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# Practices of Land Allocation as a Governance Instrument

Master's Thesis in the Master's Programme Design and Construction Project Management

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Department of Civil and Environmental Engineering  
*Division of Construction Management*

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Gothenburg, Sweden 2015  
Master's Thesis 2015:75



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## ABSTRACT

Increased urbanization has led to a housing shortage in many cities in Sweden. This creates a pressure on local authorities to find and assign new land areas for housing development. The municipal owned land can be appointed to a construction client through a land allocation. Previous evaluation of the municipal land allocation process indicates several issues such as transparency in evaluation, different practices and an underdeveloped follow-up system. The purpose of this thesis is to understand the practices, follow-up and control mechanisms in two major Swedish cities, and also to set the land allocation in perspective of a governance instrument to understand if the practices support the objectives of urban development. To fulfil this purpose 13 semi-structured interviews with government officials, an urban development organization and construction clients were carried out and analysed by a qualitative content analysis. The findings confirm different practices, unclear selection and evaluation of proposals and what motives underlie the selection of construction clients. Moreover, the findings identify several follow-up mechanisms and indicate that a control mechanism is present in the transfer agreement to ensure the initial conditions are fulfilled in the development projects. Additionally this thesis establishes the land allocation process as an urban governance process embedded in both a local and national context. When the local constitutes changes so does the governance, hence the political objectives frames the land allocation policy and therefore also the practice. Lastly among practitioners, the land allocation process is considered to be an efficient governance instrument to assign public land and the optimal way to assign public land is to involve stakeholders early and to collaborate.

Key words: Land allocation, land allocation practices, governance, land development, public land.

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## SAMMANFATTNING

Ökad urbanisering har lett till bostadsbrist i många Svenska städer. Denna bostadsbrist sätter press på lokala myndigheter att hitta och tilldela nya markområden för bostadsbyggande. Kommunalägd mark kan tilldelas en byggherre genom en markanvisning. Tidigare utvärdering av markanvisningsprocessen anger flera problemområden såsom transparens i utvärdering, olika tillämpningar och ett underutvecklat uppföljningssystem. Syftet med denna masteruppsats är att förstå tillämpningarna, uppföljnings och kontrollmekanismer i två stora Svenska städer, men också att placera markanvisningen i ett perspektiv som ett governance instrument för att förstå om tillämpningarna stödjer målen med stadsutvecklingen. För att uppnå detta syfte utfördes 13 semistrukturerade intervjuer med kommunala tjänstemän, ett kommunalägt bolag som tilldelar mark och byggherrar som sedan analyserades med kvalitativ innehållsanalys. Resultaten bekräftar olika tillämpningar, otydlig utvärdering och urvalsmetoder av förslag och vilka motiv som underliggert valet av byggherrar. Dessutom identifierar resultaten ett flertal uppföljningsmekanismer och indikerar att en kontrollmekanism finns i överlåtelseavtalet för att säkerställa att de ursprungliga villkoren uppfylls i exploateringsprojektet. Fortsättningsvis fastställer denna masteruppsats markanvisningen som en urban governance process inbäddad både i ett lokalt och nationellt sammanhang. När lokala valkretsar förändras så förändras även styrningen, härav sätter de politiska objekten ramar för markanvisningspolicyn och därför även tillämpningen. Slutligen, bland utövarna anses markanvisningsprocessen som ett effektivt instrument att tilldela kommunalägd mark och det optimala tillvägagångssättet är att involvera byggherrar tidigt och samarbeta.

Nyckelord: Markanvisning, tillämpning av markanvisning, governance, markexploatering, kommunal mark

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## **Preface**

This thesis is the final part of the master programme Design and Construction Project Management at Chalmers University in Gothenburg. The work comprises 30 credits and is written in the spring of 2015 at the Department of Civil and Environmental Engineering. The proposal for this master thesis was initiated from the Centre of Built Environment (CMB) in Gothenburg and was carried out at Mannheimer Swartling Law Firm, Gothenburg.

We would like to thank our supervisor Associate Professor Göran Lindahl at the Department of Civil and Environmental Engineering at Chalmers and our supervisors, Jesper Prytz and Jonas Larson at Mannheimer Swartling. Finally, a special thanks to all the informants in Gothenburg and Stockholm who dedicated their time for us to conduct the interviews.

Gothenburg, June 2015

Patrik Hallberg

Fredrik Hansson



# 1 Introduction

## 1.1 Background

The municipalities in Sweden have the responsibility to plan for housing supply in order to create opportunities for everyone to live in decent houses (SFS 2000:1383). In year 2012, 46 percent of the municipalities in Sweden stated that they have a shortage of housing (Bjurenwall, 2012). This is an effect of increased urbanization, as result of a population shift from rural to urban areas. Thus, urbanization creates an increased pressure on the municipalities to find land to develop new housing. To meet this increased demand the municipalities can either assign new land areas for development of housing or to densify already built areas (Statistics Sweden, 2013). Planning of land, water and construction is a municipal affair and regulated by the Planning and Building Act (PBL) (SFS 2010:900). This is usually referred to as the planning monopoly, which gives the municipalities an important role in the urban development (Nyström & Tonell, 2012; Kalbro & Lindgren, 2010).

The main reason to develop plans according to Kalbro & Lindgren (2010) is to control and coordinate the future use of land, to inform and to guide landowners and clients. In addition, to create transparency and influence for the public and to form a basis for future decisions for development (Kalbro & Lindgren, 2010).

The municipalities own a large part of the land in urban areas that can be used for housing and business operations. Therefore, how the municipalities manage their land is an important concern as it is a central to housing policy issues. It also requires an efficient, transparent and effective system for sale of land to developers or for own development. The municipalities that own land can appoint clients to develop land areas through land allocations (Caesar et al. 2012). An assigned land allocation gives the construction client exclusive right to negotiate with the municipality about acquiring a land area to develop for a limited period of time (SFS 2014:899). A transaction or acquisition of land takes place when the negotiation between the client and the municipality results in a detailed development plan (DDP) (Caesar et al. 2012).

Within the process of land development, the municipality covers several areas of responsibility such as governing use and planning process, responsibility for infrastructure, land owner and client through both the municipal organization and companies. In the case when the municipality acts as a government they are involved in the land development process by carrying the responsibility to develop a detailed plan (Kalbro & Lindgren, 2010).

In 2011, the Swedish government assigned The Swedish Agency for Public Management, to describe and evaluate the municipal land allocation process for residential construction (Civilutskottet, 2013; Statskontoret, 2012). Their investigation found several issues in the land allocation process, such as; effects on the competition of residential construction and lack of transparency. Additionally, the land allocation process was not governed by law and looked different in and between municipalities. Further, there was a lack of information of what regulates the price of land and how proposals were evaluated and what motives underlie the selection of construction clients. Neither, documented or transparent queue-system and an underdeveloped follow-up and self-evaluation system existed (Statskontoret, 2012).

This led to a new law with requirements of guidelines for municipal land allocation (SFS 2014:899). The purpose of the new law is to create transparency and clarity in the early stages of the development process. That is, in the cases when municipal land will be sold or leased for new construction (Socialdepartementet, 2013).

The aforementioned background is the starting point in this investigation of effects and challenges in the land allocation process. The question is whether the land allocation process can be viewed as an efficient governance instrument for urban development. Thus, does land allocation support urban development vision, goals and strategies? The focus will be to analyse perceptions of involved parties in the land allocation process to create clarity of practices by collecting information, experiences and viewpoints of the involved parties. Additionally, there is low level of knowledge of how the land allocation process is followed-up and the effects of control mechanisms.

## **1.2 Purpose**

To understand the mechanisms involved in land allocation as a governing instrument for assignment of public land in Sweden. Further, to describe the land allocation process application in practice and how the conditions agreed upon between municipality and client are fulfilled and controlled in projects initiated through land allocation agreements. Also to analyse if the land allocation process is considered to support the municipal objectives for urban development. To fulfil this purpose the following research questions were formulated:

## **1.3 Research Question**

- How is land allocation used in two large Swedish municipalities?
- What kind of control mechanism and follow-up system govern and monitor the land allocation process?
- How does land allocation support urban development visions, goals and strategies?

The first question will explore and analyse the land allocation process. Additionally the use of land allocations and involved parties perceptions in two major municipalities in Sweden, Gothenburg and Stockholm will be studied.

The second question will focus on control mechanisms, and if there is any standard procedure or praxis for follow-up in place. First, by studying if completed projects fulfil the requirements in the land allocation agreement. Secondly, to explore the municipal internal development/self-evaluation of the land allocation process. And thirdly, who is responsible and how is the municipality controlled regarding the execution of land allocations.

The third question, to investigate if land allocation achieves its purpose as a governance instrument for city's urban development objectives and strategies.

## **1.4 Delimitations**

The purpose of this thesis is to understand the land allocation use in practice. However, the practices in Sweden are multifaceted and therefore Gothenburg and Stockholm were selected. There are several reasons for these two cities, hence both Gothenburg and Stockholm are large landowners, approximately 50% respectively 70% of the city's land. In addition both cities have an obvious housing shortage, which is an important driving force for urban development, especially residential development. Therefore a natural focus is to study land allocations for residential development, however a land allocation can also be practiced for commercial development. Additionally, this thesis will focus on the land allocation process tendering forms direct and tender procedures.

## 2 Method

This report will start with a framework as a background to the subject. This framework will cover how the Swedish development process is carried out and how the urban development process is regulated. Further, describe how land allocation is intended as an instrument for assignment of public land by a literature study. Literature is selected from authors considering the Swedish land development and with a focus in particular on land allocation. A few initial sources were provided from the supervisor and from there cross-references were used. Additional literature from government institutions, authorities, researchers and laws has been considered relevant to understand the process and its context. But also, to understand market conditions, limitations and restrictions the municipal and organizations has to act according to. This framework will depict the way the land allocation process is comprehended and its role in the urban development process.

As a complement to the literature, the land allocation policies in both Stockholm and Gothenburg which is the guiding document for the land allocation process. It has been studied to understand the ways of working in the different regions. Additionally, several land allocation cases (projects) has been investigated to learn about the practice in both Stockholm and Gothenburg and to understand conditions of current and previous practices of the local projects.

As an initiative to examine the land allocation process an exploratory interview with the Real Estate Office in Gothenburg were initiated to gain additional information of routines and involved divisions etc. This exploratory interview also had the purpose to increase the author's knowledge of the land allocation process and to process potential questions which were not covered in literature.

Further, to understand how the land allocation process is perceived to support the City Council objectives through strategies for urban development. This was achieved through interviewee's interpretations regarding the urban development practices of land allocations as a governance instrument.

Lastly, there has been a partnership and a continuous knowledge sharing process throughout the research project in collaboration with Börjeson & Knoop (2015), whom had a focus on transparency and competitions regarding the land allocation process. The partnership also included a common framework for interview questions and also planning and sharing of interview material between the projects. Some semi-structured interviews were also conducted in partnership. This increased the number of interview material for both projects and increased the reliability of both studies.

### 2.1 Selection of Interviewees

The selection of interviewees is based on their appropriateness and knowledge to answer the research questions (Polit & Beck, 2010). Further, they have been selected on the premises that they participates as professionals in the land allocation process either as a contender for land or as government officials. The government officials were selected based on their experience from working with land allocations and their position in the municipality. They were contacted through the municipalities' webpage where informants were chosen to contribute with knowledge and information on how the process of land allocation looks and how it supports the municipalities' development strategies. The contenders for land, in this case

construction clients were chosen based on their size and experience from working with land allocations to gain knowledge about how they perceive the land allocation process. The choice of large to medium sized clients was done as they generally have a greater experience and the financial means to compete in land allocations compared to smaller clients.

The informants were contacted through e-mail and/or telephone where the nature and the purpose of the study were presented. The interview guide that was used during the interviews was given out beforehand when requested.

*Table 1 Overview of the conducted interviews.*

<b>Interview with Government Officials</b>	<b>Type of interview</b>	<b>Date</b>
Real Estate Office, Gothenburg	Exploratory face-to-face	2015-02-18
Älvstranden Utveckling, Gothenburg	Face-to-face	2015-03-13
Office of Urban Development, Stockholm	Face-to-face	2015-03-18
Älvstranden Utveckling, Gothenburg	Face-to-face	2015-03-23
Real Estate Office, Gothenburg	Face-to-face	2015-03-24
Office of Urban Development, Stockholm	Face-to-face	2015-03-25
<b>Interview with Construction Clients</b>	<b>Type of interview</b>	<b>Date</b>
Riksbyggen, Gothenburg	Face-to-face	2015-03-17
Familjebostäder, Stockholm	Face-to-face	2015-03-18
Wallenstam, Gothenburg	Face-to-face	2015-03-20
NCC, Stockholm	Face-to-face	2015-03-25
Riksbyggen, Stockholm	Face-to-face	2015-03-25
Wallenstam, Stockholm	Telephone	2015-04-01
Botrygg, Gothenburg	Face-to-face	2015-04-15
Framtiden, Gothenburg	Face-to-face	2015-04-17

## 2.2 Data collection

The technique that was used to gather the data was semi-structured interviews with authorities and organizations engaged in the urban development process, land allocation and decision process. Semi-structured interviews imply that predetermined questions and themes are asked to the informant, however the order and the content can be changed depending on the informants answers (Bryman, 2011). The interviews were carried out individually with each informant through face-to-face meetings with the exception for two interviews that were carried out with two informants and another that was conducted via telephone.

