An Investigation of Occupancy Conditions in Rural Housing
An Investigation of Occupancy Conditions in Rural Housing

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Scottish Government Social Research
2009
It should be noted that since this research was commissioned a new Scottish government has been formed, which means that the report reflects commitments and strategic objectives conceived under the previous administration. The policies, strategies, objectives and commitments referred to in this report should not therefore be treated as current Government policy.
Acknowledgements

We would like to acknowledge support and advice given by the Scottish Government and Rural Housing Service during the research. We also acknowledge the contribution of national experts in preparing the reviews – Gard Folkesdotter (Sweden), Menelaos Gkartzios and Declan Redmond (Eire) and Steinar Sorheim (Norway) – and thank respondents on occupancy control experience in Scottish and English national parks and in Jersey.
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EXECUTIVE SUMMARY

Introduction

1. The aim of this research was to investigate policies being implemented in Scotland and other countries (including elsewhere in the UK) to resolve rural housing shortages, with a specific focus on the potential benefits of those which aim to restrict the occupancy of open market housing for owner-occupation. It was to make recommendations on whether and how policy lessons from other countries may be suitable for Scotland. The Scottish Government was keen to gather evidence on the criteria used to create residency restrictions and how these operate; the use of the planning system, with particular focus on land release and incentives to provide affordable housing; and the use of taxation systems to alleviate affordability problems in rural areas. The research was undertaken in the context of the Scottish Government Housing Supply Task Force’s examination of means of facilitating rural and urban housing supply and the Scottish Parliament Rural Affairs and Environment Committee’s investigation of rural housing.

Research objectives

2. The objectives of this research were to identify a limited number of comparable countries in which housing or planning policy includes particular innovative or useful solutions for rural areas; to examine the effectiveness of policy approaches in comparator countries; and to consider how policies used in comparator countries might work (or not) in Scotland.

3. The research was wholly desk-based and used previous research and literature to summarise the nature of housing affordability problems in rural Scotland and lessons from evaluations of policy responses. Second, the researchers looked at comparative experience in England and Wales and the states of Jersey. Third, expert reviews were commissioned to summarise the experience of the Republic of Ireland, Norway and Sweden.

Housing affordability in rural Scotland

4. In rural Scotland today, and historically, problems of housing affordability are attendant upon local supply constraint. This is coupled either with an inability of some groups to compete with buoyant demand from in-migration or with economic fragility meaning that lower-income households are constrained from accessing the housing market. The Scottish Government (and predecessors) and local government have used an array of demand-side and supply-side mechanisms to attempt to resolve these, including tailored subsidies and reform to planning and land release policy. Whilst some subsidies have achieved some modest successes, these measures, and supply-side reform may need a step-change to mitigate seemingly-persistent rural housing affordability problems. Policies to restrain demand through occupancy control have had limited application in rural Scotland and there are qualifications on how successful they have been.
Comparative evidence

5. Two sorts of rural housing problems emerge in the comparator countries – peri-urban affordability difficulty and some evidence of depopulation of remote regions. Amongst the comparator countries, only Norway seems free of the former. The Scandinavian comparators share the characteristic of having local authorities leading on development planning, this seeming to generate at least the possibility of tailored approaches to sustainable development in Sweden. All of the comparators have some degree of recognition of rural settlements having relatively high proportions of holiday-homes. This not universally construed as a problem – in depopulating territories of Sweden particularly. Neither Norway’s attempt to deal with adverse consequences through licensing nor English/Welsh National Park attempts through occupancy control seem to have had many positive consequences, and in Norway the opposite is closer to reality.

Conclusions

6. Based on the research evidence, the report outlines a range of possible policy responses to housing affordability problems in contemporary rural Scotland, in the areas of planning, housing and local government finance. For each possible response, it shows the main benefits and costs of adopting the policy. The table below summarises this discussion.
<table>
<thead>
<tr>
<th>Possible measure</th>
<th>Benefits</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encourage land release for housing</td>
<td>Makes supply more responsive to demand</td>
<td>Implementation can be difficult and process is long-term</td>
</tr>
<tr>
<td>Discourage households from moving to rural areas through increasing cities' attractiveness</td>
<td>Reduces demand for rural housing</td>
<td>Damages rural economy, likely to be regressive, denies household aspirations, unlikely to succeed as counter to long-term trends</td>
</tr>
<tr>
<td>Occupancy control to limit external purchase</td>
<td>Favours 'local' people</td>
<td>Local economic stagnation, may stifle development, may be seen as discriminatory</td>
</tr>
<tr>
<td>Enhanced use of rural exceptions policies</td>
<td>Can overcome 'nimbyism'</td>
<td>Numerically small contribution overall</td>
</tr>
<tr>
<td>Create use class of affordable housing</td>
<td>Maintain affordable housing in perpetuity</td>
<td>Definition difficult, implementation problematic</td>
</tr>
<tr>
<td>Create second/holiday home use class</td>
<td>Discourage second/holiday home</td>
<td>Definition difficult, implementation problematic</td>
</tr>
<tr>
<td>Financial incentives for construction industry to build in specific areas or for self-build</td>
<td>Makes supply more responsive to demand</td>
<td>May not be efficient in long-term</td>
</tr>
<tr>
<td>Financial incentives for self-build</td>
<td>Cost-effective</td>
<td>Numerically small contribution overall</td>
</tr>
<tr>
<td>Remove discounts in council/ local tax on second homes</td>
<td>Encourages permanent residence, contribution to local housing development budgets</td>
<td>In itself, does not encourage supply, may be easy to avoid</td>
</tr>
</tbody>
</table>
1 \hspace{1em} \textbf{INTRODUCTION}

1.1 This report presents the findings of a short study to investigate the potential benefits of restricting the occupancy of open-market owner-occupied housing in rural Scotland. This chapter sets out research aims, objectives and the approach adopted.

Aims and objectives

1.2 As defined in the Scottish Government’s research brief, the overall aim of this research was to investigate policies being implemented in Scotland and other countries (including elsewhere in the UK) to resolve rural housing shortages, with a specific focus on the potential benefits of those which aim to restrict the occupancy of open market housing for owner-occupation. It was to make recommendations on whether and how policy lessons from other countries may be suitable for Scotland. The Scottish Government was keen to gather evidence on three issues:

i. the criteria used to create residency restrictions and how these operate;
ii. the use of the planning system, with particular focus on land release and incentives to provide affordable housing; and
iii. taxation systems, focusing on how they are used to alleviate affordability problems in rural areas.

The specific objectives were to:

- Identify a limited number of comparable countries in which housing or planning policy includes particular innovative or useful solutions for rural areas;
- Examine the effectiveness of policy approaches in comparator countries; and
- Consider how policies used in comparator countries might work (or not) in Scotland.

Research approach

1.3 Following discussion with an advisory group for the research, we adopted a four stage approach.

\textit{Stage 1 Research design}

1.4 The aim of this stage was to specify how the research would be undertaken. A framework for the selection of comparator countries was developed, based on the conclusions of a review of the principles and practice of comparative research. The concerns of the comparative housing policy literature are summarised in Table 1 below.
Table 1.1: Assessing the effects of policies

<table>
<thead>
<tr>
<th>Focus of study</th>
<th>Questions</th>
<th>Primary Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Context to content</td>
<td>Why and how policy came about?</td>
<td>Theory generation / testing</td>
</tr>
<tr>
<td>Content</td>
<td>What are the policies?</td>
<td>Description and classification</td>
</tr>
<tr>
<td>Context to conclusion</td>
<td>What are the results of policies?</td>
<td>Evaluating and policy lesson learning</td>
</tr>
</tbody>
</table>

1.5 One simple conclusion from the literature is that the greater the degree of similarity in policy process, the easier transferability becomes. One of the ways in which this has been approached in the literature is through typologies of states looking at regime types, policy types and governance types. Tewdwr-Jones (2006)\(^1\) applies such a typology in looking at rural housing provision.

1.6 At a very broad level, countries are divided into:
- Those that adopt a more protectionist and regulatory stance towards the countryside (regulatory regimes). Tewdwr-Jones includes Norway, France and the Netherlands in this group with Norway having policies that seek to regulate the way in which property changes hands, the use of that property, and the potential profits that might be realised from property transactions.
- Those that are more ready to accommodate growth (and are more laissez faire in their policy regime). Tewdwr-Jones includes Italy (particularly towards the south of the country), Spain and the Republic of Ireland in this group.
- Those that sit between these two ‘extremes’ and are unstable in the sense that there are elements in these countries that desire a move towards one of the other regulatory approaches. This author characterises the different UK countries and territories as having ‘unstable’ regimes. Different attitudes towards the countryside are perhaps most obvious at the policy level, where social and cultural factors are mobilised behind a particular agenda. From the 1947 Town and Country Planning Acts, the agenda for the different countries of GB has been one of protectionism. Today, these have culminated in an emphasis on planning constraint, giving rural housing a significant scarcity value and resulting in policy that tinkers with the market rather than dealing with the fundamental issue of supply.

1.7 The implication of this is that it is desirable to seek comparison of the Scottish experience with the other UK nations/territories. Similarity can also be conceived in terms of looking at particular types and contexts of policy –

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comprehensivity in spatial planning regimes, similarity in organisational form for example. The implication of this is to promote comparison of Scottish experience with those of the other UK nations/territories and the Republic of Ireland.

1.8 It is also sensible to look for comparison with countries where a particular rural housing problem is recognised. In addition to the UK and Eire, this implies that it might be helpful to look at Finnish and Norwegian experience. According to the Tewdwr-Jones’ typology, however, both of these countries are broadly characterisable as having more interventionist regimes than Scotland.

1.9 A set of questions was developed for an e-questionnaire to key individuals and a brief for expert reviews of different national experiences.

Stage 2 Initial review of national evidence

1.10 The aim of this stage was to synthesise and critically review the available evidence on the extent and causes of housing affordability problems in rural Scotland.

Stage 3 Review of evidence from comparator countries

1.11 The aim of this stage was to gather and analyse data from comparator countries on approaches to tackling rural housing problems and their effectiveness. The intention was to generate information to add to previous research. The review included housing and spatial planning policy and any tax instruments. In addition to looking at published research, further evidence was gathered in two ways:

- Undertaking and commissioning national reviews: we reviewed evidence from the other UK nations/territories and commissioned reviews for three other countries – the Republic of Ireland, Norway and Sweden. Reviews were written by national experts to a standard specification (the objectives for the reviews are given as Appendix One).
- E-questionnaire: we attempted contacting key individuals in other EU member states through the European Social Housing Observatory and sought completion of a short questionnaire. The questionnaire was set up and email invitations sent to approximately 50 people in national and local government and in the social housing sector. The questionnaire content is noted in Appendix One.

1.12 Only three responses were made, all terminating after question 2. This was a poor response and very little usable information was produced. This meant that the research report needed to focus on the data from national reviews alone rather than both sources.

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3 Our intention had been to review Finnish experience but we were unable to locate an expert able to do this in the study timescale.
Stage 4 Synthesis of evidence

1.13 The final stage was to assess the extent to which Scotland might be able to learn from the experience of comparator countries in affordable rural housing provision.

Structure of report

1.14 Chapter Two provides a review of the available evidence on the extent and causes of housing affordability problems in rural Scotland. Chapter Three summarises findings from comparator countries. The final chapter looks at the extent to which other countries’ policies and practices would work in Scotland.
2 HOUSING AFFORDABILITY IN RURAL SCOTLAND

Introduction

2.1 The aim of this chapter is to summarise contextual data on the extent and causes of housing affordability problems in rural Scotland. It also looks at research findings on the effectiveness of policy responses to these problems.

2.2 The starting point in the discussion is the recognition that housing affordability problems can be related to different housing market dynamics. A recent publication\(^4\) put forward a four-fold classification of Scotland’s rural housing markets:

- buoyant areas with population, economic activity and housing pressure increasing while supply is constrained;
- pressured areas where population and housing pressure increasing, some with indigenous economic growth or commuter pressure, some experiencing high demand from external markets;
- fragile areas with limited economic growth and emigration of young families but pressure on housing supply; and,
- regeneration areas with low housing pressure and declining economic bases

2.3 In area types (i) and (ii), the key factor is the supply of housing or housing land and it therefore seems appropriate to look to housing or planning policy mechanisms for mitigation of affordability problems. In area types (iii) and (iv), key factors are both housing- and local economy-related, suggesting that policy responses should also tackle both.

2.4 It has also been recognised that rural housing supply faces a series of constraints that mitigate its responsiveness to changes in demand\(^5\):

- Particularly in remote areas, there is a relative dearth of speculative building. Whilst rural Scotland might in principle benefit from the uplift in supply signalled by Firm Foundations, it is also arguable that it will not benefit to the same extent as urban or peri-urban areas.
- Historically, national planning has been antipathetic to rural housing development. From the 1990s, the modern discourse of sustainability has led to a presumption in favour of ‘town cramming’ – encouraging higher densities in cities and market towns. The Scottish Government’s recent revision to SPP3 Planning for Housing however signals a welcome shift in attitude at national level.


