IDÉBUREN OCH GEMENSAM BOSTADSFÖRSÖRJNING

Scaling Up the Construction of Permanently Affordable Housing

State financing solutions in collaboration with the community-led housing sector — English translation of *Växla upp byggandet av varaktigt prisöverkomliga bostäder*

Translator's Note

This is an unofficial English translation of the full Swedish report, made with AI assistance at the invitation of its editor, Jonas Lagander (Coompanion Östergötland), for the CLT Center. It has not been reviewed by the authors; the Swedish original remains the authoritative text.

- **Original:** *Växla upp byggandet av varaktigt prisöverkomliga bostäder – statliga finansieringslösningar i samverkan med idéburen och gemensam bostadssektor* (2026), IGB project, funded by Formas, University of Gothenburg as project owner.
- **Authors:** Jonas Lagander (Coompanion Östergötland), Martin Hofverberg (Hyresgästföreningen), Ingrid Westerfors (Mikrofonden Sverige) and Kristoffer Lüthi (Ekobanken).
- **Terminology:** *idéburen och gemensam bostadsförsörjning* is rendered as "community-led housing (CLH)", the English term the report itself uses. *Markgemenskap* is a broader Swedish umbrella concept for non-speculative, community-benefit land stewardship; Community Land Trusts are one form of markgemenskap. In housing-specific contexts, idéburen och gemensam bostadssektor is rendered as "community-led housing sector". Where idéburen sektor refers more broadly to organizations beyond housing, it is rendered as "mission-driven sector". Other key Swedish terms are given once in italics.
- **Notes:** footnote markers appear in square brackets, e.g. [12], keyed to the numbered Notes section before the References.
- **Not translated:** charts, diagrams and photos are omitted. Their captions are kept, and text from a few image-only panels was transcribed and translated. One chart ("Figure 20") and a Danish data table from 1967–71 exist only as images in the original.
- **Apparent slips in the original** were translated as written, e.g. an ownership split given as "40% … and 40%" in the Hästen example (The correct ownership distribution is 60% to Hästen KHR, 40% to the municipality), and "SEK 0.15 billion per year" in Chapter 3.

About This Report

This report was produced during 2024–2026 within the project "Local Innovation Systems Addressing the Barriers to Community-Led Housing in Sweden: Financing, Legal Forms, Tenure Forms and Inclusive Processes" (the IGB project), funded by FORMAS (the Swedish Research Council for Sustainable Development) under the national research program for Sustainable Spatial Planning and Building, with the University of Gothenburg as project owner.

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writing of the report. The material and proposals presented in the report are the authors' contribution to the project's analysis and research work and do not necessarily represent the official positions of any of the participating project partners.

The aim of the report is to inform, encourage and support new ways forward in further inquiry and research in Sweden toward a housing policy better suited to the challenges the country faces. The focus is on promoting the financing of non-speculative and permanently affordable housing in Sweden by learning from international examples and drawing on the innovative capacity and the new housing solutions being developed within the community-led housing sector.

The authors have compiled and described the subject to the best of their ability with the resources available, and disclaim responsibility for any changes in practice and legislation that have occurred since the report was written, as well as for any shortcomings in the report.

Read more about the IGB project: www.codesign.nu/ideabasedhousing

Read more about community-led housing at www.coompanion.se/byggabo

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Layout: Hojta Kommunikationsbyrå.

Summary

For a long time, the Swedish housing market has struggled to meet the need for permanently affordable housing for households with limited financial means. High land prices, limited detailed planning, rising construction costs and a financing system adapted mainly to large commercial actors have together contributed to many households being shut out of new construction. Particularly affected are low-income earners, young adults, single parents, older people and other groups in a weak position in the housing market.

At the same time, both Swedish and international experience shows that community-led housing – internationally often referred to as Community Led Housing – can be an important complement to both the market and the public sector. Through long-term ownership, limited profit extraction, local roots and active participation by residents, the sector can contribute to more permanently affordable housing, stronger social cohesion and more efficient use of society's resources.

The report's main conclusion is that Sweden needs a coherent and cost-effective reform package to unlock this potential. The reform package consists of four mutually reinforcing parts that are expected to be able to generate a surplus. Over time, this surplus can be used, for example, to raise the general basic tax allowance and/or strengthen the housing allowance.

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First, national measures are proposed that increase the pace of municipalities' detailed planning and improve the conditions for all housing actors, including smaller and community-led actors, to gain access to buildable land. Second, a land value tax is proposed that can contribute to more efficient land use by counteracting land hoarding, while creating new public resources for housing provision. Third, revolving fund solutions are proposed that can supply long-term, patient capital to non-speculative housing projects, particularly, but not exclusively, those aimed at households with limited financial resources. Fourth, measures are proposed to develop the community-led housing sector's ecosystem for financing, advisory services and organizational development, so that more initiatives can grow from local projects into an established part of the Swedish housing market.

The report thus argues that housing policy needs to be supplemented with institutions and forms of financing that aim not only to increase construction in general, but also to ensure that a growing share of the housing stock remains permanently affordable across generations. With the right reforms, community-led housing can develop from a small niche into a significant societal resource for a more inclusive and socially sustainable Sweden.

1. Introduction

The Swedish housing market faces significant challenges in providing permanently affordable housing for households with limited financial means. High construction costs, rising land prices, neglected and poorly adapted detailed planning in many municipalities, limited access to financing, and institutional obstacles in planning and building processes, among other factors, have together made it increasingly difficult for more and more households to secure safe and sustainable long-term housing, particularly in new construction, in both the short and the long term. Particularly vulnerable are low-income earners, young adults, older people, single parents and other groups who find it difficult to compete in the regular housing market.

Against this background, the project "Local Innovation Systems Addressing the Barriers to Community-Led Housing in Sweden: Financing, Legal Forms, Tenure Forms and Inclusive Processes" (the IGB project) was carried out during the period 2023–2026, with the University of Gothenburg as project owner and funding from Formas under the national research program for sustainable spatial planning and building.

The overall aim of the project has been to show how better system conditions could be developed for community-led housing in Sweden – internationally often referred to as Community Led Housing. The starting point is that this sector, through long-term and non-speculative ownership, user participation and social organization, can contribute both to social sustainability and to more financially accessible housing.

This report has been produced within the project's Work Package 1 (WP1) – Housing Finance Systems. The work package has been led by Coompanion and has focused on analyzing and developing proposals for how the financing of community-led housing can be strengthened in Sweden. The assignment has included studies of Swedish and international experience and research related to, among other things, the functioning of the financial market; the impact of the tax system on the property market in relation to people's ability to afford housing; alternative financing models; crowdfunding, in which many small

contributions come from those closest to the project; good examples within the community-led housing sector; and land policy and land value capture for sustainable housing development.

The purpose of the report is to evaluate and present national solutions and reform proposals that can contribute to the development of more permanently affordable housing for people in financially vulnerable situations. The focus is particularly on the potential of the community-led housing sector to complement both the market and the public sector through long-term, not-for-profit and socially sustainable housing models. That said, the approach is holistic, because this smaller sector must be considered in relation to the overall housing market, which is considerably larger.

The report puts forward proposals for state financing solutions and institutional reforms that can strengthen the ability of the community-led housing sector to grow and to contribute to more inclusive housing provision in Sweden. The proposal is intended as a basis for further research and inquiry.

2. Background

Community-Led Housing – Distinctive Character, Function and Social Benefit

Community-led housing (*idéburen och gemensam bostadsförsörjning*), known in English as "Community Led Housing," is a distinct part of the housing system that differs in principle from both commercial housing construction and traditional municipal housing companies (*allmännyttan*). The difference lies in the form of ownership or organization, as well as in how housing is understood as a societal resource, how it is produced and how value is distributed over time. The sector consists of building groups (*byggemenskaper*), cohousing communities, land communities (*markgemenskaper*), local development companies, housing foundations and cooperative housing. All of these forms are generally characterized by not-for-profit purposes, long-term ownership and a clear user perspective, which gives rise to incentives different from those that dominate the market-driven housing market. This particular report focuses on housing for people with lower incomes, which is a common target group for "Community Led Housing" in other countries. In principle, this requires some form of profit restriction in order to bring housing costs down.

Examples of Community-Led Housing

Building group (*byggemenskap*): A group of people who together plan, construct and use a building. Usually organized as economic associations (cooperatives) or as limited companies with restricted profit distribution, known as AB (svb). The concept is standard for new construction in many places, for example in Germany, and is now growing in Sweden as well.

Cohousing community (*bogemenskap*): Cohousing community, or community living, is an umbrella term for forms of housing characterized by expanded opportunities for togetherness and community in everyday life among neighbors – for example, collective houses, shared living or ecovillages. Often organized as a non-profit association that cooperates with housing companies, but can take different legal forms depending on need. The concept is well proven in counteracting loneliness and, by

extension, mental ill-health, not least among older people, and in promoting general inclusion across different groups.

Local development company: Sometimes also called a "rural community company" (*bygdebolag*), these are not-for-profit actors that meet needs for services demanded in a local community, such as grocery stores, car pools or housing (often housing for older people, in order to create housing chains). They can suitably be organized as economic associations, non-profit associations or as an association that owns a limited company, although the most common form is AB (svb). The concept is a well-proven method of self-help at the village level.

Land community (*markgemenskap*): A land community is an organization that, without a profit motive, acquires and owns land with the aim of utilizing the land's allocation, value, and lease revenue to permanently promote purposes of public benefit. The definition was proposed in the Swedish report "Community Land Trust och andra markgemenskaper" (Lagander & Åhman, 2026), available at www.coompanion.se/byggabo and www.codesign.nu/ideabasedhousing. Land communities use land value capture to finance various activities. Often this concerns affordable housing, as in the international "Community Land Trust" model, but it can also concern other societal needs. A good example is Letchworth Garden City in the United Kingdom, the world's first garden city, which channels ground lease income into running various philanthropic services and into charitable activities for the benefit of its roughly 33,000 residents. The concept is wholly or partly untested in Sweden but is judged to have very good potential to create social benefit, including permanently affordable housing.

Housing foundation: A social housing foundation is a not-for-profit organization that, in the form of a foundation, provides housing to people who find it difficult to compete in the regular housing market. Such foundations focus on economically or socially vulnerable groups, and rents are often set based on the need to cover operating costs rather than on a value intended to generate a return. A foundation has no owners and can have as its purpose providing housing to particular groups. The form provides security over time but is not in itself a vehicle for participation and resident democracy, and it requires substantial start-up capital or a donation.

Cooperative rental association (KHR): A cooperative rental association (*kooperativ hyresrättsförening*) is a special form of economic association that owns and rents out housing to its members. It is a form of housing that functions as something in between ordinary rental housing and tenant-owned cooperative housing (*bostadsrätt*), in which the residents jointly manage the property, without individual opportunities for speculation, and have considerable influence over their housing. The form is possible both as an ownership model (where the association owns the property) and as a lease model (where the association block-leases a property owned by someone else).

User-driven non-profit housing actor: The government inquiry Lower the Threshold to a Good Home (*Sänk tröskeln till en god bostad*, SOU 2022:14) introduced the concept of the "user-driven non-profit housing actor": an independent housing actor in which individuals or households come together to plan, build, manage or allocate housing on a not-for-profit basis, either for their own needs or for particular target groups. The aim was to distinguish this type of actor from more traditional non-profit housing

actors, such as foundations. "Community-led housing actor" (*idéburen och gemensam bostadsaktör*) is an equivalent term that we have used in our project.[1]

Read more about various examples on the hub page of Sweden's community-led building movement, bygg.boihop.co, and at coompanion.se/byggabo, as well as current international and Swedish examples on the project's website, https://www.codesign.nu/ideabasedhousing/, including the publication that highlights experiences from completed projects and lessons on how municipal public housing can provide support: https://www.codesign.nu/wp-content/uploads/2026/06/Att-lata-bygga-gemensamt-2026.pdf

A Small Sector with Great Potential

Today, housing provision in Sweden is characterized by high construction costs, limited access to land and rising indebtedness, which is why there is reason to analyze more closely the distinctive character of the community-led housing sector and its potential contribution to a more sustainable and inclusive housing policy. The sector is small today but has good potential to grow if the right incentive structure can be created.

Commercial housing projects are highly dependent on access to capital for land acquisition, interest costs and returns to investors. Large developers also build risk premiums across their various projects – if one project runs into financial trouble, profits from several other projects can together cover the losses (which increases the overall costs of the projects). This makes the projects sensitive to land price levels, interest rates, inflation and credit terms, which in turn drives up both production costs and rents. These challenges have caused several large housing projects to stall, or land allocations to be handed back, when the projects have not been sufficiently profitable for commercial actors.

Community-led housing projects can, to a greater extent, reduce their capital requirements by combining financial resources with collective organization, their own labor and long-term not-for-profit arrangements. In building groups and other forms of organized self-build, future residents often take an active part in planning, implementation and management. Naturally, these projects are also sensitive to high land prices or to construction costs exceeding the final market value in rural areas. But the driving force is usually a desire for good housing and for values other than profit. Without profit requirements, and with members' voluntary work, it is possible to find solutions to the challenges that hold back commercial projects.

There are various successful examples of people volunteering in the planning or construction work to help community-led housing projects. Building brigades following the model of Egnahemsfabriken on Tjörn are an example particularly worth mentioning. This kind of labor contribution does not replace professional construction, but it can reduce the need for procured services in early stages and in simpler tasks. This contributes to a lower total cost and a reduced need for external financing. Costs can also be lowered through close cooperation with local construction companies. One example is Hogslätts Vänboende in Gerlesborg, which cut its budget by several million kronor through both self-build work and so-called trust-based contracting ("partnering") with a local, committed construction company.[2]

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Furthermore, these projects are often characterized by more space-efficient and resource-conscious solutions, in which shared functions provide both social and economic leverage for the residents. Sharing premises, storage, guest rooms and common areas can lower the construction cost per dwelling without compromising the functionality of the housing. Solutions of this kind are difficult to realize in traditional developer-driven projects but are a natural part of many community-led initiatives.

> ***Building Groups and Cohousing Communities in Sweden 2018–2026***
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> *A survey carried out by Peter Eklund at Hela Sverige ska leva (the All of Sweden Shall Live rural development association) shows that building groups, cohousing communities and other community-based forms of housing have established themselves as a growing feature of the Swedish housing market. In total, at least 992 dwellings have been identified in completed or ongoing projects. Growth is particularly strong in rural areas. Common forms are building groups, cohousing communities, cooperative rental housing and ecovillages.*
>
> *The statistics show that the community-based housing sector no longer consists of isolated pilot projects but is gradually developing into an established complement to the traditional housing market. The trend is especially clear in the Gothenburg region, the Malmö region, Bohuslän, Sörmland, the Norrköping area and on Gotland.[3]*

Photo: Annual meeting and study visit at the community-led housing project Understenshöjden in Stockholm with Föreningen för byggemenskaper (the Swedish Association for Building Groups). Image: Föreningen för byggemenskaper

Community as a Housing Policy Resource

Another clear distinguishing feature is that community and social organization are usually regarded as part of the function of the housing itself. Common areas, shared responsibility for management, and deliberate forms of cooperation among residents create unique conditions for social support and everyday community.

From a housing policy perspective, this means that community-led housing can function as social infrastructure in society, particularly relevant for groups at risk of loneliness, insecurity or a weak foothold in the housing market.

Experience from various types of cohousing communities, both in Sweden and abroad, shows that such forms of housing can contribute to improved health and a higher quality of life, which in turn can reduce the need for public interventions in health care, elder and social care, and social services. These effects rarely appear in traditional housing-economics calculations, but they are central to understanding the broader social benefit of the community-led sector.

> *Cohousing communities for seniors in Denmark have, all else being equal, demonstrated a clear cost-reducing effect on municipal home care services, in the form of reduced travel time and help from neighbors with practical tasks, which reduces the need for*

> *home care. The picture should not look very different in Sweden. The study carried out by the foundation and housing investment fund Realdania gives a good indication of the public savings that should be possible by investing in more cohousing communities for older people.[4]*

Long-Term Ownership and Quality over Time

As noted above, community-led housing projects are generally characterized by long-term ownership and management, often with no incentive whatsoever to realize short-term increases in value. This affects the choice of materials, technical solutions and energy systems. Investments are assessed to a greater degree on the basis of service life, operating costs and robustness over time. The result is often housing with good technical quality and stable housing costs over the life cycle, which is particularly important for households with limited financial margins. Lower operating costs and reduced maintenance needs contribute to long-term affordability, even when the initial construction cost was not the lowest possible.

Moreover, housing solutions that completely eliminate opportunities for residents to speculate – for example, cooperative rental associations under the ownership model – tend to become cheaper over time relative to the rest of the housing market, where prices rise as a result of speculation. So even if, for example, a cooperative rental apartment is expensive at the outset because of high construction costs and other costs, it becomes relatively more affordable over time. This is a strong argument for investing in more housing of this kind.

An Underutilized System Capacity

Taken together, community-led housing represents an underutilized capacity in the Swedish housing system. The sector can probably contribute to lower construction costs, stronger social sustainability and more efficient use of public resources, particularly in situations where the market or public housing actors have difficulty delivering affordable housing.[5]

For this potential to be realized, however, the sector must be understood and treated as a structural part of housing provision – not merely as individual projects or exceptions. This background therefore forms an important starting point for the report's further analysis of financing, land policy and institutional reforms that can strengthen community-led housing at the system level.

3. Gaps and Challenges Creating the Problems in the Housing Market

In this section we provide an overview of various challenges in the housing market that relate in different ways to community-led housing, with a focus on lower-income households.

Community-Led Housing Actors and the Municipal Planning Monopoly

Several studies show that the institutional conditions for housing construction have a major bearing on which actors are actually able to take part in the building process. The report *Guidelines for Land Allocation in Support of Building Groups* (*Riktlinjer för markanvisningar till stöd för byggemenskaper*) by

Pia Westford (RISE) shows that municipal planning and land allocation processes are largely designed around the working methods and resources of established construction companies. This can create significant barriers for building groups (*byggemenskaper*) and other smaller actors.

For building groups, protracted planning and building processes mean considerable uncertainty. If the process drags on, the risk increases that members will leave the project or that financing will become more difficult. Building groups therefore have a strong interest in predictable processes and relatively simple detailed development plans.

A further obstacle is that in many municipalities land allocation takes place before the detailed development plan is complete. This means that the developer has to bear the costs and risks associated with the planning work over a longer period. For well-capitalized property companies this may be a manageable part of project development, but for building groups with limited resources it can be a decisive obstacle.

In addition, municipal requirements on developers are often based on the circumstances of established actors. Requirements for previous experience of construction projects, substantial financial resources or short delivery times can therefore have an exclusionary effect on building groups.

Taken together, this means that the planning and land allocation system in practice tends to favor large-scale, well-capitalized developers. The report thus shows that the institutional frameworks for planning and land allocation are of great importance for the diversity of actors in the housing market. If the goal is to enable more building groups and other non-speculative housing initiatives, planning processes, land allocation routines and requirements on developers need to be adapted to a greater extent to the circumstances of these actors, according to Westford.[6]

However, it is not only the community-led housing sector that faces challenges with the municipal planning monopoly under current conditions. The overall pace of construction in Sweden is held back by municipalities not planning land at a satisfactory rate. This is according to Hyresgästföreningen (the Swedish Union of Tenants).[7]

Renoviction

In the book *The Self-Playing Piano* (*Det självspelande pianot*), Stig Westerdahl, professor of business administration, reviews a number of factors that have brought the Swedish housing market to where it is today. In his view, the most important recent development is the introduction of present value calculation in the accounting of housing projects. This method was introduced in Sweden relatively recently and involves recalculating the future receipts and payments of an investment so that they can be compared at one and the same point in time. Estimated future income streams are converted into a value today (present value). This has made it possible to drive share prices up rapidly by buying up rental housing in marginalized areas and renovating it. This has been done by combining present value calculation with the discount rate in a way that reports higher property values in the accounts.

A valuation firm estimates the future net income of the property investment. The income streams are then converted into a present value, that is, the value today of future money. With a low discount rate,

the investment has a high value today; with a high discount rate, the investment has a higher value in the future. This applies regardless of the actual income streams.

> ***Discount rate*** *The discount rate is the opportunity cost of capital, for example 1% interest at the bank compared with the required return on your property investment. For readers with a particular interest in the subject, we recommend the book The Self-Playing Piano (Det självspelande pianot) by Stig Westerdahl.*

To a layperson, this technique may seem complex and, in accounting terms, detached from business reality. After all, the actual revenues have not changed just because one adjusts the discount rate and converts estimated future values into present ones. Nevertheless, the practice has enabled private housing companies to attract large investments from the capital markets for the purchase and renovation of housing where rents were previously lower. Share prices of private housing companies have soared (the estimated bright future is converted into the present) within a few years, which in some cases guaranteed a profitable sale (a so-called "exit") of the companies and in others large expansions.

The word *renovräkning* ("renoviction") comes from the shock rent increases that the legislation permits following renovation. This has meant that people who could not afford the new rent levels have had to move. A precondition for this to work is, of course, that there is high demand in the housing market and that people accept that a larger share of their monthly income goes to rent.

Quite often the buildings bought for "renoviction" belonged to municipal housing companies, and the tenants who have had to move must now find new housing at a cost they can afford. But where can such housing be found if even the housing in marginalized areas is now subject to steep rent increases? The profitability of the system makes not-yet-renovated apartments very attractive to housing companies operating in this way. Naturally, this means that the risk of further acquisitions leading to low-income earners being "renovicted" is high.

The challenge with this system lies in the legislation, and as long as it remains unchanged, the practice is entirely legitimate in Sweden.[8] What is currently lacking for the group being "renovicted" is a sufficient supply of new housing options at affordable costs.

Social Dumping

One way for wealthy municipalities to reduce their social costs has turned out to be letting people who receive social assistance settle in cheap housing in other municipalities. The municipalities receiving this so-called "social dumping" thereby incur increased costs through new residents who require more support than they contribute economically. These poorer municipalities are often located in economically less attractive areas, with a great deal of countryside and low growth. Such municipalities often have a shrinking population, which means shrinking tax revenues. Alternative solutions in the wealthy municipalities to offer affordable housing for this group have been developed only to a limited extent. Instead, some receiving municipalities have begun demolishing buildings that could be suitable for "social dumping," in order to protect themselves.[9]

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The Public Housing Companies Act and the K3 Framework

In 2011, legislation was introduced requiring municipal housing companies (allmännyttan) in Sweden to complement their public-benefit purpose by acting according to businesslike principles. As a result, municipal housing companies have come to resemble private housing companies in their conduct, although there is still a wide range in how municipalities and housing companies interpret and apply the law. The Public Housing Companies Act (allbolagen) allows greater scope for profit distribution than previous legislation. The scope is particularly large when the companies have sold properties. Half of the capital gain may be distributed without justification, and the other half may also be distributed if it is justified as financing social housing purposes.[10]

The Act's requirement of businesslike conduct can be assessed at company level and therefore does not have to be applied at project level. This means that a project can be unprofitable as long as the whole is profitable. This was demonstrated in a 2014 review of the Act by the Administrative Court in Karlstad, where the local municipal housing company had been reported for violating the requirement of businesslike principles in an investment project.

But only a few years after the Act, in 2013, the EU adopted a new accounting framework, implemented in Sweden through the K3 framework, which requires properties to be reported at their fair value. If a project has had a higher production cost than it is judged to be worth, there must be an immediate write-down of its value, which affects the company's results. It is this, not the Public Housing Companies Act, that is perceived as an obstacle to investment in, for example, rural areas with low property values.

But a property's fair value is to some extent a subjective assessment, in which companies, in dialogue with auditors, have considerable power over the interpretation and application of the rules. The Viskafors model challenged the traditional notion that higher risk always demands higher returns, and at the same time showed how the K3 framework leaves room for different interpretations in the valuation of assets. When Viskaforshem built 18 rental apartments as timber passive houses, the company factored in the long-term economic benefits of sustainable materials that require less maintenance. By accepting a lower return on invested capital and spreading the cost of new construction over a longer period, rents could be kept down without jeopardizing long-term profitability.[11]

Building groups and local development companies, AB (svb), can play a supporting role here for our municipal housing companies. By part-financing local housing projects, they can strengthen the municipal housing company's balance sheet and thereby make it possible to meet the requirements of the Public Housing Companies Act and the K3 framework. The risk is thus shared between the founding group and the municipal housing company. Such a civil-society–public collaboration is being tested at the time of writing in the village of Jämjö in Karlskrona Municipality, with a building group working together with the municipal housing company Karlskronahem.[12]

The Investment Subsidy for New Rental Housing Has Been Abolished

The previous investment subsidy for rental housing and the subsidy for student housing were abolished at the turn of 2021/2022, but continued to support new construction until 2025 through a long phase-out period. 60,000 homes were created with the investment subsidy between 2017 and 2025.[13]

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Hela Sverige ska leva (HSSL, the "All of Sweden Shall Live" rural development movement) has produced data suggesting that 50,000–70,000 rental homes are needed in rural Sweden. The target group is primarily older people who want to leave their house or farm but not their local area, and young people who do not want to keep living at home but want to stay in the area. According to Peter Eklund, housing strategist at HSSL, this need has been missed by Boverket (the National Board of Housing, Building and Planning) and other bodies because they have not looked at needs outside the larger towns close to rural areas. This hidden housing shortage is very difficult to address without some form of state support for investment in rental housing in rural areas.

The previous investment subsidy often worked very well for community-led housing actors in rural areas, and there are many good examples, including Kiladalen Utveckling AB (svb) in Stavsjö in Nyköping Municipality and Hogslätts Vänboende in Tanum Municipality, which built the country's cheapest rental apartments for the period 2018–2019. In both cases the investment subsidy was supplemented by a municipal guarantee. The system that has now been abolished could have been scaled up by mobilizing more building groups, HSSL argues. In that way both the visible and the hidden housing shortage in rural areas could have been paid down. Slowly but surely.[14]

That said, there is also criticism of the previous investment subsidy system, including within the community-led housing sector. It created problems because housing associations were not allowed to raise rents in line with market-driven cost increases. A housing association whose only income is rent then has difficulty paying its expenses. This put some community-led housing actors in serious financial binds. In designing a similar support solution in the future, the risk of such problematic outcomes should be taken into account.

