

The Promises and Perils of Urban Redevelopment for Land Value Capture in Addis Ababa: the Case of Casa Inchis Redevelopment Project¹

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Abstract

In 2002, the city government of Addis Ababa launched the Casa Inchis redevelopment project with the dual objectives of eradicating slum and bringing land into profitable use by accommodating commercial and mixed land uses. This paper assessed the extent to which the government managed to capture land value increment by redeveloping Casa Inchis, and examined whether or not the value captured is recycled to recover intervention cost and/or to benefit displaced households. Empirical data was collected during a field visit to the project site. Data sources also include the Casa Inchis LDP, land transactions, compensation and relocation reports, satellite and ground images, urban land policy documents, and interview with officials and experts. It was found out that the redevelopment in Casa Inchis resulted in about five fold increase in land value. Modifying density regulation, land use change and the government's investment in redevelopment were the driving forces for the land value increment. Evidences also suggest that the monetary benefit of the redevelopment was nearly twice that of its cost. Hence, the findings of this study suggest that the city government was successful in capturing part of the land value increment in Casa Inchis. Nevertheless, the study also revealed that the value capture endeavor had some gloomy aspects. First, the project was implemented at the expenses of displaced households. Only 32% of households were eligible for compensation; the majority had to move away for nothing despite residing in Casa Inchis for over 25 years. Second, by transferring the land free of lease payment, the project resulted in the loss of revenue (estimated to be close to USD 20 million) which could have been collected from lease payment to recover intervention cost and benefit displaced households. Third, though the LDP stipulated land sharing and mobilizing land value to relocate households on-site, the project implementers opted for off-site relocation. Along with the lack of political accountability and commitment, the emphasis on revenue generation and city beautification over improving the living condition of slum dwellers seem to be the underlying factors. Fourth, the process was also found to be marred with lack of transparency in plot transfer, preferential treatment of some households over others, and absence of any meaningful obligations on developers despite the government had the legal leverage for doing so. This study emphasizes the imperative for policy makers to appreciate the benefits and properly deal with the challenge of designing a 'pro-poor redevelopment' and value capture strategy that not only brings efficiency in land use and eradicates slum but also improves the living conditions of slum-dwellers.

Key terms: *land value capture, urban redevelopment, Casa Inchis*

¹ The paper is extracted from the author's MSc thesis titled 'Capturing land value in urban redevelopment: the case of Casa Inchis I (ECA area) redevelopment 'project' in Addis Ababa, Ethiopia', submitted to IHS, Erasmus University Rotterdam, the Netherlands, September 2013.

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Introduction

Urban redevelopment has become one of the salient features of urban transformation in Addis Ababa. The objectives of redevelopment among others, include to arrest inner city decay; to improve the image and quality of the city centre by providing public services and infrastructure; to accommodate new development activities within the existing built-up area; to mitigate sprawl and promote mixed land use for commercial, business and residential purposes (ORAAMP, 2002). In this regard, one of the potent strategies put in place is to maximize and utilize the value of land (underdeveloped) especially in the city centre. Consequently, various redevelopment projects were sanctioned to liberate substantial amount of land which inevitably involved slum demolition, the displacement and relocation of households mostly in expansion area. Arguably, such change entails substantial increase in land value which the city government can capture to generate revenue and finance the redevelopment.

Scholars such as Smolka and Amborski (2000) argue that capturing land value could play a key role in mitigating slum and in promoting development. Public goods and amenities can be provided using the surplus (increment) generated in land values. In the case of redevelopment, land value could increase due to public investments in infrastructure and accessibility or change in planning regulations that allow density right and land use change for developers (Biderman et al., 2006). In a situation where the value of land increased due to public actions, Smolka and Amborski (2000: 1) assert that it is socially justifiable and economically efficient for the public to capture part or whole of the land value increment. This could in turn be used either to recover the cost the public investment and benefit the victims of the redevelopment (displaced and relocated households) or to promote general socio-economic welfare.

In the case of redevelopment project in Addis Ababa, however, there is an apparent lack of documented empirical study about land value capture and the extent to which land value has been mobilized and utilized to benefit displaced and relocated households. Available empirical studies (Zelege, 2006, Yntiso, 2008) focused either on the involvement of displaced households in project design and implementation; or on the impacts of displacement on peoples livelihood, employment and small businesses. Though it is believed that these studies offer complementary information to understand the dynamics of urban redevelopment and land, their potential to depict the detailed picture of land value capture seems to be severely limited.

Therefore, the central objective of this paper is to thoroughly assess the contribution of urban redevelopment for land value increment by taking the *Casa Inchis I* (ECA area) urban redevelopment project as a case study. Moreover, the paper examines whether or not the increment in land value was captured in a manner that allows for financing the cost of redevelopment and benefiting displaced households through on-site relocation, provision of compensation, substitute land and housing. The choice of the case was based on both methodological and practical justifications. Despite a couple of districts located at the city centre, so far, only a few of the areas designated for redevelopment have been completed (see Table 1). The *Casa Inchis I* (ECA area) is one of the first redevelopment project which is already completed and can provide relatively better picture about the effects of redevelopment on land values and makes the comparison of the change before and after redevelopment possible.

Table 1: The sample frame: City-centre redevelopment projects in Addis Ababa

<i>No</i>	<i>Redevelopment Project</i>	<i>Promoter</i>	<i>Sub-city</i>	<i>Plot size (ha)</i>	<i>Houses demolished</i>	<i>Comm. Year</i>	<i>status</i>
1.	Casa Inchis I (ECA area)	Public	Kirkos	25	1,102	2002	completed
2.	Senga Tera Fird Bet (Lideta)	Public	Lideta	26	1,473	2006	ongoing
3.	Basha Woldechilot	Public	Arada	25	1,295	2010	demolished
4.	Sheraton Addis Expansion	private	Kirkos/Arada	42	3,067	n.a	demolished

Source: Addis Ababa Chamber of Commerce, 2011, p. 33.

To meet its objectives, the paper consulted and utilized various major data sources which include the redevelopment plan (LDP), project account, periodic reports, and relevant legal and policy documents as in the constitution of the Federal Democratic Republic of Ethiopia (FDRE), Addis Ababa city Charter, urban land lease proclamation, regulations and directives, the project reports (land lease and transfer, compensation and implementation) and previous studies. Complementary data was generated through satellite images and aerial photograph of the site. For validation purposes, interview was held with five government officials and five experts on issues such as expropriation and compensation, land prices, implementation of lease policy and relocation of displaced households and provision of public goods and amenities. Officials for the interview were drawn from land development and urban renewal agency both at Kirkos sub-city and Addis Ababa city administrations. Likewise, experts were interviewed from Addis Ababa University, private consulting firms, and Addis Ababa city administration.

The concept of urban redevelopment

Redevelopment is a conscious effort to overcome deterioration and keep up the life cycles of cities. It is a way to make cities respond to new demands and urban functions (Reddy, 1996). Urban redevelopment is defined as "those policies and activities that would do away with the major forms of physical blight in cities and bring about changes in urban structures and institutions contributing to a favourable environment for a healthy civic, economic and social life for all urban dwellers" (Woodbury quoted in (Reddy, 1996). The above definition suggests some of the key aspects of urban redevelopment. First, it implies that urban redevelopment is a course of action, an instrument to bring about changes for the better, and improvement in the living conditions of city dwellers. Secondly, it entails that redevelopment is a multidimensional process encompassing virtually almost all aspects of urban life ranging from environment, to the social and the economy.

Based on the school of thought one advocates, however, the objectives of redevelopment may not necessarily be multi-dimensional. Nor their attainment yields benefits to everyone in a city. According to scholars (such as David Harvey), redevelopment is a means to advance the economic value of land especially in the city centre. In this regard, Harvey noted that

The growth of the big modern cities gives the land in certain areas, particularly in those areas which are centrally situated, an artificially and colossally increasing value; the buildings erected on these areas depress this value instead of increasing it, because they no longer belong to the changed circumstances. They are pulled down and replaced by others (Harvey, 2008, p.34).

