



ADAPTING LAND-USE AND SPATIAL PLANNING TO SHRINKAGE IN ESTONIA

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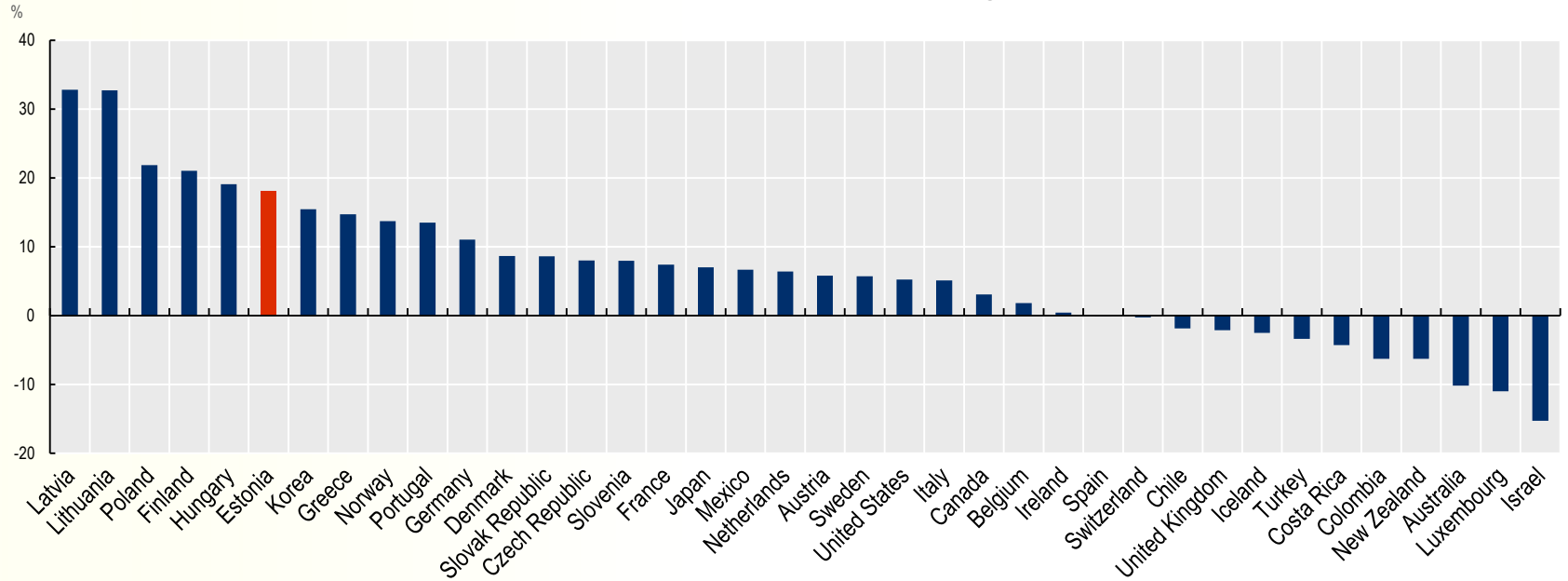


Land-use trends in Estonia



Estonia is “growing outward”

