

Integration Through Affordability

Exploring inclusionary housing strategies in
New York City and Gothenburg, Sweden



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Master's Thesis

MSc, Architecture and Planning Beyond Sustainability

Chalmers University of Technology

Examiner: Ola Nylander

Supervisor: Kaj Granath



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Abstract

Many Americans view Sweden as a model of equality, with a system of universal welfare that provides for the well-being of all citizens.

However, Sweden is in the midst of a housing crisis, and residents with lower incomes are especially impacted by the effects of the market turn taken in recent years. Yet still the ideal of a universal system holds tremendous power, and stakeholder options are limited for targeting housing to residents with lower incomes.

Many low-income residents of the United States also have difficulty accessing adequate and affordable housing, but the U.S. has a long history of a dual housing system, with private market-driven housing supplemented by selective programs for those in need.

In recent decades localities in many countries have adopted inclusionary housing policies as a way to combat segregation and incentivize the private sector to create housing that is affordable for residents with lower incomes.

Inclusionary housing policies generally imply a selective, means-tested approach, as the low-rent dwelling units created are typically reserved for residents with low incomes. The Swedish system historically has not had this type of selective housing, but in Gothenburg the municipality is experimenting with using the land allocation process to spur the creation of low- and mixed-income housing.

This thesis project explores the housing regimes of Gothenburg and New York City through the perspective of housing for people who have low incomes, examines the structure of inclusionary housing policies in New York City, and investigates Gothenburg's recent experiments with inclusionary housing.

Keywords:

inclusionary housing; affordable housing; housing policy; housing regimes

Author Background and Motivation

I graduated in 2000 from Virginia Polytechnic Institute and State University in the United States, with a professional B.Arch degree from the College of Architecture and Urban Studies.

I entered the profession with a desire to engage with projects that would help address social issues, and from 2004-18 I worked as a designer and architect in New York City, primarily on the design and construction of new multifamily social housing – affordable housing for residents with low incomes, and supportive housing for formerly homeless residents with persistent mental illness.

These projects were typically developed by non-profit organizations and financed by city, state, and federal agencies. These were selective and means-tested programs intended for a particular subset of the population – very different from the universal nature historically associated with the Swedish system.

I applied to the MPDSD program in order to broaden my perspective and to learn more about sustainable planning, design, and development in the context of Sweden and Europe. During my two years at Chalmers I have taken courses focused on planning and urban design.

As an American, this thesis project has been an opportunity to learn more about the history, structure, and direction of the Swedish welfare state and housing system, and to reconsider the nature of affordable housing in the United States.

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1. Introduction

1.1. Background

1.1.1. View from the United States

More than a decade after the 2008 crash many areas of the United States are still in a housing crisis, with lack of affordable housing, a high rent burden, gentrification, and displacement leading to rising homelessness.

Residents of large cities have been especially impacted. Stein (2018) cites recent statistics from New York City, where in 2014 a majority of tenants were “paying more than 30% of their income in rent, and 70% of New Yorkers with extremely low-incomes were paying more than 50%”. In 2017 “over 60,000 individuals [were] struggling through the city’s sprawling shelter system and living on the streets.”

In recent years some U.S. politicians and activists have put forth proposals to address housing issues by capping rent increases, restricting evictions, prioritizing tenant rights, reigning in predatory landlords, expanding rental assistance programs, and building new affordable housing.

Some of these proposals for new housing look to Europe – and particularly to Scandinavia – for better models of providing housing that is affordable and accessible to all (e.g. Gowan & Cooper, 2018). But how accurate is this view?

1.1.2. Sweden

The Swedish housing market is often described as a unitary system, with housing intended for everyone developed by municipal housing companies [allmännytt] and private developers (in contrast to the dual market of the United States, with residual means-tested social housing programs). It was through this system that Sweden built more than a million units of new housing in the 1950s, 60s and early 70s, transforming the urban fabric and improving living conditions throughout the country.

Today however Sweden is experiencing its own housing crisis, with a shortage of apartments, rising rents, and municipal housing in many localities converted to owned housing or sold off to for-profit investors. But these pains are not universally felt.

Rothstein (1998) suggested that support from the economic middle is “absolutely critical” for the success of programs that provide assistance to lower economic groups, and the Swedish welfare system is designed to support all economic classes. In contrast to benefits such as health care and education, which serve all residents, the majority of the population is not housed in *allmännytt*, but in a home that they own, either a freestanding house or a cooperative apartment, and most newly built housing is sold, not rented.

Owned housing is not a universal system, as prices are high and most residents with low incomes cannot afford the down payment to buy. And they increasingly have difficulty finding apartments to rent due to high rents and long queues.

Housing allowances are available for certain low-income groups (young people, the elderly, and families with children), but the amounts are not always sufficient, and some landlords – even some municipal housing companies – will not accept such allowances when reviewing qualifications (Lind, 2017). And studies have shown that while Swedes generally have high levels of support for taxes related to the welfare system, there is little public support for increased government spending on housing allowances (see Appendix 1).

With housing policy now shifted from the national government to the municipalities, the municipalities in turn have begun to look outside of Sweden for new models that might address the challenges of rising inequality and segregation.

1.1.3. Inclusionary Housing

In recent decades localities in many countries have adopted inclusionary housing policies as a way to mandate or incentivize the creation of mixed-income housing by private developers and combat urban segregation.

In New York City, inclusionary housing policies were first implemented in 1987 as a voluntary program that offered density bonuses to developers building in certain areas of the city in exchange for creating housing that is permanently affordable to people with low incomes.

The city introduced a new mandatory inclusionary housing program in 2016, expanding the areas designated for inclusionary housing and creating mandatory requirements instead of voluntary incentives (Stein, 2018).

Inclusionary housing programs generally imply a selective, means-tested approach, as the dwelling units created are typically reserved for residents with low incomes, and eligibility for housing under New York's MIH program is based on the amount of one's income relative to area median income (AMI).

The Swedish system does not have this type of selective housing, but in Gothenburg the municipality is experimenting with using the land allocation process to spur the creation of low- and mixed-income housing. However there are worries from some that these pilot projects could open the door to establishing a system of selective social housing.

1.2. Purpose / Exploration

The purpose of this master's thesis is to advance knowledge about strategies and challenges related to creating diverse neighborhoods and developing housing for low-income residents of Gothenburg and New York City through inclusionary housing policies.

This master's thesis compares the dual housing market of New York City with the unitary market of Gothenburg, and examines how these housing regimes have shaped the development and implementation of inclusionary housing policies and programs in each city, especially in regard to targeting affordable housing to people who have low incomes.

Particular focus is given to Gothenburg's predominant ownership of land for development, and how this has permitted the municipality to set mandates without offering density bonuses or other incentives.

1.3. Main Questions and Objectives

1. How are Gothenburg and New York City using inclusionary housing policies and programs to promote the development of diverse neighborhoods and affordable housing?
2. How has the city of Gothenburg attempted to adapt the inclusionary housing model to fit the Swedish unitary housing system and the municipality's predominant ownership of land for development?

1.4. Delimitations

This thesis project:

- Explores the housing regimes of Gothenburg and New York City through the perspective of housing for people who have low incomes.
- Examines the structure of inclusionary housing in New York City, from its first implementation in the 1980s to the 2016 creation of the city's Mandatory Inclusionary Housing (MIH) program.
- Investigates how the municipality of Gothenburg is experimenting with new modes and methods of facilitating the development of diverse neighborhoods and housing accessible to residents with lower incomes, through leveraging the municipality's predominant ownership of land for development in order to mandate inclusionary projects.

1.5. Disposition

The following chapter discusses the research methods used for this thesis project. Chapter 3 provides an overview of the housing regimes in New York City and Gothenburg. Chapter 4 offers a brief introduction to inclusionary housing, with chapters 5 and 6 presenting inclusionary housing policies as implemented in New York City, and Gothenburg's experiments with using the land allocation process to mandate low- and mixed-income housing. Finally, chapter 7 end this thesis with discussion and conclusions regarding the research.

2. Method

This thesis project is qualitative research for and on design.

Reviews of literature and documents have formed the basis for understanding the historical context and the facts of the present situation in Gothenburg and New York City. Reviewing primary source material related to Gothenburg is somewhat difficult as I cannot read Swedish, (although computer translation tools have helped with digital resources), so a key part of the project has been stakeholder interviews in order to learn about practices, goals, motivations, and opinions.

2.1. Literature Review

A review of articles and books was begun during the fall semester preparatory course and continued through much of the spring term, with an emphasis on recently published work, in order to develop and focus the research topic and questions, and to develop a better understanding of current research related to housing regimes and approaches to providing access to housing for people with low income.

2.2. Case Studies

Gothenburg's recent experiments with using the land allocation process to spur the development of low- and mixed-income housing are examined as case studies to gain insight into how the unitary housing system affects the viability of inclusionary housing policies in Sweden. These are contrasted with voluntary and mandatory inclusionary housing policies implemented in New York City.

A case study often “enables a phenomenon to be studied over a period of time” (Farquhar, 2012), although this long-term view can be difficult in the context of a master's thesis project. There are, however, a number of earlier papers and thesis projects examining the Gothenburg initiatives from a variety of viewpoints, and by reviewing this material I was better able to query stakeholders and search for current material to see how the projects developed and changed over time.

2.3. Interviews

In-depth, semi-structured interviews were conducted with a variety of actors directly involved with the case study projects or other aspects of housing in Gothenburg (a full list of interviews can be found in the appendix).

There can be drawbacks to interviewing as a research method – preparing, conducting, transcribing, and analyzing each interview is time consuming, and the information gathered through interviews may be inaccurate (Morris, 2015). To counteract the latter, where possible the same information was sought from multiple interviewees or verified through other documents.

Anonymity is typically given to interview participants for research related to sensitive subjects or where there is a power imbalance between the researcher and the participant (Silverman, 2010), however in case study research it can be beneficial if participants are identifiable (Yin, 2014). Interviewees for this project were asked for their consent to being identified and to the interview being audio recorded.

Prior to each interview a guide was prepared with general topics and specific questions to discuss. The semi-structured nature of the interviews allowed for a conversational approach; some discussions closely followed the structure of the guide, while others were more actively steered by the interviewee – in which case the guide was used to ensure that the desired questions were covered. Interviews through mid-March were conducted face-to-face, later interviews were via videoconference. In a few cases, follow-up questions were sent later via email.

2.4. Document Study

Documents such as vision plans, presentations, reports, drawings, memos, and meeting minutes from the city of Gothenburg, Älvstranden Utveckling, and other stakeholders, along with governmental statistics and contemporaneous newspaper articles, were reviewed to better understand the case study projects and the larger context, and to focus the topics discussed during stakeholder interviews. Many of these documents were in Swedish but obtained in digital format and reviewed using online translation tools.

3. Housing Regimes

The concept of housing regimes was developed by Kemeny (1995, 2006) as a framework for understanding different rental housing systems, with specific focus on “social and political structures that mediate power relations” (Stephens, 2016).

In particular, Kemeny contrasts the *dualist* rental market common in English-speaking countries with the *unitary*, or *integrated* rental market having roots in the German social market. Under his definition a dualist rental market is divided between a private for-profit sector and a separate non-profit sector created by the state as a safety net for those who cannot otherwise secure housing. A unitary or integrated market, by contrast, features a single rental market with non-profit housing that is available to anyone, meaning it is permitted to compete with the profit-driven sector.

Kemeny at the time identified the United States as having a dualist rental system, and Sweden as having an integrated market led (though not dominated) by the non-profit sector. There have been changes in the Swedish system since Kemeny’s work – the removal of government subsidies from municipal housing companies and a directive to operate in a ‘businesslike way’, changes to the rent-setting system that weakened the influence of the municipal housing companies on the for-profit rental sector, and a shift to home ownership over renting (Lind, 2014). These, together with other neoliberal shifts in the welfare system (Hort, 2014), present significant challenges to maintaining the unitary system.

3.1. The Dual Market: New York City

3.1.1. Non-Profit Rental Housing

A dualist rental market, according to Kemeny (1995), is divided between a private for-profit sector, often with unregulated market rents, and a non-profit sector created by the state as a safety net for those who cannot otherwise secure housing. This non-profit sector in the United States was traditionally government owned public housing, but is now more characterized by programs where affordable

housing is developed and managed by private companies, as well as housing vouchers for low-income renters.

Public Housing

In the United States, housing developed and owned by local, state, and federal government agencies and targeted towards people (typically families) with low incomes is known as *public housing*. This type of housing dates to President Roosevelt's *New Deal* to address poverty and unemployment during the Great Depression. The federal government first directly built housing, but by the late 1930s had shifted to financing low-rent housing developed by state and local authorities (Plunz, 2016). In New York this was the New York City Housing Authority (NYCHA), which was created in 1935 and developed public housing projects with and without federal funding.

Between 1936 and 1997 NYCHA built 325 housing projects throughout all five boroughs, with more than 170,000 apartments in 2,351 buildings. NYCHA today is the city's largest single landlord – and by far the largest public housing authority in the United States – with more than 380,000 residents (4.4% of the city's population) and an extensive wait list for vacant apartments (New York City Housing Authority, 2019).

The initial goal of the federal public housing program was not to alleviate poverty but to eliminate substandard housing and provide employment during the Depression. In fact, rents in early public housing – although based on a percentage of household income – were sometimes more than the residents previously paid on the private market (Fisher, 1959).

Whether greenfield development or part of a slum clearance project, access to apartments in public housing was at first limited to those living in substandard housing. While families of all incomes could be found in substandard housing, only those with low incomes were eligible for public housing, and tenants whose income later increased above a cap – typically five times the rent – were required to move elsewhere.

Over time access to public housing was expanded to all families with low incomes, and priority was given to those with the lowest (or no) income. This latter change created financial challenges for many public housing authorities, as rents were (and are) proportional to a tenant's income (Fisher, 1959). In New York, however, NYCHA until the late 1960s screened potential tenants "using a list of moral factors" that excluded most people who received welfare (Ferré-Sadurni, 2018). Even so, public housing in New York City – as in other parts of the United States – eventually came to be characterized by concentrated poverty, racial segregation, and poor living conditions.

Shift to Private Developers

New legislation in the 1990s capped the total number of federally-funded public housing units for each municipality (Congressional Research Service, 2019b), and offered grants to cities to demolish their public housing stock (often mid- and high-rise buildings) and replace them with mixed-income, mostly low-rise developments following new urbanist principles. In many cities these redeveloped areas have substantially fewer low-rent apartments than the public housing they replaced (Popkin et al., 2004).

New York City has seen very little demolition of public housing, but – like municipalities across the United States – new production of low-income and mixed-income housing has shifted to a "decentralized network" of private developers, both non-profit and for-profit, as the funding programs have changed (Schindler, 2016).

3.1.2. Project Subsidies

Privately developed affordable housing in the United States, like public housing that came before, is heavily dependent on government subsidies.

The most common federal subsidy is the Low Income Housing Tax Credit program (LIHTC), a system that does not involve the direct allocation of government funds. Instead, developers of low- and mixed-income housing are awarded multi-year tax credits that they can sell to investors – typically large

corporations seeking to reduce their tax burdens – in order to fund projects (Congressional Research Service, 2019a).

Housing developed through LIHTC is generally required to maintain affordability provisions for 30 years, and – as of 2017 – more than 1,900 buildings in New York City with 116,000 dwelling units (both low-income and market-rate) had been constructed with LIHTC and “continue[d] to have affordability restrictions” (NYU Furman Center, 2018).

In New York, the city and state also offer an alphabet soup of different subsidies, loans, and tax breaks to help finance housing construction – 420-c, 421-a, ELLA, HOME, HTF, HWF, MIP, NCP, SHOP, SLIHTC, etc. – administered by a variety of agencies.

3.1.3. Housing Vouchers for Renters

In addition to subsidies for housing development, people who have low incomes can apply for assistance to help cover the cost of rent.

The federal Section 8 program offers vouchers to low-income renters who obtain private housing, ensuring that they will pay no more than 30% of their income in rent with the rest covered by the government. The program is *not* an entitlement, meaning that many people who qualify will not receive vouchers – only 2 million are available nationwide (Congressional Research Service, 2019b).

Low-income renters may find it difficult to secure housing even with a voucher, especially outside of high-poverty neighborhoods, as landlords often discriminate against potential tenants who require rental assistance. Some states and municipalities, including New York City, have made such discrimination illegal (Center on Budget and Policy Priorities, 2018).

3.1.4. Rent Regulation

Rent regulation of the for-profit sector is an important component of housing affordability in many countries. In the context of the United States, New York is somewhat unusual in this regard, as it is one of just five U.S. states (plus

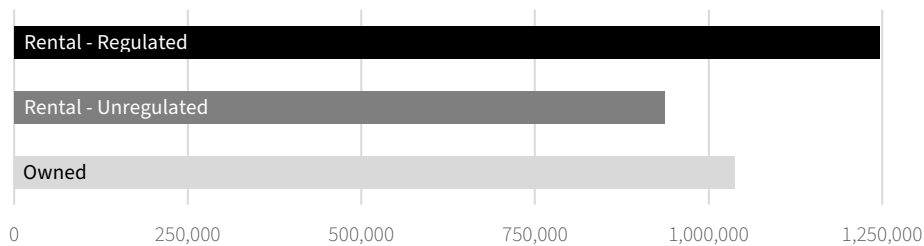
Washington D.C.) that have some sort of rent regulation, either in select municipalities or statewide. By contrast, 39 states explicitly prohibit their municipalities from instituting rent controls (National Multifamily Housing Council, 2019).

Rent regulation in New York City generally takes the form of *rent control* and *rent stabilization*. Rent control was instituted after World War II, initially at the federal level and later superseded by city and state regulations. Rent control “generally applies to buildings constructed before 1947” and only to tenants (or their descendants) who have continuously resided in the same apartment unit since 1971. Rent stabilization, by contrast, applies to buildings constructed “after 1947 and before 1974”, as well as older buildings that have been removed from rent control, and newer buildings that have received certain types of subsidies or tax benefits (New York State Division of Housing and Community Renewal, 2019).

Rents for stabilized apartments are set by a nine-member Rent Guidelines Board – all appointed by the mayor – with two members intended to represent tenants, two members to represent owners, and five members to represent the public. (New York City Rent Guidelines Board, 2020).

Approximately 57% of rental housing – and 39% of all housing in the city – is rent regulated (New York City Rent Guidelines Board, 2019).

Figure 1: Dwelling Units in New York City



Adapted from New York City Rent Guidelines Board (2019)

3.2. The Unitary Market: Gothenburg

3.2.1. Municipal Housing Companies

The defining feature of a unitary or integrated market, according to Kemeny (1995), is a strong non-profit rental sector that is available to anyone, meaning it is permitted to compete with – and even lead – the profit-driven sector. In Sweden this universal non-profit rental housing has traditionally been provided by municipal housing companies [allmännyttan].

Gothenburg today has four such companies – Bostadsbolaget, Gårdstensbostäder, Familjebostäder, and Poseidon, which operate as subsidiaries of the municipally-owned Förvaltnings AB Framtiden, and together account for more than 73,000 apartments – almost half of all of rental housing (and a quarter of total housing) in the city (Framtiden, 2020).

The concept of municipal housing in Sweden dates to the 1930s when the state began offering financing to municipalities – and nonprofit companies controlled by municipalities – for the construction of housing for “families with many children” (Hedman, 2008).

After the second world war municipal housing companies became integral to the state’s developing system of social welfare, and their apartments were opened up to everyone regardless of status and without means testing. Although controlled by the municipalities the companies were vital to achieving the national government’s housing (and employment) goals, and they were provided with generous loans, subsidies, and tax advantages (Hedman, 2008).

This new universality did not necessarily translate into the creation of mixed-income or socially mixed housing – different housing tenures and typologies were generally intended for different categories of residents and often separated (Grundström & Molina, 2016; Björk, 2016).

From the mid-1960s to the mid-1970s municipal housing companies played a substantial role in the government’s Million Homes Programme [Miljonprogrammet]. More than one million new dwelling units were constructed

during this period, with 50% of all multifamily housing (rental and owned) produced by municipal housing companies (Hall & Vidén, 2005).

By the end of the Million Homes Programme the housing shortage had in many municipalities become a housing surplus, especially as families chose to purchase single-family homes rather than rent in municipal housing. Thus began the residualization of municipal housing, a phenomenon that has increased with the shift in production from rental apartments to owned cooperative apartments.

The state's subsidies for municipal housing companies were removed in the 1990s. Financial responsibility, along with housing policy more generally, was shifted from the state to the municipalities, who were also granted permission to sell their housing stock (Hedman, 2008; Grundström & Molina, 2016).

Since 2011 municipal housing companies are required to operate in a 'businesslike manner' with decisions justified financially, not socially, meaning they no longer function as the non-profit entities envisioned by Kemeny. This has led some companies to become more selective when evaluating tenants, while – paradoxically – segregation and residualization of municipal housing continues to rise (Grander, 2017).

3.2.2. Private Non-Profit Housing Companies

In addition to municipal housing companies, Sweden does have some private non-profit housing organizations, but not nearly to the same extent as the United States. These organizations do not offer the same sort of universal housing historically associated with municipal housing companies in Sweden, but also do not function as a residual safety net like privately developed, government-funded affordable housing in the U.S.

For example, Robert Dicksons stiftelse [Robert Dickson's foundation] in Gothenburg was established in 1860 to provide housing for working people with ordinary or low incomes. Today the organization has almost 1,300 apartments

and is building several new projects, with rents ranging from 953 SEK/m²/year in some of their older buildings to 1,900 SEK/m²/year for new construction¹.

Robert Dicksons stiftelse does not receive government subsidies or financial support to develop or maintain their housing, and unlike the municipal housing companies their apartments have never been open to everyone. The organization has income limits for potential tenants, and – following their founding mission to provide housing for “working people” – a preference for those who can pay rent with wage income, without relying on housing allowances (Aslanzadeh and Grote, personal interview, 2020).

3.2.3. Project Subsidies

Kemeny (2006) asserts that in an integrated rental market, subsidies and regulations can be reduced as non-profit rental housing becomes established. In Sweden subsidies continued long after municipal housing companies became the dominate force in the rental market. In fact, elimination of subsidies corresponded with an overall weakening of the municipal housing companies, with requirements to operate in a more ‘businesslike’ manner, loss of their dominant position in rent-setting for the private sector, and the possibility for municipalities to sell their housing stock.

It is only relatively recently that government has reintroduced housing subsidies [investeringsstöd], albeit on a much smaller scale, and without the preferential position previously enjoyed by municipal housing companies.

