

Examination of Sustainable Income Generating Methods for Municipalities to Improve Sustainable Urban Development

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ABSTRACT

Municipalities as the main body for governing the cities, can play a major role in the management and sustainable urban planning and for the realization of this goal, they need sources of income. Due to the quality of sources of income, their stability and sustainability and the possible consequences of making money in any way and at any price by municipalities are the issues, the importance of which in the process of governing Iranian cities have been getting less attention. Accordingly, this research with descriptive-analytical approach was formed with the goal to examine the most important methods of providing stable revenues for municipalities by comparative and field studies and of evidence and observations in order to investigate the successful experiences of municipalities in developed countries and introduce the practices of stable revenues, along with improving the quality of services and life for Iran cities. The results show that citizens' participations in the costs of city is one of the most important ways of stable income generating for municipalities which will be possible under sustainable urban development and by the emphasis on the position and status of municipalities and redefining the role of people in governing the city.

KEYWORDS: Reform of income structure, sustainable urban development, sustainable incomes, municipalities, citizens' participation

1-INTRODUCTION

One of the fundamental challenges that municipalities face has always been earning money to provide financial sources in order to offer optimal urban services. A wide range of services provided by the municipalities and lack of income-generating of many municipality's activities and lack of attention to successful income-generating experiences of municipalities in other countries exacerbated this issue.

World experience shows that public participation in urban decisions and programs and financing the city are of major requirements for governing the city and in various fields related to city, views of the general public are considered. Municipalities in developed countries of the world, have many powers, while in Iran, much reliance of municipalities of the country on the income out of the housing sector, in addition to its effect on increase of housing prices, have caused the municipalities to face definite financial problems and crisis at different time intervals [1].

Pushing municipalities towards self-sufficiency in the nineties that led to the policy of "selling excess density" was an unsuccessful and highly complicated experience in governing municipalities in Iran [2, 3]. But unfortunately the authorities in charge of affairs in the municipalities still did not understand the necessity to achieve to secure efficient and sustainable revenue sources that supply long-term interests of the city and its citizens and they continued wrong practices of the past with various justifications. In this study it was attempted to, by investigation of successful samples of income earning in municipalities of developed countries, create the required sensitivity to earning orientation of municipalities of our country towards sustainable earnings and in line with the urban sustainable development and state different solutions for this and accordingly the necessity of such research is clearly felt.

2. REVIEW OF LITERATURE

From the perspective of urban economic, factors such as expanding the scope of the municipality's activities and improving people's level of expectations and problems arising from population growth, increase the need for expansion of financial and income sources of municipalities [4]. Thus, among the various sectors of city management, supplying financial and income sources have special importance because on the one hand income earning of municipalities has a major impact on the delivery of services to citizens and on the other hand lack of

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sufficient income not only cause lack of creation of essential services in the city, but also basically will face the implementation of all urban plans and programs with problems [5].

Given the importance of the issue, some researches have been done in this area some of which are referred to from different periods (from the early eighties until now):

HadiZonooz[6], in a study entitled "Modification of income system of Tehran Municipality" offered proposals for pushing away the unstable revenues which includes amendment of renewal law and urban development with the approach of the role of municipality and city council, determination of the rate of municipality tax (assets income tax) according to the socioeconomic status of each city and with the views of city council, recognition of presence of municipalities and city council in evaluation and determination of value of urban lands, mechanization of real states database and using GIS for real states audit, update of real states data and amendment of related regulations based on specific and general rules of urban development.

Akhondi and HadiZonooz [7], in the report "Structural overview and designing the management and financial system of metropolis of Tehran" investigated the revenue system of municipalities in the countries of the world, especially the countries of the Organization for Economic Cooperation and Development (OECD). Then they evaluated the rules and methods of diagnosis and collection of duties and the cost of municipal services in Iran based on obtained criteria in previous stages of the research and proposed similar recommendations with previous researches to reform income system of Tehran Municipality.

Sharzei and Majed[8], in a study entitled "Sustainable city financing, how of financing for sustainable urban development" after the presentation of the causes of municipalities failure in the delivery of urban public services, focused on concepts of sustainable urban development and sustainable incomes and then investigated the income resources of municipalities from the sustainability point of view.