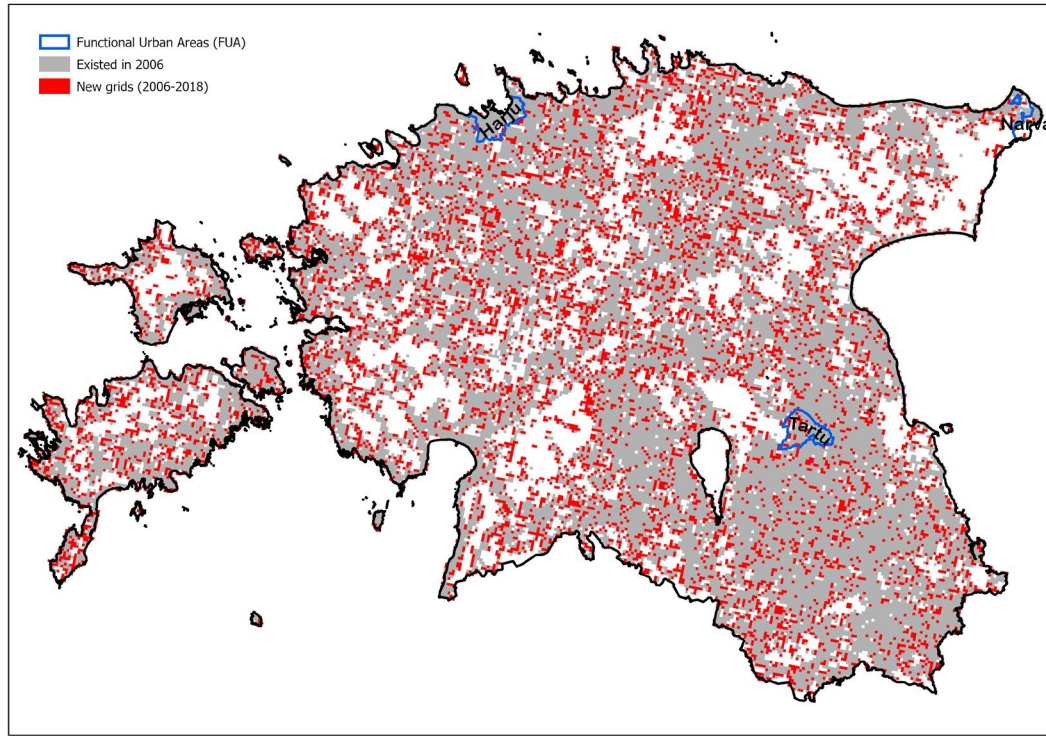
Built-up area per capita change, 2000-14



Source: OECD.Stat, Built-up area and built-up area change in countries and regions: Built-up area per capita



Estonia is “growing outward”



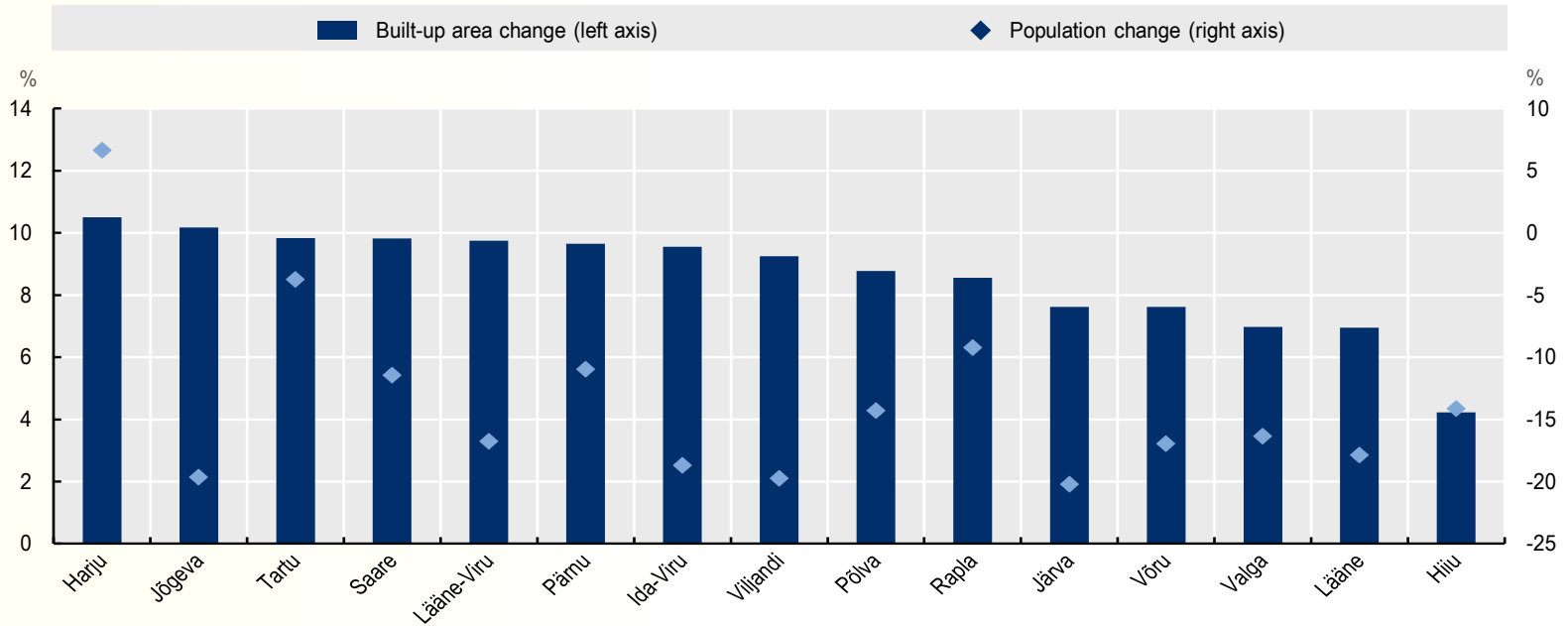
Source: OECD calculations based on EUROSTAT GISCO