Subsidies – up to EUR 10 million per building and EUR 20 million per project – are currently available for new housing that will have low energy usage and presumption rents no greater than 1,450 SEK/m²/yr (in Gothenburg; other areas have different limits) (Boverket, 2020). This level of rent is lower than typical new production but there is no requirement for these apartments to be allocated to low-income renters (Lind, 2017).

¹ For comparison, in 2018 average rents in Gothenburg were 1,167 SEK/m²/year for buildings constructed before 2007, and 1,820 SEK/m²/year for buildings constructed 2007 and later (Ramboll, 2018)

Other financial support is available for student housing, elderly housing, and co-building / co-housing organizations [byggemenskaper].

3.2.4. Housing Allowances to Renters

In Sweden, housing allowances are not available to everyone who has a low income, but are provided to qualifying young people between 18 and 29 and families with children [bostadsbidrag], as well as to the elderly and people with disabilities [bostadstillägg]. Allowances are provided to everyone who meets these qualifications, unlike in the United States where the number of federal housing vouchers is limited.

Even with a housing allowance someone with a low income may find it difficult to secure housing, especially in more expensive municipalities, as the amount of a housing allowance may be insufficient to cover the cost of rent. Some landlords – even some municipal housing companies – will not accept allowances when reviewing the qualifications of prospective tenants (Grander, 2018; Lind, 2017).

Studies have shown that while Swedes generally have high levels of support for taxes related to the welfare system, as of 2018 only 12.4% of the public supports increased government spending on housing allowances. 21.6% would like to see spending on housing allowances reduced (down from 48% who supported reductions in 2002 – see Appendix 1).

3.2.5. Social Contracts

Under the Swedish system of social contracts [kommunala/sociala kontrakt] each municipality leases apartments from private landlords and municipal housing companies and sublets them to people who are unable to obtain housing on their own because of social problems such as substance abuse.

This system does not provide *free* housing - the tenant is expected to reimburse the municipality for the actual cost of rent, through income and/or housing allowances. People without housing who do not have social problems are not eligible for social contracts.

When allocating municipal land for new housing the city of Gothenburg often requires the developer to lease a certain number of apartments – generally 10% of what will be constructed on site – to the municipality for social contracts. The requirement is typically met by providing units in the company’s existing housing stock, and not from what is built on site. This makes the apartments immediately available for social contracts, while planning, design, and construction of a new building may take several years.

Sometimes a developer is allocated land for new housing in a central part of the city but selects apartments in their older buildings on the periphery for social contracts. This could be seen as problematic from the perspective of social inclusion, but according to Mikael Chrona of the municipality’s Property Management Administration [Fastighetskontoret] this can be preferable because older buildings on the periphery tend to have lower rents, and a social contract tenant must be able to afford the apartment (Chrona, personal interview, 2020).

The city of Gothenburg typically arranges 400 to 500 social contracts each year. The municipality’s goal is for a tenant to be able to transition to a first-hand contract with the landlord after 18 months, and around 300 tenants successfully make this transition each year. This process provides stability as it allows the tenant to remain in the apartment even after leaving the social contract system, and the landlord will then make a different apartment available for a new social contract tenant when the need arises (Chrona, personal interview, 2020).

3.2.6. Rent regulation

Residential rents in Sweden are regulated in the sense that they are required to be set through a process of negotiation between landlords and the Union of Tenants, and must be based on utility value [bruksvärde], as opposed to market value (Christophers, 2013).

The Union negotiates with each landlord, or group of landlords, to ensure that apartments of similar ages, conditions, and locations have similar rents. They try to avoid across-the-board rent increases, preferring to look at the building level (and sometimes the apartment level) in order to set rents based on the actual physical conditions (Bergström, personal interview, 2020).

Prior to 2011 the Union would first negotiate with the municipal housing companies, and then private landlords were required to set rents in line with equivalent apartments in municipal housing. This requirement has been abolished (Lind, 2014).

73,000 households in Gothenburg are members of the Union of Tenants, but the Union has the right to represent nonmember residents of buildings as well. A landlord may attempt to negotiate with each individual tenant if no agreement is reached with the Union, or may go to the Rent Tribunal [Hyresnämnden], but according to the Union it is rare that an agreement cannot be reached (Bergström, personal interview, 2020).

Since 2006 an alternative process of presumption rent [presumptionshyra] may be used for new production, allowing a landlord to bypass the utility value system and – in theory – set rents based on actual development costs. The Union has the right to review the project finances and must agree to the rent level. Presumption rent expires after 15 years, after which time the building reverts to the utility value system (Bergström, personal interview, 2020).

The Swedish Property Owners Federation [Fastighetsägarna GFR] would like to see rents deregulated as they believe that the current system results in an inefficient market, contributes to long queues, and allows renters to sublet for a substantial profit on the black market (Ljunggren, personal interview, 2020).

The Union of Tenants, as might be expected, is opposed to deregulation and has released a report estimating that rents in Gothenburg would rise between 32 and 50 percent if the current system were abandoned and market rents introduced (Ramboll, 2018).

4. Introduction to Inclusionary Housing

The development of public housing in the United States and municipal housing in Sweden were both responses to issues of poverty and substandard living conditions.

American public housing, with a strict focus on constructing buildings for households with very low incomes, ultimately continued or even worsened concentrated poverty.

Swedish municipal housing on the other hand was intended for and made accessible to everyone through regulated rents and housing allowances, but with rising income inequality in Sweden this housing has become disproportionately home to people with low incomes (Borg, 2018), contributing to increased segregation.

As the United States has transitioned from public housing developed by government agencies to low-income housing developed by a decentralized network of private organizations, a market-based solution has taken root in the form of *inclusionary housing*.

Inclusionary housing policies use the private market to produce mixed-income housing. These policies are sometimes mandatory but more often take the form of offering density bonuses, such as increased height and floor area, to private developers who, as part of market-rate housing projects, produce or fund units that are affordable to people with low incomes.

Calavita and Mallach (2010) trace the seeds of inclusionary housing to the civil rights movement and “the recognition of the close relationship between the pervasive racial segregation in American society and the land use regulation system that perpetuated it.” Inclusionary housing policies in the U.S. have often been crafted with the twin goals of integrating segregated neighborhoods and producing mixed-income housing.

Mixed-income housing, like housing vouchers, is based on the idea that *place matters*, and concentrated poverty has negative effects for the residents of such

places. This is particularly true for young people, as studies have shown that “neighborhoods have causal effects on children’s long-term outcomes,” especially economic mobility (Chetty & Hendren, 2018).

While the concept of inclusionary housing originated in the United States, it has spread around the world and been embraced by many European countries in particular as a means to promote social inclusion (Calavita & Mallach, 2010).

The following two chapters will examine inclusionary housing policies as implemented in New York City to promote economically diverse neighborhoods, and recent inclusionary housing experiments in Gothenburg that use the municipal land allocation process to mandate the inclusion of low-rent units in new developments, with the goal of creating socially-mixed housing.

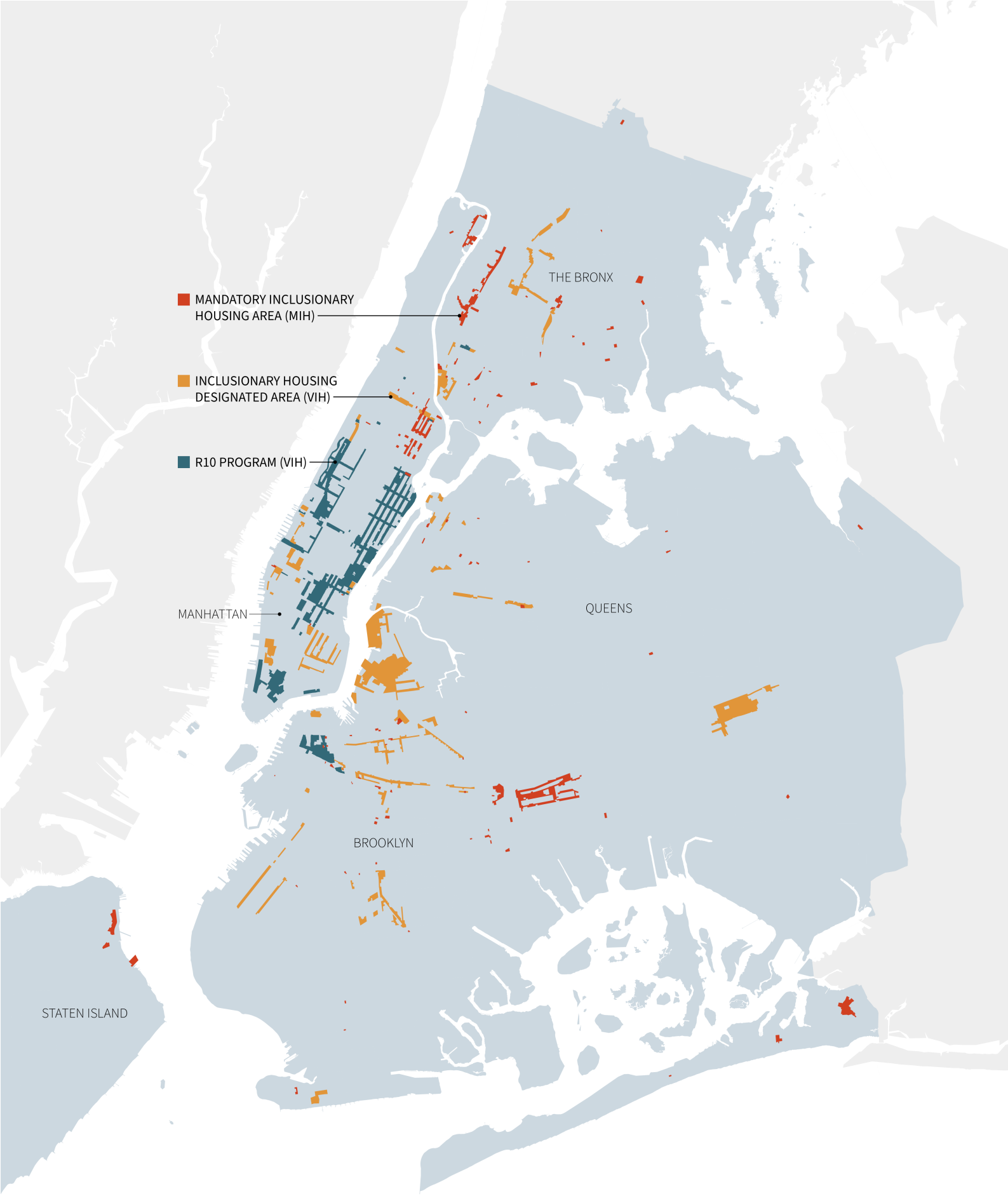


Figure 2: Inclusionary Housing in New York City



5. Inclusionary Housing Policies in New York City

Inclusionary housing in New York City is intended to decrease areas of concentrated poverty and “promote economically diverse neighborhoods” through the inclusion of permanently affordable dwelling units (both rental and owned) in otherwise market-rate developments (NYC Department of City Planning, 2015).

5.1. Voluntary Inclusionary Housing (VIH)

Voluntary inclusionary housing (VIH) was first implemented in New York City in 1987. Called the *R10 Program* after the high-density residential zoning districts to which it primarily applies, the program was designed to “provide lower income housing in neighborhoods where market rate residential construction is occurring” (NYC Department of City Planning, 2015).

Under the R10 Program developers can receive a density bonus of up to 20% – increasing the maximum floor area ratio (FAR) of the site from 10.0 to 12.0 – by creating affordable dwelling units, either as part of the project or at another building off-site. The amount of the bonus differs based on whether the project is publicly or privately funded, but in both cases the bonus floor area generated is greater than the floor area of the affordable dwelling units, offering additional incentive for developer participation (NYC Department of City Planning, n.d.).

Table 1: R10 Program Bonuses

Project Funding	Floor Area Bonus for Voluntary Inclusionary Housing (VIH)
Built without public funding (but may use tax breaks)	3.5X (additional 3.5 ft ² for each 1.0 ft ² of VIH provided)
Built with public funding	1.25X (additional 1.25 ft ² for each 1.0 ft ² of VIH provided)

Adapted from NYC Department of Housing Preservation & Development (n.d.) and NYC Zoning Resolution §23-154(a)

In 2005 the city expanded voluntary inclusionary housing through *Inclusionary Housing Designated Areas* (IHDAs) – increasing the locations where inclusionary housing was encouraged. Like the R10 Program, density bonuses are provided for projects in IHDAs that include affordable units – up to 33% above base FAR for

projects where affordable housing makes up at least 20% of the residential floor area.

In many cases the creation of an IHDA reduces the base FAR for an area but then allows for increased FAR for VIH projects, above the base FAR for the same zoning district located outside of the IHDA (see Table 2). Similar to the R10 Program the amount of the floor area bonus is greater than the floor area of the affordable dwelling units.

Table 2: Examples of zoning modifications in Inclusionary Housing Designated Areas (IHDAs)

Zoning District	Base FAR (outside of IHDAs)	Inclusionary Housing Designated Areas (IHDAs)			
		Base FAR (without VIH)	Maximum FAR (with VIH)	Percentage Increase	Floor Area Bonus for VIH
R6	2.20	2.20	2.42	10%	1.25X
R8	6.02	5.40	7.20	33%	1.25X
R9	7.52	6.00	8.00	33%	1.25X

Adapted from NYC Department of City Planning (n.d.), NYC Department of Housing Preservation & Development (n.d.), and NYC Zoning Resolution §23-154(b)

5.2. Mandatory Inclusionary Housing (MIH)

In 2016 the city instituted a new Mandatory Inclusionary Housing (MIH) program to require the inclusion of affordable housing in new and enlarged residential buildings. Like the older VIH programs this new MIH program does not mandate inclusionary housing throughout the entire city, but in certain designated *Mandatory Inclusionary Housing areas*.

The program applies to projects that create more than 10 dwelling units, and provides four possible options regarding the amount and type of affordable housing units, plus a fifth option for smaller projects that allows the developer to pay into an affordable housing fund in lieu of providing affordable units. Not all options are allowed everywhere – the city specifies which may be used for each designated MIH area.

Table 3: Mandatory Inclusionary Housing (MIH) Options

Option	Minimum amount of residential floor area for affordable housing	Target Income, weighted average	Example max. annual income (average for a family of three) ³
1	25% (30% if off-site)	60% of AMI	\$61,440
	- with 10% required at:	40% of AMI	\$40,960
2	30% (35% if off-site)	80% of AMI	\$81,920
3 – “Deep Affordability” ¹	20% (25% if off-site)	40% of AMI	\$40,960
4 – “Workforce Option” ²	30% (35% if off-site)	115% of AMI	\$117,760
	- with 5% required at:	90% of AMI	\$92,160
	- and 5% required at:	70% of AMI	\$71,680
5 – Housing Fund	Projects no greater than 25 dwelling units and 25,000 ft ² [2,323 m ²] may elect to pay into an affordable housing fund		

Adapted from NYC Department of City Planning (2016) and NYC Zoning Resolution §23-154(d)(3)

¹ Option 3 may not be used for projects that receive public subsidies unless additional affordable housing is provided

² Option 4 may not be used for projects that receive public subsidies

³ 2020 values

Like VIH, the MIH program is implemented through the city’s system of zoning, which regulates building density and land use throughout the city. Unlike the city’s VIH programs, the MIH program does not itself specify density bonuses to offset the affordable housing requirement, but is designed to be applied when areas of the city are rezoned to permit increased density.

5.3. Integration Versus Segregation

One point of controversy in New York has been the extent to which affordable housing created under inclusionary housing programs should be integrated with the market-rate units.

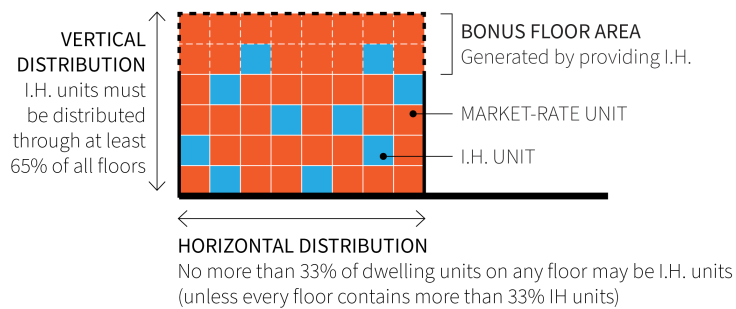
Developers of VIH projects are generally permitted to construct affordable units off-site while still receiving density bonuses. This provides a greater rate of return for a developer who can increase the size of their market rate building in a desirable location and construct the income-restricted units on a less expensive

site elsewhere, but could be seen as undercutting the city’s stated goal of creating economically diverse neighborhoods.

Even when the affordable units are produced on-site developers have sought to segregate them from the market rate housing by constructing separate buildings or – if located in the same building – placing them in a less marketable section with a separate entrance (the so-called “poor door”) and limiting access to shared amenities (Navarro, 2014).

To counter this the city has created a set of requirements to ensure that the affordable units for low-income renters are equally distributed among the market rate units in the same building (Figure 3) and that a single entrance is provided for all residents.

Figure 3: Distribution Requirements for Inclusionary Housing Units



Adapted from NYC Department of City Planning (n.d.) and NYC Zoning Resolution §23-96(b)

The types and sizes of units produced are also regulated to ensure they correspond to the perceived needs of households with low incomes (Table 4).

Placing the required affordable units in a separate building is still permitted. So too is constructing a project composed entirely of income-restricted units. A new building in a VIH or MIH area can receive density bonuses even if it contains no market-rate units (Figure 4), meaning it is possible to construct a 100% income-restricted building in a high poverty area that has been zoned for inclusionary housing. A building like this might be viewed favorably in terms of meeting the city’s targets for affordable housing production but would not contribute to greater economic diversity.

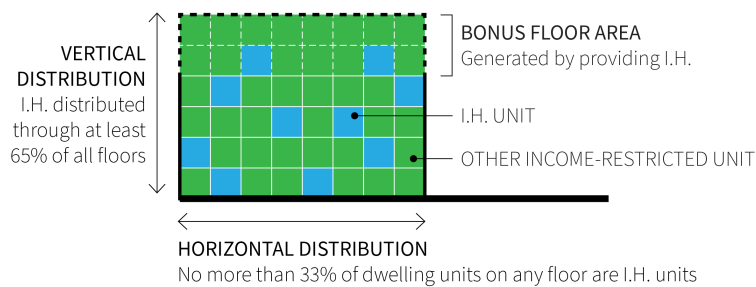
Table 4: Dwelling unit requirements for inclusionary housing (VIH and MIH)

	Apartment type	Minimum size	
	Studio	400 ft ² [37 m ²]	
	One-bedroom	575 ft ² [53 m ²]	} 75% of I.H. units must be one-bedroom or larger *
50% of I.H. units must be two-bedroom or larger *	Two-bedroom	775 ft ² [72 m ²]	
	Three-bedroom	950 ft ² [88 m ²]	

Adapted from NYC Department of Housing Preservation & Development (n.d.) and NYC Zoning Resolution §23-96(c) and (d)

* Alternately the bedroom mix for I.H. units may be proportional to that of the market-rate units.

Figure 4: Inclusionary Housing Units in a 100% Affordable Project



5.4. Implementation and Criticism

5.4.1. Zoning

As previously discussed, New York’s voluntary and mandatory inclusionary housing programs do not apply throughout the entire city, but in specific areas designated through the city’s zoning process.

When an area is rezoned for inclusionary housing the city will often greatly increase the allowable density for residential development (see Table 5 for examples from the 2016 MIH rezoning in East New York, Brooklyn, and Table 6 for examples from VIH rezonings in Queens and Manhattan). A portion of this density – generally 20%-35% of the residential floor area – is then “recaptured” for affordable, income-restricted housing.

Table 5: Examples of Changes in Residential Density - MIH Rezoning, East New York, Brooklyn

Street	Before MIH Rezoning		After MIH Rezoning	
	Zoning District	Residential FAR	Zoning District	Residential FAR
Atlantic Avenue	C8-2	None	R8A	7.20
Pitkin Avenue	R5	1.65	R7A	4.60
Liberty Avenue	R5	1.65	R6A	3.60

Sources: NYC Historical Zoning Maps, NYC Zoning Resolution

Table 6: Examples of Changes in Residential Density - VIH Rezoning

Street	Before VIH Rezoning		After VIH Rezoning		
	Zoning District	Residential FAR	Zoning District	Residential FAR	Residential FAR w/ VIH
Hillside Avenue ¹	R5	1.65	R7A	3.45	4.60
Jamaica Avenue ¹	C4-2	3.00	C6-3	6.00	8.00
First Avenue ²	R7-2	4.00	R7A	3.45	4.60
Houston Street ²	R7-2	4.00	R8A	5.40	7.20

Sources: NYC Historical Zoning Maps, NYC Zoning Resolution

¹ Jamaica, Queens; rezoned 2007

² East Village, Manhattan; rezoned 2009

5.4.2. Locations

The two VIH programs have generally (though not exclusively) been implemented in more affluent areas of the city with strong housing markets (Kober, 2020). These programs have, as of 2015, “produced over 8,500 affordable units” (NYC Department of City Planning, 2015), but have been criticized for producing comparatively few affordable units in relation to the total production of new housing in the city, and for producing units that, while income-restricted, are often only affordable to the middle or upper-middle class (Stein, 2018).

The newer MIH program was intended to address these issues, and was promoted by the city as a way to ensure the creation of affordable housing when rezonings “substantially increase potential housing capacity in strong markets” (City of New York, 2014). When the MIH program was first proposed the NYU Furman Center

published an analysis (2015) cautioning that while it might be successful in high-rent neighborhoods, the program was “unlikely to produce new affordable housing” in low-rent neighborhoods “without additional subsidy.” However, to date the areas of the city rezoned for MIH have been lower-income neighborhoods with comparatively weak housing markets (Kober, 2020).

5.4.3. Opposition

Many MIH rezoning proposals have faced opposition from residents and politicians concerned that the program will lead to gentrification and displacement rather than increased affordable housing.

In some neighborhoods where MIH has been implemented the cost of housing began to increase even before the rezoning process was complete, as buildings were purchased and flipped by real estate speculators anticipating increased development rights. Stein (2018) claims that MIH could ultimately “displace more working-class residents than would ever be housed in the new inclusionary developments.”

5.4.4. Affordability

There continue to be complaints that the housing created by VIH and MIH is not affordable to residents with very low incomes, and can result in housing that is more expensive than the existing housing stock in many low-income neighborhoods.

Like other affordable housing programs, the income-restricted units created through the city’s inclusionary housing programs are targeted based on Area Median Income (AMI) – see Table 3 on page 23. AMI is calculated based on the entire metropolitan region, and can be much higher than median income in the neighborhoods where inclusionary housing projects are located. According to Stein (2018) the “greatest unmet need” is housing for those who earn less than 30% AMI – a level of affordability that is not provided by the inclusionary housing programs.