• Access to land: local monopolies can frustrate this although there are also more positive attitudes amongst many land-owners.
• Physical infrastructure: investment in water and sewerage networks in particular faces high costs and needs to take account of the provider’s national priorities.
• Weaker organisational infrastructure: though the network of housing associations delivers much excellent work, it has far from ubiquitous coverage of rural Scotland.
• Inappropriate policy models: spatial planning policy and policy to combat disadvantage have a tendency to concentrate on major population centres and neglect rural areas.

Planning and occupancy restrictions

2.5 In view of the research evidence, land, planning and infrastructure have been appropriately targeted for attention by the Scottish Government. This research focuses attention on the potential efficacy of a planning policy instrument designed to restrict the occupancy of open-market housing for owner-occupation. While there is some important contextual information about the operation of these policies south of the Border, there is no hard evidence about their market impact. In the absence of such data, more indicative evidence has been used to gauge their potential impact.

2.6 Research for Communities Scotland and the Cairngorms National Park Authority was designed to test the impact of alternative planning policies for affordable housing – seeking a quota of affordable housing from new private developments and applying occupancy restrictions. Impacts were tested on residual land values using Three Dragons’ toolkit (commonly deployed south of the Border to test policy viability). The research used estimates from historical experience (anecdotal rather than rigorous) south of the border that seeking to restrict market housing to local residents would reduce house prices by approximately 25 per cent. It was concluded that in parts of the Park with significantly positive residual values, application of either an

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9 Satsangi, M., G. Bramley, K. Dunmore and L. Cousins (2008) *Planning for affordable housing in the Cairngorms National Park*, Edinburgh: Communities Scotland. This research was published by Communities Scotland, a Scottish Government executive agency which was abolished on April 1st 2008.
10 The residual value of development is the developer’s anticipated income minus the costs of development.
affordable housing quota or an occupancy control was viable. At the same time, however, interviews and group discussions with local employers showed that occupancy controls would be likely to diminish local economic growth – both by restricting the supply of suitable labour and by reducing demand for goods and services.

2.7 More generally, commentary\textsuperscript{11} has raised some in principle issues about such policy. Arguments in favour include a broad view of social welfare, opinions that “outsiders have no serious grounds for being housed in villages”, an argument that housing local people better sustains local services and that ‘local needs’ is the selling point for more affordable housing. At the same time, there are questions of legality or legitimacy, definitions of ‘local’ can be problematic, policies can be counter-productive – i.e., they reduce development viability and stifle supply, they may lead to stagnation and in the extreme they can become instruments of exclusion. Relating this to the Scottish national context, there must also be concern about whether a policy of restraint fits with the primacy Government has attached to improving national and local economic growth rates.

2.8 There is some research evidence on the use of other forms of occupancy restriction in Scottish housing\textsuperscript{12}: first, the Rural Home Ownership Grant (RHOG) mechanism provides a targeted capital subsidy to allow households in (mainly) pressured rural areas to build or purchase a house provided that that house is for a primary residence and that the recipient remains in it for a ten year period.

2.9 Second, the Open Market Shared Equity Pilot (OMSEP) Scheme which forms part of the Scottish Government’s Low Cost Initiative for First Time Buyers (LIFT) - announced in October 2007 - has a similar aim. New shared equity models were introduced in 2007, with the Open Market Shared Equity scheme being extended to certain rural areas in January 2008 and then to the rest of Scotland more recently. The New Supply Shared Equity (NSSE) Scheme – also part of LIFT - involves registered social landlords building new homes for sale across Scotland including rural areas. Both OMSEP and NSSE Schemes allow buyers to own a property, although they only pay for a proportion of it (normally between 60 and 80 per cent) whilst the Scottish Government holds a security over the remaining percentage stake (and therefore receives the sale value of that percentage stake if the property is sold).

2.10 Third, crofting tenure, dating from the nineteenth century, was established to protect the land tenure of tenants and owner-occupiers in the crofting counties, provided that they maintained local productive/economic activity.

\textsuperscript{12} As in the other nations and territories of the UK, Scottish planning authorities may grant permission for new housing in the countryside provided that that housing is used for agricultural or forestry workers. There are no data on the extent of use of these agricultural occupancy conditions, but the long-term decline in employment in these industries is likely to mean little if any new provision.
2.11 The evaluation of the RHOG mechanism showed the effectiveness and efficiency of the subsidy in assisting targeted households into home ownership\textsuperscript{13}. It did question, however, the value for money of the use of the subsidy in some cases of open market purchase rather than self-building.

2.12 The evaluation of the open market Homestake pilot in the Lothians\textsuperscript{14} suggested ways in which the efficiency of the scheme could be improved. In October 2008, the First Minister announced a temporary expansion of the coverage of the OMSEP Scheme from the current ten council areas to the whole of Scotland from Spring 2009. In due course, monitoring and evaluation data from the OMSEP Scheme will provide important data.

2.13 The rights, responsibilities and boundaries of crofting tenure have recently been subject to extensive research\textsuperscript{15}. It suggested ways in which public subsidy for affordable housing on crofting land (the Croft House Grant Scheme, CHGS) could be made more effective. The convenor of the crofting inquiry has publicly stated his view that houses built on decrofted land should be bound by occupancy conditions in perpetuity to be used for primary residence in order to protect croft land from speculative building for the second-home market. The Scottish Government has agreed to take this suggestion into consideration whilst commenting that the occupancy condition might be removed in appropriate market circumstances.

2.14 The 2003 Land Reform legislation created a way of maintaining housing affordability in perpetuity, namely the rural housing burden. There have been attempts to use it, notably in the Highlands. To date, there is only anecdotal evidence on its use. This suggests that this form of restricting occupancy may not be viewed favourably by mortgage lenders as it reduces the potential numbers of purchasers and therefore reduces price appreciation.

2.15 Loch Lomond and the Trossachs National Park has applied occupancy restrictions to new private housing developments in the Loch Lomondside villages that are within close commuting distance to Glasgow. The Park suggests that much of the onus for compliance is with the buyer, with Section 75 agreements\textsuperscript{16} having legal conditions tied in to the title deeds. However it has been acknowledged that abuses do occur. It takes a ‘corporate’ responsibility for the policing of occupancy restriction, with the main duty the remit of the planning department. The Park has a Planning Compliance Officer who takes certain measures to ensure the occupancy conditions are being met including spot checks on a limited number of properties,


\textsuperscript{16} Agreements entered into by a successful applicant for planning permission for a development with the planning authority.
questionnaires and general enquiries. The planning department recognises this as a difficult task, with little way of knowing how effectively it is performed.

2.16 Based on surveyor estimates, the Park suggests that the policy would reduce values by 20-30 per cent. Though there is no hard evidence, the Park has recognised that this will be likely to have reduced – though not excluded - private investment.

Taxation policy

2.17 The revenue from property tax constitutes an important source of local government expenditure. Since the introduction of the council tax in 1993, various discounts have been applied – notably for single person and student households. There was also a standard discount of fifty per cent for vacant properties and second and holiday homes. From 2005, councils were entitled to set their own discount levels for these categories, though there was a mandatory 50% discount for purpose-built holiday homes and houses that had been vacant for less than a year. Some rural authorities, notably Highland Council, decreased the discount to ten per cent, putting additional revenues into a fund earmarked for funding affordable housing. Partly as a consequence, there have been calls for owners of second homes to be levied more than the standard council tax. Table 2.1 shows proportions of second homes at council area level for rural councils. It also shows the discounts applied. The total additional income raised nationally by applying reduced discounts in 2006-07 was £17.1m. The figures suggest that a number of rural authorities are likely to see important revenue streams from reduced discounts, notably Argyll and Bute, Highland and Comhairle nan Eilean Siar.

Table 2.1: Second homes and second home discounts in rural Scotland, 2006-07

<table>
<thead>
<tr>
<th></th>
<th>Total number of dwellings</th>
<th>Proportion of second homes</th>
<th>Second home discount rate on council tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scotland</td>
<td>2,442,284</td>
<td>1.4%</td>
<td>n-a</td>
</tr>
<tr>
<td>Aberdeenshire</td>
<td>105,503</td>
<td>1.3%</td>
<td>10%</td>
</tr>
<tr>
<td>Angus</td>
<td>52,870</td>
<td>0.8%</td>
<td>10%</td>
</tr>
<tr>
<td>Argyll &amp; Bute</td>
<td>45,932</td>
<td>8.2%</td>
<td>10%</td>
</tr>
<tr>
<td>Dumfries &amp; Galloway</td>
<td>71,115</td>
<td>2.4%</td>
<td>10%</td>
</tr>
<tr>
<td>Comhairle nan Eilean Siar</td>
<td>13,893</td>
<td>6.2%</td>
<td>10%</td>
</tr>
<tr>
<td>Highland</td>
<td>108,606</td>
<td>4.4%</td>
<td>10%</td>
</tr>
<tr>
<td>Moray</td>
<td>41,172</td>
<td>1.4%</td>
<td>10%</td>
</tr>
<tr>
<td>Orkney Islands</td>
<td>9,880</td>
<td>3.7%</td>
<td>10%</td>
</tr>
<tr>
<td>Perth &amp; Kinross</td>
<td>67,010</td>
<td>2.9%</td>
<td>10%</td>
</tr>
<tr>
<td>Scottish Borders</td>
<td>54,588</td>
<td>1.9%</td>
<td>10%</td>
</tr>
<tr>
<td>Shetland Islands</td>
<td>10,313</td>
<td>1.6%</td>
<td>10%</td>
</tr>
<tr>
<td>South Ayrshire</td>
<td>53,069</td>
<td>1.2%</td>
<td>25%</td>
</tr>
<tr>
<td>South Lanarkshire</td>
<td>140,112</td>
<td>0.3%</td>
<td>10%</td>
</tr>
<tr>
<td>Stirling</td>
<td>38,582</td>
<td>1.7%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: Scottish Government council tax returns.
2.18 The Scottish Government intends to replace council tax with a local income tax. However, a separate tax for second homes will be maintained, likely to be similar to current arrangements.

Market context

2.19 The most recent evidence suggests that rural areas in Scotland, and indeed the country as a whole, are beginning to experience the nominal and real falls in house prices that have been visible in the other nations and territories of the UK. The Nationwide building society reported that from the third quarter of 2007 to the third quarter of 2008, the national nominal price fall was 7.1%, compared to -10.3% for the UK. It cited figures for Aberdeenshire and Morayshire (-2%), Perthshire and Stirlingshire (-3%) and Southern Scotland (-5%)17. Consistent patterns have been seen in other national level data sources, e.g. from Halifax Bank of Scotland data, but there have been no recent updates to an analysis of second quarter data that showed continued growth in rural Scotland18. It is likely, however, that other sources will corroborate evidence on rural house price decline. One interpretation of house price falls is that they might be welcomed as they mean a lower first rung on the home ownership ladder. However, price falls are associated with a reduced volume of transactions – an owner will not sell unless s/he has to – meaning that ‘cheaper’ housing does not actually come on to the market. The current context is also one of mortgages being more difficult to obtain with lower loan to value ratios. Price falls also mean lower investment by house-builders, dampening new supply further and mitigating the potential supply of affordable housing through s75 agreements.

Conclusion

2.20 In rural Scotland today, and historically, problems of housing affordability are attendant upon local supply constraint. This is coupled either with an inability of some groups to compete with buoyant demand from in-migration or with economic fragility meaning that lower-income households are constrained from accessing the housing market. The Scottish Government (and predecessors) and local government have used an array of demand-side and supply-side mechanisms to attempt to resolve these, including tailored subsidies and reform to planning and land release policy. Whilst some subsidies have achieved some modest successes, these measures, and supply-side reform may need a step-change to mitigate seemingly-persistent rural housing affordability problems. Policies to restrain demand through occupancy control have had limited application in rural Scotland and their qualitative successes seem small compared to some of their costs.

17 Source: http://www.nationwide.co.uk/hpi/review.htm
3 COMPARATIVE EVIDENCE

Introduction

3.1 The aim of this chapter is to bring together evidence from the national expert reviews of rural housing and planning policy and the use of occupancy controls. It begins with a short summary of the national reviews. The chapter then follows the sequence of the brief for the commissions, beginning with outlines of approaches to rural planning and housing, looking for evidence of problems. It then outlines the main policy initiatives (national and local including taxation) and findings of any evaluations. Specific attention is then given to experience in the use of occupancy controls.

Overview of rural housing problems and solutions

3.2 Table 3.1 below brings together summary information from the national reviews. These are expanded by following the questions in the brief for commissions.