- Roughly 30% increase in number of population grids
- 91% of new grids are populated by less than 5 people
- Only 1.8% of Estonia’s population (24,021) lives in these new grids



Growth has little to do with local demand

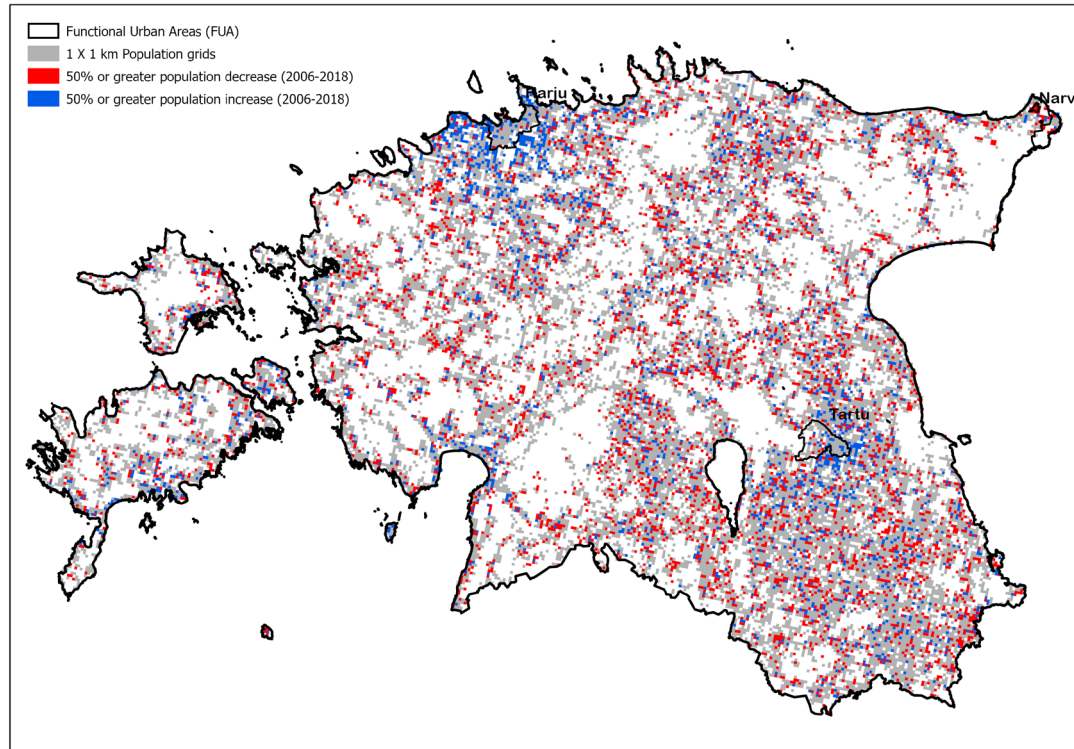
Change in built-up area vs. population change (2000-2014)



Source: (1) Corbane, Florczyk, Pesaresi, et al (2018): GHS built-up grid, derived from Landsat, multitemporal (1975-1990-2000-2014), R2018A. European Commission, Joint Research Centre (JRC)
(2) Statistics Estonia: RV022: Population by sex, age group and county, 1 January