5.4.5. Reliance on Subsidies

As predicted by NYU Furman Center (2015) developers have found that the construction of new housing meeting the MIH requirements is not financially feasible in low-income neighborhoods without subsidies. According to Kober (2020), of the 36 MIH projects initiated since the program's introduction, all are "heavily subsidized" and 30 are entirely low-rent.

This extensive use of subsidies is at odds with the concept of inclusionary housing as a market-based solution, while the creation of 100% income-restricted buildings in lower-income areas seems contradictory to the city's goal for MIH to promote economically diverse neighborhoods.

Kober (2020) recommends applying MIH to affluent areas with strong housing markets as a means to achieve the desired affordable housing production without public subsidies. Stein (2018) advocates for applying MIH citywide, without any changes to the underlying zoning that would increase development rights, but also suggests that expanding rent regulation and building new public housing would be "far more effective" at creating housing that is affordable to most New York City residents.

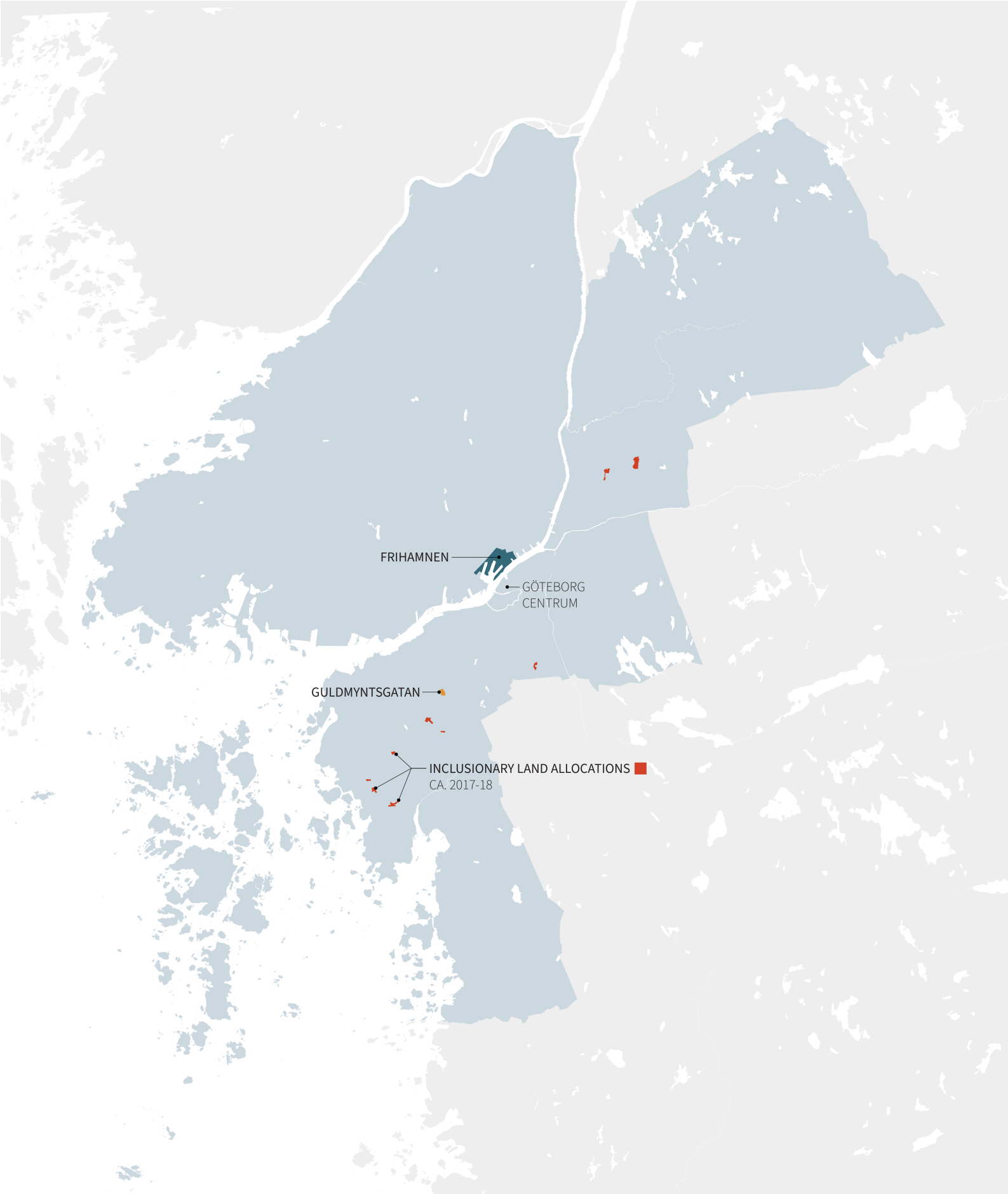


Figure 5: Pilot Projects in Gothenburg



6. Inclusionary Housing Experiments in Gothenburg

The city of Gothenburg has in recent years experimented with inclusionary housing policies through pilot projects that use the land allocation process to mandate the inclusion of low-rent units in new developments (Granath Hansson, 2019), with the goal of creating socially mixed housing (Göteborgs Stad, 2014a).

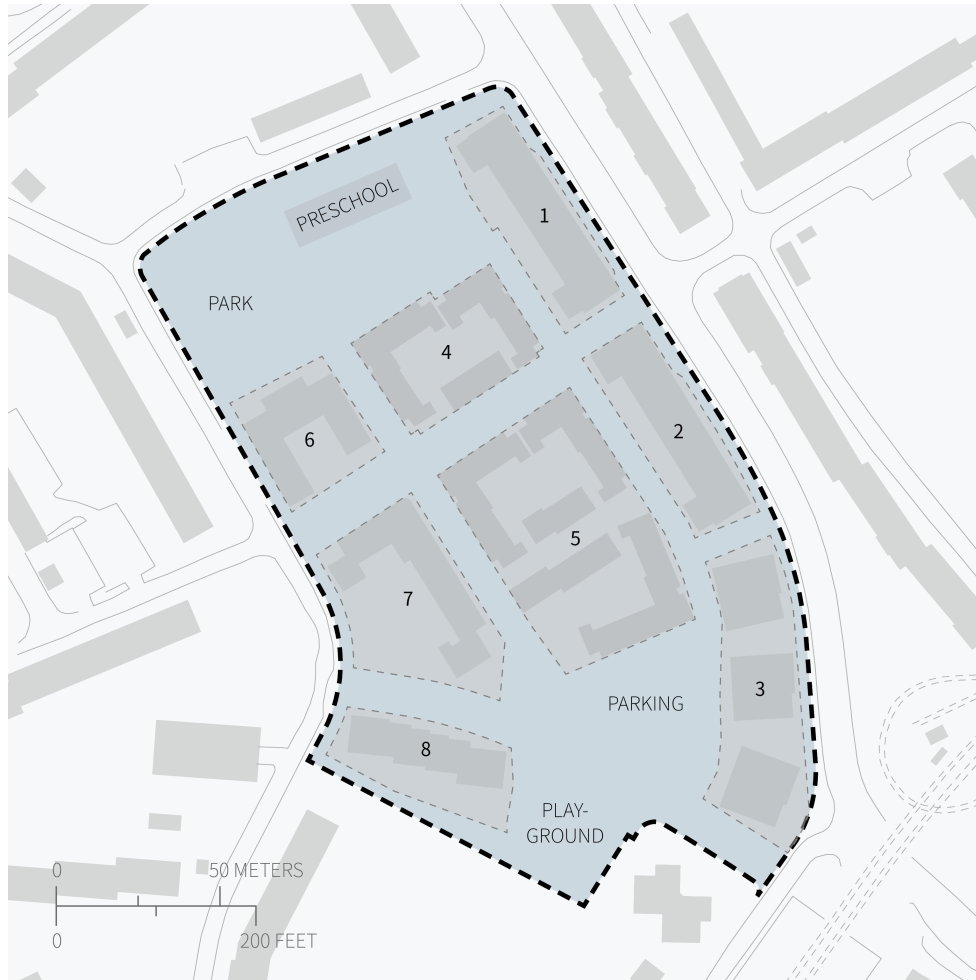
Inclusionary housing is not a natural fit for the unitary market. The concept was first developed to fit the “decentralized and privatized” nature of affordable housing development under the dual market in the United States (Calavita & Mallach, 2010), and inclusionary housing policies generally imply a selective, means-tested approach, as the dwelling units created are typically reserved for residents with low incomes.

Sweden, with rare exception, does not currently have this type of selective housing, and housing provision has historically been more centralized and government-led (through *allmännyttan*).

As municipal housing companies have lost their market dominance and housing policy has shifted from the national government to the municipalities, the municipalities in turn have begun to look outside of Sweden for new models that might address the challenges of housing affordability, rising inequality, and segregation (Göteborgs Stad, 2012a; Boverket, 2016).

This chapter will explore three recent initiatives: 1) Guldmyntsgatan, which featured a competitive allocation for parcels to be developed with 100% low-rent housing; 2) Frihamnen, a large redevelopment project in the center of Gothenburg where 25% of all housing is intended to have low rent levels; and 3) multiple land allocations in 2017 and 2018 where the city required a percentage of new rental housing to have low rent levels.

Figure 6: Guldmyntsgatan key plan

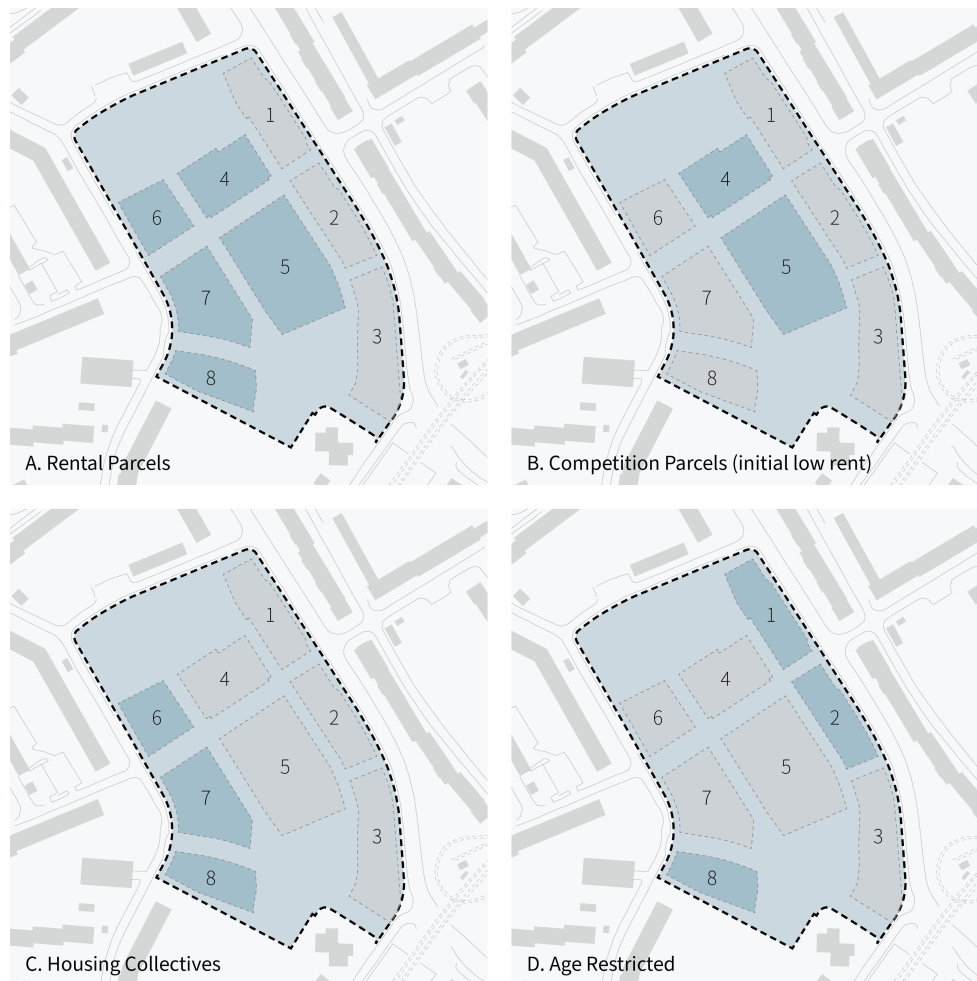


Adapted from Göteborgs Stad (2015b)

6.1. Guldmyntsgatan

Guldmyntsgatan is a recent housing development project in southwest Gothenburg which featured a competitive allocation for two parcels to be developed with 100% low-rent housing.

Figure 7: Guldmyntsgatan parcel characteristics



Formerly the site of a large elementary school, 300-350 dwelling units were initially proposed but 477 units are now in progress. The two center parcels were designated for low-rent apartments of 1-4 rooms [studios to 3 bedrooms], with an emphasis on very small and very large apartments. This land was allocated in 2013 through a competition which included a mandate for an initial average rent

of 1,400 SEK/m²/year – a reduction of 20-25% compared with typical rents in new construction, and a requirement opposed by the Swedish Property Owners Federation (Rönn, 2016).

The other parcels were allocated separately (and ultimately to other developers), some for housing cooperatives [bostadsrätt] and others for collective rental housing / cohousing [kooperativ hyresrätt].

Table 7: Guldmyntsgatan, summary of residential land allocation and development

Parcels	Max Bldg Area	Max FAR	Developer	Project Type	Apts
1	4300 m ² [46,285 ft ²]	2.7	Riksbyggen (Bonum)	Owned housing, age 55+	79
2	4300 m ² [46,285 ft ²]	2.9			
3	7,000 m ² [75,347 ft ²]	3.2	TB Gruppen	Owned housing	95
4	4,000 m ² [43,056 ft ²]	2.5	Svanström Fastigheter AB & Almgren Fastigheter	Rental housing (low-rent competition)	173
5	8,000 m ² [86,111 ft ²]	2.2			
6	3,000 m ² [32,292 ft ²]	2.5	Föreningen Byggemenskap Högsbo w/ Familjebostäder	Rental housing (collective)	30
7	5,000 m ² [53,820 ft ²]	2.4	Under Samma Tak w/ Trollängen Bostad	Rental housing (collective)	59
8	3,100 m ² [33,368 ft ²]	2.4	Boihop Högsbo w/ Familjebostäder	Rental housing (collective), age 40+	41
Total	38,700 m² [416,563 ft²]				477

Note: FAR is based on estimated lot area from the detailed development plan

The 173 apartments constructed on the competition parcels, with initial low rents, make up 36% of all housing in the development. Overall, 63% of all the dwelling units at Guldmyntsgatan are rental. 26% of all housing is age-restricted, with almost half of the owned apartments designated for seniors (age 55 and older), and one of the collective rental housing projects for residents age 40 and older.

6.1.1. Project Design and Construction

The winning entry for the low-rent housing competition was from Okidoki Arkitekter with Svanström Fastigheter AB and Almgren Fastigheter AB, two small local real estate development companies.

Their design proposed perimeter blocks with a mix of apartments and small rowhouses, in contrast to entries from other teams which featured more typical point house and lamella designs. To help reduce costs and meet the low-rent requirement the buildings were designed to be constructed of prefabricated wooden modules, with exterior walkways at each level which permit the use of fewer elevators and – unlike interior corridors – do not count as floor area.

Detail planning for the entire development took 18 months, with another year for appeals to be resolved. By the time the planning process was complete and the land transferred to the developers the prefabricated design was no longer cost effective, as the migration crisis had created an urgent need for temporary housing and increased the demand (and cost) for prefabricated housing. The buildings were ultimately conventionally constructed of concrete and steel (Nordahl, personal interview, 2020).

6.1.2. Incentives and Bonuses

Inclusionary housing projects outside of Sweden often include density bonuses in order to make the inclusion of low-rent housing more feasible or attractive for developers.

According to Martin Nordahl of Okidoki Arkitekter, the city did not offer any special incentives or bonuses to make the low-rent aspect more feasible, although during the detail planning phase the exploitation factor was increased above what was initially specified, resulting in an additional level for the apartment buildings (Nordahl, personal interview, 2020). Even with this apparent increase it is notable that the larger of the two competition parcels appears have the lowest FAR of the entire development, whereas the parcels with sold housing have the highest FAR (see Table 7, page 34).

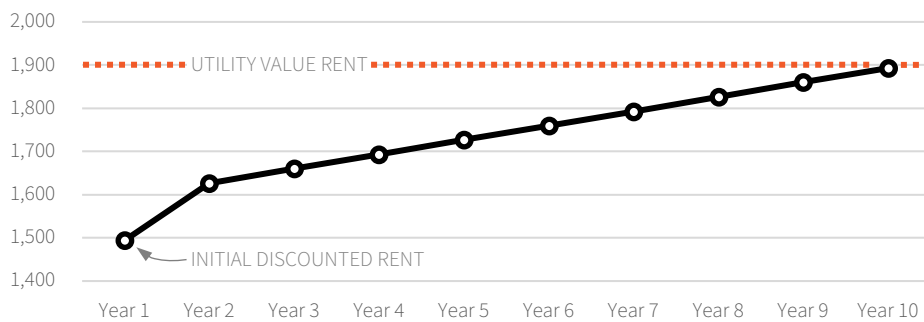
Nordahl also noted that the normal parking requirements were waived for the project, resulting in cost savings. However, he said this was not directly related to the low-rent aspect, but because the municipality wanted to use the entire development as a place to promote alternate ways of mobility.

6.1.3. Rents

Although the competition mandated an average rent of 1,400 SEK/m²/year the city did not specify a minimum length of time for this low rent or require the use of reverse presumption rent to guarantee it. There is also no means-testing, income ceiling, or other mechanism to target the units to specific socioeconomic groups.

The developers and the Union of Tenants ultimately agreed to a utility value of approximately 1,900 SEK/m²/year, with rent discounted roughly 20% the first year to meet the competition mandated rent. The project developers declined interview requests, but according to online apartment listings the rent paid by the tenants will increase roughly 10% for the second year, and then by 2% or less for the next 8 years to reach the utility value.

Figure 8: Approximate rent paid by tenants each year after building occupancy (SEK/m²/yr)



Note: Year one rent is higher than 1,400 SEK due to inflation since the competition

6.1.4. Conclusions

There are three defining features of Guldmyntsgatan from the perspective of inclusionary housing: 1) all low-rent units are segregated into buildings on two of the eight parcels; 2) the lack of an income ceiling or other means-testing for the

low-rent units, and 3) the absence of a requirement or commitment to maintaining the low rents.

Limiting the low-rent units to certain buildings as opposed to dispersing them throughout the development may generate a desired social mix in the area as a whole, but also increases the likelihood of stigmatization for the residents of the low-rent units, especially if the design of the low-rent buildings is noticeably different. Combining the low-rent units with the other housing in the same buildings would reduce the possibility of stigma, and create opportunities for cross-subsidies which are not possible if the low-rent units are developed separately from the other housing.

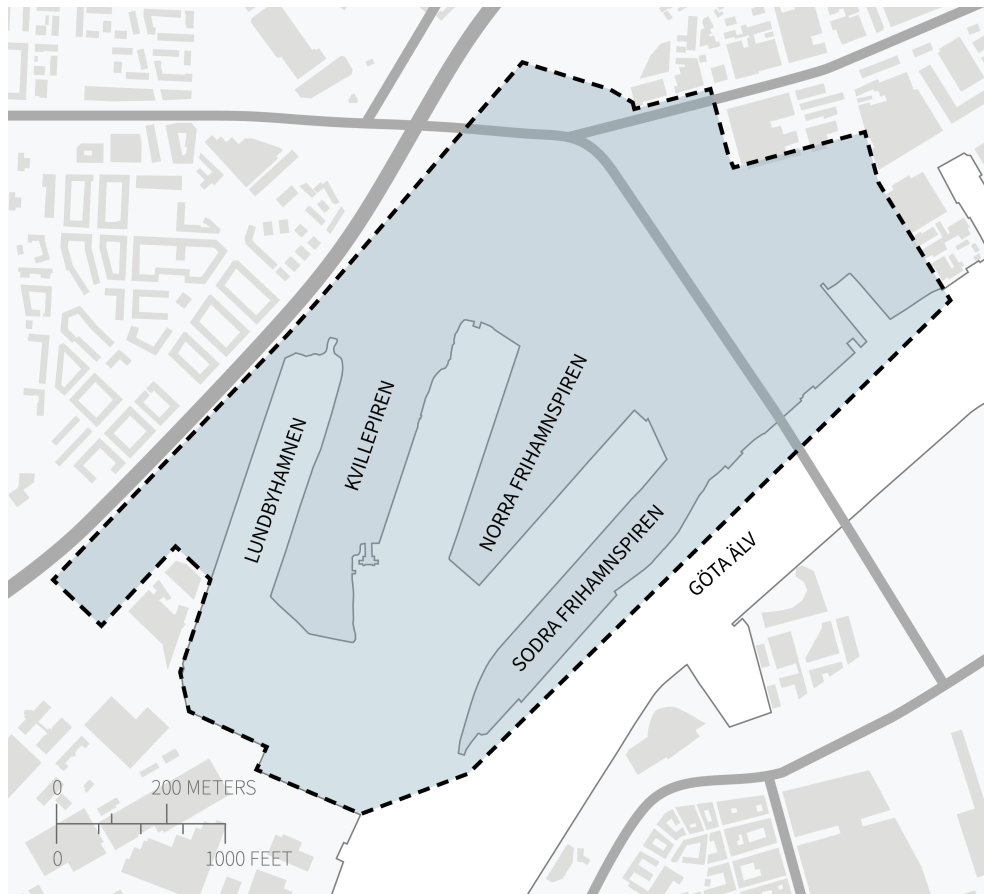
Without an income ceiling for the low-rent units it is likely that the residents will be fairly affluent, as this is the demographic with the longest times in the municipal queue (and housing is generally allocated based on queue time). If this is the case the discounted rent is subsidizing tenants who could afford standard rent.

An argument could be made that income limits are unnecessary if the building design and amenities (or lack thereof) make it more attractive to a target group and less attractive to others². In this case however, the negotiated utility value rent of 1,900 SEK/m²/year appears to be in line with other new production, suggesting that there is not a substantial difference in perceived value between this project and other new rental buildings.

The fact that the low rent level will not be maintained beyond the first few years is the biggest failing of the Guldmyntsgatan project, and one that from my perspective should have been anticipated in advance. Even if the project initially succeeds at creating a diverse social mix by attracting tenants who otherwise could not afford to rent in new production, these residents will almost certainly need to move as the rent increases. More likely, to my mind, is that this demographic would not have applied for housing at Guldmyntsgatan in the first place, knowing that it would become unaffordable for them in just a few years.

