and regulation has as a target to have a better urban life.

The intention of Metro and Portland planners is to focus on "refill" in order to achieve the higher density. Refill contains two basic elements:

1. developing vacant land inside the growth boundary
2. redeveloping existing property more intensely at higher densities

An effect of growth boundaries in Portland model is that the infill development leads to higher housing costs and it has an important impact on availability of affordable housing.

## **Chapter 3: Research Data**

### **3.1 Description the field work**

In order to achieve the objectives of the research key persons in Bucharest, Romania were interviewed. A questionnaire (see Annex no.1) was prepared to find the relationship between housing shortage in Bucharest and vacant or undeveloped land and the potentialities and obstacles that exist on and how this land could be used for housing. The following persons were interviewed:

<b>Position</b>	<b>Institution</b>
General Manager	National Housing Agency
General Manager of Housing Department from MTCT	Ministry of Transport, Construction and Tourism
Former Manager of the Technical Department	The Construction Buildings Inspectorate
General Manager of Cadastral Department	Ministry of Transport, Construction and Tourism
Manager of Investments Department	Municipality of district 6 -Bucharest
Manager of Houses' Resistance Department	Baneasa Entrepreneurial Company
Manager's Assistant of Houses' Resistance Department	Baneasa Entrepreneurial Company
Vice President of Housing Commission	Union of Architects of Romania

The key persons who supposed to be interviewed are deeply involved in land management and housing provision not only for Bucharest but for the whole country. The assumption was that they would be willing and able to answer all the questions and be well informed about the issue.

The interviews were conducted by a competent person involved in housing issues and not directly by the writer of the present paper. Interviews were supposed to be a face to face, but unfortunately it was not like that. All respondents were not opened for interviews but they answered to the questions by themselves, in private on writing. The reasons given were that they did not have time for interviews or they were in vacation during that period. Nevertheless, seven of the eight officials answered to all the questions. The other one person answered to thirteen questions from fifteen.

The fact that those key persons did not want to be interviewed in person impeded to deepen some issues. At the end of the day, the positive thing was that they did not know who the other interviewed persons were and they answered in private. The result from this is that the answers are different even from people who are working together in the same programs or institution.

Another person asked the Cadastral Department for maps that included Bucharest and in order to find the quality of the maps and how helpful can they be for the identification of different kinds of land, especially undeveloped land.

Search on the General Municipality of Bucharest website for maps of the city and information about the situation of housing and population of the city was also done.

The websites of private real-estate companies that operate in Bucharest and which are important players on the land and housing market were also reviewed in order to find out how the prices are for land that they are selling and how big the places are, and how interesting the locations are.

Data about housing and land situation in Bucharest were found in newspapers articles or journals.

## **3.2 The answers on the questions and findings**

### **3.2.1 Housing shortage issue**

The manager of the National Housing Agency (NHA) answered that present housing shortage in Bucharest is significant and the main factors underlying the increasing demand which the existing housing stock can not meet are:

- overcrowding (very small living area per person)
- economic migration (specialists taking up residence in Bucharest)
- obsolete or unsafe housing units
- low levels of public housing construction in the 90's
- people's need or better living condition'

He mentioned the following government housing programmes promoted through the National Housing Agency and the Ministry of Transport, Construction and Tourism as a solution:

a) New housing construction for rental housing:

- social housing addressing to low-income people
- rental residential units for young people addressing the needs of young people in the 18-35 year age bracket

b) Mortgage-financed new residential construction - programme through which a public-private partnership (PPP) was created- initiated in 2003, the programme attracts private funds from banks. The housing units are sold to the eligible applicants.

c) Rehabilitation/modernization of existing housing units

He said that 'therefore main focus of the government's housing policy should be new housing construction, especially rental residential construction for young people'.

He added that in the next three years the government aim is to provide approximately 5,000 housing units for low-income people, but that mortgaged financed residential units are depending on the financial capacity standing of the buyers and the available land. For this programme the beneficiaries are middle-income people. He said that 'the estimated number of units for a three year period is approximately 4,000'.

Answering the same question the General Manager of Housing Department from Ministry of Transport, Construction and Tourism (MTCT) said that there is not housing shortage in Bucharest. She based her statement on statistical data which shows that in March 2001 the total number of houses in the country was 8,107,114 and the number of occupied houses was at that time 7,165,792. Regarding the number of houses that will be built she answered that it is difficult to estimate because this is conditioned by the existence vacant or undeveloped land.

The former Manager of the Technical Department of NHA said that there is shortage housing in Bucharest and the solutions could be:

1. taking over the unfinished buildings
2. simplification of the credit system by the banks in order to encourage the housing sector
3. buying the available land by National Housing Agency in order to build houses
4. providing the infrastructure by the local government wherever it has to be done and selling those pieces of land afterwards in parcels

He said that building new houses in Bucharest is not a priority until the legislation about bank credits is approved. He mentioned that in Bucharest since 2001 only between 800 to 1000 single houses have been built in Bucharest using different financial resources.



The Manager of Houses' Resistance Department from the Baneasa Entrepreneurial Company said that housing shortage represents a real problem in Bucharest. As a solution he mentioned the need of new governmental policies in order to facilitate the housing industry and investments in the housing sector, and to decrease the demographic pressure.

All persons interviewed, except the Manager of Housing Department from MTCT agree that there is a housing shortage in Bucharest and the solutions for decreasing this is to use the land within the city but first of all to clarify the situation of ownership and realise a precise cadastral registration.

The question about using the vacant and undeveloped land for future housing projects in Bucharest was to find out if this could be a solution for decreasing housing shortage and in if it is a solution then why this land has not been used.

The answer from the NHA' s General Manager was that 'the land that has not been yet developed (undeveloped land) can be used for the future housing projects provided that legal status of such sites (eligible sites are those unencumbered by restitution claims or charges, for example) and the town planning documentation allow for it. The high housing demand itself imposes such a measure, whenever possible.'

The General Manager of Housing Department from MTCT said that it could be a solution to use the undeveloped land but only if the land is owned by the local government and it has to have the infrastructure included.

The Manager of Houses' Resistance Department from the Baneasa Entrepreneurial Company said that 'as far as he knows the General Municipality and the State are the bigger owners of the land in the city'. He stated that those pieces of land are very well placed in term of location. He gave as an example the industrial units which are not yet privatized and the tramway or bus sheds.

The main constrains in providing land for housing in Bucharest mentioned by most of the interviewed persons were legal and financial.

The NHA General Manager said that "the legal constrains (norms and standards) are found at a national as well a local level." He mentioned that those constrains are the result of "the former communist regime under which private property was disregarded and even suppressed." From his point of view a regulatory obstacle is "the conditions imposed by the National Bank of Romania on lending".

Regarding the financial obstacles the answer was that "there are still financial obstacles at a national and local level. One major obstacle is represented by the shortage of public funds. This is clearly noticeable in the case of local authorities which have great difficulty in identifying the necessary financial resources that may enable them to provide the infrastructure for the sites on which new housing units are to be built. **That proves the existing legal and regulatory framework is still incomplete.**"

The main obstacles from the General Manager of Housing Department point of view are the urban plans, the zoning plans are not well done and the fact that the infrastructure network is not very clear marked. The most important constrain that she mentioned is that the administrative plans are not finished till this moment. Regarding to the question about the situation of the land in Bucharest she did not give an answer and it was the same for the question if there is political involvement in choosing one or another place in the city for implementing a new project.

As obstacles in using undeveloped land in Bucharest, the former Manager of Technical Department of NHA mentioned:

- a) the prices for the land per square metre in the city are exaggerated
- b) there is a demand for parking area for cars
- c) the type of the property
- d) the need of increasing the green spaces
- e) the lack of financial resources for building infrastructure.

He added that there are other constrains such as:

- insufficient motivation in using the undeveloped because of legislation in this field
- At the local level there are other projects that represent “priorities” such as: Basarab passage, the North Railway Station’ parking area, and modernization of 1800 streets.