According to Harvey the replacement is in such a way that redevelopment advances the interests of the capitalist class and the rich over the land whose cumulative result, in his terms, is "accumulation by dispossession" (Harvey, 2008, p.34). The notion of accumulation by dispossession entails redevelopment as the strategy of the rich, capitalist firms and real estate developers to systematically dispossess and evict the poor from centrally located urban lands. Similarly, critical writers such as Baviskar and Fernandes (cited in Doshi, 2012, p. 1-2) argued that redevelopment is an explicit manifestation of the discursive practices of the urban rich and the middle class with the aim "to clean and remake cities for elite consumption through the removal of the poor from central public spaces".

Conducting an empirical study in the city of Mumbai, India, Doshi (2012) found that, quite often, redevelopment projects exhibit the accumulation by dispossession scenario. However, Doshi reported that the level of dispossession and impact of redevelopment on the urban poor was quite differential and unpredictable. The dispossession effect of urban redevelopment was different for different social strata. Determining factors include, among others, the degree of negotiation power, access to resources and social mobilization strategies, resistance history, land markets, advocacy by non-governmental organizations and so on.

Types and driving forces of urban redevelopment

Harvey and Jowsey (2004) identified two types of urban redevelopment, piecemeal and comprehensive. The former refers to redevelopment undertaken by a developer (could be single individual) without necessarily resulting in far reaching legal and socio-economic changes. Unlike piecemeal redevelopment, however, comprehensive redevelopment is an organized effort which requires reasonable degree of changes in the physical and socio-economic features of a given neighbourhood.

According to AACC (2011), the need for (comprehensive) redevelopment arises due to the motive to overcome urban decay. The decay in physical and service infrastructure, social disadvantages, poverty and unemployment, especially in city centre, motivates governments to master redevelopment. As a result, it is not uncommon to find redevelopments focusing in urban neighbourhoods commonly known as slums, which governments think are falling below public acceptability due to: (AACC, 2011, p. 6)

- Inadequate housing, infrastructure and facilities;
- Dilapidated buildings;
- Environmental degradation;
- Unplanned land uses; and
- Congestion of existing built-up structures.

Addressing these problems may not necessarily be possible with simple upgrading, and thus require comprehensive intervention. It requires a complete re-planning and reconstruction of the neighbourhood, quite often, accompanied by the introduction of new land use practices.

According to Harvey and Jowsey (2004) combating urban decay serves as entry point in urban redevelopment, the underling motive behind redevelopment is the desire to bring land in city-centre into more profitable uses. As such, it is not uncommon for redevelopment to accommodate urban activates that have both the ability and willingness to pay for higher land rent.

Urban redevelopment and urban land value

Different urban activities have their own location preference. Since the location of land has effect on its value, an urban redevelopment that instigates a change in land use activities, has effect on land value. The relationship between location preferences of various urban activities and their respective effect on land value (in land economics termed as rent) is captured in one of the classic land economics theory, called the bid-rent theory (Harvey and Jowsey, 2004). The theory was originally developed by the German economist, Von Thunen in 1826 with reference to agricultural land use under certain ideal conditions though. Subsequent scholars, however, adopted the theory into urban land use. The theory postulates that various urban activities have different preferences for urban land especially those located in the city centre (see figure 1). The underlying justification is difference in bidding ability for land price and sensitivity to transportation costs; also implicitly the purpose for which the land is needed (Harvey and Jowsey, 2004, Kivell, 1993).

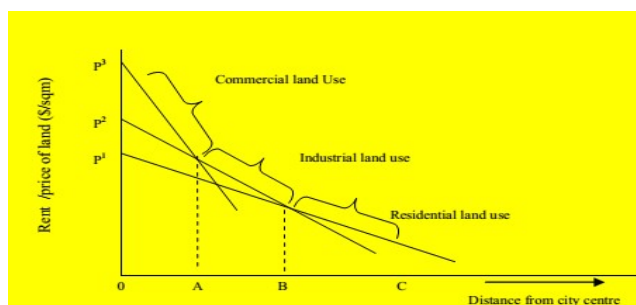
For instance, commercial activities due to the specific requirements of their customers and the need to be next to each other prefer to be located in city centre where transport facilities and agglomeration maximize costumers availability and flow. Consequently, they are willing to bid for the possible highest land prices. On the contrary, industrial activities, even if they want to be as close as possible to the centre, for reasons such as transport and availability of labour and marketing services, the urgency to be located there is less than that of commercial. Thus, they are less willing to pay for high price of land and could not successfully outbid commercials for the very central locations. Whereas, since residential seek use value in the land as opposed to the first two activities that seek profit, they are by far less willing to pay for high price for centrally located sites. Hence, they outbid neither the industrial nor the commercial.

This interaction between location factors and land use preferences is presumed to results in an optimal situation in which the right activity (with more ability and willingness to pay for land) will be located in the right location (most valuable lands). In urban land economics, this situation is commonly known as the "highest and best use of land" (Harvey and Jowsey, 2004). The principle of highest and best use entails the most profitable and efficient use that earns possible highest returns over a given period of time (Harvey and Jowsey, 2004). The highest and best use could be the present (actual) or future (potential) use. The principle of highest and best use implies only uses that are legally permissible and economically viable (high return on investment).

The discussion on highest and best use is relevant to understand the economics of urban redevelopment. Harvey and Jowsey (2004) argue that redevelopment takes place when the future expected value of the site to be redeveloped exceeds its current use value. The

argument particularly holds true under two conditions that reinforce the discrepancy between present and future use values of land. The existence of low-density, underutilized or unutilized land in city centre on one hand and the potential of the location for more profitable use with low investment (clearance) cost required.

Figure 1: Rent-earning capacity of urban



Source: adopted with modification from Harvey and Jowsey, 2004, p. 237

Harvey and Jowsey's argument can be elaborated with figure 1. If the land in the city centre that is going to be redeveloped is being used for residential purposes, in this case slums (low income residents), its maximum price stands at p^1 . However, if through redevelopment, the existing land use is changed from residential to industrial (office spaces) and commercial purposes, its price will increase concomitantly from p^1 to p^2 and p^3 . It is argued that the difference between the price of land at exiting use (p^1) and at future (expected use) (p^2 and p^3) can be captured by the government and used to finance the cost of urban redevelopment and benefit displaced households by financing the construction of houses for on-site relocation, provision of infrastructure and public services to restore their livelihoods and provide them with fair compensation.

Nevertheless, bringing land into highest and best use is neither a given nor the mere decision of competing market forces. The complexity of property rights in slum neighborhoods, the location advantages of city centers, the behavior and characteristics of landowners, the legality of regulatory and land use changes, household displacement and the cost of investing in infrastructure are among the potent challenges that cannot easily be dealt by the market (developer alone) and hence demands reasonable degree of public intervention. But public intervention is not without a cost. The most commanding costs include the cost of land development, compensation and relocation of property owners and installing infrastructure. One of the debates, in this regard, is therefore who should collect the benefits and who should contribute towards the cost of redevelopment. The position perused for this study is the one that argues, since redevelopment increases the value of urban land, this value can be captured by governments to finance either the cost of redevelopment, benefit displaced and relocated households and provide goods and infrastructure to the public at large.

Results and Discussion

Urban land in Addis Ababa: the policy frameworks

In Ethiopia, the federal constitution stipulates that every citizen has the right to ownership of private property. However, the same constitution puts two considerable limits regarding the exercise of this right: land as a "common property" and the government's power of expropriating private property (Proclamation No. 1/1995, 1995). Article 40(3) of the constitution affirms that land is not a private property, rather it is the "common property" of the nation and its people and "shall not be subject to sale or to other means of exchange" (Proclamation no. 1/1995, p. 98). The right of land ownership is vested in the state. Individual right over land excludes the right to own, sale, mortgages or exchange. Except for these limitations, citizens have rights over the land with regard to "the rights to use and exploit it, to transfer it by inheritance (if it is rural land), to rent or lease it, to improve it and to sell its produce, and finally, to get compensation in cases of eviction or expropriation. In the case of a building, owners have the complete right over it except the usual limitations of police power [including expropriation] which are common elsewhere" (Ambaye, 2009, p.17). Individuals get access to the range of rights over the land under public land leasing arrangement which has been implemented since 1993. The rationale for the adoption of such tenure arrangement is to render time and monetary value for "land use rights" (Proclamation No. 80/1993, 1993, p. 2).