During the interviews, the conversation was recorded in order to subsequently be transcribed. This was done in order to make the analysis of what the informants said easier and to be able to read the transcripts repeatedly. Further, transcribing makes it possible to response to assumptions about how the analysis has been affected by the researchers' values and biases (Bryman, 2011).

The purpose of the interviews was to understand land allocation, how applicable it is in its current practices as a governance instrument and to depict opinions of different practices. This purpose was selected to illustrate the amplitude of the land allocation process as a governance instrument and to raise concern for further development of this process.

## 2.3 Analysis

A qualitative content analysis was used to analyze the interviews in accordance with Granheim & Lundman (2004). The method treat both manifest and latent content where manifest content refers to what the text actually says, whereas the latent content treats the underlying assumptions of what the text express.

One of the most basic decisions when using a content analysis according to Granheim & Lundman (2004) is to select a unit of analysis. For the analysis, all 13 interviews were chosen as units of analysis since they were large enough to be considered as a whole.

Each interview was transcribed and read through several times to obtain a clear overall picture. Then, relevant meaning units for this thesis purpose and research questions were formed (Granheim & Lundman, 2004). The meaning units were then given a code depending on what subject it concerned. When the meaning units received a code, similar codes were put together to form categories. Examples of categories and codes for the theme "selection and evaluation" are shown in Table 2.



Table 2 Example of how the content analysis was conducted.

Theme	Selection and Evaluation		
Category	Criteria	Perception	Issues
Code	<ul style="list-style-type: none"> <li>• Stable economy</li> <li>• Reference projects</li> <li>• Environmental aspects</li> <li>• Clear and measurable</li> </ul>	<ul style="list-style-type: none"> <li>• Uncertainty</li> <li>• Selection is random</li> <li>• Different valuation of criteria in different municipalities</li> </ul>	<ul style="list-style-type: none"> <li>• Information about evaluation is lacking</li> <li>• Mix of subjective and objective criteria</li> </ul>

## 2.4 Ethical considerations

Ethical considerations concern voluntariness, privacy, confidentiality and anonymity for those who are involved in the research (Bryman, 2011). Therefore, every interviewee was informed about the purpose of the study and that their participation was voluntary and that the results are treated with confidentiality. To record interviews, the interviewees must be aware of it and give their consent (Bryman, 2011). Therefore, every informant was asked if recording of the interview was possible and the recording started after the interviewees gave their consent.

## 2.5 Validity and Reliability

Different strategies to strengthen the validity of this thesis have been taken. For example, 13 interviews were conducted to gain a greater knowledge of how the participants in land allocations perceive the process in the chosen municipalities. However, their view of the land allocation process cannot be seen as representative for their respective organization. Further, there is a possibility that the information from construction clients can be biased depending on if they recently have received a land allocation or not. The construction clients that have lost a tendering procedure or competition might have a more negative view on the land allocation process than a client who recently received a land allocation. The received information from the interviews have been complemented with other sources of information such as literature from government institutions and research concerning land allocation to strengthen each other by triangulation. Triangulation can be used to increase the validity of a study when three sources confirm a discovery (Yin, 2013). Further, *member checks* have been used in order to confirm the accuracy of the interview transcripts. In addition, to ensure that the analysis and interpretations is not biased and based on only one individual, *collaborative work* have been used by the researchers. The use of external auditors to ensure that the conclusions are logical and grounded in findings were applied (Brantlinger et al. 2005).

There are different types of validity, namely internal and external. Internal validity refers to that the study answers the purpose of the study, where external validity refers to how well the results of the study can be applied in other subject areas (Bryman,

2011). For this study, the internal validity concern how well the results answer the research questions about how land allocation work in two municipalities, what follow-up system that govern the land allocation process and how it supports the urban development strategies. The external validity for this study could be tested using the result of this study on how the land allocation process works in order to improve the process.

The reliability for this study is strengthened by the description here in Chapter 2 of how this study was carried out, what selection criteria that was used, the choice of method and how the analysis was done. The concept of reliability also includes transferability that concern how well the findings can be transferred to another setting (Polit & Hungler, 1999, in Granheim & Lundman, 2004). However it is up to the reader to determine if the findings are transferable to other settings (Granheim & Lundman, 2004).

## **3 Theoretical framework**

The following chapter will introduce the conditions for land use in Sweden, prerequisites for land- and urban development, governance through DDP and land allocation. Further this chapter addresses the legal regulations and different forms of land allocation procedures.

### **3.1 Spatial planning**

Land and water could be seen as assets that contribute to human needs. To avoid conflicts regarding the use of the assets, resulting in unconsidered and incoherent use, and to achieve a sustainable development, spatial planning is important (Nyström and Tonell, 2012). The municipalities in Sweden have planning monopoly in order to achieve a sustainable development (Kalbro, 2011a). Further, the planning monopoly includes the responsibility and the power to plan the use of land. The spatial planning is performed by different planning instruments, such as the comprehensive plan and the DDP (Statistics Sweden, 2013). The following sections will further introduce spatial planning, land use and ownership of land in Sweden.

#### **3.1.1 Ownership and land use**

Land and water are assets which contribute to fulfil human needs related to energy extraction, forestry, agriculture, real estates and infrastructure (Nyström & Tonell, 2012). Additionally, land has a special status in the urban development where almost every land area is unique (Caesar et. al., 2012). It is not possible to increase the supply of land even when the demand for residential use of land increase and therefore there are restrictive regulations regarding land use (Nyström & Tonell, 2012).

According to Nyström & Tonell (2012) spatial planning is important to avoid unconsidered and desultory actions to achieve a sustainable development. The consequences of land development are not always visible in the short term, but over time it becomes visible when e.g. toxins from landfills runs out or when pollution from traffic is starting to emerge. Therefore, it is important to establish a land use plan for the long-term effects. The land use plan is important in order to achieve maximum benefits without affecting the environment or nearby residents and to provide an opportunity to coordinate individual and public interests in an attempt to avoid pollution, traffic problems and segregation, to name a few (Nyström & Tonell, 2012).

The Swedish territory consists of two to three percent developed land that is concentrated in near adjacency to the major cities. The agricultural lands are focused in the south of Sweden while the forestry land mainly is located in the north. The different use of land leads to conflicts of interest when the various opinions do not coincident or when the development is in conflict with environmental aspects. To solve these conflicts and achieve a strategic and sustainable built environment there exists a need for land use planning. Hence, planning of land use enables evaluation, coordination and merge of common, public and private interest (Nyström & Tonell, 2012).

Of the total land area in Sweden, 48 % is owned by private persons while 32 % is owned by trade and industry, 15 % by the public and 5 % of religious communities and associations (Statistics Sweden, 2013). The total land ownership is illustrated in

figure 1. Out of the public land 60 % is owned by The National Property Board, 18 % of the Swedish Environmental Protection Agency and 13 % of the municipalities and 6 % by The Swedish Fortifications Agency (Statistics Sweden, 2013), illustrated in figure 2. It is mainly the private owned land and land owned by municipalities that are built upon (Nyström & Tonell, 2012). Despite the municipality ownership seems small in the country as a whole, they are still a large landowner in the urban areas, mainly due to the ownership of street and parkland.

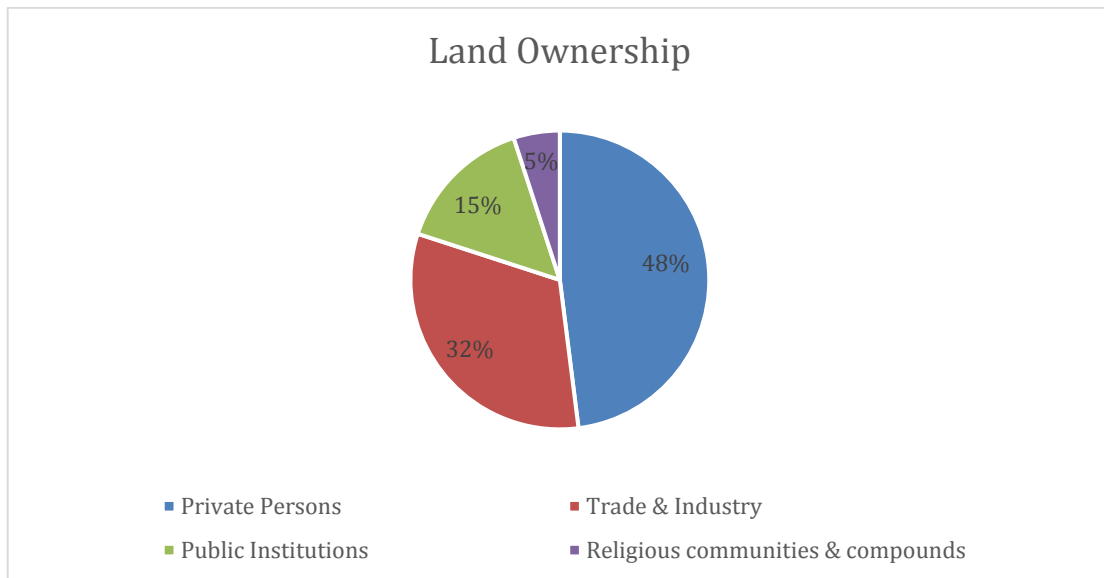


Figure 1 Land Ownership, Source: Statistics Sweden 2013.

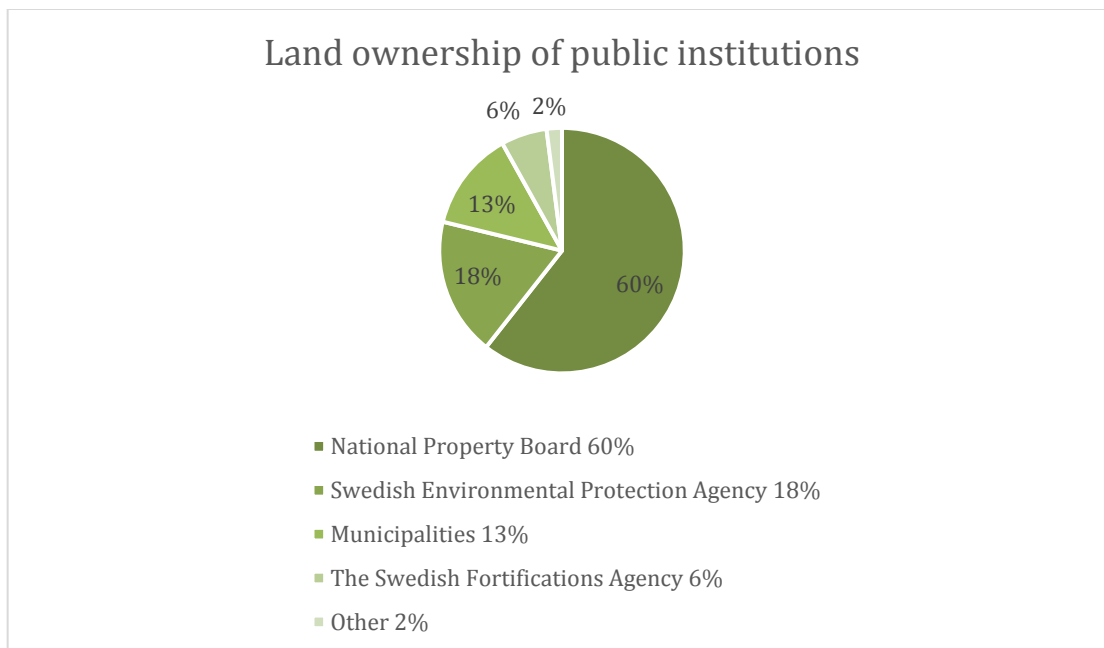


Figure 2 Land ownership of public institutions, Source: Statistics Sweden 2013.

In 2010, the municipalities owned about 34 % in urban areas. Noteworthy, there is a huge variance among different urban areas and municipalities depending on several factors, such as historical, political, planning and city size. In larger urban areas the municipal share of land generally is higher than in smaller urban areas (Statistics Sweden, 2013).

Likewise, the developed land is the most important land since it is where human activities takes place, it is also the most disputed due to conflicts of use (Nyström & Tonell, 2012). Out of the developed land 43 % is comprised by infrastructure for transport and 27 % for permanent dwelling (Statistics Sweden, 2013). A change of this land use in the larger cities is due to urbanization, which is a population shift from rural to urban areas. According to Nyström & Tonell (2012), when the urban areas grows the local areas of undeveloped land that is accessible for the public decreases, such as parks and other green areas. As a consequence of urbanization the pressure to find land to develop new housing increases (Statistics Sweden, 2013). For this reason municipalities has two main strategies to meet this increased demand, either to assign new land areas for development of housing or to plan densification of already built areas (Statistics Sweden, 2013).

Municipal owned land has an important role since it enables a more comprehensive way to control and govern the land use than what is possible through the planning monopoly. The land ownership enables the municipality to initiate development or to control development as contracting party. Further incentives for the municipality to own land are that they can benefit from the increased value that occurs when the land use changes, this income can be used for financing municipal infrastructure (Kalbro & Lindgren, 2010).

By establishing land reserves the municipality has the opportunity to exchange and adjust land as needed when new development are carried out. This is often done when the current landowner lack in resources or interest for construction (Kalbro & Lindgren, 2013). Through the municipal owned land the municipality has the opportunity to decide which construction client gets the opportunity to establish a DDP together with the municipality. Municipal owned land also leads to a decreased necessity of expropriation. Expropriation is a compulsory acquisition of land from another property owner by the municipality to be able to exploit the land. Expropriation can lead to prolonged and costly processes due to appeals (Nyström & Tonell, 2012).