He also said that the main obstacle in his point of view is the legislative instability in the last 15 years related to financing the housing sector. He mentioned that this instability of legislation had lead to create a kind of confusion among people who were interested in housing sector and also overthrow the business plan of some investors; he gives as examples in this sense: Raiffeisen Bank Romania and HVB Bank Romania.

In the private investors point of view the obstacles for using the undeveloped land for future housing projects are referring more to the governmental policies in the sense that the local and central government has to be more involved and facilitate the housing sector. Another obstacle is the criteria of approving the urban plans and the plans for developing the city. He said also that the infrastructure network plan is not well done.

For the question about property restitution law he said that the law is good but is not applied very well in he sense that it takes a lot of time (years) to receive back what was yours if you are the owner of the property. He has the impression that there is too much birocratism in the system which leads to the idea that there are some kinds of hided interests.

Vice President of Housing Commission from Union of Architects of Romania said that in this moment there are law that are proposed to be reviewed and modified in the Romanian Parliament related to property restitution such as: Law 10/2001-referring to real property in terms of building, Law 18/1991 and Law 1/200 – referring to property right on agriculture and forest lands. He states that there are many property restitution cases in this moment in discussion in the court of law and “the procedures are very slowly”. He said also that the General Municipality is the biggest property owner because it owns the private patrimony of Bucharest. He mentioned also he fact that “there is no precisely and centralized registration of vacant land because there are still problems in property restitution’s issue”.

In his opinion the fact that the undeveloped/vacant land is not used has negative effects on the housing sector and also on the image of the city because many of them are located in the city centre; in this sense he gives as examples the Civic Centre – Unirii Boulevard area and the historical city centre area.

Manager’s Assistant of Houses’ Resistance Department from Baneasa Entrepreneurial Company answered for the question about land ownership that “the land which is reclaimed by the old owners is given back after the law court recognize the property right, but in practice there are very rare cases when the owner gets the property back”. She said also that the municipality concession its land for tens of years only for few people, and those people are selected based on

strange criteria. In this sense she continued to say that this situation leads to give the permission to those people to build their houses practically on land without any payment.

Another situation that she mentioned is there are pieces of land which they are still in litigation in the court of law, and this is convenient for those who have already built the houses/buildings on these parcels, even if they did that as a temporary buildings.

It was a question in order to find out if the undeveloped land represents an important issue in decreasing the housing shortage. The answer of NHA's General Manager was: "The use of undeveloped land represents a priority on the agenda of both the Government and the opposition given the high housing demand and its social implications at a national level. It is also a priority for the National Housing Agency because the implementation of the Government new housing construction programmes depends on the identification and use of such of land. The use of land for housing purposes translates itself in a number of new residential units that may alleviate the housing shortage and provide accommodation for eligible applicants. It is also represents one of the Agency's *raison d'être*."

In order to find out what are the tendency for developing the city inside or outside a question was addressed to the General Manager of NHA because the agency is daily contact with the people who constitute the potential demand and has a data base with all the residents who want houses and their preferences for the location and also for the type of house. The answer from him was: "For economic reasons, the urban areas are still the most attractive locations for active working people. However, changes that are typical of western countries have emerged during the last few years. The moneyed people tend to move away from the city centre and have their own houses built outside big cities. An explanation is that they want to avoid overcrowding, noise and pollution and prefer living in a clean environment. The downtown areas, although expensive in terms of land value, are inhabited by elderly people whose income is very low. They can not move out because these residential buildings are old, most of them having been built before the two World Wars or in the interwar period according to standards that did not take into account, for instance, the seismic forces.

Approximately 85% of the city population prefer living in the city to living outside it. The favourite area within the city is the periphery – people tend to look for homes in areas where there are green spaces (parks).

Percentages:

approximately 30% live in downtown areas

55% live at the periphery;

15% live outside the city."

He said also that "that fact that the undeveloped land is not used affects the development of the housing sector in Bucharest as well as in other Romanian cities. From the investor's/developer's view point, it drastically limits the size of investments and hinders investors/developers from making profit, discouraging them from financing housing units which are already in high demand. From buyer's view point, the small number of completed housing units built on just a few available sites also leads to a sharp increase in house prices and to a more limited housing affordability. The negative social effects are easy to see and fathom. Under such circumstances, the development of housing market is 'stunted', if is not blocked."

The former Manager of Technical Department of NHA said that "comparing with west European countries where the housing sector is 'moving' on horizontal and it represents 30% of GDP; in Romania this represents only 1% of GDP". He adds also that the using of undeveloped land could increase this percentage.

### 3.2.2 Land issue

On General Municipality website ([www.pmb.ro](http://www.pmb.ro)) maps of Bucharest and its boundary and information about what kind of land there is in the city was found. A research paper written by the architects relating with housing, cleaning, politicians, and what should be the priority for the local governments was reviewed. This research was meant to find out the dimension of the problems in the city and what the people's major needs are. They categorized them in order to show what the priorities for local government should be (Arch. Alexandru M. Sandu,2001).

This research asked citizens (is not mentioned the number of citizens) their opinion about the city. In people opinion building new and affordable houses should be the main priority for central and local government. 89% of the population interviewed said that is a lack of affordable houses in Bucharest. When they were asked what type of house they want 43% of them want single houses. Taking into account that 71%of the population, according with this study, is living in multi-store buildings this could be a reason for this answer.

Also on this website information about types and size of land in Bucharest that can be found in Bucharest and the size of each type as the following table shows:

Functional zones and sub zones	Surface/area		Share index from the total area of the city		Share index from the total administrative area of the city		Index value for utility of land	
	Total	From which:	Total	From which:	Total	From which:	Total	From which:
	HA.	HA.	%	%	%	%	Sqm/inh	Sqm/inh
<b>Urban Zone</b>	1618,64		9,00		1,12		8,05	
1. The zone with public and commercials functions								
1.1 Central zone		200,91		6,80		0,84		1,00
1.2 Commercial and business city core		114,90		0,64		0,48		0,57
1.3 Municipal		975,76		5,43		4,10		4,85

Functional zones and sub zones		Surface/area		Share index from the total area of the city		Share index from the total administrative area of the city		Index value for utility of land	
		Total	From which:	Total	From which:	Total	From which:	Total	From which:
		HA.	HA.	%	%	%	%	Sqm/inh	Sqm/inh
	spread functions								
	1.4 District spread functions		327,07		1,82		1,38		1,63
2. Mixed Zone		616,12		3,43		2,59		3,06	
	2.1 Mixed zone		616,12		3,43		2,59		3,06
3. Zone of houses		7332,39		40,78		30,83		36,46	
	3.1 Houses developed in time		2333,1		12,98		9,81		11,60
	3.2 Collective houses		2676,69		14,89		11,25		13,31
	3.3 Houses on urban parcels		583,03		3,24		2,45		2,90
	3.4 Houses in semi-rural parcels		1739,67		9,68		7,31		8,65
4. Zone of productive activities		3477,80		19,34		14,62		17,29	

Functional zones and sub zones		Surface/area		Share index from the total area of the city		Share index from the total administrative area of the city		Index value for utility of land	
		Total	From which:	Total	From which:	Total	From which:	Total	From which:
		HA.	HA.	%	%	%	%	Sqm/inh	Sqm/inh
	4.1 Industry and Storage		2589,14		14,40		10,88		12,87
	4.2 Greenhouses, agro-industrial zones		888,41		4,94		3,73		4,42
5. Transport		1767,80		9,83		7,43		8,79	
	5.1 The major network for vehicles		785,06		4,37		3,30		3,90
	5.2 Units for transport		79,23		0,44		0,33		0,39
	5.3 Railways		759,23		4,22		3,19		3,77
	5.4 Airports		144,29		0,80		0,61		0,72
6. Green areas and sport areas		1775,06		9,87		7,46		8,83	
	6.1 Parks, gardens, squares		1189,18		6,61		5,00		5,91
	6.2 special green public spaces		68,72		0,38		0,29		0,34