Hyresgästföreningen has analyzed what the abolition of the investment subsidy has meant in Sweden compared with comparable countries' support systems for building rental housing. According to Hyresgästföreningen, 100,000 homes need to be built for Sweden to catch up with the housing shortage. If we add Hela Sverige ska leva's figure for the hidden housing shortage in rural areas, then of course 50,000–70,000 homes are added to that. According to Hyresgästföreningen, 60,000 homes were created with the investment subsidy between 2017 and 2025. In 2026 the development of new rental housing has almost come to a halt.

In our Nordic neighbors, investment subsidies for housing construction have been retained, and had Sweden built at the same pace as they have, the outcome since 2000 would have been as follows:

- Finland's rate of construction = 640,000 homes in Sweden
- Norway's rate of construction = 420,000 homes in Sweden
- Denmark's rate of construction = 210,000 homes in Sweden

The housing shortage has hit low-income earners particularly hard; they have neither found new housing nor been able to take advantage of homes freed up through housing chains. Young people have been unable to move away from home, and students struggle to find housing near their universities.

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Hyresgästföreningen is currently advocating that the state introduce state construction loans and, where needed, cash grants for new construction. The framework for the support must be broad enough to meet the existing need. In 2025, according to Hyresgästföreningen, 22,000 homes needed such support. The amount would be SEK 0.15 billion per year, rising to as much as SEK 11 billion in certain years at construction peaks when both loans and investment subsidies are needed. The support must therefore be designed to provide larger sums in some years and smaller sums in others.[15]

The Housing Allowance Is Abolishing Itself

The housing allowance has historically been a fundamental housing policy instrument for supporting households with low incomes and high housing costs. Its purpose is to reduce the risk of financially vulnerable households being pushed out of the housing market and to create a more reasonable balance between households' incomes and their housing costs.

According to Hyresgästföreningen, however, the function of the housing allowance has gradually weakened over a long period. This has happened because key levels in the system – such as income ceilings and the housing costs on which the allowance is calculated – have for a long time not been adjusted in line with the development of rents, incomes and prices in society. When the rules are left unchanged while the economy continues to develop, the number of households qualifying for the allowance gradually decreases. In practice, this means that the housing allowance is gradually phasing itself out.[16]

The consequence is that the allowance functions less and less as a broad housing policy instrument and is instead confined to an ever-narrower group of households with very weak finances. At the same time, the structural problems in the housing market persist – and in many cases grow – with rising rents and housing costs meaning that a growing share of household income must be spent on housing. Another problem is that large proportions of those receiving the housing allowance today end up having to repay it.

Restoring the function of the housing allowance requires that the system once again be linked to actual developments in rents and incomes. This means, on the one hand, raising income ceilings and housing cost levels so that they better reflect today's economic conditions and, on the other, introducing mechanisms that ensure these levels continuously track economic developments. In addition, the housing allowance should reasonably also be available to poor households without children. Without such a reform, the housing allowance risks continuing to decline in importance, even though the need for support in the housing market remains.[17]

Crisis in the Construction Sector – and It Is Not Just That Construction Prices Are Soaring

The report *Building Cheaply Is Expensive* (*Att bygga billigt är dyrt*) shows how the economic and institutional conditions for housing construction largely determine which homes actually get built. Financing, accounting rules, taxation and tenure forms together create the incentives that affect the quality, size and long-term sustainability of housing. Its content confirms much of what we have already presented, but with a focus on building quality.

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One conclusion of the report is that today's system largely rewards low initial construction costs rather than long-term quality. Investments in sustainable materials, energy-efficient solutions and robust architecture often mean higher costs at the construction stage, while the economic systems take only limited account of the lower operating and maintenance costs that arise over time. The result is that housing is often optimized for short-term calculations, so that long-term sustainability suffers. In plain language, this means we end up with a housing stock of lower quality. This can lead to higher maintenance costs in the future. At the same time, it is well known that construction prices have risen sharply over time in Sweden. This naturally affects the outcome described.

The report also confirms how the financing and valuation system can hamper housing construction in areas where market value is lower than production cost. Write-downs on the balance sheet can then occur even when projects have a positive cash flow, which reduces the incentives to build in these areas.

Overall, the report indicates that the challenges of the housing market are largely about how the financing and accounting systems (see the section on the Public Housing Companies Act and the K3 framework above) are designed, alongside rising construction costs and burdensome technical regulations. If the goal is housing that is sustainable over time, these systems need to reward quality and long-term thinking to a greater extent.[18]

Taken together, these gaps mean that Sweden risks costs related to substandard building quality in the future.

Example: The Regional Economic Consequences of the Construction Crisis in Stockholm

Problems also arise when the pace of construction falls. The structural problems that characterize the financing and investment logic of housing construction become particularly clear in metropolitan regions, where housing construction plays a fundamental role in the regional economy. The report *The Bill for the Construction Crisis* (*Notan för byggkrisen*), produced by Stockholms Handelskammare (the Stockholm Chamber of Commerce), shows how sharply reduced housing investment quickly has extensive effects in the Stockholm region, both in the construction sector and in the wider economy.[19]

In 2023 housing investment fell sharply in Sweden, and in the Stockholm region the number of housing starts fell by more than 60 percent compared with the previous year. The report analyzes several scenarios for developments up to 2030 and shows that a prolonged period of low housing construction can have significant regional economic consequences.

In a scenario with a relatively mild construction crisis, output in the Stockholm region could fall by around SEK 30 billion in a single year, while a deeper crisis scenario could mean a loss of output of up to approximately SEK 49 billion. As a consequence, employment could fall by between 33,000 and 55,000 people. The construction sector is hit hardest, but service sectors such as architecture and engineering consultancy are also severely affected.

The report thus shows how housing construction is an important component of the regional economy. When housing investment falls sharply, significant negative spillover effects arise in the economy, both through reduced activity in the construction sector and through broader effects on employment,

consumption and regional growth.[20] This can be interpreted as meaning that a more even and less volatile market in the construction sector would have been preferable to today's situation.

Private Property Speculation

Credit markets were deregulated in the mid-1980s, which has been covered among other places in the documentary *The November Revolution* (*Novemberrevolutionen*), describing the practices that later led to the Swedish financial crisis of the early 1990s.[21] The bursting of the great property bubble led to an increase in the number of people in financial hardship. The same is always the case when housing bubbles burst. The financial crisis of 2008–2010 also stemmed from a housing bubble. As a result, thousands of people in the United States had to leave their homes, and the crisis spread around the world because the financial system had by then become increasingly globalized. Paradoxically, the rules in the United States, under which people who cannot pay their mortgages can hand their homes over to the bank, created a situation with many homeless people and many empty homes at the same time.

But it is not only a matter of when indebtedness peaks and the housing bubble bursts. The more property prices rise on the way to the crisis, the further people in a financially vulnerable position are from finding a home. It is not only complicated laws and regulations, slow or poorly adapted detailed planning, rising construction costs and speculation based on psychology and bank credit that drive prices, but also economic growth and other positive social development. This means that when society is doing well, housing costs rise continuously and usually leave wage growth lagging behind. As a result, it becomes increasingly difficult for lower-income households to obtain housing that is suitable for them.[22]

On the Swedish rental market, this is meant to be mitigated by the utility value system (*bruksvärdessystemet*), the housing allowance and Hyresgästföreningen's negotiation model, but through, for example, presumptive rents (*presumtionshyror*) in new construction, the effects still come through over time. And in the private housing market, with its bidding, they definitely come through.

As long as private property speculation remains in place, property prices will rise in cycles in such a way that new housing bubbles form and burst. This is what history has shown. Bidding on houses, owner-occupied apartments and tenant-owned cooperative apartments (*bostadsrätter*) maximizes the profit extracted in the market, and the one with the greatest capacity to borrow from the bank usually wins. This leads to high private indebtedness in society, with an accompanying interest burden. Sweden's private debt (mainly household debt) is currently considerably larger than its public debt relative to GDP; public debt is around 30–35% of GDP, while household debt amounts to nearly 180% of GDP, which shows a marked imbalance in which Swedish households carry a heavy debt burden. This trend has been under way since the 1990s, with the debt ratio rising sharply, and it poses a risk to the Swedish economy, particularly in connection with large mortgages.[23]

From an overall perspective, we get a culture of property speculation in society, in which passive speculation in housing is often favored over other forms of saving and investment. This is also reflected in government reforms, for example the mortgage interest deduction, which encourages increased household borrowing. Property is probably the most important type of collateral for bank loans in our

society. Since a significant share of the digital money circulating in our society is backed by property values, it becomes problematic when property prices fall rapidly. This threatens the money supply in society, which suddenly finds itself without not only full capital coverage at the banks (whose basic business model is to "lend out more money than the bank itself has") but also coverage in real terms – as the property value that served as the bank's collateral for carrying out the credit expansion (the lending) suddenly disappears. When this happens, banks become very restrictive in their lending, which hurts the real economy and the financing of businesses. A chain of bankruptcies is often the result, with rising unemployment as a consequence. This in turn means that fewer and fewer people can pay off their debts, and soon the financial crisis deepens as banks too begin to fail. Usually, however, they are rescued by the state before this happens – at least the large banks that hold a systemically important share of the money supply on their balance sheets. Small banks, for example local savings banks, are not necessarily offered this public protection. An early sign that a financial crisis is approaching is that buyers for newly built homes start to become scarce and the pace of construction suddenly stalls.

The German economics professor Richard Werner has studied the German savings bank system and, in his research, has shown how banks' credit expansion increases the money supply in society. Werner's criticism, however, is not that money creation has been privatized in this way, but that the "expanding credit" is invested too much in consumption rather than production.[24] If the new money created in society had instead been invested productively in businesses in the real economy rather than in the speculative property market, it would have been harder to generate the recurring unsustainable indebtedness that we have today more or less come to accept as a natural market cycle. Money simply has to flow within the real economy in a healthy way and not be locked up in non-productive assets. His main proposal for remedying the problem is to prohibit banks from lending to activities that do not contribute to GDP growth. This is probably very difficult to achieve politically.[25]

Werner's alternative proposal is to promote small local banks – preferably cooperative, public or semi-public – that operate without private profit interests. According to Werner, every larger town should have at least one local, non-profit-distributing, public-benefit-oriented bank.[26] His argument for this is that small local banks lend to productive activities to a greater extent than conventional commercial banks, which prefer to lend to speculative activities and consumption. When banks reinvest their profits in productive lending or in charitable purposes and social investments, a healthy flow of money is promoted throughout the economy. When the flow of money is healthy, funds are spread in such a way that more people can pay off their debts to the banking system as a whole. The German, but also the Swedish, savings bank movement are excellent models in this respect, according to him.[27]

Experience from Sweden shows that the type of banks that have lent the most to community-led housing are precisely local savings banks and cooperative banks, for example Tanums Sparbank, JAK Medlemsbank and Ekobanken. Nor should we forget the municipalities that have provided guarantees so that building groups and local development companies, AB (svb), have been able to obtain construction loans from banks, as has been the case in Tanum (Gerlesborg), Nyköping (Stavsjö) and Ockelbo.

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Photo: Ekobanken's office in Järna. Ekobanken is probably the financial actor that has so far financed the most building groups in Sweden.

Political support for promoting an expansion of the public and non-profit banking sector, which does not distribute profits to private actors, is probably the less difficult of Werner's proposals to achieve.

A Reform Package in Four Parts

In this section we present research on four main parts of the solution, plus one complementary part. The proposed amounts of support funding have been developed by Martin Hofverberg.

Part One: National Solutions for a Faster Pace of Detailed Planning

Purpose: Increase the amount of land available and more openly zoned for housing construction.

Expenditure: Approximately SEK 3 billion.

Written by Martin Hofverberg

Sweden suffers from a chronic housing shortage. Around 110,000 homes are missing, spread across just over a hundred municipalities, and to build away the shortage roughly 50,000 new homes need to be added each year.[28] New construction is a market entirely subordinate to policy, and in the absence of national requirements many municipalities plan for no more housing than they absolutely must.[29] Two interconnected problems lie behind this: that municipal planning has become reactive and in practice handed over to developers, and that municipalities can free-ride on their neighboring municipalities' planning. Both are described here – followed by what is required to reverse the trend.

The Housing Shortage Is Regional, the Responsibility Is Local

Housing need arises in a regional labor and housing market. People commute across municipal boundaries, and the combined housing needs of an entire region cannot be met by a single municipality. At the same time, responsibility for housing provision is essentially local: through the municipal planning monopoly, each municipality decides for itself when, where and how building may take place within its boundaries. The legislation assumes that each municipality has its own incentives to remedy a general housing shortage, but the state lacks tools to require municipalities to actually contribute to the region they are part of. For the individual, the right to housing in law is more a statement of aims than an enforceable right, and the tool the state has to compel planning – a planning injunction (*planföreläggande*) – is in practice never used for housing purposes. The gap between a regional need and a local responsibility is the basic precondition for what follows: regional housing provision becomes unevenly distributed.[30]

From Driving Force to Obstacle

That municipalities can profit from not building is not an inherent feature of the system, but the result of a historical shift. During the build-up of modern housing policy – from the introduction of the municipal planning monopoly in 1907, via full municipal decision-making authority in 1947 and the Pre-

emption Act (*förköpslagen*) of 1967, to the high point of municipal control around 1971 – the municipalities were the driving force. They pursued an active land policy, bought and zoned land on a large scale, and had state financing behind them at every stage of construction. Housing was built at a high pace that culminated in the Million Programme (*miljonprogrammet*).[31]

With the Planning and Building Act of 1987 and the Natural Resources Act introduced at the same time, the emphasis shifted toward conservation, environmental considerations and citizen participation, while landowners' right to compensation was strengthened and it became more expensive for municipalities to take private land into use. The crisis of the 1990s completed the reversal: municipal land policy went from promoting construction to promoting the municipal coffers, and national housing policy essentially ceased. What remained was a system in which the municipality bears the responsibility and the cost while the state neither steers nor finances – and in which it often pays better for the individual municipality to wait than to build.[32]

Planning Handed Over to Developers

When a municipality refrains from planning proactively, the initiative is in practice handed over to developers. The zoning of new residential development then largely takes place only after an extensive dialogue has been held with a developer, and land allocation on municipal land is carried out following such dialogues – a way of working that can be described as a developer-driven planning model. This is by and large how housing planning is conducted in the country's municipalities, although the picture needs nuancing: conditions vary greatly, and alongside the reactively oriented majority there are municipalities that make an effort to be more proactive.[33]

Among the more reactive municipalities are some that choose this approach out of an ideological conviction that the market should largely lead the development of the built environment. For most, however, it is rather a matter of perceived necessity, rooted primarily in the municipalities' financial circumstances. Two forms of resource shortage can be distinguished: on the one hand, generally strained municipal finances; on the other, a more specific shortage within the planning and development functions, compounded by a general skills shortage in the profession. Taken together, this leads municipalities to seek to a large extent to act in ways that minimize financial risk, even where the will and ambition to plan more proactively exist.[34]

In addition, many municipalities have weak capacity of their own to deliver housing production and are highly dependent on market actors to bring new development into being. The risk-minimizing strategy then becomes to shift as much of the financial risk-taking as possible – early design, project development and sometimes, in practice, the entire plan development – onto the developers. The effect is that the municipality to some degree relinquishes its role as a guide toward a land use that is optimal in terms of citizens' present and future needs, whereupon the market's priorities, driven primarily by owners' return requirements, come to a large extent to determine which homes are built, where and for whom.[35]

The extensive negotiation also has consequences for quality. Process quality – the degree of transparency and predictability in the processes – clearly suffers, since the early dialogues precede the

formal planning process and as a rule take place behind closed doors with a high degree of confidentiality; it becomes difficult afterwards to verify from what positions the parties negotiated and which values were prioritized. As regards output quality – the quality and sustainability considerations in the homes and living environments that are created – the picture is less clear-cut, but there is an expressed concern that considerations other than sustainability and quality carry more weight in negotiations with limited transparency. The risk is heightened by the fact that, for many municipalities, municipal land is one of the few realizable assets; since the price of land is largely determined by the extent of the building rights, municipalities may be tempted to compromise on quality in order to maximize building rights and the associated sales revenue.[36]

Municipalities That Free-Ride

For many municipalities, keeping ambitions low is both economically and politically rational. A large planning office costs money, and passive, reactive planning that waits for developers' inquiries is cheaper than proactive planning. Municipalities with large landholdings also have an underlying interest in not zoning too much, since a limited supply keeps up the price of their own land. On top of this, many municipalities have strong groups of voters who do not want to see more development, which puts pressure on local politicians who want to be re-elected. Each of these drivers points in the same direction: toward holding back.[37]

The consequence is that a municipality can benefit from its neighbors building – access to labor, a broader housing supply in the region and a functioning labor market – without itself taking on corresponding responsibility. As long as someone else in the region plans ambitiously, the individual municipality can maintain its level of land values and avoid the local friction that new construction brings. It is this imbalance that is usually called free-riding: many municipalities ride along on their neighbors' efforts without paying for the ticket.[38]

Actual construction confirms the picture. The municipalities that built the most relative to their population during the period 2021–2025 – led by Boden, Knivsta, Kiruna, Nykvarn and Järfälla – completed between 13 and 20 homes per 1,000 inhabitants per year. None of the three major cities is among the top, despite having the strongest market positions: Stockholm completed 4.6, Malmö 6.1 and Gothenburg 7.2 homes per 1,000 inhabitants. Market conditions are thus not decisive on their own – local political will to plan is. This is clearest within one and the same region: in Greater Stockholm, Nykvarn built around 14.5 homes per 1,000 inhabitants per year, while Lidingö and Huddinge stopped at 2.7 – a pace more than five times higher in one municipality than in the other, within the same region.[39]

The difference between municipalities thus lies not primarily in their circumstances, but in how they choose to use them. The municipalities that build the most more often zone land without waiting for a designated developer, allocate land through competition rather than through direct allocation, impose time requirements backed by penalties on developers who might otherwise delay, and have a more efficient process from the start of planning to move-in. Developers report that lead times in the major cities can reach seven to eight years, compared with around three in ambitious growth areas. In other

words, these are tools that every municipality already has at its disposal today. That they are not used everywhere is a choice – and a choice that becomes cheaper to make the more the neighbors build.[40]

A common objection is that municipalities already zone enough and that the bottleneck instead lies with developers who do not build out their building rights. That picture does not hold. There is no stock of unused building rights waiting to be developed – most of the so-called planning reserve has been zoned in the past few years, and the number of older, unused building rights has if anything decreased. The problem is not that finished plans are left lying, but that planning preparedness is too low. The conclusion therefore stands: the municipalities that do not build fail to do so largely because they do not plan – not because construction runs aground on something else.[41]

There are no national requirements on what and how much municipalities should plan. This distinguishes housing provision from another area of municipal responsibility – schools – where there is a national curriculum and a schools inspectorate that checks it is followed, without this being perceived as an unreasonable intrusion into municipal self-government. Housing provision should correspondingly be upgraded to a national concern: municipalities retain responsibility, but must relate to the need that exists in the region. No one should be able to sit back and do nothing while the neighboring municipality does everything to meet the region's needs.[42]

What Should Be Done

Proactivity and reactivity are not a binary pair of opposites but rather a sliding scale. Weaker forms of proactivity can consist of creating strategic preparedness through active, rolling comprehensive planning, the use of in-depth comprehensive plans and planning programs, or the municipality's own municipality-wide guidelines for quality and sustainability. It is not possible to establish which degree of proactivity is the right one – conditions in the country's municipalities are far too varied for such an unambiguous answer – and the question is rather how the many municipalities that are not currently at the proactive end of the spectrum can be given the conditions to move a notch or two up.[43]

The legislation does not appear to be the main obstacle. Within the existing regulatory framework there is already room for more proactive municipal housing planning than generally occurs. Nor does the allocation procedure offer any simple solution: all forms have their advantages and disadvantages and are suited to different conditions. It can, however, be noted as problematic that direct allocation following extensive dialogue with a developer is such a dominant form, since the municipality then acts most distinctly in the role of landowner rather than public authority, resulting in processes with limited transparency. The solution is nevertheless not to prohibit direct allocation, since in certain situations it is fit for purpose.[44]

What is needed instead is to address the resource shortage that many municipalities experience, both generally and specifically within their planning organizations, and to ensure an appropriate and coherent organization in which the legally more powerful tools – the detailed development plan, the building permit and the implementation agreement – are made to work together. A crucial question concerns the allocation of risk. In today's system, municipalities and developers bear the entire financial risk of planning and implementation, whereas before the dismantling of housing policy in the early 1990s the

state bore a large share of it. A return to the conditions that prevailed before then is unlikely, but it would make a significant difference if the state once again took on at least a small share of the risk. Even modest state resources, particularly on the planning side, can have a marked effect through the capacity and skills building they make possible in the individual municipality.[45]

Translated into concrete policy, this means:

1. **National and regional planning targets.** The state establishes a national comprehensive plan and defines targets for physical planning at the national and regional levels. The regions are given responsibility for local coordination, so that the region's combined housing need is distributed among its municipalities. This is the proposal that directly tackles the free-rider problem: when every municipality must relate to a regional need, it is no longer possible to hold back and let the neighbor bear the responsibility.
2. **Financial incentives to reach the targets.** Two forms of support are proposed. A municipal planning bonus rewards the municipalities that actually reach their construction targets. State land loans make it possible for municipalities to acquire and prepare land without being forced to choose between the planning office and other core activities – strategic landholding is closely linked to a high pace of construction. Together, these forms of support relieve the financial burden that the state placed on the municipalities when it effectively withdrew from housing policy in the 1990s.[46]

Part Two: Land Value Tax – the Least Bad Source of Financing?

> ***Purpose:*** *To finance reforms for a sustainable housing policy and to counteract distortions.*
>
> ***Revenue:*** *Approximately SEK 8 billion to the state for support reforms and long-term tax shifting / SEK 19 billion to the municipalities to use as they see fit.*

Written by Jonas Lagander

> *"Contrary to what many people think, a property is not a building but a delimited parcel of land. The property includes both property fixtures (e.g. buildings and utility lines above or below ground for ongoing use) and building fixtures (permanent fittings, e.g. a stove and bathtub). Unless otherwise agreed, both property fixtures and building fixtures are included in the purchase of a property." / Husman Hagberg[47]*

Property tax has long been something of a taboo in Swedish politics. The classic challenge with this form of taxation is that the property owner must save up for the tax and pay a large sum to the state once a year. The tax payment is not handled by the employer, as with income tax, or by the seller, as with VAT. Moreover, the tax must be paid regardless of income. In Sweden, it has traditionally also been levied on improvements to the property, such as houses and other investments on the land. These aspects have made it unpopular, perhaps above all among Swedish conservatives and liberals.

Many economists, however, regard the property tax as the least bad tax, as Milton Friedman put it in a speech in the 1970s,[48] or alternatively as the best tax. Why is that?

If we assume that a pure property tax falls only on the property itself, that is, the land, then it is levied on a so-called inelastic asset. Land cannot be recreated somewhere else. No factory can manufacture a new piece of land with exactly the same location and the same soil characteristics. The amount of land on the planet always remains the same, even when its price changes. A plot in Djursholm is and remains a plot in Djursholm. A plot in Dorotea is and remains a plot in Dorotea. This of course means that a plot in Dorotea, which is a so-called "weaker housing market," would carry a low property tax. Djursholm, which is a strong housing market, would carry a high property tax. And neither property owner, in either place, would be able to plan their way out of the tax or move their assets to a tax haven. The land lies where it lies and generally cannot be substituted (replaced by something else). It will continue to be so until, possibly, the day we begin to colonize the seabed or perhaps outer space. There we might find good new locations that could act as substitutes, but very likely not before. And when the new space or seabed colonies mature into established and successful communities... well, then it will become difficult to substitute the land there as well.

Because the location of land cannot be changed or copied, it is easier to drive up its price through speculation. If investors speculate in, say, food and drive up prices, this punishes consumers in the short term. But soon the farmers (the producers), provided there is no drought or other adverse natural phenomenon, will quickly recognize the potential of the foods that have been speculated on, through the price signal that is given. They will start producing thanks to the new, improved profitability, and soon there will be plenty of the foods that were previously in short supply.[49] Here, speculation has thus helped the market understand what it should prioritize in production, and a structural improvement in the food supply occurs over time as a result. Food, in other words, is an "elastic asset," like all other replicable consumer goods. This is not the case with "inelastic assets" such as land. Speculating in land and driving up prices creates structural inequality not only in the housing market but in the market as a whole. This does not drive any new housing production, but rather passivity. After all, the land rises in value without the owners having to do anything active to bring this about. The activity that drives up the value of their land is instead provided by the rest of society – the market and the public sector. Over time, property prices tend to outpace general wage growth, and pockets of housing shortage are created in society. In the long run, then, passive speculation wins out over active work and enterprise. Life then becomes economically harder for many of those who do manage to find housing, but whose room for spending on other household needs is sharply reduced. Pockets of poverty can now emerge, even though society at large is prosperous.[50]

These are classic arguments for property tax, which in its original form is thus a pure land value tax. The tax counteracts poverty among those who do not own land and promotes real production at the same time. It does this by creating incentives for enterprise and job creation, to the benefit of those who need to pay their rent, their ground lease or their land value tax. When land ownership comes with a tax cost, economic activity is forced upon the owner – just as rent and ground lease payments force economic activity upon a tenant or leaseholder.

