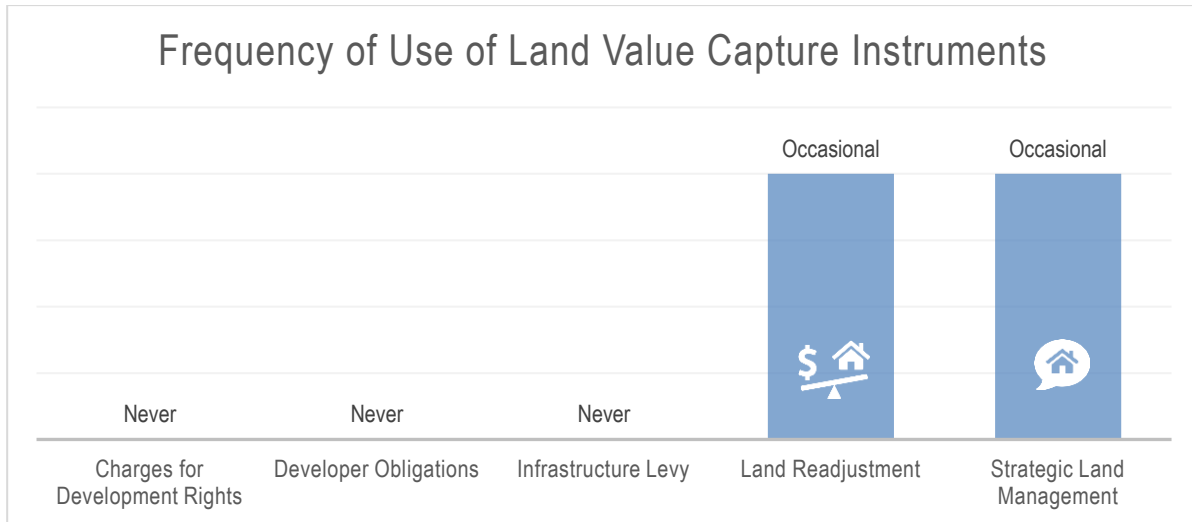


# Luxembourg



Land value capture is used in Luxembourg but not systematically. Land readjustment may gain momentum following recent reform. The main obstacles to land value capture are landowners' resistance and the lack of political will to charge them.

## Main instruments

Instrument (OECD-Lincoln terminology)	Local name	National legal provision	Implementation	Use
Strategic land management	N/a	<i>Plan d'aménagement général (PAG); Loi sur l'expropriation pour cause d'utilité publique/1979; and Article 2 of the Loi concernant l'aménagement communal et le développement urbain/2004</i>	National and local governments	Occasional
Land readjustment	<i>Remembrement urbain</i>	<i>Loi sur l'expropriation pour cause d'utilité publique/1979; Chapter 2 of the Loi concernant l'aménagement communal et le développement urbain/2004; and Adapted Building Land Bill Introduced to Fight Soaring Housing Prices/2020</i>	National and local governments	Occasional



## Enabling framework

Luxembourg is a unitary state with one subnational level of government: 102 municipalities (OECD/UCLG, 2019<sup>[1]</sup>). Municipalities are responsible for local spatial planning and urban development. Local officials have high discretion when issuing planning permits. The national and local government levels create the legal framework for land value capture.



## Land readjustment

Land readjustment is used more and more in urban areas since it was given a legal basis in 2004. The main obstacle until 2020 for publicly-initiated projects was that all private landowners had to consent, which proved unrealistic due to complex land plots configurations and fragmented land ownership. In 2020, the national government proposed new mechanisms to compel landowners to participate without resorting to expropriation (the *Baulandvertrag*; a simplified procedure for modifying a general development plan; and a ministerial consolidation). The main purpose is to provide affordable housing because of increasing housing prices.

Land readjustments should be specified in special development plans (*plans d'aménagement particulier*). The national government can initiate a readjustment project at its own initiative; at the request of at least one fifth of the landowners or at local governments' request. Private landowners can initiate a readjustment project if they represent at least half of the landowners and own at least half of the readjustment area. If not all landowners consent to a privately-initiated project, landowners can propose a new project if they represent at least two thirds of the landowners and own at least two thirds of the readjustment area. Landowners, local governments and other stakeholders are involved in consultations, and land readjustments are then submitted to the vote of municipal councils. Landowners who do not consent may be expropriated. The national government and local governments are in charge of implementing land readjustment.

Landowners must provide a share of their plots for public improvements and services. There is no limit to the share of plots the government can demand. After the readjustment of plots, landowners should receive a plot with a value that is proportional to their original holdings and located on or as close as possible to their original land. They can exchange reallocated plots for cash. To harmonise the reallocation of readjusted plots among landowners, compensation mechanisms exist. Owners of readjusted plots that are less valuable than original ones should receive a compensation. Moreover, owners of readjusted plots that are more valuable are taxed on the value added of plots.



## Strategic land management

Strategic land management is used for brownfield redevelopment, to control urban growth and land price inflation as well as capture land value gains. The national and local governments implement strategic land management. They only occasionally use it due to a lack of suitable land. The national government, local governments and a special purpose public-private body receive the revenues. In 2016, the national government owned 1% of the total land, local



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governments 6%, public funds 2%, and the social housing developer Société Nationale des Habitations à Bon Marché (SNHBM) 2%.

For brownfield redevelopment projects, the national government has to pass a general development plan (*plan d'aménagement général* or *flächennutzungsplan*). Local governments then implement it and can modify it. The national government and local governments can buy or expropriate land at a reduced price in return for granting landowners a stake in development projects. The price is fixed at the level before the announcement of a public investment or zoning change. This allows recovering the increase in land values public investment or zoning changes generate. However, the period between the announcement of a public project and the land purchase or expropriation cannot be longer than three years. Usually, the government buys unused brownfield land.

Land is typically retained for ten years although there is no limit to the length of retention, rezoned and developed through public-private partnerships. Development includes basic physical preparation and servicing, public utilities, public transport, roads, parks, administrative buildings and affordable housing.

The national government and local governments then sell the land at market price to the highest bidder or transfer it to another public entity. They also lease their land, for example to encourage construction of affordable and social housing.