Functional zones and sub zones		Surface/area		Share index from the total area of the city		Share index from the total administrative area of the city		Index value for utility of land	
		Total	From which:	Total	From which:	Total	From which:	Total	From which:
		HA.	HA.	%	%	%	%	Sqm/inh	Sqm/inh
	6.3 Public sportive spaces		78,89		0,44		0,33		0,39
	6.4 Sport and recreation		366,21		2,04		1,54		1,82
	6.5 Forests		72,05		0,40		0,30		0,36
7. Communal services zone		639,94		3,56		2,69		3,18	
	7.1 Communal services zone		406,51		2,26		1,71		2,02
	7.2 Public cemeteries and human crematories		135,00		0,75		0,57		0,67
	7.3 non-public cemeteries		98,43		0,55		0,41		0,49
8. Zone with special destination		586,91		3,26		2,47		2,92	
	8.1 Special destination		586,91		3,26		2,47		2,92
9. Zone for major		57,99		0,32		0,24		0,29	

Functional zones and sub zones	Surface/area		Share index from the total area of the city		Share index from the total administrative area of the city		Index value for utility of land	
	Total	From which:	Total	From which:	Total	From which:	Total	From which:
	HA.	HA.	%	%	%	%	Sqm/inh	Sqm/inh
technical equipment								
9.1 Major technical equipment		57,99		0,32		0,24		0,29
10. Unstructured zones	106,36		0,59		0,45		0,53	
10.1 Unstructured zone		106,36		0,59		0,45		0,53
<b>TOTAL URBAN ZONE</b>	17978,78	17978,78	100,00	100,00	75,58	75,58	89,39	89,39
<b>OUTSIDE OF URBAN ZONE</b>								
11. Forest zone outside of urban zone	546,95					2,30		2,72
12. Natural water zone	1005,00					4,22		5,00
13. Roads and highways zone	1154,00					4,85		5,74
14. Other areas/zones( agriculture and unproductive)	3102,27					13,04		15,42
<b>TOTAL OUTSIDE</b>	5808,22					24,42		28,88



Functional zones and sub zones	Surface/area		Share index from the total area of the city		Share index from the total administrative area of the city		Index value for utility of land	
	Total	From which:	Total	From which:	Total	From which:	Total	From which:
	HA.	HA.	%	%	%	%	Sqm/inh	Sqm/inh
<b>URBAN ZONE</b>								
<b>ADMINISTRATIVE TERRITORY – TOTAL</b>  <b>Including the local traffic ( total = 1279.94)</b>  <b>2,011,305 inhabitants (199)</b>	23787,00					100,00		118,27

Fig 1

This table shows how Bucharest land is divided and what how much land is used for different purposes or functions. The land of city is divided in Urban Zone and Outside the Urban Zone. The total Urban Zone has 1618, 64 ha which represents 9% of the total area of the city and 1,12% of administrative area. In the total urban area the zone of house is occupying 40% of urban zone. The maps sent by Cadastral Department in digital format-on CD-have images but they are not sufficiently clear to be analysed.

For the question about situation of land in Bucharest the General Manager of Cadastral Department from MTCT he answered that the General Municipality has this registry and if someone wants to be informed about one piece of land then that person has to send an application and has to be well motivated. Also for the question if the cadastral information is public and if anybody could have access to it, his answer is “negative”.

About involvement of citizens in the cadastral register process he said that is happening “only if it is necessary”. He added to this answer that citizens involved themselves only when they have problems related with their properties. In the question was mentioned if there is a lack of participation of citizens and if this could be an obstacle for registration and he gave a diplomatic answer (in my opinion) that sounds like this: “the property registration required the payment of taxes and services”.

He stated that the Law no 10 of 8 February 2001 which is about restitution of property “does not influence the cadastral registration because usually the cadastral registration has to be updated periodically”.

Vice President of Housing Commission (Union of Architects of Romania) said that the information about cadastral registration can be founded at General Municipality of Bucharest and cadastral maps can be obtained only in the paper format.

About the citizens participation he said that the only constrain in doing the registration “it could be the taxes for it and the birocratism”. In his opinion the implementation of Law no 10/2001 will have a positive effect in the process of property registration in the sense that “the owners will finally appear to reclaim their property after 15 years since this process started”.

He states that the tax system is working well in Bucharest; the problem can appear in the situation of land from periphery of the city which is more agriculture and without infrastructure and usually has big size. The problem in these cases, according to him, is that the owners barely afford to pay the taxes.

In terms of prices of the land in Bucharest his opinion is that the speculators, who are players on the land market, increased the price per square metre in an artificial way because of the future integration in European Union.

In the next chapter all findings from the internet websites and interviews are going to be analysed in order to achieve the objectives.

## **Chapter 4: Analysis**

### **4.1 Land restitution in Romania**

To present the situation of land before and after 1989 it will point out the similarities or the differences with the other post-communists countries. All this information about property

restitution and ownership law in Romania exists on internet on the website of the alliance of major European law firms (C'M'S Cameron McKenna) and on website of American Embassy.

According with the information from interviews one most important obstacle in using the undeveloped land inside of the city is the legislation related with the property restitution it is not applied all the time or it does not function well in Bucharest. It is necessary to analyse the process of property restitution after 1989 and in order to understand it is recommended to have some information about property ownership before 1989. The Romanian property history is very similar with all east-European countries.

Similar with Germany, during the Antonescu government a lot of properties were grabbed from Jewish community or individual Jews. So there are cases when the properties could be claimed by more than one owner, and this can lead to difficulties in property register. The worst thing is that a lot of documents that proved the ownership were destroyed or are missing.

In 1945 the nationalization process started with expropriation of farmland and continued in 1948 with industry and religious property. In 1950s it began the seizure of residences.

There were many laws regarding property seizure. For instance, there were promised compensation or documentation related with the seizures. For the owners of properties which were taken in the period of time between 1948 and 1956 the government from that time promised them compensation for their loss. The fact was that the owners even if they had the titles for their property it was not allowed using their property.

After 1956 the law that provided the property seized in the way that the owners were entitled neither to retain land title nor claim compensation. In that time a lot of houses and buildings were demolished and people were relocated under urban renewal plans, this was the reason to take by the State the all properties from the people. There were demolished even beautiful and new houses (between 5 and 30 years old) in order to build multi-story buildings or for some crazy Ceausescu's ideas. For example, in Bucharest the area of Civic Centre where the People's House was built it was a very beautiful neighbourhood of villas. A lot of people lost their properties without any compensation.

Another situation was that in 1974 thousands of Germans and Jewish people left Romania and the state confiscated their properties compensating owners in some cases with a symbolic payment. That happened because under a decree issued by Ceausescu anyone who left the country and did not return within an established period lost property ownership forever without any compensation.

This kind of situations has as a result complications in accomplishment of restitution of property rights and in cadastral registration. There are few reasons that could lead to an unclear situation:

1. those who left the country a) do not have interest to come back to claim the property right, b) they are not alive and they do not have relatives to claim it, c) they are not Romanian citizens and the law do not allow foreigners to own properties so they can not claim their properties because until they get the Romanian citizenship. The things are not so simple in this case because for example Germany and Austria consider the acquisition of another citizenship to be an expatriating act, fact that could make the owners who are living and have German or Austrian citizenship to loose their interest for claiming the properties.
2. the documents that proves the ownership are missing or disappeared during this time
3. too much birocrtatism within the system

4. it takes too much time and spending money for proving the ownership even when the owner has documents. In this sense there are a lot of actions at law in this moment in Supreme Court in Romania and in Hague Supreme Court.

### *Types of property*

There are three types of properties such as: dwellings and businesses, agriculture, and community or religious properties. Each type is a subject to a different regulation and procedures for restitution. In Bucharest most of the property restitution cases are a part of dwellings and businesses type, which generally contains companies, buildings, factories, houses, apartments and hotels. In this type of property are included also existing and demolished buildings, as many dwellings and businesses were torn down under Ceausescu's "development urban plan" for this city as well as for the entire country.