Approaches to rural planning and housing

3.3 As might be expected, Republic of Ireland (Eire), Norway, Sweden, England and Wales share over-arching policy commitments to enhancing sustainable development. However, there are some divergences in the practical interpretation of this ambition, with Norway, for example, showing a strong policy focus on attempting to equalise regional economic performance and thus deliver consistently on that dimension of sustainable development whilst Eire and England and Wales have had a focus toward an environmental dimension. Sweden appears to be between these two positions. All of the countries have seen the decline of more remote rural areas – economically and in population terms, the latter seen both numerically and in an increasingly elderly profile. To a small extent, all of the countries have seen some off-setting of that trend through second and holiday home growth. Peri-urban areas in all countries have seen some significant growth pressures.
Table 3.1: Overview of rural housing problems and solutions

<table>
<thead>
<tr>
<th>Theme</th>
<th>Country</th>
<th>England and Wales</th>
<th>Jersey</th>
<th>Eire</th>
<th>Norway</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognition of rural housing problems</td>
<td></td>
<td>Yes – affordability of market housing and need for social housing; depopulation of some more remote areas</td>
<td>Yes - affordability of market housing</td>
<td>Yes - affordability of market housing</td>
<td>No – depopulation of Northern counties</td>
<td>Yes – depopulation of Northern counties; affordability of market housing in peri-urban areas</td>
</tr>
<tr>
<td>Explicit rural housing policy</td>
<td></td>
<td>Explicit rural investment strategy in national policy</td>
<td>Yes – segmented housing market strategy</td>
<td>No</td>
<td>Not in national policy</td>
<td>No – decentralised to regions/municipalities.</td>
</tr>
<tr>
<td>Explicit rural planning policy</td>
<td></td>
<td>Yes, long-term resistance to rural development; policy implementation highly contested</td>
<td>No</td>
<td>Yes – supply response to 'rural-generated' but not 'urban-generated' demand, uncertainty over policy implementation; possible tailoring of planning to National Spatial Strategy implies increasing sophistication</td>
<td>Not from centre; regional policy important</td>
<td>Attempts to maintain settlement pattern; perspective on sustainable development allows strategic approach to development and conservation</td>
</tr>
<tr>
<td>Housing policy instruments</td>
<td></td>
<td>c70% home-ownership in countries, higher in rural areas; social rental and LCHO programmes, urban-oriented; rural right-to-buy sales significant</td>
<td>80% + home ownership.</td>
<td>c80% home-ownership; limited social rental/ LCHO provision; peri-urban areas esp suffer affordability difficulties</td>
<td>80%+ home-ownership; limited grants to municipalities from Norwegian State Housing Bank for welfare housing, no formal evaluation of effectiveness</td>
<td>60%+ home-ownership; municipal housing companies organise social housing provision on cost rent basis; no formal evaluation of effectiveness</td>
</tr>
<tr>
<td>Theme</td>
<td>Country</td>
<td>England and Wales</td>
<td>Jersey</td>
<td>Eire</td>
<td>Norway</td>
<td>Sweden</td>
</tr>
<tr>
<td>-------</td>
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<td>------</td>
<td>--------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>Planning policy instruments and their effectiveness</td>
<td>Planning for affordable housing policies generally more effective in larger settlements, rural exceptions policies numerically small provision overall but locally important</td>
<td>-</td>
<td>Planning for affordable housing policies generally more effective in larger settlements; long-tem laissez-faire attitude to development in the countryside under challenge</td>
<td>Along with regional development policy and taxation, attempts to maintain (historic) settlement pattern, no real evidence of success</td>
<td>Municipal development plans tailor provision to (changing) demographic/economic circumstance</td>
<td></td>
</tr>
<tr>
<td>Use of occupancy control and effectiveness*</td>
<td>Majority of National Parks have formal policy to favour ‘local people’ in new development, impact on market value threatens development and policy commonly relaxed in practice; effectiveness questionable</td>
<td>As housing policy above</td>
<td>Attempted through housing policy above, no evidence on effectiveness</td>
<td>Many rural authorities have attempted to stop settlements becoming ‘part-time’, dominated by holiday homes through licensing; ineffective</td>
<td>None, some discussion of merits</td>
<td></td>
</tr>
<tr>
<td>Taxation (dis-) incentives</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Tax breaks for employers and employees in depopulating regions, ineffective against centralising forces</td>
<td>Reformed property taxation may have some negative distributional consequences</td>
<td></td>
</tr>
</tbody>
</table>

* The evidence base is generally thin and qualitative, with little systematic research.
3.4 The countries’ recognition of rural housing as a policy issue varies by degree. For Norway and Sweden, national concerns tend to relate to depopulation, with, particularly for Sweden, regions and municipalities then seeing different rural housing concerns. Eire is unique in its attention to one-off housing at national and local levels. Governmental reports as well as academic and pressure group work have maintained rural housing as a policy issue nationally in England and Wales for a considerable length of time, suggesting a failure of implementation mechanisms to resolve apparent causes. Of the countries studied, the clearest examples of specifically rural affordability and supply difficulties are found in England and Wales. However, if data allowed, it seems likely that Eire would show similar problems. In Sweden, rural affordability difficulty seems confined to areas close to the capital or other major urban centres.

Main policy initiatives

3.5 In Norway, the main aim of current rural policy is to maintain a decentralized settlement pattern, emphasis is also placed on value creation and making the most of the potential in all regions. The strongest instrument is an explicit regional investment policy, covering around 86% of the land mass and two thirds of municipalities inhabited by approximately 29.5% of the population. These areas share features of lower educational attainment, out migration, ageing and higher levels of public sector employment. They receive high grant amounts per capita to ensure public service delivery and tax breaks for firms to sustain economic activity. These work by differentiating tax rates on employers, so that in the poorest (most remote) areas, employers pay no tax on wage bills. The most remote rural areas receive additional targeted funding. Innovation in local businesses is actively pursued by public agencies. Planning and development policies are intended to support regional policy, supporting it through infrastructure provision and attempting to maintain settlements’ place competitiveness. National housing policy does not differentiate rural and urban areas.

3.6 In Sweden, a governmental organization, the Swedish National Rural Development Agency, has a remit to improve living conditions and development opportunities for residents of sparsely-populated areas. It is intended to work by co-ordinating the strategies of different agencies and has a particular focus on remote areas and on inner woodland regions. Though there are national aims for housing and planning, policy is decentralised. Whilst undoubtedly a political decision, it is arguably sound when the quite different conditions of different parts of the country are recognised. The North has a decreasing population and attractive areas have seen permanent homes bought by incomers for holiday home use. The South has seen the opposite: what were holiday homes are often transferred to permanent dwellings. There has been some discussion of the regulation of transfer – so that a permit would be required to make a permanent home a holiday home – but it has been seen as too costly to police.
3.7 A National Housing Credit Guarantee Board administers government credit guarantee programmes for housing development, helping municipalities where the municipality itself cannot bear the costs for reconstruction. There has been some discussion of the need for intervention in some peri-urban and remote areas where housing production costs appeared to exceed market values. A pilot subsidy scheme for remote areas has been established.

3.8 In Eire, regional aid from the EU and a low tax regime have been allied by commentators with the nurturing of the ‘Celtic tiger’ economy from the mid 1990s until 2006-07. The planning regime has been described as one of relaxation, relative to other EU countries. There are some indications that it will tighten in the advent of a national spatial strategy (2002). This differentiates rural areas of the country on a functional basis and recommends appropriate policy responses. It distinguished urban and rural-generated housing demand, suggesting that the former should be accommodated within settlements and that the latter could be met by development in the countryside. This was an attempt to restrain the growth of large, single owner-occupied houses (one-off housing) in open countryside, an issue that had become highly contentious in the Republic.

3.9 In England and Wales, the explicit policy agenda aspires to socially inclusive rural communities with strong economies and environments and neighbourhoods marked by quality and sustainability. However, the long-term direction of policy has been to foster development in larger, market towns (and the cities), with limited provision in villages. Public subsidy for housing through the Housing Corporation has recognised the higher cost environment of rural provision. However, there is consistently strong evidence that rural LCHO and social rental provision are well below need. England and Wales have a history of attempting to use the planning system to support affordable housing provision from land values rather than public subsidy. The evidence suggests that this has been of only marginal benefit to rural settlements.

**Occupancy controls**

3.10 Norway, Eire and England and Wales have attempted controlling the occupancy of new private residential developments. In the case of Eire, these are directed towards restraining one-off housing development and are based on a contentious ‘urban-generated’ vs ‘rural-generated’ distinction. Policies have been implemented in the period 2003-06 and there is no evidence on which to judge on their impacts. There is some quantitative and qualitative evidence for Norway, qualitative for England and Wales.

3.11 In Norway, municipalities have the power to say that houses should be used for permanent residence (occupied at least half the year) rather than holiday homes. Its intention was to encourage year-round occupancy of housing in settlements that had lost, or were losing, their traditional populations. However, a registered purchaser of a permanent home was entitled to gift that house to a close relative to use as they wished. Evaluations show that the

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19 At the time of writing, there are no plans to gather such evidence.
policy has not had its intended impact. First, it has not increased permanent populations. Second, controlled properties fetch considerably lower values than uncontrolled properties, leading to low or dis-investment. Lower prices have not been sufficient to retain or attract new permanent residents. Third, municipalities with occupancy control have witnessed higher rates of transfer of houses from permanent to second/holiday homes. Finally, because of the ‘close relative’ clause, it can be cost-effective to acquire a holiday home through a family member buying a ‘permanent’ home.

3.12 In England and Wales, occupancy controls have been used by many National Park Authorities on all market housing developments as a response to well-documented problems of affordability and supply for ‘local’ people. To qualify as a ‘local’ commonly means a three to five year residence, save where a purchase is being sought in relation to an employment move.

3.13 Strict application of control would, however, seem to reduce residual values to too low a value to make development viable, clearly tending to exacerbate supply and affordability problems. As a result, a more pragmatic approach has been adopted in practice. A consequence of the effective barrier on private development has been the subsidised sector (housing associations and other registered social landlords) apparently being able to take advantage of development opportunities and build social rental housing and homes for low-cost ownership, for both of which occupancy can be effectively controlled.

3.14 In the face of retirement and holiday/second home demand from the mainland outbidding locally-generated demand, the States of Jersey have had a long-standing policy of restricting the ability to purchase to ‘local’ people. Save for moves for employment reasons, this means that a prospective purchaser has to live on the island for twelve years before being able to buy. The States have successfully defended the policy as being fair in the light of Jersey’s unique housing market circumstances.

Conclusion

3.15 Two sorts of rural housing problems emerge in the comparator countries – peri-urban affordability difficulty and some evidence of depopulation of remote regions. Amongst the comparator Arc of Prosperity countries, only Norway seems free of the former. The Scandinavian comparators share the characteristic of having local authorities leading on development planning, this seeming to generate at least the possibility of tailored approaches to sustainable development in Sweden. All of the comparators have some degree of recognition of rural settlements having relatively high proportions of holiday-homes. This not universally construed as a problem – in depopulating territories of Sweden particularly. Neither Norway’s attempt to deal with adverse consequences through licensing nor English/Welsh National Park attempts through occupancy control seem to have had many positive consequences, and in Norway the opposite is closer to reality.
4 CONCLUSIONS

Introduction

4.1 The aim of this chapter is to summarise the results of the research, highlighting issues for consideration by the Scottish Government.

Costs and benefits of occupancy controls

4.2 Comparator countries have used occupancy controls in two ways: restricting purchasers of new market housing development; and preventing permanent residences becoming second/holiday homes. The key issues that arise are summarised under each.

Restricting purchasers of new market housing development

4.3 National Park experience in England and Wales shows some limited, qualitative benefits from attempting to ensure unsubsidised housing goes to ‘local’ people. Parks have defined ‘local’ on the basis of length of residence\(^\text{20}\), adopting clauses on employment-related moves to ensure that policy does not violate European Union or European Court of Human Rights’ principles. Should it be considered appropriate for Scottish planning authorities to pursue such a policy, such codifications of ‘local’ could be adopted with the terms designed to reflect local market characteristics.

4.4 It must be questionable, however, if the policy is appropriate to rural Scotland. The experience suggests\(^\text{21}\) that occupancy controls have served as a deterrent to private investment by reducing residual land values. In a context where the Scottish Government’s Housing Supply Task Force (HSTF) is seeking to create an environment and a planning system conducive to increased housing supply, a control policy seems to push in the wrong direction. There are two further arguments against occupancy control. First, as seen in research in the Cairngorms, limiting occupancy is seen as a barrier to local economic growth. Second, research tends to suggest that many members of black and minority ethnic communities see rural areas as ‘white’ areas that are ‘not for us’\(^\text{22}\). Restricting occupancy to ‘local people’, albeit with careful equalities monitoring, is likely to strengthen such perception. Reducing private sector demand for rural housing sites might lower site acquisition costs for housing associations and other registered social landlords, but it is likely that more efficient, direct ways can be found of doing this – land-banking for example.

\(^{20}\) As have the States of Jersey, though with a significantly longer qualification period than on the mainland.

\(^{21}\) The health warning that must be attached here is that there is a lack of systematic market impact or other evaluation data. The Scottish Government may wish to redress this by joint research with English and Welsh government departments.

4.5 No suitable data exist at present to determine whether Eire’s attempt to distinguish different categories of demand has worked in practice.

Preventing permanent residences becoming second/holiday homes

4.6 Despite policy having good intentions to mitigate the depopulation of some of its fragile rural economies, it is hard to see any positive points in Norwegian municipalities’ use of licensing of holiday homes. There are reasons to suggest that the Scottish context is different from Norway’s. Data from the Registrar General for Scotland suggest that as a whole, Scotland’s remote rural areas have seen population growth in the early years of this century. But this is likely to conceal some quite different trends in different areas – the Western Isles, for example, have seen people gravitating to major centres – whilst the Isle of Skye has seen growth within and outwith its centres. In the former area types, it is likely that any form of housing investment is welcomed – not unlike the case for some fragile rural Swedish situations. In the latter area types, it is likely that second home ownership has played a role and contributed to housing market pressure. Would action to dampen second/holiday home growth be appropriate?