Spatial polarisation is increasing

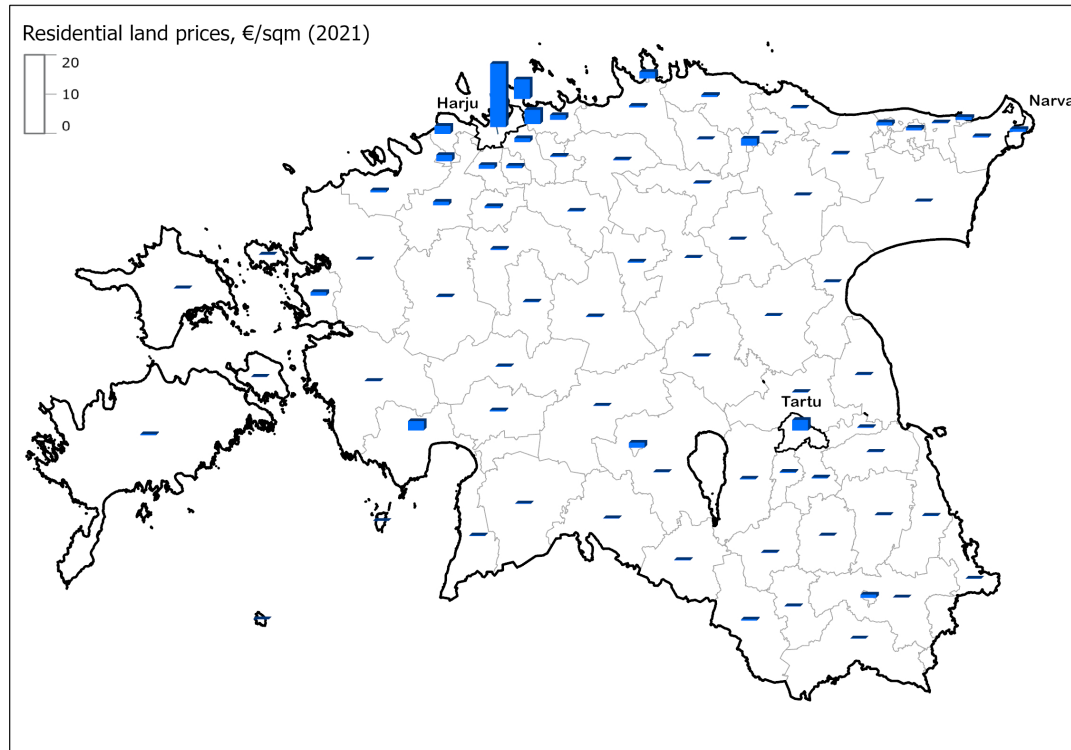


Source: OECD calculations based on EUROSTAT GISCO

- Population increased by 101,821 in “blue” areas
- Population decreased by 66,175 in “red” areas
- Urban sprawl and rural depopulation coexist in Estonia



Disparities in residential land prices



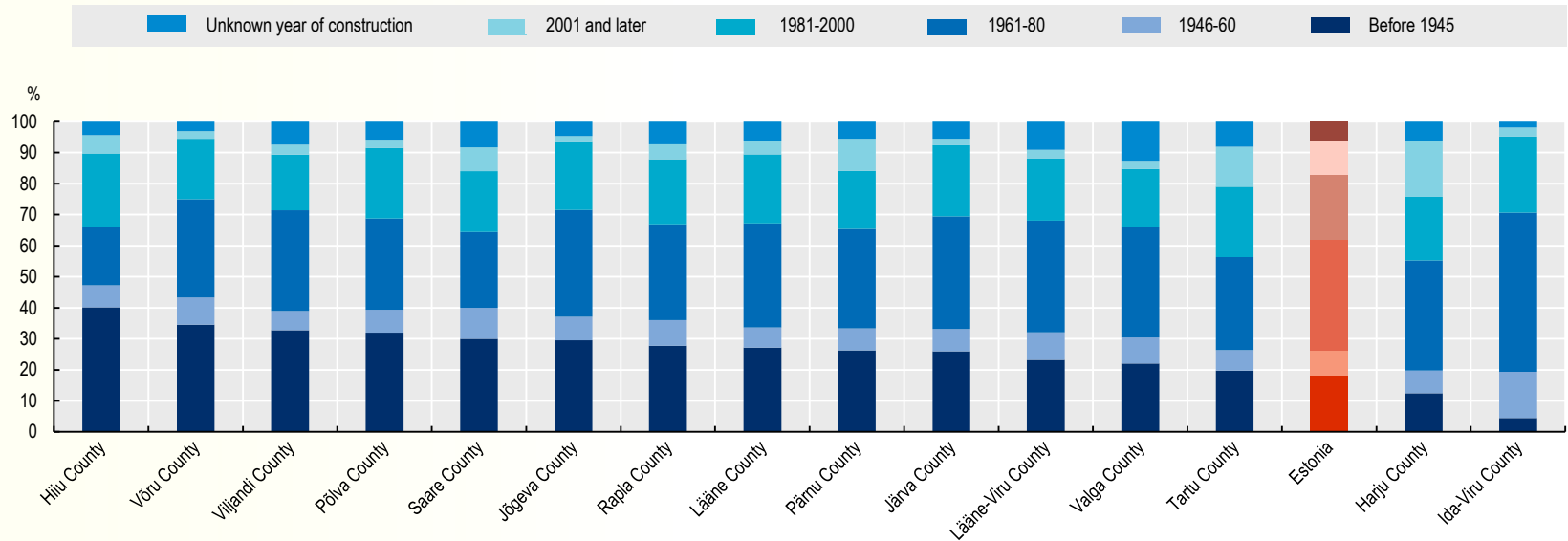
Source: Cadastral units: Estonian Land Board 02.07.2021