Let us take this further with a thought experiment. Suppose that the farmers responding to the price signals from the food sector in the example above all lived on leased land in an unequal feudal society, where a small elite owned all the land. Their innovative work to remedy the food shortage in society will give them higher incomes. This in turn sends a price signal to the landowner that their land has now become more profitable. After all, more production, and thus value, is coming from the same landholding. What the landowner can then do is raise the ground rent. This is entirely correct in market terms, since the yield of the land has gone up. Does the feudal lord give any compensation in return to the leaseholder or to society for their increased income? The answer, at least in this fictional example, is no. This is a classic scenario that has kept tenant farmers poor and large landowners rich since the cradle of civilization – no matter where on earth.[51]

> *"Landowners grow rich in their sleep without working, risking or saving. The increase in the value of land, which arises from the efforts of an entire community, should belong to the community and not to the individual who may hold the title to it." / John Stuart Mill[52]*

Another aspect of inelastic assets such as land is that the value of the land is given either by nature, such as its fertility, mineral wealth or perhaps lakeside location, or by society as a whole. The latter means that the industriousness of a society – such as infrastructure, commerce and welfare – affects land values. Moreover, this happens quickly. The economist Joseph Stiglitz, who (like Milton Friedman, quoted above) is a recipient of the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, has shown that the value of investments in public infrastructure is quickly manifested in higher values of adjacent land.[53] Over time, if well planned and well executed, the investment contributes to increased growth and prosperity. It thereby also contributes to long-term increases in land values (property prices). The increases in value can often be very substantial. Great fortunes in asset values can be created for the skilled land speculator with resources to invest.[54]

> *"Land value effects are, as the interim report also states, a reality in several cases and above all a result of larger (new) investments. Better accessibility as a result of better infrastructure and better transport links results in actual increases in property prices that benefit either current or future property owners. Recovering (all or part of) the land value increase is reasonable, since increases in value due to public investment should accrue to the public sector and since it is also desirable from a distributional point of view. In major infrastructure projects, the land value increase can be expected to take place over a long period and in several stages. The largest direct increase in value will probably occur only in the immediate vicinity of the stations that have been decided on." / Consultation comments on the interim report from the Sweden Negotiation (Sverigeförhandlingen): A Legislative Proposal on Value Capture[55]*

As we described above, land speculation can create housing shortages, since landowners are happy to withhold their land from development as long as growth in the surrounding community keeps increasing the value of the land anyway. If you know that the state will soon invest in a particular location, it is smart to buy land right there and then withhold it from development for as long as possible, in order to

sell it later at a good price. The land hoarder simply waits to sell their land until the price is as high as possible, which makes production on the land, once it does take place, more expensive and delayed. This need not be a problem in weak housing markets, since perhaps no one wants to build there anyway. But in cities it is often a problem.

> *Classical economics comprises three factors of production: land, labor and capital. Land is the factors of production offered freely by the planet – all forms of natural resources. Labor is when human beings use their own bodies in production. Capital is a mixture of land and labor, for example a house (where timber from a forest has been mixed with labor – but the forest must be wild; if it is cultivated, it is also "capital").*
>
> *Land has a completely inelastic supply – there is no quantity of land that can be changed by prices or production. Labor and capital are elastic – they respond to prices, returns and taxes. Economists often argue that it is appropriate to tax things that stand still (which promotes movement), but not things that move (which discourages movement). This is what is meant. Today people mostly speak of "labor and capital," where what in classical economics fell under the factor of production "land" has been incorporated into "capital."[56]*

What Stiglitz shows in practice, and what many classical economists pointed out, is that value is transferred from hard-working, taxpaying people to passive landowners by way of the public sector's own actions. He called his model "The Henry George Theorem," after an economist in the late 19th century who advocated land value taxation (taxation of "land") as a replacement for taxes on labor and capital. In the research mentioned, Stiglitz mainly studied the impact of public investment on land value, and today such investment is financed primarily by taxes on labor, enterprise and consumption. The municipal property fee in Sweden is low and does not contribute much to the public budget. Together with the state property tax and the capital gains tax on property sales, it yields somewhat more in total. But there are complicating circumstances, to which we will return later, that reduce the potential of the property-related taxes we have today. For many economists, it seems natural that public investment should be financed by taxes on land value and similar inelastic assets. That is far from the case today.

In Sweden we do not have free rent-setting today – at least not fully, even though relatively free rent-setting applies to new construction, so-called presumption rents (*presumtionshyror*). Let us consider how "The Henry George Theorem" might play out in a completely free rental market, without use-value principles, through a further, deliberately exaggerated thought experiment:

Working people who live in rental housing pay income tax on their wages and VAT on everything they buy, which the state uses to finance infrastructure and welfare in the area where they live. The state's investments lead to rising land values beneath the rental housing. The housing company that owns the properties in which the tenants live then sees that the location has improved and sees reasonable grounds for raising rents (provided there are people in the queue willing to pay a higher share of their income for such housing). The state's well-intentioned and important investments have thereby pulled society apart in an economically unjust way. The tenants who do not have sufficient income to pay the new rent are thereby evicted and have to move to a less attractive area. In the worst case, they become

homeless. This happens even though they themselves helped co-finance the infrastructure and welfare that led to the land value increases and, subsequently, the rent increases.

This is the same principle as in the example of the tenant farmers, but applied to tenants. The aforementioned Henry George pointed out that it is precisely this kind of phenomenon that creates structural poverty even in a rich society. Because we have use-value rents (*bruksvärdeshyror*) in Sweden, this problem cannot arise in exactly this form – which is probably why that system was introduced in the first place. But it is important to understand these principles in the housing policy debate, not least with regard to market rents.

If we are to consider solutions, the classic proposal in economics is to use a pure land value tax to offset taxes that have distorting effects, such as those on labor, enterprise and consumption (VAT) – but also taxes on buildings, such as are included in the ordinary property tax. There are a few different schools of thought on this, but a common line is that the land value tax should simply be levied on the value of the ground rent. This is because a land value tax pushes down land prices but not the rental value of the land. The state does not want to tax declining values.

> *A ground lease (markarrende) is a legal form of right of use in which a landowner, in return for payment, grants land to another party (the leaseholder) for a specific purpose. The person renting the land does not own the land itself, but may use it in accordance with the lease agreement that has been drawn up. A ground lease is valued on the basis of the market value of similar land and its earning capacity. Lease matters in general are regulated in Chapter 8 of the Land Code (jordabalken).*

By doing so, the idea goes, the distortions in the property market described above can gradually be straightened out. When land prices begin to fall while part of the rental value of the land goes to the state as tax (a cost to the landowner), more land becomes available to more people and production in society increases, including housing production. For this to work as intended, every krona the state collects from the tax on ground rent must go toward reducing a tax primarily on labor, enterprise or consumption (VAT) – in short, what classical economics includes within the factors of production "labor and capital." As noted, it is also fine to reduce taxes on property fixtures (such as residential buildings), but such taxes are perceived as less distorting than the others mentioned. Raising the basic tax allowance on income tax could be a simple start that ought to be fairly politically neutral and would also lift the very poorest in society. The earned income tax credit (*jobbskatteavdrag*) is of course also an option. Municipalities and regions could also lower their income tax rates if parts of the land value tax were directed to them.

Making the land value tax primarily national, however, promotes economic equality between weaker and stronger housing markets across the country. Note that the tax is levied on value, not area. A farmer with large holdings of arable land is therefore not taxed on the size of their fields, but on their value. The same applies to a small, expensive plot in Stockholm's best location. The small plot in the big city can be worth much more than a field in the countryside. When taxes on income, enterprise and consumption are reduced, the market is expected to become even more productive, which will drive up ground rent values and thereby increase the tax base for the land value tax. At the same time, the farmer, for

example, is compensated for the land value tax through other tax reductions and can more easily hire and invest.

At most, the land value tax can be set at around 85–90% of the rental value, so as not to risk over-taxation due to possible valuation errors. Such a far-reaching reform must, however, be implemented in smaller steps over time, starting at a considerably lower level. A land value tax is nonetheless likely to create benefits even at lower levels. It is important to point out that landowners are unlikely to be able to shift the tax burden onto tenants, since increased housing production will offer them many new alternatives to move to – especially if the municipalities increase their pace of detailed planning (in line with earlier sections of the report). Increased competition between property owners for tenants will thus be the outcome.

If property values fall, the banks will need to lower loan-to-value ratios and investors will need to put up more equity. New actors investing in property will then be needed when banks reduce their lending because of falling values. It may also be a matter of developing the market for collateral, such as credit guarantee associations, guarantee circles and digital assets. If property prices fall too much and too fast, this could mean banks calling in loans and demanding rapid repayment, which in the worst case could lead to instability in the financial markets. This is an important reason why a land value tax must be introduced gradually over time, so that the financial markets have time to adjust. But this probably does not apply to an initial, lower tax rate.

Politically, however, the issue has been difficult. Property tax is rarely discussed in positive terms in political debate today, at least not by politicians. Economists are usually the ones who argue in its favor.

> *"Property tax pops up in the debate every so often and is now back on the agenda. But it is ominous how tone-deaf this debate is. On the one hand, we have the political left, which advocates property tax as yet another tax. On the other hand, we have politicians on the right who, given Swedish tax history, seize up whenever property tax is mentioned and therefore flatly say no. In this way, the nuances of the debate are lost, along with precious opportunities to discuss a sweeping tax reform." / Özge Öner, economist, Svenska Dagbladet (published 2020-10-08)[57]*

Even though a more comprehensive and long-term tax-shift reform, as described above, is probably a powerful instrument for strengthening the housing market and general economic development, it is probably just as difficult to implement politically. There are, however, a few different schools of thought on this subject. A few years ago, Arena Idé released the report "The Least Bad Tax" (*Den minst dåliga skatten*), which instead proposed introducing a land value tax in order to finance local housing provision funds.[58] These funds could then be used, for example, to finance community-led housing. Hyresgästföreningen (the Swedish Union of Tenants), for its part, advocates a reformed ordinary property tax, under which both buildings and land value are taxed.[59]

Researchers at Jönköping International Business School have put forward a municipal land value tax. They calculated what a land tax could bring in to the Swedish public sector and published this in an op-ed in Svenska Dagbladet in 2006:

> *"A calculation of maximum land tax revenues yields a total land tax income of SEK 100 to 120 billion. The distribution between different parts of the country would be surprisingly even."[60]*

What we lack today, apart from a calculation of maximum land value tax revenues, is an inquiry with impact calculations of what the effect of a land value tax, in relation to a reduction of taxes on labor, enterprise and consumption (VAT), might look like in Sweden. It is reasonable to assume that such a tax shift would cause the land value tax base to grow. Nevertheless, it needs to be investigated how the reform could be designed in practical and administrative terms, and how it should be structured to have the least negative social effects on those who will pay it.

Some American economists have studied how a land value tax reform in combination with a flat tax would affect the United States. A flat tax means that everyone pays the same fixed percentage in tax, regardless of how much or how little they earn. This differs from today's system, which is often progressive, meaning that the tax rises with income. The researchers draw the following conclusion:

> *"Substantial increases in the efficiency of the US economy can be achieved by flattening the income tax and by shifting taxes from labor and capital to land. In the short run, the greatest increase in net wages is achieved by shifting taxes from wages to land. In the long run, the greatest wage increase is achieved by shifting taxes from capital (such as enterprise – author's note) to land. Uncertainty about the value of land and the current efficiency of land use creates considerable uncertainty about the size of the efficiency gains that can be achieved. But even when pessimistic estimates of parameter values are used, the potential gains start at 6.6% of NDP per year and rise to 9.9% of NDP per year after 30 years."[61]*
>
> *Net domestic product (NDP) is usually rendered in Swedish as nettoinlandsprodukt (NIP). Net domestic product is a macroeconomic measure calculated by deducting capital depreciation from gross domestic product (GDP). The measure shows the total value of all new goods and services produced in a country during a given period, without "eating into" the existing capital stock.*

This suggests that it is advisable to begin by shifting taxes away from income taxes and, at a later stage, away from corporate taxes, with a view to eventually making them flatter. Revenue for the state remains the same and, over time, is likely to increase, since a higher GDP also raises land values. In addition, an increase in work and enterprise should lead to increases in other tax revenues. As noted, we have not found similar calculations for Sweden.

Using land value tax revenue for investments and grants that actually increase Sweden's land values, for example support for new construction as proposed in the report from Arena Idé, is probably an economically efficient path for the public sector. If so desired, a classic use of revenue from land value taxation is to make growth and welfare investments, such as rail infrastructure, bridges, water and sewage infrastructure, new health and care facilities, and so on. Over time, the state will then recover its investment outlays through increased land value tax revenue, as growth is stimulated by the

improvements made and raises land values.[62] This, however, lies outside the focus of this report, and a pure strategy of that kind, entirely without a tax shift, would perpetuate the problems of distortionary forms of taxation. It is therefore an inferior way forward for society compared with a land value tax combined with a tax shift, as are the proposals above that likewise do not address the problems of market distortions caused by our current tax system.

What You Tax, You Discourage

What is overlooked in land value tax proposals without a tax shift is that the tax on land value/ground rent and the other taxes compete with one another for the same tax base. If, for example, income tax and corporate tax are lowered, production is strengthened generally, which causes land values to rise, and vice versa. There is therefore little point in layering a land value tax on top of such taxes, other than to counteract land hoarding. There is a term for this phenomenon coined by the French Physiocrats: "ATCOR" (All Taxes Come Out of Rent). These 18th-century economists held that land value is the only truly taxable surplus from the market's net value. In principle, all other taxes are distortionary and inefficient, according to them.[63] Adam Smith also highlighted this in his work *The Wealth of Nations*, arguing that a tax on land value or ground rent was the natural basis for financing the state. Yet for some reason this seems rarely to be taken into account when tax proposals are discussed today.[64]

There is another economic term worth knowing: "deadweight losses." This is the term for precisely the distortionary effects created by, for example, taxes on work, enterprise and consumption. More precisely, it refers to the economic loss to society that arises when taxes change the behavior of people and businesses. In political debate it is often said that "what you tax, you discourage," and this is what is meant.

According to the American professor Nicolaus Tideman (among others), the largest deadweight losses arise when taxes are levied on:

- labor (income tax, employer social security contributions),
- capital and investment (corporate tax, taxes on buildings and profits),
- consumption (VAT and sales taxes).

These taxes cause people to work less than they otherwise would, save less, or choose less productive investments. The effects are especially large in the long term, since lower saving and investment lead to lower productivity and lower real wages over time. Progressive taxes also amplify deadweight losses, since it is high marginal tax rates that drive behavior. This probably contributes to people finding it difficult to save for a home or to afford their rent, as well as to housing companies refraining from building.

Photo: Nicolaus Tideman (center) visiting Linköping in 2015. On the left, the editor of this report, and on the right, Stephen Hinton, ecovillage expert. Photo: Jonas Lagander.

Tideman (among others) also shows that land values constitute a more neutral tax base. As noted, land cannot be moved, produced or hidden, and its supply is not affected by how land is taxed. A tax on land value therefore does not cause people to work less, save less or invest less. In economic terms, this

means that land value taxation gives rise to no deadweight losses. On the contrary, it can reduce losses to the economy by counteracting land speculation and promoting more efficient use of land.[65]

Another American professor of economics who did extensive research on land value tax is the late Mason Gaffney. He argued that what prevents full employment in society is to a large extent overinvestment in long-lived, slow-moving capital, such as land, real estate, infrastructure and speculative assets. These:

- tie up large amounts of capital for long periods
- generate high interest and capital-gains income
- create very few jobs per krona invested

Such capital has a low "valence" with respect to labor, that is, it combines rarely and slowly with labor. Instead of focusing solely on more capital formation, Gaffney proposes that policy should focus on faster capital turnover. When capital is recycled, maintained, repaired and reinvested more often:

- demand for labor increases
- more jobs are created without requiring more land or natural resources
- technological renewal and energy efficiency are made possible

According to Gaffney, this means that full employment can be achieved without inflation, without unsustainable indebtedness and without constant economic growth. This is reminiscent of Richard Werner's argument that banks should lend productively. Gaffney's argument is also in line with the development of a more circular economy that includes, for example, the reuse of building materials. Waste of building materials today accounts for significant climate emissions, which, from this perspective, may thus at least partly be an effect of the distortions caused by our tax system.

Gaffney examined how the state could abolish all distortionary forms of taxation in order to achieve the positive effects he highlights, and argued that it is entirely possible to finance the state in this way. In his view, this requires a tax shift (over time) from today's system primarily to land value tax, but also to other similar taxes on passive, immobile assets and, to some extent, environmental taxes.[66] Such taxes include taxation of the rental value of all forms of natural resources, including mineral deposits and the electromagnetic spectrum (the natural resource used for electronic communication), various forms of statutory monopoly rights such as electricity grid concessions, and emission allowances, among others.

An economic term for the type of base that, according to Gaffney and Tideman, is suitable for taxation is "economic rent": all forms of market assets that provide passive income to their owner, without the owner's own labor and without risks associated with production. A corresponding term for tax bases linked to environmental pollution, such as emission allowances and other environment-related taxes and charges, is "negative externalities." Exploring this subject in depth lies outside the scope of this report, but we are happy to mention it as a tip for anyone who wishes to study it further.

IDÉBUREN OCH GEMENSAM BOSTADSFÖRSÖRJNING

Examples from Pennsylvania

Traditional property tax taxes land value, but also the value of buildings and other improvements on the land. That part of the property tax is thus a clear "artificial levy" that discourages productivity. Historically, this has created dissatisfaction among voters, since people who renovate and thereby raise the value of their own house face higher taxes because of improvements they themselves have created. This produces a clear distortion that discourages construction and renovation. In the US, several cities in the state of Pennsylvania have experimented with a "split-rate property tax," raising the tax on land and lowering the tax on buildings.

The first example is Harrisburg, where, after such a tax shift, the number of vacant buildings fell from over 4,200 in 1982 to under 500 in 2001. Over the same period, the city came back to life, with clearly increased commerce and nightlife, having previously led a more languishing existence before the reform. The number of taxpaying businesses grew from 1,908 to 8,864 over the same period.

In 1994, the mayor, Stephen Reed, wrote the following in a letter to civic activists in the city of Allentown:

> *"I can note that the City of Harrisburg was considered the second most distressed city in the US twelve years ago under the federal distress criteria. Since then, over $1.2 billion in new investment has taken place here, reversing nearly three decades of very serious prior decline. None of this happened by accident, and a wide range of economic development initiatives and policies were created and used. The split-rate property tax has been, and continues to be, one of the most important local reforms that has contributed to this initial economic success."*

In 1996, the city of Allentown introduced a similar split-rate property tax system, with a tax rate on land value five times higher than on buildings. Shortly afterwards, 70% of households received an overall tax reduction. More importantly, in the most disadvantaged neighborhoods (older, pre-World War II housing and factory districts), up to 90% had their property tax rate reduced (because land values are lower in disadvantaged areas/weaker housing markets). Local business taxes were held at 1996 levels by legislation. Construction returned to the city: the number of building permits increased and soon exceeded that of the comparable neighboring city of Bethlehem, which had not introduced any similar tax reform. Market investment returned and several of the city's budgets improved. The tax burden on productive work and enterprise could be reduced. The losers in this reform were absentee owners of unused lots, who faced high tax costs, which they could mitigate by selling or developing their land productively.[67]

Photo: The impact of the split-rate property tax on construction in Pittsburgh. Image: Dan Sullivan, Savingcommunities.org

Pittsburgh, which also taxed land value (1913–2000) and saw good effects not least on new construction during the years the tax was in place, also saw another interesting and valuable effect. This took the form of increased resilience in relation to the 2008–2010 financial crisis, even though the split-rate

property tax had been abolished in 2000. Considerably fewer people had to leave their homes during the financial crisis compared with other comparable cities that had not had land value taxation. This was because property speculation, and therefore indebtedness, had simply not gone as far as in other places. The housing market had thus become healthier and more resilient.[68] [69] Reportedly, house prices in Pittsburgh are now rising roughly as in the rest of the US, where land value is not taxed.

All the cities in Pennsylvania that tested the split-rate property tax also saw reduced urban sprawl, both centrally and in built-up areas.

The Danish Experiment in the 1950s

Our neighbor Denmark has long had a municipal land value tax (*grundskyld*). Different tax rates apply in different municipalities, with the highest level in Copenhagen.[70] But in the mid-20th century a serious attempt was made at a larger land value tax reform. Knud Tholstrup, who was a member of the Danish parliament from 1946 to 1957 for the party Retsforbundet (the Justice Party), a party whose main policy concerns land tax reform, described this attempt in the book "The Third Way".[71]

Tholstrup describes how, following the breakthrough of Retsforbundet's policies, a land value tax (*grundskyld*) was introduced in 1957 on all land in Denmark in order to offset income tax. Land speculation was more or less stopped in the country and land prices stopped rising. Within a short time, inflation fell from 5% to 1% and the interest rate fell from 6.25% to 5%. 100,000 Danes found jobs (the total population was then 5 million) within three years, and unemployment was barely noticeable. By 1960, Denmark's trade balance had gone from a deficit of 11.2 billion (in Danish kroner at the then value of money) to a surplus of 2.8 billion. A reduction of 75%. According to Tholstrup, the economy was very healthy and recovering more and more, but unfortunately the reform that, in his view, lay behind these successes was not fully anchored among the population.[72]

After a massive political campaign, not least by landowners' organizations, Retsforbundet was voted out of the Danish parliament in 1960 and the *grundskyld* was soon abolished. Inflation then rose rapidly, and in 1964 it stood at 8%. Property speculation, once given free rein again, caused land prices in Denmark to take off, rising from a total of 17 billion (in Danish kroner at the then value of money) to 320 billion in 1981.[73]

Another interesting event that Tholstrup describes is that in 1969 Denmark changed its income tax system. It moved from paying tax on the previous year's income to today's system of paying tax on monthly earnings as they are earned. This meant that, during a transition year, the state could not collect more income tax than for 1968. So all earned income above the Danes' 1968 incomes became tax-free in 1969. This led Danes to work harder, make more use of overtime and so on. "Jobs breed jobs," writes Tholstrup, further describing how unemployment was (almost) abolished in principle during that year.[74]

Photo: The effects of the Danish income tax reform of 1969. Image quoted from: Tholstrup 1986

Tholstrup's descriptions of these events in Denmark are in line with what the sources above have suggested: that lower income tax counteracts unemployment and that land value tax, among other

things, counteracts asset inflation in real estate. In his text on the Danish experiment, however, Tholstrup does not mention how the land value tax affected new construction and house prices (beyond the fact that lower inflation of course also affects the housing sector, as it does all other sectors).

Denmark still has *grundskyld* today, but only at the municipal level and with varying tax rates across the country (1.6%–3.4%). The highest rate is in Copenhagen. Thanks to this municipal land value tax, Denmark has, among other things, achieved good densification effects in its built-up areas.[75]

Recently Introduced Land Value Taxation in the Federal State of Baden-Württemberg, Germany

In Germany there are several cities known for having a well-developed building group (*byggemenskap*) sector. Several of these are located in the federal state of Baden-Württemberg in southern Germany, for example Tübingen, Freiburg and Stuttgart, cities to which Föreningen för byggemenskaper (the Swedish Association for Building Groups), among others, has organized study trips. Despite various solutions, such as municipalities buying into building groups to establish social housing arrangements and, for example in Tübingen, special land allocation competitions focused on sustainability in order to create various desired qualities, including social inclusion, house prices in the federal state have soared. Despite many innovative and in many ways successful solutions, it has not been possible to hold back the rise in land prices.

In Germany, many federal states have property taxes in various forms. What stands out is that the federal state of Baden-Württemberg voted in 2020 for a pure land tax reform. As of 2025, 1.3% of land value in the state is taxed annually. It is a low tax, but the argument for the reform is the high level of property speculation that means "ordinary people" cannot afford housing in the cities. The aim is to push house prices down.

Land Value and Financial Crises

Few seem to be aware that economists have in fact predicted several of the financial crises we have experienced in modern times. Professor Fred Foldvary successfully predicted the 2008–2010 financial crisis as early as 1997 in a scientific article. The economist and author Fred Harrison wrote a book in 2005 about the same crisis, titled "Boom Bust: The Depression of 2010", and in fact Harrison also wrote a book in 1983 that predicted the 1992 financial crisis, titled "The Power of the Land". How could these gentlemen foresee something that so many economists agree cannot be foreseen? Their answer is the theory of the land value cycle.[76]

According to Foldvary and Harrison (among others), a land value cycle runs over about 18 years, with rising land values for 14 years, followed by a deep fall in land values at the end, which in all likelihood triggers a financial crisis. This is because the banking sector is so deeply interconnected with the property market through its credit expansion secured on property, as we described earlier. The first 7 years are a recovery from the previous crisis, then come 7 years of rapid land value increases ("good times in the property market"), and then the journey toward a new recession (or, in the worst case, depression) begins. Depending on how the market and, above all, the geopolitical situation develop, the crash occurs somewhere around the 18th year. Sometimes it can come earlier or later, but in modern

times it has been fairly punctual, according to these authors. What can disrupt the cycle are crisis-like disturbances, such as a war or a pandemic.[77] [78]

Photo: The theory of the 18-year land value cycle. Image owner: Progress.org – image quoted from a post on Reddit, written in 2026

This is what the late Foldvary wrote in 1997 in his article "The Business Cycle: A Georgist-Austrian Synthesis":

> *"The 18-year cycle in the US and similar cycles in other countries gives the geo-Austrian cycle theory predictive power: the next major bust, 18 years after the 1990 downturn, will be around 2008, if there is no major interruption such as a global war"*

In 2012, Foldvary stuck his neck out again and wrote this in an article on progress.org:

> *"But the Crash of 2026 will be much worse than that of 2008, because as the US government continues its annual trillion dollar deficits, by 2024, the US debt will have grown so large that US bonds will no longer be considered safe, and in the financial crisis, the US will no longer be able to borrow the funds needed to bail out the financial firms."[79]*

He thus predicted a crash in 2026, which is exactly 18 years after the end of the previous cycle. Harrison has done the same in various forums.[80]

Foldvary and Harrison are clear about what can stop the series of crises and speculative booms in the property market that, in their view, the land value cycle creates: a land value taxation reform that, over the long term, offsets distortionary taxes primarily on work, enterprise and consumption (VAT).