4.7 One option that has been considered from time to time is amendment to the use classes order. In addition to the current single class of ‘housing’, it would be possible to create the (sub-) classes of ‘affordable’ housing and/or ‘second/holiday homes’. The former is of interest given that much attention in discussion of rural housing affordability issues focuses on the supply of lower cost housing. Here, a user/developer would need to obtain planning permission to let ‘affordable housing’ become general ‘housing’. This might help ensure that housing developed as ‘affordable housing’ remains as such in perpetuity but such an aspiration is not borne out by the evidence: no research in Scotland has suggested that an affordable housing use class would mitigate rural housing affordability difficulties. Conversely, it is important to note evidence that the option faces major implementation difficulties, mainly relating to definitions, market impact and policing23.

4.8 Preventing general ‘housing’ from becoming a ‘second/holiday home’ has some superficial attractions in areas where very few houses are ever built and housing pressure is high. It could be enacted through change to the use classes order, or through a section 75 agreement on newly-built housing, or through licensing (as is mandatory for houses in multiple occupation). The research evidence, however, tends to suggest that it too would do very little to mitigate rural housing affordability difficulties24.

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4.9 Table 4.1 below summarises these points and provides a brief commentary on other options that the Scottish Government might consider. Chapter Two set out a typology of area types:

i. buoyant areas with population, economic activity and housing pressure increasing while supply is constrained;

ii. pressured areas where population and housing pressure increasing, some with indigenous economic growth or commuter pressure, some experiencing high demand from external markets;

iii. fragile areas with limited economic growth and emigration of young families but pressure on housing supply; and,

iv. regeneration areas with low housing pressure and declining economic bases.

The options in Table 4.1 are geared towards areas in types i-iii. For areas in type iv, the options are not directly appropriate. Here, the dominant local focus must be on encouraging local economic activity, with leadership commonly from the ground or from local authorities and local enterprise companies.

4.10 The main conclusion from Table 4.1 is that measures to encourage land release and new supply are likely to be rather more effective in resolving rural Scotland’s affordable housing difficulties than any measures to restrict the occupancy of housing. Small, but important, contributions can also be generated from incentives to encourage self-build housing and from the use of rural exceptions policies.

4.11 In this respect, the Scottish Government’s current work through its Housing Supply Task Force seems an appropriate approach. There must be a degree of circumspection as specific measures are currently awaited. In the longer term, it will be important for the local rural market impact of shared equity provision to be monitored. Similarly, there is currently no more than anecdotal evidence on the use of the rural housing burden. Whilst the current housing market context may militate against its use, the most important concluding point is that rural Scotland’s housing affordability difficulties will persist and emerge more sharply when the market moves into upturn unless measures to improve supply are taken.
### Table 4.1: Summary of policy options

<table>
<thead>
<tr>
<th>Possible measure</th>
<th>Lead responsibility</th>
<th>Benefits</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planning policy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Encourage land release for housing</td>
<td>Local authorities</td>
<td>Makes supply more responsive to demand</td>
<td>Implementation can be difficult and process is long-term</td>
</tr>
<tr>
<td>Discourage households from moving to rural areas through increasing cities’ attractiveness</td>
<td>Local authorities</td>
<td>Reduces demand for rural housing</td>
<td>Damages rural economy, likely to be regressive, denies household aspirations, unlikely to succeed as counter to long-term trends</td>
</tr>
<tr>
<td>Occupancy control to limit external purchase</td>
<td>Local authorities</td>
<td>Favours ‘local’ people</td>
<td>Local economic stagnation, may stifle development, may be seen as discriminatory</td>
</tr>
<tr>
<td>Enhanced use of rural exceptions policies</td>
<td>Local authorities</td>
<td>Can overcome ‘nimbyism’</td>
<td>Numerically small contribution overall</td>
</tr>
<tr>
<td>Create use class of affordable housing</td>
<td>Scottish Government</td>
<td>Maintain affordable housing in perpetuity</td>
<td>Definition difficult, implementation problematic</td>
</tr>
<tr>
<td>Create second/holiday home use class</td>
<td>Scottish Government</td>
<td>Discourage second/holiday home</td>
<td>Definition difficult, implementation problematic</td>
</tr>
<tr>
<td><strong>Housing policy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial incentives for construction industry to build in specific areas or for self-build</td>
<td>Scottish Government</td>
<td>Makes supply more responsive to demand</td>
<td>May not be efficient in long-term</td>
</tr>
<tr>
<td>Financial incentives for self-build</td>
<td>Scottish Government</td>
<td>Cost-effective</td>
<td>Numerically small contribution overall</td>
</tr>
<tr>
<td><strong>Local government finance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remove discounts in council/ local tax on second homes</td>
<td>Local authorities</td>
<td>Encourages permanent residence, contribution to local housing development budgets</td>
<td>In itself, does not encourage supply, may be easy to avoid</td>
</tr>
</tbody>
</table>
APPENDIX ONE: OBJECTIVES OF NATIONAL REVIEWS

Objectives

The purpose of the commission is to write a short paper summarising the experience of ... with taxation, spatial planning policies and housing policies designed to tackle rural housing shortages. The paper should cover the following issues and be fully referenced. It should note areas where there are inadequate data to answer particular questions.

1. Outline of rural planning approach
2. Outline of approach to rural housing: is there a problem?
3. Review of recent rural housing market context – summary of key data on demographic change and migration, local economic trajectories, land prices and housing affordability.
4. Outline of main policy initiatives (national and local including taxation) and key findings of any evaluations.
5. Use of occupancy controls – against second/holiday homes? Favouring local residents? Key findings of any evaluations: especially local market impact and displacement of housing development or economic activity.
6. Prospects for rural housing: beyond the credit crunch?

Content Of E-Questionnaire

- Does your country distinguish rural areas in national housing or spatial planning policies?
- Does your country recognise particular rural housing problems? (If no, terminate)
- If yes
- What are these and what are the sources of evidence?
- How has your country attempted to tackle these problems?
- Is there any evidence on the success of these programmes?
Appendix Two: Expert reviews of comparator countries’ experiences
Occupancy restrictions on rural housing: Review of experience in England, Wales and Jersey

Joe Crawford,
University of Stirling,
October, 2008
Introduction

The purpose of this paper is to summarise the experience of England and Wales in relation to planning policies and housing policies designed to tackle rural housing shortages. The paper begins with an overview of the rural and regional planning approach focusing on the current theme of sustainable and affordable housing where people want to live. The report then examines the current problems and issues associated with rural housing, in particular the pressures due to an acute imbalance between supply and demand of affordable housing for local people. The impact of demographic change, including migration issues, is looked at in conjunction with local economic trajectories in a review of the recent rural market context. Land prices and affordability are examined followed by the policy initiatives with a clear focus on the use of occupancy conditions in the National Parks of England and Wales. The legal implications are explored in this section, in particular the impact of the interface between: restrictions on availability of housing, and the free movement of workers, which is one of the fundamental freedoms enshrined in the treaty of Rome.

A comprehensive review of the literature was carried out as well as an e-survey of the National Park Authorities, asking for views and opinions to be substantiated by hard evidence and reference to any policy monitoring and evaluation studies. Although respondents were forthcoming in describing their experience of occupancy restrictions, much less evident was any independent policy evaluation.

Outline of the rural and regional planning approach

The overall aim of the rural planning framework in England and Wales is to contribute to the achievement of sustainable development, maintaining the distinct character of an area’s environment while at the same time meeting local needs. This is embodied by planning policy statement (PPS) 7: Sustainable Development in Rural Areas (2004). Here the Government’s objects are four-fold.

1. **To raise the quality of life and the environment in rural areas through the promotion of:**
   - thriving, inclusive and sustainable rural communities, ensuring people have decent places to live by improving the quality and sustainability of local environments and neighbourhoods;
   - sustainable economic growth and diversification;
   - good quality, sustainable development that respects and, where possible, enhances local distinctiveness and the intrinsic qualities of the countryside; and
   - continued protection of the open countryside for the benefit of all, with the highest level of protection for our most valued landscapes and environmental resources.

This follows on from and augments the guidance of the Labour government’s Planning Policy Guidance Note on housing which explicitly prescribes that homes should be provided in areas where previously developed land is available (UK Department of the Environment, Transport and the Regions 2000). In direct relation
to this, Planning Policy Statement 3: Housing (PPS3) underpins the delivery of the Government's strategic housing policy objectives with the goal being to ensure that everyone has the opportunity to live in a decent home, which they can afford in a community where they want to live (Communities and Local Government 2006). This replaces Planning Policy Guidance 3: Housing (PPG3) which was published in March 2000.

Historically, a principal aim of planning has been to preserve the green-belt, with only limited new housing expected in the villages, and larger villages at that; “The Government's policies for meeting new housing needs are based on the principles of focusing new development on existing towns and villages” (UK Department of the Environment, Transport and the Regions 2001). However after PPS3 was issued in 2006 the focus widened to include affordability and sustainability.

Many commentators have argued that the difficulty with this approach is that although an effective mechanism for ensuring the attainment of environmental objectives, it is retrograde in economic and social dimensions. Focusing development in settlements that offer a range of services favours cities and market towns at the expense of the more rural areas.

The requirement that all proposals for more than 150 dwellings obtain ministerial approval is evidence of the Government's determination to ensure that its objectives are implemented nationally (UK Department of the Environment, Transport and the Regions 2000).

2. To promote more sustainable patterns of development:
   - focusing most development in, or next to, existing towns and villages;
   - preventing urban sprawl;
   - discouraging the development of 'greenfield' land, and, where such land must be used, ensuring it is not used wastefully;
   - promoting a range of uses to maximise the potential benefits of the countryside fringing urban areas; and
   - providing appropriate leisure opportunities to enable urban and rural dwellers to enjoy the wider countryside.

As the report, the State of the Countryside 2008 highlights, greenbelts have been used as a planning control around large urban areas since 1935. In 2007, designated greenbelt land amounted to 1,635,670 hectares, which represents around 13% of the land area of England. In the South East a quarter of the region is designated greenbelt and in the West Midlands the figure is a fifth. 2007 saw renewed debate about the purposes of, and the threats facing, greenbelts. Government responded to the recommendations made in the Barker review of housing by confirming its commitment to greenbelts, but a range of organisations, including Natural England and CPRE have acknowledged that more flexible approaches to protecting the character of greenbelt land are needed, given the high demand for housing close to urban areas.
3. **Promoting the development of the English regions by improving their economic performance so that all are able to reach their full potential** - by developing competitive, diverse and thriving rural enterprise that provides a range of jobs and underpins strong economies.

Rural areas have long been recognised as nurturing and supporting enterprising spirit. Over the years the reports produced by the Commission for Rural Communities have presented robust evidence showing:

- more businesses per head of population;
- a greater proportion of self-employment;
- higher rates of home working and of women starting businesses;
- higher survival rates of rural firms than those in urban areas; and
- growth in some economic sectors, but decline of others.

Taken collectively, England’s rural economies have achieved levels of growth and outputs that have matched or exceeded those achieved even in core cities outside of London. Levels of new enterprises have exceeded those in urban areas. Employment rates exceed the English and urban averages, with more rural authorities having achieved the target of full employment.

Despite this area of success, the persistence of low wages and the concentrations of in-work poverty would suggest that a new approach is required.

4. **To promote sustainable, diverse and adaptable agriculture sectors** where farming achieves high environmental standards, minimising impact on natural resources, and manages valued landscapes and biodiversity; contributes both directly and indirectly to rural economic diversity; is itself competitive and profitable; and provides high quality products that the public wants.

- Farming and forestry account for almost all land use outside settlements in rural areas.
- Almost half of England’s farmland is used for grazing livestock.
- Arable cropping makes up 39% of farmed land.
- Horticultural crops (vegetables, fruit and crops grown under glass) account for only 2% of the area of farmed land.

(State of the Countryside 2008)

The current economic situation and rapid growth in the price of cereal crops has prompted arable farmers to bring marginal land back into production after a prolonged period of depressed prices. This trend looks set to continue. Milk prices have also risen sharply as a result of growing demand from developing countries and this can be seen in the rising price of good pasture land (State of the Countryside 2008). The net effect of these changes, *ceteris paribus*, is to reduce the amount of land available for rural housing and/or increase its price.

In a report for the Countryside Agency, Baker Associates (2006) concluded that

> “policy approaches towards rural areas are frequently created according to broad categorisations of settlements and rarely with
sufficient specific understanding of individual places function or relate to each other.” They go on to suggest that “This may mean generalisations are made about how places work and communities behave, and it might sometimes lead to policy responses based on misconceptions.”

Rural Housing: is there a problem?

It is a widely accepted fact that the countryside in Britain faces a range of different pressures. The decline in traditional industries has brought with it a number of economic pressures leading to widespread unemployment and rural depopulation.

There are also social pressures which have resulted from market forces and which have caused both inward and outward migration. ‘This can take the form of a social exchange where an affluent and skilled population hijack the countryside from a largely unskilled and relatively deprived indigenous population’ (Tewdwr-Jones 2006).