Danesh Jafari et al. [9], in a study titled "Evaluation of stability of financial and income resources of Tehran municipality" concentrated on the sustainability status of different income resources of Tehran city and identification of methods of sustainable income earning for it".

3-RESEARCH METHODOLOGY

This research method is of descriptive-analytic type. By examining income-generating methods of municipalities in developed countries, by study of various sources (articles and websites) as well as objective observations and experiences, it was considered that some assumptions in the context of income earning of municipalities in our country do not match with global realities. For example, the continuance of financial aid of government to municipalities (if necessary) or use of local urban potentials for income earning which are not considered significant in our country.

4. The concept of sustainable urban development

As the stable revenue-generating for municipalities is the subset of sustainable urban development, it is necessary to provide a definition of sustainable urban development. Based on Brundtland Commission, a development is sustainable, which is able to meet the needs of present generation without destruction or damage to the supply of needs and desires of future generations. In other words a development which meets the needs of present generation and is also consistent with the benefits of future generations. This considering has determining effect in determining development goals and adoption of socioeconomic policies.

But we can pay attention to the condition of sustainable urban development in the developed framework by the World Commission on Urbanization in 21st century offered in international conference in Berlin in July 2000. Based on the above framework, the city has sustainable urban development in which there are at least the followings:

- Has sustainable urban economy.
- Urban society be sustainable i.e. has social solidarity and unity.
- Has sustainable urban housing means that for the people of the city, worthy housing be available according to the affordability of all people.
- Has sustainable urban environment while maintaining stable ecosystems.

Above indices indicate that conditions of sustainable urban development are exactly consistent with the conditions of sustainable economic development and are defined in line with each other [8].

5- Types of municipalities revenues

5-1- unstable incomes

Unstable revenues are the revenues that belong to municipality on sectional basis and based on specific activities and by the removal of that activity, the revenue acquired will also get vanished. Even it is possible that the

proceeds out of this income be too high. Income from taxes of excess density and income from building violations, official documents taxes, taxes on construction licenses, taxes on arid lands, taxes on factory sales and etc, are infrequent and unstable revenues [1].

5-2- Sustainable incomes

Sustainable incomes are said to ongoing, healthy and desirable revenues. Ongoing means that social and economic fluctuations do not have effect on the receipt and the amount of them. It is safe and healthy since they guarantee urban health and do not have negative environmental impacts. Being desirable in the sense that they have positive social effects, follow economic and social justice, are easily accessible, and ensure sustainable urban development, according to this definition, the most important sustainable revenue sources of municipalities are revenues from taxes on property renovation, residual taxes, taxes of the city, taxes on businesses, real estate tax (currently the government collect it), the annual toll of cars, phone and gas taxes, the tax on land value and cost of services of exploitation of urban public services [10].

6. The sale of surplus accumulation, an unstable and destructive income

Execution of the policy of economically moderating and minimizing the government in the early seventeenth caused cut of state aids to municipalities of metropolises of our country. The consequence of this was the sale of excess density by municipalities which had many side effects such as brining huge incomes for house builders, deviation of investment flow from production process toward urban tenements. By granting rentier licenses for urban tenements, the political and economic power of beneficiaries of rentier increased which were followed by increased dependence and reduced urban management power for the increase of density sale price or its discontinue.

That's why the governments intervenes to reduce and discontinue the sale of surplus density, is inevitable. This involvement should be done on the one hand by legislation of legal rules and on the other hand in the form of granting financial aid to compensate for lost revenue of municipalities. Municipalities and councils, by following the principles of effective governance and transparency make public minds ready to pay taxes and city tolls and finalize changing their income structure with spending minimal social cost [2].

7- A review of municipality revenue sources in different countries

Methods of income earning and financing the city in the large cities of the developed countries, have significant differences with the large cities of our country. In most of these cities, the degree and collection of taxes related to the city are done based on the cost and the budget which were approved and ratified by the representatives of the people of the city in the municipalities and ratification of these taxes certainly specifies the amount of municipalities income during the year because tax system is in such a way that all citizens are obliged and compelled to pay it in due time. These taxes are levied for many consumer goods, services, land and housing, and also receiving the cleaning costs of the city and the same cases [11].