### **3.1.2 The value of land**

Land that is not in the DDP is known as undeveloped land (Statskontoret, 2012). When fees for water, sanitation and street connections have been paid the value of the land increases and the land is now a plot ready to be built (Kalbro & Lindgren, 2013). Figure 3 illustrates the increase in the value of the land in the different phases of the development process. These fees finance the costs that arise for the municipality when new development is performed (Kalbro & Lindgren, 2013). The administrative costs that arise for the municipality during the planning process are partly financed through application fees for DDP and building permits. What determines the value of the land is the willingness to pay for the specific location of the interested parties, which is based on the return on the investment or the usefulness of the land (Nyström & Tonell, 2012). The value of the land further depends on its geographical position, e.g. attractive area, environment, public transport and infrastructure (Statskontoret, 2012). For example, land in the central parts of the city is statistically more expensive than land in the towns' periphery (Nyström & Tonell, 2012). The planned land usage also affect the value of the land, e.g. land planned for offices and residential are valued more than unplanned land. In the proposals regarding housing supply is it stated that

the planning of land must be focused on areas with high feasibility (Stadsrevisionen Göteborgs Stad, 2014). An area with high level of feasibility is characterized with a high demand from both tenants and construction clients. The high level of feasibility means a plan with good economic conditions and beneficial ground conditions, archaeology and natural values.

The market price depends on supply and demand. High demand and low supply result in higher prices (Lind & Persson, 2011). Instead of selling the land the municipality can choose to lease the land by a leasehold agreement and thereby keep possession of the land and gain income through rents (Statskontoret, 2012).

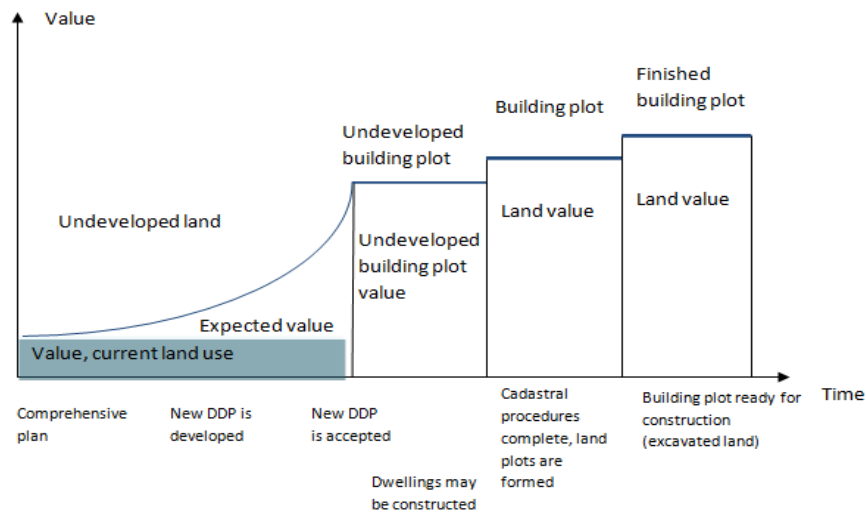


Figure 3 Change of land value during the development process, Source: Kalbro & Lindgren 2013.

### 3.1.3 Stakeholders in the land development process

The land development process has several stakeholders involved, leading to many decisions and activities to be coordinated (Kalbro & Lindgren, 2013). The municipality is involved in the land development process through four different roles. The municipality has an authority liability by being responsible for land planning and permit applications. As principals the municipality is responsible for a well-functioning infrastructure, including supply and maintenance of streets, water and wastewater. As land-owner they decide how and if land should be sold or leased. They act as construction client for public buildings e.g. schools and buildings for elderly care. The different roles the municipality can take results in both positive and negative aspects. Coordination of the activities are easier, but as the municipality “sit on multiple chairs” the risk is that different municipal interests get mixed up, e.g. it is not suitable that the municipality combine its role as authority with planning responsibility and its role as land owner (Kalbro & Lindgren, 2013). The role of the government is to formulate political housing goals and regulate control instruments such as legal regulations, authority governance and financial inputs while the municipality possesses the tools to realize the objectives (Statskontoret, 2012). Furthermore, according to Statskontoret (2012) there is an absence of collaboration within the municipal administration which is important to coordinate in the land development process. To illustrate, in the development of a DDP several demands needs to be considered. Otherwise there is a risk that the demand for infrastructure,

social service, parks, environment and architecture is in conflict with each other. Further, these conflicts between the Real Estate Office and the City Planning Office can give consequences in the land allocation process and influence the development rights, costs and project value (Statskontoret, 2012).

Also private property owners can have a vital role in the land development process. Hence, it is common that the property owner take the role as construction client. Construction clients and property owners are private persons, private firms or public institutions. The subsequent constructions/buildings are built and executed by a contractor, who also can act as property owner and construction client (Kalbro & Lindgren, 2013). In Sweden, local knowledge about the municipal decision process and contacts, is often required for construction business to gain access to land. The housing markets local conditions and characteristics acts as a barrier for foreign contractors to enter the local markets (Statskontoret, 2012).

## **3.2 Governance**

According to Rhodes (in Pierre, 1999) governance refers to processes which regulates, coordinates and controls. However, the concept of governance has later been recognized as more open and less hierarchical compared to the traditional perspective of governance through government (Hall & Löfgren, 2006). A distinct characteristic in the governance model is that organizations horizontally coordinate through networks (Hall & Löfgren, 2006). A more modern expression of governance is governing with and through networks, also called “network governance” (Rhodes, 2007). Further to define governance Rhodes (2007) describes four characteristics of network governance, 1) Interdependence between organizations 2) which has continuous interactions between each other 3) which is based on trust and negotiated rules 4) with autonomy from the state. Another important notion is that governance contributes to solutions of societal matters (Torfing, in Hall & Löfgren, 2006). Additionally, network governance is self-organized and originates from both public and private sectors interdependently. Further, the regulations are developed during negotiations to create legitimate solutions (Hall & Löfgren, 2006).

According to Hall & Löfgren (2006) the most essential for practical policy making is that the leading organization (e.g. the Municipality) for the governance instrument controls through a classic vertical governance instrument, however the content is mainly unspecified and expected to be developed in different parts of the process through interaction and dialogues. In this way, several organizations get jointly responsible for the governance together with the leading organization and thereby the leading organization gains increased influence over the process (Hall & Löfgren, 2006).

### **3.2.1 Urban Governance**

Urban governance is the processes that combine and coordinate private and public interests, hence governance is the process in which through local authorities, together with private interests, pursues to improve collective goals. Several systems shapes this process such as economic, political and the social values which gives the local authorities legitimacy (Pierre, 1999). According to Pierre (1999) urban governance should be understood as a two-way process that channel pressures and objectives

between the public-private boundaries. To illustrate, the collaborative strategies increases the governance capacities of local authorities while exposing these organizations to political pressures from private business and civil society (Pierre, 1999). Further, Pierre (1999) argues that different institutional models of urban governance describe different systems of values and practices. This can result in different policy choices and outcomes depending on which constituencies is dominating and will reflect the values and interests of the local community. Lastly, Pierre (1999) acknowledges the importance of the national context in which the urban governance is embedded. Thus, national politics is the most powerful factor explaining different factors in the urban politics, since the nation-states constrains local political choices (Pierre, 1999).

### **3.2.2 Institutional frameworks**

According to Pierre (1999) one must consider the national context. Hence the frameworks which the governance process are embedded. This is important due to the configuration of the governance process will offer different stakeholders participation and influence (Pierre, 1999). In Sweden, according to Delsenius & Psilander (2011), three institutional frameworks have to a vast extent been governing the development of residential construction. Namely, the legal-, financial- and political institutional frameworks. These frameworks have governing effects of their own, but become more powerful when they come to collaborate. Firstly, the legal institutional framework has been significant to get access to land through the planning monopoly. The legal institutional framework is the basis for all construction and provides legitimacy for to consider the citizens common areas were the private and the public interests should be preserved. Furthermore, the legal institutional framework has influenced residential construction regardless of the political orientations (Delsenius & Psilander, 2011). Secondly, the financial institutional framework has shift in focus from being a local concern to a national, further to a European and finally towards a global financial concern. The state housing loans has been of great importance for residential construction during the mid-19<sup>th</sup> century, until 1993 when it were not longer an evident state responsibility to finance housing loans (Delsenius & Psilander, 2011).

Lastly, the political framework is the political steering such as the housing policy, however the housing policy were never as prioritized as the funding and credit market together with the employment policy. The employment policy has been significant for the residential construction which the construction union have had a great influence over (Delsenius & Psilander, 2011).

Figure 2 below illustrates how these institutional frameworks sets boundaries for the construction client participation and influence over the role as construction commissioner. Within the area is named “C” the responsibilities as client can be practiced (Delsenius & Psilander, 2011).



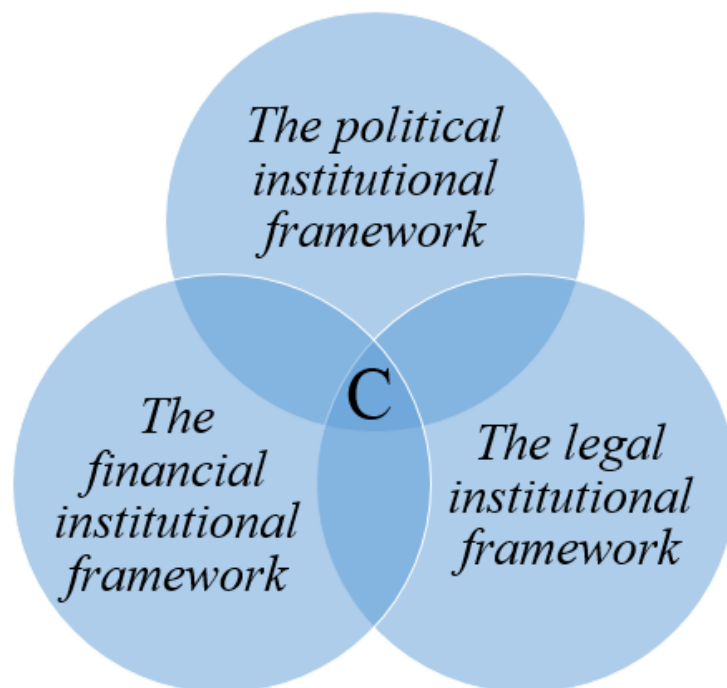


Figure 4, *The Institutional Frameworks*, Source: *Delsenius & Psilander 2011*.

### 3.2.3 Models of Urban Governance

Nyström & Tonell (2010) describes the city from a viewpoint of different urban functions, in one of these viewpoints is the city described as a political territory. The political territory is delimited by the rest of the region by a municipal border or a city border together with a political township to cater the interests of the urban population and the trade and industry. With this in mind the political territory has a defined boundary, in which the politicians has the right to authorize regulations and decisions for e.g. urban planning (Nyström & Tonell, 2012). Further, urban planning is usually based on political objectives set for the respective areas of operations, called superior goals. Additionally, the municipalities are governed by a legislative framework. This framework gives the municipalities the freedom for local decision-making and development of action plans in agreement with the local political majority (Nyström & Tonell, 2012).

Pierre (1999) outlines four models of urban governance. Namely managerial, corporatist, progrowth and welfare which all has its own organizational logic and constituency. Figure 5 illustrates the defining characterizes between these models. Furthermore Pierre (1999) claims that different sectors of local government advocates different models of governance due to their different palette of issues. Further, these models of urban governance illustrates the tensions of urban politics and within the local governments which can lead to issues within the governance. For example differences in priorities, objectives and strategies between different sectors of local government (Pierre, 1999). The Models of Urban Governance is further explained in Pierre (2011) were he also addresses the institutions roles in pursue of the governance objectives.

<i>Defining Characteristics</i>	<i>Models of Urban Governance</i>			
	<i>Managerial</i>	<i>Corporatist</i>	<i>Progrowth</i>	<i>Welfare</i>
Policy objectives	Efficiency	Distribution	Growth	Redistribution
Policy style	Pragmatic	Ideological	Pragmatic	Ideological
Nature of political exchange	Consensus	Conflict	Consensus	Conflict
Nature of public-private exchange	Competitive	Concerted	Interactive	Restrictive
Local state-citizen relationship	Exclusive	Inclusive	Exclusive	Inclusive
Primary contingency	Professionals	Civic leaders	Business	The state
Key instruments	Contracts	Deliberations	Partnerships	Networks
Pattern of subordination	Positive	Negative	Positive	Negative
Key evaluative criterion	Efficiency	Participation	Growth	Equity

Figure 5 *Models of Urban Governance: Defining Characteristics, Source: Pierre 1999.*

### 3.3 Governance instruments

Considering the planning monopoly and the land ownership, the municipalities have two main governance instruments to affect the urban development (Göteborgs Stad, 2013). First the planning monopoly will be briefly described continued with the governance instrument by land ownership, namely the land allocation process.

#### 3.3.1 Comprehensive plan, DDP and the planning monopoly

Some of the most important governance instruments for municipal land use planning is the municipal comprehensive plan and the DDP (Statistics Sweden, 2013).

