

# housing for inclusive communities – an experimental model in gothenburg

**Helen Pineo** looks at the early stages of an affordable housing experiment, led by the City of Gothenburg in Sweden, that aims to build sustainably, with a particular focus on tackling inequality and segregation

The global trend of urbanisation creates both challenges and opportunities in building cities that provide equal opportunities in access to infrastructure and services, especially affordable housing. Globally, urban populations are growing at a rate of 1.3 million a week.<sup>1</sup> This pace of change is putting stress on existing infrastructure and creating challenges for city management in financing the development of new housing, transport and utilities. Unequal distribution of wealth and opportunity within cities can have far-reaching social and economic impacts, with adjacent neighbourhoods experiencing stark gaps in life expectancy. As cities plan for new infrastructure and housing development, the challenges of inequality and access can be addressed through integrated planning and experimentation with new delivery models.

The recently published *Housing the Nation* report, produced by the TCPA for the Association for Public Service Excellence (APSE), outlines the complexity of the UK's affordable housing shortage and highlights the impact of this crisis on multiple aspects of society, including social wellbeing, health, education, and local economies.<sup>2</sup> The report also examines case studies of council-led housing delivery through a range of public-private partnership

models. The funding mechanisms available to local authorities in the UK are problematic and hamper the public sector's ability to deliver the scale of housing required.<sup>2</sup>

Building on the APSE/TCPA report, this article looks at the early stages of an affordable housing experiment led by the City of Gothenburg in Sweden. Gothenburg is using strong leadership and collaborative working across the city to trial a transformative approach to building sustainable and inclusive communities.

Swedish urban design and planning is often hailed as world-leading, particularly in relation to sustainability. Examples such as Hammarby Sjöstad in Stockholm and Bo01 in Malmö are frequently cited as case studies for environmental design, but at the same time they have also received some criticism for being unaffordable.<sup>3</sup> Gothenburg wants to build sustainably, with a particular focus on tackling the local challenges of inequality and segregation. As noted by the Royal Town Planning Institute, local authorities in Sweden 'hold significant power and devolved resources',<sup>4</sup> allowing them to experiment with solutions that work for the local community and development stakeholders.

## Box 1 Affordable housing – in England and Sweden

### What is affordable housing in England?

- **Social rented:** Owned by local authorities, private registered providers or others as agreed by the Homes and Communities Agency or local authority. Guideline target rents are set by the national rent regime.
- **Affordable rented housing:** Let by local authorities or private registered providers to households eligible for social rented housing. Subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).
- **Intermediate housing:** Homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the affordable rented housing definition above. These can include shared-equity homes (through shared ownership and equity loans) and other low-cost homes for sale and intermediate rent, but not affordable rented housing.

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Source: Definitions quoted or paraphrased directly from Annex 2 of the National Planning Policy Framework (Department for Communities and Local Government, Mar. 2012).  
[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6077/2116950.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6077/2116950.pdf)

### What is affordable housing in Sweden?

- **Rental accommodation:** Low-income households usually live in rented accommodation. The mix of rental apartments (versus tenant-owned in private housing co-operatives) on new developments is determined by the municipality, and is usually around 50%. Some tenants receive tax credits or benefits to help cover the cost of housing, but this is not known by public or private landlords.<sup>a</sup>
- **Rent charges:** Rent is determined by the market through negotiations between landlords and tenant unions. This is done through a 'utility value system' introduced by government whereby rents are based on quality, location and management of the property.<sup>b</sup>
- **Public housing companies:** *Allmännyttan*, 'for the benefit of everyone', is the term used to describe the Swedish non-profit housing sector.<sup>b</sup> Municipally owned public housing companies are used to ensure that there is an adequate supply of good-quality housing built with a vision of long-term sustainability for social, environmental and economic aspects.<sup>c</sup>
- **Municipal contracts:** Municipal social services assist with locating available housing units, subletting dwellings and subsidising rents for people with special needs.<sup>a</sup>

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a Interview with Kristian Käll, October 2015

b E. Hedman: *A History of the Swedish System of Non-Profit Municipal Housing*. Boverket-Swedish Board of Housing, Building and Planning, 2008

c *SABO and Public Housing in Sweden*. Swedish Association of Public Housing Companies, 2013.  
[www.sabo.se/om\\_sabo/english/Documents/SABO%20and%20Public%20Housing%20in%20Sweden.pdf](http://www.sabo.se/om_sabo/english/Documents/SABO%20and%20Public%20Housing%20in%20Sweden.pdf)

