Land-use trends in Estonia
Estonia is “growing outward”
Estonia is “growing outward”

- 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

Source: OECD calculations based on EUROSTAT GISCO
Growth has little to do with local demand

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

(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

• 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

Source: Cadastral units: Estonian Land Board 02.07.2021
An old and energy inefficient housing stock

Dwellings by year of construction in Estonia

An old and energy inefficient housing stock

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

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)

Annual cost per primary school student (EUR)

Built-up area per capita (sqm/person)

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

Log GHG emissions per capita (CO2 equiv. tons)

Built-up area per capita (sqm/person)
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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