Article 40(8) of the federal constitution also stipulates that "the government may expropriate private property (to be specific improvements on the land) for public purposes...." (Proclamation no. 1/1995, p. 99). The notion of public purposes is further elaborated in successive urban land lease proclamations. Proclamation no. 721/2011 defines public purposes as any ".....decision of appropriate (government) body in conformity with urban plan..." such as "structural plan, local development plan or basic plan of urban centre" (Proclamation No. 721/2011, 2011, p. 6222). The two important and widely cited types of public purpose include infrastructure, and urban expansion and (re)development. The constitution, however states that expropriation is "subject to payment in advance of compensation to the value of the property." Proclamation 455/2005 entitles compensation for property owners meant to replace their lost property (Proclamation No.455/2005, 2005). Article 7(1) of the proclamation specifically stipulated that "the amount of compensation for property situated on the expropriated land shall be determined on the basis of replacement cost of the property." Interview with Mr. Adem (head of compensation and relocation section of urban renewal agency in AACAA) and review of Ambaye's research (2009, p. 17-18) revealed that compensating property owner on the basis of cost replacement approach takes into account three things:

- A property located on the expropriated land (as building, utilities, and fences)
- Permanent improvements attached on the land (such as trees and gardens)
- Loss of the land (by providing substitute land)

According to Mr. Adem, in calculating the monetary value of the compensation, the market prices of construction materials (such as bricks, cement and so on) to build similar houses demolished is taken into account. Nevertheless, there are contentious issues regarding the implementation of compensation based on cost replacement approach in Addis Ababa. First,

as both Mr. Adem and Ambaye noted despite the ever increasing cost of construction material and high level of inflation (the case of cement is believed to be even higher) (see annex 8), the valuation parameter in the city administration is static. According to Mr. Adem, in most cases information about the price of construction material is gathered from government enterprises and wholesalers, not from retailers where in most cases households buy the materials for higher prices than from wholesalers. This makes the compensation insensitive to market forces and thus unfair.

Proclamation 455/2005, (Article 4 (a) stipulates that urban dweller whose land is expropriated for public purposes "shall be provided with a plot of urban land, the size of which shall be determined by the urban administration, to be used for the construction of dwelling house." According to Mr. Adem the spirit of the above legislation is not basically to stipulate that expropriated land is not compensated. Rather, it is to guarantee that if land is expropriated from households who acquired the land before the 1975 nationalization of urban lands and extra houses in particular and the introduction of lease policy in 1993 in general, compensation in the form of substitute land is provided. The contention about compensation in the form of substitute land is however whether location, market value and size of the expropriated land is taken into account when the substitution is made. According to Mr. Adem, in the case of Addis Ababa, especially the location and market value of the land is not taken into account.

Cognizant of the federal land policy framework and by virtue of its right for self-administration, the city government of Addis Ababa retains the right to own³ land, enact land laws, collect and utilize revenues arising from land leasing within its jurisdiction. While the city government owns land, individuals get access to the right to use the land with a payment for defined period of time (see annex 2). There have been various modalities of access to the right to use land under leasehold. Mr. Tamirat (senior land lease officer at Addis Ababa city administration) explained, during an interview, land has been acquired through one of auction (open bidding), negotiation, and allotment or even free of lease payment (as an award). The auction system works under the guise of market competition where the city government announces plot size, land use type, locations, floor price and other details of the plot to be leased out through public media. Land users make an open and competitive bidding for the plot with the bidder with highest offer ultimately acquiring the land.

However, Mr. Tamirat disclosed that, with the issuance of the new land lease policy in 2011, open bidding was replaced by a tender system. The basic difference between the two has to do with tendering being electronically administered and the level of confidentiality of offers among bidders is secured. That is in the tender system a bidder does not know how much offers others have made. Provided that all other conditions are fulfilled (for instance, compliance with land use plan, density level and so on) the winner of the tender will be declared to the one with highest bid price (which takes 80% of the competition index) and the amount of advance payment (premium) provided (20%), which cannot be less than 20% of the full payment. The winner is obliged to pay the remaining balance of the lease payment

³ Despite the law affirms land is a public property, other forms of tenure exist side-by-side. The permit-hold is one of them, which guarantees all land acquired before leasehold was introduced the right to use free of lease payment for unlimited period of time. Only during transfer to second party (except by inheritance) and merger (with leasehold land) that a plot under permit holds is converted into leasehold.

(ground rent) (with loan interest rate from commercial banks) in equal yearly instalment within 20 years time (Directive 11/2004, 2012).

The second approach, which was highly dominant until 2011, is negotiation. Mr. Tamirat explained that the initiative for negotiation could come both from the city administration but mostly from developers. The procedure and terms of negotiation was that a developer with a certain project puts a request to the city official to acquire leasehold land in certain location below market prices. The city administration by looking into the project's worth, its economic and social significance (as in employment creation and foreign exchange earnings) may provide the land to the developer accordingly. In doing so, the administration may require the developer to undertake some obligations. The list of obligations that Mr. Tamirat mentioned ranges from providing certain types of social goods and services as in schools, health centers to constructing houses for displaced households (in case the plot is already occupied).

There has also been a third modality that the government used to provide land free of lease payment for international organizations, social housing projects, and for selected individuals (such as celebrities) as an award or prize. For instance, since the beginning of the public housing projects (condominiums) in 2004/05, the government provided land for free of lease payment for the construction of more than 100,000 housing units.

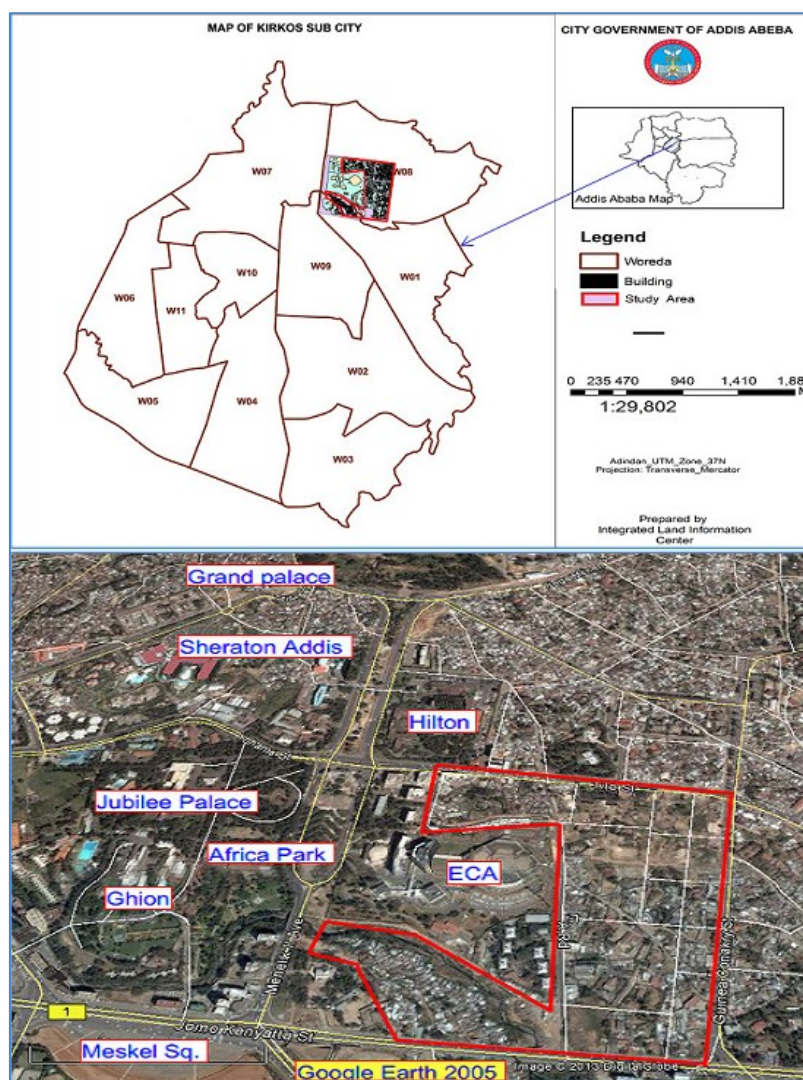
To implement the lease policy the city government classifies urban land into three locations: central business district (CBD), transitional and expansion zones (see annex 3). The land in each location is further classified into grades. Article 61(1) of directive 11/2004 stipulates the parameters for grading are centrality (distance from the centre), availability of infrastructure and social facilities, allowable land use and density regulation, cost of land development (site clearance and compensation), existing land use type, zoning regulation, and other opportunities/constraints related to a particular location (Directive 11/2004, 2012).