- Prices are on average more than 6 times higher in urban versus rural municipalities
- Between 2012 and 2021, prices have decreased by 1% in urban municipalities, and 7% in rural municipalities



An old and energy inefficient housing stock

Dwellings by year of construction in Estonia

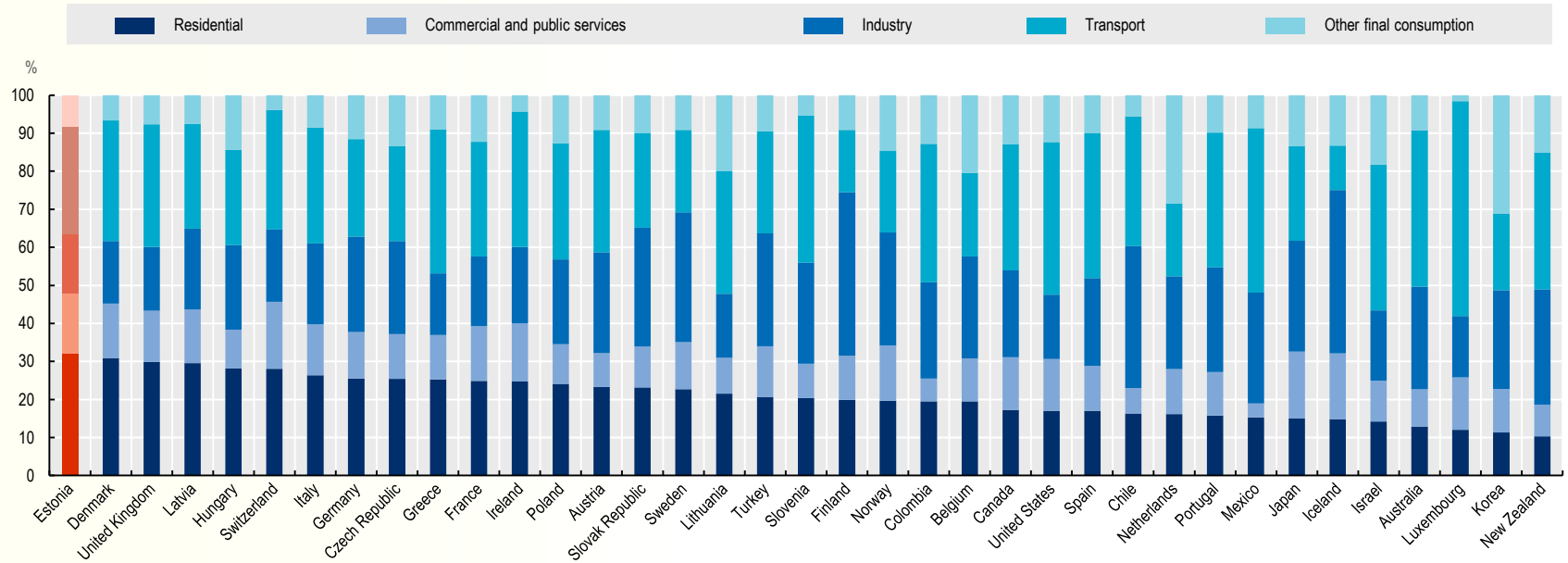


Source: Government of Estonia (2021), Statistics Estonia, <https://www.stat.ee/en> (accessed on 10 September 2021).