Religious properties were another issue for discussion in restitution process. Religious properties are properties owned by religious denomination, for example Orthodox, Catholic, Jewish, Baptist, Greek Catholic, and Protestant, recognize by the state at time of confiscation.

There was a conflict in term of property restitution mentioned in one article ( Romanita Iordache, 2001) which says that the Greek Church did not receive the properties back. During the communist period the Greek Catholic property was confiscated and handed over to the Orthodox Church. For example in Alba County Greek Catholic Church owned 3,600 hectares of agricultural land and 3,800 hectares of forest. Until 2001 only 80 hectares and 10 churches have been given back.

In 1991 the Romanian Constitution was introduced and is very clear specified in it that it protects and guarantees the private ownership of land.

After 1989 in Romania the real estate transactions started to grow considerably. There were two reasons that have lead in changing the law:

1. to meet the needs of investors, developers and financiers of real estate projects
2. the need to harmonize Romanian real estate legislation with European Union legislation.

The law mentioned three basic rights for the land and buildings which are:

- a) the right of ownership
- b) various usage rights such as lease, usufruct, superficies
- c) rights under the concession

"The right of ownership" actually is a guarantee of the property which comes to support the Constitution Law.

In Romania before 1990 most land was owned by the state as a state property. Starting with 1991 the former state owned farmers' associations have been transferred to individuals, state owned companies which are in a process of privatisation, and farmers.

Till here the steps are similar with the Hungarian case. Some differences appear when it goes more in detail. For instance, the former owners of the land unfairly appropriated by the State during the communist regime had 6 month time, during which they had the right to claim restitution of land or buildings or the equivalent. After the term was extended for two times with another 3 months, on the 8 February the time expired.

In the article "**Property Restitution in Romania- A Handbook for American Citizens**" it says that the investors should be aware that the property title in Romania does not constitutes an "absolute proof of ownership" and the main reason for this is that Romanian Land Book is not precisely.

In Romania are four publicly land registering:

1. **“public registration system based on the owner”** which is applicable in Valachia, Moldova, Oltenia and Dobrogea, in the southern and eastern part of the country;
2. **“public registration system based on the property”** which is applicable in Transilvania and the north part of Moldova
3. **“an intermediate system regulated by Law no 242/1947”** applicable in some towns and villages located in the former Ilfov County
4. **“intermediate system regulated by Law no 163/1946”** applicable in some towns and villages located in the former Transilvania

The two first are the most important because they are based on the owner and property.

The public registration system based on the owner has the following main characteristics:

- a) all ownership transfer agreements and agreements for the establishment of mortgages, a usage or a usufruct right or of an easement have to be registered only in order to make them binding as against third parties. The agreement remains valid if it is not registered, but it cannot be enforced against third parties;
- b) lease agreements with a duration of more than 3 years have to be registered in order to make them enforceable against third parties;
- c) registration is focused on the owner, and not on the property, making it difficult to carry out a search on the property;
- d) there is uncertainty regarding the status of a non-registered ownership transfer agreement

The public registration system based on the property (Transylvania) has the following main characteristics:

- a) all ownership transfer agreements and agreements for the establishment of a mortgage, a usage or a usufruct right or of an easement have to be registered in order to make them effective
- b) the registration is based on the property.

The Law no.7/1996 is a new law on the cadastral and public registration that was adopted in 1996. This law unified these two real estate public registration systems. The problem is that this law is not fully implemented due the fact that all existing registers have to be replaced by an electronic register and there are various actions which need to be implemented in order for the law to be completely implemented. The fact that the law is not yet implemented creates a lot of confusions among all actors involved in the land market.

Compared with the old real estate public registration system law no 7/1996 has a lot of advantages, but still has to face with problems because the registration of a right is not compulsory. Another major issue is that this registration does not represent an absolute proof of the existence of legal and valid right because there is a presumption that the right exist and if the new buyer registers the title in time, he/she will have title against any other non-register owners. For Transilvania in contrast with Valachia and Moldova, registration in the Land Registry was requirement for the existence of the real right on the property. The fact is that the Law no7/1996 changed radically the public registration system in Moladova and Valachia in the sense that no new registration are now made in the old land Registry. Unfortunately this decision of registering only in the new Land Registry creates some difficulties in finding out who is the owner exactly because there is no cross references between the old and the new Land Registry. Therefore, if an owner has not made a new registration at the new Land Registry under the Law 7/1996 an

investor will have to go back to the old Land Registry to obtain information on a relevant property, if this information exists.

The situation is better in Transilvania because the Law 7/1996 was implemented on the old Land Registry and therefore it is possible to obtain evidence on a particular property going back to the 19<sup>th</sup> century. It has to be taken in consideration the fact that Transilvania was under Hungarian Austrian administration until 19<sup>th</sup> century and in that period the registration was done very precisely and the results are that in that part of Romania there are no problems in cadastral registration.

Unfortunately the situation in Valachia and Moldova could remain unchanged for many years as under the new legislation current owners are not obliged to re-register their properties at the new Land Registrars. A new registration is only required if the parties to a transaction wish to operate transactions in the new Land Registry.

Making registration in the new Land Registry compulsory it forces the investor/buyer especially in Valachia and Moldova to check the validity of each previous transfer of the property and it imposes a requirement on the owner to carry out the requisite formalities to register the property at the new Land Registry. Based on the principle of good faith, the desired transaction would in such circumstances be protected against adverse claims.

In Romania in 2001 the Law no10 was adopted in order to clarify the property restitution issue. In this law is mentioned that 14<sup>th</sup> March 2003 is the last date when old owners can claim their properties. One attorney from Schoenherr & Partners expressed his opinion in an article (Capital Magazine 17th Aug 2005). He said that because this law was not applied properly because the date-14<sup>th</sup> March 2003- was ignored in the sense that the claiming process continued. The consequence of this is if someone bought a property in the last 16 years has to know that there is a risk to lose the property right if the old owner appears and claims his property through a low process. He states that before a transaction of one property take place it is necessary to go to the Municipality of Bucharest for searching if there is a claiming application on that specific property, and then it has to search who was the owner and if there is any possibility that the property to be claimed by owners relatives. According to this article in Germany, Hungary, and Check Republic it is only necessary to register in the Properties Register Book and the transaction can take place. In Romania this kind of procedure mentioned above makes the foreign investors to be confused.

This kind of situations mentioned above could be an obstacle in developed the city because as it is specified in the theory the first step and the most important is to identify the type of the land and to have a very precise cadastral registration. Also, this cadastral book has to be made publicly in order to be accessible by everyone.

#### **4.2 Access to land information (Argumentation based on information from interviews)**

The interviews give some information for this research, but not sufficiently. What comes up from this is the fact that there is housing shortage in Bucharest and there is also vacant/undeveloped land which can be used to alleviate the problem.

The interviewed persons have answered some of those questions in different way and this could be a base for an argumentation in favour of using land inside the city.

The contradiction between what the General Manager of Housing Department from the Ministry of Transport, Construction and Tourism says and the General Manager of NHA, are very

interesting in terms of communication between public institutions, because both of them as institutions are involved in the same programmes in the sense that NHA is functioning under the MTCT's authority because NHA was set up by this ministry.

The General Manager of Housing Department from MTCT said that the statistical numbers shows that there is no housing shortage in Bucharest, while the General Manager of NHA said that "the present housing shortage in Bucharest is significant".

If there is no housing shortage in Bucharest then there is no sense for governmental programmes in building houses in this city.

The number of occupied houses from statistical point of view shows there was no housing shortage in 2001(the total number of houses was 8,107,114 and the number of occupied houses was at that time 7,165,792), but there are reasons for this non occupancy:

1. there are people who owned more than one houses and they are going to speculate later
2. there are people who moved out from the city and they keep the houses in the city in order to speculate later
3. there are not affordable houses
4. there are houses in bad conditions so they do not represent any interest
5. there are very old houses that required improvements or new and expansive investments
6. there are houses in an unclear legal situation or the owners are living abroad

These reasons are similar with those that make residents of Prague to start to develop housing outside the city.