The Planning and Building Act (PBL) states that it is a municipal affair to plan for land, water use and construction by development of a detail plan, this is usually referred to as the planning monopoly (PBL 2010:900; Nyström & Tonell, 2012; Kalbro & Lindgren 2010). Thus, all municipalities in Sweden are responsible for the planning of water, land and construction according to the PBL. Every municipality should have a comprehensive plan that comprises its entire land and water area and should be established at least once per term of office. The comprehensive plan states how the land shall be used as well as the plan for urban development. In addition, the plan should state how the municipality intends to satisfy national interests and the long term need for housing. New construction and change of existing buildings that takes place in agglomerations is regulated through the DDP (Nordstrand, 2008).

The purpose of PBL is to govern the municipalities to meet both the common and individual interests. According to PBL (2010:900), land should be used in the manner which it is most suited for. Moreover, the PBL should govern the design of the buildings to achieve an appealing holistic impact. To be able to plan the use of land in accordance with the law the municipality needs to perform a spatial planning. The spatial planning consists of different layers of details and instruments (Nyström & Tonell, 2012), thus comprehensive planning and DDP. The comprehensive plan visualizes the intentions of the municipality regarding the use of land and water (Stadsrevisionen Göteborgs Stad, 2014). Further, the comprehensive plan is guiding

for the more detailed and legally binding plans (Nordstrand, 2008) and should reflect the current political majority's opinions regarding construction, land-, water use and management of natural resources. Thus, it should be based on compilations and analyses of superior goals and public interests. Additionally, the comprehensive plan should be a continuous process and are intended to give the public accurate and clear information of what interests is accounted for (Boverket, 2014; Nordstrand, 2008).

Another mandatory planning instrument is the DDP which has a more detail level of planning and is legally binding (Nyström & Tonell, 2012). The DDP, consisting of a plan map and plan rules which regulates water areas, public locations, and neighbourhood areas (Caesar et al., 2012). As a compliment for the DDP and the comprehensive plan, municipalities can establish area regulations which are legally binding and are used in areas where DDP is not yet established (Nyström & Tonell, 2012). Area regulations and DDPs should follow the comprehensive plan and if they do not, this should be noted and motivated specifically (Stadsrevisionen Göteborgs Stad, 2014). A DDP is required to examine the suitability of a development of land and water and to regulate its design (Nyström & Tonell, 2012).

During implementation of the DDP a planning proposal is submitted for review by relevant authorities, such as the County Administrative Board and the Swedish Mapping, Cadastral and Land Registration Authority (PBL 2010:900). The proposal includes a planning map, plan descriptions, specification and implementation description that describes the content and implementation of the plan. If the construction client and authorities accept the proposed plan, the public can review the plan during a period of three weeks and during this period concerned stakeholders have the opportunity to appeal the plan. There are three instances that a DDP can be appealed to, the County Administrative Board, Land and Environment Court and the Land and Environment Court of Appeal (Byggmästareföreningen, 2012). The appealing process is the same for building permits when they have been approved by the building committee (Kalbro et al., 2012). If no appeals is noted during the three weeks period the City Council adopts the DDP which become *res judicata*, thus it cannot be appealed (PBL 2010:900; Byggmästareföreningen, 2012). Noteworthy, the City Council may assign the City Executive Board or the Building Committee for approval if the comprehensive plan is of lesser importance (PBL 2010:900).

A common issue in spatial planning is that demand of land use can be conflicting. The time perspective also generates conflicts. A longer planning process may result in a more thought through DDP and a decreased risk of misjudgement in the decision making process. This due to the increased level of information gathered and analyzed which results in a decreased level of uncertainty. However, a longer planning process may result in an unfavourable situation for the construction clients since a longer time perspective results in tied up capital and increased interest payments due to a postponed project start (Nyström & Tonell, 2012).

### **3.3.2 The land development process**

Land development can be described as a change of the land use and the construction of new buildings on a land area. It is a process that contains all the activities from the initiation to the finalization of the project. It is controlled by the interests of the involved stakeholders and the laws that regulate the land development (Kalbro & Lindgren, 2010). The land development process is adapted to the conditions of each

case since every land development process has its own unique characteristics. An implementation agreement is a collective term for agreements between municipalities and clients that specifies the rights and responsibilities between the parties that are not covered by the DDP. There are two different types of implementation agreements depending on the ownership structure of the land in the initiation of the land development process namely development agreement and land allocation (Kalbro & Lindgren, 2010). Two central factors are significant for the implementation of land development projects. These are the ownership structure of the land and the role of the land owner/client. In the case when a client owns the land that is subject to development, a development agreement is established. In contrast, when the municipality owns the land, a land allocation is established (Statskontoret, 2012). Depending on if the land is owned by the municipality or the client and the clients' involvement in the development of the DDP, four different typical cases can be distinguished:

- 1: The client owns the land and has no active role in the development of a detail plan.
- 2: The client owns the land and has an active role in the development of a detail plan.
- 3: The municipality own the land and the client have no active role in the development of a detail plan.
- 4: The municipality own the land and the development of the detail plan is done together by the municipality and the client (Kalbro & Lindgren, 2010).

The differences between the four cases are how the planning process, land acquisition, implementation agreement and the construction process are coordinated with each other. However, a development process does not necessarily have to follow one typical case entirely since different parts of the process can vary between typical cases (Kalbro & Lindgren, 2010).

### **3.3.3 Land allocation**

The land allocation agreement is defined as an exclusive right for the construction client during a specific time and terms to negotiate with the municipality regarding the conditions for the execution of the development on the municipal land (Kalbro & Lindgren, 2013). The land allocation agreement is a “transfer and lease agreement” including conditions for both the municipality and the construction client regarding the development (Kalbro, 2011b). The exclusive right to negotiate makes it possible for the construction client to allocate resources to the project, knowing that the municipality intend to accomplish the project (Statskontoret, 2012). None of the parties are legally bound to realize the project, but if the land allocation is aborted the resources expended will be lost. Thus, a land allocation does not automatically lead to a transfer of land. Although, the purpose of the land allocation agreement is to execute a land transfer from the municipality to the construction client within the conditions agreed upon (Kalbro, 2011b). It is important to allow the construction client to develop their own solutions to increase the incentive for innovation in the building industry and to increase the market competition (Statskontoret, 2012).

A land allocation occurs in typical case three and four when the land is owned by the municipality prior to the land development process. In case three, the municipality is

the only initial actor and hence it will act as both property owner and planner of the land (Kalbro & Lindgren, 2013). Since the DDP is already adopted in case three the construction client has to customize the construction according to the DDP. This could be simplified by the municipality by adopting a flexible DDP with rough frames for the design of the buildings. In this case the design of the building has to be examined in the building permit. A flexible DDP has to meet some minimum requirements such as the usage of the land and how long time the DDP is valid. In case four, the construction client is involved early in the process and participates in the development of the DDP. It is common to formulate a preliminary agreement before the start of the DDP process which divides the responsibility and costs regarding the planning and design work between the construction client and the municipality (Kalbro, 2011b).

When the DDP is approved, a transfer agreement is established clarifying costs and responsibility during the construction (Kalbro & Lindgren, 2013). When the transfer agreement is signed, it is possible for the construction client to calculate the projects overall costs and its possibilities to be profitable (Statskontoret, 2012). This often takes place late in the process which makes the process unpredictable for the construction client. The municipality can charge a fee called plan fee from the construction client for establishing the DDP, area regulations and property plans (Kalbro, 2011a). The maximum plan fee a municipality can charge is the average costs for the municipality to establish these documents. When the municipality owns the land and when the transfer and development conditions of land are stated in the land allocation agreement, a construction client is free of choice to enter into a negotiation with the municipality if the conditions seem to fit the organization of the construction client. However, when a development agreement is used and when the land is owned by the construction client, the construction client has to negotiate with the municipality about the conditions if a development should take place. The regulations of what a municipality can claim in a development agreement are more comprehensive than what could be claimed for in a land allocation agreement. For land allocations the price and criteria are based on the construction client's intentions with the land and the market situation (Kalbro, 2011b).

### **3.3.4 Land allocation process**

The process starts with an initiative from either the municipality or the construction client to develop a specific land area. The proposal is processed by the real estate office and city planning office or the responsible organization in the municipality. An evaluation of the initiative is prepared for Real Estate Committee, who take the decision whether the development should take place and which land allocation method to use (Statskontoret, 2012). Further, the Real Estate Committee evaluates all the received proposals and decides which construction client gets the opportunity to enter into the land allocation agreement (Göteborgs Stad, 2014). When the land allocation agreement is established, negotiation between the municipality and the construction client take place concerning the rights, obligations and regulations which will frame the project. When the municipality and the construction client have agreed upon the terms and when the DDP is established a transfer agreement can be signed (Statskontoret, 2012).

The land allocation process can be summarized with an initiative from a client or the municipality to develop a land area. A resolution to implement a land allocation together with the suitable form of tenure is taken by the committees. The received proposals are evaluated based on the municipality's evaluation criteria and a proposal for the choice of client is given. The committee takes a decision about the land allocation, which leads to a transfer, sales contract or a leasehold agreement depending on the form of tenure (Statskontoret, 2012). Figure 6 illustrates the land allocation process.

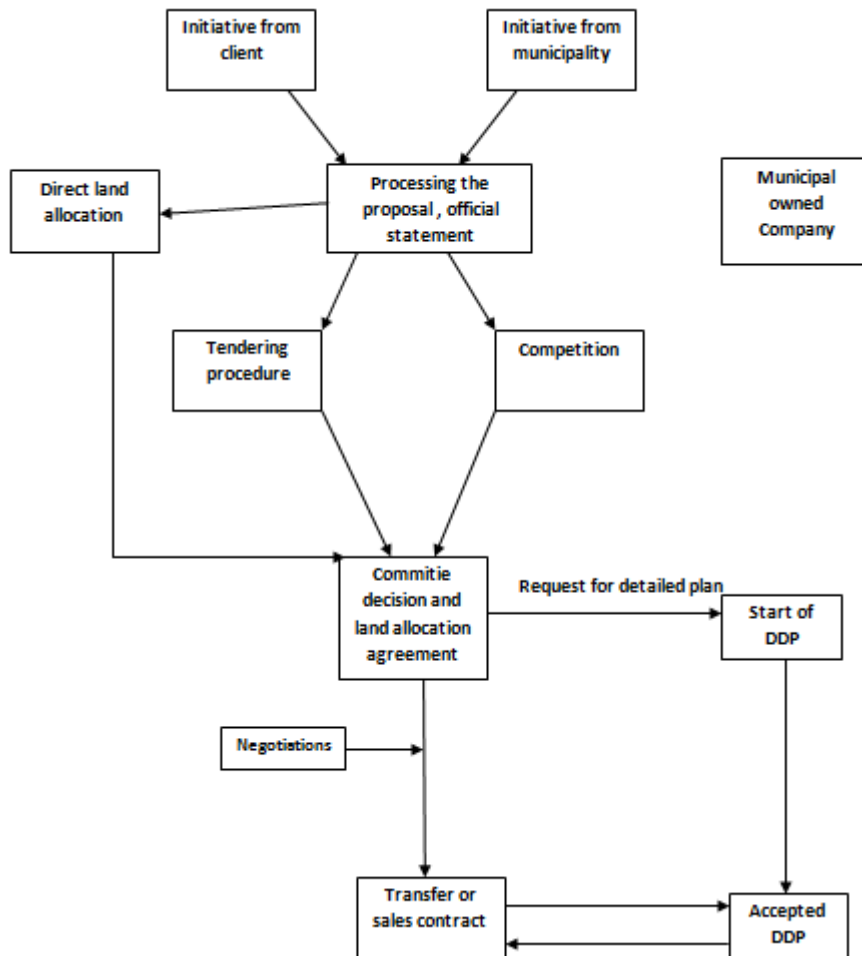


Figure 6 The Land Allocation Process, Source: Statskontoret, 2012.

### 3.3.5 Methods for assigning land allocations

The method for assigning land allocations can generally be divided in three different alternatives: a tender procedure, a direct assignment or a competition. These methods to assign land will be further described in the following chapter.

#### 3.3.5.1 Direct land allocation procedure

The procedure of direct land allocation has been one of the most common methods and is based on a direct choice from the municipality of which construction client who

get the project (Statskontoret, 2012). This method is most commonly used when the construction client takes the initiative to develop a specific piece of land or when only one construction client is interested in the project. The method is also used when the municipality and the construction client has entered into an letter of intent, which states that the construction client should create a specific number of housings each year while the municipality will contribute with land. During a land allocation procedure without a tendering process it is required by the European Union Commission that municipalities should appoint an independent expert to evaluate the value of the land before the negotiation of the land allocation (Kalbro & Lindgren, 2013). The European Commission has developed a guidance containing principles for sales of publicly owned land and buildings to avoid municipal aid and distorted competition. Two approaches for pricing are applied. The first approach is a public tendering procedure where the best or only tender wins. The second approach is an independent expert valuation of the land where the lowest possible selling price that can be agreed without State aid is applied (EU Commission, 1997).

According to Caesar et al. (2013) the direct land allocations have certain drawback to consider. Firstly, the use of direct land allocations makes it possible to overlook proposals that are better which in this case means proposals that would pay more for the land or better design. Secondly, from a fairness perspective it may be more difficult to clarify the ground on which a direct land allocation takes place (Caesar et al. 2013).