Each land grade has also its own price tag /floor price/ which is supposed to be revised every two years. Mr. Tamirat, during the interview disclosed that in setting the floor price the costs associated with providing a serviced land play key role. The two most important costs, are building infrastructure (mainly road, water and electricity) and the cost of urban redevelopment (mainly compensation paid to displaced land owners) (Directive 11/2004, 2012)(Regulation No.49/2004, 2012)

Description of the *Casa Inchis I* (ECA area) redevelopment project

City centre redevelopment is one of the salient features of urban transformation in Addis. The *Casa Inchis I* (ECA) redevelopment was the first city-centre redevelopment intervention sanctioned by the city government during the mayoralty of Arkebe Ekubay (2001-2005). It was part of the overall development plan of the city from 2002 to 2010. The site of the intervention is located in Kirkos Sub-city, present *wereda* 08 and 01(see figure 4). It is surrounded by Tito, Jomo Kenyatta, Menlik Avenue and Guinea Conakry streets in the north, south, east and west respectively. This rendered the site to occupy the eastern part of the central business district (CBD) with a walking distance from the Jubilee and Grand palaces, Meskel square, Africa park, Hilton, Ghion and Sheraton Addis hotels and the UN Economic Commission for Africa (ECA) (see Google earth map, figure 3).

Figure 3: Study area location



Source: AACG, Urban Planning Institute (July, 2013); Google earth (2013)

The initial move to redevelop *Casa Inchis* commenced following the preparation of the 1998 Local Development Plan (LDP) of the site under the auspices of the then Bureau of Works and Urban Development (BoWUD). The LDP preparation was motivated by renewing the area based on the 1986 master plan of Addis Ababa. However, as the 1986 master plan gave way to the revised master plan in 2002, *Casa Inchis* was subsequently designated for high rise mixed and commercial purposes with its riversides reserved for green spaces. Consequently, the 1998 LDP was revisited in 2002 with the aim to ameliorate redevelopment with the

requirements of the new master plan. The new LDP of 2002 stipulated the aims of redeveloping *Casa Inchis* which, among other, include: (LDP, 2002)

- to give the area the semblance of an international (African) character;
- to promote a new centre of intensive urban development where business and commercial activities prevail;
- to attract and address the high demand for urban land; and
- to improve the neighbourhood's urban quality

To this end, the LDP envisaged to:

- transform the existing single-story residential units to high-rise buildings by allowing building height up to 20-stories;
- to avoid land use that hamper business activities as in government institutions, administrative buildings etc;
- encourage riverside green space and park development;
- provision of parking facilities within the plots and encourage basement parking; and
- Avoid land use activities that generate traffic congestion such as storage facilities, warehouses, and industries.

Accordingly, implementation was started by assembling about 25.25 hectares of land following the demolition of about 1102 housing units and displacement of about 5522 people in two phase: from 2000 to 2005 and from 2010 to 2011. Out of the total land assembled or expropriated, about 68% was publicly owned while the remaining 32% was privately owned under the permit hold system (LDP, 2002). Once the site clearance and relocation process was over, the land was parcelled into plots for different purposes: lease auction, negotiation, free transfer, green and parking spaces, and roads and infrastructure provision. With redevelopment came visible change in the physical and socio-economic make-up of the *Casa Inchis I* project site. The slum does not exist anymore. *Casa Inchis* which once was the 'symbol' of low-density neighbourhood with dilapidated socio-economic conditions is now Addis Ababa's show-case for modern high-rise commercial and international centre.

It is assumed that transformation of that scale can have a substantial effect in instigating the increase in land value. Cognizant of this assumption, this study has made an assessment of the changes in the value of land in *Casa Inchis* pertaining to the socio-economic and physical transformation in the site. To this end, interviews have been conducted with experts and officials; relevant documents including the old and new land grading and pricing maps of Addis Ababa have been reviewed.

The results revealed that, with redevelopment there has come the reclassification of the land from lower to a higher land grade which specifically amounts a shift from land grade five and four (lower) to grade two (higher) in the CBD zone. For validation purpose, comparison of sites that currently presumed to exhibit the situation prior to the redevelopment of *Casa Inchis* (based on insight generated from the project's LDP study) was also analyzed and similar trend, if not the same, in the change in land grade was noted. Change in land grade entails a concomitant change in land price as each land grade has its own market prices. The driving forces of these changes and how they relate to redevelopment are discussed below.

Figure 4: *Casa Inchis I* redevelopment



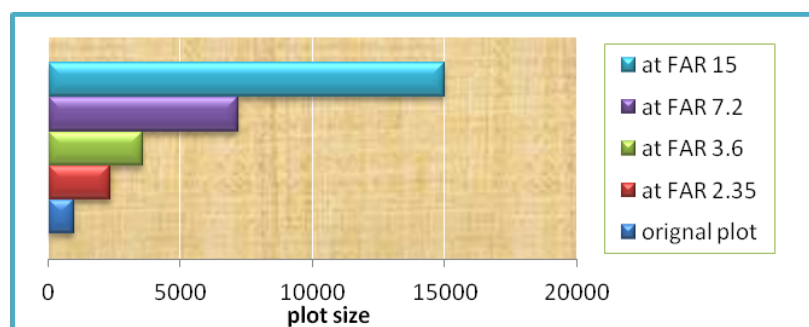
Source: Google earth (2013); author (ground images taken during field work, July, 2013)

Redevelopment and the change in land value

An assessment of the land value change in *Casa Inchis* shows that the change in density regulation as a result of the redevelopment scheme is an important factor for the potential increment in land value. As already stated, "to create a new zone of intensified urban development" through densification was one of the prime motives of redeveloping *Casa Inchis*" (LDP, 2002). To attain this objective, both the original LDP study and the new site plan stipulate the allowance of improved density right as in through increased floor-area-ratio and building height. There are however differences in terms of granting the maximum FAR and building height between the original LDP land use proposal and the new site plan which is an improved version of the former. The original LDP stipulated (see annex 7) "building height at G + 4 (for residential use) and above (for other uses)" with "a maximum building area coverage and an ideal floor area ration 2.75" (LDP, 2002). However, the plan currently in place (see annex 5) extended the minimum building heights to G+8 stories high while setting the maximum at G+20 stories (see annex 6). Concomitantly, the FAR has also been moved from the then 2.35 in to flexible figures as in 3.6 and 7.2 extending even up to 15 depending on developers subscription for specific building height.

It is assumed such changes in density regulation result in the 'creation' of additional land and hence an increase in potential land available for development. This can be illustrated in such a way that, for instance (see figure 4), if a developer acquires 1000 m² of land in *Casa Inchis*, it means, under the existing (before redevelopment) regulation (i.e. FAR 2.35), the maximum land use potential for the developer remains at 2,350 m². However, with the improved FAR regulations, the developer may extend the land use potential to 3,600 m² or 7,200 m² and even up to 15,000 m² depending on its subscription.