² For example, Riksbyggen's recent *Viva* project in Gothenburg was also developed without on-site parking, which, according to Martin Lundblad (sales & marketing manager), contributed to slower than normal sales of the largest and most expensive apartments (Lundblad, personal interview, 2020).

Figure 9: Frihamnen key plan



6.2. Frihamnen

A second and much larger inclusionary pilot project is underway at Frihamnen [the Freeport], located on the north shore of Göta älv [the Göta River] across from Gothenburg's centrum. Constructed 1914-21 and enlarged 1946-51, Frihamnen served as an important hub for international trade until 2000, when harbor operations were shifted west to Skandiahamnen (SWECO, 2011; Göteborgs Stad, 2014b).

The municipally-owned Älvstranden Utveckling AB now owns Frihamnen and many of the former shipyards in Gothenburg and is working to redevelop them according to the *RiverCity Gothenburg Vision*, a city plan framed by three core concepts: connecting the city, embracing the water, and reinforcing the center in ways that are environmentally, economically, and socially sustainable (Göteborgs Stad, 2012b).

6.2.1. Phase 1 Land Allocation

In 2014 the municipality and Älvstranden Utveckling invited developers to apply to participate Frihamnen's Phase 1, with the goal of building approximately 3,000 apartments and workplaces for 2,000 workers – roughly 300,000 m² [3,229,200 ft²] of gross floor area. Of these, 1,000 apartments and workplaces for 1,000 were to be constructed by 2021 (Göteborgs Stad, 2014b).

Specific design proposals were not solicited as the parcellation of the site was undecided, but applicants were asked to provide information about the types and sizes of projects they were interested in developing, as well as their competencies, past projects, and how they felt they could contribute to meeting the strategic objectives of the Frihamnen project. (Göteborgs Stad, 2014c).

In late 2014 it was announced that eight developers had been selected for the first phase, with a total of 230,500 m² [2,481,000 ft²] of development rights awarded. Of this 110,000 m² [1,184,000 ft²] was for rental housing and 58,200 m² [626,460 ft²] was for sold housing (Göteborgs Stad, 2014d).

Figure 10: Frihamnen details and phasing, ca. 2014

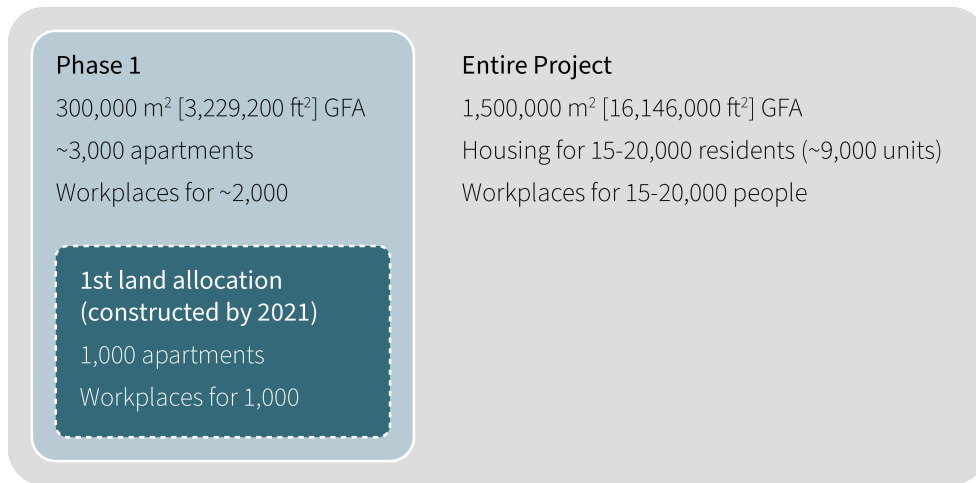
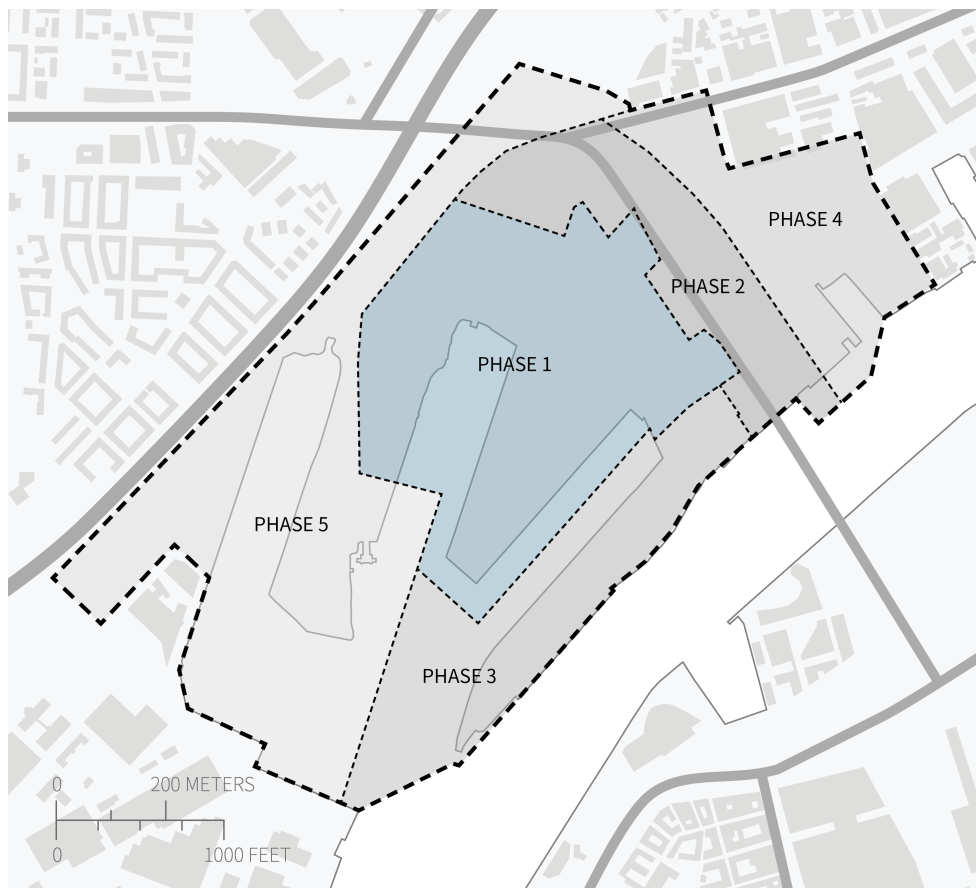


Figure 11: Frihamnen plan of development, ca. 2014



6.2.2. Selected Developers

More than 60 developers submitted applications for Frihamnen's first phase, and six were selected to develop housing. Of these, four were expected to build the first dwelling units as part of the initial land allocation:

- **Botrygg** is a private company based in Linköping that develops rental and owned apartments – approximately 250 of each per year. The company emphasizes social responsibility, according to CEO Joachim Arcari, and generally aims for rents in new production that are 10% less than utility value rents for comparable new construction. They have previously developed residential buildings with a mix of low-rent and market-rate units. Botrygg was awarded Phase 1 development rights for 20,000 m² [215,280 ft²] of rental housing and 10,000 m² [107,640 ft²] of sold housing, and expects to develop 200 rental and 100 owned units in the first land allocation.
- **Framtiden** is the city-owned parent company of Gothenburg's municipal housing companies. The organization has approximately 73,600 apartments in the city (Framtiden, 2020), with a goal of building 1,000 new apartments each year. Framtiden was awarded Phase 1 development rights for 40,000 m² [430,560 ft²] of rental housing and 20,000 m² [215,280 ft²] of sold housing, with the rental apartments to be constructed and managed by their subsidiary **Familjebostäder**, and the sold units by **Egnahemsbolaget**. It was expected that Framtiden's subsidiaries would develop 400 rental and 200 sold apartments in the first land allocation.
- **Magnolia Bostad** is a private company based in Stockholm that develops housing (rental and owned), residential care facilities, and hotels. The company has approximately 17,300 apartments across Sweden, and was awarded Phase 1 development rights for 10,000 m² [107,640 ft²] of rental housing and 12,000 m² [129,170 ft²] for a 300-room hotel. It is expected that Magnolia will develop 150 rental apartments in the first land allocation (Magnolia Bostad, 2018). The company did not respond to interview requests.
- **Rikshem AB** is a development company owned by two public pension funds, Fjärde AP-fonden and AMF Pensionsförsäkring AB. The company owns 30,000 apartments in Sweden and was awarded Phase 1 development rights

for 40,000 m² [430,560 ft²] of rental housing and 20,000 m² [215,280 ft²] of sold housing. It was planned that Rikshem would develop 400 rental and 200 sold apartments in the first land allocation, but the company dropped out of the project in late 2019 because of continued planning delays, and their development rights will be assigned to another company. Rikshem did not respond to interview requests.

6.2.3. Planning Process

In late 2015 – at the end of the consultation phase of the detail planning – an updated program was released, proposing to increase the amount of Phase 1 development to 500,000 m² [5,382,000 ft²] (Göteborgs Stad, 2015a). Other documents from around this time period show that the number of dwelling units planned for the first land allocation had increased to approximately 1,600 – roughly 1,100 rental apartments and 500 sold apartments.

In 2017 – with the detail plan reportedly 90% complete – planning for the project was put on hold when it was determined to be more difficult and costly than expected to fill Lundbyhamnen. Although this work was not planned until phase five, without this additional developable area the overall economics of the project needed to be reconsidered (Larsson, 2018).

For a time a higher exploitation factor was proposed in order to maintain the intended overall GFA even with the reduced land for development (Älvstranden Utveckling, 2018b), but further setbacks were encountered when it was determined that Södra Frihamnspiren and Norra Frihamnspiren could not support new buildings without substantial reconstruction. These delays led Rikshem to leave the project in late 2019.

Figure 12: Frihamnen details and phasing, ca. 2015

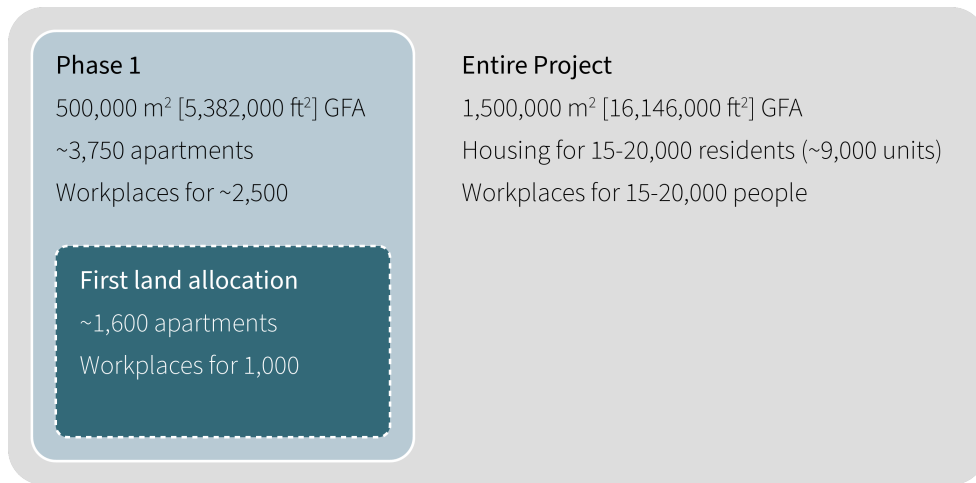


Figure 13: Frihamnen Phase 1 progress detail plan (consultation 2, 2016-07-06)

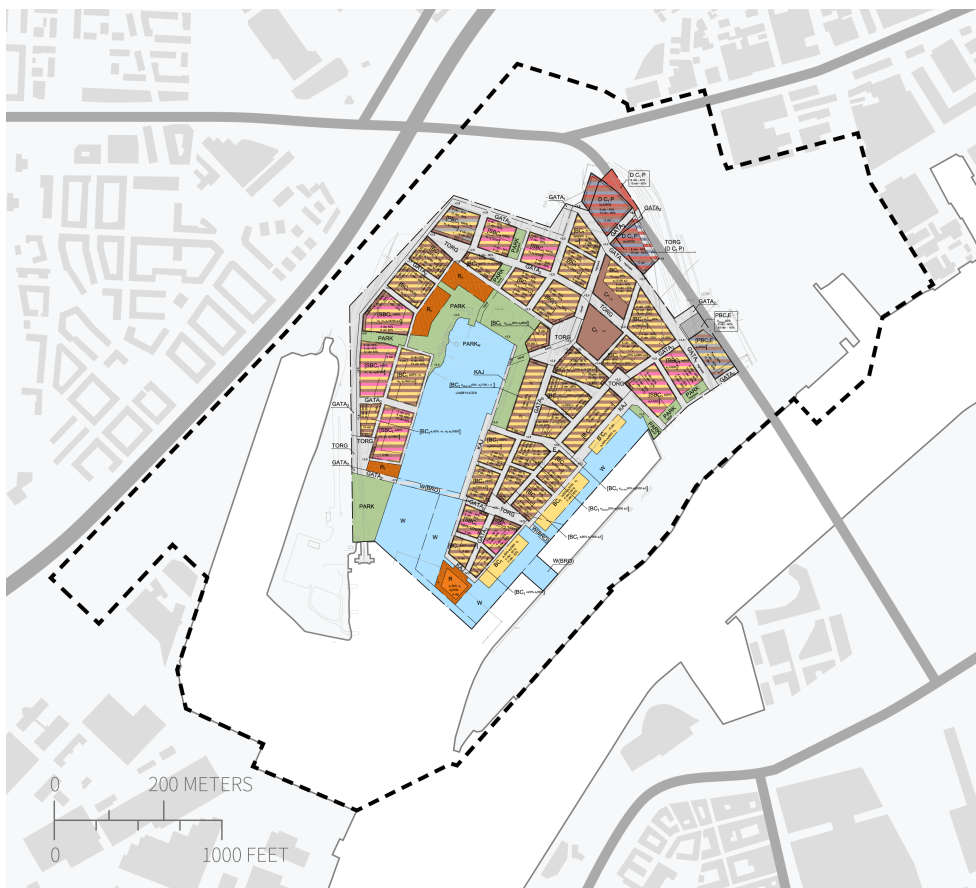


Figure 14: Frihamnen details and phasing, ca. 2020

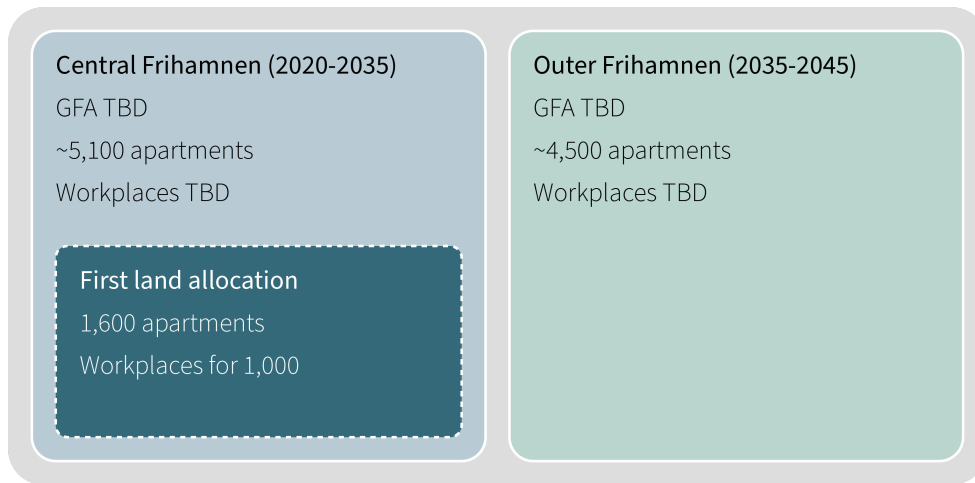
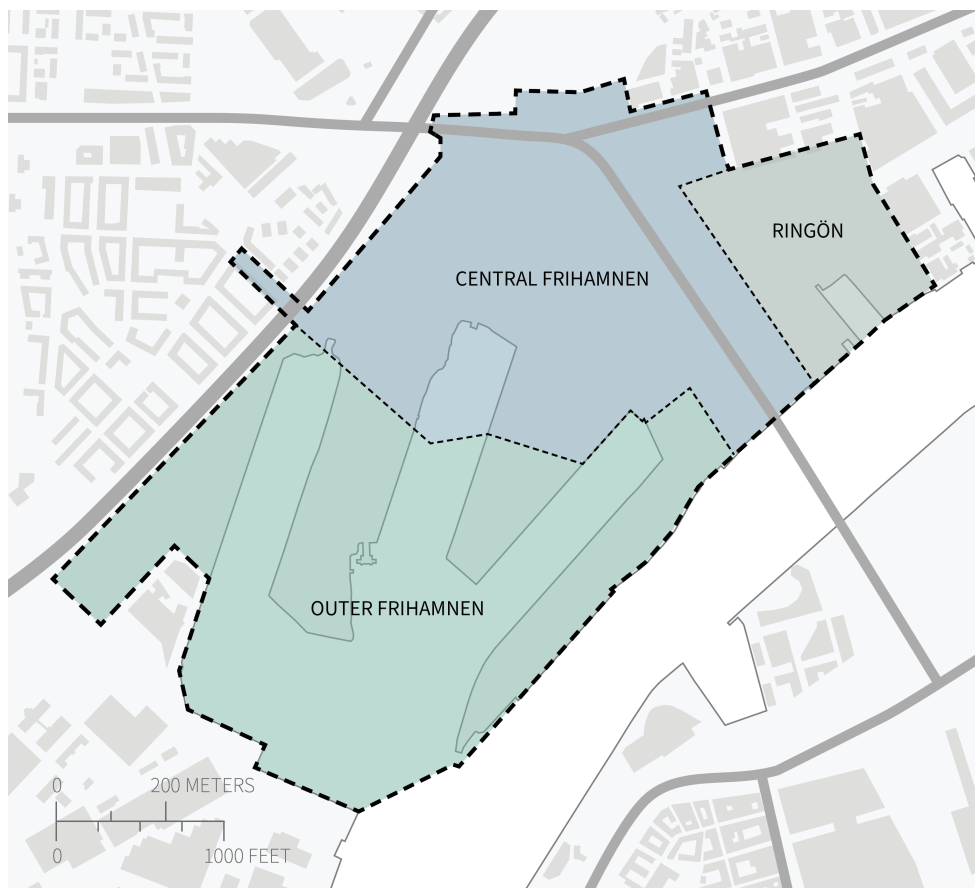


Figure 15: Frihamnen project split, ca. 2020



In March 2020 it was announced that the Frihamnen project would be “cut in half”, with planning and development to proceed for the central areas (approximately 5,100 dwellings). Work on the outer areas –including development of the piers and infilling Lundbyhamnen – is now expected to occur after 2035 (Älvstranden Utveckling, 2020; Yousuf, 2020).

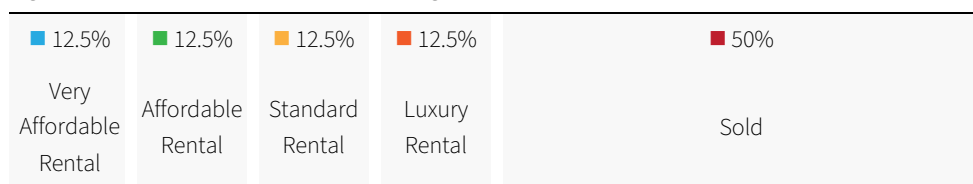
The schedule for a third area – Ringön – is still being discussed. Älvstranden would like to develop it in conjunction with central Frihamnen but expects high costs due to subsurface pollution and other factors (Älvstranden Utveckling, 2020).

Housing Tenure and Rent Levels

One of the municipality’s strategic objectives for Frihamnen is the development of *socially mixed housing*, and the city has sought for the project to provide equal amounts of rental and sold units (Göteborgs Stad, 2014b).

Additionally, the cost of rent was identified as an important aspect of creating a district where “everyone should have the opportunity to live” (Göteborgs Stad, 2014b), and to this end four target rent levels were specified, based on an average apartment size of 70 m² [750 ft²]. Two levels are below standard utility value for new residential production, a third is roughly equal, and a fourth level (with an unspecified cost) is above utility value (see Table 8). Unlike Guldmyntsgatan, the use of presumption rent is mandated in order to guarantee the rent levels for 15 years.

Figure 16: Planned distribution of housing tenure and rent levels, ca. 2014-2019



The planned distribution of tenure and rent levels would mean that 25% of all housing at Frihamnen will be affordable or low-rent, at least compared to other new production in the city. The percentage of low-rent housing in the first land

allocation is expected to be even higher (35%), as 70% of the initial housing is planned to be rental.

Table 8: Rent levels at Frihamnen as specified in the Phase 1 land allocation invitation

Rent Level ^a	Yearly rent per square meter ^b	Calculated avg. monthly rent (70 m ²) ^b	Percentage of average rent in Gothenburg, buildings constructed 2007 and after ^c	Percentage of average rent in Gothenburg, buildings constructed before 2007 ^c
■ Luxury	TBD	n/a	n/a	n/a
■ Standard	1,850 SEK	10,792 SEK	106%	168%
■ Affordable	1,400 SEK	8,167 SEK	80%	127%
■ Very Affordable	1,000 SEK	5,833 SEK	57%	91%

^a The land allocation invitation did not give names to the different rent levels; these were borrowed (and the chart adapted) from Pineo (2015)

^b 2014 values

^c Gothenburg rent data from Ramboll (2018), adjusted to 2014 values

As shown in Table 8, rents for the two lowest levels are substantially lower than other recent production (here defined as 2007 and later, i.e. buildings constructed after presumption rent was introduced), but only the lowest rent level at Frihamnen is below the average rent for buildings constructed prior to 2007.

According to Kristian Käll of Älvstranden the rent levels were determined by looking at what working-class households – such as a nurse with two children earning 20,000 SEK/month – can afford to pay for housing. He said that households like these would need to spend more than 50% of their income to afford rent in most new housing being developed in Gothenburg. The low-rent levels at Frihamnen were selected to be similar to rents in existing municipally-owned housing in neighborhoods like Bergsjön (Älvstranden Utveckling, 2018a; Käll, personal interview, 2020)

The goal was not to develop new housing that would rent for substantially less than all other housing in the city, but to create new housing in the center where the rent for some apartments would be similar to that in older buildings on the periphery, thereby creating a more integrated, socially mixed neighborhood.

While some developers have been selected to construct both rental and sold housing, they will not be mixed in the same buildings, although Älvstranden plans for each block to have a mix of rental and owned housing (Käll, personal interview, 2020).