7-1- Urban Management in Germany

In Germany, as municipalities are not able to supply all the city and municipality costs by their local incomes, they sometimes use governmental aids and accordingly the policies of the central government cities are also applied for the management of cities [11]. Also the revenues from the sale of services such as sewerage, waste collection, cultural, educational, sports and other cases, are nearly 20% of the municipalities' revenue [12].

7.2 Urban Management in the UK

In Britain, the income source of municipalities are supplied of three main sources:

1. Government contributions by 40 percent.
2. Local tolls and taxes by 30 percent paid by owners of lands and buildings.
3. Rent of residential units leased by municipalities

Basically a fifth of the municipalities costs are funded through borrowing. They can, by issuance of bonds and borrowing from treasury, get loan for offering public services and compensate their temporary financial shortages (<http://shahrara.com/page,1391,5,26,14,02.html>).

7-3- Urban management in Sweden

In Sweden, state aids to municipalities are in the framework of specific programs and the government issues required agenda in the field of macro-policies and governance and development of city. For example, in 1990, a law on the provision of strategic plan in relation to industrial and non-industrial waste and its implementation from the beginning of 1991 was announced by the parliament. This program included issues such as to minimize the amount of municipal wastes, recycle and re-convert them and produce energy from waste. The amount of paper delivered by

people in Lund, Sweden for recycling was a figure equivalent to 6/56 kg per person that the economic benefit of it is considerable. Residents of this city, by paying 31% income tax per year (about 1/8 Millard crowns), provide a large part of municipal revenue (a figure equaling 59 percent of municipality income) and the rest of municipality budget are provided through the ways such as direct payment of city costs by people (4%), state aids (13%), sale of urban services (2%), loans (1%), other (1%) [11].

7-4- Urban Management in Japan

The study of various sources of Japan in recent years show that the most important sources of supply of municipalities income, are a variety of taxes on fixed assets and consumption tax that this figure constitutes 35% to 40% of their total earnings.

7-5- Urban Management in Canada

Considering revenues sources of municipalities in Canada (Toronto and Vancouver) during recent years show that the paid amount for utilization of services and also the sale of goods, constitute a considerable part of municipalities incomes. This figure was close to 20% in 2007 [12].

The significant point which is seen by reviewing municipalities sources of income in developed countries, is that, unlike the common practice in our country, municipalities to meet their expenses, should be benefited both from domestic financial resources and governmental funding sources but by the size of the city becoming larger, the share of state aids could decrease[13].

8. Strategies and Suggestions

Income generation on a closer look, consists of two parts: first earning more income and, second, reducing the burden of costs [14]. Elimination or reduction of extra and unnecessary costs provide effective contribution to style making and activating financial and administrative system of municipality and minimize the need to earn money at any price to compensate for the costs.

Among the main examples of savings, is the reform of consumption pattern, which will be accompanied by increased productivity by avoiding waste of resources and correct use of energy. Therefore, to modify consumption pattern, we must first identify the costs and spend revenues on real needs, some suitable areas for reforming the consumption pattern include:

1. Modifying consumption pattern through the realization of e-citizen and e-municipality
2. Modifying consumption pattern by emphasizing the concept of "value engineering"
3. Modifying consumption pattern by applying waste management
4. Modifying consumption pattern by transferring some of the available activities to the private sector
5. Modifying consumption pattern by reviewing the description of services and how of providing urban development schemes.
6. Modifying consumption pattern in doing civil projects [15].

8-1- Sustainable incomes depends on citizens' participation

A brief look at the management of the world's great cities, is a strong proof of this claim that the only sustainable source of income for the optimal management of the city, is the citizens' participation in the city costs [16]. Municipalities must be rectified and updated toward dynamism, responsiveness, specialization, participation and creativity so that they can encourage citizens to participate in city government and by a clear understanding of the needs, limitations and available potentials in cities, work with income generation and form sustainable urban development.

