
Governed by Municipal Land Allocations: Implications for Housing Developers

Governed by
Municipal
Land
Allocations

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Abstract

Purpose: – Previous research on clients' procurement typically focuses on their procurement strategies. Research on local sustainability governance has, however, revealed that municipalities also govern construction projects through land allocations. This paper aims to explore how housing developers are governed by municipal land allocations and the implications. The purpose is to problematize the governance of sustainability during the early phases of construction projects.

Design/Methodology/Approach: – A case study on an urban development project in Sweden was conducted. Empirical material consists of interviews with housing developers' project managers, observations from seminars and meetings between the developers and municipality officials and the municipality's policy for land allocations and sustainability program. This was analyzed using [Bulkeley and Kern's \(2006\)](#) typology of modes of governing change at the local level as a framework.

Findings: – The results provide examples where the municipality governs the housing developers by authority, enabling and provision. The implications for the housing developers during the early phases of their construction projects are explored.

Research limitations/implications: – Findings have implications for research on clients' procurement strategies because it illustrates how they can be governed during the early phases of certain construction projects, which might limit their flexibility during procurement. However, the study is only based on housing projects in one urban development project governed by one municipality.

Practical implications: – Findings provide support for clients when designing their procurement strategies.

Originality/value: – This paper contributes to the understanding of how sustainability is governed in construction projects and the implications for housing developers' flexibility.

Keywords Governance, Sustainability, Municipal land allocations, Construction procurement, Early planning phases, Socio-technical transitions

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1. Introduction

Construction procurement can be understood as a governance mechanism for the client to incorporate various requirements in construction projects, such as social and environmental



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sustainability requirements (Petersen and Kadefors, 2016; Varnäs *et al.*, 2009). Previous research on procurement often takes the construction client's (referred to as housing developer in this study) perspective and focus on their procurement strategy (Eriksson and Hane, 2014) or effects of various procurement strategies (Eriksson *et al.*, 2017). Construction clients are often considered change agents and innovation champions because of the power afforded by their position to formulate requirements during procurement (Kulatunga *et al.*, 2011).

Previous research on local sustainability governance (e.g. Smedby and Quitzau, 2016) has, however, revealed that municipalities also govern sustainability in construction projects using municipal land allocation agreements. In these cases, the municipality allocates land that they own to housing developers and place requirements on sustainability for the construction project that may exceed current legislation (Caesar, 2016; Smedby and Quitzau, 2016; Smedby, 2016). Hence, in housing projects on municipal land the land allocation process that precedes the developer's procurement process can influence the procurement requirements. By placing sustainability requirements on housing developers in the land allocation process, municipalities place demand on the housing developers to find design and production solutions that meet their requirements. This, in turn, places housing developers in a position in which they are both being governed by the municipality while having the power and position to govern contractors through their own procurement.

This paper explores how housing developers are governed by municipal land allocations and what the implications are for the developer during the early phases of their construction projects. The purpose is to problematize the governance of sustainability during the early planning phase of construction projects.

2. Literature on land allocation

“As the research on urban responses to climate change has grown, so too has recognition of the potential importance of the city as a site for addressing the issue” (Bulkeley, 2010; 230).

An increased involvement of local governments in construction has led to a discussion on their role as change agents, albeit still an arguably modest one (e.g. Smedby, 2016; Tambach and Visscher, 2012; Circo, 2008). Although municipalities in numerous countries have a monopoly on urban planning and land use, which creates opportunities for action (Tambach and Visscher, 2012), some have found their role as an authority to be insufficient in governing sustainable change (Smedby and Quitzau, 2016). Owing to “insufficient jurisdiction over buildings' technical qualities” (Smedby and Quitzau, 2016; 328), municipalities in some countries have instead found that their position as landowners offers them another alternative for governing sustainable development.