These difficulties have been exacerbated by the lack of affordable housing provision in both England and Wales. Echoing the Taylor Report (2008) and the JRF Commission on Rural Housing in Wales (2008), the final report for the Affordable Rural Housing Commission in 2008 highlighted the following points:

- Reveals acute shortage of affordable housing in all rural areas of England
- Interpretation of sustainable development often works against the interests of smaller villages
- Acute problems for those on lowest incomes – polarisation.
- Report estimates that a step change in rural housebuilding is required; should be delivered via a mix of higher public subsidy and greater cross-subsidy from market housing development
- Understanding need should be bottom up and detailed – recommend a consistent means of measuring need be developed at local, regional and national level.

(Green 2008)

According to a report regarding housing needs by the Rural Development Commission (2006), the housing situation for many rural people is critical. High demand from commuter groups, second home owners and retirees has placed a great deal of pressure on rural housing through an increase in prices and a decrease in available stock for local people. The report concludes that social housing has been, in recent years subordinated to the development of the high-end of the private market in many rural areas. This has resulted in a situation whereby local people were left priced out of the market and unable to live and work in their own community, thus forcing them to seek accommodation elsewhere. This has, in many cases, caused a serious decline in essential community services like public transport, schools and retail (Communities Scotland 2007).

The persistence of widespread housing pressures has resulted in rising prices, the demotion of non-ownership options and supply shortages. Broad evidence shows that in the UK housing costs are high, both in comparison to other EU member states and in relation to incomes. From the mid 1980s until 2007-08, inflation in the price of
owner-occupied housing across England has been rapid, worsening affordability problems in rural areas. Needing to cope with price volatility is an inevitable feature of reliance on market provision.

Review of recent rural housing market context

Rural areas continue to fare better on most measures of quality of life than urban areas in England. Rural areas are characterised by having an older age profile, more people moving in than moving out, fewer homeless people, more healthy lifestyles, better educational achievement, lower crime, and less deprivation than urban areas. But they also have poorer access to services, worse housing affordability, and the greater numbers of older people mean that illness is more prevalent for many diseases (State of the Countryside 2008).

The apparent advantages of living in the countryside, however, are not universally distributed. Sparsely populated and remote areas often fare worse on indicators, and when mapped, there are areas that show up consistently as offering a poorer quality of life. Besides the sparse areas, there are areas such as Herefordshire, parts of Lincolnshire and Norfolk and South West, as well as the former mining and industrial declining areas such as Durham, Derbyshire, Nottinghamshire that consistently show worse levels. Rather perversely, sparsely populated and remote areas are those favoured for retirement and second homes, which can exacerbate some of the problems such as poor housing affordability that occur there.

Together, smaller villages and hamlets outside the market towns and particularly in comparison to urban areas, face a consistent set of pressures affecting their sustainability:

- restrictive planning practice
- a low supply of housing (particularly affordable housing) to meet local needs
- lower local wages and unfulfilled economic potential, and
- a strong trend for in-migration – which have led to
- very high house prices, unaffordable in relation to local wages

(Taylor Report 2008).

These pressures undermine the opportunities for rural communities to be economically vibrant, environmentally sustainable, socially mixed and inclusive (Taylor Report 2008). The price of property in rural areas has increased to a level which is on average significantly greater than for a comparable property in a more urban setting. Local employment opportunities are limited, particularly in more highly skilled and higher paid work.

As a result, increasingly those working locally can no longer afford to live in these communities, and those living there have limited opportunities to work locally. This situation directly contradicts and undermines the aims and objectives of the planning system to create and maintain sustainable communities. The Taylor Report concludes that if nothing is done to address these issues, the number of rural communities which will become increasingly unsustainable will augment to a critical level.
Demographic change and migration

The population of rural England
The last accurate count of population was the 2001 Census, and it showed that there were just over 9.5 million people in rural England, out of a total of just over 49 million. Of the 9.6 million in rural areas 4.8 million (almost exactly one half) lived in rural towns, and one half in villages or hamlets and dispersed settlements. Sparsely populated areas account for about 1.4% of the population of England (State of the Countryside 2008). The latest estimates for 2005 are shown below.

<table>
<thead>
<tr>
<th>Area definition</th>
<th>Population</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less sparse</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Village, hamlet and isolated dwellings</td>
<td>4,412,430</td>
<td>8.7%</td>
</tr>
<tr>
<td>Town and fringe</td>
<td>4,592,603</td>
<td>9.1%</td>
</tr>
<tr>
<td>Urban &gt;10K</td>
<td>40,738,188</td>
<td>80.7%</td>
</tr>
<tr>
<td>Sparse</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Village, hamlet and isolated dwellings</td>
<td>372,322</td>
<td>0.7%</td>
</tr>
<tr>
<td>Town and fringe</td>
<td>243,346</td>
<td>0.5%</td>
</tr>
<tr>
<td>Urban &gt;10K</td>
<td>106,736</td>
<td>0.2%</td>
</tr>
<tr>
<td>Rural</td>
<td>9,620,701</td>
<td>19.1%</td>
</tr>
<tr>
<td>Urban &gt;10K</td>
<td>40,844,924</td>
<td>80.9%</td>
</tr>
<tr>
<td><strong>England</strong></td>
<td><strong>50,465,625</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>


The table below, taken from the State of the Countryside (2008), shows that the population of rural area types has been growing faster in percentage terms than urban areas, with less sparse villages and hamlets growing fastest.
Internal migration

The increase in rural in-migration has pushed rural house prices substantially above the national average. In 2007 the cost of an average family home was over £8,000 more expensive in rural areas compared to urban areas, and first time buyer homes were £16,000 more expensive (Taylor Report 2008). Wages in rural areas are significantly lower than their urban counterparts. The average wage in the most rural areas is just £20,289 compared to £27,487 in urban areas (Taylor Report 2008). This destructive combination of high cost homes and low rural wages is putting rural housing out of the reach of many who work in the countryside.

There is no sign of the migratory trend abating. Nine out of ten people living in the countryside say they would prefer to stay there, whereas half those living in urban areas say they want to move to the countryside. The Office of National Statistics predicts the rural population will increase by 16 per cent by 2028 compared to 9 per cent in urban areas (Taylor Report 2008).

Much of the change in population is due to younger people leaving rural areas for study or to seek work, and to people moving to rural areas for a perceived better quality of life at ages over about 35 years, either for retirement or when their income allows a move to a wider choice of locations. The overall amount of net population change due to internal migration clearly shows that the numbers leaving major urban areas is very large, while all the rural categories of Local Authority gain significant numbers of people (State of the Countryside 2008). The net change for ‘large’ and ‘other’ urban areas is negative, but very small. Since the late 1990s there has been a large surge in internal migration which peaked in 2003/04 but has since fallen back to the levels of the late 1990s. It is likely that the vitality of the housing market will be a major factor in migration rates (State of the Countryside 2008)
Migration from overseas

In recent years migration from overseas has risen in rural areas. Much of the evidence, collated and presented by the Commission for Rural Communities (2008) is based on registrations for National Insurance Numbers, and does not include all migration. Between 2002/03 and 2006/07 the rate of increase was 186% in rural areas – 231% in the most rural Districts compared to 86% in urban areas. While the number of migrants in urban areas is still much higher with 500,000 registering in urban areas compared with 116,000 in rural areas in 2006/07, the proportional increase over the last few years has led to reported stresses on Local Authority resources for translation, housing and other services, because the infrastructure has not been in place.

The report on the State of the Countryside summarises the situation in rural England with regard to population and migration as follows;

- The population of rural England continues to rise at a faster rate than in the country as a whole. Most of this increase is due to internal migration by people moving out of cities rather than different birth and death rates.
- People continue to leave rural areas at around age 20. This leaves a relatively small proportion of people aged 20 to about 35, but correspondingly more people aged over 60 in the age profile.
- Internal migration continues at a high level, although the rate has fallen in the last two years. The numbers moving to rural areas is greater than the number leaving those areas.
- Most households moving into rural England are families with young children and people aged from about 44 to 64, while most moving out are people aged 15 to 29.
- Migration from overseas has increased dramatically for rural areas over the last four years, but numbers are still below those for cities. The bulk of migrants are from countries that have recently joined the European Union, although there are now an increasing number of overseas migrants from the Indian sub-continent and the Far East in many rural areas.
Local Economic Trajectories

The report on the State of the Countryside summarises the situation in rural England with regard to the rural economy as follows;

- Rural households have higher gross incomes than those living in urban England. The equivalised median household income before housing costs in rural England in 2006-07 was £21,500 compared to £19,500 in urban areas). These higher average levels however mask gradients across the rural/urban geography and within rural areas.
- 18% of households in rural areas were below the ‘poverty line’ in 2006/07 compared to 19% in urban areas. When we take housing costs into account the rural percentage rises to 19%. Sparse rural areas have proportions on low incomes that are similar to urban areas.
- The percentage of rural residents in poverty has risen from 16% to 18% between 2004/05 and 2006/07. After housing costs are taken into account the increase is from 16% to 19%. This is a faster percentage rise than in urban areas (1%).
- While people living in rural areas, on average, earn more than those in urban areas, wages for jobs located in rural areas are lower than for urban areas, and lowest in the peripheral areas such as Northumberland and Cornwall (the difference is explained in part by commuting patterns).
- Expenditure on food and on transport amongst the lowest income quintile in rural Local Authorities is higher than in mixed and urban authorities.
- Between 1995 and 2005 rural areas experienced a faster rate of economic growth than large and major urban areas, with the most rural settlement types experiencing slightly faster rates than other urban areas.
- Turnover per worker by businesses tends to be lower in rural areas. The highest rates are found in London and the Home Counties, and selected major cities.

Land Prices and Housing Affordability

There are a number of key messages from the table below. Firstly, land prices increase as settlement size decreases: plot prices in the hamlets, for example, are typically 1.5 times the price of urban areas. Secondly, from 2000 – 2007 there was some narrowing of differentials.

2008 has seen, for the first time in many years across England and Wales, house price inflation declining by 11% (hbosplc.com 2008) with the UK average price falling to levels seen early in 2006. The house price ratio, although still high in many rural areas, has fallen from a peak of 5.84 in July 2007 to 5.13 in June 2008.
Rural areas on the whole fare much better than their urban counterparts on a range of social and economic indicators of inequality. However some clear inequalities still persist in the housing market. These inequalities are essentially between those who can afford to acquire rural housing and those who cannot. As well as inequalities resulting from transport issues, there is a wider inequality between those in the rural ‘mainstream’ and those experiencing disadvantage for a range of reasons. According to the report,

*a critical overarching equity issue is the difference in outcomes experienced between the less sparse (often central) rural areas and the sparsely populated (often peripheral areas which experience worse performance over a range of indicators, for example household income and health. (The State of the Countryside, Commission for Rural Communities 2007)*

House prices in rural areas are more than seven times average annual earnings. The house price to average earnings ratio – a key affordability measure – has
fallen from a peak of 5.84 in July 2007 to 5.13 in June 2008. A further decline is expected as prices continue to soften (hbosplc.com 2008).

There are far fewer first-time buyers in rural areas with first time buyers accounting for just 21% of all buyers compared with 37% in urban local authorities. The average house price paid by an first time buyer in rural areas £150,767 is, however, 7% lower than the average urban house price for first time buyers £162,570 (hbosplc.com 2008). With the present difficulties in the mortgage market the number of first time buyers is expected to fall further.

**Main Policy Initiatives**

**Use of Occupancy Controls**

**National Parks**

Of the 14 National Parks in the UK, nine are in England, three are in Wales and two are in Scotland. Each UK National Park is administered by its own National Park Authority. They are independent bodies funded by central government. Their main objectives are to conserve and enhance the natural beauty, wildlife and cultural heritage and to promote opportunities for the understanding and enjoyment of the special qualities of National Parks by the public.

Each National Park Authority has a number of unpaid appointed members, selected by the Secretary of State, local councils and parish councils. The role of members is to provide leadership, scrutiny and direction for the National Park Authority.

The Association for National Park Authorities (ANPA) brings together the 14 National Park Authorities to raise their profile and to promote joint working. Country associations for the English and Welsh National Parks represent their Authorities to English and Welsh governments. (Source: http://www.nationalparks.gov.uk)

National Park Authorities show widespread use of restricted occupancy conditions. Public opinion seems split between those in favour and those opposed to such conditions (Communities Scotland 2007). These restrictions are viewed as both an innovative policy for addressing an acute rural problem by some, and as an excessive curb on the freedom of movement by others. These policies, which have been deemed by reviewers to have varying degrees of severity and success, potentially have wider implications for rural areas which are suffering from a similar level of pressure. Many of Scotland’s rural areas, particularly the National parks of the Cairngorms and Loch Lomond and the Trossachs, share these pressures on housing.

However it must be noted that circumstances in National Parks are further aggravated by the fact that they attract a higher level of incomers than other rural areas. A combination of strict planning regulations regarding location, space, and design have further pushed up land prices and increased construction costs. This has had the effect of making it almost impossible for some groups to access affordable local housing in their chosen area (Berry and Reid 2008).
Restricted Occupancy Conditions

The remit of this study is to examine rural occupancy conditions with regard to the market sector. It is worth noting however that these restrictions apply to both social and private housing in England and Wales. The possible legal implications will be examined below.

