



UCD Geary Institute for Public Policy
Research, Analysis, Evidence



An Ghníomhaireacht
Tithíochta
The Housing Agency



TALKING ABOUT LAND

Session 3

Public Land Leasing

Speakers

Sami Haapanen, Helsinki City Council

Tom O'Donnell, Self-Organised Architecture Ireland

November 1st @ 12pm

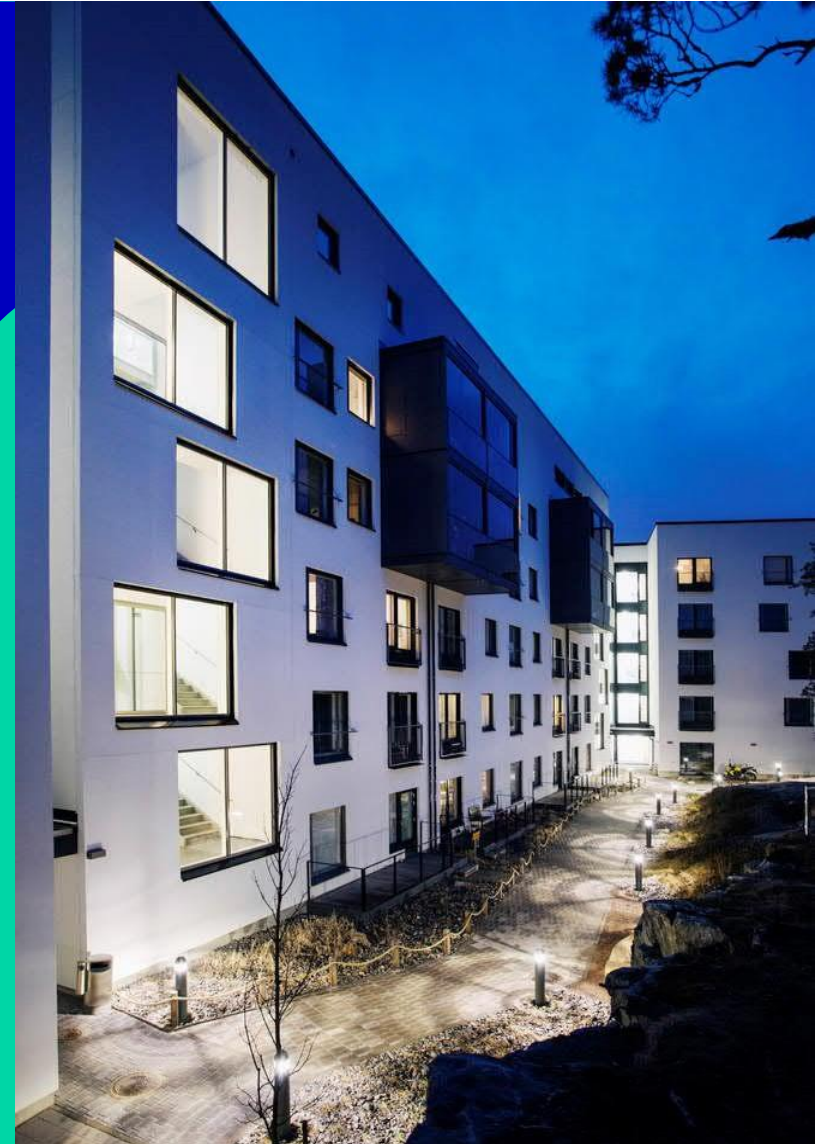
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LAND MARKET AND LAND LEASE PRINCIPLES IN HELSINKI

Talking about Land Series
1.11.2022

Head of Service Sami Haapanen
City of Helsinki
Urban Environment Division

Helsinki



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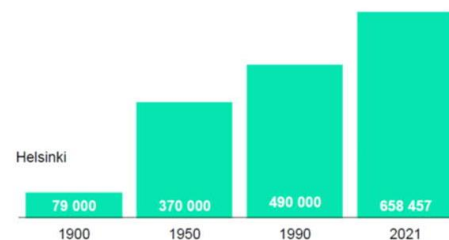
- About Helsinki
- Helsinki as a land owner
- Land market in Helsinki
- Housing policy and land policy guidelines in general
- Principles for land leasing
- Infill development of leased plots

ABOUT HELSINKI



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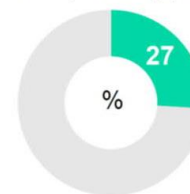
Population of Helsinki