The last census shows that in Bucharest are 775,134 existing housing units from which 86,947 are single houses, 34 686 are attached houses and 653,501 are units in blocks of flats. This last category, blocks of flats, contains in general apartments with:

- one room, one kitchen and one bathroom
- one living room, one bedroom, one kitchen and one bathroom
- one living room, two bedrooms, one kitchen and one bathroom

The existing units are used by almost 2,000,000 people, population of Bucharest.

To prove that it is a high demand for new house in Bucharest there was made a study that shows the fact that in the next 20 years, almost 80% of existing housing buildings will be at the end of "their life", and 6 millions of Romanian wants to improve their living conditions. Another fact is that in 11% of 8 millions existing units in the country, there are more than two people per room. As a consequence of this the number of units which is needed is 800,000 (Raiffeisen Bank). The same study state that 56% of housing stock in the country is in critical condition and it is required emergency actions for rehabilitation and modernization. Most of the units that are in this critical situation are apartments.

NHA has registered in data base 36, 000 applications for houses in Bucharest, through mortgage programme. From this number each of 9,300 applicants own an apartment, each of 800 applicants own a house, 16,700 applicants are living with their parents, and 8,700 are living in a rental houses/apartments from the market. In the answer of the interview, the General Manager of NHA said that in the next three years the number of housing units that will be built in Bucharest through the agency is 4,000.

In an article from Gardianul Newspaper (Cristina Dobre) it says that the local government of Bucharest does not seem to be able to deal with the demand for rental houses for young people. According to this article the evidence of this is the fact that in year 2002 were a bit more than 6,000 applications for this kind of houses, but from year 2003 until this moment the number of applicants increased to 14,690.

From the interview with the General Manager of NHA is clearly that there are legal and financial obstacles in providing and using the undeveloped land. The main legal constrain is that the legislation about restitution of properties was not clear formulate or not well applied and has lead to a stagnation of identifying and using the undeveloped land for housing which is strange because the cadastral registration is another target of the central government.

In his point of view the vacant/undeveloped land within the city represents an interest for future housing projects and also a solution for alleviating the housing shortage in Bucharest.

This is seem to be a paradox in the sense that it is known at a governmental level that there is land that can be use for housing projects in the city, but the information about it is not accessible/available and the cadastral registration is not finished and centralized till now.

He said also that the Government prefers to build outside Bucharest in spite of the higher infrastructure costs because there are available undeveloped lands, but in the question about obstacles he mentioned financial obstacle in the sense that the local governments can not afford to provide infrastructure for the undeveloped land. For instance NHA promoted a project two years ago outside the city, named Henry Coanda, which is located next to the national airport. In this area the Agency wants to build 1117 houses, single houses, attached houses and rental (blocks of flats) houses. For this project the local governments have to provide the infrastructure according to the agreement with the agency, but this mean at least 800 m of pipes for water and sanitation, streets, drainage system, sewerage system, a road that has to cross the railway Bucharest-Constanta and another three main roads for the access in the area, electricity, pipes for gas. This mean a huge investments and it could take many years and maybe this is the main reason why the building of the houses did not start yet. The point is that those obstacles, legal and financial, stops implementation of governmental housing policy in this city.

It is obvious that this was not a good solution for the Government projects- to start to build outside the city.

In order to support the idea of using undeveloped land for future housing projects in Bucharest the General Manager of NHA said that “the use of undeveloped land represent a priority on the agenda of both Government and opposition given the high housing demand and its social implication at a national level (...).The use of land for housing purpose translates itself in a number of new residential units that may alleviate the housing shortage and provide accommodation for eligible applicants. It also represents one of the Agency’s raison d’etre.” It is clear that he sees the using of undeveloped land as a solution for decreasing housing shortage.

One of the reasons for what NHA do not build inside the city is because the prices of the land are high and the agency can not afford to buy those pieces of land. On the other hand the Manager of Housing Department from MTCT, said that the houses can be built through governmental programmes only on the land that is owned by the municipalities or the state. The conclusion from these opinions is that the government does not use to negotiate and buy land from private in order to build houses. This is happening because NHA usually build houses only on municipalities or state land. The law says that the municipalities are obliged to provide the infrastructure for NHA’s projects.

The Cadastral Department said that they do not have data about the ownership which actually is their job and is has to be accomplished till the year of 2007 for integration in European Union. They said that the data about types of land in Bucharest “maybe” can be found in the municipalities, but in the interview with the Manager of Investments Department from the municipality of district number 6, he said that he does not have any idea about which is undeveloped land in Bucharest. So, it seems that the information about the land and ownership of



the land does not exist or the people who are involved and supposed to know about it do not have the information or they do not want to provide it.

As the theory shows is necessary to have all this information in order to formulate a developing strategy for the entire city. Hungary is a good example in implementing cadastral system.

In Hungary the process of property restitution was done based on old Land Register Book and that helped to start the land and housing market to function properly. For example in Budapest they have Land Information System that provides functionality to produce cadastral paper maps and map extracts. There is a need to produce approximately 1000 plots per year. The benefits having this kind of system is that the cadastral system, the legal register and cadastral mapping are brought together into unified system, and the data integrity and consistency are improved and are well maintained in the two separate systems. The result is that it avoids parallel updating and registration and decrease the number of staff and costs. A unified cadastral system is basis for tax regulation.

The Hungarian system provides also a large scale basis for the collection and recording of other land related data such as land use and classification as well as land protection.

The computerized cadastral system improves the quality of data in general and offers possible usage of data such as utility management and form the basis for several information systems in the field of environment and transportation.

As the Internet becomes more and more important and accessible to a wide range of users, it also becomes useful with a unified registry system. Combined with a paying system cadastral information could be accessed through the Internet. This makes the use of information even more flexible and real public issue.

The private investors' opinion about the access to available land or vacant land information that could be used for future housing projects is that this kind of information is kept "under the desk" for special investors. This could mean corruption at a local and national level.

The answer from the Manager of Cadastral Department from MTCT to the question about the land information access, support the idea that is not publicly and there properties which are not yet register. He said that if someone wants information about the land that person has to do an application and has to be very well motivated that means the access is limited. This limitation could make the people to have the impression there is something to hide or could be only the fact that they are not prepared to give information immediately and they need time to inform themselves. On the other hand he said that the person who is interested to find this kind of information could get it only if the property is registered, and there is possibility to not find any information because, as it is mentioned previously, the registration is not compulsory.

It is obvious from this interviews that there is lack of information and transparency and lack of access to information. As private investor said, this is because maybe there are some hided interests to not finish the process of privatising property and restitution. The reason could be the chance for speculation in the next years.

The speculation of land prices is mentioned also by two private investors in the interviews. They said the fact that the undeveloped land is not used is maybe because the owners want to wait till the price will be at maximum. Actually every actor involved on land and housing market is waiting now the moment when the prices will be the same like in Europe. This is the last tendency on both markets because everybody knows that if Romania wants to be in European Union the prices of the houses and land has to be adapted to European market. The difference between west European countries and east European countries in that the wages of people are not even comparable. A consequence of this fact will be that the land and the houses will be

unaffordable for a majority of people. For example, in order to be integrated in European Union, the Romanian Government just cut this year the subsidy for houses that will be built by governmental mortgage programme, because the 20% from the price of the house make the new house cheaper than it is on the market.

The argumentation of General Manager of NHA about cutting the subsidies was that they did this because it was unfair competition on the housing market. He said: "the subsidies applied to new construction through the NHA have been recently eliminated as they were considered to be a sign of unfair competition." This is true that is unfair competition but the main idea in governmental programmes is to help people through a subsidize system to buy a house/apartment.

It is mentioned in theory that the price of the land influences directly the price of the house. In this sense is very interesting to take a look on the prices inside of Bucharest and outside and compare them. Another issue is that most of the pieces of land for sale are located in the peripheries of the city, so close by the land from outside of the city.