Unlike inclusionary housing projects elsewhere, no density bonuses or other incentives were offered to developers in exchange for the low-rent levels; only the possibility to develop housing in a central location of the city.

6.2.4. Justifying and Preserving the Rent Levels

One point of contention between Älvstranden Utveckling, the housing developers, and the Union of Tenants [Hyresgästföreningen] has been how to justify the different rent levels and preserve them after the 15-year presumption rent expires.

The Phase 1 invitation documents acknowledged that achieving the lower rent levels would be difficult in new construction but suggested that the target rents could be accomplished “through a variety of business models, where different forms of tenure and/or mixed use premises will contribute to subsidising the lower rents” (Göteborgs Stad, 2014b).

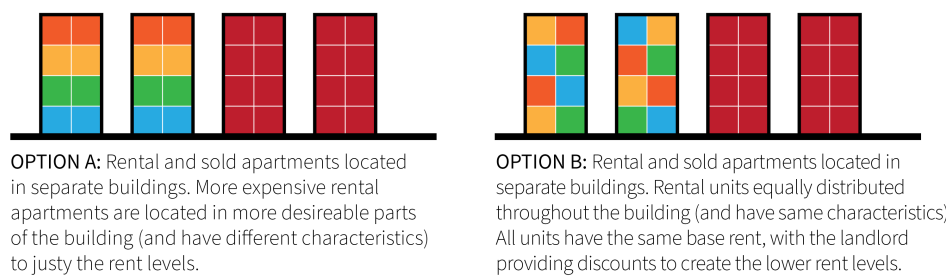
The Union of Tenants has cautioned against cross-subsidies between the rental units, and pushed for differences in apartment characteristics to justify the differences in rent. According to Carl-Johan Bergström, negotiation manager with the Union, “the law is quite clear that [the rent from] one apartment cannot fund another,” and if the units are physically equivalent across different rent levels, a tenant paying a higher rent could go to the rent tribunal and argue that their rent is unfair. He thinks that if this were to happen there is a high risk that the presumption rent would be thrown out, in which case rents in all of the units would be set according to the utility value, thus ending the low-rent experiment (Bergström, personal interview, 2020).

Some of the developers at Frihamnen will construct both owned and rental housing, and if taken to the tribunal could argue that their low-rent units are subsidized by income from the sold apartments. While this sort of shifting of income between tenures is permissible, Bergström thinks the argument would not

likely succeed at Frihamnen if the owned and rental apartments are in separate buildings, as Älvstranden currently plans.

Some of the residential buildings will have commercial uses on the ground floor, which could provide another source of revenue to subsidize the low-rent units, except that these non-residential spaces will *not* be owned by the residential developers (Arcari, personal interview, 2020).

Figure 17: Options for distributing apartments at Frihamnen



In addition to justifying the initial rent levels, a second benefit to providing differences between apartments would be to help maintain these levels to some extent beyond the 15-year presumption rent. After the buildings revert to the utility value system, without some differences in quality or characteristics the apartment rents will likely equalize (meaning, for the lower two levels, increased rents).

According to CEO Per-Henrik Hartmann, Familjebostäder will likely have some physical differences between apartments at the different rent levels, and may distribute them so that those with higher rents have other desirable characteristics such better views (Hartmann, personal interview, 2020).

Botrygg, on the other hand, would prefer to provide the same quality and level of finishes in all apartments regardless of rent level, in part so as to avoid stigmatizing the low-rent tenants (Arcari, personal interview, 2020).

The Union of Tenants for their part is not overly concerned about differences between apartments leading to stigmatization. Carl-Johan Bergström noted that such differentiation is not visible from the exterior, and that many older residential buildings are like this to some extent, as when a building is renovated the landlord often gives tenants the option – for a rent increase – to choose higher

quality finishes or more extensive renovation within their apartment (Bergström, personal interview, 2020).

6.2.5. Allocating the Low-Rent Apartments

Perhaps the most controversial aspect to Frihamnen has been the question of how to allocate the low-rent apartments in an equitable way that also fits the goal of creating socially mixed housing.

One potential issue identified by multiple stakeholders is the fact that, if Frihamnen's low-rent apartments are distributed through the municipal queue (Boplats) without income limits other targeting, they most likely will not be rented by people with low incomes.

According to Kristian Käll of Älvstranden Utveckling, many different stakeholders have been supportive of the effort to create low-rent and socially mixed housing at Frihamnen, but critical of the idea of an income ceiling because they feel that it goes against the universal nature of the Swedish system. Pinpointing low-income groups, they argue, will eventually lead to the breakdown of the universal market, the deregulation of rents, and the creation of a parallel low-rent social housing system (Käll, personal interview, 2020). The Union of Tenants has proposed alternative allocation models that would target groups based on characteristics other than income (Hyresgästföreningen, 2017).

Älvstranden has reached a compromise with the Union of Tenants to permit the private landlords to implement an income ceiling for prospective tenants. The precise requirements will be left up to the landlords, but future increases in a tenant's income will not affect their rent (Älvstranden Utveckling, 2018a; Käll, personal interview, 2020).

The low-rent units in buildings developed by the municipal housing company Familjebostäder will not have an income ceiling, but some of their units will be allocated from a "right to housing" and "child's rights" perspective, prioritizing homeless families with children, which builds upon a prior municipal program (Älvstranden Utveckling, 2018a; Käll, personal interview, 2020).

6.2.6. Recent Challenges and Changes

Facing unexpected complexity and costs to infill Lundbyhamnen and develop Frihamnen’s piers, Älvstranden Utveckling in early 2020 proposed adjustments to the project’s housing targets. Previously an even distribution of rental and owned housing was planned, but the new recommendation is 50% owned, 25% rental, and 25% “flex”, which they suggest could be rental, rent-to-own [hyrköp], cooperative rental [kooperativa hyresrätter], or co-building / co-housing [byggemenskap] (Älvstranden Utveckling, 2020).

According to Kristian Käll of Älvstranden the reduction in rental housing would only affect the higher rent levels, and the percentage of low-rent housing relative to the entire project would remain unchanged (Käll, personal correspondence, 2020) – see Figure 18.

Figure 18: Proposed distribution of housing tenure and rent levels, ca. 2020

■ 12.5%	■ 12.5%	■ 25%	■ 50%
Very Affordable Rental	Affordable Rental	Flex (rental, rent-to-own, co-building, etc.)	Sold

Adapted from Älvstranden Utveckling (2020)

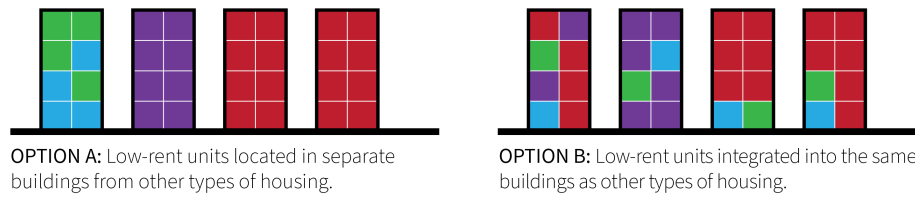
Älvstranden suggests that this change would allow for the introduction of new forms of housing at Frihamnen, though the primary rationale appears to be financial, as the sale price of land allocated for owned housing is higher than for rental housing. They note that increasing the percentage of owned housing from 50% to 60% will increase land revenue by 8% (Älvstranden Utveckling, 2020).

Left unanswered, as far as I have been able determine, is how this affects the integration of the low-rent apartments. Älvstranden still expects Frihamnen’s blocks to have a mix of rental and owned housing (Käll, personal correspondence, 2020), but previous plans were for rental housing and owned housing to be located in separate buildings. If this is still the intention, and developers opt for a non-rental “flex” option, then Frihamnen might feature entire buildings of only low-rent apartments. Even if intermixed with buildings of other housing types, this

still begins to more closely resemble social housing in other countries, and risks creating housing that is more easily stigmatized (Figure 19, Option A).

An alternative would be to integrate the low-rent housing with other housing types in the same buildings. While this would introduce new complexity, it would be more in keeping with the goal of creating socially mixed housing, and could offer new opportunities to subsidize the low-rent units (Figure 19, Option B).

Figure 19: Possible distribution options for low-rent units



6.3. Other Inclusionary Land Allocations

The city of Gothenburg has continued to experiment with ways to promote the development of new mixed-income and low-rent housing through inclusionary housing policies.

In 2017 politicians in the city government set a goal that land allocations for rental apartments should have 10% of units with a maximum rent of 1,000 SEK/m²/year, and according to Joel Blomgren of Fastighetskontoret this was implemented in many municipal land allocations during 2017 and 2018.

Table 9: Inclusionary land allocations ca. 2017-2018

	All Housing Units	Rental Housing		Low-Rent Housing			Cost of Rent (SEK/m ² /yr)
		Units	% of Total	Units	% of Rental	% of All Housing	
Kviberg Park	300	150	50%	15	10%	5.0%	1,000 ¹
Runstavsgatan	150	45	30%	5	10%	3.3%	1,000 ¹
Önneredsvägen	225	135	60%	21	15%	9.3%	1,000 ¹
Basungatan	70	30	43%	3	10%	4.3%	1,100 ²
Björkhöjdsskolan	110	90	82%	10	11%	9.1%	1,100 ²
West of Gibraltargatan	200	100	50%	10	10%	5.0%	1,100 ²
Televisionsgatan-Marconigatan	120	60	50%	6	10%	5.0%	1,100 ²
Åkeredsvägen & Grevegårdsvägen	100	100	100%	10	10%	10.0%	1,100 ²
TOTAL	1,275	710	56%	80	11%	6.3%	

Sources: Göteborgs Stad (2017a, 2017b, 2018a, 2018b, 2018c, 2018d, 2018e, 2018f), via Traneborn (2019)

¹ 2017 Values

² 2018 Values

According to Blomgren the low-rent units for these projects must be located in buildings that also have standard rent units. Left open is whether the low-rent units will be differentiated in some way from the standard rent units.

Blomgren said that many options were discussed for allocating the low-rent housing, including the use of income limits as at Frihamnen, and it was ultimately decided that the low-rent units should be designated for social contracts. This, he said, avoids classifying certain segments of society as an underclass and dictating where they can live. The low-rent units can be targeted to people who need assistance obtaining housing, and the social contracts will in most cases transition later to first-hand contracts, placing the tenant in the same position as all other residents (Blomgren, personal interview, 2020).

This method of allocation does not however help lower income renters who do not have social problems. The nurse with two children cited in the Frihamnen model would not be able to obtain low-rent housing in one of these projects, unless perhaps he or she is recovering from addiction.

The policy of mandating low-rent apartments in municipal land allocations was ended after elections in 2018 brought new politicians into government, but the idea has not been complexly abandoned. Blomgren cited as an example the current land allocation for Fixfabriken in Majorna. Although it does not include a specific low-rent mandate, developers were told that having a low average rent would be viewed favorably by the municipality when evaluating applications (Blomgren, personal interview, 2020).

7. Discussion & Conclusions

This thesis project sought to answer the following research questions:

1. How are Gothenburg and New York City using inclusionary housing policies and programs to promote the development of diverse neighborhoods and affordable housing?
2. How has the city of Gothenburg attempted to adapt the inclusionary housing model to fit the Swedish unitary housing system and the municipality's predominant ownership of land for development?

Table 10 on page 56 provides a comparison of the inclusionary housing policies and projects in New York City and Gothenburg that were explored in this thesis.

Purposes, Implementation, and Adaptation

Politicians and civil servants in both cities are concerned about housing affordability and urban segregation and see inclusionary housing policies as tools to address these issues. The stated goal of New York City's inclusionary housing programs is to create *economically diverse neighborhoods*, while in Gothenburg the municipality seeks to create *socially-mixed housing*.

Inclusionary housing in New York has been implemented through the city's system of zoning, applied to different areas of the city where density is increased in exchange for creating affordable housing.

The Swedish system of planning and land use regulation does not have a mechanism that would allow for increased density in exchange for affordable or low-rent housing. However, the city of Gothenburg has predominant ownership of land for development and has implemented inclusionary housing policies through the land allocation process, with mandates applied to specific pilot projects.

Table 10: Comparison of New York City policies and Gothenburg pilot projects

	New York City		Gothenburg		Other Allocations
	VIH	MIH	Guldmyntsgatan	Frihamnen	
Year of implementation	1987 & 2005	2016	2013 (competition) 2020 (completion)	In Progress 2014 - ?	Applied ca. 2017-18
Implementation area	Specific city areas (via zoning)		Specific development projects (municipal land allocation)		
Applicable to:					
• Private land	Yes	Yes	No	No	No
• Rental housing	Yes	Yes	Yes	Yes	Yes
• Sold housing	Yes	Yes	No	No	No
Req'd percentage affordable or low rent	20% of all housing	20-35% of all housing	100% (competition) 35% (entire project)	25% of all housing	~10% of rental housing
Affordability requirement	Permanent	Permanent	1 year	15 years	15 years
Buildings with 100% low-rent	Optional	Optional	Required	2014: No 2020: Unknown	No
Off-site option	Yes	Yes	No	No	No
Targeting or means-testing	Yes	Yes	No	Yes (some)	Yes (social contracts)
Incentives to developers	Increased density		Ability to purchase and build on city-owned land in a desirable location		
Available subsidies	Extensive (city, state, and federal)		Limited (national government)		

Table format adapted from Granath Hansson (2019)

While Gothenburg's Frihamnen is a large development project in a central and desirable area of the city, it shows the perils of combining many ambitious goals in one project. Frihamnen is only one part of the larger River City development, and the municipality would have been better served by testing inclusionary housing policies at multiple locations, so that different approaches could be tested simultaneously and setbacks at one area would have less impact on the overall goal.

The Guldmynstgatan project and the 2017-2018 land allocations were much smaller in size and scope. These projects are not located in central areas of the city, and Gothenburg's central and affluent areas need to be targeted to meet the municipality's goal of a socially mixed city.

Targeting inclusionary housing to affluent areas is also needed in New York City. The city's relatively new MIH program has only been applied to low-income neighborhoods, resulting in a reliance on production subsidies.

Targeting and Means-Testing

Means-testing is the standard for allocation of affordable housing units in New York City, but due to the structure of these programs the housing created is not always affordable to people with very low incomes.

For the Gothenburg projects, targeting or means-testing for the low-rent units is a large point of contention, and is perhaps the biggest hurdle to wide implementation of inclusionary housing policies in a unitary housing market like Sweden. Many stakeholders do not want to see the creation of a dual housing system, and are concerned about policies or programs that, even if well-intentioned, might lead in that direction.

Gothenburg's Guldmynstgatan project had no income limits or other restrictions on the low-rent apartments. Frihamnen will likely use several methods, including income limits, to target access to the low-rent units. The 2017-2018 land allocations will use the system of social contracts to target people who need housing assistance, although this prevents access for people who have low incomes but do not have social problems.

Maintaining Affordability and Ensuring Integration

Reconciling low-rent housing with the Swedish system of rent setting appears to be a work in progress. Presumption rent offers a path for differentiated rent levels for 15 years but maintaining different rent levels beyond that may be difficult. Options being discussed at Frihamnen – lower qualities for the low-rent units, placing them in less desirable parts of the buildings – have a certain logic in terms of the utility value system, but are very different from New York City’s approach of trying to fully integrate low-rent units within market rate buildings.

New York however does permit the construction of completely separate buildings for low-rent units, and developers may use inclusionary housing to obtain density bonuses for buildings that are 100% income-restricted. Gothenburg’s Guldmyntsgatan development placed all low-rent housing in separate buildings, and the recently proposed changes to housing tenures at Frihamnen may allow that project to follow a similar path of separate buildings for low-rent units.

While this may still help to create integrated and socially-mixed neighborhoods, concentrating the affordable housing in specific buildings can lead to stigmatization. It is also a further move away from the universality historically associated with the Swedish system, and a step closer to social housing systems common in many other countries.

7.1. Suggestions for Future Research

Gothenburg’s inclusionary housing pilot project at Guldmyntsgatan was initiated seven years ago but construction is only now nearing completion. This thesis has discussed the project’s background, the lack of an income ceiling for the low-rent units, and the fact that rents will quickly step up to the utility value, but was not able to quantify the results in terms of the building residents and social mix. It would be interesting to study the demographics of the residents of the low-rent units and the entire development (upon completion and again several years later), to determine what sort of social mix is achieved and if it can be maintained.

This thesis provides an update to earlier written work regarding the ongoing project at Frihamnen. Recently proposed changes to housing tenures are

highlighted, with discussion on how this might affect the low-rent housing. This is a project that will continue to develop for many years, offering opportunities to evaluate the success of the urban planning, developer business models, and targeting measures to determine if and how the project's goals are ultimately achieved.

It may also take several years before any housing is constructed on the municipal land allocated in 2017 and 2018. Like Frihamnen and Guldmyntsgatan, there will be opportunities to investigate if these projects are successful at achieving a social mix. Regarding the years where this policy was in effect, there is knowledge to be gained by comparing the allocations where low-rent units were mandated and where they were not, looking at tenure and location (center versus periphery) and how these relate to the goal of a socially integrated city.

More generally, explorations on how Gothenburg might apply inclusionary housing policies to privately owned land, and extend the policies to owned housing, seem useful in considering how the municipality can continue to promote the goal of a socially mixed city.

Finally, the interviews conducted for this thesis project touched on other topics that ultimately were not included in the text, such as how planning processes affect the cost and timeframe for housing development. These topics could be good avenues for further exploration.

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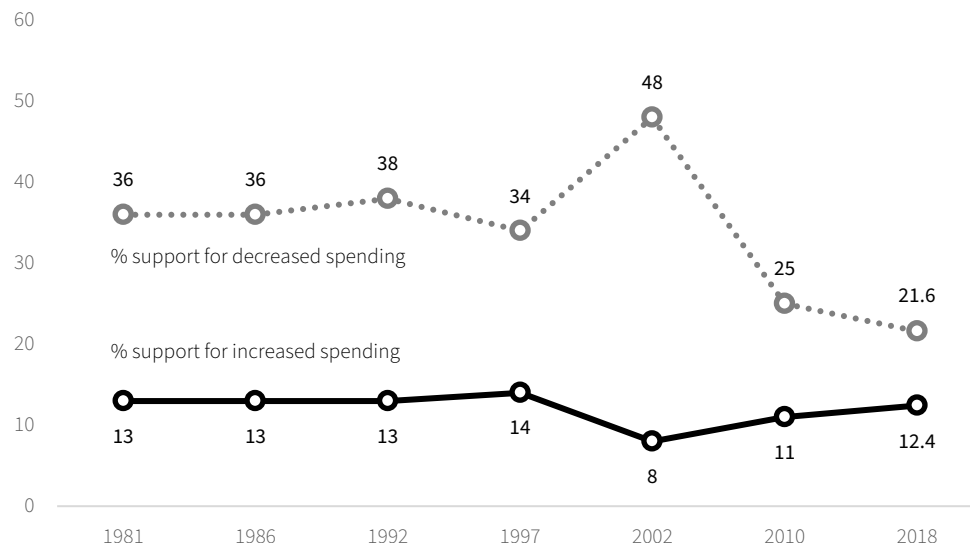
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Appendices

Appendix 1.

Welfare Attitudes in Sweden: Housing Allowances

Figure 20: Answer to the question “Do you think that the amount of tax money used for [housing allowances] should be increased, remain the same, or decreased?”



Sources: 1981 through 2010 from Svallfors (2011). Data for 2018 is unpublished but was provided by Ingemar Johansson Sevä, Umeå University (personal communication, January 2020).

Appendix 2.

Interview Summaries

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2.1 Älvstranden Utveckling

A summary of my interview with Kristian Käll, processledare social hållbarhet [process manager for social sustainability]. Conducted 2020-02-07 at his office in Gothenburg. Duration: 2 hrs.

Älvstranden Utveckling AB [Riverbank Development, Ltd.] is a municipal company tasked with implementing Gothenburg's River City Vision, including the proposed redevelopment of Frihamnen.

Frihamnen – background

According to Käll, Älvstranden Utveckling owns much of the land in the River City area, including roughly 95% of land at Frihamnen. As the property owner they initiated the land allocation process [markanvisning] as a competition, with the goal of creating different rent levels to help create socially mixed housing.

It is not uncommon for land to be allocated through a competitive process, sometimes based on price, other times based on criteria such as energy efficiency. Käll said that the unique aspect to the Frihamnen land allocation is the mandated low-rent levels.

Käll told me that the detail planning process was started in 2015, but setbacks were encountered in 2017 related to the suitability of some areas for building, which affected the economic feasibility of the project. The plan is currently being reworked (this delay has led one of the selected developers – Rikshem – to drop out of the project). Käll suggested that, based on their revised schedule, the first permanent housing may be completed in 2023 or 2024, with the project spread over several detail plans. In the meantime, the Jubilee Park is being constructed and temporary apartments erected.

Frihamnen - land

The original concept for Frihamnen included filling in Lundbyhamn to create additional land for building, but Käll said this work was recently determined to be

more difficult than expected, in part because of the discharge from Kvillebäcken [Kville stream]. So, for the time being this area will be excluded from the project. The piers were also determined to require substantial shoring to be suitable for building, increasing the project costs.

According to Käll the land must be sold for an amount that will finance the infrastructure and public space, and that land allocated for sold housing (generally cooperatives) can command a higher market price than land allocated for rental housing. So, while Älvstranden Utveckling wants to have a substantial amount of rental housing at Frihamnen in order to “attract people with lesser incomes and combat segregation,” they have to balance this with the financial requirements for development.

I asked if the land will be permanently sold or leasehold. Käll responded that as a company they are not permitted to lease the land, but he noted there might be benefits to a lease were it permitted, saying that property taxes in Sweden have been essentially eliminated – replaced with a small fee – so the sale of the land is the only opportunity to capture the value to help fund the new public space, schools, etc.

Frihamnen – Vision

I had previously read that the plan for Frihamnen was to have apartments for 15,000 residents and workplaces for 15,000. I asked Käll if this was still expected; he responded that those numbers were approximate and had not been finalized. The project may ultimately require five detail plans, and adjustments may be made for each, especially for the areas of land that will be more expensive on which to build.

According to Käll the initial land allocation agreement is for 1,600 apartments to be constructed by four developers, with approximately 35% to be low-rent. The initial goal for housing at Frihamnen was to have 50% rental apartments (with 50% of those having a low rent). Käll said the final ratios will be determined as the project progresses, and suggested that, based on current plans rental housing may be 40% of the total. But the initial detail plan may be 2/3 rental and 1/3 cooperative housing.