Background to the use of occupancy controls

Throughout the 1970s, the prescriptions of Section 52 of the Town and Country Planning Act 1971, were used by local authorities in England as a means of securing ‘a contribution from developers towards the infrastructure costs of new housing schemes’ (Barlow, et al, 1994 quoted in Gallent and Tewdwr-Jones 2000)25. Loughlin (1984) notes that not only were these local authorities employing these measures as a means of financing new-build council housing, they were also putting them to use in an attempt to exclude certain groups from occupying newly built properties in an attempt to limit them to local use only.

The current situation in National Parks has prompted the development of a verification framework in order to determine eligibility for residence. This verification framework varies from Park to Park, however there are a number of common factors which run through the policies. In order to be considered a potential resident must conform to one of the following:

- The park is your current residence and has been so for a number of years;
- You are the descendent of a current resident and are setting up a first time household;
- You have a strong local connection to the area;
- You are a local housed in unsatisfactory conditions;
- You require to live in the locality for employment reasons; or
- You require to live close to family / friends, in order to provide essential care due to health or old age.

It would seem that the section ‘You require to live in the locality for employment reasons;’ is key. There is some degree of interface between restrictions on availability of housing, and the free movement of workers, which is one of the fundamental freedoms enshrined in the treaty of Rome. In essence, any rule that restricts housing to local people has the potential to make it more difficult for outsiders to move into the area for reasons of employment. (Adrian Stalker QC)

It therefore seems necessary to have a standard clause which does not exclude people moving to the area for reasons of employment. To exclude such a group would be to leave the policy open to legal challenge through some form of judicial remedy. There can be no restrictions such as ‘habitual residence’ or any other form of time limit which may preclude purchase thus affecting freedom of movement of workers.

25 Known as planning agreements, the arrangements are currently covered by section 106 of the Town and Country Planning Act 1990.
It would seem that occupancy restrictions, as part of an integrated planning policy, are legally competent, as long as they do not restrict the freedom of movement of workers.

This verification framework applies only in certain areas of the park or on certain properties. Research from Communities Scotland states that of nine national Parks surveyed in England and Wales, none applied occupancy restrictions to all new builds. However, all but Exmoor applied restrictions in exception sites. Five Park Authorities impose size restrictions to support affordability.

As alluded to above, these local occupancy restrictions provoke a polarised reaction from the public. Organisations such as the Countryside Alliance are in favour of restrictions as there is a strong imperative to safeguard affordable housing for people who live and work in these rural communities. Diametrically opposed to these policies are groups in favour of complete freedom of movement.

The Use of Occupancy Controls in the States of Jersey

In comparison to other European housing regimes, Jersey has strict laws which specify who can rent or buy property and who can live in it. These laws arose from a dramatic increase in pressure for housing when the island experienced a large influx of new residents following the Second World War. As a mechanism to safeguard against further increases in house prices and the growing pressure on a limited housing stock the states of Jersey introduced the Housing (Jersey) Law 1949.

This law established the Housing Committee “to administer matters relating to the housing of the population.”

The Law, as subsequently amended, empowers the Committee "to control acquisitions, sales and leases" in order:

i. "to prevent further aggravation of the housing shortage"; and

ii. "to ensure that sufficient land is available to house the inhabitants of the Island."

Key provisions of the Law include the following:
• anybody wishing to buy or lease property is required to have the consent of the Committee
• the Committee is empowered to attach conditions to such consents regarding who may occupy the property
• the States are able to make regulations to give full effect to the provisions of the Law

In 1970 the States made regulations, which have since been amended, to assist the Housing Committee. These followed a period in the late 1960s when approximately one-third of all consents to purchase property were granted to newcomers to the island or persons who had lived there for less than five years. The purpose of the regulations is to help control demand for residential property.

The Housing Regulations in Jersey set out various methods of qualifying to purchase or lease property on the Island. These occupancy restrictions are applied to every
property in the entire Island and therefore go much further than anything which can be seen in the UK’s National Parks.

**Qualifying through a Period of Residence**

The vast majority of people, 85% of the Island’s total population, gain their qualifications through a period of residence. While a variety of detailed provisions exist, for example in relation to spouses and people who arrive in the Island as minors, the most common route to securing residential qualification is an aggregated period of 10 years residence for persons born locally, or 12 years continuous residence for someone born outside the Island.

Sufficient evidence of residence must be presented to be granted qualification. In the case of locally born individuals this will often be in the form of confirmation from the school, and in the case of non-locally born must include proof of place of residence and / or employment, ideally with evidence of a Social Security record also, for the whole of the 12 year period.

Non-locally born persons, with the exception of those with qualified parents who arrived prior to their 20th birthday, must also be aware that under current policy, qualifications once gained will nevertheless be lost for anything more than a single five year gap in residence.

**Qualifying due to Hardship, Essential Employment, or on the grounds of Economic or Social Benefit**

In addition to qualifying through a period of residence, a minority of people qualify under Regulations which relate to those classes of persons to whom the Housing Minister may consider granting a consent where it is considered that the applicant would;

- suffer hardship, other than financial, if consent were not granted,
- where a person is essential employed and no local person can be found to fill the position,
- or where there is a proven economic and / or social benefit to the island, usually, in the form of being a high value resident.
- The numbers qualifying via this route are small, for example, just 3% of the workforce is granted essential employee housing rights, and only a handful of people each year are granted consent due to hardship, or on economic or social grounds.

In considering the applicability of these arrangements it has been noted that:

“A number of arguments have been voiced against the extension of a scheme on the British mainland including the negative economic impact of licensing in some importing regions and the more general effect on the balance of payments as second home buyers seek properties abroad (this is a wider argument against all prohibitive measures). Practically opponents argue that such a scheme would be extremely difficult to administer over a wide area although this counter argument is perhaps less damning than the likely impact of such a
scheme on personal property rights and the individual’s freedom of residence. Indeed Jersey’s Housing Committee has recently been keen to ensure that its own housing law is compatible with legislation adopted on human rights and has thus made recent amendments and conceded that in the future, it may not be desirable to use housing policy as a break on immigration.” (Gallent et al, 2003)

Proposed Changes

The States of Jersey have recently agreed a number of changes which are linked to the development of a new migration mechanism. On 22 June 2005, the States adopted the proposition to introduce this.

The new migration mechanism will include:
- the classification of residents in three categories
- a job licensing system
- a reduction in the period for residential qualification
- a register of the population

Housing categories

New housing legislation is currently under negotiation. The proposed new residence categories will, for the present, be based on existing housing categories:
- those who are entitled will comprise people who qualify as local under the Housing (General Provisions) (Jersey) Regulations 1970, as amended
- those who become licensed or through gaining a licensed job
- those who are registered-only, equivalent to those who currently do not qualify under the 1970 Regulations, for example those likely to stay in Jersey for a relatively short time, probably employed in seasonal and short-term jobs, and residing in lodging or staff accommodation

In the future it is intended to simplify the three categories, but these have not yet been defined in legislation. Also, when the legal changes have been made, it is intended to exempt the future entitled category from the need to apply for housing consent.

These proposals are still in the consultation phase with a planned implementation date of April 2010. One of the main objectives of the proposed changes is to bring the period of residential occupation down from twelve to ten years. This proposed change has the notion of equity as its core aim. Currently people who are born in Jersey must be resident for ten years and it is felt that there should be parity between those born on the island and those who are not. One of the other key objectives behind the proposed changes is related to the perceived need to reform Jersey’s immigration policy and thus make the island more attractive to outside investment.

The principle difference between the UK and the States of Jersey revolves around status and membership of the EU, with Jersey not holding full membership. There is a large question mark over whether or not an imposition of such restrictions with regard to people moving to an area for work purposes would be lawful in the UK.
Early indications would suggest that such provision in the UK could open the door to a legal challenge under European Law. However, Jersey has already been subject to a legal challenge under the Convention of Human Rights and successfully defended this action using the principle of ‘proportionality.’ The ‘proportionality’ argument lays claim to the protection of the interests of local people through restricting the criteria for occupancy of dwellings which are in short supply. Although, as mentioned above, there is an interface between housing and freedom of movement of labour in most European countries, the Jersey situation might suggest that there could be a defence to any legal challenge to Occupancy Restrictions, if there is evidence that they serve the interests of the local community.

On one hand UK Local Authorities could claim that the Jersey case represents a legal precedent. However, the difficulty with the notion of precedent is that it acts better as a coherent system in theory than it does in practice. The practice of distinguishing precedents on the facts of the case is a way of getting round the doctrine of precedent. Indeed, it is the job of the lawyer arguing a case for her client to distinguish precedents which do not favour her client’s interests. All this makes ‘law’ less predictable and stable than the myth of certainty which underpins the notion of precedent.

National Park Experience

The research report from Communities Scotland on restricted occupancy conditions in National Parks stated that although gains through the use of planning mechanisms were small, they had the potential to make vital differences to the life of local services. The report also highlighted a number of teething problems which were shared by the National Parks in their early stages of implementation. In contrast to academic opinion, National Parks that have had practical experience with local occupancy conditions tend to be more optimistic. However, that is not to say that they haven’t been without criticism.

An e-survey was sent to the National Park Authorities in the UK. The answers relate to two main thematic questions:
- What impact has the policy made on house prices and affordability for local people?
- What impact has the policy made on the amount of developer interest in housing provision?

The e-survey asked for views and opinions to be substantiated by hard evidence and reference to any policy monitoring and evaluation studies. The discussion below includes all the ‘evidence’ that could be found.

Formal Policy

There is at first sight some considerable amount of contradictory information on the use of occupancy restrictions in National Parks. In adopted policy, many of the National Parks say that they impose occupancy restrictions on all new build properties. Typical examples follow:
**Case Examples**

Supplementary Planning Guidance from the Lake District National Park Authority states:

**H20 Housing in the Lake District National Park**
Within the Lake District National Park housing development will only be permitted where the development is of a scale and type which is designed to contribute to the identified housing needs of the locality and;
- it is secured by condition, or legal agreement for occupation only by local persons; or
- it comprises a scheme to provide social housing whereby occupancy is secured, in perpetuity, to local persons in housing need, being a scheme usually promoted by a registered social landlord.

North Yorkshire Moors has restricted terms in all 82 villages within its boundaries while the larger settlements remain unregulated. It also requires that a proportion of new builds in the private sector be surrendered for affordable housing requirements. Dwellings acquired through this mechanism are not subject to occupancy controls. In January 2008, the Park undertook a consultation of residents if they agreed with the policy and whether the length of residency to meet the ‘local occupancy criteria should be increased from 3 to 5 years. 59% of respondents agreed with only 18% saying that they disagreed. The Park Authority has since agreed to continue with the policy. Further consultation and a robust evaluation of the policy are planned.

A news release (2005) from Yorkshire Dales National Park Authority states:  
*Members of the Yorkshire Dales National Park Authority’s (YDNPA) planning committee have agreed the restrictive occupancy policy as a way of tackling the problem of high house prices that is preventing local people from staying in the area. It means that virtually all new homes can only be built in the Dales if they meet local housing needs and are sold at below-market prices to local people. They cannot be bought as second homes or as holiday lets.*

Snowdonia National Park has an interesting policy which places a requirement on all developments of five or more dwellings to include a percentage for occupancy restriction. Brecon Beacons has a separate policy for occupants engaged in home-working, making those parties eligible for accommodation which has restrictions attached.

The table below catalogues in more detail the conditions under which occupancy restrictions are imposed.
<table>
<thead>
<tr>
<th>National Park</th>
<th>Where occupancy restrictions apply</th>
</tr>
</thead>
</table>
| Brecon Beacons        | Affordable housing  
Agricultural Agreements  
Live-work Scheme (over 50% of work done from the home)                                                                                               |
| Dartmoor              | Affordable housing  
Agricultural agreements                                                                                                                                                |
| Exmoor                | Affordable housing  
Agricultural Agreements  
Individual cases in the private market – when the need arises                                                                                      |
| Lake District         | Affordable housing  
Agricultural agreements                                                                                                                                                |
| North York Moors      | Affordable housing  
82 Small village settlements only – not large settlements  
For developments in the private market a % is given over to the park for affordable housing – no restrictions apply in this case. |
| Peak District         | Affordable Housing  
Agricultural agreements                                                                                                                                                |
| Pembrokeshire Coast   | Affordable Housing only, no restrictions in private market.                                                                                                               |
| Snowdonia             | Affordable housing  
Developments of over 5 dwellings will have a % with occupancy restrictions  
Conversions for local people will have restrictions also                                                                 |
| Yorkshire Moors       | Restrictions apply to all new build and conversions.  
Existing dwellings – individual basis  
Agricultural conditions etc                                                                                                                                |

**Policing occupancy controls**

In the main, English and Welsh National Park Authorities do not use formal mechanisms to police adherence to occupancy conditions: most rely heavily on the communities themselves to highlight any perceived abuses of the regulations.

English National Parks suggested that the process itself acted as a check on occupancy restrictions, as potential buyers had to lodge a written submission, stating why they thought they meet the criteria. The process then involved the judgement of Planning Committees as they were responsible for issuing decisions and making assessments on applications. There was a general acceptance that the system was open to some level of abuse. However, none of the English parks asked officers to actively go out and check compliance with legal documentation and planning agreements.
Restrictions in practice

In practice, most park authorities note that occupancy restrictions act as a barrier to the private sector and result in very little if any interest from the market. Some National Park Authorities say that land values have decreased, while some say there has been little change.