Martin Jacobson of Uppsala University has analyzed the theory on the Substack account "Progress and Poverty" (13 Jan 2026), where he both offers some criticism and supports the theses above. His analysis highlights that:

- The market for land and property plays a central role in economic cycles
- Speculative price increases in land values constitute a recurring risk factor
- There is some support for cyclical patterns, but limited precision in forecasting, in terms of timing
- Current market indicators can be interpreted as consistent with a late cycle phase

Jacobson's conclusion is that precise predictions of an imminent housing crash should be treated with caution on the basis of this theory. At the same time, he argues that there are strong reasons to take into account the structural mechanisms the theory highlights.[81]

Whatever the outcome this time, it would be desirable for Jacobson to be joined by more Swedish researchers who could take on this question. Burst housing bubbles are a recurring, socially harmful phenomenon that clearly works against a sustainable and inclusive housing market and that also creates unemployment, which leaves more people excluded from that market.

For the particularly interested, there are, incidentally, large numbers of videos to be found online in which the theory of the land value cycle is used, among other things, for private speculative purposes in the investment world.

Photo: Image: Tankesmedjan Tiden's proposal for a new land value tax. Image quoted from: https://tankesmedjantiden.se/wp-content/uploads/2020/06/SKATTEN-OCH-KAPITALET_WEB.pdf

Ways Forward for Land Value Taxation in Sweden

In a report from Tankesmedjan Tiden (the Tiden think tank) (2020), a proposal has been put forward to reform the municipal property tax by converting it into a pure land value tax of about 1.5–2% and removing the tax cap. The aim is to tax the value of land separately from buildings, which could reduce speculation and promote efficient land use.[82] This is reminiscent of the examples we have described above. A similar tax rate exists, incidentally, in Finland (1.3–2%, with annual revenue of about €665 million). Under the proposal, the tax would be based on the value of the land and be set by each municipality, giving municipalities the opportunity to adapt the tax rate to local conditions. According to the analysts at Tankesmedjan Tiden, tax revenue from real estate is estimated to increase by almost SEK 8 billion annually, in addition to today's roughly SEK 19 billion, through this proposal.

The report also proposes how the land value tax could avoid the problems that afflicted the former property tax and made it unpopular. Simply by not taxing buildings and other improvements made by the owners themselves, a land value tax should be perceived as gentler. There nevertheless remains, for example, the question of pensioners, or "the poor widow" (a classic argument against property tax), who own expensive properties but have low incomes. In addition, it is always a psychological challenge for people to pay a large lump sum to Skatteverket (the Swedish Tax Agency) each year from their savings when sharp increases in value have occurred that affect the tax amount. The report from Tankesmedjan Tiden proposes the following solutions to this.

1. Deferral of the land value tax for pensioners (and people in a similar financial situation) until the value is realized through a sale.
2. The land value tax is paid monthly instead of annually. It thereby becomes a regular and predictable charge that can easily be paid by Skatteverket sending out an invoice. Somewhat like a monthly ground rent.
3. The land value tax is based on the assessed value from three years earlier. In this way, property owners can prepare well in advance for any tax increases. It is important that Skatteverket clearly communicates information about increased assessed values that will affect the tax amount within three years.[83]

These are well-thought-out proposals to make things easier for property owners. In the same report, however, Tankesmedjan Tiden makes the classic mistake of adding the land value tax to a whole series of other taxes that are "stacked on top of one another." This will probably push land values down, but at the same time counteract the realization of economic development that can come about through a tax shift. A further mitigating step would therefore be to use the land value tax to offset, over the long term, taxes on work, enterprise and consumption. Property owners will then notice that productive economic

activity on their part pays off better over time, which should make it easier for them to accept the land value tax. Read more in Appendix B on the land value tax's impact on taxpayers.

The proposal from Tankesmedjan Tiden does not include the capital gains tax of (somewhat simplified) 22% on the sale of property, nor the state property tax of 1% (on properties that are not housing). These taxes could, however, also be incorporated into a land value tax reform for a tax shift, or simply be used as they are for a tax shift. Taxes on buildings can generally be considered less distortionary than taxes on work, enterprise and consumption.

Our Revision of Tankesmedjan Tiden's Proposal

The aim of this report is to find financing for increased construction in Sweden, with a particular focus on the community-led housing sector, in order to promote permanently affordable housing for people in economically vulnerable situations. Our proposal, taking Tankesmedjan Tiden's proposal for a new land value tax as a starting point but with some revision, is to let municipalities keep tax revenue equivalent to what they already receive from today's municipal property fee, and to let the rest of the increased tax revenue of SEK 8 billion from the land value tax reform go to the state instead.

The new state funds can then be used for various types of support for permanently affordable housing throughout the country, for example through incentive loans and a new and better-adapted investment subsidy. They should further be used to increase Boverket's (the National Board of Housing, Building and Planning's) start-up support for building groups and to supplement this with tailored advisory support. We also believe that part of the revenue should go to developing the existing financing ecosystem for the community-led housing sector, as well as to support for increased and more open municipal detailed planning. These components that we wish to finance are discussed and described in other parts of the report.

We believe this can be done as a "short detour" before a more far-reaching tax shift takes place. The argument for this is that all the activities financed in this way promote rising land values (and thus rising land tax revenue) and can partly be made revolving (for example, through incentive loans being repaid to the state over time). It is then not necessarily on the plot where building takes place that land values rise, but on the land in the community around it.

By way of comparison, the former investment subsidy for new rental housing amounted to a total granted support of about SEK 20.8 billion, distributed between 2017 and 2024. Over a similar period, a land value tax would have generated SEK 56 billion in support, provided that Tankesmedjan Tiden's calculations are correct. Through a revolving state fund for incentive loans for new rental housing, the money could moreover have been reused. Since the amount exceeds the financing needs of the rental housing, the funds also suffice for the other proposals we present. Taken together, this points to a cost-effective solution for the state and society at large. The effects should include:

1. The main forms of support for new construction are based on loans that are to be repaid to the state and thus do not disappear from the treasury; they do, however, contribute to rising land values.

2. The land value tax itself counteracts land hoarding (and thereby complements the existing state property tax in effect), can cool property prices (but not ground rent values), and stimulates economic activity, including both new construction and renovation, which promotes enterprise and increased demand for labor. This is likely to promote rising revenue from other taxes.
3. The forms of support in the proposal that are not loan-based are designed to promote rising land values.
4. Land value tax cannot be avoided through tax planning, and it also captures increases in land value created by public investment, for example in infrastructure and welfare initiatives.
5. By providing dedicated support for advisory services and for strengthening the financing ecosystem for the community-led housing sector that already exists today, the reform can create leverage through increased interest from investors and other forms of capital. More on this later in the report.
6. A faster pace of detailed planning, with more open detailed development plans, will free up land across the country for everyone with an interest in building housing.

Briefly on Non-Profit and Publicly Owned Land for Land Value Capture

> *When it comes to community-led housing, there are local tools that complement land value tax in the form of land communities (markgemenskaper), such as the Community Land Trust. Municipal site leasehold (tomträtt) and municipal ground leases are also important tools. These solutions can be used for strategic land value capture, both for the public sector and for the community-led housing sector. It may be worth examining in an official inquiry whether exempting these solutions from land value tax would be appropriate. In this way, the public sector and the community-led housing sector would be encouraged to expand such solutions, which can instead create local opportunities for, for example, permanently affordable housing. More on this in the next section of the report.*

There is thus reason to believe that a tax reform of this type will generate surpluses in both the short and long term. There are therefore funds left over to use in the way classically recommended for this form of taxation, namely a tax shift. Both municipal and state tax shifts are possible. Once again, the target group for the activities the report seeks to encourage is people in economically vulnerable situations. To reach them best through a tax shift, a higher state basic tax allowance is probably to be recommended as a first measure. This would give more people the ability to afford their rent and save for a home of their own. The basic tax allowance can then be raised gradually, for example up to Sweden's self-sufficiency standard (*självförsörjningsmått*), which at the time of writing is under official inquiry, as the land value tax continues to generate surpluses over time. The more the basic tax allowance is raised, the more the economy should be stimulated and contribute to land value increases as more people enter work (including in the building and housing sector favored by the reform). This is in line with the research presented earlier. Municipalities can complement the state reform by shifting away from municipal income tax. Over time, Sweden should be able to see positive effects from this reform similar to those reported above, for example from the state of Pennsylvania in the US.

The state can also take a further detour before the tax shift by first raising the housing allowance to a more reasonable level. In this context, the allowance could be seen as a kind of "pay rise" for the most vulnerable in society, while it is also reasonable to assume that an expanded supply of affordable housing would be created for this target group through the main parts of the proposal… which can hopefully reduce the need for the housing allowance in society. If the housing allowance were to be restored to the 1998 level for the income and housing cost thresholds, which was considerably more generous than today, the state would need to spend about SEK 15 billion a year on the housing allowance.[84] It is clear, however, that the theories we highlight indicate that it may be more appropriate to take from some other budget item to strengthen the housing allowance, which is why a tax shift is what we would propose as the priority.

Our concrete proposal concerns land value tax revenue of around SEK 8 billion to the state, of which at least 25% and up to 50% is allocated to revolving support funds (more on this in the next section). Over time, this implies an annual cost of up to SEK 4 billion for the other forms of support we describe in the report, with any surpluses available for a tax shift and/or, for example, a strengthened housing allowance. Technically, there is nothing to prevent the state from experimenting with continuing the reform by raising the land value tax rate over time and continuing the tax shift. The more deadweight losses in the market economy decrease as a result, the more surplus the reform should generate for the public sector, as land values rise as a result of economic development. At the same time, the gaps in today's market economy mentioned in earlier sections would probably be addressed, more or less, through increased enterprise, more jobs and increased construction and renovation. The theory on this is fairly clear, and the practical examples we have presented also point in this direction. As we have described, however, it is wise to start on a small scale, for many different reasons. We therefore also propose a small-scale reform.

> ***Land community (markgemenskap):*** *"A land community is an organization that, without a profit motive, acquires and owns land with the aim of utilizing the land's allocation, value, and lease revenue to permanently promote purposes of public benefit." The definition was proposed in the Swedish report "Community Land Trust och andra markgemenskaper" (Lagander & Åhman, 2026), available at www.coompanion.se/byggabo and www.codesign.nu/ideabasedhousing.*

Part Three: Fund Capital and Investment Subsidies for More Non-Speculative, Permanently Affordable Housing

Purpose:

1. Revolving fund capital for incentive loans, up to 20% of the investment cost, for new non-speculative rental housing.
2. Investment subsidies to community-led housing actors and to rental housing projects in rural areas (municipalities with up to 20,000 inhabitants). These can be provided as grants (non-revolving) or in the form of social investments (revolving).

Expenditure: Approximately SEK 4 billion

IDÉBUREN OCH GEMENSAM BOSTADSFÖRSÖRJNING

Written by Jonas Lagander

Local Funds and State Support in Concert

As described above, we propose that part of the land value tax go to national fund capital, which would then distribute money to various local and sectoral funds. A state solution is needed to create equal access to resources across the country, but it can be given leverage by being combined with local and sectoral initiatives – which is also essential for anchoring the financing in local conditions in a sustainable way. Below we take a closer look at what these solutions might look like in order to promote permanently affordable rental housing.

The economists at Arena Idé (a Swedish think tank) proposed, in the above-mentioned report "The Least Bad Tax" (*Den minst dåliga skatten*), using part of the revenue from a land value tax to replenish local funds for housing construction.[85] This ought to work well, since the revenue would then go directly to investments that can lead to more businesses, jobs and homes. Fund solutions of this kind could probably also be partly financed with income from site leaseholds (*tomträtt*) or residential ground leases, so-called land value capture. The municipal property fee (even in its current form) could also be used for this purpose. Since municipal public housing companies are permitted to transfer large parts of their profits to the municipality, such profit transfers could also be a financing route.

Regardless of how they are financed, the local funds could both purchase land and invest in community-led housing development for economically vulnerable groups. They could thus act both as a "land trust" for land value capture in the public interest and as an investment fund for housing.

The advantage of having the state support public and/or non-profit local fund solutions for land value capture in this way, through direct landownership – collecting income via site leaseholds, ground leases and rents – is that such solutions are harder to abolish once they have been established and become self-financing through sustainable business models. This can be done, for example, through landownership organized via a foundation or an AB (svb) whose purpose is to acquire, own and manage land in perpetuity. The project has previously published the report "Community Land Trust och andra markgemenskaper" [Community Land Trusts and Other Land Communities], which describes such solutions.[86]

> ***Letchworth Garden City Community Trust – income from rents and ground leases for targeted community benefit***
>
> *Letchworth Garden City in the United Kingdom, the world's first garden city, has for over 100 years used income from collective landownership to finance local community development, including housing. The town has long worked with forms of affordable housing. As a next step, the launch of the Letchworth Garden City Community Trust is planned for 2027. The new trust will focus on projects that improve residents' quality of life and contribute to the vision of making Letchworth an excellent place to grow up. In keeping with Letchworth's founding model, it will be financed through ground leases and rents.*

> *The trust will invest in culture, the arts, heritage-related initiatives and nature-based activities to strengthen health, well-being and social cohesion. Particular emphasis is placed on tackling poverty and improving the life chances of children and young people. This will be done through local development initiatives, support for civil society, and initiatives that strengthen education, participation and optimism about the future throughout the garden city.[87]*

The disadvantage is that such a strategy needs to start on a small scale and grow over time, and that our current tax system depresses ground lease values, which reduces the potential income. But once it works, it will probably work for a very long time and without distorting market effects. An important model is the original garden city, Letchworth Garden City in the UK, which has operated in this way for over 100 years. Hong Kong, too, where all land is publicly owned, has practiced land value capture for roughly as long as Letchworth and has generally had larger revenues from land leases than from, for example, income tax. Thanks to its land value capture system, Hong Kong has moreover never needed to introduce a value-added tax at all.[88]

By creating such a structure "bottom up," we may be able to achieve sound economic development and various social effects without having to raise the proposed land value tax beyond an initial minimum level. Introducing a land value tax is difficult; abolishing it is easy. Local solutions for land value capture in the public interest are difficult to introduce but also difficult to abolish if they are designed in a protective way, for example by using the foundation form. Public land value capture requires political decisions, whereas non-profit initiatives "only" need social entrepreneurs with competence and drive, along with suitable financing. Once established, local solutions can grow over time and become important instruments for society with long-term sustainability – much as our municipal public housing companies and local savings banks have functioned.

The state support we presented in earlier sections could also be directed toward this type of activity. The local non-profit-distributing funds would be allowed to earn a modest return on the money they receive from the state for lending and investment, and could thereby be established on a long-term sustainable basis. In this way, the reform works broadly to promote land value capture in the public interest at several levels in Sweden.

A Broadened Mandate for Allmänna Arvsfonden

Allmänna Arvsfonden (the Swedish Inheritance Fund) currently has no mandate to promote community-led housing development for its target groups, but it can grant so-called premises support for the conversion, extension or new construction of premises for non-profit and not-for-profit associations, in order to start new activities in a locality. The target group, which must be involved in planning the project, can be children, young people, older people and people with disabilities. The support must be decisive for being able to start and run the new activity or to include the new target group. The Inheritance Fund's mandate could potentially include non-profit building – perhaps above all of premises, as the support is currently designed, but perhaps also community-led housing. As of January 1, 2026, the ceiling on support for older people has been removed, which strengthens the possibilities of applying for support for local projects that promote community among older people.[89]

When an AB (svb) is liquidated, its assets pass to another AB (svb) as specified in the articles of association. If no specific company has been designated, or if that company no longer exists, the money goes to Allmänna Arvsfonden. This legislation should provide a good basis for more developed cooperation between such companies and Allmänna Arvsfonden. An interesting op-ed written by the chair of the Inheritance Fund Delegation in 2025 puts forward ideas on how the Inheritance Fund could develop new areas of use – credit guarantees and even investments through ownership in non-profit enterprises in the welfare sector. Such a development ought also to be able to include community-led housing development for the Inheritance Fund's target groups. In this way, the Inheritance Fund could invest in, or provide interest-free loans to, for example, AB (svb) companies, and if these companies fail, the remaining assets would revert to the Inheritance Fund.

Around SEK 18 billion is currently held in Allmänna Arvsfonden, and only a small part goes to project financing. These funds could be used to co-finance more community-led housing for Allmänna Arvsfonden's target groups, if Allmänna Arvsfonden were given new directives to this effect.[90]

The Idea of a Building Fund for the Community-Led Housing Sector

In the final report of the Bygatan project, run by Föreningen för byggemenskaper (the Swedish Association for Building Groups), it was proposed that a fund be created for top-up loans to community-led housing actors. The aim was to solve the problems these actors often face in financing the early phase, planning and design, when bank loans and the group's own capital are rarely sufficient. During the construction phase, too, there is a great need for complementary, more risk-tolerant financing that can cover the gap that arises when members cannot put in the large contributions that may be required for new construction in places where property values are lower than production costs.

Unlike commercial actors, building groups and other mission-driven initiatives often lack sufficient equity and reference projects to show. Taken together, however, the mission-driven sector has extensive experience, low loan-to-value ratios in existing properties, and significant social value, as well as capital that could have been managed through a mission-driven building fund, according to the Bygatan project.

The advantage of this proposal is that it builds on the mission-driven sector's own collective strength to create positive development. In addition to project costs potentially being lower because community-led housing actors do not add a return requirement, the proposal also counts on the potential to reduce total costs through a degree of self-building.

The proposal involves gathering guarantors from across the entire mission-driven sector for new construction projects. The Bygatan project is thus thinking beyond housing actors alone, to include, for example, cultural centers, community meeting halls, parish halls, sports facilities and so on. On the basis of the collateral that can be mobilized, the fund could then raise capital to be used for mission-driven construction projects, or offer the guarantees directly to the bank so that it can increase its lending.

The idea of a building fund for community-led and collective building has been taken further by Föreningen för byggemenskaper, which has brought together key actors and expertise. Since a fund

requires a great deal of administration and the financial sector is heavily regulated, the association has looked into the possibility of using and developing the existing structures that the mission-driven sector has already built up. Mikrofonden Sverige has been identified as a potential actor for building up and managing a fund for non-profit building, and development work has begun.

Photo: Through a Non-Profit Public Partnership (Idéburet Offentligt Partnerskap) with the municipality, the association Hela Människan in Falun was given the opportunity to create a shelter for people experiencing homelessness. However, the association had difficulty obtaining financing. A guarantee from Mikrofonden provided the association with the additional collateral required for a bank loan through the non-profit Ekobanken Medlemsbank. Pictured is the operations manager, David Johansson. Image: Mikrofonden

Figure: The Bygatan project's vision for a revolving fund solution. The idea is to build up the fund through the mission-driven sector's financial actors, with existing community-led housing actors providing guarantees for new projects. The report argues that the mission-driven sector already has hundreds of completed projects with stable finances, low debt and significant combined property values. These resources are, however, fragmented and cannot currently be used strategically to enable new projects. The fund would untie that knot. Image: Föreningen för byggemenskaper

> ***Mikrofonden – a social finance intermediary that increases access to financing for the mission-driven sector***
>
> *Mikrofonden is an economic association (cooperative) founded in 2010 by actors in the mission-driven sector with the aim of increasing access to financing for the mission-driven sector and the social economy. Mikrofonden is registered with Finansinspektionen (the Swedish Financial Supervisory Authority) and invests in and provides financing through several different financial instruments, such as credit guarantees, subordinated capital contributions and risk-tolerant subordinated loans. Mikrofonden has already enabled complementary financing for building groups and cohousing communities, premises and meeting places such as new and existing village community halls (bygdegårdar), shelters for homeless people, and more. If the fund gains access to more capital – for example from the sector itself, which the state, regions and municipalities could then leverage with additional money that can be targeted to a specific purpose or geographic area – larger investments could become possible and available for community-led and collective building.*

Example from the Netherlands

To learn more about how the public sector can provide support through fund capital, the Netherlands can offer inspiration. There, a functioning ecosystem of financial support for housing cooperatives and building groups has been created, and it is still developing. A driving force in this development is Cooplink, which started as an informal network of housing organizations, including the tenants' union Woonbond, and later became a formal advocacy organization. Cooplink has assembled a knowledge

bank, written reports and carried out advocacy work for, among other things, incentive loans to support housing cooperatives.[91]

In the Netherlands, Amsterdam is particularly interesting because the municipality there combines subordinated loans, site leasehold (*erfpacht*) and an equalization fund for land economics (*Vereveningsfonds*) in a way that, taken together, has produced positive outcomes. The public incentive funds, together with the housing projects' own capital, unlock bank financing, which provides good leverage on taxpayers' money in the form of new cooperative and long-term affordable housing. In some cases, the financing mix is supplemented with impact investments, for example from cooperative banks that have developed such methods.[92]

> ***Impact investments are investments that, in addition to financial return, also generate positive, measurable social and environmental benefits.***
>
> *This type of investment makes it possible to inject capital into sectors that address major societal challenges. In other words, it is not pure philanthropy, but neither is it pure venture capital. It is something in between.*
>
> *Impact investments are characterized by the following features:*

- **Intention:** The investor's intention to generate positive social and environmental benefits with their investment.
- **Expected return:** Impact investments are expected to generate a financial return on invested capital.
- **Measurable benefit:** The most important hallmark of impact investment is the commitment to measure and report the social and environmental benefits generated by the underlying investment. How investors approach measurable benefit depends largely on their own goals and strategies. There is currently no global standard for measuring benefit.

> *Source: www.impactsajten.se*

By offering site leasehold (*erfpacht*), the municipality reduces the costs of community-led housing projects while collecting ground rent for the city's budget over the long term. The building groups receive support from consultants to manage the community-led housing development projects. This financing mix makes it possible to include up to approximately 25% social rents in the projects. Since these are loans, the same sum of public money can be reused again and again for new cooperative housing projects as older projects are paid down. The Dutch government has now decided to introduce a national version of Amsterdam's loan system. The various components are listed below.

Photo: De Warren is a housing cooperative in Amsterdam with affordable rental housing. Image: Jenny Stenberg

Amsterdam's Municipal Loan Program

Amsterdam's municipal loan program is administered by Stichting Stimuleringsfonds Volkshuisvesting Nederlandse gemeenten (SVn), an independent "stimulus fund" for the municipalities' public housing

construction that can in part be compared to Sweden's Kommuninvest (the Swedish municipal funding agency). SVn's overarching purpose is social return, and its mission is to facilitate financing for target groups that may find it harder to obtain loans, such as young people buying their first home, or for purposes that may be harder to finance through the traditional financial market, such as sustainability-oriented property renovation. Through incentive loans for housing cooperatives in Amsterdam, SVn has created an arrangement that facilitates access to other financing and fills the "financing gap" that often arises when banks perceive higher risk and are only prepared to lend at a lower loan-to-value ratio (or not at all).[93]

The incentive loans are a form of subordinated loan with a lower interest rate (approx. 2.6%) than market terms, which improves the projects' internal profitability and reduces the risk for external lenders. The loan program currently amounts to EUR 33.5 million. The loans cover approximately 20% of project costs (14 projects, 670 homes in total). The overall solution can be described in simplified form as follows:

- 20% incentive loans (EUR 50,000 per home, interest rate 2.5–3.0%)
- 10% equity and crowdfunding (interest rate 2.5–3.0%), that is, contributions from the residents and other crowdfunding. The residents' equity amounts on average to only EUR 5,000 per household.
- 60% bank loans (interest rate 4.5–5.0%, 100-year repayment period)
- 10% impact investors (interest rate 2.5%)

The municipal loan is subordinated to the bank's main financing and is designed to provide relief at the outset: among other things, the regulations state that the first period (ten years from completion) is free of amortization and that the loan may have a total term of 15 years.[94] Since the cooperatives lack significant financing of their own, the banks regard the subordinated municipal loan as a complement to equity. The loan is therefore a foundation that makes bank financing possible. The model does, however, require external impact investors to complete the financing. The loan program is also divided into a planning phase and a construction phase: the planning phase can finance plan development costs up to a specified level per home, and the construction phase can top this up to a loan ceiling per home.[95]

Amsterdam's Equalization Fund

The *Vereveningsfonds* functions as an internal equalization mechanism between housing projects with regard to the leasing of municipal land. Positive and negative land development calculations (*grondexploitaties*) are balanced against each other to enable urban development even where profitability is weaker. Quite simply, financially strong projects cover for financially weak ones.

From a Swedish perspective, this is interesting because it shows how a municipality can separate the long-term economics of landownership from individual, short-term project calculations. This creates room for maneuver to prioritize affordable housing development even when the market is unable to deliver it, and to think long term.

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Municipal Site Leasehold (Erfpacht)

The fact that Amsterdam works extensively with *erfpacht* means that developers can handle the cost of land as an ongoing fee rather than as a direct cost at the time of acquisition.

This can lower the threshold for housing cooperatives at the start-up stage and fits well with the municipal loan program, which is designed to provide relief during the first 10 years. At the same time, the municipality is clear that the incentive loan must not be used to buy out the land. In this way, the land is retained as a long-term economic and political tool for the city that can be used for land value capture.[96]

Erfpacht is not entirely comparable to the Swedish site leasehold (*tomträtt*) model. The Dutch model is more flexible with regard to contract terms and is used on an ongoing basis as a housing policy instrument, not least in Amsterdam, where *erfpacht* is the norm for land allocation. Contract periods are long, and the system enables long-term control over speculation through conditions in the contract. A Swedish site leasehold contract, by contrast, can be sold to the highest bidder, and the system offers a subsidy mainly to the first holder, the one who is to build. The next holder of the site leasehold contract has to pay the market price for it.[97]

The *erfpacht* ground rent is usually set at 2.4% of the land value. However, the municipal land value is lower than the market value, and so, therefore, is the ground rent. This is because Amsterdam uses social criteria in its land allocation, but also because rent increases for the homes are contractually limited to the consumer price index. Future cash flows are therefore lower, and as a result future income is lower for the housing cooperatives. So the land value for housing cooperatives that have drawn on this support is lower than for ordinary rental housing on the open market, since rents may only be raised in line with inflation and the housing cooperatives may never sell the homes. The municipality's requirements for providing incentive loans and *erfpacht*, however, make it possible for the housing cooperatives' homes to remain permanently affordable compared with homes in the surrounding housing market.