Figure 4: Potential effect of density regulation on plot size

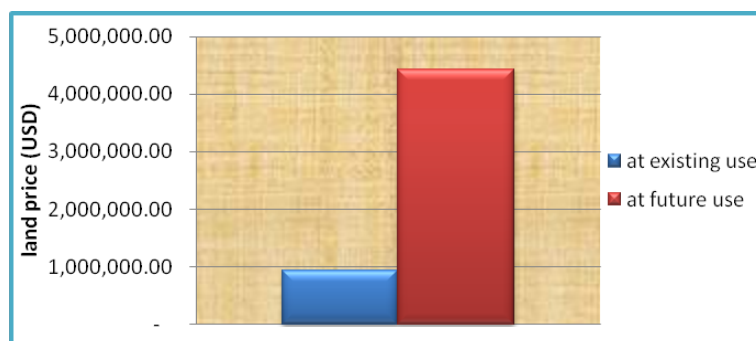


Source: the author

However, during field work, ground image taken in each block of the redevelopment site and interview with officials revealed that most of the buildings fall under 10 to 12 stories high with FAR of 7.2 than the maximum 20 stories high or FAR 15. Mr. Tarekegn (the head of Kirkos sub-city urban planning office) associated developers' preference against the maximum height with the costs of installing elevator (which is imported from abroad with expensive foreign currency). Mr. Tarekegn also noted that the building regulation requires developers to install elevator for buildings with more than five stories. The other constraint he mentioned is the low level of water pressure that generally characterizes Addis Ababa.

The implication of the high cost of installing elevator, water pressure and establishing the foundation for the value of land is; generally, it is assumed that developers add these costs with other costs of the project, and hence will be less willing to pay more for land prices. Based on this conviction, therefore, in calculating the potential increase in land value in *Casa Inchis*, the FAR that has already been widely used by developers (that is 7.2) is taken into account. Consequently, the potential contribution of the increase in FAR from 2.35 to 7.2 can be illustrated by considering the same hypothetical plot size (1000 m²) that the developer would like to acquire (see figure 5). Accordingly, the calculation shows up to a five-fold increase in land price⁴ for the hypothetical plot (1000 m²) that the developer would like to acquire.

Figure 5: Potential effect of density regulation on land value (price)



Source: the author

⁴ The official exchange rate (as of June 2013) shows 1 USD is equivalent to 18.6 ETB.

The role of the city government in the land value increment

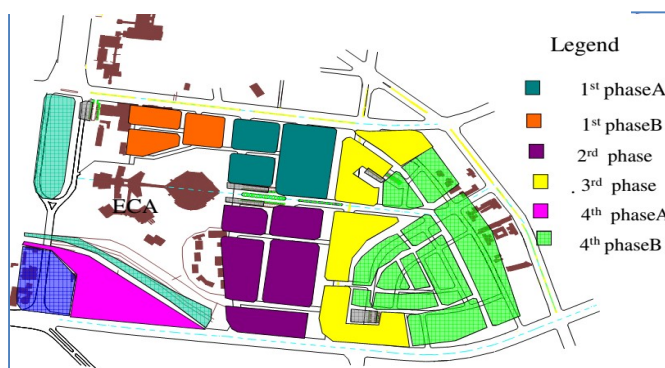
The change in land value is not merely due to change in density regulation. The value increment and investors' willingness to pay for the land very much depends on the costs required to service and develop the land (Bayrau and Bekele, 2007b). This is particularly important in the case of Addis Ababa, where the willingness of developers⁵ to pay for higher lease prices hinges up on the consideration of, among other, the potential costs related to land development, availability of infrastructures and social services. While the cost of land development entails any cost associated with land assembly, site clearance, relocation of households (if the land is already occupied) and compensation paid to them, infrastructure costs are incurred to improve accessibility and neighborhood quality.

In the case of redeveloping *Casa Inchis I* the city government has played an active role both in land development and in investing in public goods so as to create an enabling environment for potential developers. The government undertook these interventions in three successive phases:

- Phase I: Plan initiation and approval
- Phase II: site clearance, relocation and land assembly
- Phase III: parcelling plots, land leasing and installing infrastructure

Phase I began when the then Planning Commission (under the Office of the City Manager) initiated the preparation of the LDP in 1998. However, with the 1986 master plan being revised in 2002, there was a need to conduct another study for preparing new LDP for *Casa Inchis I* redevelopment. The 2002 LDP brought new amendments with regard to land use proposal, building height and maximum allowable FAR, the phasing of implementing redevelopment plan and cost recovery mechanisms. It recommended for the building regulation to be flexible and allowing more density right. It also stipulated that the project has huge potential for self-financing if it is undertaken phase-by-phase (see figure 6).

Figure 6: Casa Inchis I redevelopment implementation



Source: Casa Inchis LDP, 2002

⁵ For detailed information, please, refer Bayrau and Bekele (2007). This seminal work presents strong statistical and regression analysis regarding the most and least relevant factors in determining developers willingness and hence land prices in Addis Ababa by looking at leasehold transactions between 1994/95 to 2002/2003.

However, during actual implementation many things have been changed (some contrary to what is prescribed in the plan). These include the narrowing down of the action area from 41 hectare of land to about 25 hectare and the exclusion of the adjacent area east of Guinea Conakry Street from the redevelopment intervention (i.e. exclusion of phase 3 and 4B). Modification has also been made in terms of road coverage where the original access road crossing right in front of the gate to ECA has been closed and converted into parking area lot with additional land brought in.

Once the LDP was prepared, the then Bureau of Works and Urban Development and later Addis Ababa Agency for Land Development (LDA) were tasked with the responsibility of plan implementation. Regulation 16/2004 outlined the range of powers and responsibilities of LDA which include, among other, the power to undertake expropriation and relocate households, prepare plot parcelation plan, lease serviced land and collect revenue. LDA was later restructured into Land Development Authority in 2004 which was dissolved two years later to establish the present Land Development and Management and Urban renewal Agency. Currently, LDP implementation and associated tasks are also decentralized to Sub-city administrations.

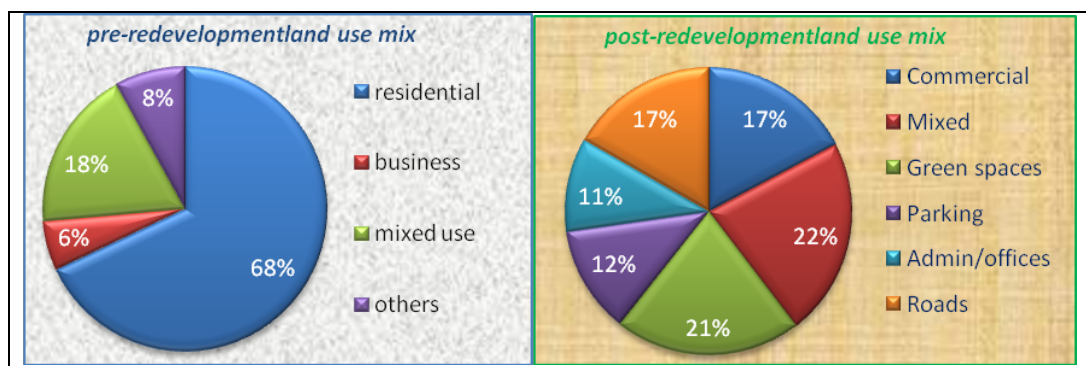
As far as phase two is concerned, sources consulted revealed that for the redevelopment to happen about 1102 housing units had to be demolished. Of the houses, 649 were belonging to kebele administrations and the families were renting the units for more than 25 years. 352 units were private dwellings. The rest were properties of Rental Housing Agency (RHA) and government offices. Almost 97% of the houses were single-story buildings with most of them made of wood and mud. The 1998 LDP study reported that only 18.8% units were in fine condition. While 41.4% were in moderate, the remaining 39.8% were in deteriorated condition requiring complete replacement.