Total of Helsinki region

1.5 million

Percentage of Finnish population



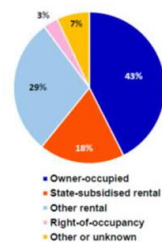
376 065 dwellings

Building type

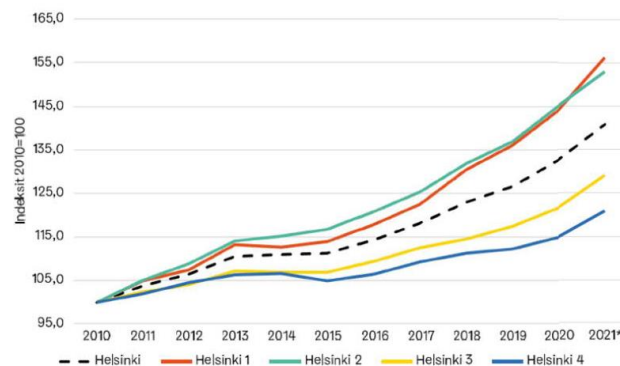


Helsinki

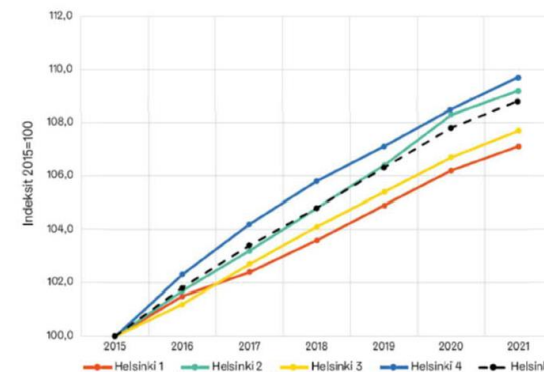
Type of occupancy



Housing price development in Helsinki 2010-2021, index 2010=100



Rent price development in Helsinki 2015-2021, Index 2015=100

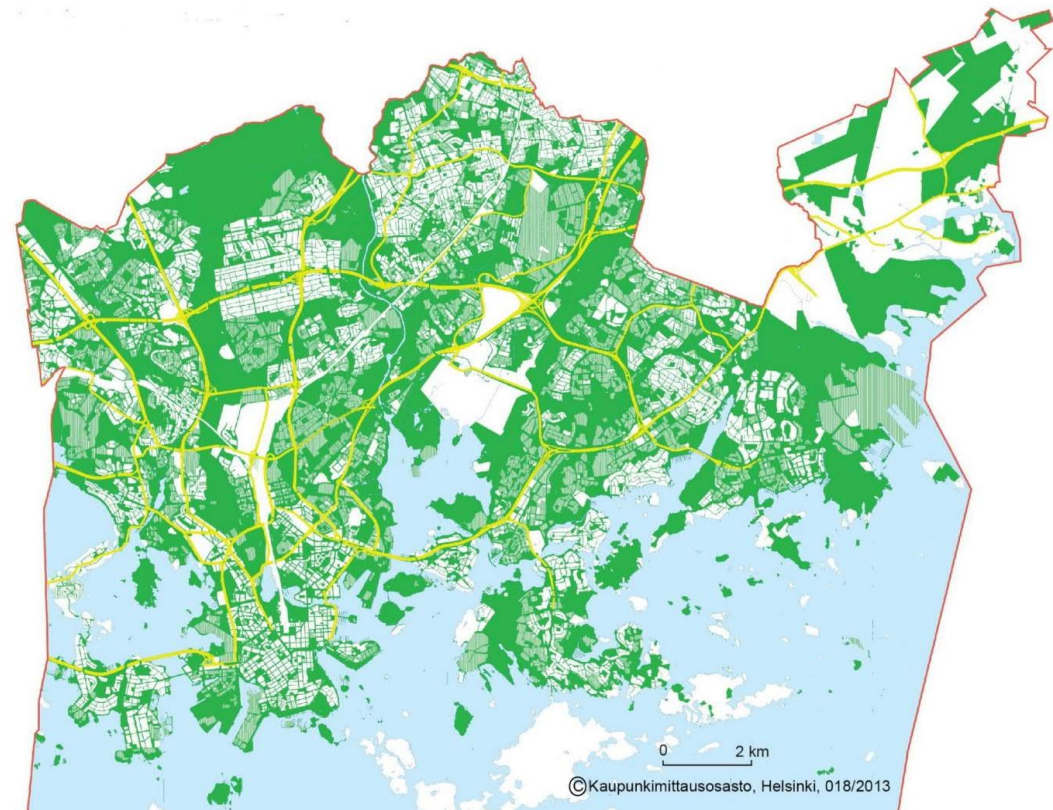


Helsinki

Helsinki

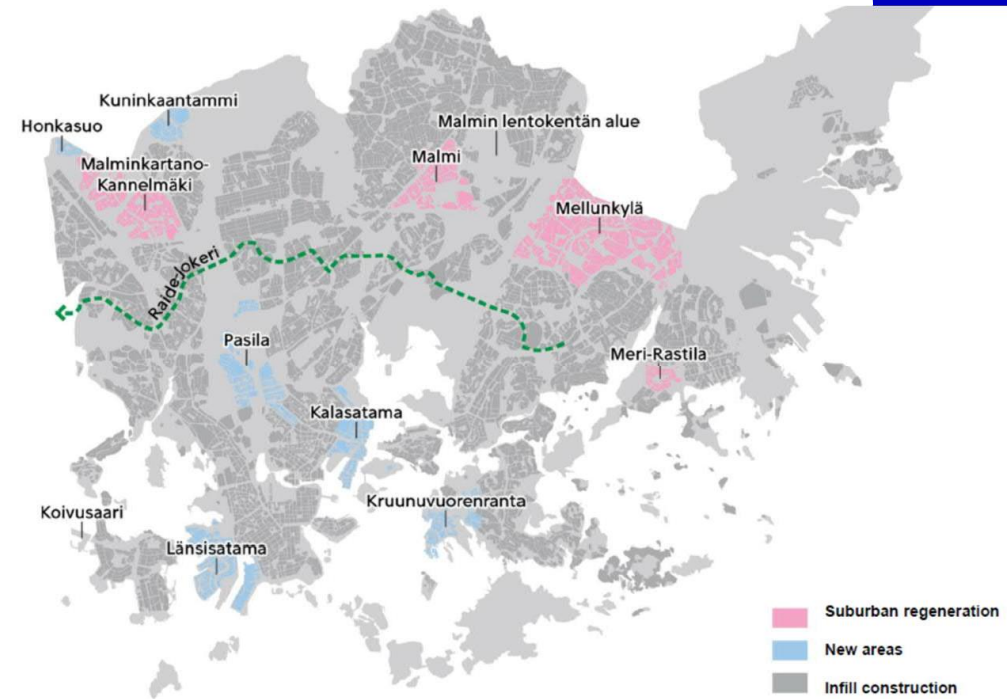
HELSINKI AS A LAND OWNER

- The City of Helsinki owns approx. 63 % of the land areas within its borders (135 km²) and approx. 5 000 hectares in other municipalities
- Approx. 70 % of the annual construction is carried out on plots leased or sold by the City
- The City leases or sells plots annually 300 000-400 000 gfa (approx. 300 000 gfa for housing)
- Approx. 80 % of the plots are leased and the City has over 9 000 land lease agreements (approx. 5 700 for housing)
- Annual income from land property 350-400 million euros (approx. 260 million from land lease agreements)



LAND MARKET IN HELSINKI

- In general, the demand for plots in Helsinki is strong (strong regional economy, urbanization...)
 - Strong market for housing (especially for multistory buildings in the city center and near the new Jokeri tram line)
 - Approx. 7 000 new flats build every year