### **4.3 Land Market in Bucharest**

Last year the Bucharest land market was characterised by expansion out the city limits, high price increased and enhanced the demand for larger sites suitable for development.

It was very interesting to see that some places outside the city which were undesirable in the past, (for example Saftica, Balotesti located in the south of the city) are now the object of several requirements that more than sure will increase the prices for these areas.

In 2004 there was a high demand in Bucharest for land for industrial, retail and residential use unlike the previous years when the demand was more focused on land for office development. (Colliers Real Estate Company website)

One reason for the fact that the prices risen was the high demand, but in the same time the EU accession generate some kind of psychological price growth for the plots located within the city.

In this moment investment in land offers higher returns than many other business opportunities and there many investors on this market. Most of them are passive in the sense that they are buying large areas and holding them, waiting for the price to increase and trying to create a monopoly and stimulate a price growth in this way. Another reason for the high price increase is the expected European Union accession and general belief that the prices of the land will grow when Romania enjoy European Union. Most of the land owners do not know or they do not take into consideration the fact that the prices can not grow beyond a limit of feasibility for a project. It is known that in 2004 there have been request for large sites for development of big residential and industrial projects. Although there is a high demand for such large sites, their acquisition is sometimes delayed by complication generated by ownership claims (Colliers Real Estate Company website).

Last year several developers started to look for sites suitable for large scale residential schemes. Prices for the small and medium size projects increased with almost 50% in one year prime site going even for 1,500euro/sqm (Capital Magazine). Another explanation why the prices are growing so fast is the fact that is a competition among developers/investors for sites suitable for larger residential schemes that are also suitable for various retail developments. Till now there have been developed only small and medium sized residential projects, but once large projects will appear, the supply of new dwellings units will double the size. These small and medium sized projects were accessible in terms of acquisition of houses/dwelling more by the reach people, but the demand is expected to continue to grow so there will be a good market for such a projects.

It very difficult to quantify the supply of land in Bucharest because there is a lack of information on transaction and a lack of visual marketing avoided by most of the land owners in order to not attract the attention of the public. The existing supply consists of several components such as:

- a) *old supply* characterised by a strange behave related to the price in the sense that many of the land owners artificially raise the prise, not taking into consideration the fact that their piece of land is not attractive in terms of location and/or size
- b) *new supply* which appeared as a result of availability to sell land from owners that consider the market's conditions reasonable for transaction in one moment, and also it is a result of solved lawsuits concerning ownership titles
- c) sites located in areas that became attractive as a result of market trends. These trends are created on a short term because of two reasons: the location of an important developer or user in new area which did not represent interest on the market, for example the new headquarters of Porsche in Pipera; infrastructure development in one area- highway to Constanta.

It is true that in the last couple of years there have been some steps forward on the land market referring to the legal and public administrative procedures. There are estimations that the price growth shall continue, but a lower pace, especially for areas that have reached their price limit (Colliers). The reality shows that the prices will continue to rise in the areas where the growth is possible, for instance in the south-west and east part of the city. These areas are still undeveloped and considered as being secondary, but they already start to attract the interest of buyers.

In the following table it shows the difference in terms of prices between land inside the city and outside the city.

Guideline for Land prices around Bucharest - per m <sup>2</sup>	From (EUR)	To (EUR)	From the centre of Bucharest (km)
Location	From (EUR)	To (EUR)	
Afumati	14	18	14
Balotesti	15	40	20
Berceni	5	20	11,5
Branesti	5	15	14,5
Buftea	6	15	20
Cernica	25	60	11,5
Chitila	7	65	14
Ciolpani	7	15	35
Clinceni	8	12	14,5
Corbeanca	20	60	21
Frumusani	5	15	10
Giulesti	12	23	10

Guideline for Land prices around Bucharest - per m <sup>2</sup>	From (EUR)	To (EUR)	From the centre of Bucharest (km)
Location	From (EUR)	To (EUR)	
Izvorani	6	10	30
Moara Vlasiei	4	8	25
Mogosoia	20	55	13,5
Otopeni	20	50	14
Popesti-Leordeni	10	20	10,2
Rosu	30	50	10
Saftica	12	27	22,5
Snagov	10	60	30
Stefanesti	15	25	15
Tunari	15	25	13,5

Fig.2

Guideline Land prices in Bucharest - per m <sup>2</sup>	From (EUR)	To (EUR)	Distance from the centre of Bucharest (km)
Aparatorii Patrei	40	80	8
Vitanul Nou	100	300	7,2
Constantin Brancoveanu	200	300	4,2
Pipera	60	140	6,2
Mircea Voda	500	700	1
Bucuresti Noi	60	200	8,5
Titan	125	200	6
Lacul Morii	150	300	5,5
Tineretului	200	300	2,2
Militari	80	120	8,1

Fig.3

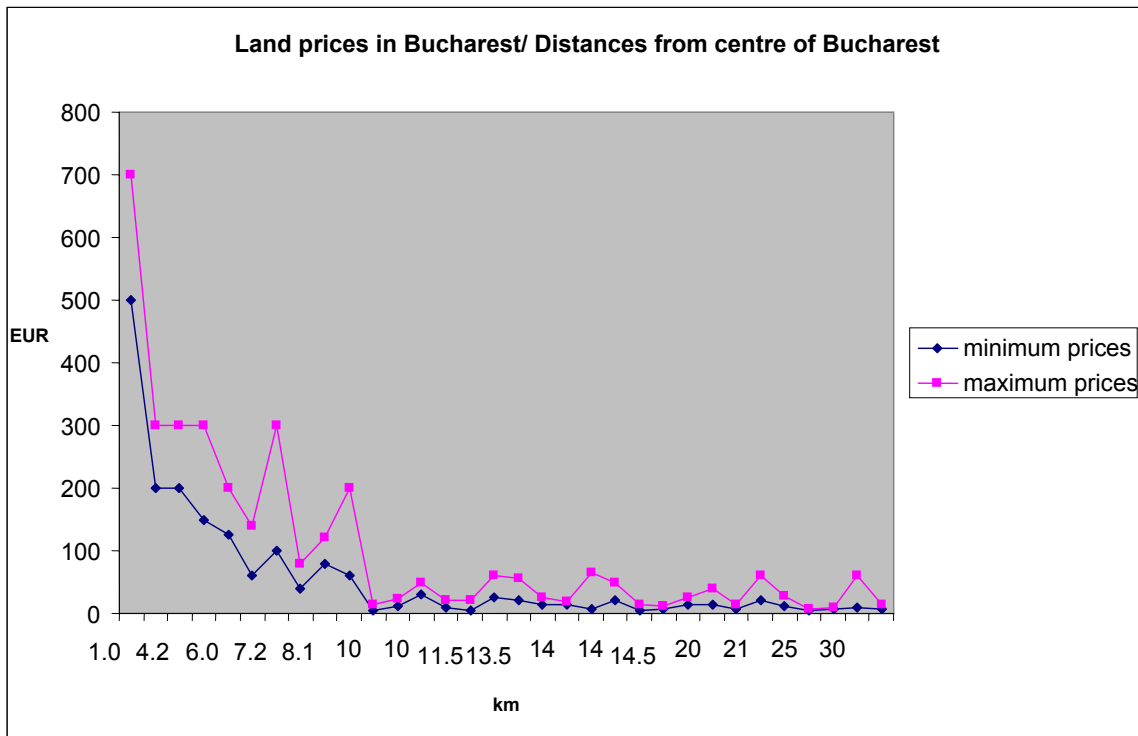


Fig 4

It is a huge difference between the land price inside the city and outside the city. The sizes of the plots are not specified in this template but it shows that the prices vary from 5euro to 65euro/sqm outside the city and from 40euro to 700euro inside of the city. The difference between inside and outside the city is of hundreds of euros. The graphic (fig.4) shows a normal tendency of land prices from the centre to the outside of the city. It is obvious the fact that the difference in terms of prices is big within the city as well. Prices are higher in the centre because those pieces of land located exactly in the centre or at maximum 1km far from centre represent a value being next to important offices and another reason is that the infrastructure is already there.