Frihamnen – housing

According to Käll, the target rent levels for Frihamnen are based on an average apartment size of 70 m² [753 ft²]. He said that while they want a mix of different sizes for the low-rent and market units, they are not dictating a particular distribution to the developers, (though they have asked Framtiden to prioritize larger apartments). Käll said that each rental building will have housing at each of the different levels, and each block will have both rental and owned housing, to create a socially mixed neighborhood.

Frihamnen – rent and income levels

The rental housing will have four rent levels, and developers will be required to use presumption rent to guarantee the two “low rent” levels for 15 years.

I asked how the various rent levels were determined. Käll responded that they looked at what a typical working-class household, perhaps a single parent with two children, could afford to pay. He said that these households would need to spend more than 50% of their income to afford to rent in most new housing being developed in Gothenburg. The low-rent levels at Frihamnen of 1,000 and 1,400 SEK/m²/year are similar to rents in existing municipally-owned housing in neighborhoods like Bergsjön.

The low rent apartments will be leased through the standard municipal housing queue (Boplats), and Käll noted that without some sort of control system, it is likely that most will go to people with higher incomes (as this is the demographic that has been in the queue the longest time), and that younger people and those newer to the city will be excluded. This would defeat the goal of socially mixed housing, and so Älvstranden Utveckling has explored several types of controls, including an income ceiling.

According to Käll, many different groups have been supportive of the effort to create low-rent and socially mixed housing at Frihamnen, but have been critical of the idea of an income ceiling because they feel that it goes against the universal nature of the Swedish system of housing. “Pinpointing” low-income groups, they argue, will eventually lead to the breakdown of the universal market, the

deregulation of rents, and the creation of a parallel low-rent social housing system.

Käll said they have reached a compromise with the Union of Tenants, and the private developers will be permitted to implement an income ceiling of perhaps three to four times the rent (the precise ceiling is up to each developer). According to Käll a tenant's income will only be reviewed when leasing an apartment, and increases in a tenant's income will not affect their rent.

The low-rent housing developed by the municipal housing company will not have an income ceiling, and Käll said this company will target their low-rent units on a "right to housing" and "child's rights" perspective, prioritizing homeless families with children.

Käll said that other distribution models were suggested by the Union of Tenants, to target or limit groups based on characteristics other than income. But Älvstranden Utveckling decided that targeting homeless families with children was the most feasible and legitimate, as it would build upon an existing municipal program providing first-hand housing contracts to homeless families. Käll noted that it will save the municipality money compared to the cost of shelters and other temporary lodging.

When the presumption rent expires after 15 years the buildings will revert to the utility value system of negotiating rents. Käll said there have been discussions about what will happen to rent levels at that time, with the Union of Tenants saying that the apartments will need to have differences in quality or characteristics in order to justify continued differences in rent.

Housing subsidies

According to Käll, when the Frihamnen project was initiated there were no subsidies available from the national government. There are now a few subsidies available for developing smaller apartment with low rents, but he said that they are generally too low to be used on projects in the larger cities.

Sweden at one time had a national housing policy, and heavily subsidized housing development, but Käll said that the 1990s economic crisis and entry into the EU

lead to the government ending subsidies. He noted that this was part of a larger neoliberal shift throughout the country, with deregulated and privatized schools, railroads, pharmacies, and the like.

Käll said that before joining the EU, Sweden lobbied for a mechanism that would allow housing subsidies to be exempt from the EU competition law, but did not request this exemption after joining because the government at the time had already begun to liberalize the housing market.

Housing allowances

Käll said that although the cost of housing has increased since the 1990s, housing allowances have not. He sees this as a consequence of tax cuts.

Allmännyttan

According to Käll, prior to the 1990s the housing produced by municipal housing companies [allmännyttan] was intended for people of income levels, but that it has now been transformed into a sector that is mostly for people with lower incomes who cannot get housing elsewhere.

At the same time, he said that since 2011 municipal housing companies are now required by law to act like any other for-profit company, and are barred from prioritizing social issues over economic growth.

In contrast to the changes in allmännyttan he pointed to social housing in Vienna as an example of housing that continues to be available to most residents, because the income limits are set very high.

Käll said that most people in Sweden want to hold on to the idea of universal housing, and don't realize that the full extent of the changes in the housing market.

2.2. Hyresgästföreningen

*A summary of my interview with Carl-Johan Bergström, enhetschef förhandling [negotiation manager]. Conducted 2020-02-13 at his office in Gothenburg.
Duration: 1 hr 15 min.*

Hyresgästföreningen [the Swedish Union of Tenants] represents residents of most rental housing and negotiates with landlords each year to set rents.

Rent setting

According to Bergström, Hyresgästföreningen represents the residents of 180,000 apartments in the Gothenburg region (73,000 households are members of the Union, but the organization represents nonmember residents of these buildings as well).

When negotiating with a landlord or group of landlords, Hyresgästföreningen tries to avoid an across-the-board rent increase, preferring to look at the building level (and sometimes apartment level) in order to set rents based on the specific physical conditions.

Rents are negotiated according to the bruksvärdessystemet [utility value system], where apartments of similar ages, conditions, and locations should have similar rents. According to Bergström, apartments that are equivalent except for location may vary in rent by as much as 40%.

Bergström said that it is rare that an agreement cannot be reached, but if that happens the landlord can try to negotiate separately with each tenant, or may go to Hyresnämnden [the rent tribunal].

Presumption rent

For newly built housing a landlord may elect to bypass the utility value system and set presumptionshyra [presumption rent], where rental prices are based on the actual development costs. There is currently a 15-year limit to presumption rent, after which time the building reverts to the utility value system. According to

Bergström the process is often not transparent – Hyresgästföreningen is supposed to be able to review the costs that are used to set the presumption rent for a building, but he said that can be difficult in practice, and from his point of view it sometimes appears that developers choose a desired rent and then back into that amount. He also thinks that this option to set presumption rent, together with the current housing shortage, has meant that developers and building contractors don't need to closely manage their costs, since they are essentially guaranteed to be able to pass them on to their tenants even if it means substantially higher rents than other buildings.

The idea behind presumption rent is that newly built housing is not comparable with existing housing, and higher rents are often needed in order to cover the production costs. But what happens when presumption rent expires?

Presumption rent was first introduced in 2006, initially with a 10-year limit.

According to Bergström the first buildings in Gothenburg to use this system were completed in 2007 or 2008, and when they recently began reverting to the utility value system there was not a large gap with other comparable buildings because of the increase in utility value rent for other buildings during this period.

The time limit for presumption rent is now 15 years, and Bergström expects that a large rent gap is likely when these properties revert to setting rents according to the utility value. He is unsure if this will mean that rents in these buildings will decrease, or if other landlords will then refer to these buildings to make a case for raising their own rents.

Reverse presumption rent

The low-rent housing proposed for Frihamnen is expected to use presumption rent to set a level of rent that is lower, rather than higher, than the utility value rent.

According to Bergström using presumption rent in this way (reverse presumption rent) safeguards the tenants by guaranteeing the low rent level for 15 years, even if the building is sold to a new owner who would like to charge more. He points to the case of Guldmyntsgatan, where the city held a competition for low-rent housing but did not specify a mandatory time period or the use of presumption rent. Ultimately the winning developers and Hyresgästföreningen agreed to set

the rent at the required low level for the first year, but the units will quickly step up to the standard utility value rent.

Frihamnen

According to Bergström, Hyresgästföreningen supports the concept of municipalities specifying rent levels when allocating land, as there are problems with the current system. But he emphasized that, from his point of view, Hyresgästföreningen should be included in the process when these projects are planned, especially because the Union must agree to the rents, whether utility value or presumption rent. Bergström said that Hyresgästföreningen was not included in the process at Frihamnen and they have concerns about how the different rent levels there will be justified.

Under the utility value system apartments with the same characteristics and in the same location should have the same rent, and so the Union believe that there should be differences between apartments at the various rent levels – perhaps quality of finishes, location within the building, views, etc.

Bergström told me that some developers at Frihamnen have pushed back on this idea, noting that for instance that there is not a large difference in the material and installation costs of sheet flooring and tile, and that uniformity will simplify production and maintenance. From the perspective of Hyresgästföreningen, even if there are not substantial production costs between the different variations, people place a much higher value on one option versus another, and this will help to justify the various rent levels.

I asked if he had any concerns that differentiating apartments through varying quality or characteristics could contribute to stigmatization of residents in the low-rent units. Bergström responded that while that could be a concern, many residential buildings are already like this to some extent. When an older building is renovated a landlord often gives tenants the option – for a rent increase – to choose higher quality finishes or a more extensive renovation within their apartment.

According to Bergström “the law is quite clear that [the rent from] one apartment cannot fund another apartment,” and even if Frihamnen’s rent levels are set

through presumption rent a tenant of a higher rent unit could go to the rent tribunal and argue that their rent is too high, given that equivalent apartments in the same building rent for much less. He thinks that if this were to happen there is a “high risk” that the presumption rent would be thrown out, in which case rents in all of the units would be set according to the utility value, ending the low rent experiment.

A landlord could argue that the low-rent units are subsidized by other income, such as sold apartments in the same development, but Bergström thinks this would not likely succeed since at Frihamnen the owned and rental apartments are in different buildings.

According to Bergström, Hyresgästföreningen has looked at the specific rent levels proposed for Frihamnen and does not think it is possible to meet the lowest level – 1,000 SEK/m²/yr – without a subsidy of some sort (their own calculations suggest that 1,200 SEK/m²/yr is likely the minimum that could be achieved without a subsidy). Bergström said that it could be argued that the low rent levels will drive innovation in the design or production in order to reduce costs, but from their perspective this has not been part of the conversation, just shifting income from one place to another in order to cover the low rent.

Subsidies

Bergström said that Hyresgästföreningen would like to see increased support for new housing from the national government. He pointed out that most government support was removed in the 1990s; there are currently a few subsidies [investeringsstöd] available but from the Union’s perspective they are not effective in the larger municipalities where housing is more expensive, and they would like to see more.

He noted that some property owners have suggested that the city is effectively subsidizing the low-rent housing at Frihamnen by selling the land below market price, in a manner that violates EU law, but no formal complaints have been made.

Housing allowances

I asked Bergström about housing allowances, which I had read are often seen as preferable to social housing, but are not always accepted by landlords.

Bergström doesn't think that landlords should be permitted to exclude people with housing allowances. He noted that the private landlords in Gothenburg recently created their own housing queue system (Home Q) so they could be more selective when screening tenants than is permitted by the municipality's own queue system (Boplats).

Social housing

Bergström said that Hyresgästföreningen is concerned that the proposal for Frihamnen will result in "non-explainable low rents", which from their perspective is very close to creating a form of social housing, and could open the door for landlords to argue for deregulating rents. They have similar concerns about the use of a means testing (an income ceiling) to allocate these apartments – that this can lead to the creation of a selective parallel social housing system, undermining the Swedish unitary model of housing that is available for all.

2.3. Robert Dicksons stiftelse

A summary of my interview with Donia Aslanzadeh, projektledare [project manager] and Monica Grote, uthyrningschef [rental manager]. Conducted 2020-02-21 at their office in Gothenburg. Duration: 1 hr 15 min.

Background

Founded in 1860 with funds from the estate of Robert Dickson – a wealthy merchant and shipowner – Robert Dicksons stiftelse [Robert Dickson's foundation] is a non-profit organization that develops and manages rental housing in Gothenburg.

According to Aslanzadeh and Grote the mission of the organization is essentially unchanged since its founding – to provide housing that is affordable for working people with ordinary or low incomes. They note that their housing is not intended for those with extremely low (or no) income. The organization does not receive any outside funding.

Rent levels and income limits

Robert Dicksons stiftelse has minimum and maximum income limits when evaluating applicants for their apartments. Their preference is for tenants who can afford the rent based on wage income, without relying on housing allowances.

Rents are set based on the apartment (rather than a specific percentage of a tenant's income), and according to Grote they strive to match apartments to people with appropriate incomes, so that apartments with very low rents don't go to those with more average incomes. If a tenant's income increases or decreases it does not change the amount of their rent.

Rents in buildings owned by Robert Dicksons stiftelse are negotiated according to the utility value system [bruksvärdessystemet] like any other rental housing. According to Aslanzadeh and Grote, rents in their older buildings range from 953

to 1,900 SEK/m²/year. Rents in their newly built apartments are between 1,400 and 1,900 SEK/m²/year, though a new project in Majorna may have rents around 2,000 SEK/m²/year. From Aslanzadeh and Grote's perspective this is low for new construction, but high compared with many of their older properties.

New development

According to Aslanzadeh and Grote, when Robert Dicksons stiftelse is allocated city-owned land for new housing they must pay fair market price like any other developer. Their organization does not often receive land if the allocation is strictly based on the price a developer is willing to pay, as open bidding can result in very high prices. They are more successful if the municipality already has a development concept for an area, and selection criteria beyond price. They also on occasion construct on their own land – most recently in Majorna where they demolished a preschool to build new housing.

They look for development opportunities throughout the city, though prefer areas near their existing housing as it simplifies management.

I asked Aslanzadeh and Grote if they thought their buildings differed in some ways from those of other developers. They do not think there are substantial differences, but suggested that the quality of their apartments may be higher than for developers who do not keep and manage their own buildings. They also think that their new apartments are a bit larger than average for new construction.

Robert Dicksons stiftelse looks to use construction techniques and materials that will be the most cost effective over the entire lifecycle of the building, even if it means a somewhat higher initial cost. And, according to Aslanzadeh and Grote, they want to maintain a good standard for the exterior of their buildings so that the appearance does not contribute to stigma as “low income housing.”

Aslanzadeh and Grote said that Robert Dicksons stiftelse does not develop apartments larger than 4 room [3 bedroom]. Distribution of apartment sizes varies by project; they do not have a standard target.

I asked if Robert Dicksons stiftelse is experimenting with prefabricated construction or other production techniques to reduce construction costs.

Aslanzadeh and Grote responded “no”, but on recent projects they are using a partnering contract with their building contractor, rather than a fixed price contract, and have brought the contractor on board during the design phase to review the drawings and look for potential cost savings. From their perspective this has worked well.

The new housing developed by Robert Dicksons stiftelse is funded through loans like any other developer, as they do not receive any outside funding or use an endowment to cover the costs of their work. The rental income is then used to repay the loans and cover maintenance and the like. According to Aslanzadeh and Grote, even though they cannot take a loss on their housing, they are able to keep their apartments affordable because they are a small organization, they are not looking for the same type of return as a profit-driven developer, and their profits are retained and reinvested in the organization.

2.4. Fastighetskontoret (Boendeavdelning)

A summary of my interview with Mikael Chrona, utvecklingsledare [development manager]. Conducted 2020-02-28 at his office in Gothenburg. Duration: 1 hr 30 min.

Gothenburg's Fastighetskontoret [Property Management Administration] manages, leases, and allocates the municipality's land reserves, and is responsible for accommodation & accessibility, which includes social contracts, housing for refugees, and improving the physical accessibility of the city. The department also compiles statistics and forecasts for housing production but is not involved with setting goals for new construction (those, according to Chrona, come from the politicians).

Homelessness

Chrona told me that the municipality (through Fastighetskontoret) is finalizing a new Homelessness Strategy for 2020-22 (the previous plan was approved in 2015).

The definition of homelessness in Sweden, he said, is more expansive than in the U.S., and includes 1) those who are sleeping rough (outdoors) or in short-term hostels or shelters (acute homelessness); 2) people who will soon be discharged from an institution and don't have a place in which to move; 3) people living in municipally-arranged housing such as social contracts; and 4) people temporarily living with family or friends but seeking assistance. Non-Swedes without residence permits (i.e., EU migrants) are not included in the homelessness statistics.

According to Chrona, municipal services for the homeless include outreach teams for those sleeping rough, shelters for homeless people and victims of domestic violence, collective accommodations for older people with alcohol abuse, training apartments, and social contracts.

Additionally, between 2016 and 2019 the municipal housing companies provided 700 apartments to homeless families with children, many of whom were living in acute homelessness. These were first-hand contracts rather than social contracts.

Chrona told me that a key part of the city's homelessness strategy is preventing evictions. Evictions might be related to substance abuse or mental health issues but set in motion a series of events that inflict additional trauma on the individual or family and requires substantial resources from the city to address.

Much of the rental housing in Gothenburg is owned by the city's municipal housing companies, and from Chrona's point of view it is in the best interest of these companies to avoid evictions, noting that a tenant they evict may – after cycling through shelters, training apartments, and counseling – become a tenant once again, perhaps first with a social contract, and then with a firsthand contract.

Social contracts

A defining characteristic of the social contracts is that these are *not* buildings or apartments dedicated for homeless housing. Instead the municipality, based on need, leases apartments throughout the city from public and private landlords (typically 400-500 apartments per year, according to Chrona). These units are then sublet at cost to people who cannot obtain a firsthand contract due to social problems such as substance abuse. Financial support is available for those who cannot afford the rent. Ideally, after 18 months the tenant can transition to a firsthand contract and remain in the apartment, no longer requiring the city's help. Around 300 tenants per year successfully make this transition.

Chrona told me that when the municipality allocates land it typically requires that the developer make a certain percentage of the new units available for social contracts. These units however are not required to be in the new housing, but can be in any of the landlord's properties. A developer might for instance build new housing in the center of the city but decide that the units for social contracts will be made available in their older buildings on the periphery.

I asked Chrona about this, as offhand this would seem to possibly exacerbate housing segregation and inequality. From his point of view though, units in older buildings are preferable for social contracts, because the municipality pays the standard rent when leasing an apartment (and in turn charges this rent to the tenant), and rents in older buildings are lower than in in new buildings. Chrona

also noted that there is no requirement to provide a social contract in the same area of the city where a person was previously living.

Social resursförvaltning (the city's Social Resources and Service Administration) is responsible for homeless shelters and training apartments, and decides when an individual or family is ready to transition to a social contract. They then contact Fastighetskontoret to arrange the apartment, inform them of what the tenant can pay (taking into account any housing allowances they may receive), and Fastighetskontoret finds an appropriate unit.

According to Chrona, people who do not have social problems cannot receive social contracts – only coaching to help them find housing through the ordinary market.

Housing first

Gothenburg has a *Housing First* initiative which provides social contracts to people in acute homelessness, without first requiring that they live in training apartments or stop abusing drugs or alcohol. These tenants are provided with enhanced support from the municipality or nonprofit organizations to help them make this transition.

Chrona thinks that the current number of Housing First apartments – around 170 – is a good level. He noted that Housing First tenants can be more disruptive than other tenants in social contracts, which can create difficulties as the apartments are dispersed throughout the “normal” rental housing stock.

Frihamnen

I asked Chrona about the current plan for some of the low-rent housing at Frihamnen to be set aside for homeless families with children. According to Chrona this idea came from Älvstranden Utveckling. The current municipal program to reserve apartments for homeless families with children ran only through 2019, and Älvstranden Utveckling suggested that the low-rent units at Frihamnen would be good for continuing the program. Chrona is supportive of the idea but questions when the housing will be available.

2.5. Familjebostäder

A summary of my interview with Per-Henrik Hartmann, CEO. Conducted 2020-03-09 at his office in Gothenburg. Duration: 1 hr.

Familjebostäder i Göteborg AB is a municipally owned housing company, and part of Förvaltnings AB Framtiden (the parent company to all of Gothenburg's municipal housing companies).

Background

According to Hartmann, Gothenburg's different municipal housing companies were started 50-60 years ago as part of various political initiatives, and were put together under the Framtiden umbrella in the early 1990s.

Until the 1990s the Swedish government subsidized the municipal housing companies [allmännyttan], but today the companies must generate sufficient revenue to develop new housing and maintain their existing properties.

The municipal housing companies are now expected to operate in a "businesslike manner", but from Hartmann's perspective the companies still operate differently than private landlords. The primary goal of Familjebostäder and the other municipal housing companies according to Hartmann is not to maximize profits but to create good housing and neighborhoods, and they will invest in areas of the city that private landlords will not.

Frihamnen

Förvaltnings AB Framtiden was selected to develop some of the housing for phase one of Frihamnen, and decided that the allotted rental housing will be developed by Familjebostäder (as they have other buildings nearby), and the cooperative housing will be developed by their sister company Egnahemsbolaget.

The competitive land allocation for the first phase of Frihamnen was not based on specific design proposals. Hartmann thinks that Framtiden was selected to participate because the municipal housing companies have a long-term

perspective and will not be looking to sell off their properties, and that Framtiden is a strong organization with creativity and initiative to try new solutions.

Until recently Framtiden was expecting to construct 400 rental apartments and 200 owned apartments as part of this first phase, but Hartmann told me that he was recently informed that it will be revised to 300 of each.

There have been issues at Frihamnen related to the suitability of the land for construction, and it was recently announced that the project has been “cut in half”. Hartmann does not know what this change means for their work, and for now still expects that Framtiden will develop 600 total apartments during phase one.

Familjebostäder’s goal for their apartments mirrors the goals of the entire development – to provide housing for all kinds of people, different household sizes, and a range of incomes. Hartmann hopes that a variety of unit types can be provided within each building.

Production costs and subsidies

In order to help achieve the low rent levels, Hartmann expects that Familjebostäder will be able to reduce construction costs through standardized and repetitive building plans, though perhaps with different facades to provide the architectural diversity that is desired in the project.

There are currently government subsidies available for creating affordable apartment of a certain size, which could help with the low-rent apartments at Frihamnen, but Hartmann said that it is too early to know if these subsidies will be available when Familjebostäder is ready to build (which they expect will be 2022 or 2023).

Hartmann told me that Familjebostäder actively looks for new building systems that will help them lower production costs through repetition. Together with Sveriges Allmännyttan they have explored the possibility of using construction companies from other EU countries such as Poland and Spain as they may be less expensive, but there are obstacles to using foreign companies.

Rent levels / Presumption rent

Hartmann doesn't currently know what to expect to happen to the rent levels at Frihamnen when the presumption rent expires after 15 years and rents must be set by the utility value system. He noted that rents in Familjebostäder's current 15-year-old buildings are "quite affordable", and suggested that, while the rents may increase for the low-rent apartments, the market rents will be affordable for most people because the buildings will by then be 15 years old.

Hartmann acknowledged that the central location of these buildings means that the rent may be somewhat higher than in comparable buildings in outlying areas of the city. He also noted that there is ongoing debate about the current system of rent negotiation, with many private landlords advocating for deregulation, and future rent levels in Frihamnen will be affected by any changes to the bruksvärdessystem.

I asked about rent increases when older buildings are renovated. According to Hartmann, Familjebostäder – unlike some private landlords – only renovates when necessary, and never with the goal of increasing rents. Where possible they try to give tenants the option to keep existing finishes or fixtures, where their replacement would result in a rent increase.