Photo: View from De Warren in Amsterdam. Image: Jenny Stenberg

Cooperative Bank Loans and Start-Up Grants

In addition to the municipality's tools, there is also a role for cooperatively owned banks. Rabobank, for example, offers the "Rabo Ontwikkelbijdrage," a grant aimed at initiatives that want to establish a *wooncoöperatie* (CCO), a housing cooperative. This start-up grant of up to EUR 25,000 is financed from the bank's profits. The support is for start-up costs (with clear ceilings and criteria), and a main requirement is that the building project becomes a Rabobank customer for its construction loan and permanent loan when it is time for construction and long-term management.[98] So this is not necessarily philanthropy, but part of the bank's business model for securing customers.

A Revolving State Fund

Perhaps the most strategic element of the Dutch development is that the state is now building toward a national, revolving fund to support *wooncoöperaties* (housing cooperatives) throughout the country. The government's information site states that there will be a one-time state contribution and that the fund is to be revolving, that is, repayments can be reused to support more initiatives over time.[99] This is of course more cost-effective for the public sector than grants. The aim is to make housing cooperatives more standardized and financeable over time. The fund is intended to strengthen cooperation with municipalities, giving local authorities the opportunity to play a more active role in supporting cooperative forms of housing and in implementing them in local housing policy and planning. The initial capitalization currently looks set to be EUR 60 million, with the aim of leveraging it and matching it with around EUR 300 million in private bank lending to the projects.[100] These are fairly low levels and should be seen as a starting point, since the funds are hardly sufficient to cover the national need.

What Needs to Be Done to Establish Fund Solutions in Sweden?

A number of possible routes for funds for community-led and collective building have been presented in this section. The approximately SEK 8 billion in state support for affordable housing development that we proposed in the previous section must, after all, be distributed through some kind of mechanism. The parts of the pot intended as revolving loans are suitable for distribution through local and sectoral funds. For the majority of the funds, which are directed at a broader range of housing actors, there are already a number of state actors to consider as fund managers, for example Boverket (the National Board of Housing, Building and Planning) or SBAB (the state-owned mortgage bank). Kommuninvest could be a possible actor for funds directed at municipal public housing's development of permanently affordable housing and, for example, cohousing communities. One could also envisage a solution similar to one that has been tested, in which Norrlandsfonden, as a foundation, received a share of state funds earmarked for housing construction in Norrland (northern Sweden). In a similar way, a smaller share could be directed to, and managed in, a non-profit solution with specific expertise in and focus on the community-led housing sector. One possible candidate for this, with broad support within the sector, is Mikrofonden Sverige, which already has a suitable policy orientation and experience of supporting non-profit and social building.

Beyond this, we consider the Dutch system to be very interesting; it has shown that incentive loans of 20% of the total borrowing requirement go a long way toward unlocking both bank financing and impact investors. It is a model worth testing in Sweden too – particularly if it can be complemented by an active land policy on the part of the municipalities, as well as by the community-led housing sector in the form of, for example, land communities (*markgemenskaper*). The combination of funds and *erfpacht* appears to be a clear success factor.

We also believe that a new investment subsidy targeted at community-led housing actors needs to be established. The subsidy is needed to enable the construction of common spaces, construction on leased land, the purchase of land for land communities, rural development and so on. The new subsidy should therefore be directed exclusively at non-profit-distributing economic associations, cooperative

rental associations (KHR), AB (svb) companies and foundations. Municipal public rental housing in rural municipalities with fewer than 20,000 inhabitants should also be included. The subsidy should be carefully investigated in order to avoid the problems the previous subsidy had, for example that rent increases could not be implemented to meet the housing provider's rising costs.

The investment subsidy, too, could be designed as revolving, in the form of long-term state impact investments channeled through financial actors such as those mentioned above, if the state wants to keep a really tight grip on its money. Investment subsidies for housing construction do, however, stimulate higher land values locally. This means that an investment subsidy designed as a grant will in all likelihood still recirculate to the state over time in the form of land value tax – at least in the case of successful initiatives that enhance the vitality and attractiveness of the local community.

A fine complement to the above would be to give Allmänna Arvsfonden a mandate to use part of its currently idle funds for support and investment in community-led housing for its target groups.

Part Four: Developing the Community-Led Housing Sector's Ecosystem for Financing and Advisory Services

Purpose: To leverage the state's funds by strengthening advisory services and start-up support for the community-led housing sector, and by developing its existing support ecosystem.

Expenditure: Up to SEK 1 billion

Traditional financing routes, such as construction loans from commercial banks, almost never work as the sole option for community-led building actors. The reason is that there are a range of obstacles. Research shows that social economy actors tend to be excluded from the financial market, and several reports point to a financial market gap in Sweden. This makes things more difficult for community entrepreneurship, social enterprise and social innovation, especially association-run initiatives (Brännvall (2023), Nachemson-Ekwall (2021), NOD (2023), MSI (2022), European Commission, 2020). Difficulties in obtaining loans and financing prevent social innovations and solutions to societal challenges from being developed, scaled up or replicated to the extent desired.

As with other start-ups and innovative ventures, it is particularly difficult for user-driven community-led housing actors to obtain financing in the early stages, since they rarely have any bankable collateral. However, it is often difficult to put the financing together during the construction phase as well. For this type of community-led housing initiative to gain access to financing, support is often needed from actors within the community-led housing sector who have extensive knowledge of the motivations, legal forms and conditions on which user-driven community-led housing development is based. The community-led housing projects that have been realized have taken different, often convoluted, paths, but what they have in common is that they have often been realized through blended financing solutions, broad cooperation between civil society, public actors and specialized mission-driven financial actors, as well as a large share of their own funds and social investors. For community-led housing to become possible on a larger scale, further development is needed of new hybrid financing models, in which state initiatives could help bring the cost of capital down to a more reasonable level. To speed up the

processes and increase the community-led housing sector's contribution to housing provision, further development of organizational and regulatory structures is needed.

The government inquiry Lower the Threshold to a Good Home (*Sänk tröskeln till en god bostad*, SOU 2022:14) presented proposals for state support to organizations that promote user-driven non-profit housing construction. The inquiry argued that the non-profit housing sector needs to be strengthened through long-term support for the organizations that help people organize around joint housing projects. To strengthen the sector, a new operating grant was proposed. The inquiry indicated that the support could be used for:

- free advice and guidance on, for example, legal matters, financing and municipal processes,
- knowledge dissemination,
- development of platforms and networks,
- research and innovation collaborations,
- international exchanges of experience.

The inquiry points out that many private individuals and local groups lack experience of running housing projects and therefore need support structures. Organizations that act as project guides and knowledge carriers are judged to be crucial if more non-profit housing initiatives are to be carried out. Examples mentioned include collaborations within the Divercity project and the conference Idéburet och socialt byggande (Community-Led and Social Building). To avoid competition problems, clear restrictions are proposed on support to organizations that can provide this kind of assistance:

- the support may only go to non-profit associations and economic associations,
- the recipients may not themselves be developers,
- the support may not be used to build housing or provide loans,
- the advice must be free of charge.[101]

However, the proposals presented in the inquiry in 2022 have not been implemented, and actors within the support structure have had to find other means and routes to begin building up the supporting functions and solutions needed to overcome the obstacles the sector faces. "Non-profit building" and "non-profit housing actor" are, however, now used as umbrella terms. This project has chosen to use "community-led housing" (*idéburen gemensam bostadsförsörjning*) instead of "user-driven non-profit housing construction." In addition to the inquiry's proposed restrictions, it can be added that AB (svb) companies and foundations should be eligible for this support, since these organizational forms are useful and part of the community-led housing sector, and fall within the EU's definition of the social economy and the breadth of social enterprises.

Photo: Project meeting at Mikrofonden Sverige. Image: Mikrofonden Sverige

Actors in Today's Fragmented Ecosystem for Non-Profit Housing Construction

The Swedish ecosystem for the community-led housing sector consists of interest organizations, financial actors focused on "social finance," and publicly funded enablers, both non-profit and public. There is a great need for support if non-profit housing initiatives are to navigate the complex processes

surrounding legal matters and financing. Some key actors are interest associations that bring together interested parties, carry out development work, develop and disseminate knowledge, engage in advocacy, and connect interest groups and local initiatives with municipalities, the construction industry and so on. See, for example:

- Konferensen för Idéburet och socialt byggande (the Conference for Community-Led and Social Building)
- Föreningen för byggemenskaper (the Swedish Association for Building Groups)
- Kollektivhus Nu (the Swedish cohousing association)
- Egnahemsfabriken (a non-profit self-build housing initiative)
- Hyresgästföreningen (the Swedish Union of Tenants)
- Hela Sverige ska leva (All of Sweden Shall Live, a rural development movement)
- jagvillhabostad.nu (a youth housing advocacy organization)

Photo: The Idéburet och socialt byggande conference is the meeting place for inclusive forms of building and housing. The picture is from the 2025 conference in Borås. Image: Idéburet och socialt byggande konferensen

As part of the publicly funded support structure, Coompanion has been able to help develop the ecosystem for non-profit and social building. Coompanion is the leading advisor on cooperative enterprise and helps groups, mainly during the idea phase, to set up suitable organizational solutions – usually economic associations and AB (svb) companies – and to draw up statutes and business plans. Public support for advisory services has proven important, both in Sweden and in other European countries, for promoting non-profit housing initiatives. Read more about Coompanion.

The publicly funded support structure for financing is seldom accessible to social economy enterprises and associations. To help overcome obstacles and increase access to financing, Mikrofonden was founded by, among others, Coompanion, Ekobanken and Hela Sverige ska leva. Mikrofonden is a national, cooperatively owned fund and social financial institution for non-profit actors. The fund offers guarantees, cooperative risk capital and risk-tolerant loans. Read more about Mikrofonden.

Public Authorities and the Role of the Public Sector

Boverket (the National Board of Housing, Building and Planning): Administers and decides on the state start-up grant for building groups (*byggemenskaper*). For 2026 there is an appropriation of SEK 4 million, from which projects can apply for up to SEK 400,000 for project design and planning. The requirements include that the group consists of at least six people who have each invested at least SEK 10,000, and that land has been allocated or dedicated for the project. The start-up grant can go to economic associations (cooperatives) and to local development companies organized as AB (svb).

Credit guarantees are a form of support that Boverket provides to anyone who wants to build rental housing. Virtually all community-led housing projects have depended on this support.

Municipal housing companies (*allmännyttan*): Projects run by municipal housing companies are not per se community-led housing actors, but in several cases they have shown that they can be enablers for the

construction and long-term management of rental housing where the initiators or the target group are, for example, people with lower incomes, such as older women with small pensions. Municipal housing companies can play a decisive role here by lowering the requirements for capital contributions and reducing the residents' financial risk. Through collaboration during planning, future residents can take part in the design. Cohousing communities can organize themselves as a non-profit association with individual tenancy agreements, or as a cooperative rental association (KHR) with a block lease, in which the municipal housing company builds and owns the building while an association rents all or part of the property. Examples of this can be found at companies such as Familjebostäder in Gothenburg and MKB in Malmö. Collaboration between municipal housing companies and community-led housing actors could be developed much further than is the case today, not least in rural areas.

Kommuninvest: Offers "Loans for Social Sustainability" to municipalities and their housing companies. This enables cheaper financing for projects with clear social objectives, such as sheltered housing for older people or integration projects, and could be an opportunity for collaboration between municipal public housing, municipalities and resident groups that want to create cohousing communities.

The Role of the Banks and the Need for Niche Financial Actors

Financing is often the biggest threshold for non-profit projects to be realized. Commercial banks often lack incentives to lend to small-scale or cooperative projects, since these are often time-consuming and complex, require knowledge of a wider range of legal forms, and require an understanding that reasonable profitability can be achieved in forms other than the traditional ones. Commercial banks often have streamlined processes that cannot accommodate projects and financing arrangements that fall slightly outside the strict frameworks. Since community-led housing projects are user-driven and rarely fit into standardized models, they may then be perceived as entailing "higher risk" and extra work for the bank. The gap is instead filled by non-profit niche banks. The cooperative member banks Ekobanken and JAK Medlemsbank are often absolutely decisive in getting construction started, since they are themselves non-profit actors and understand the cooperative form. Local savings banks have also, in some cases, played an important role in providing access to construction loans and long-term financing.

Examples of Financing for Building Groups in Different Phases – Challenges, Needs and Opportunities

Figure: The financing journey of a community-led housing actor, from idea to management of the completed residential building. Image: Coompanion (based on an original by Föreningen för byggemenskaper [the Association for Building Groups], Divercity project)

To give a picture of the financing challenges and needs that may arise, what follows is a description of the various steps and phases of a user-driven non-profit building process, for example a group of people who want to meet a housing need together and form a building group.

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1. The Idea Phase: Concretizing the Vision, Building Knowledge, Preparing Background Material and a Program

At this early stage the group focuses on concretizing its vision. Important steps include building knowledge, perhaps through a study circle; making study visits; drawing up a first program for the housing; and establishing early contact with the municipality – a predetermined site is often decisive for creating focus and shortening the time from idea to implementation. Already in the idea phase, it is good if the group discusses what financial circumstances its members have, what possibilities exist for making their own capital contributions, and what rent levels they can manage. This is a good point at which to draw up the first calculations covering land prices, rough construction costs, capital contributions and rents. The group puts in volunteer time but often lacks funds, and needs support from actors such as Coompanion to sketch out the tenure form, bylaws and financial plans. One advantage of this phase is that it does not involve very high costs, but at the same time experience shows that groups that linger too long in this phase rarely reach their goal.

Support, Advice and Knowledge-Building in the Early Phases Increase the Chances of Obtaining Financing in Later Phases

In the early phase, financiers often consider the risks to be at their highest. Groups of citizens who start an initiative to meet housing needs are often not used to carrying out building projects, which can lead financiers to assess the risk as even higher. Even though there may be a great deal of competence within the group, it lacks experience as a developer, and the resident group often carries out only a single project, not several projects that are then to be sold. Access to advice and support in the early phases for groups that want to meet housing needs – and the ability to bring in further professional support later from a project navigator (*projektlots*), an architect and so on – is often decisive for projects to be completed. The possibility of receiving free advice from Coompanion, as part of the state-funded support structure, means that access to capital need not become a limiting factor in whether the initiative can move beyond the idea phase.

Collaboration between interest organizations such as Föreningen för byggemenskaper (the Association for Building Groups), Coompanion, cooperative financial actors, researchers and municipalities has made it possible to develop knowledge and produce guides and materials that have made things easier for resident groups and various forms of non-profit building actors, as well as for municipalities and other actors. These efforts professionalize grassroots initiatives and help produce documentation and package non-profit building projects in the professional, financial and legal form that may be required in dealings with municipalities, public authorities and financiers.[102]

Project Funding Is Well Suited to Innovative Non-Profit Housing Projects

Project funds targeted at, for example, rural development and local development can provide very good support for exploring needs and solutions during the idea and design phases. The EU's LEADER program has been used and can provide good support for feasibility studies, organizing, and planning of construction and financing arrangements for implementation.

2. The Design Phase: Design and Risk Management

As the project takes shape, costs increase for consultants, studies and building permit processes. During this phase, detailed calculations must also be drawn up, procurements carried out, and financial plans for tenant-owned housing associations and cooperative rental associations prepared and certified by approved certifiers. The biggest challenge is that it is difficult to obtain external financing in this phase. The kind of collateral acceptable to banks, which could make loan financing possible, is lacking. Private risk-tolerant funds from the members of the building group, combined with grants and project funds, are often decisive. Apart from the possibility of risk-tolerant loans and guarantees from Mikrofonden, Sweden today lacks the larger pool of risk-tolerant capital for the community-led housing sector that would be needed so that it is not only groups with greater financial means that are able to take part.

Start-Up Grants and Risk-Tolerant Financing

Boverket's start-up grant for building groups[103] is an important form of support enabling the group, during the design phase, to bring in the necessary expertise and pay for architects, a project navigator or a design manager, who are central actors in navigating the process. The start-up grant, which currently has a ceiling of SEK 400,000, is today the only state support targeted at non-profit housing construction and is an important piece of the puzzle that makes it possible for more people to carry out non-profit housing projects. The start-up grant is not currently sufficient to run a developer-led detailed development plan process, which has proved necessary for some non-profit initiatives in cases where municipalities have not provided one, or have considerably delayed and obstructed the possibility of carrying out housing projects owing to the lack of a completed detailed development plan.

The start-up grant currently requires the group to form an economic association or a local development company in the form of an AB (svb) – a limited company with restricted profit distribution – and to contribute member capital or share capital, respectively, of at least SEK 10,000 per member. In an economic association, members generally have one vote per member, which provides a democratic basis for running cooperative enterprises and activities with scope for a high degree of participation. The form makes it possible to build up cooperative capital through members' basic contributions, any additional contributions above the basic contribution, as well as subordinated contributions (*förlagsinsatser*) and investing members. The latter two make it possible to bring in risk-tolerant capital from those who want to invest capital without being ordinary members and living there.

Through an amendment of its bylaws, an economic association can be converted into a cooperative rental association, which can be a suitable form during the occupancy and management phase. One difficulty in the regulatory framework that building groups have encountered is that the different forms of economic association allow different ways of raising cooperative capital. On conversion to cooperative rental housing, which mainly allows member contributions and occupancy contributions (*upplåtelseinsatser*), uncertainty has arisen about how to handle previously issued subordinated contributions, and cooperative rental associations have found it difficult to bring in supplementary cooperative risk capital such as subordinated contributions and investing members in cases where occupancy contributions are not sufficient or where people other than members want to contribute to the financing. The possibility of converting an economic association also includes conversion into a

tenant-owned housing association, which is likewise a special type of economic association; it is a common form and can be advantageous if it is members with greater financial means who primarily want to influence the design of their individual homes.

An AB (svb) can have the advantage that the limited company (AB) is a better-known legal form and makes it possible to use the AB form's instruments for raising capital. The form can be used to bring in share capital in the form of local capital, for example from private individuals and local businesses that see a need for housing in the locality, or larger investments from impact investors who, in addition to a return, want to contribute to social benefit. One drawback of the AB form can be that the size of the capital contribution, in the form of the number of shares, determines the number of votes. There are, however, several good examples of development companies and rural community companies organized as AB (svb). There are also good examples of how a traditional AB is started by a locally rooted non-profit association that is either the sole principal owner or holds a majority of the ownership. Because residents and business owners in the area can invest capital in the association's AB, they can invest jointly and meet local needs, such as renovating, or building and managing, affordable rental housing in the locality. Read more about legal forms and tenure forms in the report *Local Innovation Systems for Permanently Affordable Housing in Europe and Sweden* (*Lokala innovationssystem för varaktigt prisöverkomliga bostäder i Europa och Sverige*), produced within the project.[104]

Members' Volunteer Contributions and Capital Are Often Decisive for Access to Other Financing

The additional contributions that members of building groups and start-up groups can make in the form of volunteer work – from the idea phase through planning, but also during the design and construction phases – reduce the need for capital and show financiers that there is strong interest in realizing, and living in, the homes being built. There are also examples of how members' volunteer work has helped increase the value of an existing property during its conversion to such an extent that it became possible to obtain the loan required to build additional housing (see, for example, the experiences of Kiladalen Utveckling AB (svb) collected in the book *Bygg smart på landsbygden* [Build Smart in the Countryside] by G. Casserstedt and L. Johansson (2021)).

Members' capital contributions and their ability to mobilize local or other risk-tolerant capital are often decisive for gaining access to other financing. Members also contribute local roots, dialogue and cooperation with the local community and the municipality, which can bring support, legitimacy and sometimes additional local capital or a municipal guarantee needed to carry out the project. The local roots and trust that members can build up can also be important for gaining the support of actors and consultants who are able to defer payment until the remaining financing has been secured, for example when the bank can come in during the construction phase. In several completed projects it has also been decisive that it was possible to take conditional loans from members with greater financial means or from people who want to contribute to the project.

> ***Municipal guarantees can enable community-led housing projects in …***
>
> *According to an earlier study in this project, a municipality can issue a guarantee to non-profit, non-profit-distributing housing projects if the project falls within the*

> *municipality's competence and is judged to be of public interest. Several municipalities have interpreted the Local Government Act in this way and have accordingly entered into such guarantee commitments. In all the examples, the context has been rural or close to rural areas. The public interest may, for example, consist of counteracting out-migration, strengthening local services, providing housing for older and young people, or contributing to rural development. To avoid unlawful aid under the EU's state aid rules, the guarantee commitment normally needs to be designed as a market-based financial service with fees, risk assessment and clear terms.[105]*

Photo: Image quoted from https://coompanion.se/wp-content/uploads/2024/08/Hastens-KHR-artikel-20240913.pdf

To include lower-income groups in community-led housing projects, other forms of risk-tolerant and supplementary financing may be needed during planning and design. Here the mission-driven sector's own fund, Mikrofonden, can be an important tool. Mikrofonden can issue guarantees to project financiers or to the bank. Mikrofonden can also issue risk-tolerant subordinated loans in cases where the bank considers it too early to come in with bank financing. But the fund needs to be scaled up in order to be able to help larger projects.

The design phase is usually the most difficult to get through, since it is relatively extensive and may end with nothing coming of it, with costs having been incurred in vain and individuals losing money. Access to support and advice in this phase is often decisive for initiatives to reach the start of construction. To get through the first phases, before construction itself can begin, it is therefore important that there is a support structure and various forms of support, project funding, guarantees and risk-tolerant capital.

3. The Production Phase: Construction Financing and Collateral

The construction or production phase is the most capital-intensive phase. To manage uncertainty in contracts and the risk that the production cost exceeds the market valuation (especially in rural areas and smaller markets), a fixed-price design-and-build contract (*totalentreprenad*) is advantageous. It is important that the functional requirements in the tender documents for the design-and-build contract are well written and unambiguous, so that the resident group gets the housing qualities it envisages and is not disappointed. This creates a need to engage professional help in writing the tender documents. So-called trust-based contracting, also known as "partnering," can help keep costs down. This phase presupposes that a building permit and a start notice have been granted. To put together the financing during the production phase, it is often necessary that the group has managed to raise basic capital and that the bank has knowledge of financing solutions and the following tools:

- Construction loan: The bank grants a construction loan with successive drawdowns according to a drawdown schedule, under which payment is made as construction progresses and the contractors are due to be paid.
- Collateral: Boverket's credit guarantees are often necessary and decisive before the bank can take a larger pledge in the property. Supplementary collateral may be needed in the form of a municipal guarantee or from non-profit financial actors such as Mikrofonden.

- Financial tools: A site leasehold (*tomträtt*) during the construction period reduces the initial capital requirement. This means that during construction the project pays a site leasehold fee. When construction is completed and equity comes in, in the form of contributions from members or investors, one can choose to buy out the land instead of continuing to pay fees for it. Sustainability discounts on loans for environmentally certified buildings can reduce interest costs.

Photo: Image from the building group and cohousing community Lagnö Bo in Trosa Municipality. Hela Sverige ska leva supported the project all the way. Photo: Rocco Gustafsson, Hela Sverige ska leva.

> *The organization Hela Sverige ska leva (All of Sweden Shall Live), as mentioned earlier, has pointed to a need for around 50,000 homes in rural areas and smaller towns around Sweden, and to this end has proposed specific rural loans to bridge the financing gap outside the big cities. Corresponding solutions have been included in this report's reform proposals. Even if the housing project is financially viable, with full occupancy and a waiting list showing that it will work over time, it does not work vis-à-vis the bank, because the market value of the property is often lower than the production cost. An attractive location, for example by a lake, can be one way of obtaining a higher valuation that enables the necessary financing and maintains the market value of the property over time for the owner. But such a location may not be possible at all, or may not match the housing needs – for example, proximity to public transport and services – that future residents are asking for.*
>
> *A gap often arises between the valuation of a project and the share that bank loans can cover, relative to the contributions that the start-up group or the non-profit building actor can make itself; this becomes especially clear in rural areas with lower property values (sparsely populated areas). When such gaps arise, supplementary financing methods are needed, such as guarantees, a municipal guarantee, or increased equity through external financiers. External financiers can be social investors (impact investors), and the general public can also invest via subordinated contributions in an economic association or buy shares in an AB (svb) via crowdfunding. In the village of Jämjö in Karlskrona Municipality, it has been shown that collaboration with municipal public housing can also be a way forward to secure financing. More examples can be found on Hela Sverige ska leva's website.[106]*

Construction Loans and Collateral to Enable Financing During the Construction and Management Phases

Construction loans and collateral to enable financing during the construction phase often require financial actors that have knowledge of, and are themselves part of, the social economy – in English, so-called "social finance intermediaries," or locally engaged financiers in Swedish terms. Bank loans are not risk capital and normally require some form of collateral. For the bank to be able to grant a construction loan, collateral is required before the property can serve as security for long-term borrowing. The bank can then apply for a credit guarantee from Boverket, which is often decisive for a newly established non-

profit building actor to obtain a loan. How large a share of the borrowing requirement Boverket's credit guarantee can cover depends on Boverket's valuation of the completed building. Valuations of properties in weaker markets, for example in rural areas, may be lower than the construction cost, which forces the resident group to make even higher contributions of its own or to find supplementary collateral and capital to cover the difference between production cost and market value. Here the need for risk-tolerant capital becomes clear; member contributions and risk-tolerant capital from members can be leveraged through local capital or other risk-tolerant capital, which in turn can open the door to other financing.