### **3.3.5.2 Tender procedure**

The tendering procedure is characterized by a public and transparent tendering process (Kalbro & Lindgren, 2013). The market price in this case is based on the highest or eventually the only bid which results in a transfer without using municipal aid. The tendering process is based on the interest from several construction clients who submit a tender on the specific land area (Statskontoret, 2012). During this procedure, the municipality only needs a brief sketch of the proposal since the focus in this case is the price. At a pure tendering process, price is the only criterion and the highest bidder wins.

### **3.3.5.3 Tender procedure and competition**

Sometimes it is important for the municipality to control and regulate the land allocation more than just by the price such as for example the design of the building (Statskontoret, 2012). In such cases the design of the building should meet predetermined criteria regarding the conformation of the building environmental aspects and energy efficiency. If the conformation and performance criteria are of most importance for a specific project, the municipality may set a fixed price for the land to clarify that this is not essential (Statskontoret, 2012).

A method that is commonly used when the development initiative comes from the municipalities and criteria other than price is of importance is the land allocation competition which is a variant of the tendering procedure and in addition to price also consider the design of the building (Kalbro & Lindgren, 2013). The land allocation competition is focused on a stated area and should follow specific requirements which contribute to more advanced sketches to make it possible to evaluate and differentiate

a winning entry. A comparison procedure on the other hand could be used when the initiative to develop comes from several different construction clients through submitted competition entries. The municipalities do not need to have any own specific ideas about the development project in this case, which is the case in a land allocation competition. A combination between a tender procedure and a direct assignment occur in certain cases. For large land areas, the tender who offers the highest price receives the first land area. The remaining sub areas are then offered to the clients with the lower bids through direct assignment (Caesar et al. 2012).

The transaction costs that is associated with the different methods for land allocation is varying. According to Caesar et al. (2013) direct land allocations are the least expensive method followed by a tendering process based only on price and finally a tendering procedure with price and other parameters as the most expensive method for land allocations.

### **3.3.6 Prequalification**

The land allocation process is resource demanding and since only one construction client is allocated the land it is important to minimize the wasted resources (Statskontoret, 2012). This can be done by a prequalification which perform an initial selection of the most suitable construction clients for the project, who will get the opportunity to further develop competition entries.

Another way of assigning land allocations is through municipal companies which has become more common in recent years. The main reason for using municipal companies to assign land allocations according to Statskontoret (2012) is to make the land development process more efficient. However, the appropriateness to use municipal companies to assign land allocations has been questioned since it can lead to fewer opportunities for publicity and transparency compared with municipal authorities (Caesar et al. 2012).

### **3.3.7 Special requirements in land allocations**

A survey carried out by Bygghkravsutredningen (2012) to both municipalities and construction clients indicates that usually municipalities' sets special requirements, usually in the land allocation (Bygghkravsutredningen, 2012). Special requirements are criteria or prerequisites set higher than the standard technical properties in the government regulations, hence the PBL and Boverket's Building Regulations (BBR). Commonly the special requirements associated in the land allocation often concerned energy conservations and accessibility (Bygghkravsutredningen, 2012).

One reason why municipalities use special requirements are that the municipality's environmental objectives are more ambitious than those in BBR. A problem with special requirements is that they tend to be imprecise and thus it can be difficult to know what a particular requirement actually states (Bygghkravsutredningen, 2012). The positive consequences are the effects from the requirement as for example a more environmental friendly development or higher accessibility. However, there are several negative impacts as well:

- Direct additional costs as a result of more advanced projection and construction of the building.



- Different requirements between municipalities prevent the development of standardised construction and the lower construction cost.
- Indirect costs as a result of the decreased property development due to the increased costs.
- A reduction in competition as a result of the demanding and diverse rules.

Further, Bygghälsöversynen (2012) found that the special requirements affects the construction costs. The direct additional cost for residential construction as an effect of stricter energy requirements is estimated to be around 10-15 percent (Bygghälsöversynen, 2012).

### 3.3.8 Land allocation policy

The Swedish parliament decided 24th of June 2014 to make changes in the PBL (SFS 2014:900) and to establish a new law (SFS 2014:899) concerning the land allocation process (Sveriges Kommuner och Landsting, 2014a). The new law and the changes in PBL were established the first of January 2015 which means that municipalities should adopt guidelines both for land allocation and development agreements. Municipalities that do not use these methods do not need to adopt any guidelines. These guidelines shall contain the municipalities starting points and goals for sale and leasing of land areas for construction, management procedures and basic conditions for land allocation and principles for pricing of land (SFS 2014:899). Municipalities that already have developed guidelines or policies for land allocations need to get it approved by the city council. The policy is only a guideline and not binding, which makes it possible for municipalities to deviate from the regulations in special cases. The new law regarding the guidelines is established to increase the transparency in the land allocation process by making it possible for construction clients in an early stage to understand the requirements and conditions for the negotiation process with the municipality (Sveriges Kommuner och Landsting, 2014b).

The assessment performed by Stadsrevisionen (2014) states that it is possible for the municipalities to work more systematically to ensure that the “political will” has an impact in both planning and land allocation. The content of the policy document should be brief and general with possibilities for municipalities to establish specific regulations, however some elements have to be included (Sveriges Kommuner och Landsting, 2014b). These elements are further described below:

*Premises and goals:* The premises that exist, such as allocation of costs and revenues related to the development of the DDP, should be included in the policy document. Since different land areas, as well as municipalities, have different need for regulations, premises should be held on a general level in the policy document (Sveriges Kommuner och Landsting, 2014b).

*Process routines and basic conditions:* Process routines and basic conditions visualize how the municipalities handle and process incoming interest applications from construction clients to simplify the preparation and to inform about the process. The municipality should specify the content needed in an application but also the main steps and the timeframe for the handling process of an application. Common evaluation criteria such as reasonable competition, financial stability of the construction client as well as earlier experiences from similar projects should also be stated in the policy (Sveriges Kommuner och Landsting, 2014b).

*Principles to declare the price of land:* Municipality should also establish guidelines that shall include principles for chosen land pricing method. Indirect this means that they should clarify how to ensure that land is not sold below market price. As an example, if the municipality is working with expert evaluation or tendering processes (Sveriges Kommuner och Landsting, 2014b).

### **3.3.9 Evaluation and selection**

According to Statskontoret (2012), the transparency is often insufficient within the land allocation process and during the evaluation of construction clients or winning entries in a competition, due to the lack of motive and documentation. This may result in a decreased possibility for construction clients and architects to adjust and improve to future competitions. Undeveloped and unspecified regulations and motives during the evaluation process of a competition reduce the willingness of companies to participate which may result in an obstacle for the market to evolve towards increased competition. To make it possible to differentiate and evaluate the competition entries and to select the winning entry, municipalities establish both formal and informal criteria (Caesar et al. 2012). The formal criteria are often stated in the municipality's land allocation policy and commonly include the construction clients' financial situation and organizational ability to implement the project. It is also common that the construction project should achieve environmental and quality related criteria and that the construction client shows interest in manage the building over time. Project specific criteria can demand the construction client to develop unattractive land first to be able to get the possibility to develop attractive land in a later phase and in some cases to develop a specific percentage of rental properties to get permission to build condominiums (Caesar et al. 2012).

#### **3.3.9.1 Laws and Agreements**

Traditionally the jurisprudence is separated into public law and private law. Where public law contains regulations concerning public entities, such as, the government and municipal organization and the institutional proceedings and authority. Different from the public law, the private law deals with relations between a public and private entity or between two private entities. Private entities are mainly individuals or legal entities, such as companies, compounds and foundations (Madell 1998, pp. 41-44). However, a public entity can still pursue private law when acting in the private sphere through e.g. bargain and agreements and therefore be considered as private entity (Madell 1998, pp. 41-44). To illustrate, the land allocation agreement follows practice of private law, since the municipal organization has an agreement with a private actor. To contrast, the PBL regulates establishment and adoption of plans and sets conditions between private and public interests (Länstyrelsen, 2014), thus follows public law.

Typically the law encompasses two kinds of control mechanisms, regulations and permit obligations (Kalbro & Lindgren, 2010 p. 21). Governance of land development can be regulated by public law through regulations. However, land development may also be regulated by an agreement following private law, for example in the case of a site leasehold agreement which is regulated in the Land Code (1970:994) and the Contracts Act (1915:218).

### **3.3.9.2 Transfer agreement**

Since the land allocation process is not regulated by law and neither the land allocation agreement nor the development agreement is legally binding, a transfer agreement is used (Statskontoret, 2012). The transfer agreement legally regulates the rights and obligations of the execution of the project and is established first after the DDP is stated. The content of the agreement contain a time plan, the design of the development, the purchase price of land and the construction clients obligations to finance general facilities.

Depending on when the land allocation and choice of client is done, the client's ability to influence the planning process is affected. (Kalbro & Lindgren, 2010). When the land allocation is done early in the planning process, the negotiation generally includes more elements about building design. In contrast, when the land allocation is done late in the process, the price and implementation are the main things that are discussed (Caesar et al. 2012).

### **3.3.9.3 Laws affecting land allocations**

There is currently no law that regulates the land allocation process. However, the sale of municipal owned land is regulated in chapter 4 in the Land Code (SFS 1970:994), the Local Government Act (SFS 1991:900), PBL (SFS 2010:900) and EU-regulations. It is the EU and the local government regulations that have an impact on the municipalities' behaviour regarding land allocations. If the land is sold with subsequent rules regarding the land use the Public Procurement Act (PPA), is applicable (Statskontoret, 2012).

According to the Housing Supply Act (SFS 2000:1383), the municipalities are responsible to develop guidelines for the housing supply once every term of office. Through these guidelines, the municipalities can clarify their ambitions to develop the living conditions and the use of land in the municipality (Statskontoret, 2012).

The Local Government Act (1991:900) regulates how the municipalities can act when selling land. The principles for location, equality and cost restrict the operations to the municipality and its inhabitants and prohibit discrimination and municipal charges. The cost principle is not normally applicable to transfers of land. Thus, land allocations are mainly controlled by the equality principle that states that all members in the municipality should be treated equally. Discriminatory pricing is not allowed, instead the land should be transferred with a market price (Statskontoret, 2012).

The EU-legislation is a complement to the Swedish legislation and prevents financial aid from the municipality and government since it will inhibit the current competitive situation. This is avoided by only allow land transfers to a market based purchase price. In the EU-directives there are three methods of how municipal sale of land thus tender procedure, expert evaluation, and the notification obligation (Caesar et al. 2012; Statskontoret, 2012).

Tender procedure means that the sale is done through tender where the highest or the only offer is accepted (Statskontoret, 2012). An expert evaluation is conducted by one or several independent appraisers who internal or external appraise the land before negotiation starts and the appraised value is the lowest price when selling the land (Statskontoret, 2012). The third method to specify the price of the land is by using the notifiable obligation which means that the sale is either made through a tendering

procedure or an independent expert evaluation, and a notification to the EU Commission is needed. Then the commission can determine whether municipal aid exists or not (Caesar et al. 2012).

## 4 Findings

This chapter contains findings from the semi-structured interviews after a qualitative content analysis of the transcriptions. It addresses the practices of land allocation in both studied cities, the construction clients' perceptions of these practices, follow-up mechanisms and how the land allocation is perceived as a governance instrument for urban development.

### 4.1 The practice of land allocation in Gothenburg

In Gothenburg, the Real Estate Office is responsible for the land allocation process and has the public land tenure, containing about 55 % of Gothenburg's total land area. Further, the Real Estate Committee is responsible for the final decision of land assignment. Involved in the Office process is the division for Strategic Planning, which is responsible for the early stages, thus to implement the land allocation. After this point, the division of Urban Development takes over the project when the DDP starts (Real Estate Office, Gothenburg).

The main method for land allocations in Gothenburg is a tendering procedure. A direct land allocation can be used when the Real Estate Committee considers that there are special reasons for this land allocation method. The motives for applying direct land allocations should be clearly stated in the decisions. The third method for land allocations in Gothenburg is competitions which are used when the Real Estate Office finds it appropriate with regard to project requirements and other conditions (Göteborgs Stad, 2014; Real Estate Office, Gothenburg).

The most common point in time to initiate a land allocation is before the development of a DDP. In this early stage the prerequisites for the area needs to be defined. It may follow an already defined land area programme or follow several political missions such as student-housing, preschools, community accommodations or special requirements on the construction. These prerequisites will form a basis of criteria, some criteria are specific for the project, while other is general in the tendering procedure. Criteria specific for a project can be rent levels while examples of general criteria may be to follow the city's environmental building programme, present reference projects and to be financially stable, thus to ensure the firms capacity to realize the project. The form of tenure is decided by an analysis of the needs of both the district and the city overall. This compiles into tender documents, which also contains a price indication and information about the assessment of incoming proposals. In the tendering procedure the tender documents is published on the Real Estates Office website (Real Estate Office, Gothenburg).

The criteria will later be compared with the other incoming proposals, and end in an overall assessment of how the proposals fulfil the criteria, resulting in a winner. The selection is done by officials from the Real Estate Office in most cases, however in larger projects sometimes consultation with the City Planning Office occurs. Especially if there are any issues or concerns affecting their operations. Lastly, the proposal is prepared and the Real Estate Committee will decide if the land allocation is granted to the winner. After this the Real Estate Office will sign a land allocation agreement before the DDP process will start (Real Estate Office, Gothenburg). The tendering procedure in Gothenburg is illustrated in Figure 7.