 - Demand for office and hotel plots is much more localised (inner city, near railways stations...)
 - Current economic situation creates uncertainty
- However the market is strongly regionally distributed and the the plot prices vary strongly between different regions inside the City
 - Land prices vary approx. from 400 to 2800 euros/gfa
- No more unzoned land for the City to buy

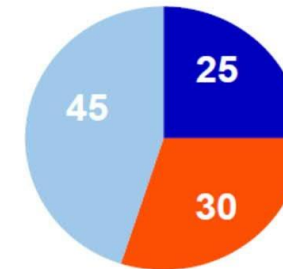


HOUSING POLICY AND LAND POLICY GUIDELINES GENERAL

- Helsinki uses plot allocation and land leasing/selling to implement City's strategic goals
 - Housing policy approved by the City Council
 - Prevention of segregation
 - 8 000 new dwellings/year
 - Sufficient amount of affordable housing
 - Carbon-neutrality by the year 2030...
- Land policy guidelines approved by the City Board 2019
 - Guidelines how the City selects developers for the plots (plot allocation)
 - Market-driven housing: price competition as a rule (but there are exceptions)
 - Social/price controlled housing: Most of the plots for City's own housing production and annual open application procedure for private developers
 - Guidelines for pricing of the plots
 - Market price as a rule, subsidized price (land lease) for state subsidised housing
 - Guidelines which plots to sell and which to lease
 - Most of the plots are leased, but there are exceptions: for example the most valuable plots, selling also possible if it promotes redevelopment of leased plots