Supplementary collateral, such as larger state credit guarantees from Boverket or supplementary credit guarantees from Mikrofonden, can be absolutely decisive for non-profit building actors that lack collateral of their own and whose target group lacks access to sufficient equity. Credit guarantees, which are not subsidized today, nevertheless also entail a cost and thereby increase the projects' cost of capital. The former state investment subsidy for rental housing was a decisive tool for several of the non-profit housing projects that have been realized. New targeted public support, increased access to capital for the actors that finance non-profit housing construction, adapted financing solutions, and conditions that can lower financiers' interest-rate and return requirements are necessary if community-led housing construction is to increase and meet the need for housing for lower-income households.

For community-led building actors to gain access to bank loans during the construction phase, as well as long-term financing, niche banks such as Ekobanken Medlemsbank and locally rooted savings banks often play a key role through their understanding of local housing needs and of the social economy's public-benefit purpose and business models.

4. The Management Phase: Long-Term Sustainability

Whereas the construction phase is about putting the financing together and keeping to the construction budget, at move-in and in the management phase the focus shifts to long-term financing and securing affordable housing over time. As the previously mentioned Viskafors model showed, higher quality in materials and construction can pay for itself through lower costs during the management stage. Low building quality, by contrast, can create expensive management costs and early renovation needs. As Centrum för boendets arkitektur (the Center for Housing Architecture) and Boinstitutet showed in the report *Lönsamhetskalkyl för hållbart bostadsbyggande* [Profitability Calculation for Sustainable Housing Construction] (2020), greater sustainability and quality in housing construction can entail a higher initial cost but enable lower operating costs and longer depreciation periods. The report showed that this can help reduce the cost of a three-room apartment by SEK 2,000–3,000 per month.[107] When future residents take part in planning, sustainable materials and energy solutions are often prioritized, which, together with the residents' own work, can result in low management costs. The housing project moves into a management phase of up to 100 years, which requires the group to develop, or bring in, competencies other than those required during construction. The financing is converted into long-term loans, but supplementary financing may still be needed. This applies especially if the project has become more expensive than estimated and/or when building in rural areas, where the production cost often exceeds the market value. As an example, Ekobanken, which has financed most of the recently

completed building groups, generally lends up to a maximum of 75% of the market value, but often less, so as not to burden the projects with excessive interest-rate risk. To reach a higher loan-to-value ratio (up to 90%), Boverket's credit guarantee after completion is often required. To manage vacancy risks and ensure affordable rents, it is essential to have a queue of prospective tenants in rental housing projects and a financial plan that can withstand future cost increases. For cooperative rental housing, a queue of interested parties who want to take over shares if someone were to drop out toward the end is required.

In the example of the building group, and later senior housing, Hästen KHR in Ockelbo, the municipality provided both a loss guarantee and a vacancy guarantee as well as a municipal guarantee. The municipality also started a property company together with the building group, in which the municipality owns 40% of the shares and Hästen KHR 40%. The cooperative rental association leases the entire property from the property company under a block lease. Among other things, this arrangement was required to satisfy the bank, which in this case was a traditional commercial bank.[108]

The purpose of these kinds of precautionary measures is to protect the people who take part in the projects and risk time and money. When private money of one's own constitutes the risk capital, it is important to keep the risks down. A municipal vacancy guarantee can be of great help in reducing the risk for the bank and the resident group. For rental housing under one's own management, substantial equity or external owners who share the non-profit vision are required. For tenant-owned housing, everything must be sold before construction begins.

A suitable legal form for many resident-driven initiatives is the economic association, particularly where residents want continued high participation in and influence over their housing, since an economic association can be converted into a cooperative rental association through an amendment of its bylaws. One difficulty in the regulatory framework that groups have encountered is that the different forms of economic association allow different ways of raising cooperative capital. An economic association makes it possible to mobilize cooperative capital through member contributions, subordinated contributions and investing members. On conversion to cooperative rental housing, which is designed for members to make a member contribution and an occupancy contribution, uncertainty has arisen about how to handle, for example, previously issued subordinated contributions. The possibility of converting an economic association also includes conversion into a tenant-owned housing association, which is likewise a special type of economic association. It is a better-known form and can be advantageous if it is members with greater financial means who primarily want to influence the design of their individual homes. This form is, however, less suitable if the aim is to create permanently affordable housing for people who cannot make a large capital contribution. Tenant-owned (BRF) apartments are sold at market prices and can therefore be the object of speculation, unlike KHR apartments or apartments owned by an AB (svb).

In the management phase, continued commitment is required from banks that look beyond short-term profit and value social sustainability. The former state investment subsidy was decisive in this phase too for many of the non-profit housing projects carried out since 2015, and the need for new targeted public support is great today.

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International Examples, European Initiatives and Impact Capital

The EU's Affordable Housing Plan (2025) represents a paradigm shift in which the EU, for the first time, takes a comprehensive approach to housing provision and presents a European strategy for increasing housing construction.[109] For community-led housing in Sweden, this opens doors to both capital and legitimacy. The EU plan directly addresses the financing gap that small actors often face. Among other things, the plan includes a revision of the state aid rules. Changes to the rules on state aid for housing may give Swedish municipalities and the state greater scope to provide targeted support or low-cost land specifically to non-profit actors without breaching competition rules. The EU plan focuses on innovation and highlights *community-led housing* as a solution to high housing prices and speculation, which can give legitimacy to groups that want to carry out non-profit housing projects in Sweden when they approach financiers.

The EU plan also includes the Pan-European Housing Investment Platform, which is intended to promote access to capital and blended finance by bringing together financial actors such as the EIB (European Investment Bank), national banks and private investors. Through social finance intermediaries, Swedish projects could also gain increased access to the EU's blended-finance initiatives and to EU guarantees that lower the risk for banks and other actors. Mikrofonden Sverige is the only Swedish actor within the mission-driven sector to have been granted a counter-guarantee from the European Investment Fund (EIF), meaning that the EIF guarantees repayment of the majority of any defaults. This can strengthen its role as a catalyst for access to other types of capital.

To gain a share of the billions the EU is investing, professional intermediaries and supporting actors are needed that can make support accessible to community-led housing initiatives in Sweden. The EU urges member states to set up national and regional financing hubs. In Sweden, this could build on the actors that have already built up expertise and begun to develop a support structure – such as Coompanion, Mikrofonden and committed interest organizations. They can take an active role in bringing together public and private actors to adapt the European tools to the specific needs of the Swedish market and to make resources accessible, for example by packaging several smaller housing projects into a volume that is attractive to European funds. The EU has considered Sweden underdeveloped with regard to financial intermediaries for the social economy. During the period 2023–2026, the European Commission granted so-called "Transaction Cost Support" to, among others, Mikrofonden, aimed at covering part of the costs of development, competence and administration of Mikrofonden's social investments. This support made a big difference and ought to have been replaced by state support, similar to the state support for Almi (the state-owned business development company) and the business-promotion support structure. Similarly, the state appropriation directive (*regleringsbrev*) for Coompanion needs to be restored and the organization's role as adviser to the cooperative and mission-driven sector strengthened, including support for the community-led housing sector. Coompanion and Mikrofonden work closely together, with Mikrofonden responsible for financing and Coompanion for advice.

To achieve results in Sweden similar to those in, for example, the Netherlands and Amsterdam – where incentive loans for housing cooperatives serve as a bridge across the risky early phase and are often combined with ground leases (*erfpacht*) – state and public initiatives are needed that increase access to

support and financing. Public initiatives can be leveraged through intermediaries with access to European impact investors. Through the Helenos fund, Inpulse has invested in Mikrofonden since 2022, which has provided access to institutional European capital. The successful Spanish housing cooperative Sostre Cívic shows how the number of affordable cooperative housing projects can be scaled up by first obtaining impact capital from the ImpaktEU fund, which in the next step made it possible to obtain a loan of 31 million euros from the Council of Europe Development Bank (CEB).[110] Justine Palermo of ImpaktEU noted at the closing seminar for *Transaction Cost Support* in March 2026 that close cooperation had been needed to build up the documentation required for the first investment. This kind of "learning curve" between investors and cooperatives, together with supporting efforts to reach financing readiness, is necessary to create the financial structures that later enable larger investments in community-led housing.

Photo: The cooperative Egnahemsfabriken on Tjörn enables affordable housing through self-building. Mikrofonden and Ekobanken have financed its operations since the start.

> ***Attracting investors to community-led housing***
>
> *Impact investors are financial actors that seek a measurable, positive social benefit in addition to a financial return. In non-profit housing construction, these investors can contribute the risk-tolerant capital needed in early stages, or top-up financing that makes it possible for people with smaller capital contributions of their own to live in the homes being built. For the possibility of creating affordable housing, however, it is important that there are investors with lower return requirements than the return on traditional risk capital, in exchange for social or ecological outcomes.*
>
> *A combined survey and interview study carried out within this project showed that increasing the willingness to invest in community-led housing requires a combination of improved financial attractiveness, reduced risk and clearer visibility of social impacts.*
>
> ***Clear investment models*** *Structures with defined risk and return, as well as different options (e.g., direct investments and funds). A focus on stable, long-term returns rather than short-term speculation.*
>
> ***Risk sharing*** *A combination of private and public financing (e.g., guarantees, subsidies and co-financing) to lower the thresholds for investors.*
>
> ***Liquidity*** *Opportunities to exit through secondary markets or the transfer of shares (for example to the members of the cooperative housing project).*
>
> ***Impact and transparency***

- Clear and standardized impact measurement (e.g., SROI, GRI, IRIS+), but a need for simpler and more cost-effective models for smaller projects.
- Linkage to global goals and concrete results (e.g., number of homes, reduced homelessness).
- Ongoing and transparent reporting to build trust.

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> ***Networks and visibility***

- Matchmaking events and investor meetings are crucial for building relationships and understanding.
- Digital platforms (e.g., crowdfunding-like solutions) are in demand to showcase current investment cases.
- Collaboration with established actors, including municipal public housing, strengthens legitimacy.

> ***Incentives and market development***

- Policy measures can increase attractiveness (e.g., tax incentives or investment subsidies).
- Pilot projects and clear success stories are central to building trust and scaling up the market.

> *Increased willingness to invest presupposes a functioning ecosystem in which financial structures, clear social benefit and active networks work together. With this in place, there should be opportunities for impact investors to play an important role in scaling up the financing of community-led housing.[111]*
>
> *Read more in the report Investors' Views on Community-Led Housing (Investerares syn på idéburen och gemensam bostadsförsörjning), linked under "Read more" on page 94 of this report.*

Spain: Sostre Cívic – A Cooperative Model Scales Up the Construction of Cooperative Rental Housing in Catalonia

Sostre Cívic is a Barcelona-based housing cooperative that began through a foundation established in 2004 and became a cooperative in 2010. Its goal is to provide access to permanent, affordable and non-speculative housing for people excluded from the traditional housing market. It also seeks to strengthen socially sustainable and democratically managed living environments. Sostre Cívic works with the *cessió d'ús* model, a right of use (similar to cooperative rental housing in Sweden), with the aim that 10% of Catalonia's housing will in the long term be managed as "right-of-use cooperatives." Sostre Cívic functions as an umbrella organization: it seeks out sites, arranges financing, supports the process, design and construction, and carries out advocacy work toward public actors.

Sostre Cívic owns the property – both the land (in some cases through a long-term land agreement with the municipality, corresponding to a site leasehold, with terms of 75–99 years) and the buildings. Each residential building is managed by its residents, who function as an autonomous group within Sostre Cívic. The residents have a lifelong right of use to their homes. The housing cooperatives have separate financial management, loans and financing, and risks are not shared between the different projects. This separation and autonomy are regulated in Sostre Cívic's bylaws, and are supported by Catalonia's cooperative law (Article 126), which makes it possible to ring-fence financial liability to individual sections or projects within one and the same parent cooperative.

Getting new housing projects off the ground within an already existing cooperative is a simpler process than having each group that wants to create a housing cooperative organize, register and seek financing for its building project on its own. Knowledge and experience can be shared between the housing projects. The model saves time and costs, makes the process easier, and also serves to protect the housing in the long term. Sostre Cívic is able to prevent the disposal of the individual housing cooperatives' rental properties and fulfills a function similar to Community Land Trusts or Community Housing Trusts, which prevent the sale of assets and speculation. At the same time, the shared cooperative also enables members to move from one project to another. The collaboration and the size of the cooperative have also made it possible to develop and share internal support functions, technical expertise and so on, instead of having to hire external consultants. This has made it possible to bring down costs and simplify management in the various phases of the building projects. Sostre Cívic has made it possible to develop a replicable model and long-term sustainability. Each housing cooperative that has repaid the construction loan receives a reduced fee, which also includes maintenance and services for the building, while part of the fee goes toward spreading the model and financing new projects.[112] Another important part of gaining control over and being able to influence construction costs is that in 2018 Sostre Cívic started its own cooperative, non-profit construction company: La Constructiva.[113]

Sostre Cívic works innovatively to put together the financing for its building projects through cooperative capital from members, cooperative actors, and loans from ethical and public banks. This results in a blended financing model that combines different types of capital and financiers. Members' contributions, similar to refundable occupancy contributions, form an important foundation for financing the projects. The ethical bank Fiare Banca Ètica has been a decisive financial actor, especially in the early projects, before advocacy work led to subsidized loans for social housing from the state bank. The loan of 31 million euros from the Council of Europe Development Bank (CEB) for the construction of 350 homes, to be completed in 2026, was a major and important step for Sostre Cívic.[114]

An important foundation of the capital base is that members pay a membership contribution of 100 euros, an annual fee (of 6–36 euros per quarter, depending on income), and a form of occupancy contribution (between 6,000 and 30,000 euros, depending on the project), which is repaid on withdrawal.[115]

Residents pay a monthly fee that covers operating costs, usually EUR 500–600, which is lower than normal market rents. To further strengthen its capital base, the cooperative works innovatively with cooperative capital through so-called *títols participatius*, a Catalan expression that literally means "participatory bonds" and could be described as cooperative "loan certificates" with repayment and a fixed interest rate. These resemble subordinated contributions (*förlagsinsatser*) in Swedish economic associations. *Títols participatius* can be described as a social finance tool that enables private individuals or organizations to lend money to a cooperative project, with a promise of repayment within a set period, often at a symbolic or low interest rate (e.g. 1.75% per year). This reduces the need for capital from the commercial market. On May 21, 2025, Sostre Cívic announced that it had succeeded in mobilizing EUR 1 million through *títols participatius*.

Sostre Cívic has attracted international attention and has, among other things, received the World Habitat Silver Award 2023 and an EU award for Social Innovation. On June 5, 2025, the cooperative won Housing Europe's award in the category "More than a roof, supporting communities of equal opportunities," with the following citation:

"Sostre Cívic uses a non-speculative "right-of-use" model, offering homes 25–40% cheaper than market rents to low and middle income households groups. The cooperative builds nearly Zero Energy Buildings (NZEB), incorporating renewable energy and circular materials for sustainability. Through long-term agreements on public land (75 years), the housing remains a social asset, protected from speculation. Residents co-govern and self-manage the housing, fostering inclusive communities and strong social cohesion."

In its citation, the jury particularly highlighted the participatory, cooperative model, the innovative blended financing, the replicable model, and how using public land in this way can counteract speculation and be a transformative path for Spain:

"The financial model is innovative, blending resident contributions, social banking, and EU funding without relying on state subsidies. It ensures full resident participation, with 100% involvement in decision-making and cooperative governance. Sostre Cívic is a replicable, scalable model that promotes long-term affordability and sustainability at local and national levels. The use of public land for cooperative housing is a way to counteract speculative practices, offering a transformative approach for Spain."[116]

Spain: La Dinamo – A Support Structure and Public Support Deliver Affordable Cooperative Rental Housing

La Dinamo Fundació is a foundation established in 2016 in Barcelona, Spain, with the aim of supporting and contributing to more cooperative rental housing based on right of use and "limited equity." As in cooperative rental associations (KHR) in Sweden, members pay an occupancy contribution (*upplåtelseinsats*) into the housing cooperative, which they can get back, adjusted for inflation, when they move out, but on which they cannot make any private profit through an increase in value. By supporting this form of housing, the foundation promotes a non-speculative, sustainable and inclusive form of housing, built on cooperative organization and collective ownership, and focused on the use value of the home. La Dinamo functions as a support structure and is a certified Social Housing actor, which makes it easier for new housing cooperatives that want to create affordable rental housing to gain access to land and financing. Like a "dynamo," La Dinamo helps generate cooperative rental housing by acquiring land (private or municipal) or existing properties that can be renovated, helping with financing, and acting as project navigator for groups that want to create cooperative rental housing. The housing cooperatives that are formed become independent, autonomous cooperatives.

In its first years, La Dinamo played an active role in initiating housing projects and in supporting and shaping groups from the start. La Dinamo has helped build interest in and awareness of housing cooperatives and now has a list of more than 20 interested groups (similar to building groups (*byggemenskaper*)). As La Dinamo finds suitable land or properties, the groups are offered and matched

with land or a building based on the group's needs and vision. The groups then receive support from La Dinamo, which acts as project navigator and supports the process until the housing project has been completed. La Dinamo also works to generate interest and cooperative housing projects in other towns in Catalonia. In doing so, it often collaborates with Ateneus Cooperatius, a regionally developed and funded support structure for cooperatives and the social economy, similar to Coompanion in Sweden, which makes free advisory services possible.[117]

La Dinamo works side by side with Sostre Cívic to promote affordable cooperative rental housing in various ways. One example is the housing cooperative La Borda in La Bordeta, Barcelona. La Borda became a pioneer as one of the first projects based on the cooperative right-of-use model. Around a glazed courtyard are 28 apartments with modular, flexible rooms, built according to passive house design. Sostre Cívic worked to have the project granted a municipal site leasehold (*tomträtt*), supported the design and organized the construction, which was carried out by La Constructiva (the cooperative construction company that Sostre Cívic started). The property is collectively owned by the residents, who have a lifelong right of use and a democratic structure for organizing community life and the sharing of common spaces, a shared kitchen, laundry, etc. The monthly fees of about EUR 500 (approx. SEK 5,000) cover operating costs and are lower than comparable market rents.

La Dinamo helped La Borda put together the financing for the project through blended financing. The members paid in their own contributions of EUR 18,500 (approx. SEK 185,000), which are repaid when they leave. The contributions laid a foundation for obtaining loans via La Dinamo and the cooperative, ethical bank Coop57. These loans covered approximately 40–50% of the project costs in total. The remainder was financed through contributions and loans from public banks and other ethical banks such as Fiare Banca Ética and Caixa Enginyers. La Dinamo stresses that the group's own contribution is very important and that it is good if the group can raise 20% of the capital requirement. This shows financiers that the group is serious and can manage to obtain a larger loan to carry out the project.

Photo: La Dinamo's report "What is limited-equity cooperative housing," 2023, showing the La Borda project in Barcelona, the first cooperative new-build project on publicly owned land.

The ethical banks have been important for access to financing for the development of affordable housing in Catalonia. Coop57 in particular – which directs financing to the social economy, cooperatives and the solidarity economy – was crucial for gaining access to financing for the first cooperative housing projects. Subsidized loans issued by the state bank are now also available to Social Housing actors.

The fact that publicly funded subsidies of approximately 20–30% are now available is an important factor in making the new projects La Dinamo supports affordable. The state-subsidized loans now make it possible to get down to a very low cost of capital compared with Sweden.[118]

To lower the initial project cost, La Dinamo has in some cases bought and owns the land or the building, or holds the site leasehold agreement with the municipality. The foundation then tries to create favorable agreements for the housing cooperatives. But the foundation lacks the capacity to carry the financing of all projects. In most cases, each housing cooperative owns its property, which entails a risk that the rental homes may, over time, be converted into owned and more expensive housing. To secure

permanently affordable rental housing and strengthen the support structure, La Dinamo and Sostre Cívic, together with seven other actors in the social economy and social finance, are now building up Catalan CLT. This is a Community Land Trust model, inspired by CLT Brussels among others, which is intended to provide long-term ownership and thereby secure permanently affordable housing. For La Dinamo, Catalan CLT makes possible a more complete support structure, allowing La Dinamo to focus on its purpose, which is precisely to be an initiator of cooperative housing projects.[119]

> ***Community Land Trust (CLT)***
>
> *Photo: The Vandenpeereboom – Arc-en-Ciel housing project, built on land owned by CLTB. 32 homes, a shared garden and a community space in Brussels. Built to passive house standard and with a particular focus on supporting families with children. Image: https://cltb.be/*
>
> *A Community Land Trust (CLT) is a model in which land is owned collectively and over the long term for the benefit of the community, while the homes on the land can be rented or owned under rules that counteract speculation. The model is used to create permanently affordable housing and to strengthen residents' influence.*
>
> *CLT Brussels is the best-known example in the EU. Through political support from the Brussels region, "CLTB" has created Europe's first and largest CLT and has succeeded in lowering housing costs by an average of 40%, despite a high construction standard following the passive house model. Homes are made available to people with below-median incomes.*
>
> *Abroad, the CLT model is often used for owner-occupied apartments or privately owned detached houses. The land is owned collectively; the houses are owned privately. Speculation is regulated by contract when the home is resold (see image to the right). Under the Swedish Land Code (jordabalken), such regulation is not permitted on the resale of site leasehold agreements, and owner-occupied apartments (ägarlägenheter) may not be granted on site leasehold either. Today, therefore, site leasehold agreements are resold on market terms, which drives up prices over time. This makes it difficult to create a CLT model within the framework of site leasehold legislation. Other forms of ground lease appear workable for this purpose, but there financing is instead more difficult, since construction takes place on land the builder does not own (ofri grund). Here the state needs to step in with support to make the model more viable in Sweden.*
>
> *Photo: How a Community Land Trust (CLT) is financed and how speculation is regulated: public subsidies + sales agreements that minimize land value speculation over time. Often a maximum of 25% of speculative gains goes to the homeowner, in addition to the initial purchase price and the value of any improvements the owner has made to fixtures. The challenge for CLTs in Sweden is financing construction on land the builder does not own. Public support for this, as well as for land acquisition for CLTs, would*

> *therefore be desirable. Image source: SHICC, "URBAN LAND TRUST IN EUROPE," Interreg project 2017–2021.*
>
> *"Land Code, Chapter 13, Section 6: The creation or continued existence of a site leasehold may not be made subject to conditions. Nor may any restriction be placed on the site leaseholder's right to transfer the site leasehold or to grant a mortgage or right of use in it."*
>
> *Rental apartments owned by a cooperative association, a foundation or a limited company with restricted profit distribution, AB (svb), do, however, work on site leasehold. This then becomes a different solution from the CLT model but can still work well for affordability. Read more on the subject in the report "Community Land Trust and Other Land Communities" (Community Land Trust och andra markgemenskaper) from this project.[120]*

Switzerland: Stiftung Edith Maryon and Financing Land Communities through Donations[121]

Stiftung Edith Maryon is a Swiss foundation based in Basel that was founded in 1990 and hired its first employee in 1999. It started with seed funding of CHF 12,000 (CHF 1 = SEK 12) and had no projects in its first year. Its main activities are in Switzerland, but also in other German-speaking countries. Among other things, it has taken on a growing number of projects in Berlin.

The foundation has built its work on the thesis that land is a limited resource, especially in a country as small in area as Switzerland. This applies to agricultural land as well as to land made available for building housing. Land prices are so high that agricultural land becomes expensive and it becomes impossible to find land at a reasonable cost in order to build affordable housing. In addition to agriculture and housing, cultural activities have difficulty finding premises at affordable rents because land is expensive.

Edith Maryon's primary purpose is to remove debt from land and to support socially sustainable housing, agriculture and workplaces over the long term. Its purpose is also to take land out of speculation and make it available to many and not just a few.

Edith Maryon is a foundation, but it also organizes a certain part of its activities in subsidiaries. All subsidiaries have the same purpose as the foundation and are used as tools to achieve the maximum benefit.

The foundation often receives land as gifts from people or organizations that for various reasons can no longer, or no longer wish to, manage their properties. The foundation tries to find new solutions that keep down the costs of land and buildings. It can also buy properties when this is possible and reasonable. When it buys properties, this is financed partly through banks, but also partly through "soft loans," in which a donor gives away part of the property and sells another part against a vendor promissory note, meaning that the foundation pays part of the purchase price later.

Photo: Property belonging to Stiftung Edith Maryon. Image: Kristoffer Lüthi

Today, Edith Maryon has about 170 projects. Most of them are in Switzerland, but it is also in the process of establishing a strong presence in Berlin. Over the years, it has become a credible partner that both individuals and institutions trust, because it is a public-benefit organization and does not distribute money to anyone.

Several of its projects are made available through *Baurecht*, that is, Edith Maryon owns the land and leases it out on reasonable terms over a long period. The leaseholder then has a building on the land that it is responsible for maintaining itself. About one third of its projects are based on *Baurecht*.

Photo: Property belonging to Stiftung Edith Maryon. Image rights: Kristoffer Lüthi

One example is Amerbach Studios, located near the city center of Basel. The building houses an artists' collective with studios in one part, extensive storage space that is rented out, and housing in the other part. The space is made available through *Baurecht* and a long-term agreement under which Amerbach leases the land at a reasonable cost. In this way, it is possible both to live and to work as an artist centrally in Basel at an affordable rent.

What is unique about Edith Maryon is that it has never drawn up a business plan for the organization as a whole; instead, it takes in and assesses the projects and questions that come its way. Each project and property does, however, have a plan so that it can achieve financial and operational stability. One of the founders is still involved in the organization, and it works hard to build and maintain good social relationships with its stakeholders.