An old and energy inefficient housing stock

Share of total final consumption of energy (2018)



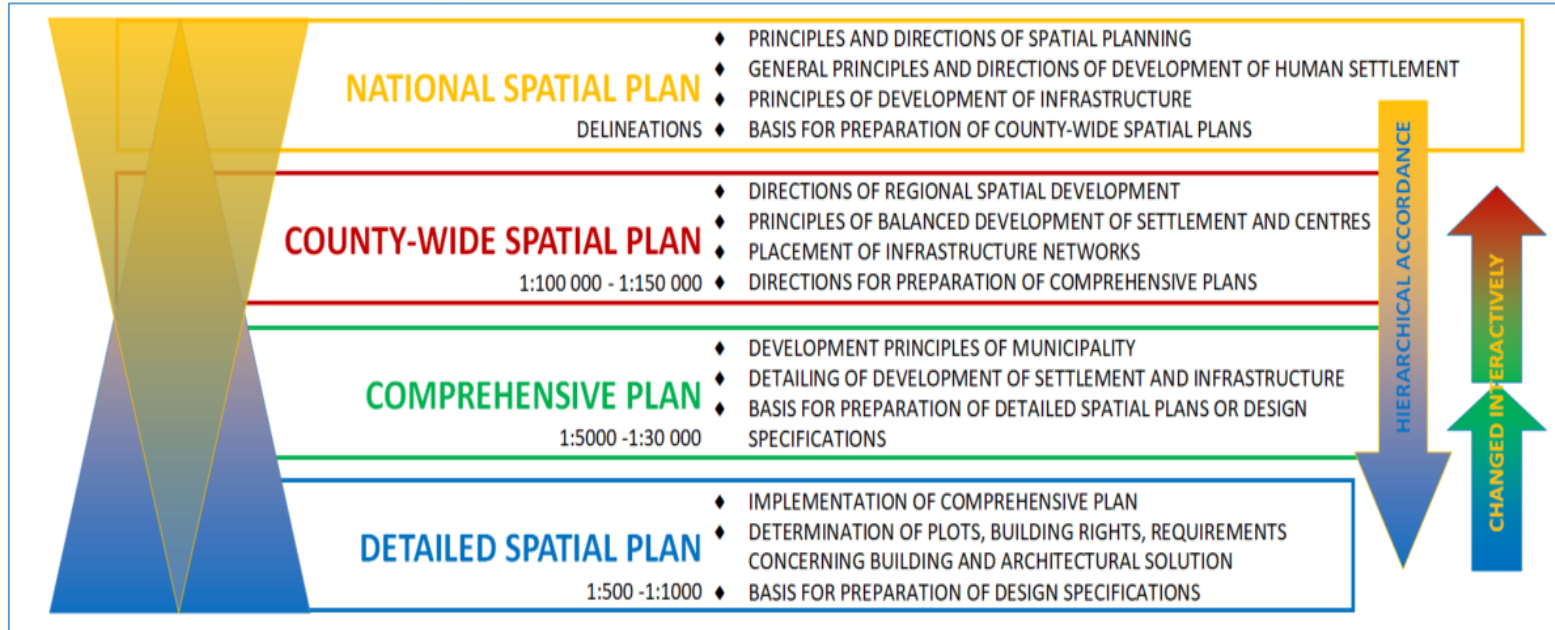
Source: IEA (2021), World Energy Balances (database), <https://www.iea.org/data-and-statistics/data-product/world-energy-balances-highlights>.