This was particularly true with the kebele houses as, despite their dilapidated conditions, tenants of kebele houses were not allowed to repair and upgrade the dwellings. The two government approaches: "no-shape-change" and "no-material-change" vis-a-vis these houses (still persistent in many parts of the city) meant that if a tenant of a kebele house wanted to repair or upgrade the house, he/she would have been allowed to do so provided that there were changes neither in the shape/structure nor the material (wood and mud) with which the house was already built. As a result most of the houses were beyond the state of repair and that demolition was the only viable option argues the expert interviewed. In the LDP's socio-economic study it is also mentioned that lack of access road and modern sewerage lines, river stream pollution and poverty were the common features of *Casa Inchis* neighborhood before redevelopment.

Once the house were demolished, households displaced and relocated, the land was parceled into various land use purposes (phase three). Accordingly the new land use plan depicts, from the total 252,538 m² of land, commercial use accounts 43,638 m² (17%), mixed use 56,352 m² (22%), green space (park) 53,125 m² (21%), parking space (including ECA parking) 30,624.2 m² (12%), offices and special land use (for government and non-government organizations) 26,586 m² (11%) and new and up-graded internal and access roads/pathways 42,212.8 m² (17%). Excluding the land allotted for infrastructure, green spaces and parking; the percentage share of commercial, mixed and office amounts at 34%, 45% and 21% respectively. If this is compared to the land use situation before redevelopment (see figure 8), substantial change in land use can be observed. Before redevelopment about 15.7 ha (68%) of

the land was occupied by low income residential, 1.2 ha (5.6%) small business, 4.3 ha (18.4%) mixed (residential and business) while offices, unused land, riverside 'vacant' spaces shared the remaining 1.8 ha (8%).

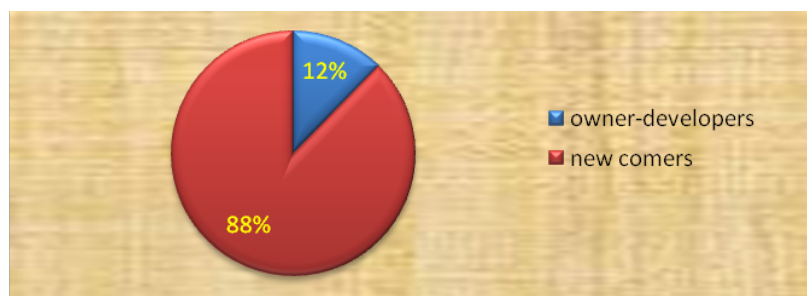
Figure 7: Pre and post-redevelopment land use composition in Kasanchis



Source: the author (based on Casa Inchis redevelopment and land transaction report)

In terms of developers, 88% were new-comers and 12% owner-developers (see figure 9).

Figure 8: Percentage of owner-developers & new comers



Source: the author (based on Casa Inchis redevelopment and land transaction report)

The displacement and relocation of households

According to data gathered from Wereda 08 and Kirkos sub-city Urban renewal documentation office, the process of assembling the land for redevelopment resulted in the displacement of about 1,079 households⁶ (about 5,522 people of which 2913 were female and 2609 male). 649 households were tenants of kebele houses. From 352 private holders, 341 were displaced and relocated while 11 households were granted the permission to redevelop

⁶ From the total 1102 units demolished, 12 were offices and 11 private dwellings were allowed to remain in the site as the owner's demonstrated financial ability to redevelop their holdings based on the new LDP of the area.

their holdings according to the new land use plan of the site. Thus the later were neither displaced nor compensated.

The relocation process was in such a way that for the 341 households (with private dwellings), they were offered monetary compensations and substitute land for their expropriated holdings in *Gerji* and *CMC* areas. Neither monetary nor in-kind compensation was available for households renting units from Kebele administration and RHA. However, the government provided them with (for those displaced from 2000 to 2005) the option to rent public houses in other parts of the city mainly in *CMC* and *Gerji* areas. There were also households relocated in *Ferencay legasion*, *Amanuel*, *Asko*, *Kranyo*, *Akaki*, and *Sirt /Kalit/* areas. Common to all these relocation sites is their distance (between 10-12 kilo meters) from the central areas except for *Amanuel*. Limited access to social services such as schools, health centers, security, water and roads and employment opportunities and opportunities for home based enterprises (Mulugeta, 2006; Yntiso, 2008). For those displaced in 2010 to 2011, they were given the option either to buy government constructed "affordable houses" (condos) or rent kebele houses. It is understood that most of them preferred the first option.

As highlighted above, the displacement and relocation of both tenants of public houses and private property owners is in contradiction with the prescription of the 2002 LDP. The LDP prescribed that it will be efficient for the government to relocate the inhabitants on-site instead of moving them to other parts of the city. It argued that "if we are enhanced to do relocation with full strength in a wide range of areas, such as (Keranyo, Mekanissa, and Bole Bulbulla etc) the cost is going to be very high." The LDP claimed that off-site relocation might have solved the housing problem of the displaced people but it is "transforming the problem to other places and other time" (LDP, 2002, p, 3).

The LDP also states that the on-site relocation shall be financed through land selling, government subsidy, mobilizing household savings, loan from Banks and assistance from donors. Even though the plan did not precisely indicate the amount of money to be generated from each of these sources or the type of houses to be built for on-site relocated households, it was innovative at least in foreseeing the costs of relocation and displacement.

In order to understand the gap between what has been prescribed in the plan and what has been undertaken during actual implementation, interview was conducted with officials and experts. Mr. Tarekegn (head of planning office, Kirkos sub-city) explained that it is common to amend plans during implementation depending on availability of budget and human resources. Mr. Zenaw (ex-officer of the project coordination office at Addis Ababa City Administration) however held a different perspective that, the government indeed provided the households with the option to be relocated on-site right at the beginning though they were not up to take it.

Nevertheless, experts interviewed revealed that it was rather the government (than the free choice of households) which forced them to be displaced and relocated. One of the interviewee argued that, first; the redevelopment project suffered lack of accountability and political commitment especially when it comes to protecting the interest of displaced households. Secondly, even though the option of on-site relocation was there, the government attached string conditionality with it. The option was discriminatory that not all households (but private owners) were included. In addition, for the private owners the decision was based

on-top-down approach in which the government promised to build them multi-unit condominium houses and in return for handing over their holdings.

Contrary to the LDP's argument about the inefficiency off-site relocation, an expert from Addis Ababa University argued that it was rather efficient for the government to undertake off-site relocation. Drawing from the legal basis of how compensation is paid, he argued that "financially, it was efficient for the government to relocate [off-site] them because more than 2/3 of the households were not eligible for compensation." The expert went on explaining that, had the government resettled them on-site, it would have lost not only the potential revenue from leasing the land, but also incurred additional cost for constructing the houses (for which more than 50% were not able to afford). In the LDP it is indicated that about 51% of the population only could afford to pay maximum of USD 1,600 per household. This figure, when compared with the average cost for producing low income housing (as in the 2004/05 condos project), represent only 15-20%. That means that government not only had to find alternatives to finance the remaining amount but also provide land free of lease payment for the construction of the houses as it is stipulated in the law for the government to do so claimed the expert.

In order to better understand the issue of relocation, three previous studies about *Casa Inchis I* redevelopment have also been consulted. These include Mulugeta, (2005), Zeleke (2006), and Yntiso (2008). All three of them have focussed mainly on examining the gap between the theory and practices of the *Casa Inchis I* LDP and its implication on the socio-economic and livelihoods of relocated households. Accordingly, they have reviewed documents, interviewed key informants and surveyed affected groups to different extent. A summary of their respective research findings is presented below.

Mulegata claimed that due to lack of participatory planning and outdated compensation policy the impact of the displacement on relocatees was enormous. He characterized the process of relocation as one of forced displacement with 60% of his respondents revealing they were given the opportunity neither to negotiate nor to participate in discussions leading to redevelopment, while 40% stated they participated as informants (Mulugeta, 2005). The finding was clearly in contradiction with Proclamation 17/2004 (article 22) which stipulated opportunity to be provided for inhabitants affected to discuss and be well informed about the local development plan.