8-2-Paying attention to the prestige and status of municipalities, ensure sustainable revenue

Municipalities and mayors have special authority and status in many developed countries of the world and have the required capability and possibility from all accounts in governing the city affairs, and as a result all the organizations and official organizations and the private sector and people follow the municipality orders. Prestige, authority and power of the mayor and the municipality are due to the popular vote in selecting assemblies and city councils and mayors and political and supportive endowment of government. Under these circumstances, the possibility of financing city costs within the framework of laws and regulations that have necessary performance bond is more easily feasible. Acceptance and respect for municipality instructions in different areas by citizens are of the most important factors that in many cases, significantly reduces the costs of the municipality. Meanwhile, citizens' acceptance to pay their legal duties to the municipality on time, is of the very effective factors in providing

required revenues timely for governing the city. At the same time municipalities take the benefit of government help in certain situations and, if necessary [17].

8.3 Reconstruction tax

One of the most important sources of stable revenue for our country municipality which has been ignored due to various reasons, is reconstruction tax which is called property tax in the countries in the world and is of items that can create a source of income for municipalities every year and has an acceptable continuation and receiving it does not endanger health of urban environment, and it also increases the income potential of municipalities continuously for increment of production power and delivery of public goods and services. However, in recent years in cities of our country this figure has increased its share in municipality earnings compared to past but its share of total revenues of municipality is very small [8].

8-4 Getting the prices of utilities

In the framework of municipal revenue collection system, one of the most important potential sources of revenue is getting the cost of utilities [12]. Mechanisms should be established so that the municipality be able to earn sufficient and proper income per service provided. This will ensure the continuity and quality of process of delivering services in cities.

Transit tax system, is one of the ways to earn money related to services provided in the city. In many countries, a digital piece has been installed on the cars that by passing the car over newly built bridges by the municipality, a low tax will be recorded in the system for the car and the vehicle owner will need to pay the price of using new services provided by the municipality [14].

8-5- Modification of income view of municipality toward consumption tax

In developed countries in the world, municipality, by dominating the real estate and urban development, conduct building construction in a special form, so to face the fewest problems. On one hand, by getting a small toll, provide the necessary licenses and conduct constructions. In addition, they receive continuous annual taxes in a way that they can meet the price of civil service. In other words, the main part is the consumption tax and the main incomes of municipalities are supplied by consumption tax. Therefore, to achieve sustainable income in municipalities, it is better to note that any income in rials today, how much responsibility and urban services duties bring for the municipalities (according to the cost-benefit ratio) [18].

8-6- Organization of local potentials in each city

Urban-specific capabilities, in case of right planning, are the sources of stable income for the city and increase the people's trust in the quality of service-delivery of the municipality.

The world successful examples show that sustainable income generation depends on offering new services more than on construction, land sales or cases like this; for example holding local, national and international festivals in the open space of the city stadiums with the participation of renowned artists and with the help and management of municipality, face the public welcome. In this case, the municipality deals with managing and will earn income.

In our country, the municipality approach, instead of using the capabilities of mobile and dispersed activities, fights with them. While in many countries, municipalities of metropolises earn income with the management of these small activities.

In countries like Thailand, South Korea, Turkey and Greece, the mass of mobile restaurants in certain placed determined by the municipality, offer variety of food in good quality and cheap and actually form a part of the tourist attraction of these countries[14].

8-7- Municipalities interaction with domestic and international financial system

The municipalities in the developed countries, despite the high income of municipalities and countries, to financially supply the urban projects, widely use local resources (such as specialized banks of the municipality, markets of purchase and sale of municipal bonds and funds) and external resources (including financing). These municipalities perform a large number of their projects through this way every year. For example, the municipality of the City of New York in some of its projects, such as clean water and air projects and new stadium and many transport projects, used this method [19].

Table 1. Comparison of selected cities in terms of attracting foreign finance in urban projects (Bonar, Abolhasani Hastiani, Shaygani & Dezhpasand, 2013).