Land ownership enables municipalities to regulate local development and promote sustainable development and innovation by placing sustainability requirements on housing developers that extend the current legislation (Caesar, 2016; Smedby and Quitzau, 2016; Smedby 2016). Examples of this have been found in Sweden, Denmark, the Netherlands and Germany (Smedby, 2016; Smedby and Quitzau, 2016; Tambach and Visscher, 2012; Bulkeley and Kern, 2006). Through the allocation of desirable and developable land, municipalities can use their urban development projects as testbeds for innovative sustainable solutions. The idea is that the knowledge gained during these demonstration projects will be shared to influence mainstream construction practices (Femenias, 2004). Femenias (2004) found that these projects pose many challenges for developers as their experimental nature adds an additional layer of risk and uncertainty.

In Sweden, an earlier involvement of housing developers has become common (Caesar, 2016). Housing developers are assigned to municipal land during the planning phase to

produce a definite development right “in an interdependency-based partnership” with the municipality (Caesar, 2016; 258). During this stage (i.e. between land allocation and the procurement of contractor(s), the developer produces a solution for the building that meets both the municipalities and their own requirements. Requirements from the municipality are, however, subject to modifications during this process, and the question of how the developer best coordinates their plans and activities with surrounding construction projects still stands. If the developer cannot find solutions that also meet the requirements set by their own organization, such as budget and time, they are forced to back out, albeit not without possible future consequences. Backing out could negatively influence their relationship with the municipality and potentially cost them future opportunities to develop on municipal land (ibid). This is especially problematic in Sweden where “a significant proportion of the land is publicly owned by either the state or any of its 290 municipalities”, the supply of housing is heavily dependent on the supply of municipal land (Caesar, 2016; 258). In addition, the developer has invested a substantial amount of time and money into the development process.

3. Governing change

To analyze municipal land allocation as a governance mechanism, we use Bulkeley and Kern’s (2006) typology of modes of governing change at the local level. In previous research, the typology has been applied as a framework to analyze municipalities’ capacities to facilitate changes (see e.g. Smedby and Quitzau, 2006), and is appropriate for this study owing to its similar focus on the local level. The modes of governing change at the local level include governing by authority, governing by enabling, governing by provision and self-governing (Bulkeley and Kern, 2006). Governing by authority encompasses local governments’ capacity to govern using regulations and requirements together with sanctions. Governing by enabling on the other hand refers to “facilitating, coordinating and encouraging action” and “works through persuasion, argument and incentives” (Bulkeley and Kern, 2006; 2,242). “By adding enabling modes of governing, which facilitate learning and provide other forms of inducement to participating developers, the traditional enforcement strategy can be supplemented” (Smedby and Quitzau, 2016; 325). Governing by provision concerns their ability to use services and resources that they provide to change practices. As the municipality’s capacity to govern itself is not relevant for this study, self-governing is not used.

Sustainable changes to construction practices that municipalities try to govern can also be discussed in terms of transitions in socio-technical regimes (Smedby and Quitzau, 2016). Socio-technical regimes are considered “stable configurations of institutions, techniques and artefacts. . . that determine the ‘normal’ development and use of technologies” (Smith, *et al.*, 2005; 1,493). Rather than placing the emphasis on the actual governance of such a transition effort in a regime, this paper seeks to adopt the perspective of actors that are governed and delve into their responses.

4. Method

A literature overview revealed that there are municipalities that use land allocations as a governance mechanism. This form of local sustainability governance and its implications for housing developers were then explored in a case study of one phase of Stockholm Royal Seaport (Norra Djurgårdsstaden) to develop context-dependent knowledge of the phenomenon (Flyvberg, 2006). Stockholm Royal Seaport is a large, long and complex urban development project in Sweden initiated by Stockholm municipality. High requirements on sustainability have made this a prestigious urban development project for the municipality.

It also poses ambitious challenges for the housing developers and their contractors in the construction projects.