One of the reasons for this difference between inside and outside of Bucharest it could be that the infrastructure is inexistent outside the city or is not properly done. In most of the cases those who owns the land outside and they build houses they have to do the infrastructure by themselves which is quit expensive but even in this way at the end the price of the house is lower than if they want to build inside the city.

One important thing is the location of those places inside the city because it influences the price of the land. The existed plots in the perimeter of the city (Fig3) most of them are located close to the border of the city and pretty close to plots that are located outside of the city(Fig.2). The difference between them in term of prices is determinate not only by the location but also by the demand for land for housing projects (see Annex 2 and 3).

Another factor that has to be analyzed is the size of the plots in order to see for which kind of project could be interesting. For example there are pieces of vacant land that could be used for building house:

- next to centre of Bucharest, Splaiul Unirii there are 20,483sqm with the price of 145Euro/sqm;

- in the 3<sup>rd</sup> district of Bucharest, Basarabia Boulevard there are 26,331sqm
- in the periphery of Bucharest, 6<sup>th</sup> district, Timisoara Boulevard there are 25,000sqm and in the same area there is another plot with a size of 12,500sqm
- within built-up area of Bucharest, location Grivita Lake there is a plot of 9,935sqm with a price of 160Euro/sqm
- in the north periphery, location Pipera, there are two plots of 5,000sqm with a price of 58Euro/sqm.( see Annex 2and 3)

These pieces of vacant land were agricultural land and because after 1989 they were no used in this sense, the private companies of real-estate bought them and now they are selling them. The private companies withdrew the land from agricultural circuit in order to sell it for housing.

All these data proves that there is undeveloped land inside the city for building houses, but the investors are more interested to invest out of the city because of the price of the land. In this way they can build and sell houses for the rich people who can afford to buy those houses and to pay extra money for the infrastructure in terms of water and sanitation, and they afford to have a car for daily transportation.

The fact is that private investors are not yet prepared to invest so much in land for building houses in order to sell it, and more than this they are concern in recovering money and make profit as fast as they can. The worst situation could be for example, if they want to invest in one of the plots mentioned above and they have to pay the land price, to invest in infrastructure and then in building the houses. In this perspective they would have to recover the all investment plus the profit which has to be reflected in the price of the houses. This could lead to an unaffordable houses and a long-term recovering of the money. Romanian private investors do not have the potential to do investments for a long-term.

As the researcher showed in the theoretical chapter there are opinions for and against urban sprawl. In the case of Bucharest the problem is not the fact that the reach people want to live outside the city the problem is that inside the city there are places that could be used for housing for middle and low income people. For instance, the former Manager of Technical Department of NHA suggests that the local government or NHA could buy these plots for building new rental or mortgaged houses for the middle and low income class. In his opinion it could be a real solution for decreasing housing shortage in Bucharest. The fact that the 30%of population prefer to live inside of the city and 55% in periphery comes to support the idea of using these pieces of undeveloped land.

Even if the tendency is to live outside of the city the preferences of people shows the contrary, and this is because most of the offices and all governmental ministries are in the city and people's jobs are concentrated in the centre. According to the theory of compact city there is recommended to use first of all what can be used for houses in order to develop the city at maximum. According to the same theory is true that there are advantages and disadvantages in using this concept as a strategy. In this moment in Bucharest the most important advantage which supports this compaction is the fact that the jobs are located in the city and is much easier in terms of transportation and time consuming to go to their offices. On the other hand those who afford to buy a house or an apartment they barely afford to buy a car to get to the centre if they choose to live outside of the city.

The disadvantage in this moment could be traffic congestion as it is mentioned in theory as a fact which could happen, and this is a consequence of existence of narrow streets and roads in the centre.

Compare with the developed countries the prices for the land are not so higher but compare with the salaries of middle and low income people is almost impossible to afford to by as an individual a piece of land inside of the city.

In the next chapter the conclusion and recommendation are point out from all this.

## **Chapter 5: Conclusions and recommendations**

### **5.1 Conclusions**

There is a significant housing shortage in Bucharest and the increasing demand for housing could be alleviated by using the undeveloped land which is in the perimeter of the city and then the land which is close to the city borders.

There is a huge demand for houses. Those in more need for houses are young people from middle and low-income class. As the preference of these people show, almost 85% of them want to live inside of the city.

There is a huge potential in Bucharest for building new residential areas and foreign investors have also shown interest for investing in this sector. Nevertheless, there are number of legal, financial, information and communication obstacles that impede providing land for future housing building in Bucharest:

- a) The State is still the major owner of these properties and the process of privatisation of land and buildings is working too slowly;
- b) Local governments do not have enough financial resources to implement the infrastructure required especially in the undeveloped land which is found in the periphery of the city ;
- c) There is a lack of accessibility and transparency in getting information about the land;
- d) Law no. 10/2001 which supposed to clarify the restitution of properties was not applied properly;

The new houses inside or outside of Bucharest are built by private construction companies only for reach people who can afford such a house.

In this moment it seems there is not a clear strategy for developing the city of Bucharest and because those who have money can do whatever they want affects the city image in a bad way in the sense that the shape and the design of their houses are not in harmony with the other building around them.

Most of the vacant/undeveloped land is in the periphery of the city, but taking into account that the preferences of the people is to live in the city these pieces of land represent a value in term of using them for building houses.

Huge pieces of undeveloped land which can be used for housing projects in the future are outside of the city at different distance from the city, not more than 20 km far.

The prices of the land inside the city are too high and as a consequence investors are afraid to invest in housing whithin the city. Also this is an obstacle in acquisition of land by the local

government or by NHA for building houses on those undeveloped places that have a clear legal situation.

The EU accession is one of the important factors which affect the price on the land market and implicitly on the housing market.

The prices of houses and land are artificially increased by the speculators.

The cadastral registration is the main problem in providing land for building houses in Bucharest. The process of privatisation is working too slowly. The State is still the owner of a major part of the properties.

The Law no.7/1996 is a new law on the cadastral and public registration that was adopted in 1996. This law unified these two real estate public registration systems. This law is not fully implemented due the fact that all existing registers have to be replaced by an electronic register and there are various actions which need to be done in order for the law to be completely implemented. The fact that the law is not yet implemented creates a lot of confusions among all actors involved in the land market.

The ownership situation in southern and eastern part of Romania is still unclear as under the new legislation current owners are not obliged to re-register their properties at the new Land Registry. A new registration is only required if the parties to a transaction wish to operate transactions in the new Land Registry.

The Cadastral Department from Ministry of Transport, Construction and Tourism did not achieve yet their goal which is to register all owners of the all properties in Bucharest. This job has to be done for integration in European Union (2007).

Geographical Informatics System (GIS) and Land Registration System are not yet implemented in Romania. This is a target of National Government till 2007 and it was proposed in 1996. The fact that GIS is not yet implemented affects the all process of registration and of course the land market, and in the end the housing market.

The fact that cadastral book is not done and the information about vacant land is not accessible is making the investors to be suspicious and to not have trust in the system. This could be a cause of stagnation of housing sector in this moment.

What comes clear from the analyses is the fact that the prices of the land are higher in the city perimeter than outside of the city.

## **5.2 Recommendations**

One solution for alleviate housing shortage in Bucharest should be using the land inside and then the land outside the city or to invest in infrastructure in the periphery of the city.

The programme for rehabilitation and modernization of houses should be enhanced by the government in the next years and maybe it could be a solution for decrease the demand for houses.



Cadastral Department from Ministry of Transport, Construction and Tourism should co-operate with the General Municipality of Bucharest.

The district municipalities should have their own Cadastral Department and identify the types of the land and the owners in their jurisdictions and co-operate with the General Municipality and Cadastral Department from Ministry of Transport, Construction and Tourism in order to centralized all data.

Law 7/1996 should be applied on the old Land Registry like in Transilvania and the will be less confusion.

