

Summary

A considerable proportion of the land for new housing is owned – and has often long been owned – by municipalities. Twelve per cent of the municipalities in Sweden state that they own all the land on which residential development is planned or in progress and three quarters of the municipalities own part of the land considered for residential development. Municipal ownership of land therefore plays a key role in residential development.

The purpose of this report is to describe how municipalities proceed when selling land for residential development – how they conduct ‘land allocation’ – and to submit proposals on how land allocation should be conducted.

The report describes the main features of the land allocation system and how it is linked to the preparation of detailed development plans under the Planning and Building Act.

The project has included empirical studies in the form of surveys of selected municipalities and developers, as well as interviews. The studies show that municipal land ownership is – and will continue to be – of crucial importance for residential development. While there are two main methods of land allocation – allocation by tender/comparison of developers and direct allocation – the latter dominates and allocation takes place in an early stage in the detailed development plan process. The developers clearly consider that many municipalities need to clarify the land allocation process and make it more transparent.

Municipal land allocation systems are closely linked to the broader examination of development projects at municipal level, i.e. the detailed development plan process. Proceeding from economic theory, we show that this results in special conditions in several respects. We point to problems concerning incomplete contracts, valuation and pricing of projects, different types of tenders and transaction costs for different land allocation methods.

We also emphasise that there is no single universal method of land allocation that should be used in all situations. Strong arguments exist for using a combination of direct allocation and allocation by tender/comparison of developers, based either on price as the sole criterion or on other parameters. Thus, in our opinion, municipalities should distinguish between guidelines for the general land allocation system and decisions in individual land allocation cases. The general system should then clarify:

- that land allocation will be managed according to different principles in different situations,
- which principle will apply in a given type of situation,
- how the municipality intends to meet the criteria established – e.g. to favour competition, to enable new actors to enter the market and to ensure that smaller actors are able to obtain land allocations.

With regard to the transparency and predictability of the land allocation system, we stress the following points.

- Land allocation decisions in individual cases should be better and more clearly explained, in the context of the general principles.
- Stakeholder lists or similar should be made available to show clearly which developers have applied for and obtained land allocations.
- The municipality could increase predictability by publishing price lists for direct allocations of land in different locations and of different quality in advance. At the very least, the principles determining prices should be made clear. The report draws attention to a number of problems associated with land allocation pricing where further investigation and clarification is desirable.
- In certain municipalities, land is allocated through municipal companies, which generally offer poorer opportunities for access and transparency compared with municipal authorities. It is therefore questionable as a matter of principle whether the corporate form is appropriate for managing land allocation (unless public law regulations are also applied to the corporate form).

The key words are therefore clarity and predictability for developers. How should I proceed if I am interested in obtaining a

land allocation? What is required of me? The natural forum for this information is the municipal website.