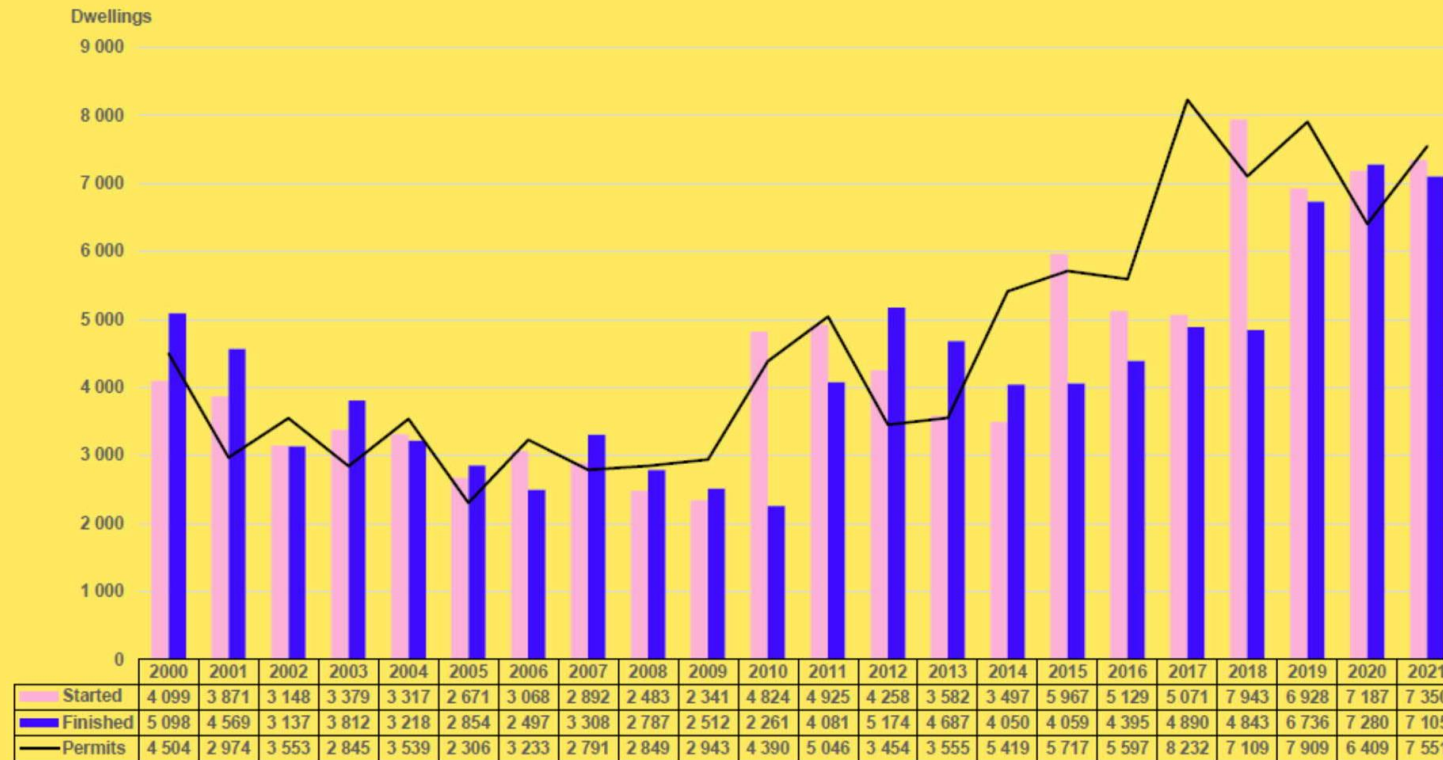


Objectives for distribution of tenure types and financing in annual housing production:



- State subsidised rental housing (including student and youth housing) 25 %
- Intermediate housing (e.g. Hita and right-of-occupancy housing) 30 %
- Non-regulated owner occupied and rental housing 45 %

Housing construction in Helsinki 2000-2021



Helsinki

LAND LEASE PRINCIPLES (1/2)

- **Land leasing is a three-step process:**
 - **Plot reservation** (approx. 2 years)
 - Selecting the developer
 - Setting the key terms for the project in the plot reservation decision (City Board)
 - Market-based housing or social housing, required energy efficiency level and so on...
 - **Short-term leasing** of the plot to the developer to apply for the building permit (approx. 6 months)
 - **Long-term leasing** of the plot for construction and use (60 years)
 - Controlling that the project has complied with the key terms set in the plot reservation decision
 - Determining the rent level (plot pricing) and the preparation of the land lease agreement
- **The lease term is about 60 years** (by law the lease term must be between 30 and 100 years)
- **The annual land lease is 4 % of the estimated market value of the plot** and is linked to the cost of living index
 - Market value of the plot is verified by a impartial appraiser's assessment
 - If the plot is leased for state subsidised housing the land lease (rent) is reduced so that the level required by the state is reached (reduced land lease is in effect as long as the dwellings are under price/rent control)
 - In the future the land lease is 3,5 % of the estimated market value of the plot, if the land lease agreement includes the possibility for level adjustment of the land lease level (in 20 year intervals)
 - The goal of the level adjustment is to ensure that the land lease keeps in right proportion compared to the true value of the plot through the lease period

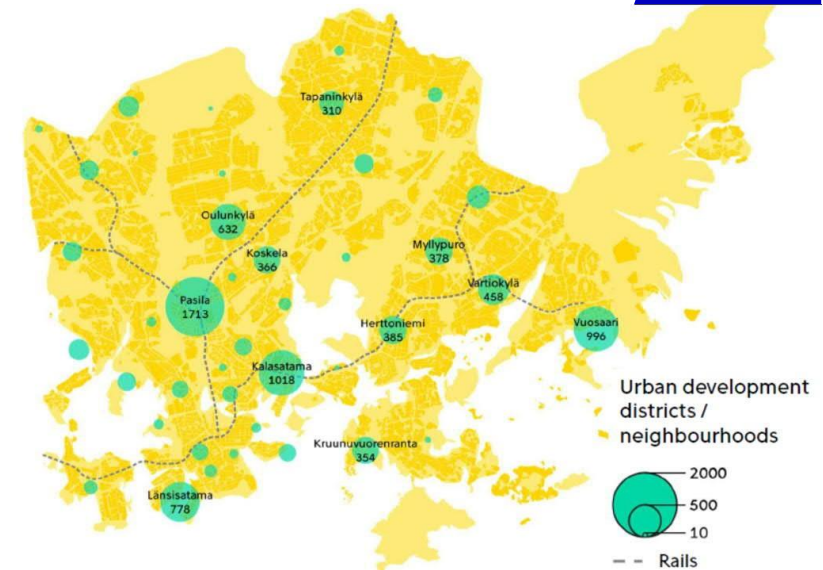
LAND LEASE PRINCIPLES (2/2)