Estonia's spatial planning framework



Estonia's spatial planning hierarchy





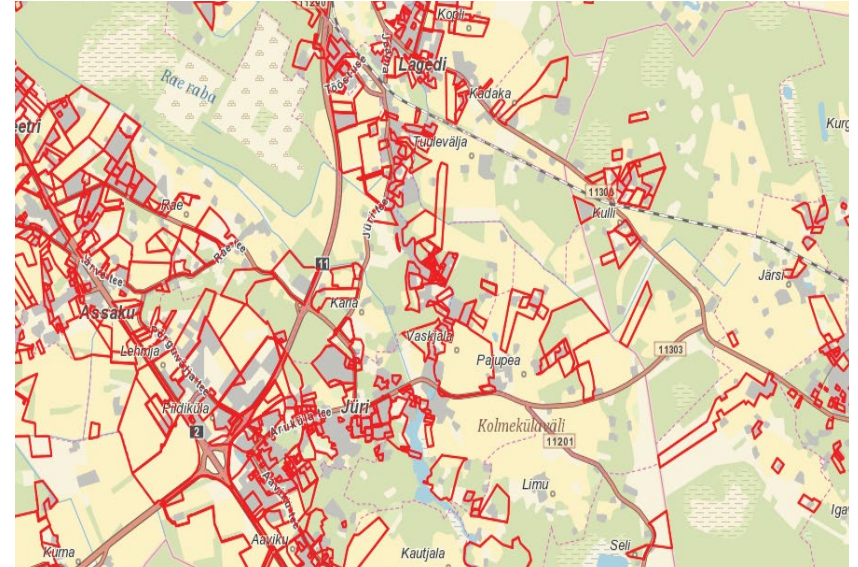
County-level spatial planning is fragmented

- Regional level spatial planning, strategic initiatives, and development strategies are all separate
 - *County-wide Spatial Plans (CSPs), Regional Policy Programme, Regional Policy Action Plan, County Development Strategies*
- CSPs do not cover important aspects such as health, education or socio-economic development
- Spatial planning through the CSP and strategic planning through County Development Strategies are carried out separately, with no clear communication.
- CSPs no longer have authority to plan construction projects that could be located across municipalities



Local plans do not steer spatial development

- Development is often determined by fragmented, small scale DSPs initiated by property developers, adopted in random order.
- DSPs also often override the CP.
- CPs struggle in promoting coherent development and preparing for shrinkage
- Enforcing settlement boundaries or promoting densification is difficult, and population projections are not well integrated
- Many municipalities outsource plan preparation to consultants due to lack of capacity



Source: Sooväli-Sepping, H. (ed.) (2020), *Estonian Human Development Report 2019/2020: Spatial Choices for an Urbanised Society*, Estonian Cooperation Assembly



Legal frameworks encourage sparse development

- Expropriation is limited, time-consuming, and legally challenging
 - Apartment buildings must be more than half-empty in order to have grounds for expropriation
 - Expropriation of an empty detached house is generally not permitted
 - No formal legal framework that outlines agreement procedures for apartment expropriation
 - No separate regulation on how the relocation of residents should take place
- Low land taxes and land tax exemptions incentivise sprawl
 - By law, taxes set by municipalities to be between 0.1% - 2.5%
 - Taxable land values are unrealistically low
 - Rural areas are exempt up to 2 hectares, while cities and towns are exempt only up to 0.15 hectares
- Alternative land-based instruments are not well established
 - Only impact fees are used on a very limited basis