Incentives for development

From Hartmann's perspective the municipality is not offering any bonuses or incentives at Frihamnen in order to make the low-rent units more feasible. He noted that the project is in a very desirable location and that there were many developers interested in the project despite the conditions and requirements. He also noted that in addition to the mandate for low-rent units, there are also requirements concerning things like energy usage and environmental aspects, which raise construction costs and make it more difficult to create inexpensive housing.

I asked if Hartmann would be in favor of increased subsidies from the government to promote the development of low-rent housing. He responded that, from his point of view, it is better to subsidize people and households rather than

companies, as with the latter there is a higher risk that the subsidy does not actually benefit the people in need.

He is unsure if increased subsidies would result in a substantial increase in development and noted that there are many other obstacles – especially in the planning process – that limit construction.

Targeting / income limits / social contracts

Hartmann told me that when Familjebostäder first became involved in the Frihamnen project they decided that income limits would be needed for the low-rent units, but were overruled by the politicians, who told them that they did not want to create social housing, and that the units should be made available through Boplats (the municipal housing queue) like any other apartment. The private companies however will be permitted to institute income limits for their low-rent units. Hartmann acknowledged that without income limits or other restrictions the low-rent units may end up occupied by people who could afford market or above market rents, and he would prefer that Familjebostäder was permitted to match the low-rent units with people in need.

According to Hartmann there was a previous proposal that the low-rent units be prioritized for refugees and new arrivals, but that is no longer being discussed. Älvstranden Utveckling currently proposes that the Familjebostäder's low-rent units be prioritized for homeless families. This would allow for the apartments to be targeted for a group who needs assistance while avoiding income limits. Hartmann noted that Familjebostäder, like other developers, already makes apartments available to Fastighetskontoret to use for social contracts. To his knowledge the same process would likely be used at Frihamnen.

I asked if he thought that allocating their Frihamnen apartments for homeless families would mean that they would have fewer apartments in the rest of the city for this purpose (in other words, would Familjebostäder maintain the same number of apartments for homeless families and just shift their location, or would they expand the total number of units for homeless families).

Hartmann does not think they would substantially reduce their number of such apartments elsewhere, noting that if they are building 300 rental apartments at

Frihamnen, and 150 will be in the low-rent tiers, only 10 or 15 would be for homeless families via social contracts. The remaining 135 or 140 low-rent units would be leased through the Boplats queue without income limits, like any other apartment.

According to Hartmann, Familjebostäder currently distributes their social contract units throughout the entire city, and he noted that most of their buildings have comparatively low rents due to their age. He said that they try to avoid placing too many social contracts in the same area, because such tenants often have issues like mental health problems that make them more prone to disturbing other residents.

I asked if Familjebostäder had any initiatives at their other buildings or developments to promote social mix or social inclusion. He said they do not, though they see the queuing system (Boplats) as helpful for obtaining a social mix, though there are shortcomings under the current system for young people and new arrivals. They do try to have a mix of apartment sizes in each of their buildings, and for areas where a particular size of apartment predominates, look to develop new housing to create a wider variety of unit types.

Apartments

Hartmann said that Familjebostäder currently plans to have some physical differences between apartments at the different rent levels (which could help maintain differences in rent after the presumption rent period expires), but is still working out the specifics. He noted however that based on current requirements even the “lowest standard” is still quite good, so it will more about adding extras to the market and above-market apartments, rather than removing things from the low-rent units. They may also locate the apartments such that those with higher rents have better views, for instance.

Development, land allocations, and detail planning

Familjebostäder is currently developing 200-300 new apartments each year (the municipality sets yearly production goals for Framtiden, which in turn decides how much should be developed by each of their subsidiaries).

Hartmann said that Framtiden typically approach the city to propose specific projects at specific locations, so the competitive land allocations process at Frihamnen was unusual for them.

Hartmann thinks that it is good that the municipality adds specific requirements when allocating land, such as higher energy efficiency, or the low-rent mandate at Frihamnen, as the city can experiment and find new ways of working. He acknowledged though that these requirements can increase production costs, and specifically mentioned the goals at Frihamnen for architectural variation and low energy usage.

From Hartmann's perspective the city is probably currently allocating sufficient land for new housing development, but he said they did not in the past, which helped to create the current housing shortage.

According to Hartmann, the average project takes seven or eight years from the initial idea, through land allocation, detail planning, and construction, and finally occupancy. He said they have been doing a lot of outreach to create dialog with neighbors and address their concerns, but he noted that it only takes one person to initiate legal action and cause substantial delays to a project.

I asked if, from his point of view, detail planning is usually a collaborative process. Hartmann said that a large problem is that Stadsbyggnadskontoret has a high workload compared with their number of employees, which slows down the process. The municipality often wants to control the entire process, while developers would like to take on more of the planning work themselves to speed the process. He thinks that it is good that the municipality does not leave everything to the developers, because the municipality takes a wider and more long-term view of the entire city.

2.6. Fastighetsägarna GFR

A summary of my interview with Rikard Ljunggren, chef näringspolitik och kommunikation [head of business policy and communication]. Conducted 2020-03-09 at his office in Gothenburg. Duration: 1 hr 15 min.

Fastighetsägarna GFR [the Swedish Property Owners Federation] is an organization of property owners (both residential and non-residential), mostly private companies but also some municipal housing companies.

Frihamnen

The Property Owners Federation has been involved in discussions with the municipality about Frihamnen from the start of the project – primarily centered around the low-rent component, which the organization feels goes against the utility value system of setting rents.

Ljunggren told me they are not opposed to the development of housing aimed at people who can't afford market prices, but from their perspective Gothenburg already has plenty of inexpensive housing (the median rental price in the city, according to Ljunggren, is 1,000 SEK per m² per year for apartments in the existing housing stock, which corresponds to the lowest rent level proposed for Frihamnen).

From the perspective of the Property Owners Federation, the primary housing problem in Gothenburg is that the current rent setting system results in prices that are quite low for most people, creating high demand and long queues of people seeking to move. Rents in new housing are generally higher than in the existing housing stock, and – from the perspective of the Property Owners Federation – constructing new, low-rent apartments [in an attractive, central location] will exacerbate this problem.

Ljunggren noted that people who have been in the housing queue [Boplats] the longest, and thus under the current system have priority when applying for an apartment, are generally well established and have higher incomes. This means

that if the low-rent apartments will be rented through Boplats like any other apartment, it seems likely that they will go to more affluent people who could afford to pay substantially more. Thus some sort of income ceiling would be required to ensure that these apartments go to low- and middle-income residents, as is desired by the city. According to Ljunggren the organization is not opposed to an income limit, but he said that it was not part of the city's original plan for the project.

For Frihamnen there has been discussion about justifying the different rent levels in part by different characteristics, such as finishes, locations within each building, and views. Ljunggren suggested that this might justify some amount of difference in rents, but not to the extent proposed for Frihamnen, and that an apartment's location within the city is what drives its desirability and people's willingness to pay.

According to Ljunggren, if the different rent levels cannot be justified by the characteristics of the apartments (and so, in effect, the higher rent units are subsidizing the lower rent units), landlords will need to reach agreements with the Union of Tenants – otherwise a resident of a higher rent unit could appeal in court, questioning why their neighbors pay substantially less for an apartment that is not considerably different.

He contrasted this to social housing in other countries where low-rent units are subsidized by the government or municipality. From his perspective it should not fall to the private landlords to, in effect, subsidize rents in order to make the low-rent housing feasible, but this should be society's responsibility through the taxation system.

Ljunggren questioned what will happen to the rent levels when the presumption rent [presumtionshyra] expires after 15 years, and rents must be set by the utility value system. From his perspective Frihamnen seems to be more of a symbolic project that politicians can use to claim they are addressing issues of housing and segregation. Ljunggren does not see Frihamnen as a model that can be sustainably replicated on a wide scale, and suggested that these issues are better addressed by legislators / government.

Housing system

According to Ljunggren, in situations where apartments are priced well below what some people would be willing to pay, some may take advantage of the situation and attempt to sublet for a profit (arbitrage).

From his point of view, while certain groups have difficulties in the housing market, such as young people or asylum seekers, the main problem with the current housing system is “demand surplus” created by low rent levels. He points to the costs of secondhand rents [subletting], which he said are much higher than first-hand contracts (which are regulated by the utility value system).

Fastighesagarna would like to see a reform of the entire housing market, with deregulation of rents and the creation of a broad social housing system. From Ljunggren’s point of view the former would allow rents to be set in response to demand, which would address the long queues that are present under the current system, and the latter would offer targeted assistance to those who cannot otherwise find housing. He suggested that the social housing could be disbursed, rather than located in specific buildings or neighborhoods.

Regarding concerns that a dedicated social housing system would lead to increased segregation, he responded that the current system of rent regulation was supposed to limit segregation since most people would be able to live anywhere in the city, but from his point of view it hasn’t worked out that way. He said that it is people who have been in the queue the longest, and tend to have higher incomes, who secure housing in the central parts of the city. Those who are younger or new to the city end up with apartments on the periphery.

Ljunggren pointed to Finland as a possible model to follow, where, he said, they deregulated their housing market in the 1990s and created a substantial social sector. He suggested that does not have to mean completely unregulated rents. In the current commercial rent system a tenant can appeal their rent if they feel that it is higher than other comparable properties in that particular area. The rental housing market could be deregulated with a similar provision – landlords would be able to set rents without negotiating with the tenants union, but residents could to appeal rents that were beyond the norm.

Ljunggren suggested that while a new social housing system may be expensive for the municipalities or the government, the current system of homeless shelters, etc. is also expensive to operate.

I asked if he thought that deregulating the housing market would result in more development. He is unsure, and suggested that the current option for a 15 year presumption rent works well for developers and investors. From his point of view deregulation might not lead to increased levels of production (it could, but there are other barriers), but deregulation would result in “more effective usage” of the entire housing stock.

Would deregulation lead to more people who can't afford rent, and require housing allowances or social housing? Ljunggren responded “yes, to some extent”, but doesn't foresee a large increase and suggested that it would not be more expensive overall and would be outweighed by the overall benefits to society.

Homelessness

Älvstranden Utveckling has proposed that a portion of the low-rent apartments at Frihamnen be reserved for homeless families with children. Ljunggren thinks that it is good to target a group like that, but questions what will or should happen when a person's income increases.

According to Ljunggren the current system is based on a staircase model, ultimately ending in a social contract. And this can be good from the perspective of trying to ensure that someone can re-assimilate into society and will not be a disturbance to their neighbors.

In terms of best helping people in acute homelessness, Ljunggren suggested that Housing First may be a more inclusive model, as people in need are given a home even before substance abuse or mental health issues have been addressed. But it can be more difficult to integrate this sort of system into the general housing system, as there can be more disturbances.

Housing allowances

Ljunggren is supportive of housing allowances as one way to assist target groups without locking people in to certain buildings or dwelling units, but noted that this should be just one of many tools used.

Subsidies for new development

Fastighetsägarna, according to Ljunggren, is opposed to generous subsidies for housing development, which from his perspective tend to increase housing prices. Subsidies for new housing development were commonly used in Sweden prior to the 1990s. Ljunggren said that while these subsidies were extensive, they nearly drove the country to bankruptcy.

Regarding the few subsidies that are currently available, he agrees that it can be difficult for developers to use them because of uncertainties when planning a project of whether they will be available in the future.

Housing shortage

Ljunggren said that there are some who argue that the abandonment of housing subsidies led to the current housing crisis in Sweden, but he argues that overall production has kept up with demography.

According to Ljunggren, since 2000 the average disposable income has increased 60%, but rents have increased 0.7% per year [note: this comes out to a cumulative rent increase of roughly 14% during this time period, compared to inflation of approximately 30%]. Ljunggren suggested that this means an increased gap between rent levels (for first-hand contracts) and what people are able and willing to pay. He noted that while the population of the Gothenburg region has increased by 30% since 1990, the number of housing units per capita is essentially unchanged.

Ljunggren provided data for the Gothenburg region showing there were 463 total dwelling units per 1,000 residents in 2018, compared with 471 units per 1,000 residents in 1990 – a decrease of 1.7%. During this same period the number of rental apartments per capita decreased by 13.1%, while the number of owned apartments [bostadsrätter] per capita increased by 42.2%. The data does not

separate out Gothenburg municipality from the larger region, or show if median household size has changed during this time period.

Presumption rent

According to Ljunggren the current option for presumption rent works well for developers and investors because they are guaranteed a return on new construction, but from his perspective it would be best to have deregulated rents.

Land allocation and detail planning

Ljunggren is critical of the municipality adding special requirements to land allocations (such as architectural characteristics, or the low-rent requirement at Frihamnen), and would rather that the city instead list issues that should be solved and let developers come up with creative proposals to address them. He suggested that these requirements can result in higher construction costs, and thus higher rent. He noted as an example that land allocations in Gothenburg sometimes have requirements for higher energy efficiency. Fastighetsägarna would prefer that projects follow the national regulations rather than having a variety of regulations and requirements in different municipalities.

I noted that the City of New York will sometimes allocate city-owned land for basically no cost to non-profit developers of affordable housing. Ljunggren thinks that it is better for taxpayers if such assets are sold for market value, but noted that by placing restriction on a parcel of land that will affect a developer's revenue – for instance rent caps such as at Guldmyntsgatan and Frihamnen – that the market price will likely be reduced.

We discussed the detail planning process, and Ljunggren noted that for projects where the detail planning is done after land allocation, the final regulations in some cases may be very different from what a developer was expecting when they were allocated the land. He said there may be other entities, such as the transportation authorities or Swedish defense, who place their own requirements or object to aspects of a proposal. Detail planning from his perspective is not a process that is designed for speed, and by the time everything is approved the market conditions may have completely changed.

I inquired if, from his point of view, detail planning was usually a collaborative process. Ljunggren thinks not, because the municipality may view itself less as a partner and more as an authority, and because different departments in the municipality (and the politicians) may have conflicting interests and goals.

Ljunggren personally thinks that Gothenburg is currently allocating sufficient land for new housing development, but noted that some members of the Property Owners Federation might disagree. He suggested that while the municipality seems most focused on the number of new housing units being developed, from his point of view the types and qualities of new housing is equally important.

Types of housing

The members of Fastighetsägarna are mostly private landlords; according to Ljunggren the organization does not have an opinion regarding the existence of municipal housing companies, only that they want the public and private companies to be treated equally.

Ljunggren noted that rental housing is very large portion of the housing market in Gothenburg, but said that owned housing should not be overlooked as an option for addressing social issues – making it easier for people to purchase housing, including offering subsidies to people who need assistance purchasing.

Inclusionary housing

From Ljunggren's perspective it is better if requirements such as low-rent mandates are structured in a way to create a social mix within each building and each neighborhood.

I noted that in New York and other localities with inclusionary housing policies, developers are often offered density bonuses and other types of incentives (as part of the zoning) to spur the creation of affordable housing. There is not currently a similar mechanism in Gothenburg. Ljunggren suggested that, rather than predefined incentives, the municipality could have discussions with developers during the land allocation or detail planning to see what could be done to help them to be able to provide a certain percentage of low-rent units in a project.

2.7. Okidoki Arkitekter

A summary of my interview with Martin Nordahl, Arkitekt SAR/MSA. Conducted 2020-03-10 at his office in Gothenburg. Duration: 50 min.

Okidoki Arkitekter is an architecture firm with offices in Gothenburg and Stockholm. Their proposal, together with developers Svanström Fastigheter AB and Almgren Fastighets AB, for a low-rent housing competition at Guldmyntsgatan in Gothenburg was selected by the municipality and is now nearly complete, with some units occupied.

Guldmyntsgatan

Nordahl told me that the municipality's goal for Guldmyntsgatan was an average rent of 1,400 SEK per m² per year, which is lower than the average rent in new residential buildings (but higher than rents in many older buildings). The apartments do not have an income limit for tenants. The 2013 competition did not specify the housing typology, and proposals were submitted for lamellas, point houses, etc. Okidoki proposed three perimeter blocks with a mix of 1-4 room apartments and small row houses.

Nordahl noted that while the project selection for the competition was based in large part on the architectural qualities of the proposals, very few of these qualities were specified in the final agreement between the municipality and the selected developers. Similarly, the agreement did not require that the low rent levels be for a particular time period, such as the 15-year presumption rent [presumtionshyra] as is planned for Frihamnen.

While the developers did not change the architectural features of the project, they did ultimately structure the rents so that they will step up to the standard utility value in just a few years. Nordahl noted that there is an awareness that – since the city is primary the landowner – if developers don't fulfill their presumed obligations they may not be awarded future land allocations.

From Nordahl's perspective the municipality did not offer any incentives or density bonuses as part of the competition to help make the project more feasible. However, during the detail planning the municipality agreed to a higher exploitation factor [increased density] than was initially specified, which resulted in an additional floor for the apartment buildings. Also, the municipality saw this development project – including the non-competition parcels – as a place to test new ways of mobility, and so waived the normal parking requirements, which resulted in cost savings for the project.

According to Nordahl the initial design was based on prefabricated wooden modules, but by the time the detail plan was completed and the land transferred this was no longer cost effective, as the migration crisis had created an urgent need for temporary housing and increased the demand (and cost) for prefabricated housing. The buildings were ultimately conventionally constructed of concrete & steel. Some cost savings was realized through the use of exterior walkways rather than multiple stair and elevators as is more common for Swedish apartment design. This reduced the number of elevators, and the exterior walkways also did not count as floor area, which helped to maximize the number of apartments in the project. The walkways were also sized to provide some semi-public outdoor space outside of each apartment.

According to Nordahl, detail planning – which included other parcels that were not part of the competition – took around 18 months, and then neighbor appeals took another year to be resolved in court. From his perspective this timeframe was not atypical.

Nordahl said that on most projects much of the building design work is not done until the detail planning is complete, as until the plan is finalized there is always the chance that requirements may change, or a neighbor may appeal and the court may find flaws in the plan.

The Guldmyntsgatan project was not, according to Nordahl, planned for a specific type of resident (e.g., people with lower incomes, young people, etc). There was a requirement from the city that the apartments be advertised through Boplats, but this was a standard requirement at the time for all residential projects on land allocated by the city (this was changed after different political parties took power

in the municipality in 2018, and now there is a separate system – HomeQ – used by many of the for-profit landlords who want to be more selective in their tenant selection).

Frihamnen

Nordahl personally feels that it is good that the municipality is experimenting with low-rent mandates such as at Guldmyntsgatan and Frihamnen. He sees a lack of effort at the national level to address housing issues, and so thinks that it is good that the municipality is testing new methods to address issues of social sustainability.

He sees possible challenges for Frihamnen regarding the apartments with the lowest rent level, which is below that of Guldmyntsgatan – questions such as whether there should be limits on who can reside in the apartments, and how to ensure that they will not be sublet for a profit. As well as a larger question of why low rents are not available throughout the city. And he noted that Frihamnen is a difficult location for a low rent pilot project, given the difficulty and expense making the land suitable for building.

We discussed the income ceiling that is being discussed for some of the low-rent units at Frihamnen. Nordahl's personal opinion is that such limits are not necessarily bad, but that to further the goal of desegregation it may be good to emulate models from some other European countries where the limits are high enough that a large portion of the population can qualify.

Nordahl would like to see the city continue and expand its experiments: *“I think they should try more [things], and at the same time... try 10 different methods and then evaluate them and see what's working.”*

Other low-rent projects

Okidoki had not been involved with low-rent housing projects prior to Guldmyntsgatan, but they are currently working with a developer on a 46-unit project in the municipality of Västerås. 44 of the apartments will be sold, but two units will be purchased (at a discount) by the Swedish church, who will rent them to people who have been homeless. From Nordahl's perspective this is brave to do

with sold housing, and could also be a model for other municipalities to try. Something similar is already done with rental housing, where a certain percentage of apartments are reserved for social contracts, but it is not common for housing cooperatives or condominiums.

Land allocation and detail planning

According to Nordahl, Okidoki most commonly works with developers who are proposing projects to the city, rather than responding to competitive land allocations like at Guldmyntsgatan. But he noted that such projects can take as long as 10 years from proposal to completion – first to get the city interested in a project, then waiting in the detail planning queue (which may take longer than the detail planning itself), then possibly two years for the detail planning process, and perhaps another year for appeals. The building permit process is much faster, but that can't be done before these other steps. This long timeframe can serve as a barrier, limiting the possibility for smaller developers to compete.

I brought up the differences in planning processes between Sweden and the United States. In New York and most other U.S. municipalities zoning is set at a citywide scale, and most land is privately owned, so “as of right” projects that conforms to the zoning regulations might take as little as 36 months from conception to completion. In Sweden, where the detail planning often happens after a project is proposed, and may be subject to further appeals after being completed, the typical project timeline is considerably longer.

Nordahl thinks that it would be beneficial for municipalities to have detail plans established for land prior to allocation – even for land where allocation is not expected for some time – so that projects may be more quickly realized when there is interest. However the municipality would lose some control – detail planning after land allocation and with a specific project in mind, as is commonly done, means that the city can place more specific requirements on the developer and shape the project. This also lets the city shift some of the planning costs on to the developer. He pointed out though that land can be sold for a much higher price if a detail plan is in place, which in the long term would help the city's finances.

I asked Nordahl if he felt that detail planning after allocation lead to a more collaborative process (in New York it is not uncommon for developers to look for loopholes in the zoning regulations, and the process can at times feel somewhat adversarial). He responded that developers here also sometimes look for loopholes in the detail plans.

Subsidies

Okidoki is working on “one or two” projects where the developers hope to take advantage of subsidies. Nordahl has not worked on such projects himself but thinks that subsidies with a clear goal (such as lower rents or improved environmental performance) are beneficial.

2.8. Botrygg Göteborg

A summary of my interview with Joachim Arcari, CEO. Conducted 2020-03-13 at his office in Gothenburg. Duration: 1 hr 15 min.

Botrygg is a for-profit housing development company with a “social interest”. They have 3,000 rental apartments in Sweden and aim to set rents 10% lower than the utility value rents [bruksvärdessystem] for new construction.

Frihamnen

It was recently announced that Frihamnen has been “cut in half”. According to Arcari this decision has not been finalized by the city, and it has not been communicated to him whether this change will reduce the size entire project or only the initial phases.

Botrygg was selected to be part of the first land allocation for Frihamnen and expects to develop 300 apartments – 200 rented and 100 sold. Botrygg currently plans to target their buildings to people with low to middle incomes, and to exclude students and retired people (as they generally qualify for housing allowances and can rent elsewhere).

The overall housing mix for Frihamnen was initially intended to be 50% owned and 50% rental. Arcari feels is a good balance and hopes that the municipality will stick with it (he noted that there may be financial pressure to shift to more sold apartments, as the sale price for land allocated for rental apartments is 1/3 to 1/2 less than land for owned housing).