### The Swedish context for affordable housing

The terms and definitions used to describe affordable housing internationally can often be confusing, as local policies vary. In England, the National Planning Policy Framework (NPPF) describes the role of local planning authorities in delivering market and affordable housing, the latter including social rented, affordable rented and intermediate housing (see Box 1). In Sweden, the goal of providing housing for all (regardless of income, age and background) is met through rental properties provided by public and private housing companies. Some households receive tax credits or benefits, but this would not be known to their housing provider. There is no social housing or state-subsidised housing development.

Public housing companies in Sweden are owned by municipalities but operate competitively in the market. They own and manage over 20% of Sweden's housing stock and rent to any household type (they are not targeted at low-income households).<sup>5</sup> In Sweden, rents are set through a negotiation process between landlords and tenant unions based on the quality, location and upkeep of the accommodation (see Box 1). Rental accommodation is often clustered away from owner-occupied homes, which has contributed to segregation and spatial inequalities as lower-income groups are able to afford only the less desirable end of the rental property spectrum. It is important to consider this process alongside other social and economic factors that have contributed to

segregation in Swedish cities, such as urbanisation, the housing shortage, and migration.

Sweden's famous Million Homes Programme provided much-needed housing during the post-war baby boom and subsequent housing shortage.<sup>6</sup> However, it is now considered to contribute to ghettoisation of communities and requires modernisation and energy efficiency measures.<sup>3</sup> The middle-class tendency to cluster away from these developments has also played a role in polarising communities. Sweden is now experiencing another housing shortage in the context of other social and environmental pressures. Public housing companies and municipalities are striving to achieve inclusive communities that bring together people from various incomes, ages and backgrounds. Regeneration of homes produced under the Million Homes Programme and other new developments are tasked with delivering sustainable housing that goes beyond the benchmark of Hammarby Sjöstad to provide affordable housing in mixed communities.

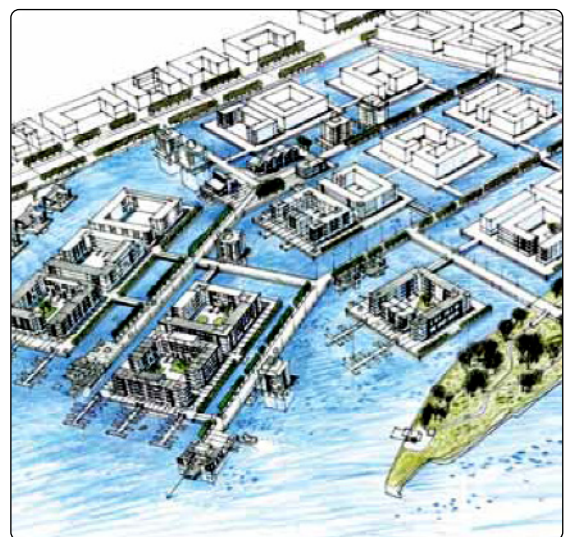
### Inclusive communities in Gothenburg

Gothenburg is the second-largest city in Sweden, with nearly a million residents in the wider metropolitan area.<sup>7</sup> The charismatic Mayor of Gothenburg, Anneli Hulthén, has characterised it as a highly segregated city that reinforces inequalities.<sup>8</sup> This reputation has made international news through stories of gang violence and of migrant communities being excluded from mainstream society.<sup>9</sup> Hulthén is working to change this. She wants to build inclusive sustainable communities that welcome migrants into Swedish culture. The City of Gothenburg – the local authority for the city – wants to achieve social and environmental sustainability and is testing innovative approaches to make this happen.

Gothenburg has at least two tools to realise its goals: strong social policies, and leadership. The City owns land in key areas and uses this to lead developments that provide affordable housing and wider sustainability objectives. The RiverCity area is a regional centre at the heart of Gothenburg and is set to provide 30,000 homes and 30,000-40,000 jobs for the region.<sup>10</sup> The City of Gothenburg has identified RiverCity as an opportunity to combat segregation and create a more inclusive community.