In the procedure of direct land allocation the tendering process is excluded. A direct land allocation is appointed to a client who comes with an idea of any kind that is

found relevant to the city. The Real Estate Office will then propose a land allocation directly to that client. Motives to appoint land in this manner can be when the client already owns surrounding property and if this access to this land would improve the development, especially in land areas where no other stakeholder could use the land. Further motives can be when a client comes with a cutting edge project, to innovative ideas or try new solutions (The Real Estate Office, Gothenburg; Urban Development Organization, Gothenburg). However, in certain areas several clients comes with initiatives, the Real Estate Office sees no reason for direct land allocation and therefore appoints it to the tendering procedure.

In addition to gain land in Gothenburg from the Real Estate Office another entry point has been through an Urban Development Organization, which is a municipal owned company with public land tenure close to the central river. Prior to today, this has created confusion for building clients, since public land may be assigned from two different offices with different priorities. However, recently the owner directive for Urban Development Organization changed and now indicates a more social responsibility, hence closer collaboration with the Real Estate Office and the Real Estate Committee. As a result, the Real Estate Office and the Urban Development Organization developed the current land allocation policy and a clear joint entry point for construction clients (The Real Estate Office, Gothenburg; Urban Development Organization, Gothenburg).

Despite synchronized processes the Real Estate Office and the Urban Development Organization still differ in how to run the processes. Urban Development Organization focuses on creating a consortium of a landowner group, where several stakeholders develop a land area in collaboration. This can be regarded as a complement for the traditional development process. The Urban Development Organization takes a role as coordinator and process manager for the development to ensure participants are selected with different orientations for optimal development. Another noteworthy difference is that the final decision rests on the Urban Development Organizations Board has the and not the Real Estate Committee, however the Board is elected by the City Council and has a directive to check with the Real Estate Committee to ensure a dialogue before decision making (The Real Estate Office, Gothenburg; Urban Development Organization, Gothenburg).

To summarize, the most common land allocation procedure in Gothenburg is the tendering procedure where the Real Estate Office prepares criteria and form of tenure which is formed into tender documents. The incoming proposals will be assessed based on the prerequisites in the tender documents and a winner can be selected which has the best overall assessment. The same practice is also used by the Urban Development Organization in Gothenburg.



*Figure 7 Tendering procedure in Gothenburg, Source: Real Estate Office, Gothenburg.*

## 4.2 The practice of land allocation in Stockholm

The Office of Urban Development is responsible for the management and development of the land in Stockholm (Office of Urban Development, Stockholm)

The most common method for assigning land in Stockholm is through direct land allocations which are referred to as “*the Stockholm model*”. It means that a client comes with an idea or a proposal for a project on a specific land area. The possibility to develop the project and a price for the land is discussed with Office of Urban Development before it leads to a land allocation. For larger development programmes, the city takes the initiative for development and investigates the conditions for that land area. The land is then divided through direct land allocations or a tendering procedure. Land allocations through tendering procedure should be done to the extent that the municipality have sufficient knowledge about the value of the land in the different regions. The winning tender is usually based on the highest prices for the land. However, it can also concern other parameters such as design (Office of Urban Development, Stockholm).

All tenders are published on the Office of Urban Development’s website where the criteria and necessary documents can be found. Normally, the client who offers the highest price, given that the other requirements in the tender are fulfilled, receives the land allocation from the Urban Development Committee. From this point, the procedure is the same as for direct land allocations (Office of Urban Development, Stockholm).

When the application is received by the Office of Urban Development, a project manager is assigned to the project. The project manager follows the client through the process and investigates the conditions for the proposal. The proposal is reconciled with the City Planning Office and other administrations such as the Environment Office and Traffic Office. Further, an overall investigation of the project feasibility and the financial and legal conditions is done. If the project is suitable and fulfils the requirements, an internal valuation of the land is done which is approved by the Expert Council. Depending on the form of tenure, different methods for assigning land is used. According to the Office of Urban Development, a leasehold agreement is often used when assigning land for rental apartments. The price for the land is then based on the ground rent in the municipality. In contrast, when assigning condominiums, the land is usually sold (Office of Urban Development, Stockholm; Stockholms Stad, 2010).

After the price for the land is determined, the Urban Development Committee appoints a client who receives the land allocation. The Urban Development Committee request a DDP from the City Planning Committee and a decision regarding the municipality's investment in the project is determined. The final step in the process is that the Urban Development Committee determines a start-PM which initiates the formal DDP process (Stockholms Stad, 2010).

The selection of a client is based on financial stability, the ability to complete the project and how well the client fulfilled the requirements in the land allocation policy in previous projects. Further, the selection process should also consider the competition conditions by encouraging new entrants to establish on the market. The client’s long-term quality and environmental considerations are also important aspects (Stockholms Stad, 2010). According to the Office of Urban Development the client's ability to complete the project and an understanding for the land area and its

challenges, for example how to solve noise levels are important aspects when selecting a client.

The Office of Urban Development in Stockholm has an index containing information on who received land allocations, where, when and how many apartments. The index is updated continuously and published on the municipality's web-site. (Stockholm Stad, 2015).

In Stockholm, the Office of Urban Development has a goal to appoint approximately 2500 apartments to municipally owned real estate companies this year. They are prioritized since they have the similar objective as the municipality for housing development (Office of Urban Development, Stockholm).

To summarize, the most common procedure for land allocations in Stockholm is direct land allocations where clients take the initiative and submits own proposal to the Office of Urban Development. For larger development programmes, the municipality takes the initiative and assign the land through direct or a tendering procedure.

### **4.3 Construction clients perceptions on practices**

When construction clients and public authorities describe important notions of the land allocation process to assign land, most answers points towards a clear and fast process, early involvement (early land allocation) and to collaborate. In addition, there is a large support from construction clients located in several municipalities that there is a huge variation between the processes in different areas.

Further, there is no consensus among construction clients which specific land allocation method that is preferred. Some prefers the direct land allocation since there is no time pressure and it encourages innovative ideas. It is also preferred since it is usually a faster process than tendering, and the possibility to be involved in the process at an early stage. Others prefer comparisons of criteria such as in the tendering method. Commonly most construction clients prefer the way it is practiced in their local market. In addition, some construction clients is oriented on rental housing and are therefore only interested in allocations with tenure of lease hold agreement.

The construction client's opinion about competition as a land allocation method is varying. A number of the clients perceive that competitions are resource intensive as is shown in Table 3. However, they believe that it is a suitable method for the municipality to achieve certain qualities and functions for the site. In addition, many of the interviewed clients believe that it is important that the municipality is clear with what they expect from the competition and that the criteria are measurable. One Construction Client, Gothenburg had difficulties to identify any benefits with competitions other than that it provides the municipality with several options to choose from.

According to the Office of Urban Development, reasons to use competitions can be to determine a price for a land area or to achieve certain qualities for the site regarding architecture or energy performance. One of the reasons that competitions are used relatively seldom is because it is rather unpredictable and the room for negotiations is smaller compared to direct land allocations (Office of Urban Development, Stockholm).



Table 3 Construction client's perceptions on land allocation practices.

<b>Construction client</b>	<b>Preferred land allocation method</b>	<b>Experience which supports different practices</b>	<b>Municipal focus method</b>	<b>View on land allocation competition</b>
<b>1. Construction Client, Stockholm</b>	Direct	No	Direct	Negative, short process, high risk, high costs
<b>2. Construction Client, Gothenburg</b>	Direct	Yes	Tendering	Negative, high resources, complex
<b>3. Construction Client, Stockholm</b>	None	No	Direct	Costly but transparent
<b>4. Construction Client, Gothenburg</b>	None	No	Tendering	Negative, does not improve the product
<b>5. Construction Client, Stockholm</b>	Direct	Yes	Direct	Negative, too subjective
<b>6. Construction Client, Gothenburg</b>	None	No	Tendering	Negative
<b>7. Construction Client, Gothenburg</b>	Price tender	Yes	Tendering	Positive, alternate criteria between projects
<b>8. Construction Client, Stockholm</b>	Direct	No	Direct	Positive, alternative criteria

### **4.3.1 Evaluation and Selection**

There is a common opinion among construction clients that the criteria that the land allocation is evaluated on should be clear and how the municipality value different criteria against each other should be stated. In addition, the clients view on what they think that the municipality value in a client correspond well with each other. Namely, the company should be stable, have good economy and reference projects that correspond with the municipalities goals. However, how the municipality evaluates and value different criteria against each other is sometimes hard for the clients to identify. A Construction Client, Gothenburg were positive to a land allocation in Helsingborg where the criteria, how the criteria were evaluated and weighted against each other was presented in the invitation. This made it easier for the specific client to know where to focus their energy and resources (Construction Client, Gothenburg).

According to a Construction Client, Stockholm, how the municipality value different criteria differ between different municipalities. If it is a municipality that uses competitions, the criteria for the competition are subject for evaluation. However, for direct allocations it is much more unclear what the evaluation is based on. The informant states that the evaluation should be based on measurable criteria such as price. It is negative to have a combination between measurable and subjective criteria such as quality together in an evaluation since the subjective criteria is based on opinions while the price is quantifiable. Instead, the evaluations should be based solely on price, or solely on architecture (Construction Client, Stockholm).

A Construction Client, Stockholm describes the land allocations as a lottery since there are many actors on the market that apply for the same land area. In addition, municipal housing companies in Stockholm are entitled to a certain amount of the land allocations for rental housing (Office of Urban Development, Stockholm; Construction Client, Stockholm).

One aspect that several of the interviewed clients thought were important was the information about why they did not receive a land allocation. A Construction Client, Gothenburg state that it is important with a motivation in order to be able to improve in the future. Another Construction Client, Gothenburg share this view and states that it is fun to know why a client received a land allocation, however it is more important to know why we did not. Construction Client, Gothenburg thinks that since so much time and energy is invested in a competition, an individual evaluation on what to improve in the next competition is desirable.

## **4.4 Follow-up and control mechanisms in the land allocation process**

All interviews mention experiences from follow-up mechanisms, however there are many different understandings on what is followed-up. There are several aspects to consider as follow-up mechanisms involved in the land allocation process. Firstly, there is an internal follow-up process, conducted by both the Real Estate Office and the Urban Development Organization in Gothenburg. This continuous process development considers both with feedback and experiences from the officials and the market. Aspects in the process evaluation can for example be how much the market initiatives should be considered, hence the direct land allocation procedure versus the more controlled tendering procedure. But also, to evaluate previous land allocations

positive or negative outcomes to further improve the inputs for future land allocations. Due to recent process change in Gothenburg, the Real Estate Office and the Urban Development Organization has not yet reached a process evaluation of the latest projects (Urban Development Organization, Gothenburg). To contrast, the Office of Urban Development also develops their land allocation process by standardizing the project managers' procedures and by increasing the collaboration with other offices affected by the land allocation (Office of Urban Development, Stockholm). Furthermore, according to an official from the Real Estate Office, one must understand that there is inertia in the system. Therefore, changes of the process cannot occur too often, because you have to assess the consequences of the requirements before. Decisions made last year do not mean they actually occurred. Further, process development requires a certain calm to let the market keep up (Real Estate Office, Gothenburg).

Secondly, statistics is also considered a follow-up mechanism that controls and ensures how the land allocation has been used. Different statistical data is compiled by the Real Estate Office, the Urban Development Organization and the Office of Urban Development on a yearly basis. This data can be information such as, number of land allocation completed, which client that was assigned land and to what proportion. Further statistical data can be to ensure the ratio between rental and condominium construction and other political goals for the offices. (Real Estate Office, Gothenburg; Urban Development Organization, Gothenburg; Office of Urban Development, Stockholm).

Thirdly, to ensure the completed projects fulfils the initial prerequisites agreed upon in the land allocation there are different understandings. The Real Estate Office and Construction Client, Gothenburg perceives the land allocation as input into the detail planning process, which will ensure the prerequisites in the land allocation agreement to follow the project and regulated by the DDP. Furthermore, the responsibility then falls on to the construction client and the City Planning Office to assure this. However, in Gothenburg, another Construction Client perceives the Real Estate Office to be more involved in the planning process, thus participating in meetings to assist the City Planning Office and the construction client (Construction Client, Gothenburg).

The majority of the informants is in accord that the initial requirements will be ensured after the DDP process when the Real Estate Office or the Office of Urban Development signs the transfer agreement or when the Urban Development Organization signs a consortium agreement (see transfer agreement). Thus, the transfer agreement does implement the land allocation and the land allocation agreement (Real Estate Office, Gothenburg). Responsible to follow-up the transfer agreement is the project manager which follows the project from the Real Estate Office or the Office of Urban Development during construction (Real Estate Office, Gothenburg; Office of Urban Development, Stockholm).

Most construction clients experiences that the follow-up focuses on aesthetic design programme, the environmental programmes and other special requirements that is appointed to the construction clients to undertake when sending a land allocation proposal. Construction clients in both Gothenburg and Stockholm usually perceive that the municipality follow-up the environmental programme, energy demands and liquidated damages. According to officials these follow-ups can be carried out during a project by the officials project manager or after a construction is finished (Real

Estate Office, Gothenburg; Office of Urban Development, Stockholm). However, a general understanding from construction clients is that the land allocation follow-up is unclear, lacks routines for follow-up of certain criteria in the land allocation agreements. One Construction Client, Stockholm perceives the follow-up routines varies depending on city, some monitors the land allocation well, others less. The construction client experiences the larger cities to be worse at it, since in large volumes it requires considerable efforts and personnel efforts, which makes it easy to neglect (Construction Client, Stockholm).