- **Extensive standard contract terms and plot-specific terms**
 - Mortgage securities for the City
 - Construction obligation (2 years)
 - Terms about contaminated soil and other construction technical matters
 - Leaseholder's obligation to maintain the plot and the buildings
 - Leaseholder's priority to renew plot lease (or demolish the building after the lease period)
 - And so on...
- **Principles for land lease agreement renewal**
 - The land lease agreements of housing plots are usually renewed about 2 years before the lease term ends
 - The new rent and new contract terms are defined according to principles applied at the time of renewal
 - Especially on housing plots the renewal means a significant increase to the land lease and the City gives the leaseholders a transition period of 10 years
 - In the first year, 50 % of the new rent is charged, in the second year 55 % and so on...
 - In the final situation the land lease is 20 % lower than the corresponding newly build plot
 - Renewal of above mentioned principles is in progress



REDEVELOPMENT OF LEASED PLOTS

- The City of Helsinki has ambitious goals for redevelopment (50 % of all new housing is done in build areas through redevelopment)
- Although land leasing gives the lessor better opportunities to control the plot/areas in the long term, the lessee often has no economic interest in developing the plot because the increase in land value goes to the land owner (lessor) making redevelopment on leased plots difficult
- For the above reasons Helsinki has principles to make redevelopment more attractive for the leaseholders
 - City offers to buy the zoned new building right from the lessee for 40 % of the market value
 - The land lease agreement is modified and the plot deviated so that the City can lease the new building right to a developer
 - Alternatively the lessee has the opportunity sell the new building right zoned to the leased plot to a developer (to whom the City leases the new plot)
 - The City is also prepared to sell the new plot if it promotes the redevelopment or new/supplementary construction in existing neighborhoods





**Helsinki grows
strongly**

THANK YOU

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Europe's largest construction projects in Helsinki.

TALKING ABOUT LAND SERIES

DUBLIN

1 NOVEMBER 2022

PUBLIC LAND LEASING



Helsinki: Key Issues Raised for Irish Context

- Plot allocation and land leasing to implement City's strategic goals
- Policy Instrument for Affordable Housing
- Importance of contract terms and Principles for land lease agreement
- End of Lease: Renewal and transition periods and making redevelopment more attractive for leaseholder



Contents

- Points of Comparison: Enabling Affordable Housing
 - Barcelona
 - Belgium+France
 - Berlin
 - Zürich
 - London
- Reasons to Adopt Public Land Leasing Policy and Potential Challenges



TALKING ABOUT LAND SERIES

PUBLIC LAND LEASING: BARCELONA

Pathway towards a city-wide Community Land Trust

3 Phases (2016-) beginning with 2 Pilots (2014-15)

Trial procurement phase with feedback

Concluding with ESAL Agreement

- Memorandum of Understanding between:
Barcelona City Council+Non-profit and cooperative housing developers+Federation of Social Housing Developers
- Public-community partnership based on Long-term lease of municipal land: 60% rental, 40% cooperative



La Borda
(see FINANCE Booklet
for case study at soa.ie)



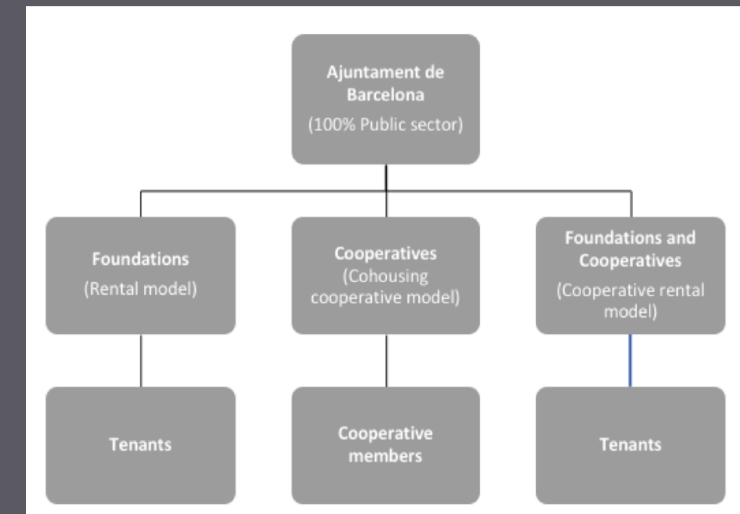
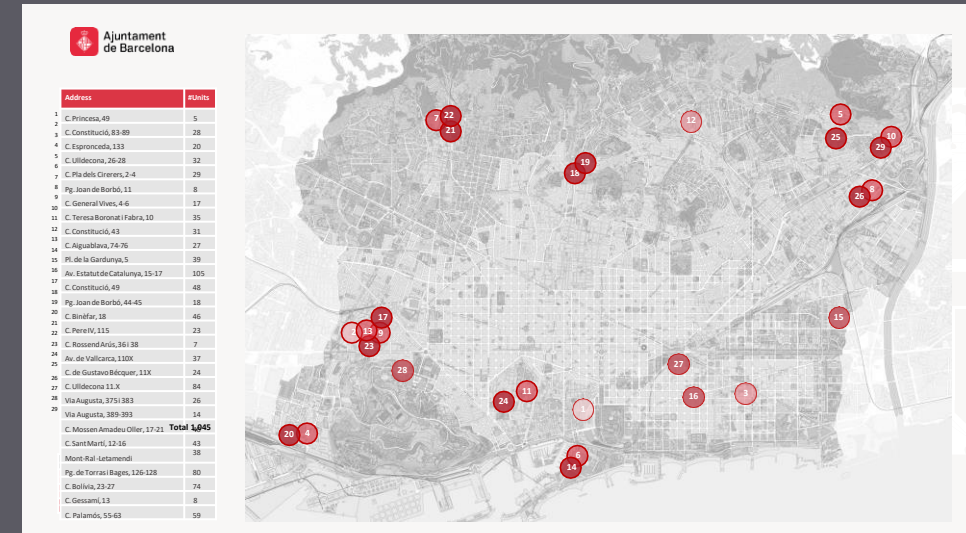
Princesa