As is evident from the table below, the majority of National Parks see the main impact of occupancy restrictions as being on affordable housing and on agricultural agreements, and the exclusion of traditional private sector development. Further consultation showed that, although Parks’ policy documents would imply that the restrictions apply to all new build dwellings, the practice is somewhat different where rather more pragmatism is evident. Only the Lake District and Yorkshire Dales say they impose restrictions on all newly built dwellings and conversions. Most Authorities have stated that these occupancy restrictions are so inhibitive to private developers that they are only really getting applications to build from organisations which are eligible for subsidy. This means that, almost exclusively, all new dwellings are in the ‘affordable’ housing sector i.e. social rented or low cost homeownership housing. It is also notable that Parks have a significant use of rural exceptions policies: giving planning permission on sites for housing only where it is for affordable housing and local needs criteria can be used in allocations.

<table>
<thead>
<tr>
<th>National Park</th>
<th>Occupancy restrictions to all new builds in practice?</th>
<th>Use of exception sites</th>
<th>Size restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brecon Beacons</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Dartmoor</td>
<td>No</td>
<td>Yes</td>
<td>80 m²</td>
</tr>
<tr>
<td>Exmoor</td>
<td>No</td>
<td>No</td>
<td>90 m²</td>
</tr>
<tr>
<td>Lake district</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>North York Moors</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Peak District</td>
<td>No</td>
<td>Yes</td>
<td>87 m²</td>
</tr>
<tr>
<td>Pembrokeshire Coast</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Snowdonia</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Yorkshire Moors</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Impacts

Low rate of completion
Low rate of completion has been reported in both the public and the private sector. However, it has to be taken into account that the amount of housing developed
within the National Park boundaries has always been significantly less than that in other rural areas.

"We do not apply occupancy controls on owner occupied housing and the overwhelming majority of our affordable housing is provided by RSL's. Our model in our local plan which seeks to provide a stock of small, more affordable homes selling at 75% of open market housing value, (the price of which would take into account the occupancy condition) has produced a very limited response. I am aware of 2 units being built as components of open market schemes and put up for sale but selling them has been difficult.”

Dartmoor NPA

Other respondents echo the concern that social housing is benefiting more from the use of occupancy restrictions than the market sector due to subsidy and profitability issues.

“The policy provides developer certainty. Whilst we do not receive a lot of housing planning applications, the majority of those we do receive are from Housing Associations because of the public funding which they receive. Private developers are finding it difficult to deliver sites for affordable housing for a number of reasons. We still receive enquiries but the logistics are proving more challenging for those developers who do not have access to public funding. It is more of a lottery for them with no secured profit.”

Lake District NPA

The exclusion of higher income non-local buyers through occupancy restriction clearly has a profound impact on the demand for new housing. In turn, this impacts on anticipated sales volumes and prices and depresses development value, so reducing developer interest.

In the Lake District, the policy had a marked impact on the supply of new homes as

“builders ceased speculative residential developments, partly because of the uncertainties raised by the new policy, but principally because of the greater difficulty of acquiring suitable land with planning permission”

(Shucksmith, 1990).

Lack of intermediate housing options

Allied to the use of local occupancy conditions, Parks have seen completions dominated by social rented housing and developers have complained that other housing options are not being fully considered. However, as Peak District stated in its response to the e-survey:

“One very noticeable impact has been to raise developer interest in conversion schemes including large mills such as that at Cressbrook and to enhancement sites such as the former derelict mine in Eyam - because at present they offer a route towards some market housing profits. This has a direct benefit to the National Park purpose to
conserve and enhance and has benefitted sites and buildings that have been derelict for many years.” Peak District NPA

This is mirrored in the views of the Lake District National Park Association:

“In the majority of cases, housing schemes which come to fruition largely provide for rented accommodation with a small amount of shared ownership accommodation. All schemes must meet the identified housing need of a particular locality. This need is identified through Parish wide housing need surveys and we can see from this evidence that when you assess local household incomes the realistic option for most is rented accommodation. Just recently we have seen a shared ownership scheme fail to secure tenants because the property values did not reflect local incomes, which of course is not being helped by the current ‘credit crunch’ which is preventing people accessing a mortgage.” Lake District NPA

The policy of occupancy restriction is therefore likely to cause a decline in the quantity of new housing bought and sold. For National Parks in England and Wales, this has been regarded as a beneficial effect (albeit one that is difficult to quantify). This is because the legislation creating the parks (from 1947) has a gearing towards environmental protection. Sustaining communities only gained policy legitimacy in the 1990s, when a mindset against development had arguably been entrenched. In Scotland, national policy is significantly different: sustaining (and indeed, strengthening communities) has been placed alongside environmental protection as a Park goal in founding legislation (Richards and Satsangi, 2004).

Maintaining affordability
The combined effects of the policy on both housing demand (reducing the potential market) and housing supply (limiting the size and number of developments by changing the environment for house builders) may mean that the policy itself has no discernible impact on the price of new homes.

The Peak District reported the fact that in some cases restricted occupancy conditions had not reduced land prices as much as had been expected and that sites were still being sold in excess of their “true value”, confounding the forecast of a reduction. Other respondents claimed that although occupancy restrictions reduced values, they were never meant to be used as a mechanism to secure affordability.

“The Authority avoids setting value limits itself by involving the District Valuer. This removes one area of argument between an applicant and the authority should a case go to appeal. Values tend to be reduced by 25% to 30% in our experience, depending on location.” Peak District NPA

Some respondents clamed that insufficient time had passed to accurately assess whether or not affordability can be achieved in the long term.

“For those schemes which have secured a tenant and are for shared ownership are still in their first occupancy so it is too early to assess whether
The policy and subsequent Section 106 Agreement does actual secure affordable housing in perpetuity.” Lake District NPA

The natural response to not being able to buy and occupy new housing is to buy and occupy existing housing. This will result in increased demand for existing homes within the Park, and there is therefore a possibility that the price of this housing may rise sharply. Constraint on land release will not only change the distribution of house-building activity and the type and timing of housing development but will also increase house prices across a wider area.

In the Lake District, a substantial increase in property values (in the market for existing housing) deterred some outside buyers from seeking retirement or second homes in the National Park and this was accepted as a success.

Impacts on Local People and Communities
In the Lake District, Shucksmith points out that “local people who could afford to buy new housing will have found prices roughly the same as before, once the shifts in the demand and supply schedules had worked through” (1990).

The pressure imposed on development by the planning system often confers a scarcity value on new housing in the countryside: rural market sector housing is often expensive. Given the rebalancing of supply and demand, those local people able to afford new housing will be the same people who could afford housing before the policy was enacted. However, by constraining new build and placing added demand pressure on the market for existing housing, a restrictions policy may make it harder for lower income groups to buy homes within the areas where policy applies.

In the Lake District, restrictions on the occupancy of new market housing depressed land values. One benefit identified by Tewdwr-Jones and Gallent (2003) was that this may enable Housing Associations to more effectively compete for development land, stretch grant subsidy and build more affordable dwellings. This however needs to be balanced against a cost: due to higher prices in the market for existing housing and a reduced supply of new market homes, lower income groups in National Parks are likely to be more reliant on social housing. The net benefit may therefore be zero.

NIMBY-ism
NIMBY-ism (Not In My Back Yard) has been identified as a problem in many of the parks particularly against new social rented housing provision. Park experience suggests that occupancy conditions have not been successful in mitigating opposition to new social housing provision.

Agricultural Occupancy Conditions
As evidenced above, there are strong planning policies against new dwellings in the open countryside. One of the few exceptions is where it is considered essential for a farm worker to be resident at a particular farm holding. This prevents the dwelling being occupied other than by agricultural workers.
It is Government policy that such dwellings should not be kept vacant by virtue of planning conditions that have outlived their usefulness. There are two stated categories in which occupancy conditions should be retained. These are defined in Government guidance (PPG7). The categories are:

- That the original functional need for the dwelling continues to exist;
- There is a foreseeable need for such a dwelling in the locality.

It therefore follows that any refusal should relate to one, or both of the above. The method for assessing functional need is via the submission of an appraisal of the farm holding. This assesses the labour requirement of the holding and hence whether it is necessary for the dwelling to remain available to a resident farm worker.

**Case Study Example**

Exmoor National park dealt with an application for removal of the discharge of legal agreement under Section 106 of The Town & Country Planning Act 1990 limiting occupancy of a converted barn adjoining a farm to persons solely or mainly employed or last employed in the locality in Agriculture. There were two public objections to the application both on the grounds that it was seen as a misuse of the planning rules given that the house was going up for sale, and also that it would be of detriment to other local property values.

The tie attached to the legal agreement states:

"The said Barn shall only be occupied by a person solely or mainly employed or last employed in the locality in agriculture as defined in Section 336 of the said Act of 1990 or in forestry or the dependent of such a person residing with him or her or a widow or widower of such a person."

The applicant argued that the dwelling had not been occupied in accordance with the Agreement for a period in excess of 10 years. The other argument for removal was that the dwelling was large and therefore outside the price of an agricultural worker. The house has been marketed at the full market value and the estate agents’ details indicate that “we understand that this property is presently subject to an agricultural tie and it is our client’s intention to transfer (subject to approval of the National Park Authority) this restriction to their next property and enquiries are presently being made with this regard”.

It was the duty of the authority to consider the application concerning the request to remove the agricultural occupancy clause within a Section 106 Agreement. In the case of an application to discharge a planning obligation, as in this case, Section 106A of the Town and Country Planning Act 1990 states that:

Where an application is made to an authority, the authority may determine.

- that the planning obligations shall continue to have effect without modification;
- if the obligation no longer continues to serve a useful purpose, that it shall be discharged; or
• if the obligation continues to serve a useful purpose, but would serve that purpose equally well if it had effect subject to the modifications specified in the application, that it shall have effect subject to those modifications.

If the obligation continues to serve a useful purpose then it should be retained.

In this case the application was refused on the grounds that the property had not been satisfactorily marketed at a price which reflects the occupancy restriction. Without adequate marketing it was not deemed possible by the Authority to determine whether a person could be found who met the occupancy restriction in the original Agreement. It was also refused on the grounds that the planning application conflicts with emerging policies and with the Housing Strategy.

It would appear evident from this decision that there is some degree of success in both maintaining affordability for local workers and in reinforcing the planning and strategic objectives of the National Park Authority through the use of Agricultural Occupancy Restrictions.

Conclusions

The evidence presented suggests that National Park Authorities in England and Wales have attempted to use occupancy controls on all market housing as a response to well-documented problems of affordability and supply for 'local' people. The practical impact of the policies where very strictly applied would, however, seem to effectively freeze private development. This would clearly tend to exacerbate supply and affordability problems. As a result, a more pragmatic approach is adopted in practice. At the same time, the effective barrier on private development has allowed the subsidised sector (HAs and other RSLs) to take advantage of development opportunities and build social rental and LCHO housing, for both of which occupancy can effectively be controlled.

In the States of Jersey, strict occupancy restraints seem to operate without serious challenge. As in England and Wales, however, there is no clear base of hard evidence on which to judge success or failure. What is perhaps telling is the fact that Jersey is currently undergoing a period of consultation with the planned objective being a relaxation of the rigidity of occupancy restrictions in order to create greater equity between those born on the island and those who could bring economic benefits through investment and business.

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Occupancy conditions in rural housing: Republic of Ireland

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October, 2008
Ireland has been described as one of the least urbanised societies in Western Europe (Brunt, 1988). As McDonagh (2001) argues, few places in Europe are so closely identified with the ‘rural’ as Ireland. According to the 2006 Census, 39.2 per cent of the population in the Republic of Ireland lives in rural areas, while only 29.2 per cent lives in towns or cities above 100,000 people (CSO, 2006). The rural in Ireland is a large and important political constituency (Scott, 2006). Despite the significance of rural population and rural space in the country, explicit rural housing policies in the State did not exist until very recently (Bannon, 2004, Bannon and Russell, 1999). Indeed the planning system in rural Ireland has been described as one of the more lax rural planning regimes in Europe (Duffy, 2000), facilitating the proliferation of dispersed housing in rural areas (commonly known as one-off housing) and incremental change in the Irish landscape (Johnson, 1994).

Currently, the planning system in Ireland is regulated through the Planning and Development Act of 2000 and 88 Planning Authorities (29 County Councils, 5 City Councils, 5 Borough Corporations and 49 Town Councils, see also Map 1), which were originally introduced in 1964, when the Local Government (Planning and Development) Act, 1963 came into effect. The Planning Authorities are responsible for the provision of an extensive range of public services, the general development of the area, as well as promoting the social, economic, environmental, recreational and cultural interests of the local community. Geographically related planning authorities form eight Regional Authorities and two Regional Assemblies. The eight Regional Authorities (which were ascribed NUTS III status) were established for the first time under the Local Government Act, 1991 and came into effect in 1994. The two Regional Assemblies (NUTS II) were designated in 1999, also under the Local Government Act, 1991. Historically the island of Ireland is also divided into four Provinces (Ulster, Munster, Connacht and Leinster), but these do not have any legal status or administrative relevance (see also Map 2). A significant development for spatial planning in Ireland was the publication of the State’s first National Spatial Strategy in 2002 by the Department of the Environment and Local Government (DOELG, 2002). The NSS consists of an explicit national framework for dealing with spatial issues and has contributed to the development of a more sophisticated planning framework, operating at the national, regional and local level (see also Table 1).