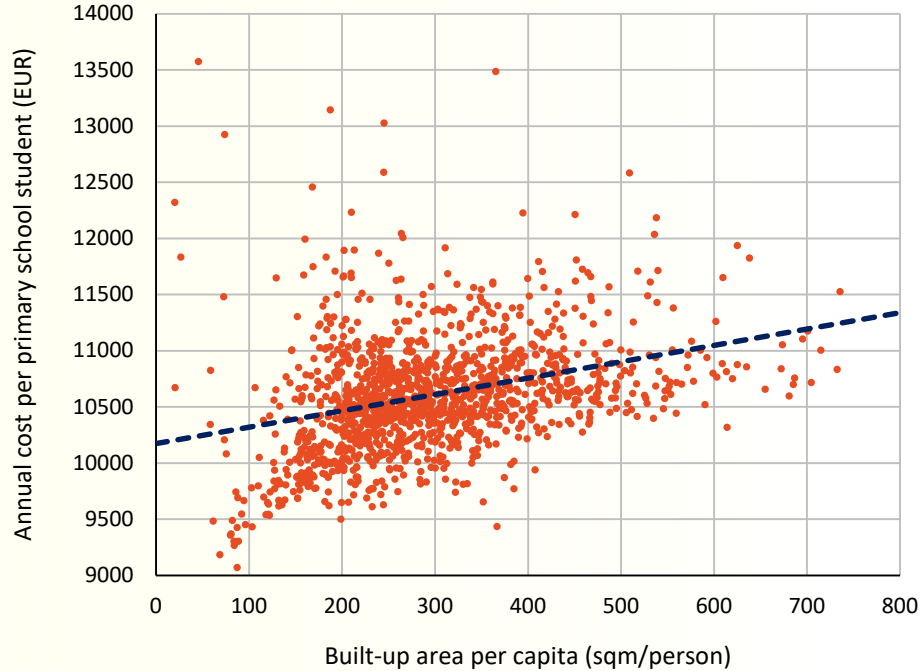


Policy recommendations

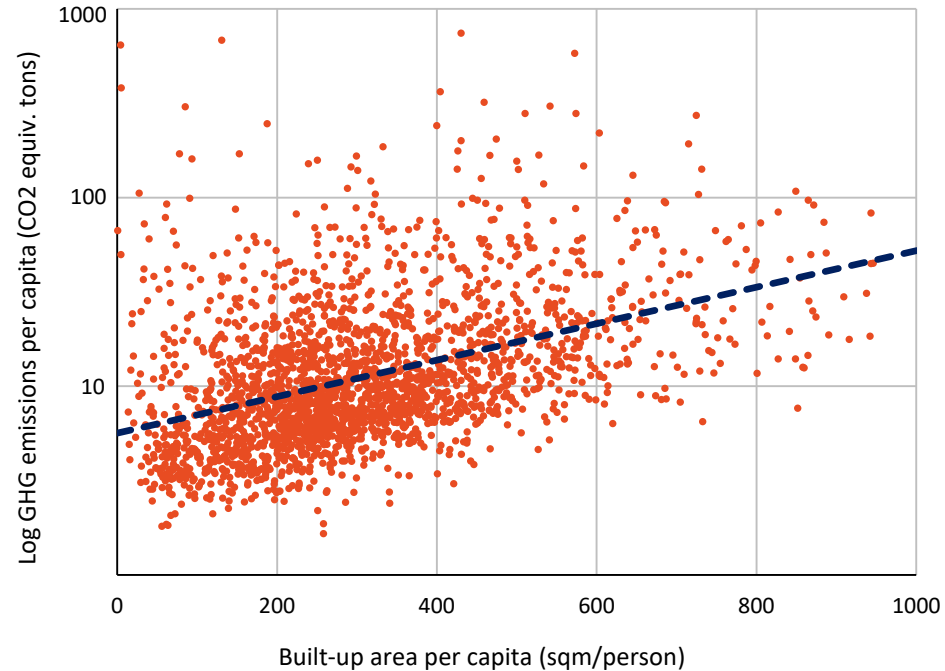


Reduce land consumption and encourage densification

School costs vs. built-up area per capita (TL3)



GHG emissions vs. built-up area per capita (TL3)





Steer spatial development through Comprehensive Plans

- CPs need to better integrate population projections and adjust development boundaries
- CPs need to be flexible to adapt to demographic trends and economic opportunities
- DSPs should only be allowed to override the CP in exceptional circumstances
- Central government aid in building municipal capacity for spatial planning is needed



Utilise County-wide Spatial Plans as central platform for regional planning

- County-wide spatial plans should be expanded in scope to promote inter-municipal cooperation in all relevant policy areas
- The role between County Development Strategies and CSPs should be clarified
 - County Development Strategies should be implemented *within* a spatial planning framework
- CSPs should be allowed to plan buildings and infrastructure that span local boundaries
 - clarify distinction between construction works of “national/international interest” (National designated spatial plan) and works that are not of major interest (CSPs)



Reform land taxes and better utilise impact fees

- Relax limits on land tax rates to give municipalities greater autonomy and encourage efficient land-use
 - needs to be accompanied with re-evaluation of taxable land values
- Abolish, or at least considerably reduce, tax exemptions for residential land in remote areas
 - exemptions could be targeted towards land within settlement boundaries
- Utilise impact fees and to internalise the costs of remote living
 - this additional funding can be used to improve the quality of the built-environment in rural and remote areas



Link demolition and renovation projects with spatial planning

- Implement demolition and renovation projects at a larger scale within the spatial planning framework (through the CPs and CSPs)
- Revise expropriation law to allow for streamlined demolition of vacant buildings
- Base expropriations on projected land-use determined by population projections
- Utilise land readjustment and land banking when expropriation proves difficult

Thank you!

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