

## The state's role in increasing the supply of lots and creating a more compact urban structure

Increasing the supply of lots in growth centres has been a key objective in several state strategies and programmes throughout the past decade. The purpose has been to increase the supply of housing and curb the rise in housing prices. Housing prices have continued to rise in growth centres, however. This has increased migration to growth centres' neighbouring municipalities. Development has led to a less compact urban structure, which increases traffic and makes it more difficult to meet climate objectives. In this respect the audit is related to the National Audit Office's broader audit theme concerning the mitigation of climate change.

The first objective of the audit was to evaluate the state's role in increasing the supply of lots in growth centres. On the basis of the audit, the lot situation in growth centres is at least reasonable, with a few exceptions. Constant migration to the Helsinki metropolitan area keeps demand high, however. At the same time the boundary conditions of municipal finances dictate local authorities' possibilities to plan and build new areas. Alongside the planning of new residential areas it is also important to bring existing lots within the scope of construction. The state could encourage local authorities to use property tax means for this purpose.

The primary objective of the state's real estate policy has been to recover as large a portion of the 1990s bank subsidies as possible with the help of real estate activities. This has caused conflicts with local authorities. Unincorporated state enterprises steered by the Ministry of Finance have wanted land use agreements and have tried to link infrastructure investments made earlier on separate grounds to projects. This clashes with the fact that the Ministry of the Environment has encouraged local authorities to purchase areas that are being planned for the first time. The situation could have been avoided if, in arranging state real estate assets, land suitable for housing production had been handled as a separate whole.

In implementing the state's real estate policy, the objective of recovering bank subsidies has not been put into relation to other social objectives, such as the construction of reasonably priced housing in growth regions. The Act on the Right to Transfer State Real Estate Assets would allow the transfer of real estate assets at a price below the market value for special reasons. On the other hand the implementation of the bank subsidy objective cannot be evaluated, since the Ministry of Finance has not made comprehensive calculations of revenues from the state's real estate activities. The state's real estate activities have not been adequately integrated into other areas of social policy, and the objective of transferring state-owned land for housing production at a reasonable price has not been achieved in the performance management of unincorporated state enterprises.

The audit investigated the state's land holdings that are suitable for housing production. Since a clear overall picture of the state's land holdings is not available, it was necessary to investigate all the state's land holdings in growth centres. In the 14 municipalities that comprise the Helsinki region the state owns about four per cent of the total area. Quantitatively the state no longer has significant land holdings from the viewpoint of housing production, however. In some municipalities the state's small land holdings may be located in places that are ideal for housing production, however.

According to a Government decree that was issued in 2002, an administrator of state real estate assets, unincorporated state enterprise or off-budget fund should have checked and made sure that ownership and tenant information concerning state real estate assets was up to date by 2003. On the basis of the audit, this procedure was not followed, since the information in the National Land Survey's real estate system still contains gaps.

With the state being fragmented into companies and unincorporated state enterprises, the picture of different actors' role in relation to public and private activities has become blurred. During the audit unincorporated state enterprises claimed a special position in relation to other private actors. In official negotiations concerning planning, for example, there has been confusion about who represents the state as an authority. The audit findings point to the need to ex-

amine the position of unincorporated state enterprises in this respect.

Another objective of the audit was to evaluate state measures aimed at creating a more compact urban structure. National land use objectives, as well as many other strategies, call for communities to be made more compact. In spite of this the construction of low-rise housing outside the planned area in growth centres' neighbouring municipalities has been so extensive that one can consider regulation concerning urban sprawl to have failed. In principle local authorities have the means to control urban sprawl. Finland's extensive building rights nevertheless make the regulation of urban sprawl ineffective.

Urban sprawl causes significant cost pressures on public finances. In municipalities building infrastructure is more expensive if housing is spread out. The state also faces indirect costs, with growing demands to participate in covering infrastructure costs. The state also participates in financing municipal services through central government transfers to local government. A detailed picture of these costs appears to be lacking, however.

From the viewpoint of urban structure, on the basis of the audit one weakness in the planning of land use in Finland is that the planning of land use by local authorities and the planning of the transport system by the state are too uncoordinated. Particularly in the case of large rail investments, it is important to ensure that the planning of land use and the planning and implementation of rail transport support each other adequately.

The audit also looked at two forms of grants, for municipal engineering and water supply. These forms of grants implement different sets of objectives, but with regard to urban structure they work in conflicting directions. Grants for water supply measures have led to urban sprawl, while one objective of grants for municipal engineering has been a more compact urban structure. The audit found indications that other forms of grants also lead to urban sprawl.

The urban structure is influenced by measures in several different sectors. The state does not have a horizontal approach to developing the urban structure. In addition to individual unincorporated state enterprises or performance areas, a broader vision of the significance of urban construction and housing production for the national economy and public finances is needed. This requires the

coordination of measures in different sectors and a more consistent policy in different state measures.