Frihamnen is one neighbourhood within RiverCity which will become a test bed for sustainable development models. Located along the Göta älv River, Frihamnen was previously a logistics port and will be a strategically important location for the wider development, linking the city centre to the Backaplan, Kvillestaden, Ringön and Lindholmen areas. It will become a test area of 1,000 apartments, built by 2021, to evaluate models for affordable housing and the City's ambitious goals for inclusion and sustainability.

Kristian Käll, Process Leader for Social Sustainability at Älvstranden Utveckling AB, a City-owned company that facilitates development in Gothenburg, is involved in delivering the City's vision for the Frihamnen project. Käll says that City managers have observed that new community-scale developments in Gothenburg drive the polarisation of communities. A housing shortage combined with the high cost of development means that property values are beyond what many people can afford. Consequently City leaders did not want to rely on the market to lead regeneration projects such as Frihamnen, because the result would exclude certain groups and exacerbate current segregation challenges. Gothenburg is using Frihamnen as a way of challenging the market to find new business models for affordable housing.



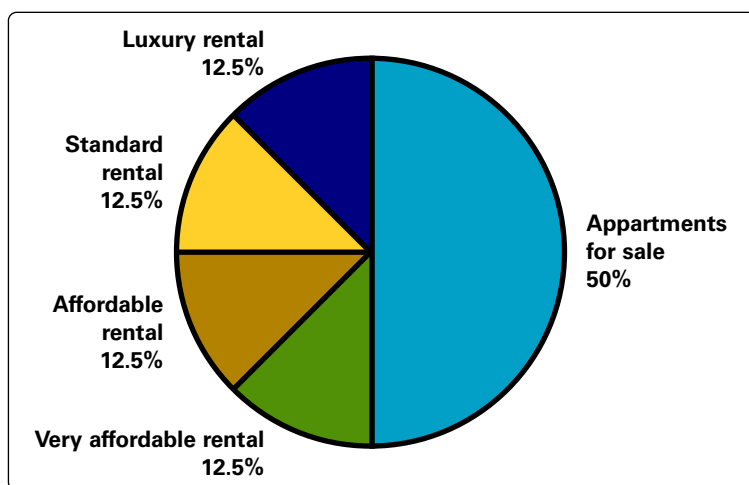
Gothenburg's RiverCity area, and a visualisation of some of the proposed housing, from *RiverCity Gothenburg Vision*<sup>10</sup>

**Table 1**  
**Rent level targets in Frihamnen – the Frihammsodellen**

Rent level	Rent per square metre per year <sup>a</sup>	Percentage of average market rate <sup>b</sup>
Very affordable	1,000 SEK (£79)	56.3
Affordable	1,400 SEK (£110)	78.9
Standard	1,850 SEK (£145)	104.2
Luxury	2,150 SEK (£169)	121.1

*a* Exchange rate on 4 October 2015, £1 = 12.68SEK

*b* New apartments in Gothenburg in 2014 are rented on average at 1,775 SEK (£140) per square metres per year



**Fig. 1** Frihamnen model – split of properties for rent and sale

The City researched ‘affordability’ from the householder perspective of Gothenburg’s population. The researchers looked at average incomes and other household budget items to determine what rents would be affordable locally. They set four rent levels to achieve a mixed community (see Table 1). Housing at these levels must be provided in equal portions and will together comprise half of the total number of apartments in the development, with the other half being apartments for sale (see Fig. 1). The lowest rent level represents the current average rent in Gothenburg’s low-income neighbourhoods. The City is considering limiting who can rent the newly built affordable homes through maximum income limits (although arrangements here are not finalised). If there are no restrictions, the homes will not necessarily go to lower-income householders as was intended.

Developers were selected to build on Frihamnen if they accepted the experimental rent levels. In this way, Gothenburg allowed the market to come up with different business models for affordable housing. Working with six to seven developers, Gothenburg will trial these models and evaluate which are most successful in meeting outcomes for the City, residents, developers and landlords.

The selected developers have adopted a range of approaches to meet the ambitious rent levels in Frihamnen. One developer is taking profits from market rate apartments and reinvesting into rental units. Others are looking to build at scale to offset the lower returns. Some will use a private rent allowance system.<sup>11</sup> In Sweden many developers retain and manage their own housing stock, which allows for longer time periods to recuperate investments. One developer told Käll that the company would accept lower profit margins if it meant the development would contribute to improving Gothenburg.