According to officials from the Office of Urban Development penalties and liquidated damages clause is needed in the transfer agreements, to point out there are consequences if they don't follow the criteria in the contract. In addition, officials from Urban Development Organization, Gothenburg say it is hard to couple liquidated damages with social factors (Urban Development Organization, Gothenburg).

Officials in both Gothenburg and Stockholm states that the authority's project manager provides feedback how construction clients follows their commitments and that this will be considered in future land allocations, thus there is a risk for clients that misbehaves that they will not be assigned land in the future. Also, the Real Estate Office explains that means of pressure is important, since they cannot withdraw a land allocation when the project is completed (Real Estate Office, Gothenburg; Office of Urban Development, Stockholm).

## **4.5 Land allocation and urban development strategies**

The Office of Urban Development state that it is beneficial to operate in a municipality that is a large landowner, since it makes it possible to affect and be a part of the urban development. The government officials highlight the comprehensive plan as an important instrument to control the urban development. However, to control the urban development in a good way, they state that the land allocations should support the comprehensive plan. Further, it also requires that the comprehensive plan is market oriented and that people are willing to live in the areas where the land allocations take place. The comprehensive- plan in Stockholm has several focus areas where development and densification is desired in the city. In addition, a general development strategy suggests that the whole city should be developed. According to one government official, to develop in the focus areas as well as the whole city is needed to meet the housing policy goals. It is a general belief that the content in the land allocation agreements are based on the development strategies for the municipality of Stockholm (Office of Urban Development, Stockholm). This view is supported by Construction Client, Stockholm who state that the municipality follows the comprehensive plan and develops in the designated areas. However, the development takes place in many other areas as well in order to achieve the vision for year 2030 with 140 000 homes (Construction Client, Stockholm).

The Real Estate Office is positive to land allocations as a governance instrument for urban development. They believe that it is important to see the land ownership and the land allocation instrument as a way to reach certain qualities and to fulfil political goals. In addition, collaboration between the departments in the municipality is needed in order to use land allocations strategically. The Real Estate Office has done an investigation to see where projects have taken place in recent years in order to identify areas where they want to focus the start of DDP. The findings from the

investigation showed that land allocations agreed well with the development strategy in Gothenburg. This view is shared by the interviewed clients that operate in Gothenburg. One of them believes that Gothenburg has done a thorough work to understand which areas that should be developed and where it should be complemented in the outer areas of the municipality. They believe that the municipality work towards their vision in a clear way (Construction Client, Gothenburg). In contrast, one Construction Client, Gothenburg perceives that the strategy is not always consistent with the demand for residences.

Further, a Construction Client in Gothenburg perceives that the development strategy is missing development of rental apartments in more prosperous areas. They also believe it would be desirable to have a stronger steering towards what the municipality wants to achieve. Further, they suggest that if they want to achieve cheap rentals, more competitions with low rents as a focus to see what it might generate would be desirable.

## **4.6 Land allocation and urban governance**

According to the Real Estate Office and the Urban Development Organization the land allocation process is closely linked with the political orientations and visions, thus the land allocation policy is developed by the government officials and is established by their respective political committees. Further, it is a political mission for the offices to adopt the policy in accordance with the sitting majorities' political orientations. If so, the politics changes over time, so does the governance instrument. Consequently, the land allocation policy is a political document and it is important to get the political visions into the land allocation process (Urban Development Organization, Gothenburg).

The reason for the policy to contain certain orientations is to guide the offices works towards- and reflect the current political orientations (Real Estate Office, Gothenburg). The criteria in the land allocation are based on this political vision, which the offices pursue (Urban Development Organization, Gothenburg). In accordance, Urban Development Organization perceives the criteria in the land allocation to be largely based on the political vision for the city and the budget. One of the officials from the Office of Urban Development views the land allocation policy as a long living document, while the budget frames the more detailed governance year by year (Office of Urban Development, Stockholm). The criteria are input into the tender documents, which are based on political objectives and orientations and regulate how to use municipal land for the government offices (Real Estate Office, Gothenburg). Eventually, the criteria in a land allocation are the general requirements set by the City Council (Office of Urban Development, Stockholm). Since the early stages of the land allocation process is to define what specific the political missions fits into this development area (Real Estate Office, Gothenburg). Accordingly, the land allocation process has the vision as a basis and focuses to strengthen some points of this vision. One official from the Office of Urban Development views the land allocation process as collaboration between government agencies and the client while the Urban Development Committee steers them.

A collective opinion among the Office of Urban Development, Real Estate Office, and the Urban Development Organization are that the land allocation process is an efficient instrument for urban development. According to the Real Estate Office the

land allocation is an important governance instrument to reach certain qualities and political objectives. Furthermore, according to the Urban Development Organization the purpose of land allocation as a governance instrument is to steer and support the overall political objectives so that participants can deliver what the society demands. In addition, it is a common perception that political objectives decide form of tenure, depending on the objectives with the land allocation. To reach a multitude of tenure forms and accommodation types is an important objective, this is further confirmed by several Construction Clients.

There is no collective opinion among construction clients of how the land allocation is governed by political orientations. One Construction Client, Stockholm perceives the objectives and criteria of the land allocation to be clear, however the criteria is not always well thought out to what is feasible.

While another Construction Client, Stockholm perceives an issue with different committees since they can create decisions that is not cohesive with each other. Besides this, strategies and objectives change over time and it is hard to synchronize altogether. Therefore an increased collaboration between agencies is desirable. Further, one Construction Client in Gothenburg perceives governmental agencies to be clear with how they work towards the city's objectives.

## 5 Analysis and Discussion

The purpose of this thesis is to describe the practices of the land allocation in two studied cities. Here the findings confirm that there are different practices of land allocation among municipalities in Sweden. Thus, there is a local context in which the process is embedded. It can be assumed that different political objectives influence the land allocation policy and therefore practices vary between the municipalities. Even though the investigated municipalities use different practices for assigning land, a common perception among the construction clients in both municipalities is that the selection and evaluation procedure is often perceived as unclear.

There is a multitude of perceptions of what follow-up mechanisms govern the land allocation process. Several kinds of follow-up and control mechanisms have been identified, hence process development, data compilation, programme documents and special requirements and a control mechanism through agreements. However, no clear routine for follow-up or control can be distinguished, except the transfer agreement.

The land allocation process is a typical governance process where local authorities and private interests meet to reach the city's collective goals. The process is not only embedded in a national context, but also a local. Further, there is a general understanding among construction clients and government officials that the land allocation process is an efficient governance instrument which governs the urban development by both strategies and political objectives.

### 5.1 Practices of land allocation procedures

The land allocation process differs from each other with direct land allocations in Stockholm and tendering procedures in Gothenburg as the most common method. The urban governance concept in (Pierre 1999) is believed to explain the results of why there are different practices between Gothenburg and Stockholm. Hence, a local context consisting of local constitutes influences the political orientations in the land allocation policy thus different policies will establish different practices between Gothenburg and Stockholm. This will be discussed further in Chapter 5.5.

Further, the use of direct land allocations is a good way for the municipality to take advantage of the construction client's competence and ideas. A notion that is shared by the interviewed construction clients and Statskontoret (2012). Many of the interviewed clients in Stockholm preferred the direct method for land allocation even if it is not always clear how the municipality evaluates different criteria. This might be explained by the possibility that have to be a part of the process at an early stage. In addition there is no time pressure as compared to a competition. However, the fact that a number of the interviewed clients perceive the evaluation as unclear suggests that the direct method for land allocation is not as transparent as the other methods for land allocation. The use of direct land allocations also makes it possible to overlook better proposals which could have been used if the municipality would have used a tendering procedure or competition instead.

The use of competitions as method for land allocation which is used both in Stockholm and Gothenburg in some cases give the municipality larger opportunities to achieve certain qualities for a site than is possible with direct land allocations. However, competitions are done with the initiative from the municipality which limits

the opportunity for clients to decide what, how and where to build (Statskontoret, 2012). This supports the clients' perception that direct land allocation promotes creativity and innovative ideas from the market more than competitions and tendering procedures. As mentioned by construction clients and previous research from Statskontoret, (2012) the use of competitions is perceived as costly and a longer process than direct land allocations. This makes it harder for smaller construction clients to take part in the competition. Further, competitions are resource intensive for both the construction client and the municipality and only one proposal can win. This means that the municipality does not take advantage of the proposals that did not win.

It is the authors' belief that the use of a variation of different land allocation procedures is beneficial depending on the situation and what the municipality want to achieve. The fact that both municipalities that were investigated have a variation of procedures for assigning land in their land allocation policy's suggest that there is not one procedure that suites all situations. Instead, the choice of procedure is based on its suitability for the specific situation.

## **5.2 Issue of evaluation and selection**

The municipality is bound by law to treat every member in the municipality equally (Local Government Act 1991:900). To ensure this, it is important to have a clear and transparent selection and evaluation process to prevent disadvantage of clients involved in the land allocation process. Further, it is also important that the selection criteria that the municipality base their decisions on in the selection process, and how the assessment of the tenders are evaluated is clear and communicated to the client. Then, the construction clients have a better understanding of what the municipality wants, hence the clients can focus their resources accordingly.

The information obtained from the interviews indicates that there is a wish among the construction clients to receive an evaluation motivating why they did not receive the land allocation in the competition or the tendering procedure. This might lead to additional work for the municipality. However, it might be worth the extra recourses if it can enable the construction clients to improve their performance in future land allocations.

According to the land allocation policies in both Stockholm and Gothenburg, the competition in the market should be promoted by assigning land to a diversity of clients. As mentioned in chapter 4.2, Stockholm has an index over previous land allocations with information about which client that has been assigned land allocations. According to Caesar et al. (2013), to publish this information will help prevent favouritism. Hence, if government officials are aware that this information is available for construction clients and other companies, it involves a greater risk to favour certain clients.

There is a common opinion among the construction clients that the evaluation in direct land allocations is not as transparent as desired. To increase the transparency in the land allocation process would probably bring benefits for both the municipalities and the construction clients. If the evaluation of would become more transparent, construction clients might get a better understanding of what the municipality want. This means that they could submit proposals that fit better with the municipalities' goals. Further, to publish information about how the municipalities evaluate different



criteria and motivate the choice of construction client together with an index over previous land allocations would help to increase the transparency.

### 5.3 Follow-up mechanisms

The investigation of the municipal land allocation process by Statskontoret (2012) concluded that there is an underdeveloped follow-up and evaluation system regarding the land allocation process. Now, three years later tendencies of follow-up mechanisms in the land allocation process starts to take place. When addressing this issue the results indicates a multitude of perceptions to what follow-up mechanisms governs the land allocation process. Several kinds of follow-up and control mechanisms has been identified in terms of process development, data compilation, programme documents and special requirements and a control mechanism through agreements.

The purpose of this thesis was to investigate how the initial conditions agreed upon between the municipality and the construction client are ensured to be fulfilled and controlled throughout an urban development project initiated with a land allocation. According to Kalbro & Lindgren (2010) the law encompasses two kinds of control mechanisms, hence regulations and permit obligations. The findings point at a control mechanism by regulations through agreements, hence the transfer agreement following the Contracts Act (1915:218). According to the informants during construction the project manager from the governmental office is responsible to follow-up the transfer agreements contract conditions. In addition, according to Rhodes (2007) third network governance characteristics, a network governance is built on thrust and negotiated rules can be identified in the land allocation process, hence the government offices considers earlier endeavours and experiences of how construction client have followed their commitments in previous projects. Considering this, it is important for a construction client to manage their contract commitments and initial agreements for the land allocation, but also to respect the collaborative nature of the governance instrument since a land allocation cannot be withdrawn in retrospect.

Despite knowing how the transfer agreement is followed-up and who is responsible to control it, the findings points at an uncertainty of how the initial requirements and criteria in the land allocation agreement get transferred from the land allocation agreement, through the planning process and into the transfer agreement. Maybe it is as some informants perceive the land allocation to be input into the DDP where the client, the offices and committees has a shared responsibility. Further, there is a chance that the planning process may change the initial requirements thus creating a need for change from the initial land allocation agreement to the transfer agreement. Granted this, no follow-up mechanism can be identified to ensure the land allocation requirements are transferred into the transfer agreement.

A majority of construction clients experiences a follow-up for special requirements, liquidated damages and aesthetic- and environmental programmes. According to Byggkravsutredningen (2012) special requirements is usually set in the land allocation. Hence this confirms that some criteria is followed-up from the land allocation process. However, this is believed to be an effect of the transfer agreement and executed by the before mentioned project manager from the government office. Further, there is a general belief from a construction client perspective that the follow-

up is unclear and lack routines, hence the follow-up varies among development projects.

The findings indicate that the local officials follow-up their land allocation process in terms of process development. However, the studied cities seem to have a different approach to follow-up their process. This is natural due to the different in practices and procedures hence a different focus for process development is required. In addition, the process development can be in a different phase depending on the maturity of the office. Furthermore, the land allocation is a slow process and inertia in the system prevents changes due to the lengthy of the process. This sets boundaries for the offices process development, since the process has to be assessed after the change has taken effect.

Clearly, the local office compiles data to follow-up how their work towards the city objectives and goals with the land allocation. This can be assumed to create transparency for the citizens and also to be useful for long term political decision making.