Mulugeta also mentioned the anomalies of compensation that due to the strict compensation and valuation procedure, "59% [relocated households] had to borrow money from their relatives to construct their houses. 30% of respondents confirmed that they have used their personal savings for housing construction" (Mulugeta, 2005, p. 118). Mulugeta's other specific findings include the worsening of physical access to social services (school, administration, health centre and water); loss of jobs and the high transportation costs people incurred as they were forced to travel up to 12 km to the city centre . He claimed that due to the worsening condition of socio-economic life about 79% of the households expressed their desire to move back to the city centre.

With regard to displaced households, similarly, (Zeleke, 2006) argued the implementation of the *Casa Inchis I* LDP was contrary to what is prescribed in the various directives for implementing urban renewal in which one of them stipulated (ORAAMP, 2002)

Displacees shall be entitled to a fair resettlement method by considering their participation, willingness, residency and working places, social and neighborhood relationship and family livelihoods. Displaced people should be relocated in surrounding areas as much as possible. Otherwise, they shall be resettled in developed areas where the required infrastructure and social facilities are provided better than (or equivalent to) their former areas. (In Zeleke, 2006, p. 5-6).

Zeleke observed that the fact on the ground was quite contradictory to what the law stipulated and claimed "The resettlement sites were not well studied and planned. Hence, many resettlement sites (about eleven) are located in the outskirts of the city where there is inadequate or no basic infrastructure." Specifically he identified due to limited access to schools dropout increased by 37%, while 96% of the people surveyed expressed old social ties were broken. As a result of the worsening living condition, the majority (88%) of relocatees surveyed expressed interest to move back to the city centre claimed Zeleke.

Yntiso (2008), on the other hand studied relocated households not only who came from *Casa Inchis I* but also from other urban expansion and redevelopment projects in Addis Ababa. He specifically identified the following findings, 20% increase in unemployment incidents, 37% increase in household food insecurity status, increase in households allocation of budget for school transportation, and 11.4% increase in school dropout. For tenants of kebele houses, rental payment had increased by up to 30%, as they had to pay rent for government constructed "replacement" units. The allocation of the houses and resettlement location did not take into account family size, social ties, and financial capacity to afford to pay for the rent. The percentage of people who had access to pipe water had declined by further 15% in the resettlement site. Based on these and other findings, Yntiso made the following conclusion regarding the impacts of displacement on relocated households, that

The process of relocating people from the inner city to new resettlement sites in the outskirts have disrupted the relocatees' business ties with customers, broken their informal networks of survival, caused loss of locational advantage and jobs and incurred high transport costs. The overwhelming majority of relocatees reported significant income decline. Many displaced households have encountered problems related to water, sanitation, education, and healthcare. (Yntiso, 2008, p. 1)

The implication is that Casa Inchis redevelopment induced displacement and thus had no positive impact on the general socio-economic and livelihoods of the households relocated. Though these studies are useful in understanding the effect of redevelopment from the displaced households perspective, they do not explicate the effect of redevelopment on land values which could have been used to mitigate the challenges facing the displacees. It is not also clear whether or not the negative impacts of displacement were due to the government's failure to pay commensurate. It is this gap surrounding the Casa Inchis redevelopment intervention which underlined this study.

The monetary costs and benefits of *Casa Inchis I* redevelopment

In order to better understand the dynamics of the *Casa Inchis I* redevelopment, calculation is made to determine all the monetary and in-kind benefits that the government was able to generate and the costs that it incurred throughout the process. The difference between the costs and benefits is then used to get insight whether or not the redevelopment was costly for the public and analyze the reasons thereof. In doing so however, attention is given to the benefits and costs that can be quantifiable. Benefits in terms of city beautification and the mitigation of slum are rather acknowledged as it is difficult to measure its monetary value.

The monetary costs of redevelopment

Redeveloping *Casa Inchis I* area was not, however, without incurring substantial expenses for the government (see table 3). The range of expenses include financial cost as in compensation, site clearance and project administration, provision of public goods and the construction of green areas (park), roads and sewerage lines. Accordingly, the total amount of cost is calculated at about USD 22,185,477. Of this total cost 85% went to compensation , while about 12% of the cost was incurred for constructing green spaces (park) along the riverside's, and the remaining costs are for infrastructure provision, site clearance and project administration.

As already indicated only 341 households with private holdings were eligible for compensation. The compensation was made both in-cash and in-kind. The cash compensation subsumed both payments to replace the demolished improvement and rental allowance for six month. Accordingly, for 267 households relocated in the first phase (between 2002 to 2005), the government paid a total of about USD 5,935,226. For 74 households relocated in the second phase (between 2010-2011) the payment amounted at USD 1,735,183. Whereas the average monetary compensation for the first phase was about USD 22,229, for the second phase it is found to be USD 23,448 per household.

According to Mr. Adem Nuri (head of compensation and relocation in Urban Renewal agency), the slight difference between the first and second phase compensation could be due to the modest consideration about the increasing cost of inputs and construction materials in recent times. The government has also offered substitute land in the expansion area for households who owned private land under permit hold system. Accordingly, owners relocated in the first phase earned a total of 44,350.00 m² (about 166 m²/household) of land. Financially, this amounts to about USD 8,849,732. For the second phase, 11,676.76 m² (157 m²/household) of land was compensated for 74 households. The monetary value of the land in this case stands at about USD 2,330,015.

The other financial expense that the government incurred include about USD 166,810 for site clearance and administration; USD 502,456 for building and upgrading 0.9 km width internal access roads (which has 12, 20 and 25 meters width) and pathways; and about USD 2,666,052 for constructing the green space (park) along the riverside's (it has not been officially named yet) which covers about 52,419.00 m² of land.

Figure 9: Partial view of road and green space under



Source: the author(field visit , July 2013)

The monetary benefits of redevelopment

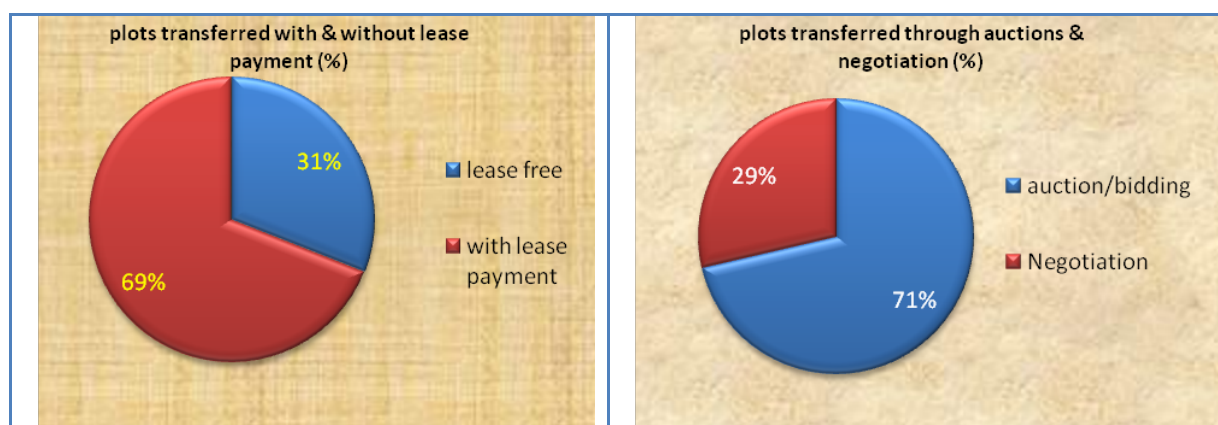
By redeveloping *Casa Inchis I*, the city government was able to generate both monetary and in-kind benefits (see table 3). The major sources are public land leasing, the selling of density right, the selling of tender (which was a one-time fee), and in-kind benefits in the form of developers obligation to construct access roads. Accordingly, a total of USD 47,669,281 was collected by the public treasury, 98% of which was generated from land leasing.

From the total land redeveloped (252,538 m²), about 126,579 m² (50%) was available for developers. According to the data from Kirkos Sub-city land banking and transfer office, 87,385 m² (69%) of land was transferred to developers with lease payment and the remaining 39,194 m² (31%) under lease free agreement to eleven owner-developers, international organizations and government administrations offices. From the total land transferred to developers with lease payment, 57 plots measuring 62,364 m² (71%) was passed through bidding/auction and the remaining 25,021 m² (29%) through negotiation (see figure 11).