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PUBLIC LAND LEASING: BARCELONA

Pathway towards a city-wide Community Land Trust:

- 99-year leases on public land to develop rental and cooperative housing.
- Annual Fee (€2,000-€3,000)
- Goal: 1,000 units on public land in 10 years
- Negotiated Process for land allocation within the framework of the agreement
- Distributed governance Structure.
End goal: fully-fledged Community Land Trust.



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PUBLIC LAND LEASING: BARCELONA

- Limited equity Cooperative (Cohousing model)
- Grant of Use (downpayment+monthly fee)
- Allocation: Income+no other property
- Innovation in Construction technology and project delivery
- Aimed at New Build and Renovation
- City Guarantee: default revert to Lessor
- Loans from State Bank
- Revolving Fund



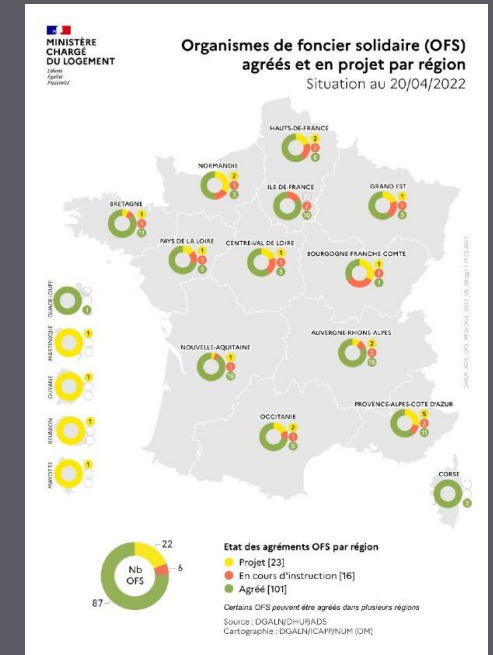
La Borda
(see FINANCE Booklet for case study at soa.ie)

TALKING ABOUT LAND SERIES

PUBLIC LAND LEASING: FRANCE AND BELGIUM

Community Land Trust as a Mechanism for Affordable Housing: Owner-Occupied Tenure

- OFS model main delivery model for affordable homes in France
- Law Change
- 50-60 year automatically renewing lease
- Limited equity development (resale formula) and perpetually affordability
- Resident participation pre/post-development



OFS in Development



Arc-en-Ciel/Brussels CLT

(see LAND Booklet for case studies at soa.ie)

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PUBLIC LAND LEASING: BERLIN

Leases Land according to Social Concept

“With the [social] concept procedure, the State of Berlin is supporting a discounted allocation of state-owned land for the construction and use of projects aimed at the common good, for example with a focus on multi-generational living, social mix, art and culture or sustainability. Cooperatively organised groups, assemblies, artists, etc. in return, in their concepts, declare that they are ready to take on a part of the service of general interest for Berlin. By granting heritable building rights (leasehold interest) in the concept process, the properties can be withdrawn from speculation.

With this objective, [social] concept procedures also serve primarily to support sustainable and socially just urban development. Strengthening the concept process is therefore an essential urban development policy objective...And it is a future-oriented instrument for an open, creative and social city”

Berliner Immobilienmanagement GmbH (BIM) (see LAND Booklet, p.21)

- Land Leasing now prioritised in Berlin
- 1.8% for housing cooperatives and social, cultural and sporting uses,
- 2.7% for commerce, industry
- 4% for private homes and condominiums



Lausitzerstrasse Cooperative

Canton Land Policy and Supporting Housing Cooperatives

- In the 1980s, the Constitution of the Zurich Canton was altered to forbid the sale of public land within the city boundary
- regulation that 1/3 of all rental housing in Zürich should be supplied by not-for-profit providers.
- c.15% of cooperative housing is built on state-owned land leased from the city at a rate of 1.5%. Otherwise cooperative housing is generally built on land bought by the cooperative.
(see POLICY Booklet, p.28)