To be able to steer the urban development in the direction that the municipality want, it is important that the conditions agreed upon at the beginning of the land allocation process are fulfilled at the end. In order to make sure that the conditions are fulfilled, some sort of control or follow up mechanism is needed. To ensure that the municipalities use the land allocations as a governance instrument to control the urban development, an independent assessment of how the municipalities follow their policy and how the land allocations follow the general goals for urban development may be of use. The use of independent assessments of how the municipalities follow their policy is supported by Caesar et al. (2013).

Several kinds of follow-up and control mechanisms has been identified in the two studied cities. However this findings cannot be indicative for the entire country so one has to assume Statskontoret (2012) findings regarding the follow-up is valid in a broader national context.

## **5.4 The land allocation as a governance instrument**

The results confirm that the land allocation process clearly regulates, coordinates and controls the assignment of public land like Rhodes (1997) (in Pierre 1999) definition. Furthermore, one official views the process as collaboration between construction clients and the governmental offices. In fact, when most authorities and construction clients expresses the optimal way to assign public land, collaboration is always recurred. Thus, the land allocation process is characterized with horizontal interaction between governmental agencies and construction clients as Hall & Löfgren (2006) describes the network governance model. In addition, Torfing (2005) (in Hall & Löfgren, 2006) defines an important notion to for the governance process is that it contributes to solutions of societal matters. The political objectives which is embedded in the land allocation policy confirms that the land allocation process defiantly contributes to societal matters. Lastly, the land allocation process follows Hall & Löfgren (2006) definition of a network governance process regarding initiative, how it is regulated through negotiations and how the policy making is set by the municipality as a leading organization with a major influence over the process. Further, the regulations are clearly developed during negotiations to create legitimate solutions (Hall & Löfgren, 2006), hence the land allocation is an exclusive right for

negotiation. The findings indicates that the most optimal way to assign public land is to involve clients early and collaborate, this may be interpreted as a desire to develop through interactions and dialogues with a joint responsibility as in Hall & Löfgren (2006).

The land allocation process is not only a governance process which follows definitions of the governance and network governance concepts. Pierre (1999) definition of urban governance outlines that land allocation process is subject to local systems and values. The economic, political and social values give the local authorities legitimacy and results in different policy choices depending on the political constituencies. The urban governance concept in Pierre (1999) is believed to explain the results of why there are different practices between the municipalities of Stockholm and Gothenburg. Thus, the urban governance perspective offers an explanation to the local political authority's possibilities for development through public and private interactions.

Considering the discussion in 5.4 this thesis is believed to contribute to an increased understanding of the local contexts of urban governance. Also to put the land allocation process in an urban governance perspective thus linking it with existing theories of governance.

## **5.5 Institutional frameworks influences the land allocation**

Since the land allocation process is embedded in a local context, hence political constituencies, and a national context which constrains the local policy choices (Pierre, 1999). It seems relevant to discuss the institutional frameworks which sets the boundaries and configurations of the land allocation process. The authors' agree with Delsenius & Psilander (2011) that the legal institutional framework constrains and the sets boundaries on the construction client. Since the land allocation agreement is not binding there is the possibility to return the negotiation right for the construction client, but also for the public authority. This is considered an important aspect of land allocation as a governance instrument, the initial agreement, the land allocation agreement needs to be flexible since it is a development process. However, the legal institutional framework indirectly sets boundaries on the client and the urban development through the planning monopoly (Delsenius & Psilander, 2011) and the transfer agreement. Further, the legal institutional framework can change in the future and affect the governance through land allocations more if the new law (SFS 2014:899) will regulate ability to set special requirements in the tender documentation. It is still too early to evaluate if the new law reaches its purpose to create transparency and clarity in the early stages of the development process, hence the informants refers to land allocations prior to the implementation of the new law.

According to the findings the political institutional framework has a big influence over the land allocation process. In a local perspective of political objectives frames the land allocation policy and in a national perspective in terms of the housing policy (Delsenius & Psilander, 2011). To further understand how the local government advocates Pierre (1999; 2011) models of urban governance. A more in depth study is required to find out the tensions within the urban governance in the two studied cities.

Noteworthy, the findings points at the land allocation as a governance instrument supports the urban development strategies to locate where to build, hence the focus areas and development areas. While the policy and political orientations creates a framework for what to build and how to build.

## 6 Conclusions

The main difference between the two investigated municipalities is the method for assigning public land. Stockholm mainly use direct land allocations where the construction clients take the initiative to submit proposals to the municipality. However, competitions are also used to achieve certain qualities and tendering procedures where the client who offers the highest price for the land usually receive a land allocation are used as well. Gothenburg normally use a tendering procedure with general and project - specific criteria that are published on the municipality's web-site where construction clients can submit their proposals. Still, both municipalities have all types of land allocation procedures included in their policy. This provides a flexibility to use different procedures when appropriate.

There is frequent perception among the construction clients in both municipalities that the evaluation and selection of proposals and clients is unclear and not as transparent as desired. A more transparent evaluation and selection may bring benefits for both the construction clients and the municipalities. The municipalities could receive proposals that correspond better with their objectives and the construction clients can focus their resources accordingly.

Governance through the land allocation process is built on trust and negotiations, and is based on collaboration between private and public participants to contribute to societal matters. Land allocation is an urban governance instrument to assign land and to direct the urban development successfully in accordance with the political orientations and urban development strategies. To ensure this the control mechanism identified is in the transfer agreements between the governmental office and the construction client. Further tendencies of follow-up mechanisms regarding process development, data compilation, programme documentation and special requirements starts to take shape, however there is still a lack of established routines.

The land allocation process as an urban governance process is embedded in both a local and national context. When the local constitutes changes so does the governance, hence the political objectives frames the land allocation policy and therefore also the practice. Among practitioners the land allocation process is considered as an efficient governance instrument to assign public land and the optimal way to assign public land is to involve clients early and to collaborate.

### 6.1 Future research

The municipalities in Sweden are responsible to plan for housing supply and almost half of the municipalities in Sweden state that they have a shortage of housing. A suggestion for future research is to investigate the reasons for the shortage of housing in order to identify possible solutions.

It would be of interest to determine the effects of the new law SFS (2014:899) with the aim to increase transparency in the land allocation process in a national study to see if the perception among clients have changed after the implementation. When conducting this thesis, most interviews refer to land allocations before implementation of SFS (2014:899) thus the effects of the new law were not possible to investigate.

To gain a more in-depth understanding of the land allocation process in a perspective of urban governance would improve the understanding of urban policy choice and the institutions pursue of the political agenda. Pierre (1999; 2011) models of urban governance is therefore suggested to be used. Some of these models seems closely related to the institutions practices of the land allocation process in the studied cities. Urban governance could describe how the political system and the institutions work at a local level and gain benefits of a deeper understanding of the different land allocation practices.

Other studies could also compare land allocation control mechanism through the transfer agreement with other processes controlled by agreements and assess if there is similarities or differences between these courses of agreement control. Another possibility is to compare the land allocation with other systems of governance e.g. through regulations, such as the procedure in the planning and building act.

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# Appendix A – Interview Questions

## Intervju med kommun och kommunala bolag.

### Introducerande frågor:

*Inspelningsdata:* Namn, ålder, Titel/position i organisationen, antal år i organisationen, antal år med markanvisningar

- Beskriv din roll här ni i verksamheten?
- Vad har ni för erfarenhet av att arbeta med markanvisningar?
- Generellt om markanvisningar:
- Hur mycket mark ägs av kommunen?
- Totalt, och som är lämplig för bostadsbyggande?
- Kan ni beskriva markanvisningsprocessen?
- Vilka olika aktörer är involverade?
- Hur uppfattar ni markanvisningsprocessen?
- Har ni några övriga synpunkter eller erfarenheter från markanvisningsprocessen?
- Om ni fick beskriva ett idealt sätt för kommunen att avyttra mark, hur skulle det se ut?
- Hur intresserar ni byggherrar att söka markanvisningen?
  - När ni alla intresserade byggherrar?
- Hur upprättar ni de kriterier som markanvisningen senare bedöms på?
  - Anser ni att de kriterier ni ställer är lätta att följa?
- Hur bedöms inkomna anbud?
- Uppfattar ni att någon kriterie är viktigare än en annan?
- Hur informeras byggherrarna om denna viktning av kriterier?
- Vad är viktigast hos en byggherre som ansöker om markanvisning?
- Har ni något erfarenhetsutbyte med andra kommuner eller privata aktörer för att förbättra markanvisningsprocessen?
- Vad är din uppfattning om markanvisning genom kommunala bolag?
- Varför använder man sig av kommunala bolag för att tilldela mark?
- Anser ni att markanvisning genom kommunala bolag skiljer sig jämfört med när kommunen själv anvisar?

### Uppföljning:

- Hur ser man till att de villkor som ställs i markanvisningsavtalet blir uppfyllda i det färdiga projektet?
- Vem är ansvarig för uppföljning och kontroll av markanvisningsprocessen?
- Vad händer om kriterierna inte uppfylls?

### *Markanvisning som styrinstrument:*

- Vart har fokus varit på att markanvisa det senaste året?
- Vart har mest markanvisningar skett under det senaste året?
- Vad tycker ni om markanvisningar som styrinstrument för att uppnå stads och utvecklingsmålen?
- Anser ni att innehållet i markanvisningsavtalet baseras på utbyggnadsstrategin?
- Vilka särskilda skäl anser ni göra det möjligt att frångå sin markanvisnings policy?
- Anser ni att dessa särskilda skäl stämmer överens med utbyggnadsstrategin?

### *Markanvisningstävlingar:*

- Föredrar ni någon speciell markanvisningsmetod?
- När väljer ni att använda er av tävlingar?
  - Vad vill man uppnå med en tävling?
  - Finns det några svårigheter med tävlingar?
  - Vilka är fördelarna?
  - Varför används tävlingsformen så sällan/ofta?
- Hur väl anser ni att de uppställda målen och kriterierna med tävlingarna uppnås?
- Hur går tävlingsprocessen normalt till?
  - Skiljer den sig åt mellan tävlingar?
  - Skiljer sig processen mellan bostadsrätter respektive hyresrätter?
  - Hur anser ni att tävlingsprocessen bör gå till?
- Arbetar ni för att förbättra processen vid markanvisningstävlingar?
  - Hur i så fall?
- Hur sker tävlingsprocessens dokumentation?
  - Vad anser ni ska vara med i en bedömningsdokumentation?
  - Anser ni att det finns någon anledning att inte publicera vissa dokument?
- Hur upplever ni insynen i tävlingsprocessen?
  - Finns det några nackdelar med transparens?
  - Varför är det viktigt med transparens?

## Intervju med byggherrar

### *Introducerande frågor:*

- Inspelningsdata: Namn, ålder, Titel/position i organisationen, antal år i organisationen, antal år med markanvisningar
- Beskriv din roll har ni i verksamheten?
- Vilken erfarenhet har ni av att jobba med markanvisningar?
- Vilken typ av markanvisningar är vanligast att ni visar intresse för?

### *Generellt om markanvisningar:*

- Kan ni beskriva markanvisningsprocessen?
- Vilka olika aktörer är involverade?
- Hur uppfattar ni markanvisningsprocessen?
- Om ni fick beskriva en idealt sätt för kommunen att avyttra mark, hur skulle det se ut?
- Har ni några övriga synpunkter eller erfarenheter från markanvisningsprocessen?
- Vilka kriterier upplever ni att kommunen värdesätter högst vid bedömningen av byggherrar och inkomna bidrag?
- Vad är din uppfattning om de kriterier som ställs på byggherrar vid markanvisningar?
- Upplever ni någon skillnad i processen för markanvisningar i olika kommuner?
- Vad är din uppfattning om markanvisning genom kommunala bolag?
- Varför tror ni att kommunen använder sig av ett kommunalt bolag för att tilldela mark?
- Vilka skillnader kan ni se mellan markanvisning genom kommunala bolag och när kommunen själva markanvisar?

### *Uppföljning:*

- Märker ni att kommunen gör någon uppföljning för att säkerställa att kriterierna för markanvisningar uppfylls?

### *Markanvisning som styrinstrument:*

- Anser ni att markanvisningar följer stadens utbyggnadsstrategi? Isåfall på vilket sätt?
- Anser ni att innehållet i markanvisningsavtalet baseras på utbyggnadsstrategin?
- Under vilka särskilda skäl anser ni det vara rimligt för kommunen att frågå

sin markanvisnings policy?

*Markanvisningstävlingar:*

- Vilken erfarenhet har ni av att jobba med markanvisningstävlingar?
  - Har ni vunnit någon tävling?
- Upplever ni någon skillnad på markanvisningstävlingar i Stockholm/Göteborg eller har ni någon erfarenhet av det?
- Vad är er uppfattning om markanvisningstävlingar?
  - Vilka för och nackdelar finns?
- Hur kan processen för markanvisningstävlingar förbättras?
- Varför tror ni att kommunen väljer att använda sig av markanvisningstävlingar?
- Tycker ni att tävlingsprocessen varierar mellan tävlingar?
  - Till exempel mellan bostads och hyresrätter?
- Hur anser ni det är att följa kommunens beslutsgång under markanvisningsprocessen?
- Hur upplever ni informationen om kommande markanvisningstävlingar?
- Hur upplever ni bedömningsdokumentationen kring varför en viss byggherre har fått en specifik markanvisning?
  - Vad anser ni ska vara med i en bedömningsdokumentation?
- Vad tycker ni om att bli utvärderade offentligt?
  - Anser ni att det finns någon anledning att inte publicera viss information?