No.	City	Foreign finance in million dollars in different years				
		2007	2008	2009	2010	2011
1	New York	5930	7800	12200	10500	12870
2	London	3230	3589	5017	7904	9000
3	Istanbul	951	2800	4070	4850	4693
4	Kuala Lumpur	2840	1527	2483	6490	5704
5	Seoul	3410	2190	2935	5000	5700
6	Shanghai	2200	2986	4750	3600	8920
7	Tehran	779	1000	100	679	1585

8-8- Branding (the remembrance of) a city

During the recent decades, extensive studies have been done on the role of cities as the stimulator of innovation and economic growth and the orientation toward following up the branding strategies, re-branding (full and partial), modernization and revitalization of the urban lives is greatly seen. Today, these activities are considered as the integral part of the management issue and urban development and are paid attention not only in physical outfit of urban infrastructures but also in the development of mental processes and creation of an image and identity distinctive from the city. This concept with an emphasis on core values, by transforming images and urban attractions into prominent and visible identity, introduces the city as a viable product in the national and international arena.

City branding is as a protective umbrella for all the brands that have a common origin in the city. In the era of globalization, urban branding is a valuable tool for cities to manage internal and external opportunities effectively and turn them into competitive advantages. To achieve this status, urban managers can cause a permanent and eternal change by extraction and determination of branding strategies for their city (<http://www.brandztech.com>).

As a result, urban branding can be known as all of smart and same-direction activities that are done for positioning a city with a perception. Output of city branding is indexing a city at the time of choosing the destination of a journey. What Paris, for example, has done in mind positioning and inserted its name as the "City of Lovers" in the minds of tourists and this positioning has a significant impact on the choice of Paris as the travel destination (Urban-branding <http://www.brandsazan.ir>).

Iran in terms of historical, cultural attractions and enjoying cultural identity of 7 thousand years old, is placed in the list of top 10 countries in the world and in terms of climate variability, is placed between 15 to 20 countries of the world and this variability, provide the possibility of tourism in all seasons for this country, but despite this Iran's share in 2013, from one thousand two hundred and fifty billion dollars in tourism revenue worldwide, was only half a percent (<http://www.poolnews.ir/fa/news/131937>). It should be noted that the right and attractive capabilities of a city, as long as they are not properly introduced for the tourist, will not be actualized and the tourist will not be willing to travel and spend cost in the country and city of destination without comprehensive recognition and confidence.

9- Conclusion

A city is an interconnected and integrated set and sustainable urban development also, is not possible without unified and integrated management. The municipalities as the main trustees for governing the cities must create and strengthen sustainable income sources for themselves. For this, the income structure of municipality must be holistic.

Methods of income earning of municipalities should not only lead to removing financial problems in the short term, but also should guarantee the long-term interests of the city and the citizens.

Some methods of income earning, such as density retailing also bring ample benefit for the municipality in the short term, however, will bring many complications for the city in the long term and create essential disturbances on the way to sustainable urban development which were discussed briefly.

Specialization, responsibility, participation, and creativity-orientation contribute significantly to reforming the methods of income earning of municipalities.

The most important issue for income generating and sustainable urban development is that the citizens know the city as their own city and pay for its expenses and needs. For this, there should be a redefinition of the role of people in the city governance as well as their relationship with municipalities.

Taxes received from the citizens should be moved toward consumption tax and be used as a control factor in correct guidance of the city toward sustainable development. If residents of the city see the tangible impact of taxes and their financial participation in the running of their city, trust the municipality and will pay their share properly.

This notion that the government should not have any financial contribution to the city governance is wrong and must be revised. The experience of other countries suggests that the governments do not leave the municipalities and, if necessary, offer appropriate financial aids to them and in return, ask for desirable orientations from them.

The native features of each city, in case of right presenting and offering, could be one of the main sources of income not only for the cities but also for the countries. The goal of city branding is exactly the maximum exploitation of this issue, so that we can offer all the potential attractions and assets in a popular framework and at the same time elegant and having international standards to the audience all over the world.

Wandering and pending financial resources in and out of cities and even international resources can be used in the form of profitable urban plans and with proper technical, economic, social and environmental justification with good attraction for investors to make money for municipalities and some examples of successful experiences in this regard were mentioned.

In addition to sustainable income methods, we must pay attention to the methods of optimal use of available resources and saving in their use. The right guidance and optimal utilization of available resources are of principles of income generating and sustainable urban development.

In a word, sustainable urban development depends on stable incomes. Stable revenues are provided by empowered, informed citizens interested in the fate of their city and municipalities must provide required grounds and structures for this matter and elites must make its necessity and importance clear for the public more than ever before.

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