Consequently, the government was able to generate total lease revenue⁷ of about USD 46,842,070. Of this amount, USD 35,021,886 was generated through land auction and about 11,820,184.62 through negotiation. The average bidding price was calculated to be USD 561 per m² while negotiation price was at about USD 472 per m². The maximum and minimum bidding prices were found to be USD 910 and 221per m²; whereas the maximum and minimum negotiation prices stood at USD 770 and 192 per m² respectively.

⁷ Since most of the land lease transactions took place as of 2005 and 2006 (except for some plots before or after), all prices are adjusted for inflation and adopted into the price of June 2013.

Figure 10: The modalities of land transfer for developers



Source: the author (based on land transaction report)

The government was also able to generate revenue through the selling of development (construction permit) right. According to the data collected from the city's Building permit and Construction authority, the total revenue collected from the selling of construction permit and building control amounts to USD 64,034. The revenue, which is a one-time payment, is calculated based on the estimated cost of the project, and includes payments for initial permit, construction follow-up, and project completion and subsequent use rights for the building⁸ (see annex 4). The government was also able to earn in-kind benefits through developer's obligation to construct about 1.41 km internal (access) roads (ranging from 10 to 15 meters in width) and sewerage facilities. Though the exact monetary value of the developers' obligation is not known to the city administration officials, speaking to expert at Addis Ababa Road Authority indicated the estimated cost to be around USD 759,637.

In addition, interview with officials has also disclosed that, in order to participate in the auction, potential developers had to buy tender with each tender sold at USD 5.4. Though the exact amount of total revenue generated through selling of tender is unknown, consultation with experts in the city administration indicated that for a plot to be auctioned, at least there has to be three participants. Thus based on this minimum criterion, calculation was made for 57 auctioned plots which amounted at USD 3,269.

Moreover, it is believed that there has also been in-kind benefit to the public in the form of employment creation in the redevelopment site. However, due to difficulties to get access to data regarding the number and types of employment opportunities created, this kind of social benefit has not been computed. Similarly, annual land rent and building tax (property tax) is excluded from the calculation of the monetary benefits. The reasons for the exclusion include, since most of the projects are still under construction, they are yet to be valued for taxation purposes. In addition, it is understood that the existing property tax system which for land rent is fixed payment (based on plot size and land grade) and for the improvement is based on 1%

⁸ For the calculation, the old rate is used as the permits for developers in Casa Inchis was approved before the issuance of the new payment system

to 4.5 % of annual rental value of the property is extremely low compared to the appreciating property market in the city.

Table 2: Monetary benefits and costs of Casa Inchis I redevelopment

Monetary benefits			Monetary cost		
Type of benefits		Amount (USD)	Type of cost		Amount (USD)
1	In-kind benefits	759,637.53	1	Road & sewerage line	502,456.00
2	Property tax*	<i>n.c</i>	2	Green space/ECA park	2,666,052.00
3	Selling density right	64,034.18	3	Compensation (in-cash)	7,670,449.00
4	Land leasing	46,842,070.00	4	Compensation (in-kind)	11,179,747.00
5	Fees (tender selling)	3,269.83	5	Site clearance & admin	166,810.00
<i>Sub-total</i>		<i>47,669,011.54</i>	<i>Sub-total</i>		22,185,514.00
<i>Net (benefits-costs)</i>		<i>25,483,497.54</i>			

Source: author (based on various land transaction reports and LDP of the Casa Inchis I redevelopment)

** since most of the projects are still under construction and yet to be valued for taxation purposes, property tax is not calculated in this study*

Conclusion

In theory, improving the slum and the living conditions of the dwellers was among the aims of redeveloping *Casa Inchis*. In practice, however, bringing the land into profitable use prevailed. Unlike the pre-redevelopment situation where low income mixed and residential land uses accounted 86%, post-redevelopment *Casa Inchis* exhibited 79% of its land consumed by modern urban activities. This observation confirms with Harvey and Jowsey's (2004) argument that redevelopment is essentially an instrument to systematically bring land in prime location (city-centre) into profitable uses rather than improve the living conditions of slum dwellers. The Casa Inchis slum was eradicated but only by eradicating the dwellers. Households had to be displaced and relocated off-site but only for commercial and business interests to triumph. Harvey's (2008) conception of redevelopment as form of 'accumulation by dispossession' has strong explanatory power to this dynamics. The allocation of 21% of the land for green areas, roads and parking is believed to have benefited the modern urban activates by creating accessibility and quality neighbourhood. Hence, Doshi's argument that redevelopment is a means to reorganize cities for the benefit of the wealthy by removing the urban poor from central places is endorsed.

Critical scrutiny of the government's accomplishment of the Casa Inchis redevelopment further reinforces the above claims. More specifically, the government transferred the plots to developers and administered compensation at the expanses of the slum dwellers (displaced

households). First, it is beyond socio-economic logic that the slum dwellers had to be displaced only for the government to offer 39,194 m² lands to international organizations such as (ECA and German technical cooperation), government administration and celebrities (as in athletes) free of lease payment. Due to what could be called as the 'land-for-free scheme' a potential revenue of about USD 20 million has been lost. The amount could have been used to build at least 1300 social houses for relocating displaces on-site. Further inquiry can also be made against the scheme, as to who covered the actual (or opportunity) cost of the land (which is already serviced).

Secondly, the government had the leverage to undertake negotiation in transferring land (25,021 m²) to developers in *Casa Inchis*. However, the manner the negotiation was undertaken is gloomy and hence beyond legal and economic rationality. Though some negotiated plots were relatively in prime location, they fetched lower average prices (USD 472/ m²) as compared to auction price (USD 561/m²). The difference between the two (USD 89.17/m²) and the opportunity cost thereof (USD 2.2 million) raises the question as to who paid for it? In addition, whether or not negotiated plots were transferred on the basis of the law is also obscured. This is because neither binding agreements nor control mechanism have been found that show any special obligation on developers who acquired land through negotiation. Moreover, the review of land lease transaction reports, the parcel plan (LDP) and a visit to the project site depicted that there is no significant difference between land uses that are negotiated and auctioned. This observation supports Hong and Bourassa's (2003) assertion that negotiation based land transfer may suffer from lack of transparency and pave way for administrative malpractices (corruption). This study, however has not made an assessment whether or not the limits with negotiation was due to flimsy administrative capacity.

Third, households were treated unfairly and the redevelopment process was discriminatory. Contrary to the overwhelming majority of the displaced households, 11 households (so-called owner-developers) were neither displaced nor made to pay (lease) for their holdings. This is despite the value of their property has appreciated and their plots were reclassified into a higher grade due to redevelopment. This is not, however, to argue that they should have been displaced. But it is to emphasize that the system was marred with preferential treatment. Such practice supports Doshi's (2012) notion of differentiation in dispossession. In the case of *Casa Inchis*, those dispossessed were those with weaker financial (economic) power to redevelop their holdings.

Fourth, when offering a substitute land for private holders, neither the location and market value of the expropriated land nor the rising cost of construction materials and labor were taken into consideration. This had huge implication for the loss in the value of land for private holders. For instance, take a hypothetical household whose 200 m² land was expropriated in *Casa Inchis* and compensated with same plot size in expansion area (see figure 12). The calculation depicts the value of compensation was half of expropriation.

When such a hypothetical scenario is applied to the actual fact in *Casa Inchis*, it implies that private holders were compensated only half the market value of their holdings. Consequently, the total monetary value of substituted land was about USD 11 million while the total value of the land expropriated was USD 22 million. The difference between the value of substituted and expropriated land was about USD 11 million. It is possible (as the 'free land' is already serviced) for the government to use this amount to cover half (50%) of the cost of the "land

for free" scheme. Hence, the government might have subsidized redevelopment by channeling land value from the displaced households to the new land users.

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