The empirical material gathered from the case consists of semi-structured interviews, meeting and seminar observations and document analysis. Seven semi-structured interviews with housing developer's project managers were conducted while they were in the early planning phase of their projects, i.e. when developing the solution, initiating the design and briefly planning the production. Interview questions included background information and themes such as their working process, sustainability requirements, the municipality and procurement. Non-participant observations from seminars and meetings between the municipality and housing developers during this period were also used to study the interaction between these actors. Finally, the municipality's sustainability program and policy for land allocations were studied. The material was coded and interpreted using [Bulkeley and Kern's \(2006\)](#) typology described in Section 3.

5. Findings

5.1. *Governing by authority*

The requirements in the municipal land allocation agreements are the most prominent governance mechanism used by the municipality in this case. This also makes governing by authority the primary mode applied. The interviews indicate that the land allocation agreements governed all of their work during the early phases of their projects to some degree.

“What was in the land allocation agreement has very much governed the way the project looks today, how it has developed. It has mainly been about holding together all of the sustainability requirements with that related to customer value and budget. . . so we can develop something we are actually able to carry out” (project manager, interview).

The developers were for the most part positive toward the high requirements on sustainability, seeing them as a challenge that offered opportunities to try new solutions. However, all project managers emphasize the additional costs of incorporating all of the requirements, which, in turn, also seriously limits their flexibility. For example, in an interview, one project manager expressed a desire to work more with social sustainability aspects but felt that this was not possible owing to the financial strain that the municipality's requirements placed on their project's profit margins. A number of requirements were also questioned by many of the developers. During a seminar about window solutions, one project manager expressed their concern that incorporating certain requirements would result in very high costs and that the benefits for the end consumer would be difficult to motivate. Similarly, when talking about the solution for the sewer systems, another project manager said:

“Is this sustainable in the sense that you can motivate the costs for it” and “the cost for implementing this is very high, labor costs and alternative costs for including the shaft, and at the same time the benefits are limited” (project manager, interview).

A big concern with the sewer system was also that it was untested meaning the risk of them making mistakes is much higher, which is very problematic when building at such a large scale. Another example is the Building Logistics Centre (BLC), which is a logistics solution for improving various sustainability aspects such as working environment and safety on site. The solution is mandatory for all of the housing developers to use. Although many developers had not started thinking about this requirement, a few of them were again concerned with the additional costs this would bring to their projects in relation to its benefits.

A number of requirements were also proving problematic for the developers as they had not been clear in the land allocation agreement and were in conflict with other requirements. For example, one project manager said:

“They say we should have green roofs and a lot of vegetation on the roofs but at the same time it is not approved from a fire safety standpoint, you are not allowed to do it. So the sustainability program requires us to build something that we actually are not allowed to build” (project manager, interview).

Another example is the parking solution, which would require the buildings to be constructed in a certain order, while noise from the port requires them to build in a different order. In the interviews, it became evident that the developers expect the municipality to take more responsibility and resolve these inconsistencies and concerns. Some also felt that they should already have evaluated aspects such as noise levels before allocating the land, which were now resulting in wasted resources and time for the housing developers.

5.2. Governing by enabling

Some developers found that the high ambitions on sustainability and desirable location by the international port pose both a challenge and incentive to succeed with the project. “Such a wonderful location in a wonderful city with wonderful ambitions. It is naturally both a carrot and a challenge to succeed in this kind of area” (project manager, interview).

One strong incentive for the housing developers appeared to be developing their long-term relationship with the municipality. This became apparent in their reluctance to oppose the requirements from the municipality that they did not agree with unless other developers followed suit.

It is always sensitive to be the one that is troublesome towards the municipality. We have long-term relationships with the municipality and then you don’t want to be the only one that. . . causes difficulties when everyone else follows (project manager, interview).