Kalkbreite Cooperative

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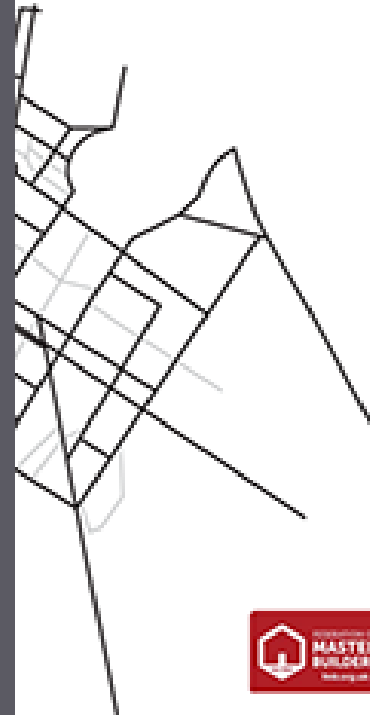
PUBLIC LAND LEASING: LONDON

Activating Small Sites for Affordable Homes

Maximise housing delivery by:

- Diversifying the local house building market
- Engaging smaller builders
- Unlocking small sites and landowners that are not attractive or available to established house builders
- TfL Sites

Small is beautiful
Delivering more homes
through small sites



GLA Small Sites – Small Builders programme aiming to tackle reasons for both the decline in SME developers and development of small sites:

- Access to sites
- Access to finance
- Planning uncertainty

GREATER **LONDON** AUTHORITY

Reasons to Adopt a Public Land Leasing Policy



- **Community (mode of organisation)**
→ Collaborative model
- **Land (relationship to land)**
→ Collective ownership
- **Trust (mechanisms)**
→ Perpetual control of assets

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PUBLIC LAND LEASING: LOWER DEVELOPMENT COSTS

Lower Development Costs

- What impact will Leasing have on viability and Affordability?
Study needed to test impact of Public Land Leasing in different contexts and current conditions, for both new build and renovation
- Pilot Projects
- Consequences for Cost-Rental?
(Leasehold basis and guarantee of agreement?)

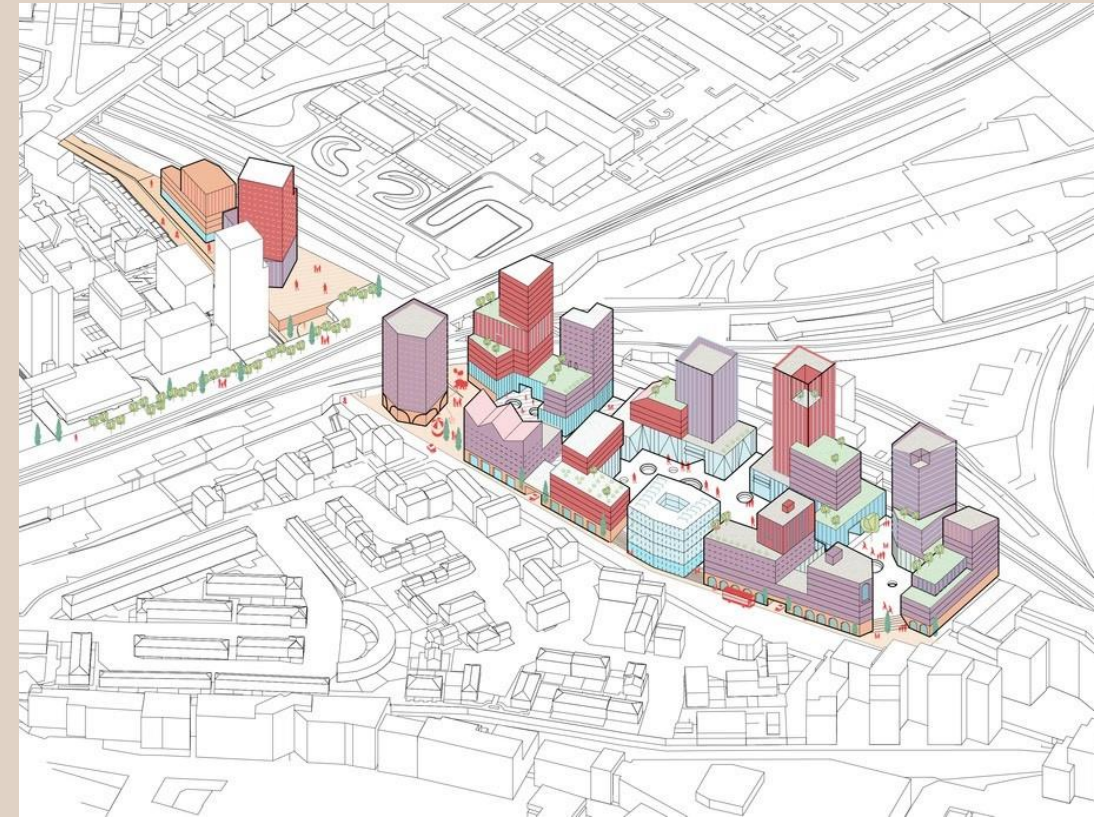
EXAMPLE 2: COMMUNITY-LED HOUSING WITH LAND-LEASE COMPARED TO SCSI REAL COSTS FOR DEVELOPER-LED HOUSING

Assumptions:

1. Each household is reduced in area by 14m² to provide shared facilities (20 households would yield shared spaces of 20 x 14 = 280m² shared space)
2. Costs for 14m² are carried by individual households (household size = 100m² + shared space 14m²). Project aims to be carbon neutral, gas boiler swapped for air-to-water heat exchanger
3. CLH group lease site from local authority/ Community Land Trust