Edith Maryon is a good example of how social capital in the form of trust between people and long-term relationships can be converted into economic value. Another strong motive behind its work is to help people with large fortunes find a meaning for their property holdings. By, among other things, making land and buildings available as housing, these fortunes can benefit more people. This happens by taking them out of the speculative market, directing them toward merely covering their costs, and having them managed over the long term by the foundation. Edith Maryon focuses its work on German-speaking countries, but it is happy to share its experience.

Belgium: What Can We Learn from Fair Ground and Public Investment in Brussels?

Fair Ground Brussels is a social real estate cooperative that was started to respond to the acute housing shortage in Brussels, where the number of people without a home quadrupled between 2008 and 2024. More than 60,000 households are on the waiting list for subsidized housing ("social housing"), a figure that increased by 25% in just four years. At the same time, the non-profit sector and social enterprises have difficulty finding affordable premises for their activities. Fair Ground was founded by some fifteen civil society organizations and actors in the Brussels social real estate sector, including Community Land Trust Brussels (CLTB), L'Ilot, Logement pour Tous, Communa, Les Petits Riens and Crédal, which pooled their expertise in the right to housing, premises, social finance and homelessness. The cooperative focuses in particular on target groups in need of support, including people in a precarious housing situation or without capital of their own. By mixing housing with premises for associations and the social

economy, based on an integrated view of how social challenges and the need for social services can be met, it aims to help strengthen neighborhood cohesion.

Fair Ground combines a democratic cooperative model with principles from the Community Land Trust model. Cooperative ownership of the land, on which buildings can be owned or rented by households or cooperatives, secures affordability over time. Legal practice in Belgium allows land and buildings to be handled separately within cooperatives or non-profit structures such as CLTs. The land can then be owned collectively, while the buildings can be owned by other legal actors (individuals or cooperatives) under agreements that guarantee affordability.

Both individuals and organizations can become members of Fair Ground by buying shares in the cooperative. B shares can be bought by residents or users; C shares (EUR 1,000 per share) are aimed at private individuals who want to invest money for social benefit in return for a limited dividend (max. 2%). There are also D shares ("supporter shares") for smaller amounts with no dividend (for example EUR 25). The shares are called "Solidarity Finance," which signals that they are social investment capital and not purely profit-driven financing.[122]

The capital base of cooperative capital, social risk capital and donations shows that there is interest, support and a willingness to bear part of the risk. This gives the cooperative leverage to gain access to bank loans from ethical and social banks and social finance actors such as Crédal, or foundations such as the King Baudouin Foundation. Through the shares, gifts (both money and properties) and the possibility of public regional support and subsidies (for example from FEDER), the need for market-rate borrowing can be reduced and lower rent levels made possible. Individual donations and gifts can often contribute to socially oriented projects. This is particularly common in projects in which non-profit actors are also involved.

Taken together, this becomes a form of "patchwork financing" – a blended, hybrid financing solution in which different actors provide different pieces of the puzzle that together can provide the capital needed to build, or acquire and renovate, properties under Fair Ground's management and to develop permanently affordable housing and community spaces.

Although regulations and financial instruments may differ, this arrangement resembles in many ways the hybrid solutions that are often required to finance community-led housing construction in Sweden. There are, however, crucial differences in conditions and legal forms, which give reason to look at what we can learn and develop further in Sweden.

Photo: Fair Ground Brussels' Casa Viva project, which contains 12 multigenerational homes rented out via social real estate actors, including 7 accessible homes. The ground floor is rented to an association working for social cohesion in Brussels. Image owner: Fair Ground Brussels

One important difference is that while Sweden has opted for a model with housing allowances based on income and housing costs, many other European countries have some form of social housing system, i.e. subsidized housing. In Belgium and Brussels, public investment at the national and regional levels means there are good conditions and support for the development and management of subsidized housing.

Public grants for, for example, coordinator roles lower the costs of the cooperative's development of new housing projects. Regional actors such as Innoviris are also co-financiers in Fair Ground's projects. The state-related investor SFPIM Real Estate has made investments (e.g. approx. EUR 2.1 million) in Fair Ground. This also gives the young and growing real estate cooperative recognition and legitimacy. It shows how public actors and publicly associated investment structures can support cooperative and non-profit housing actors. The rental homes are often let and managed by so-called "social real estate agencies/managers" under the AIS model (*Agences Immobilières Sociales*), which handle day-to-day management and ensure affordable rent levels. AIS are essentially non-profit associations that are approved and subsidized by the Brussels-Capital Region as part of the social housing system. Other key actors include organizations such as L'Ilot (homelessness) and Angela D (women's housing).

Fair Ground's model provides an example of how a democratic form of ownership can be combined with CLT principles to increase access to permanently affordable housing. By combining member and citizen capital, innovative social finance actors and public investment, non-profit housing actors can, through blended financing solutions, get past the difficulties of accessing financing from traditional commercial actors, while lower capital costs contribute to affordable housing and premises.[123]

The Netherlands – Cooplink Organizes the New Cooperative Building Sector

Photo: Leon Erkelens from Cooplink spoke at the Idéburet och socialt byggande (Non-profit and Social Building) conference in Borås in 2025. Image: Idéburet och socialt byggande conference

Cooplink is a national knowledge network and interest organization in the Netherlands for housing cooperatives (so-called *wooncoöperaties*). It was started in 2016 as an informal network of various Dutch housing organizations (including the tenants' union Woonbond) and has since grown into an official association.

Because the housing market in the Netherlands suffers from a severe housing shortage and high prices, housing cooperatives have become an increasingly popular alternative to either buying an expensive owner-occupied home or waiting in endless queues for traditional rental housing. Cooplink's task is to make it easier for people to start and run these projects.

How Does It Work?

Cooplink is built on the idea of helping people help themselves. Starting a housing cooperative from scratch requires an enormous amount of knowledge about law, finance and urban planning. Cooplink acts as the hub that gathers this knowledge in one place. It offers a large knowledge bank with guides, checklists and templates. It regularly organizes *kennisdeelsessies* (knowledge-sharing sessions) and courses on everything from how to handle conflicts within the group to how to build in a climate-smart way or apply for a building permit. By connecting newly started groups with established housing cooperatives, it promotes exchange of experience and matchmaking. It arranges study visits (for example to eco-villages or cohousing projects) so that members can learn from others' successes and mistakes.

One of the biggest challenges for Dutch cooperatives is obtaining bank loans, since traditional banks are often hesitant to lend money to a group of private individuals with no profit motive. Cooplink helps with advice on legal and financial matters, such as strategies for collective financing, crowdfunding, and how to apply for public incentive loans.

Cooplink also works on advocacy and acts as the cooperatives' voice toward politicians, municipalities and financial institutions. It pushes for municipalities to allocate land specifically for cooperative building (which cities such as Amsterdam have now begun to do on a large scale). The housing projects connected to Cooplink are usually based on self-management (*zelfbeheer*). This means that the residents together own (or lease long-term) the entire property through the equivalent of an economic association. The homes are thereby taken out of the open, speculative market. The aim is to keep rents fixed and low, and for decisions on everything from renovations to who gets to move in to be made democratically by the residents themselves. Many of the projects also have a strong focus on community, shared resources (such as shared kitchens, workshops and gardens) and sustainability.[124]

Photo: Coompanion has more than a hundred staff who are experts in cooperation and social entrepreneurship, with offices in every region. The picture shows some of them. Image: Coompanion

How We Can Develop the Ecosystem in Sweden for Financing Community-Led Housing

Community-led housing (CLH) can create more affordable housing through investment in increased access to financing and support from a well-developed ecosystem.

The proposals put forward in the government inquiry Lower the Threshold to a Good Home (*Sänk tröskeln till en god bostad*, SOU 2022:14) on supporting the development of the ecosystem for the community-led housing sector (the inquiry used the term "user-driven non-profit housing sector") should be implemented. Long-term state support for the organizations that are part of and develop the ecosystem, such as interest associations and Coompanion, is important to enable free advisory services, support and knowledge building. Through training and advice, the projects' financial maturity increases, making them ready for external investment.

Access to financing for social economy enterprise and for the innovative capacity that exists in the community-led housing sector would be considerably strengthened by directing revolving fund resources and operating support to financial intermediaries such as Mikrofonden (a cooperative social finance fund), which is owned by and part of the mission-driven sector. It is reasonable for the ecosystem for this sector to receive state support similar to the support Almi (the state-owned business development and financing company) receives for profit-oriented companies.

Photo: Staffan Schartner from Föreningen för byggemenskaper (the Swedish Association for Building Groups), Laura Juvik from Bofællesskab DK and Ulrika Egerö from Kollektivhus NU in conversation during a project navigator evaluation. Image: Föreningen för byggemenskaper

IDÉBUREN OCH GEMENSAM BOSTADSFÖRSÖRJNING

Strengthen Community-Led Building through EU Instruments and Impact Capital as Leverage

The EU is investing billions in affordable housing through, for example, the Affordable Housing Plan, the Public Sector Loan Facility (PSLF) and guarantees from the European Investment Fund (EIF). Non-profit actors in Sweden, however, can rarely access this support without intermediaries. The EU wants to see national and regional financing hubs that can channel EU funds. Such hubs should be established in Sweden.

By combining EU support and guarantees with national investment and impact investors who are prepared to accept a long-term and lower financial return, blended finance can increase access to financing for community-led building and make housing possible for lower-income households. We need to build suitable structures to match impact investors with community-led housing projects. The non-profit ecosystem is well placed to create such solutions but needs development support from the state to be able to implement them.

Activate Public Support and Scale Up Start-Up Support

Boverket's (the National Board of Housing, Building and Planning's) current start-up grant for building groups is an important but insufficient piece of the puzzle. Increased start-up support is needed for building groups for several reasons. Because municipalities are often behind with their detailed planning, developer-led detailed planning is sometimes required, which creates drawn-out processes and is particularly challenging for local housing initiatives with less capital. If the proposal for a detailed planning bonus put forward in this report is implemented, the need for developer-led detailed planning may decrease, but at present there is a clear need for complementary start-up support to be able to finance developer-led planning.

Harmonize the Regulations for Cooperative Capital and Land

The current regulations create obstacles for user-driven non-profit housing actors, which often need to combine several legal/organizational forms. As European examples show, the cooperative rental association is a highly suitable form for creating affordable housing with a high degree of resident participation. But the rules for cooperative rental associations need to be reviewed and clarified, among other things to make it possible to bring in complementary cooperative risk capital such as subordinated contributions and investing members in cases where residents cannot pay higher occupancy contributions and non-members want to contribute to the financing.

International examples show that when public subsidies, adapted legislation and professional intermediaries work together, the process from planning to completed housing can be made considerably easier and shorter, and the community-led housing sector can scale up rapidly.

Sostre Cívic and La Dinamo in Spain show how replicable umbrella models and support structures can be built up to scale up the construction of affordable cooperative rental housing. The models show how members' contributions can be combined with innovative cooperative financing instruments and ethical bank financing, and facilitated through municipal site leaseholds and public support.

Fair Ground Brussels and CLTB in Belgium show how the idea of a land community (*markgemenskap*), in which the land is owned collectively and permanently removed from speculation, can secure permanently affordable housing. Citizen capital is leveraged through substantial regional and national investment.

Stiftung Edith Maryon in Switzerland shows how social capital and trust can be converted into economic value. Through donations, gifts of property and favorable "soft loans" (vendor promissory notes), this land community in foundation form permanently removes land from the speculative market and makes it available through long-term leases (*Baurecht*) at affordable costs.

Cooplink in the Netherlands shows that there are advantages to the community-led housing sector organizing itself to make various forms of necessary support structures available.

Public investment in the Netherlands demonstrates how state incentive loans, often in combination with municipal site leaseholds, can serve as a financial bridge across the riskiest early design phase. This support model increases the projects' ability to access other capital that would otherwise likely have been closed to them.

In summary, what is needed is a strengthened support structure and a publicly supported ecosystem that provides greater access to financing through a combination of EU support, state investment, social finance intermediaries, committed banks and impact investors working together to meet the need for housing for lower-income households. As the EU's plan and international examples show, public investment is needed for permanently affordable housing provision.

Our Conclusions

In this section we provide a summary analysis and recommendations based on the proposed solutions put forward by the report's authors.

Analysis of the Proposed Solutions in Relation to the Identified Gaps

What emerges clearly from the study is that several of the gaps share the same root causes: a lack of land with an approved plan, insufficient financing options for housing actors, speculation in land and property, and the absence of targeted support for permanently affordable housing. The strength of the four proposed solutions is therefore that the tools aimed at these challenges – increased detailed planning, land value tax, investment subsidies, incentive loans and a strengthened community-led housing financing ecosystem with tailored advisory services – help address several gaps at once. Note also that we are counting on a component of the housing market that does not exist in Sweden today – the Community Land Trust (and other forms of land communities (*markgemenskaper*)).

Taken together, this creates the conditions for community-led housing to develop from a marginal phenomenon into a structural part of Swedish housing provision. It also bodes well for increased collaboration between this sector and municipal housing companies (*allmännyttan*). The general housing market is also included in the proposals, which is why the four proposed solutions can, taken together, be seen as an overarching housing policy reform.

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A major advantage of the way the solutions complement one another is that the whole is judged to become self-financing and even self-reinforcing over time. Public-sector finances are judged at a minimum to be able to become cost-neutral and at best to improve over time. Initially the state budget increases by SEK 8 billion, but since up to 50% of the proposed support funds can be made revolving, and the land value tax revenues are on the whole more than sufficient for the need, the reform will in all likelihood run a surplus at an early stage. This surplus can be used for tax shifting and/or a strengthened housing allowance. We propose a higher basic tax allowance as a first step, in order to benefit the most economically disadvantaged groups in society. Other taxes can then be lowered if the state so wishes.

The reform package thus means both that the market economy becomes more efficient through reduced distortions and that there are public savings in income support, health care and social care, as more people – not least lower-income households – gain a larger supply of, and greater opportunity to demand, community-led housing. Such housing usually brings a higher degree of social community and other aspects that promote individual health.

The table below summarizes how the report's proposed solutions bridge the gaps identified in the Swedish housing market.

Gap in the housing market	How the report's four proposals contribute to solutions
Community-led housing actors and the municipal planning monopoly	An increased pace of detailed planning, via a planning bonus to municipalities and social criteria in land allocations, creates better access to buildable land for all types of housing actors.
Renoviction	More housing, including permanently affordable housing, through an increased pace of construction gives households more alternatives when rents rise sharply after renovations. The Viskafors model and the Community Land Trust provide direct counter-solutions to renoviction in new construction.
Social dumping	Greater access to affordable housing in more municipalities reduces the need to refer economically vulnerable households to a small number of municipalities. The Community Land Trust and other land communities, as well as the Viskafors model, can probably contribute especially on this issue.
The Public Housing Companies Act (*allbolagen*) and the K3 accounting framework	Investment subsidies, incentive funds and collaboration models between municipal public

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Gap in the housing market	How the report's four proposals contribute to solutions
	housing, non-profit actors, impact investors and start-up groups of future residents can reduce the financial obstacles created by current regulations. So can higher quality in construction, as the Viskafors example shows.
The investment subsidy for new rental housing has been abolished	The report proposes a new targeted investment subsidy for community-led housing actors and for housing development in rural municipalities with fewer than 20,000 inhabitants.
The housing allowance is abolishing itself	By increasing the supply of permanently affordable housing, households' need for housing allowance decreases over time. Revenues from land value taxation, especially with an expanded reform, can be used to strengthen the housing allowance and for tax shifting that benefits the most disadvantaged households.
Crisis in the construction sector – and it is not just that construction prices are spiraling	Land value tax counteracts land hoarding and promotes productivity, and can stimulate construction by shifting taxes away from labor and enterprise over the long term. Investment subsidies, advisory services, reuse, partnering, self-build and stronger community-led building in general can contribute to lower costs, higher quality and a faster pace of construction.
Private property speculation	Land value tax reduces the incentives for passive land and property speculation and steers capital toward productive investment. The support and subsidy reform strengthens the development of speculation-free housing through increased detailed planning, investment subsidies, incentive loans, advisory services and the introduction of the Community Land Trust and other forms of land communities.

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Summary Recommendation: A Reform Package for the Entire Housing Market That Gives Particular Weight to the Community-Led Housing Sector

Financing and land policy are two important crux issues, both for community-led housing and for the housing market in general. Here we have seen great opportunities to develop national solutions in which the state sets the pace – solutions that can improve the situation throughout the country and for all, or at least most, housing actors. We cannot solve every challenge with this, but our proposals would have a positive impact on many of the aspects we have raised.

Since the Swedish community-led housing sector is still a very small part of the total housing market, we have developed targeted solutions with the potential to include and develop the sector in an adapted and well-balanced way. Our particular focus is on finding leverage for the state's money, for example by using it strategically to unlock and attract funds from, among others, banks, impact investors, EU-level actors and EU institutions. Our proposals also aim to strengthen and multiply the community-led housing sector's own solutions in Sweden.

Below we have summarized our proposed solutions as a joint reform package.

Land value taxation to finance the tailored support needed for more permanently affordable and non-speculative rental housing

This recommendation is based on the proposal by the think tank Tankesmedjan Tiden to convert the existing municipal property fee into an uncapped land value tax of approximately 1.5%–2% of the assessed value. When the proposal was written in 2020, it was estimated to raise approximately SEK 27 billion per year. We believe that SEK 19 billion can be retained by the municipalities (the same amount that the property fee brought in in 2020) and SEK 8 billion can go to the state to finance a sustainable national housing policy.

It is appropriate for the funds raised by a land value tax to be used for productive purposes that raise land values, in order to maintain the tax base. Such purposes always benefit society. The classic use of a land value tax is to shift, in a budget-neutral way, away from distorting taxes – primarily on labor, enterprise and consumption. The aim is to reduce deadweight losses – production not realized as a result of distortions – in the market economy, which hold back both the housing market and general growth in prosperity. Our proposal begins by directing the funds toward investments that raise land values in general for a sustainable housing market – subsidies and revolving incentive loans – before any such tax shift takes place.

We have structured the solutions so that, in addition to expanding the land value tax base by promoting investments that stimulate higher land values (new housing), clear portions of the funds will come back over time, which gives the state very sound long-term finances. Half of the proposed support funds are revolving, and the revenues from the land value tax will probably exceed the needs, even in the shorter term, of the distributive solutions we initially propose. The reform will therefore fairly quickly generate surpluses to use for tax shifting and/or a strengthened housing allowance. Tax shifting is important because it makes the market economy more efficient by reducing distortion, and makes the reform package cost-neutral for taxpayers as a whole in the first phase and, hopefully, also reinforcing in a next

step, for both the market and the state. Our study suggests that both more jobs and better wage growth can result from the tax shift.

The proposal is independent of the existing state property tax on properties that are not housing and of the capital gains tax on home sales. Our study does, however, suggest that it would be advantageous if these too were converted into a pure land value tax and used to lower taxes on labor, enterprise and consumption.

Under our proposal, SEK 8 billion in state funding can be allocated as follows:

1. **Low-cost incentive loans of up to 20% of the land and/or construction cost** for new non-speculative and permanently affordable housing. This may involve housing where rent is linked to the consumer price index, or that includes agreements limiting private speculative opportunities on resale, such as a Community Land Trust model. The loan applies both to new construction and to conversion, and to both multi-family buildings and detached houses/small houses. It can be advantageous if the land is granted as a site leasehold (*tomträtt*) or municipal ground lease, or alternatively as a ground lease belonging to a non-profit-distributing land community (for example a Community Land Trust) or another non-profit actor.
   Incentive loans have proven crucial in examples from other countries, as they provide financing at an early stage – that is, before the non-speculative housing project has built up sufficient collateral to be able to obtain a bank loan. They are also important for enabling construction on leased land (*ofri grund*), on land belonging to municipalities and to non-profit-distributing non-profit actors.
   The incentive loans would not need to entail large additional administrative costs if they were channeled through an existing actor. In the same way that the stimulus fund SVn is used in the Netherlands, in Sweden we could use Kommuninvest (the Swedish local government funding agency) for incentive loans for construction by municipal public housing companies and their collaboration with non-profit cohousing communities. Likewise, Mikrofonden could be used for incentive loans for other community-led housing construction. Mikrofonden already serves as the Swedish intermediary in social finance, with a mandate to work for increased access to financing for building groups (*byggemenskaper*) and the social economy. As such an intermediary, Mikrofonden has access to the EU's social finance instruments, such as guarantees from the European Investment Fund (EIF), which means that a revolving fund with Swedish tax money would act as leverage and be scaled up through access to other sources of capital. Such sources of capital also include complementary impact investors and institutional capital with reasonable return requirements. Through the lower interest rate of the incentive loans, the total cost of capital for the projects could be lower and make permanently affordable housing possible.
2. **A targeted investment subsidy of 10–20% of the land and/or construction cost** for community-led housing actors in general, and for non-speculative rental housing in rural areas (municipalities with fewer than 20,000 inhabitants). This specifically targeted investment subsidy is intended to promote, for example, common spaces in cohousing communities, construction on leased land, and construction in weak housing markets in general. It is also a

subsidy to promote the establishment of Community Land Trusts and other land communities, which can use the investment subsidy to purchase land.

If the state wishes to make the subsidy financially efficient for itself, it can be designed as a social investment, for example through the purchase of shares in svb companies, or through a subordinated contribution (*förlagsinsats*) or investing member contribution in an economic association. The state thereby gives itself the possibility of an exit. In the case of a land community whose agreements with the residents include a bar on private speculative gain (a Community Land Trust), the investment subsidy can also be used to build privately owned homes, such as owner-occupied apartments or detached houses/small houses, on land belonging to the land community (leased land). These homes cannot then be resold at a substantially higher price, which preserves the public benefit the investment subsidy is intended to achieve.[125]

3. **Support for a faster pace of municipal detailed planning**, with a state bonus that gives municipalities an incentive to plan for more ready-to-build sites. The bonus is combined with state land loans to municipalities and a national comprehensive plan that identifies where new housing is needed and of what type. For municipalities that do not follow the comprehensive plan, despite financial support, there should be clear consequences. The plans should be open to including a diversity of different housing actors. Through this proposal, a surplus of openly planned land will be available to a diversity of building actors throughout the country. It is also appropriate to plan for smaller sites, for example a maximum of 50 apartments, in order to promote actors in the community-led housing sector.
4. **Strengthened advisory and development support** to meet the needs of a growing number of start-up groups that want to produce permanently affordable housing, to obtain a share of the funds the EU is investing in line with the EU's Affordable Housing Plan, and to gain leverage via the existing ecosystem within the Swedish community-led housing sector. The EU is urging its member states to launch and fund national and regional financing hubs where professional intermediaries and supporting actors can make support available to non-profit initiatives. In Sweden this could build on the actors that have already built up expertise and begun developing a support structure – such as Coompanion, Mikrofonden, dedicated banks and committed advocacy organizations. These organizations should also be tasked with further developing and strengthening the ecosystem for community-led housing by developing more of the support structures that are needed. This could, for example, involve new financing solutions independent of the state, such as sector-adapted financial instruments, platforms for crowdfunding, impact investing, the management and distribution of shared non-profit fund assets, and shared organizational solutions within the sector.

   A particularly important element is establishing strengthened advisory capacity to serve the new community-led housing actors (start-up groups) that want to produce new permanently affordable housing. These groups are likely to become numerous thanks to support from both the new direct state funding and the community-led housing sector's own strengthened financing channels.

Promoting the development of larger social and non-profit housing actors, and collaboration with municipal housing companies, is also important to reduce vulnerability within the sector – not least for the residents themselves, who today must carry a heavy load to bring community-led housing projects to fruition. This may include drawing on experience and collaboration opportunities with international financial actors and strengthening the potential of our non-profit banking sector. Succeeding at this may require larger advisory and development efforts, as well as financing efforts, on a national basis.

5. **A higher basic tax allowance and higher housing allowances that reach all households with weak finances** would reduce the need for special affordable housing generally across the country, by reducing people's economic vulnerability. Remaining funds and future surpluses in the land value tax reform should therefore – when they are not needed to top up the other proposed subsidies/fund assets – primarily be used to strengthen these allowances, since such reforms allow more people to demand housing adapted to their needs. Our study also suggests that a higher basic tax allowance and other reductions in taxes on labor, enterprise and consumption – financed by gradually increased land value tax rates (based on the ground rent value) – would probably contribute to increased saving, increased housing production, increased entrepreneurship and increased employment, with strengthened real wages over time.
   The land value tax has particular potential to counteract sharply rising property prices in cities, according to experience from, among other places, the state of Pennsylvania in the USA, where several cities have tested land value taxation over a long period. Such a tax shift thus contributes both to increased prosperity and to greater equality, including between rural and urban areas, since land values are lower in rural areas than in cities. Income tax (via a higher basic tax allowance in our proposal) or other distorting taxes are lowered equally for everyone, but highly valued land yields higher land value tax revenues for the state. Since the housing allowance is the classic Swedish solution for enabling more people to demand housing, a combination of housing allowance and a higher basic tax allowance is probably a good idea in the long term.
   If the state wants to take a further step of this kind and develop the land value tax reform, one possibility could be to raise the basic tax allowance up to some form of self-sufficiency standard, financed by land value tax. Those with the lowest wages could thereby set aside a larger share of their wages for housing. This may then require the land value tax to be adjusted upward over time. Such a reform should be planned for the long term and implemented slowly and carefully, with solutions that make things easier for taxpayers and give the financial market time to adjust to any price declines in the property market. Our research suggests that all forms of taxes on labor, enterprise and consumption can advantageously be shifted in this way – where it is appropriate to begin with taxes on labor, then continue with taxes on enterprise, and then on consumption and other distorting taxes. This should be able to lead to many positive effects for society and the market economy (as described above), the most relevant for this report being that significantly more people than today should be able to demand housing that is suitable and affordable for them. Our studies also suggest increased resilience to financial crises with a well-

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developed land value tax reform, since property prices are held back in a way that potentially makes it harder for speculative bubbles to form.