Instead, the housing developers created a forum on their own initiative so that they could raise concerns to the municipality together. Observations from meetings and seminars also reveal that the project managers are careful not to criticize the municipality when voicing their concerns and sometimes clarify that their comments are not a critique of the municipality’s work. The prospect of future municipal land allocations appears as an informally enforced incentive for housing developers to produce successful projects for the municipality.

5.3. Governing by provision

There are a few examples in which the municipality also governs by provision. One example is the competence seminars that were offered to the housing developers, as well as their architects and consultants when relevant, to help them develop knowledge about various sustainable building practices. The developers are unanimous in their positive response to this resource offered to them. They consider them useful, a good opportunity to learn and develop their knowledge and competencies and a good way to make sure that they were on the right track.

“To share and offer that expertise that exists. . . all parties can note that ‘great we are on the right track’ or ‘here we don’t know what we should do’” and “I would say absolutely useful every time. It is a fantastic learning opportunity” (project manager, interview).

Project Manager 3 was also very happy that the municipality provided a sustainability portal so that reporting was digital rather than done by hand because this saved them time and resources.

6. Discussion

The findings suggest that much of the housing developers' decision-making regarding their solutions take place during the early planning phases. These decisions will influence how they work with design and production and consequently affect their development of procurement strategies for procuring contractors. In housing development projects on municipal land, early decisions on solutions are largely dependent on the land allocation agreement and the relationship with the municipality during early phases (Caesar, 2016). This seems to be an implication of the way that the land allocation agreement and relationship with the municipality limits the housing developers' flexibility later in their projects. These are important factors that previous research on client procurement strategies, such as Eriksson *et al.* (2017), do not take into account when discussing clients' abilities to govern their projects.

In addition, early sustainability requirements put pressure on developers in terms of increased risk and uncertainty, which Femenias (2004) also observed in her study. Being innovative and testing new solutions is not common procedure in construction, especially not in housing. This is because housing, to a large extent, is based on standardized and prefabricated products and standardized processes, and that specific requirements and unique solutions are perceived as risks bearing extra resources and costs. The findings provide indications of the challenges that housing developer's project managers face in the process of sustainable socio-technical transitions governed by municipalities and the rationales behind why certain aspects are not effectively adopted.

As in Smedby and Quitzau's (2016) study, instances where the municipality used three of Bulkeley and Kern's (2006) modes of governing change could be identified in this case. While municipalities are able to exert their power in projects taking place on municipal land, they cannot ensure that their influence extends beyond these individual projects. Demonstration projects however offer the potential of changing mainstream construction practices through the dissemination of new knowledge. This could be seen as an instance where governing by authority is supplemented with governing by enabling (Smedby and Quitzau, 2016) and provision.

7. Conclusions

The purpose of this paper was to problematize the governance of sustainability during the early phases of construction projects. By studying the housing developers' responses to the municipality's efforts to govern sustainable socio-technical transitions, this paper illustrates how housing developers can be governed by municipalities during the early phases of housing projects and how this might limit their flexibility. The case study of the Stockholm Royal Seaport urban development project provides an example of how municipal land allocations with high requirements on sustainability create a set of conditions that housing developers must work with during the early planning phases of their projects, which will influence their solutions and consequently their procurement process as well. This study suggests that the procurement process is to some extent governed by municipalities in these cases, meaning the construction client is not the only change agent and innovation champion in such projects. The housing developer's intermediary role in sustainable socio-technical transitions, where they are both being governed by land allocations and governing through procurement is, thus, in need of further investigation. For example, a question for future research is how developers translate, or materialize, municipalities' sustainability requirements when designing their procurement strategy. Another question for future research is regarding procedures for following up on sustainability requirements. Are the sustainability requirements met on a short and long-term basis, and if not, why?

This study also has limitations. We have only studied housing projects in one urban development project governed by one municipality. Further studies could include housing projects in other urban development projects governed by other municipalities. Another limitation is that we have not yet explored the procurement process for each housing project as they are still in the early planning phases.

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