Geographical Informatics System and Land Information System should be introduced and implemented as soon as possible. Employees should be trained in order to know how to use and implement this program.

The cadastral information should be publicly and accessible by everyone in order to attract investors and to make the housing sector to “move on” which leads to the development of the city.

The citizens should be more involved in the process of registration through the law. The law should oblige the people to register themselves.

The taxes for registration should be affordable for every one and maybe implementation of a subsidies system for the poor people is required.

The developing of the Bucharest should be encouraged in the perimeter of city first of all and then outside of the city taking into account the preferences of the people and the fact that the available land is more in that part of the city. It is true that there is a trend to go to live outside the city but this should be under a strict control of authorities. The price of the houses from outside of the city should be affordable at least for middle income people.

The prices of land are artificially increased by the ones who want to speculate. It would be more clear and close to the reality if the price would have a

NHA and municipalities should start to buy land from the private if the land can be used for building rental and mortgaged houses inside the city. Another possibility is to negotiate and try to involve the private companies which owned the land into a Public Private Partnership in the sense that the private companies can provide the land and the NHA can build the houses on it and the municipalities can provide the infrastructure.

The legislation should allow to foreign investors to own properties in Romania in order to encourage them to do investments in housing sector. However, they started to look on the Romanian land market and especially in Bucharest area.

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## **Annexes:**

### **Annex 1:**

#### **Questions for persons from public institutions**

##### **General Manager of NHA and former Manager of technical department of NHA**

1. What do you think about the present housing shortage in Bucharest? Is there any solutions?
2. How many houses can the present Government provide per year for low-income people in the next 3 years through both programs: social and selling?
3. Is it a target for the government to build new houses in Bucharest? How many in the next 3 years, can you tell me about it?
4. Do you think is possible to use the vacant land for future housing projects?
5. What kind of constrains exist for using vacant land in Bucharest for housing?
6. Which of these obstacles are the most important and why?
  - a. If there are legal (norms and standards) obstacles are they at national or local level? How can you describe them?
  - b. If there are financial obstacles are they at national or local level? What can you tell about fiscal and banking systems? How are those systems work on the land market?
  - c. How can you involve and encourage the private developers to invest in vacant land and how do you supervise them?
  - d. Could you tell if there is transparency in tender and bidding process for housing construction? Is this process public? If is not then why it isn't? What are the reasons?
  - e. How the government supervise/control those processes?
7. Could you tell if the using of vacant land represent a priority in the political agenda of government and opposition and if is it a priority for NHA?
8. Can you tell how many people prefer to live in the city and could you specify the favourite zones? (percentage): how many% in the centre, how many in the periphery , how many outside of the city
9. How do think the fact that the vacant land is not used affects the development of housing sector in Bucharest?

10. Could you tell why the government prefer to build out of the city even if they have to invest in infrastructure more than within the city?

**General Manager of Housing Department**

11. What do you think about the present housing shortage in Bucharest? Is there any solutions?

12. How many houses can the present Government provide per year for low-income people in the next 3 years through both programs: social and selling?

13. Is it a target for the government to build new houses in Bucharest? How many in the next 3 years, can you tell me about it?

14. What do you know about the situation of land ownership in Bucharest, because we heard that the legal situation is not so clear yet? What are the problems? Who is the biggest owner of land in Bucharest?

15. Do you think is possible to use the vacant land for future housing projects?

16. What kind of constraints exist for using vacant land in Bucharest for housing?

17. Which of these obstacles are the most important?

- a. If there are legal (norms and standards) obstacles are they at national or local level? How can you describe them?
- b. If there are financial obstacles are they at national or local level? What can you tell about fiscal and banking systems? How are those systems influencing on the land market?
- c. How can you involve and encourage the private developers to invest in vacant land and how do you supervise them?
- d. Could you tell if there is transparency in tender and bidding process for housing construction? Is this process public? If is not then why it isn't? What are the reasons?
- e. How the government supervise/control those processes?

18. Could you tell if the using of vacant land represent a priority in the political agenda of government and opposition?

9. Was/Is it a political influence in choosing what piece of vacant land was/is used for housing in the past/actual projects? Could you describe how?

Yes

No

10. For how many houses per year can government give the subsidy?

11. Where is the money for subsidy and infrastructure come from?

A. land taxation    B. international donors, agencies (which one?)    C. other sources

12. Are the local government capable, from financial and technical point of view, to provide infrastructure for all pieces of vacant land in Bucharest?

Yes

No

13. How do you use the expropriation law in the case when the private owner doesn't want to sell the land? Can you describe one case when you used this law?

14. How do think the fact that the vacant land is not used affects the development of housing sector in Bucharest?

15. Could you tell why the government and also private developers prefer to build out of the city even if they have to invest in infrastructure more than within the city?

### **Deputy Manager of Cadastral Department**

1. What do you know about the situation of land ownership in Bucharest, because we heard that the legal situation is not so clear yet? What are the problems? Who is the biggest owner of land in Bucharest?

2. Is the cadastral information public, could anybody have access to it? If it is can you tell what kind of information about vacant land can be found and in which form (digital, on paper)?

3. Can you tell how many pieces of vacant land are in Bucharest now? What kinds of vacant land exist in Bucharest? Can you classify them?

4. How do think the fact that the vacant land is not used affects the development of housing sector in Bucharest?

5. How information is given to cadastral system? Do you involve the citizens in the process?

6. How citizens respond to this process of registration of land? Do you characterise this as an obstacle for cadastral registration?

7. Do you think that the Law no 10 of 8 February 2001 affects somehow the process of registration of land?
8. What is your opinion about the land tax system in Bucharest? Do you think that is working properly? Compare with people's income do you think the taxes on land are affordable?
9. Why do you think that the prices of land increased so fast in the last year? Do you think that the land market is working properly in this transition period?

### **Questions for private company**

#### **Entrepreneurial Company (Baneasa Invest)**

1. What do you think about the present housing shortage in Bucharest? Is there any solutions?
2. What do you know about the situation of land ownership in Bucharest, because we heard that the legal situation is not so clear yet? What can you tell about this? Who is the biggest owner of land in Bucharest?
3. Do you think is possible to use the vacant land for future housing projects? Do you have interest to invest in vacant land in the city?
4. What kind of constrains exist for using vacant land in Bucharest for housing?
5. Which of these obstacles are the most important?
6. How do think the fact that the vacant land is not used affects the development of housing sector in Bucharest?
7. Could you tell if the using of vacant land in Bucharest represent a priority in your agenda for building new houses?
8. Do you think that the Law no 10 of 8 February 2001 affects somehow the process of registration of land?
9. What is your opinion about the land tax system in Bucharest?
10. Why do you think that the prices of land increased so fast in the last year? Do you think that the land market is working properly in this transition period? Do you think it also affects the potential use of vacant land?
11. How is your the relationship with the government institutions and public institution?

### **Questions for Vice-President of Housing Commission -Union of Architects of Romania**

1. What do you know about the situation of land ownership in Bucharest, because we heard that the legal situation is not so clear yet? What are the problems? Who is the biggest owner of land in Bucharest?
2. Is the cadastral information public, could anybody have access to it? If it is can you tell what kind of information about vacant land can be found and in which form (digital, on paper, other form)?
3. Can you tell how many pieces of vacant land are in Bucharest now? What kinds of vacant land exist in Bucharest? Can you classify them?
4. How information is given to cadastral system? Have you been involved in this process and how?
5. How citizens respond to this process of registration of land? Do you characterise this as an obstacle for cadastral registration?
6. Do you think that the Law no 10 of 8 February 2001 affects somehow the process of registration of land?
7. What is your opinion about the land tax system in Bucharest? Do you think that is working properly? Compare with people's income do you think the taxes on land are affordable?
8. Why do you think that the prices of land increased so fast in the last year? Do you think that the land market is working properly in this transition period?
9. How do think the fact that the vacant land is not used affects the development of housing sector in Bucharest?





**Annex 2: Map of Bucharest -  
Undeveloped Land inside the city**