INSTRUMENT FOR LONGTERM CONTROL

- Active Planning Instrument for Social or Planning Objectives
- Prevent Speculation in Land
- 2030: Support Development aimed at the Common Good
- Strategy for continual Renovation/Renewal
- Strategy for Land Value Capture? (NESC 145: Urban Development Land, Housing and Infrastructure: Fixing Ireland's Broken System)



London: Camley Street Masterplan: <https://www.karakusevic-carson.com/projects/camley-street-community-land-trust-and-sustainability-zone>

TALKING ABOUT LAND SERIES

PUBLIC LAND LEASING:

ENABLING PERPETUALLY AFFORDABLE HOUSING

- Subsidies Remain permanently effective
Perpetual Affordability:
 - Allows for Owner Occupied tenure and (pre-specified) equity development for home owner.
 - Suited to Cooperative/rental tenures
- Default: Revert to Lessor
- Guarantee/Lower Borrowing Costs
- A rational site allocation process (Barcelona)
- Help Diversify Supply: Type and Developer
- Strategy for Dispersed/Centralised Sites
- Encourages Innovation
- Less contentious option



Brasted Close Project : London CLT

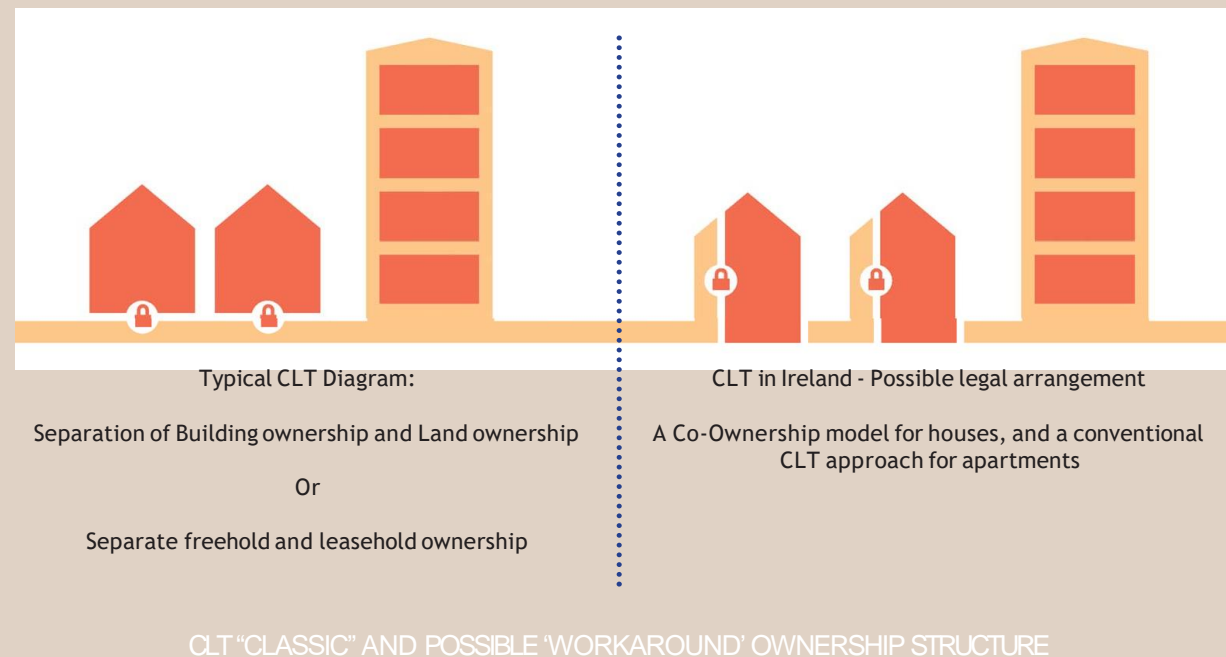
Legal Issues

Heritable Rights

- Principle of Heritable Rights v Grant of Use
- Financing Development

Landlord and Tenant (Ground Rent) Act 1967-94

- A lease of land under S.211 (5) of the Planning and Development Act, 2000 is not subject to The Landlord and Tenants Acts, 1967 to 1994



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PUBLIC LAND LEASING: ISSUES

Land as Income Source

- “Policy Objectives of generating lease revenue and providing affordable housing are incompatible”

Revolving Fund

What Happens when the Lease period ends?

- Higher Costs on Renewal:
Helsinki staggered increments
- Lessor v Lessee benefits in Value Capture
on land improvement



Norton-sub-Hamdon CLT

- **Stakeholder-agreed Key Recommendation:**
Empowerment of public agencies, by government, to adopt policies for sale or allocation by lease of public land for development on the basis of a competitive procedure, according to social value criteria and financial viability
- **Pilots: Develop Policy**
Community Land Trust and Housing Cooperatives
- **Public Land Leasing part of integrated long-term strategy for affordable housing and social use**
- **Enable large scale urban renewal or policy for scattered sites**
- **Enabling Framework for Affordable Housing**



More information and Case Studies:



TALKING ABOUT LAND SERIES
PUBLIC LAND LEASING



Thank you!