6. **Complementary proposal: Develop Allmänna Arvsfonden.** We believe our reform proposal can be strengthened further by adjusting the mandate of Allmänna Arvsfonden (the Swedish General Inheritance Fund). It has great potential to provide special support for housing development for its target groups: young people up to age 25, people with disabilities of all ages, and older people (65+). The government should therefore consider directing Allmänna Arvsfonden to make impact investments in building groups, local development companies, cohousing communities and land communities that lead to permanently affordable housing for the fund's target groups, including with common spaces and accessibility adaptations, and preferably with strategies for land value capture for the benefit of the target groups. Since the legislation for AB (svb) means that when such companies are liquidated, remaining assets go to Allmänna Arvsfonden, this legal form is particularly suitable for putting these funds to work. Arvsfonden could buy shares, provide interest-free loans and make special shareholder contributions to such companies. Subordinated contributions and investing member contributions in economic associations, as well as support to foundations, are also possible routes. The fund can thereby promote a structural improvement with regard to permanently affordable housing with social infrastructure adapted to its target groups.

Our Proposed Reform Package for Increased Community-Led Housing

Land value tax: revenues and allocation*

- Revenue: land value tax of 1.5–2%
- Revenue to the state: approximately SEK 8 billion to be allocated to a national housing policy.
- Revenue to municipalities: approximately SEK 19 billion to be allocated freely.[126]

Allocation of state land value tax revenues:

Support for a faster pace of municipal detailed planning

1. National comprehensive plan
2. State land loans
3. Municipal detailed planning bonus

- Purpose: increase the amount of available and more openly planned land for housing production.
- Expenditure: approximately SEK 3 billion.

State loans and investment subsidies

1. Revolving fund assets for incentive loans (up to 20% of the investment cost) for new non-speculative rental housing.
2. Investment subsidies for community-led housing actors and for rental housing projects in rural areas (municipalities with up to 20,000 inhabitants).

- Expenditure: SEK 4 billion

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Strengthen advisory services and start-up support for the community-led housing sector, and the development of its existing support ecosystem

- Expenditure: up to SEK 1 billion.

Remainder/surplus

1. Higher general basic tax allowance, up to the level of the self-sufficiency standard (over time).
2. Strengthened housing allowance (over time).

Note: The reform is estimated to be able to generate surpluses in both the short and the long term. These are to be used to lower taxes on, first, labor, second, enterprise, and third, consumption and other distorting taxes. They must never go to long-term increases in the public budget, since the reform package stimulates production that contributes to higher land values. The land value tax returns these to the public in a non-distorting way, for further tax shifting or a maintained budget.

The purpose of the strategy is to counteract market distortions that give rise to deadweight losses – unrealized growth that holds back general growth in prosperity. The reform thereby promotes resilient, competitive and economically inclusive development, both for the housing sector and for the market economy at large.

Infographic: general state baseline allocation

- **Revenue: land value tax 1.5%–2%**
    - Total amount to the state annually: approximately SEK 8 billion
    - Total amount to the municipalities annually: approximately SEK 19 billion
- **General state baseline allocation** (of the state's share):
    - **SEK 4 billion:** Revolving fund assets for incentive loans (up to 20% of the investment cost) for new non-speculative rental housing. Includes a specifically targeted investment subsidy for community-led housing actors, including land communities, and a special rural subsidy. Purpose: lower financial thresholds and secure long-term affordable and non-speculative housing.
    - **SEK 3 billion:** Municipal detailed planning bonus, national comprehensive plan and state land loans to increase the pace of detailed planning in the municipalities. Purpose: increase the amount of available and more openly planned land for new construction.
    - **Up to SEK 1 billion:** Strengthen Boverket's (the National Board of Housing, Building and Planning) start-up support for building groups, as well as advisory and development capacity directed toward the community-led housing sector. Purpose: build knowledge and strengthen the support ecosystem to facilitate the establishment of community-led housing projects.
- **Remainder/surplus:** Goes toward raising the general basic tax allowance and, where needed, adjusting the housing allowance.

> ***Complementary proposal:*** *Task Allmänna Arvsfonden with promoting community-led housing production for its target groups – children and young people up to age 25 (with*

> *families), people with disabilities, and older people (65+). This can be done in various ways, and today there are large sums in the fund that are not going to projects. Some of these could go to our proposed purpose.*

Concluding Reflections

The report proposes a reform package whose foundation lies in using a land value tax to finance various kinds of support for a sustainable housing policy, and using long-term surpluses to raise the general basic tax allowance and strengthen the housing allowance. This is judged to be the soundest path, both in market-economy terms and for society at large, since – unlike other tax models – it does not lead to deadweight losses but, on the contrary, stimulates increased and more efficient land use. Deadweight losses here mean behavioral changes in the market economy that counteract growth.

In practice, the proposal should be able to become self-financing for the public sector over time, and moreover self-reinforcing the more land values rise in the country as a result of the housing investments made; because parts of the reform consist of revolving funds that for the most part will not be lost (some defaults will of course occur); and because distortions in the market economy decrease as a result of sustainable tax shifting.

We want to emphasize that the proposal does not aim to increase the tax burden but to make the tax system more efficient over time. As a complement to the main proposal, we also believe that Allmänna Arvsfonden should offer support for community-led housing for its target groups.

In the project we focus on "*idéburen och gemensam bostadsförsörjning*" – what in England is called "Community Led Housing." Our proposals would strengthen this sector and give it the opportunity to realize its potential in Sweden for greater long-term inclusion in the housing market, with reduced homelessness, reduced loneliness, poverty counteracted, fewer problems linked to renoviction and social dumping, a strengthened countryside, and greater general well-being among tenants. All of these are things that also have the potential to lower public expenditure, for example on financial assistance, social care and health care. We also believe that our proposed reform package has the potential to promote generally increased production, improved quality and reduced waste in the construction sector, as well as stronger job growth with accompanying stronger real wages and other positive market-economy effects – particularly if the reform package is developed further over time with higher land value tax rates combined with an increased lowering of taxes, primarily on labor, enterprise and consumption.

Unlike in many other European countries, the Swedish community-led housing sector is still limited. Today it has little ability to make a difference in the bigger picture and needs to grow. If the report's proposals are implemented, room will be created for community-led housing to scale up.

The reform package presented in the report is designed to serve as policy for the entire housing market – for example, the proposal for a municipal detailed planning bonus, which will benefit all building actors in the country because more land will become ready to build on. Likewise, the 20% incentive loans will benefit all non-profit housing actors, not only those in the community-led housing sector. The

land value tax in itself counteracts land hoarding, which is why more actors would build on their land. The proposals would also give more actors in the housing market an incentive to start working according to the principles of community-led housing, since the proposed components – investment subsidies and advisory and development support – are based on these premises. Since the community-led housing sector is small in Sweden, we can probably expect the investment subsidies to be used less initially, which will create surpluses for other parts of the reform. Over time we believe the sector will grow, and more of the investment subsidy budget will then be used. The reform is thus balanced in relation to what the overall rental housing sector needs in order to better cover the shortage of rental housing, and what the community-led housing sector needs in order to grow its market share – all with a focus on more permanently affordable housing for lower-income households.

Finally, this report can only propose further inquiry and research based on the studies and proposals presented. We are convinced that it would be very fruitful if policymakers and academia began to examine these issues in greater depth and to find solutions in this spirit for a generally sustainable, long-term housing policy in Sweden – a policy that gives clear room to community-led housing.

Notes

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Further Reading

Here are suggestions for other publications produced within the Community-Led Housing project (IGB) that provide greater depth and complement this report.

Read more about the IGB project and check out all the reports at: www.codesign.nu/ideabasedhousing

Read more about community-led housing at www.coompanion.se/byggabo

- *Community Land Trust och andra markgemenskaper* [Community Land Trusts and Other Land Communities]. An introduction for those who want to promote affordable housing in Sweden. Read here.
- *Investerares syn på idéburen och gemensam bostadsförsörjning* [Investors' Views on Community-Led Housing]. Read here.
- *Kooperativ hyresrätt – utbredning, användning och finansiering* [Cooperative Rental Housing – Prevalence, Use and Financing]. Read here.
- *Kommunal borgen som verktyg för att möjliggöra bostadsbyggande genom idéburna aktörer – sammanfattande översikt och exempel* [Municipal Guarantees as a Tool for Enabling Housing Construction by Non-Profit Actors – Summary Overview and Examples]. Read here.
- *Att låta bygga gemensamt för att bo tillsammans – hur har de gjort?* [Commissioning a Building Together in Order to Live Together – How Did They Do It?]. Five examples and what we can learn from them. Stories from the residents' perspective. Read here.

Appendices

Appendix A: Glossary

In this appendix we list concepts that are useful to know, both in relation to the report and to the general housing discourse.

AB (svb) – limited company with restricted profit distribution (*Aktiebolag med särskild vinstutdelningsbegränsning*) — A special form of limited company in which the possibility of distributing profits is restricted by law. The purpose is for the business to be run with public benefit as its main goal rather than maximizing returns to the owners.

User-driven non-profit housing actor (*användardriven idéburen bostadsaktör*) — The government inquiry Lower the Threshold to a Good Home (*Sänk tröskeln till en god bostad*, SOU 2022:14) introduced the concept of the "user-driven non-profit housing actor": an independent housing actor in which individuals or households come together to plan, build, manage or allocate housing on a non-profit

basis, either for their own needs or for particular target groups. The purpose was to distinguish this type of actor from more traditional non-profit housing actors, such as foundations.

Lease / ground lease (*arrende*) — An agreement in which a landowner grants someone else the right to use land in return for payment. Leases are often used for housing, agriculture or businesses on land owned by someone else.

Cohousing community (*bogemenskap*) — A form of living in which community, cooperation and shared facilities are central features. Cohousing communities may consist of, for example, collective houses, ecovillages or other forms of communal living.

Building group (*byggemenskap*) — A group of people who together plan, construct (or develop) and manage a building. Building groups are usually organized as economic associations or as AB (svb) companies.

Community Land Trust (CLT) — A non-profit organization that owns land long term for public benefit, while the homes on the land are owned or used by the residents. Through regulated resale and limited speculation, the homes can remain permanently affordable, including for future generations.

Community Led Housing — An umbrella term for housing development in which the residents or the local community have decisive influence over the planning, ownership, development or management of housing.

Real estate speculation (*fastighetsspekulation*) — The acquisition or holding of land and property with the main purpose of capturing future increases in value rather than using or developing the property productively.

Philanthropy (*filantropi*) — Private resources used for public-benefit purposes without any requirement for a financial return.

Housing chains / moving chains (*flyttkedjor*) — The process that occurs when a household moves into a new home and thereby frees up its previous home for another household. In this way, new housing can indirectly create more housing opportunities, including for groups who do not move into the newly built homes. This is particularly relevant in rural areas, where community-led housing production is often the only way to create housing for older people that generates moving chains, freeing up houses for, for example, new families with children.

Trust-based contracting ("partnering") (*förtroendeentreprenad*) — A collaborative form of construction contracting in which the client and the building contractor work with open-book costs, joint design and ongoing dialogue in order to optimize the project's quality, functionality and finances together. The model is often used in projects where flexibility, participation and long-term value creation are prioritized over strict risk allocation and a fixed price. A well-known building group that has used this approach successfully is Hogslätts Vänboende in Gerlesborg.

Impact investor (*impact-investerare*) — An investor who deliberately seeks investments that, in addition to a financial return, also generate positive, measurable social and/or environmental benefit. Impact

investors differ from traditional investors in that public benefit is an explicit investment goal alongside financial return. A central characteristic is that both the financial return and the social or environmental impact are monitored and measured.

Non-speculative housing development (*icke-spekulativ bostadsutveckling*) — Housing development in which increases in value are wholly or partly returned to the organization or to society instead of being privatized through speculation. The aim is to create permanently affordable housing.

Ground rent / land rent (*jordränta*) — The return or increase in value that arises from owning or controlling land and other scarce natural resources. Land rent is determined by the land's fertility and mineral wealth, and by the attractiveness of the location and the development of the surrounding community, rather than by the landowner's own labor. The term is used as the Swedish equivalent of economic rent as it applies to land and natural resources.

Cooperative rental association (*kooperativ hyresrättsförening*) — An economic association that owns or leases a property and lets dwellings to its members in the form of cooperative rental tenancies. The members have influence over their housing through the association but do not own their apartments individually. The model combines the low entry thresholds of rental housing with the democratic influence of cooperatives and is often used to create stable, permanently affordable housing.

Economic Rent — Income that arises from control over scarce resources, monopoly or landownership rather than from productive activity. The term is used in economics to describe income that has not been created through one's own labor or productive investment. When the income derives from land and natural resources, the term *jordränta* (land rent) is often used as the Swedish equivalent.

Economic association (*ekonomisk förening*) — A cooperative legal form in which the members jointly own and govern the enterprise according to the principle of one member, one vote. Its purpose is to promote the members' economic or other common interests through economic activity. Economic associations are often used for cooperative enterprises, building groups, cohousing communities, local development companies and various forms of joint ownership.

Local development company (rural community company) (*lokalt utvecklingsbolag (bygdebolag)*) — A locally rooted and usually non-profit organization that develops services, housing, workplaces or other public benefits in a geographical area. Local development companies are often used to strengthen rural areas and smaller towns.

Land community (*markgemenskap*) — A land community is an organization that, without a profit motive, acquires and owns land with the aim of utilizing the land’s allocation, value, and lease revenue to permanently promote purposes of public benefit. Land communities often use land value capture to finance, for example, housing, services or local community development.

Land hoarding / land banking (*markhamstring*) — When land is kept undeveloped or underused in anticipation of future increases in value. Land hoarding can contribute to housing shortages, higher land prices and a slower pace of construction.

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Land value (*markvärde*) — The economic value of the land itself, independent of buildings, structures or other improvements that people have added. Land value arises largely from surrounding societal factors such as population growth, public infrastructure, the range of services, business development and general demand for the location. In geoclassical economics, land value is regarded as a value created mainly by society rather than by the individual landowner.

Land value tax (LVT) (*markvärdesskatt*) — A tax on the value of land, independent of buildings or other improvements. The aim is to return to the public land values created through the development of society, and to stimulate productive investment and counteract speculation. A common view is that the tax should be calculated on the basis of the land's rental value rather than its price.

Land value capture (*markvärdesåterföring*) — Methods for returning land values created by public investment and societal development to public benefit. This can be done through, for example, land value tax, site leasehold fees, ground leases, pledging or public landownership.

Negative externality (*negativ externalitet*) — A cost or negative consequence of an activity that falls on others than those who cause it, without this cost being reflected in the market price. Examples include noise, air pollution, climate impact, traffic congestion or the societal costs arising from urban sprawl (*samhällsförglesning*). Negative externalities mean that the market does not fully take into account the real societal costs of an activity, which can justify regulations, taxes or other policy instruments to reduce the problems.

Net domestic product (NDP) (*nettoinlandsprodukt, NIP*) — Net domestic product (NDP) is an economic measure calculated by deducting capital depreciation from gross domestic product (GDP). The measure shows the total value of all new goods and services produced in a country during a given period without "eating up" the existing capital stock.

Building on leased land (*ofri grund*) — A situation in which a building is owned by a different party from the one that owns the land on which it stands. The owner of the building then usually pays ground rent to the landowner. Buildings on leased land have a weak position in relation to the financial market in Sweden today.

Pledging (collateral) (*pantsättning*) — Putting up property as security for a loan. In the case of real property, pledging is normally done by using mortgage deeds (*pantbrev*) as security. Pledging does not transfer ownership, but gives the lender the right to claim the property if the loan is not repaid.

Positive externality (*positiv externalitet*) — A benefit or positive effect of an activity that accrues to others without the person creating the benefit receiving full financial compensation for it. Examples include parks, education, cultural activities, community housing or other investments that strengthen society and create value beyond the direct benefit to the user. Positive externalities are often used as an argument for public investment and support for public-benefit activities.

Affordable housing (*prisöverkomlig bostad*) — Housing whose costs are reasonably proportionate to the household's income, so that housing does not crowd out other basic living expenses. The Swedish term is often used as a translation of the English expression "affordable housing."

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Rent-seeking — Behaviors or business models aimed at capturing economic rent without creating corresponding productive value for society. Examples include land or monopoly gains that arise without any productive effort of one's own.

Tax shift (*skatteväxling*) — Lowering some taxes while raising others without changing total tax revenue. In this report it refers mainly to shifting taxation from labor, enterprise and consumption to land values.

Social economy (*social ekonomi*) — The part of the economy made up of organizations and activities run with public benefit as their main goal rather than profit maximization. Examples include economic associations, cooperatives, foundations and non-profit organizations.

Social investment market (*social investeringsmarknad*) — The part of the capital market in which investors, funds and financial institutions invest in enterprises that combine financial sustainability with clear social or environmental goals. Social investment markets aim to mobilize capital to address societal challenges while allowing the investor to earn a financial return.

Foundation (*stiftelse*) — A legal entity in which assets are set aside for a specific purpose and managed without owners or members. Foundations can be used for long-term ownership of land, property or capital for public-benefit purposes.

Structural homelessness (*strukturell hemlöshet*) — Homelessness caused primarily by shortcomings in the housing market, high housing costs or other systemic failures rather than by individual social problems.

Site leasehold (*tomträtt*) — A Swedish tenure form in which land is owned by a municipality or the state but is granted on a long-term basis in return for a fee. In many respects site leasehold has a status similar to ownership, and it can be pledged as collateral.

Site leasehold fee (*tomträttsavgäld*) — The fee that the site leaseholder pays to the landowner for the use of the land.

Garden city (*trädgårdsstad*) — An urban planning idea developed by Ebenezer Howard at the beginning of the 20th century. Its aim is to combine the social and economic opportunities of the city with the environmental qualities of the countryside through planned communities in which housing, work, services and green spaces are integrated. Historically, land value capture has been a central part of the model.

Urban sprawl (*samhällsförglesning*) — Spread-out, low-density urban expansion that often leads to increased car dependency, higher infrastructure costs, greater climate impact and inefficient land use.

Appendix B: Objections and Answers on Land Value Tax

Based mainly on the blog "Killer Argument Against Land Value Tax… Not"

1. What happens to older people on low incomes who live in valuable houses?

The land value tax can be designed so that these people do not have to pay the tax immediately. Instead, they can defer payment until the home is sold or inherited. In this way, people with low incomes but high land values are not forced to leave their homes.

Comment: When the land value tax is introduced, it may also be possible to make exemptions for people with low incomes but heavily mortgaged properties. The exemption would then apply until the loan has been repaid. This exemption would not apply to property borrowing that takes place after the land value tax has been introduced.

Proposals have also been put forward, including by Mason Gaffney, to complement the land value tax with a tax on property loans. The state could then collect tax via the amount paid to the bank instead of directly from the landowner. The drawback of taxing property loans is that it would probably not discourage keeping land out of production in the same way as a direct payment from the landowner to the Swedish Tax Agency does. On the other hand, it might encourage banks to some extent to lend more for productive purposes and less for speculative property deals.

2. Is it fair that my neighbor in a smaller house pays less tax?

Yes – the tax is based on the value of the land, not the size of the home. If your neighbor lives on less valuable land, it is fair that their total tax is lower. It encourages efficient use of land.

Comment: Let's say that a local development occurs that lowers property values… then the land value tax falls. The establishment of wind power is one example of an investment that can lower land values in an area.

3. But the land gives me no income – how am I supposed to pay?

It makes no difference whether or not you receive direct income from the land. The value of the land arises from the presence and investments of the community. It is therefore reasonable for the community to get part of it back through taxation, regardless of your income from the land.

Comment: Most people today earn their income through work or business activity on land other than where they live. But the value of the land where they live is created by others in the community than those who own that property. A tax shift encourages more work and enterprise, so that the land value tax can be paid.

4. Aren't VAT and income tax enough?

Income tax and VAT tax labor and consumption, which hampers productivity. Land value tax, by contrast, taxes a limited resource that you cannot produce or take with you. It does not distort the economy and is therefore more efficient.

5. Doesn't land value tax punish ambition and enterprise?

No – land value tax rewards work and innovation because it does not tax them. Instead, it targets passive ownership and speculation, which frees up resources for productive activity.

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6. What happens to families who live in a detached house with a large garden?

The tax depends on the land value, not on the size of the plot. A large plot in a weaker housing market pays little, while a small plot in an attractive area may pay more. It is about the value of the location, not lifestyle.

7. Doesn't this hurt low-income earners more than the rich?

No – land value tax falls on those who own expensive land, not on those with low incomes. Wealthy people with large landholdings in central locations pay more. Poorer households in low-price areas pay less, or may even gain from the tax reform.

Comment: This applies to a tax shift in which land value tax is used to offset distortionary taxes, such as income tax, corporate tax and VAT.

8. Won't the state just keep raising the land value tax?

All tax systems must be predictable. Tax levels can be locked in or regulated by legislation. The advantage is that land values, in general and across the country's total area, change slowly, which makes future tax revenues stable and easier to plan for.

Comment: A land value tax can never be set at a level higher than 100% of the land's rental value. A theoretical rule of thumb is usually to stay at most between 85% and 90%, to avoid any valuation errors hurting the taxpayer. Exactly what level it should be set at is a political trade-off. The important thing is that it is not used to increase the public sector's total budget, but instead offsets taxes on labor, consumption and enterprise, or other distortionary taxes. The tax reform thereby becomes cost-neutral for taxpayers as a whole. It should be said that no country has in practice introduced any high levels of land value tax. There are, however, examples where the public sector owns and leases out all land, as in Hong Kong.

9. Is the revenue from land value tax enough to replace other taxes?

Yes – land value tax can generate large revenues because land values in communities are high. It can partly or wholly replace other harmful taxes while reducing speculation. This does, however, require a long-term tax shift, because land values are fully manifested only when other distortionary taxes, which hold back production in the market economy, are reduced.

Comment: There are also other taxes that resemble land value tax in that they have low or no distortionary effects on the market economy, and which can be used in the same way to reduce distortionary taxes. See the section presenting research by Nicolaus Tideman and Mason Gaffney.

10. Won't this lead to too much construction?

No – planning and building laws still set limits. The tax does, however, make it more profitable to use land that is already zoned or built on efficiently, rather than leaving it empty or underused.

11. Will there be too little construction in uncertain areas?

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Land value tax counteracts speculation and makes access to land cheaper. It creates more incentives to build where there is demand – including in new areas where prices would otherwise have been driven up.

Comment: If the land value tax is used to offset taxes on labor and enterprise across the whole country, work and enterprise in weak local markets, where land prices are lower, are also likely to be stimulated. This would then probably give more people better income opportunities, which should be able to reduce the number of people in economically vulnerable situations while keeping housing costs at a more affordable level.

12. Won't people be forced to move to places where they don't want to live?

For most people it is likely to be the opposite – more homes become available, which gives more choice. When land is used better, the pressure on housing costs eases, giving people greater freedom to choose where they want to live.

13. Does land value tax threaten the free market?

No – the tax corrects a distortion in the market whereby landowners can keep resources idle and still profit from rising prices. It promotes a fairer and more dynamic market economy.

14. Isn't it difficult to value land separately from buildings?

No – it is already done in many countries. With modern technology and transparency, land value can be determined accurately, especially since it is a matter of area-wide prices rather than unique building details.

15. But isn't land also a kind of wealth?

Land is not created by people and has no production value. It is a natural resource. Taxing elastic assets is complex, but taxing inelastic assets such as land is simple and fair.

16. Isn't this just another wealth tax?

No – it is not aimed at savings or capital, but at the use of land. Land value tax does not affect what you produce, only the value you sit on without creating anything.

Comment: That said, it is nevertheless usually wealthy people and companies that own the most valuable properties.

17. Will companies with large sites go bankrupt?

Only if they waste land. Efficient companies that make good use of their land will do better – especially since, under a tax shift, they will at the same time pay lower taxes on labor and production.

18. Does this hurt farmers?

Agricultural land often has a low land value. If necessary, farming can be given lower tax rates. Land value tax is aimed primarily at highly valued, underused land.

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Comment: Farmers who already have loans when the tax reform is introduced could be exempted from the tax until their loans have been paid down to an appropriate level. However, as income taxes and other distortionary taxes are reduced nationally, farmers' incomes are likely to rise, and with them their ability to pay the land value tax.

19. What happens if I become unemployed?

As with other taxes, the system can offer deferrals or postponement options in exceptional cases. In addition, you pay less tax if you live in a low-value area.

20. Will everyone move to the cheapest land?

People choose where to live for many reasons – work, school, family. Land value tax is likely to make attractive areas more accessible and reduce housing shortages where they are most acute.

21. Is this only a problem in metropolitan areas?

No – housing shortages and inefficient land use occur throughout the country. Smaller towns are also affected when land is speculated in or left unused.

22. Won't this push up rents?

Property owners cannot pass the whole tax on to tenants, especially as competition increases. The tax shift means that taxes that discourage work and real wage growth are reduced, while the land value tax counteracts passive land hoarding. More housing and better economic development are therefore likely to improve the balance between people's incomes and rent levels. This creates more alternatives for dissatisfied tenants to move to.

23. What if I am in debt – do I still pay a lot?

Yes – the tax is based on the land value, not your loans. Being in debt is a voluntary financial choice. The tax reflects the holding of resources, not personal finances.

24. Do banks risk losing money when land prices fall?

A stable housing market without speculative bubbles benefits long-term banking. Land value tax is likely to reduce the risk of crashes and systemic crises.

25. Won't multinational companies avoid this tax?

No – land cannot be moved. Everyone who owns land within the country's borders must pay, regardless of where they are registered.

26. What happens to churches, parks and cultural heritage?

These can be exempted or given a lower tax rate because they contribute to the public good rather than private profit. The system is flexible so that important societal functions can be preserved. The same applies to Community Land Trusts and other land communities, as well as public land, which can be exempted from taxation.

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Reference

https://kaalvtn.blogspot.com/

Read more about the IGB project: www.codesign.nu/ideabasedhousing