Apartment rents will be set in four tiers as specified by the municipality and Älvstranden Utveckling (two below market, one market, and one above market), for an average of 1,635 SEK per m² per year – approximately 6,500 SEK per month for a three room [two bedroom] unit. Income ceilings are still being discussed, but Arcari said that tenant income may be limited to six times the rent (only for the initial contract; a tenant’s income may rise in the future without consequence).

Arcari told me that Botrygg has developed buildings that mix market-rate owned and low-cost rental apartments in other municipalities, where the owned apartments help to subsidize the rental units. The directive for Frihamnen calls for the owned and rental apartments to be located in separate buildings, but Botrygg still plans to use some of the profit from the sold apartments to help fund the rental units.

Some of the housing at Frihamnen will have non-residential ground floor spaces for shops and restaurants. Arcari said that on their other projects Botrygg prefers to select and support business tenants that they feel will best contribute to an area, but Älvstranden Utveckling wants to take ownership of the non-residential ground floors at Frihamnen.

Regarding apartment sizes, Arcari said that for each of the four rent levels Botrygg aims to produce 30% one room [studio], 30% two room [one bedroom], 30% three room [two bedroom], and 10% four room [three bedroom] units, so as to get a mix of different household sizes.

Arcari told me that Botrygg would like to provide the same quality and level of finish in all of their apartments regardless of the rent level, in part so as to avoid stigmatizing the low-rent tenants. This will likely mean however that the different rent levels will equalize after the presumption rent expires in 15 years.

According to Arcari, Botrygg's construction costs are 7-10% lower than other developers because they have an in-house construction division (though they often select higher quality materials for their buildings, so the end result is generally 3-4% lower). He also expects to reduce production costs through simultaneous construction. Overall Botrygg should receive a yield of 3.25% per year on the project.

Inclusionary housing mandates

We discussed the concept of mandating low-rent or mixed-income housing like at Frihamnen and Guldmyntsgatan. Arcari feels that the Guldmyntsgatan project was ultimately not a success because the development costs were so high that the developers could not meet the expectation for lower rents over a long period of

time, and so the rents for the project will quickly step up to the normal utility value rent.

Arcari thinks that the mixed-income requirements for Frihamnen are very good, and should be implemented on a much wider scale throughout the city. He is critical however of the municipality imposing other special requirements in areas like Frihamnen where low-rent housing is desired – for instance on the architectural characteristics. He feels these can increase the costs by 5-10%, making it more difficult to achieve the desired low rents. He pointed out that national building regulations were originally implemented in order to standardize what had been regulations that differed by municipality.

Land allocation

I asked about city-initiated versus developer-initiated land allocations. According to Arcari, the method by which a municipality prefers to allocate land can vary based on which political party is in power in that locality.

Botrygg, he said, responds to around 50 competitive land allocations per year that are initiated by Swedish municipalities. This requires substantial time and effort on their part, but Arcari feels that allocating land by competition is a very democratic process.

Arcari thinks that Gothenburg is currently allocating sufficient land for new housing development, and said that Botrygg has been receiving more land from the municipality than other private developers. He attributes this to the quality of their buildings, the affordable rents, and the fact that they build in a timely manner rather than holding on to land and trying to time the market.

Detail planning

According to Arcari it commonly takes eight years to go from the initial land allocation to completion of construction. Of this, detail planning in Gothenburg takes around 24 months, though he feels that 8-12 months should theoretically be possible. He noted that because of this long timeframe projects sometimes need to be reworked because of changes in the economy.

At Frihamnen there have been complications that are adding additional time to the process. Arcari said that this has meant that Botrygg has been spending money but still doesn't have basic information such as parcels they will be allocated. He said that it was these delays and uncertainties that lead Rikshem to drop out of the project.

I asked about detail planning after land allocation as is commonly done, which allows for developer involvement but lengthens the process, versus detail planning prior to land allocation, which shortens the time for developers but also removes them from the planning process. Arcari feels that the latter option can be better for smaller developers who may not be able to afford a very long process, but said that it is important for Botrygg to be involved in the detail planning so they have the opportunity to influence decisions that affect the feasibility and costs of a project, even if means a longer process.

Arcari is critical of projects where Stadsbyggnadskontoret [the city planning office] tries to impose requirements during the detail planning that, in his opinion, go beyond the scope of typical government regulations – for instance specifying building colors or the size of individual retail spaces. He said that Boverket is crafting new standards which will allow developers to appeal such requirements. He suggested that if the municipality wants to impose special requirements in a development area it should be clear from the beginning and the land price should be adjusted accordingly.

Subsidies & allowances

Arcari noted that for new housing developments, VAT on materials and services adds 25% to the cost of a project. Even on projects where Botrygg has been able to take advantage of government subsidies [investeringsstödet] the VAT has exceeded the amount of the subsidy. According to Arcari, VAT can be deducted on non-residential projects such as hotels and office buildings, but this is not permitted for housing, and he would like to see this changed.

I inquired about his opinion on whether the long development process makes it more difficult to use the available subsidies. Arcari responded that this is the case for subsidies tied to energy usage, as it is more expensive to construct a building that meets these requirements, and when planning a project they don't know if

the subsidies will be available when they are ready to build. On the other hand, he said that Botrygg is able to take advantage of subsidies that are tied to the size or mix of apartments, because they are already developing projects that meet this criteria, and they design in such a way that the projects are feasible even without the subsidies.

According to Arcari, when evaluating potential tenants Botrygg does not exclude applicants who rely on housing allowances.

Social Housing

Arcari told me that Botrygg has looked at housing models from other countries, where low-cost units are often incentivized or mandated. And they proposed developing housing at Frihamnen where the residents would be limited to civil servants – teachers, police officers, firefighters, nurses and doctors, etc. This idea was not accepted by the municipality.

Arcari thinks that Sweden needs to look at new ideas and models for developing affordable housing, perhaps as a parallel system, and disagrees that this will necessarily mean the end of the current system of setting rents. He noted that the current option for presumption rent often results in very high prices for newly constructed apartments, and feels that social segregation will continue without a change.

2.9. Riksbyggen

A summary of my interview with Martin Lundblad, sälj- & marknadsansvarig [sales & marketing manager]. Conducted 2020-03-31 via Skype. Duration: 1 hr.

Riksbyggen is a cooperative company that develops and manages housing – primarily cooperatives [bostadsrättsföreningen] but also rental. The company is owned by construction unions (45%), housing associations (45%), and other cooperative companies (10%).

Viva

Riksbyggen recently completed *Viva*, a 132-unit housing cooperative in Gothenburg located near Chalmers University. The project is a test bed for innovative and experimental sustainability features such as “climate optimized” concrete construction and energy storage using decommissioned batteries from electric buses, developed in cooperation with research and industry partners.

Six of the apartments in the complex are one-room [studio] units of 30 m² [323 ft²] and are reserved for buyers younger than 30 years old. Lundblad told me that young people in Sweden often find it difficult to purchase housing, so these units were sold for 95,000 SEK (compared with 1,685,000 – 7,545,000 SEK for the 2 to 5 room apartments). In the future when these lower-cost units are resold, subsequent buyers must also be younger than 30 and there is a sales cap to maintain affordability.

According to Lundblad the idea for these lower-cost units for younger buyers – something that Riksbyggen had not tried before – was not an initial part of the project conception, but came about during the design phase and was embraced as an opportunity to address a social sustainability issue. (Elsewhere Riksbyggen is testing rental apartments that have an option to buy after a certain amount of time, again targeting young people).

At Frihamnen, one of the more contentious aspects of the proposed mixed-income rental housing concerns the financing of the low-rent units, and if they

will be effectively subsidized by those paying market rents. Lundblad told me that the prices of the market rate units at *Viva* do not offset the lower cost units; instead the housing association was assigned 50-year bank loans for the difference between market value and sales price of these units. The owners of these lower cost units pay higher monthly fees compared to the market rate units, and these additional fees are used to pay down the loans.

Distribution of the low-rent units at Frihamnen is also an item of discussion, with some proposing that the low-rent units should be equally distributed throughout the rental buildings to promote inclusion, and others advocating that they be placed at less desirable locations in order to help justify continued low rents after the expiration of the 15-year presumption rent. At *Viva*, according to Lundblad, the lower-cost units were placed on the lower floors in the least expensive locations.

Viva, according to Lundblad, was a low margin project and might have been risky for a for-profit developer, but smaller apartments, building layouts that minimized elevators, and repetition in the apartment design helped control construction costs.

The experimental features such as energy storage did not increase prices for the apartment, as these are conceived as special projects that – although located in *Viva* – are independent of the housing association and are funded largely by partner organizations.

The municipality was not involved in the decision to include the lower-cost units for younger people, and from Lundblad's perspective did not offer any special incentives or bonuses that helped make them feasible. The municipality did agree to waive parking requirements, which reduced construction costs, but that predated the decision to include the lower cost units. Additionally, Lundblad noted that the lack of on-site parking seemed to contribute to slower sales of the largest and most expensive apartments in the project, but he feels that it will be better for the economics of the housing association in the long term.

Land allocation and detail planning

Riksbyggen, according to Lundblad, develops housing in Gothenburg more often in response to land allocations initiated by the municipality (with developers commonly selected based on what they are willing to pay for the land), but sometimes proposes projects to the municipality for specific sites. He thinks that the municipality is currently allocating sufficient land for new development, and is perhaps 1-2 years behind Stockholm in addressing the need for new housing.

The *Viva* project was initiated around 2009; detail planning began in early 2012 and was completed in late 2013. Neighbor appeals to the detail planning added another six months, but overall this was a faster process than on many projects (Lundblad credits their dialog with the neighbors for a relatively smooth process). Construction began in 2016 and was completed in 2019.

Regarding land allocations that have special requirements (such as the low-rent housing at Frihamnen), Lundblad feels that while the municipality may have the best of intentions with these experiments, these are complex issues and it can be difficult to ensure that the additional money and resources expended actually result in benefits to the end users. Additionally, requirements such as specific façade materials or architectural features can result in higher production costs.

From Lundblad's point of view the detail planning phase is often a collaborative process that involves consensus building, which he sees as typical for many processes in Sweden.

I asked Lundblad for his thoughts about municipalities completing the detail planning prior to selecting a developer and allocating the land (as was typical before the 1990s) versus after a developer has been selected. He noted that attractive development sites would often command a higher sale price if the detail planning was done first, however from his point of view projects can be more affordable if the developer is involved in the detail planning. He thinks that the current process is in some ways a reaction to the projects of Million Program era, which were large scale and reduced production costs through repetition and standardization, but also had unintended social effects.

Subsidies and regulations

Regarding subsidies and tax breaks that could help with the development of affordable housing, from Lundblad's point of view housing allowances may be preferable for ensuring that funds are used for the people who need assistance.

I inquired as to his thoughts about how current building regulations affect housing costs. Lundblad responded that regulations are important and "there for a reason," but suggested that some (e.g. concerning sunlight and noise) could be relaxed in order to produce more affordable housing, as "having a home [of a slightly lesser quality] is better than having no home."

Social housing

Finally, regarding the debate around social housing in Sweden, Lundblad feels that most Swedes want to help those in need but do not want social housing, as it is seen as leading to stigmatization.

2.10. Stadsarkitekt

A summary of my interview with Björn Siesjö, stadsarkitekt [city architect]. Conducted 2020-04-08 via Skype. Duration: 35 min.

Björn Siesjö is the city architect for Gothenburg, working within Stadsbyggnadskontoret [the City Planning Office].

Housing

Gothenburg has set goals for developing more socially mixed housing to help combat segregation in the city, and I asked how he sees as his role, and the role of Stadsbyggnadskontoret, in helping to realize this vision.

Siesjö replied that, from his perspective, this was a vision of the previous city government, but is not necessarily a priority of the current politicians. He said that any work by Stadsbyggnadskontoret related to this must be a joint effort with Fastighetskontoret, as they are the landowner for municipal land. From his perspective, efforts at the municipal level – while important – are mostly symbolic, and effort is needed at the national level in order to solve these issues.

According to Siesjö, the ability of Stadsbyggnadskontoret to offer bonuses or incentives to promote low-rent or mixed-income housing is limited by existing rules and laws. He also said there is opposition by many within the department to increased density that would result in high-rise buildings, noting that access to sunlight is of high importance given Sweden's northern latitude.

I asked about parking requirements, which on some recent projects have been reduced or waived. This has not been done to support housing affordability, although Siesjö did note that parking can add considerable cost to a project. From his perspective the parking regulations are not up to date.

Regulating architectural design

I inquired about architecture requirements that are sometimes imposed on a project as part of the detail planning process, and asked for his thoughts on how

to balance the goal of making an attractive city with the goal of creating affordable and socially mixed housing.

Siesjö responded that, in his opinion, there is not a direct inverse connection between good architecture and affordability. He said that, from his point of view, Stadsbyggnadskontoret is most concerned with architectural design for important landmark buildings, which tend not be residential. But he also mentioned Kvillebäcken, a recently redeveloped neighborhood on Hisingen. There, according to Siesjö, Stadsbyggnadskontoret attempted to regulate the architectural design but was overruled by the politicians, leading to poor results.

Detail planning

I noted that I had been told in earlier interviews that the detail planning phase can take a considerable time, making projects more difficult to realize. At the same time however, when I have asked about doing the detail planning prior to land allocation (which was more common before the 1990s), interviewees have felt that doing so would remove the developer's ability to influence the planning in ways that make their projects more affordable / feasible.

Siesjö acknowledged that the current system can favor larger enterprises, as smaller developers often lack the financial resources to see a project through a lengthy planning process. He noted that under the Planning and Building Act there is not an intermediate step between general planning and detail planning, and that Stadsbyggnadskontoret cannot unilaterally choose to undertake detail planning – the decision must come from the landowner (in the case of city-owned land, Fastighetskontoret). And he mentioned that there are financial considerations to moving detail planning to an earlier stage, as currently the work is covered half by the municipal budget and half by fees (in other municipalities such as Stockholm the percentage covered by fees can be much higher).

I inquired if, from his perspective, the detail planning process tended to be collaborative or adversarial. He responded that it is sometimes adversarial among different municipal departments, noting that the traffic planning department is in some respects “designing a different city” than Stadsbyggnadskontoret is planning.

2.11. Fastighetskontoret (Strategiska avdelningen)

A summary of my interview with Joel Blomgren, utvecklingsledare [development manager]. Conducted 2020-04-24 via Skype. Duration: 1 hr.

Gothenburg's Fastighetskontoret [Property Management Administration] manages, leases, and allocates the municipality's land reserves, and is responsible for accommodation & accessibility, which includes social contracts, housing for refugees, and improving the physical accessibility of the city.

Blomgren works for the Project Development Unit within the Strategic Department, which is responsible for early stages of planning.

Land Allocation

I asked Blomgren about allocating municipal land based on the price a developer is willing to pay, versus other evaluation criteria. He told me that price-based allocation is typically only done once or twice each year, as a way to gauge the fair market price of land. This allows the city to set a price for other allocations where developers are selected by other criteria.

He cited the ongoing Fixfabriken project in Majorna as an example – there one block was allocated strictly by highest price, which then set the price for the other blocks where allocations will be based on other criteria.

I inquired about developers directly approaching the municipality to acquire municipal land, rather than responding to open allocations. Blomgren said that in Gothenburg this is only done in exceptional cases – typically if someone already owns property they intend to develop and wants to acquire adjacent city-owned land in order to benefit the project. Otherwise Fastighetskontoret prefers to set the strategy for what and how municipal land will be developed, and to treat the market equally.

Most property taxes in Sweden have been replaced with a nominal fee, and so new infrastructure, schools, and public space in a development must be entirely funded by property sales. I asked Blomgren if this influenced how much land is

allocated for owned housing versus rental housing. He responded that it did to some extent, as there are strict rules requiring projects to be economically feasible, and land allocated for sold housing commands a price two or three times higher than land allocated for rental housing.

I inquired about allocating municipal land for leasehold rather than sale, to guarantee future revenue for the municipality. Blomgren told me that this was more common in the past but is now rare, as Fastighetskontoret cannot include future leasehold income when evaluating whether or not a project will be economically feasible.

Detail Planning

Before the 1990s it was common for detail planning to be done prior to allocating municipal land, whereas today it is typically done after allocation. According to Blomgren the latter allows for the developer to be a partner for the entire process. He noted though that it can limit revenue, as the land price is normally set prior to detail planning, but the actual sale does not take place until planning is complete – often several years. On the other hand, he said that while allocation after detail planning would mean the city receives a higher price for the land, without a developer partner the municipality will need to do their best to shape the detail plan in a way that covers all eventualities. For this reason it is typically only done in this way for smaller properties.

Blomgren told me that from his perspective collaboration with Stadsbyggnadskontoret during the detail planning process is very good, even if there are sometimes differences of opinion because of the different responsibilities of the departments.

Socially Mixed Housing

I asked Blomgren about developing socially mixed housing, which was a goal of the previous city government. He thought this is now a lower priority than before – for instance in 2017 and 2018 Fastighetskontoret required that developers who were allocated land for rental housing provide 10% low-rent units, but this is no longer in place.

Blomgren told me that an important part of Fastighetskontoret's role in supporting this goal had been ensuring that it was done in a legal way. He also confirmed that tenure is seen as an important tool for creating a socially mixed area, and they generally want to have a mix of sold apartments, rented apartments, and small houses.

I inquired about offering bonuses such as increased density as incentives for developers to include low-rent units, which is common in localities (outside of Sweden) that have inclusionary housing policies. He responded that this was not done – they don't offer “an upside, only [place] demands.”

He did note however that during the recent migration crisis, the municipality reached out to landlords, requesting vacant apartments that the city could use for refugee housing. Companies that responded and leased apartments to the city for this purpose were then later given the opportunity to participate in a special land allocation that was not open to other companies.

Guldmyntsgatan

I had prepared several questions related to Guldmyntsgatan, but Blomgren told me that he was not involved in the project, and in fact there was no one still at Fastighetskontoret who had worked on Guldmyntsgatan. So, for instance, he could not speak to questions about the mix of tenure (or how they were allocated to different developers).

I noted that one of the parcels for the low-rent housing had the lowest FAR of the entire project, which was the opposite of inclusionary housing policies elsewhere that often increase density for affordable housing. While he couldn't speak to why this was the case at Guldmyntsgatan, he said that Fastighetskontoret generally wants to see the highest possible FAR.

He said that, from his perspective, Guldmyntsgatan as the first low-rent pilot projects had some difficulties – for instance not mandating reverse presumption rent to guarantee the low rent levels. He noted that the 2017-2018 land allocations that mandated 10% low rent also specified the use of reverse presumption rent.

Other Projects

In 2017 and 2018 Fastighetskontoret required that developers who were allocated land for rental housing provide 10% low-rent units. Blomgren said that they wanted to target the units but avoid the use of an income ceiling, as this is seen by many as classifying certain segments of society as an underclass and dictating where they can live. They finally settled on requiring that these units be leased to the municipality for social contracts. This way the units would go to people who need housing assistance and would ultimately transition to first-hand contracts.

Blomgren also said that while the current Fixfabriken project does not include a specific low-rent component, developers were told that having a low average rent would be viewed favorably by the municipality when evaluating applications to participate in the land allocation.

2.12. Stadsbyggnadskontoret

A summary of my interview with Jonas Uvdal, an architect with the planning division. Conducted 2020-05-07 via Skype. Duration: 45 min.

Stadsbyggnadskontoret [Gothenburg's City Planning Office] is responsible for the municipality's strategic and detail planning, building permits, surveying, and geodata.

Detail Planning

Jonas and I discussed land allocation and detail planning. He said the current system in Gothenburg, with detail planning after land allocation, can favor larger developers and exclude smaller companies. Whereas having the detail plan in place before allocation can make projects more feasible for smaller developers, co-building organizations, etc.

According to Jonas, detail planning without the involvement and influence of property developers can be advantageous in cases where the municipality seeks to implement requirements that are different from what most developers may prefer (eg, car-free developments or enhanced ecological sustainability).

Jonas told me that detail planning generally is not done without the participation of the property owner. However, for large development projects in an area with multiple landowners, a detail plan might include parcels owned by people or companies who are not participating in the project. In such cases the municipality may provide financial compensation if the plan reduces the value of the land.

Jonas thinks that the detail planning process is generally collaborative and offers many ways for property owners and the public to participate (which can be time consuming). He noted that while there are sometimes disagreements between different municipal departments, collaboration can depend as much on individual personalities as the goals and interests of each department.

Architectural Requirements

I asked about projects where the municipality places architectural requirements, and how that is balanced with the goal of developing socially mixed housing. Jonas responded that Stadsbyggnadskontoret seldom regulates architectural design, and yet developers rarely build “affordable housing”. From his perspective good design doesn’t necessarily mean that a project will be more expensive.

Socially Mixed Housing

I asked about the municipality’s goals for developing socially mixed housing and combatting segregation, as specific goals can change depending on which political parties are in the city government.

Jonas feels that all politicians acknowledge the problems with segregation in Gothenburg, and said the city continues to seek ways to reduce segregation based on Vision Älvstranden. From his perspective Stadsbyggnadskontoret does not have a lot of influence in this area, as they cannot specify in the detail plan if residential buildings should be low-rent, etc. They can seek to ensure a variety of building typologies, and make projects more feasible for smaller developers by having smaller lots for development.

Frihamnen

Jonas echoed what I had been told by other stakeholders about Frihamnen – the goal has been for low-rent units to be integrated into the same buildings as standard-rent units, throughout the entire development, so that from the street it is not possible to tell where low-rent units are located.

According to Jonas, although Stadsbyggnadskontoret does not offer increased density specifically for low-rent housing, they often seek to maximize density for housing in general. From his perspective the density planned for Frihamnen is “at the limits”, and increasing it further could have negative effects such as darker courtyards, less daylight in apartments, etc.

We discussed the how the planning for Frihamnen has evolved, in part because it was determined that the piers are not currently suitable for building, which has affected the economics of the project. The current plan is to start development in the central area where conditions are more certain, with other areas to be developed later. There are many goals for the project that must be balanced, and work is currently proceeding on detail plans for the central area as well as an updated program for the entire development;

Jonas told me that housing tenures for the project are being reconsidered because of the economic issues for the project. The stakeholders have discussed that people at the higher rent levels will likely be similar (socioeconomically) to those who purchase apartments. Changing some of the high rent units into sold apartments could improve the economy of the project without affecting the overall social mix of Frihamnen. Jonas said that this change would not affect the detail planning, but all proposed changes and issues related to the project economy must be reviewed by the politicians.