Joachim Arcari, co-owner of Botrygg, a developer and landlord selected to build 300 apartments on the Frihamnen project, is positive about Gothenburg’s approach to creating sustainable communities. Arcari said: ‘It is very important and correct of Gothenburg to choose this strategy. It will be a good solution to reduce segregation and improve integration. It will mix foreign-born citizens with Swedish-born citizens, and with different rental levels we will attract people from different economic situations. We will work for a variety of sport, leisure and cultural activities that will cost little or no money to participate in. There is no end to the positive effects.’

Arcari explained that Botrygg will build 300 apartments and sell 100; the remaining 200 will be rented according to the Frihamnen model (see Table 1). Botrygg's business model also includes the following differences from standard apartments at market rate:

- The return to investors will be 3.5% (in comparison with an ordinary return of 5 to 6%).
- After 15-20 years the rent level will be adjusted by approximately 15% per square metre per year.
- Inflation over a period of 15-20 years will help to adjust rent levels and improve the return to investors.

Collaboration was key in developing and implementing the Frihamnen approach. The City worked with civil society, the construction industry and landlords to understand the full range of requirements needed to create an inclusive

by 4,000 children. These activities also sought to change the image of Frihamnen from a rough place to an open place for everybody.

Alongside the social sustainability objectives, there are strong environmental targets for the homes built in Frihamnen. The City has set high requirements for energy efficiency, mobility and transport, and ecosystem management. Käll was adamant that these goals will not be compromised in cost-cutting measures to achieve the affordability levels.

### Reflections

Gothenburg's approach of asking the market to find solutions and trialling multiple business models in a test project is worthy of praise. It will be essential to understand how the City will ensure that the affordable units are rented to low-income families. Another question is whether families will



City of Gothenburg

**Community consultation on the Frihamnen development**

community in Frihamnen. Affordable housing was just one aspect of this work. New communities need good schools, places in which to play, and public spaces that are open for creativity and social life. The City and its partners needed to actively create opportunities and an environment in which low-income groups would settle. They wanted to create a mindset of diversity and inclusion in the activities leading up to the regeneration and construction activities. This included putting on a range of free activities, such as outdoor Tango lessons and an 'Everybody Can Sail' event attended

have to move if their financial circumstances improve beyond any limits set. These issues are yet to be determined.

There are differences between the development models in Sweden and the UK that make examples such as Frihamnen less straightforward to implement in the UK, but there are, nevertheless, several observations on matters that can impact on delivery models for affordable housing in the UK.

The tendency for Swedish developers to retain housing stock creates the opportunity for longer-term payback periods. The predominant UK model,

in which housing developers sell their stock post-completion, has been successfully challenged by companies like Places for People, which develops and manages housing properties of multiple tenures. Another approach, thought to be the first of its kind in the country, is being delivered by the London Borough of Barking and Dagenham,<sup>12</sup> which has purchased a building of newly constructed flats and will be renting 144 of the one- and two-bedroom properties at 80% of the market rate to householders with an income less than £66,000.<sup>13</sup> The Borough will make a profit on these rental properties, which will be used to fund further housing investments.

The APSE/TCPA *Housing the Nation* report<sup>2</sup> also points to the opportunity of using land value capture to fund a mix of tenures in new development.

The Frihamnen Model with its two affordable rent levels (at 56.3% and 78.9% of the local average market rate) provides an additional level of affordability to England's approach. The affordable properties will be 50% of the rented apartments, and 25% of the total apartments in the development.

In *Housing the Nation*,<sup>2</sup> APSE and the TCPA noted that there is concern about whether affordable housing as defined in the NPPF is really affordable, particularly in high-demand areas. Gothenburg's concern for creating inclusive communities and ensuring that the market delivers truly affordable housing in the heart of the city feels like the type of localism that is needed to respond to the UK's housing challenge.

Swedish communities struggle with many of the challenges facing those of us in Britain. From an outsider's perspective Sweden appears to be better at pulling together the right partners and making collaboration happen. Perhaps this is partly the result of strong political leadership. Or perhaps there are wider cultural differences, with the Swedes being more pragmatic and better at working across professional silos. The complexity of urban challenges means that decision-makers and stakeholders across multiple policy areas need to be involved in developing solutions.

Collaboration and leadership are essential if we are to overcome complex urban challenges and deliver sustainable and inclusive communities. This is particularly the case as these challenges are likely to increase as city populations grow. Gothenburg's Frihamnen model is a case study to watch and evaluate over the coming years.

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## Notes

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