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26 The acronym NUTS is derived from the Nomenclature of Territorial Statistical Units (in French), and refers to the geographical scales which Eurostat uses for statistical purposes.

27 Now Department of the Environment, Heritage and Local Government (DOEHLG).
Map 1: Local Authorities in the Republic of Ireland

Local Authorities, Republic of Ireland

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Irish National Grid Projection
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The publication of the NSS in Ireland follows trends and significant spatial planning initiatives in Europe. Indeed, the preparation of the NSS began a few only months after the publication of the European Spatial Development Perspective (ESDP). Despite a lack of explicit reference to the ESDP (besides a footnote), the Irish strategy adopts ESDP-promoted concepts such as balanced spatial development, a new urban-rural relationship and polycentric development. As Davoudi and Wishardt (2005) contend “the NSS’s approach to develop a strategic framework for the future spatial structure of Ireland mirrors the ESDP’s approach for development of Europe as a whole. In fact, the NSS fully adopts the ESDP’s perspective on the practice of spatial planning” (p.127).

The NSS sets out a twenty-year planning framework designed to achieve a better balance of social, economic, physical development and population growth on an inter-regional basis (see also Scott, 2006). It draws on the European experience and concludes that successful regional development in Europe has been achieved by adopting the following three forms of spatial and regional planning (DOELG, 2002, p. 25):

- Urban clusters of neighbouring cities, in many cases across borders, entering into strategic alliances and enlarging their economic advantages and strengths to the benefit of their joint territories (e.g. Copenhagen-Malmo);
• Urban networks between more distant cities or towns co-operating on economic, social or cultural issues;
• Urban - rural partnerships which recognise that urban and rural areas are dependent on each other. This is based on the complex flows of people and services between urban and rural areas and the internationally acknowledged fact that cities and towns in more rural parts of a country will play an ever more important role in the development of rural areas.

In that regard, the proposed spatial structure comprises three key elements (see also Map 3). Firstly, the NSS aims to promote a more efficient Greater Dublin Area (GDA). The strategy supports the physical consolidation of Dublin City through effective land-use policies (increased brownfield developments, improved mobility, urban design quality, social mix, etc.). Secondly, the Strategy designates eight strong ‘gateways’ in other regions (four existing gateways designated in the third NDP and four new ones), recognising that balanced national growth and development are secured with the support of a small number of nationally significant centres, whose location and scale support the achievement of the type of critical mass necessary to sustain strong levels of job growth in the regions. Thirdly, the Strategy identifies nine medium sized ‘hubs’ which are to support and be supported by the gateways and will link out to wider rural areas (DOELG, 2002).

As the implementation of the NSS lies in the hands of Regional and Local Authorities, provisions were made in the Planning and Development Act 2000 for the preparation of statutory Regional Planning Guidelines (RPGs) to give full effect to the principles outlined in the NSS. The RPGs, which have recently been prepared for all Regional Authorities are a new instrument in Irish Planning system, and perhaps provide an opportunity to assist in invigorating regional governance in Ireland (Moore and Scott, 2005). However, it should be noted that under the Planning and Development Act of 2000 (Section 27.1) Local Authorities are obliged to simply have regard to these guidelines when making and adopting development plans. Local authorities in the GDA have been accused many times for breaching the RPGs (see for example Irish Times, 2/4/2003). Interview analysis undertaken by Stafford et al. (2005), but also key infrastructure planners such as the Dublin Transportation Office (DTO, 2003), have suggested that Local Authorities take no notice of the RPGs especially when developing strategies for residential or industrial development. The lack of such legislative obligation brings into question the relationship between national governmental bodies and local authorities in achieving desired planning goals.
Gkartzios and Scott (in press) argue that at least on paper, the NSS provides a broad conceptual and policy framework for rural territorial development, broadening and widening the scope of planning to integrate a range of policy sectors and actors within a negotiated form of governance. However, on the local level rural planning still operates on a narrow development control policy (i.e. a dual distinction between urban-generated and rural-generated housing, as it is discussed in following section), while village planning initiatives (local area plans) have developed poorly in the country (Murray et al., 2005). Commentators such as Aalen (1997) and McGrath (1998) have argued that the planning system in Ireland is unable to respond effectively to rural settlement growth. In a critique of rural planning, both commentators suggested that policy has been driven by the priorities of a few individuals, an intense localism, and the predominance of incremental decision-making. Similarly, Gallent et al. (2003), in a review of European rural housing approaches, classified rural planning in Ireland as a laissez-faire regime, suggesting that: “the tradition of a more relaxed approach to regulation, and what many see as
the underperformance in planning is merely an expression of Irish attitudes towards government intervention” (p. 90).

2 OUTLINE OF APPROACH TO RURAL HOUSING: IS THERE A PROBLEM?

A distinctive feature of dispersed housing in the open countryside characterises the settlement pattern in Ireland (commonly known as one-off housing) and recent years have witnessed increasing difficulties in addressing these spatial phenomena (for example: Nix, 2003; Keaveney and Walsh, 2005; Gkartzios and Scott, 2005; Scott et al., 2005; 2006; EEA, 2006). The proliferation of dispersed single dwellings in the countryside has been an issue for many years, but the scale and pace of recent years appears to be intensifying. For example, analysis undertaken during the preparation of the NSS suggested that between 1996-1999 over one in three new houses built in the Republic of Ireland have been one-off housing in the open countryside, and highlighted that the issue of applications for single housing in rural areas has become a major concern for most local planning authorities (Spatial Planning Unit, 2001).

The pattern of single-detached houses in the Irish countryside is not a new one. In fact, the traditional form of rural settlement in Ireland is highly dispersed, with small farms and villages spread all over the country (Brunt, 1988; McGrath, 1998). The modern rural housing landscape has been largely associated with architect Jack Fitzsimons’ (1971) publication ‘Bungalow Bliss’. The book provides a manual of architectural plans and contracts for affordable and simply constructed bungalows, dormer and two-storey houses and has been frequently credited (or discredited) as being the most significant influence on the shape of the modern Irish landscape (see also Quilley, 2002). Not only has the title of the book been associated with the form of houses it involves, it has been widely adopted as a term for a more general housing phenomenon associated with the Irish ethos and its relation to rurality, as well as suggesting a consumer preference for rural residential environments (Gkartzios, 2008). As the journalist Frank McDonald (Irish Times, 26/6/1997) contends:

“It has often been said that the Irish are not really urban people. And this unusual trait helps to explain why the suburbs of Ireland can now be found strung out along nearly every rural road. ‘Bungalow Bliss’ is not just the title of a book; it encapsulates our social aspirations”.

‘Bungalow Bliss’ and rural housing generally represents the most challenging issue facing contemporary Ireland, in terms of rural planning and regional governance, and has resulted in an increasingly contentious debate both at a local and national scale. The slogan ‘Bungalow Bliss’ soon turned into ‘Bungalow Blitz’, and the debate on one-off housing and rural Ireland became increasingly heated in the Oireachtas (the Irish Parliament) and the national press (for example see: Irish Times, 16/3/2004; 11/1/2005; 24/1/2006; 1/2/2007).

In essence, the rural housing debate is characterised by contestation and conflicting constructions of rurality, with on the one hand conservation interests and many planning officials favouring restrictive policies as a means to protecting landscapes
and reducing car dependency, and on the other hand community development interests and many elected local councillors who favour more lax policies to enable greater social vitality and to protect the further loss of rural services (Scott, 2006). The debate lacks significant empirical evidence to support many of the arguments in favour or against one-off housing. This is further exacerbated by limited public data on one-off housing developments (stock, location), rural house prices, land prices and land transactions. Even the term one-off housing, which is frequently used in public policy discourse, lacks consideration of what exactly it means (in terms of when a development in considered to be in the open countryside or within a settlement) and how it could be captured through existing public data from the CSO and the DOEHLG.

The rural housing debate has involved numerous key organisations including An Taisce28 and the Irish Planning Institute. An Taisce has made numerous appeals to An Bord Pleanala29 against one-off rural housing developments. An Taisce’s opposition to one-off housing is based on the three following types of consequences (Nix, 2003): social (i.e. increased traffic, reduced socialising), economic (i.e. increased cost of servicing, damage to tourism) and finally environmental (i.e. ground water pollution due to septic tanks, damage to the landscape). Their campaign however, has also been criticised as elitist and unsympathetic to the realities of rural life (Irish Times, 17/7/2003). The Irish Planning Institute (IPI) supports appropriate rural development, rural renewal and revitalisation, including rural housing development to meet the needs of rural communities, but also acknowledges the need for a clear presumption against urban generated one-off housing in rural areas and the need for positive planning. This can take the form of infill development behind existing urban development, usually on the edge of existing urban areas (IPI, 2003). The most common reasons cited to impose restrictions on the growth of dispersed housing have been summarised by Scott (2005, p. 351) as follows:

- Impact on landscapes;
- Proliferation of septic tanks (and groundwater pollution);
- Reliance on the car for all journeys;
- Ribbon development and urban sprawl;
- Decline of smaller towns and villages;
- Increased difficulty in the provision of infrastructure;
- Increased cost of service delivery.

On the other hand, the most vocal proponents of one-off housing have been Rural Resettlement Ireland, a voluntary national agency established in 1990, which seeks to arrest rural depopulation by resettling families from urban to rural areas, and the Irish Rural Dwellers’ Association (IRDA), which was formed in 2002 in order to safeguard people’s rights who have been refused planning permission for housing in

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28 An Taisce (The National Trust for Ireland) is an independent organisation and the most influential environmental body in the Republic of Ireland.
29 An Bord Pleanala (The Irish Planning Appeals Board) is an independent body. Its task is to ensure that physical development and major infrastructure projects in Ireland respect the principles of sustainable development and are planned in an efficient, fair and open manner. Appeals relating to one-off housing represent a sizeable proportion of the total number of planning appeals coming before the board. The main reasons for refusing permission have been settlement policy, public health, traffic issues and visual amenity (An Bord Pleanala, 2002).
rural areas. The advocates of rural housing would argue on the grounds of (see also Gkartzios and Scott, in press):

- Constitutional right to build on private property
- Traditionally dispersed Irish settlement pattern
- Support rural communities from declining (depopulation)

3 REVIEW OF RECENT RURAL HOUSING MARKET CONTEXT

According to national censuses, population growth has been a common feature in the country after the 1960s with the exception of a period of population decline between 1986 and 1991, which has been attributed to a sharp increase in net outward migration during the second half of the 1980s (Walsh, 1991a; 1991b). However, after the early 1990s population levels increased again. Indeed, the population in the country, as recorded in the 2006 Census, has been the highest ever since the census of 1926 (see Figure 1).

Figure 1: Total population in the Republic of Ireland, 1926-2006

Regardless of the considerable population growth during recent decades, Ireland remains a low-density country in a European context. The average population density in Ireland in 2002 was 57.3 people per sq km, a figure significantly lower than other European countries30 (Figure 2).

In relation to housing construction, an impressive house building activity has been recorded in the country from the early 1990s, in line with the economic boom that Ireland experienced during that time (see also Clinch et al., 2002). The increase in the level of overall construction is unprecedented and is also exceptional when compared to other European countries (NESC, 2004). The main drivers of the Irish housing market have been summarized by Fahey and Duffy (2007):

- demographic changes (both population growth and in-migration);

30 According to Eurostat (EC, 1995-2007) the average population density of the EU (27 counties) in 2002 was 112.9 inhabitants per sq km.
• rising real disposable incomes; and
• a fall in mortgage interest rates.

In particular, over the 10-year period 1995-2005, private house completions (excluding Local Authority and voluntary/non profit houses) increased by 183 per cent, adding more than half a million new private houses (574,442) in the State.

Figure 2: Population density of European countries, 2002

![Population Density in Europe, 2002](image)

Source: Eurostat (EC)

Figure 3 shows the total number of houses (including apartments) completed in each sector over the period 1993 to 2006. This level of production was unprecedented in the history of the State and, in comparative terms, was the highest level of output per thousand population in the European Union (Norris and Redmond, 2007). Production rose continuously from 1995 to 2006 but 2007 saw the beginnings of a downturn in line with the economy generally. Some commentators estimate that housing completions in 2008 will fall dramatically, perhaps to 30,000 units completed.

The housing boom in the country can also be seen in the growth of planning applications from the period of 1994 to 2006. Planning applications peaked in 2004 (86,507) and fell slightly in the following years (Figure 4). It is also evident that the rate of planning refusals has also been increasing (from 8.9 per cent in 1994 to 18.7 per cent in 2005), indicating more strict criteria in granting planning applications in the State. Moreover, as Williams et al. (2007) observe, the notable decline in applications between 2000 and 2002 can be attributed to the imposition of the Planning and Development Act and the two year ‘withering rule’ which was reversed in 2002.

31 The concept of ‘withering permissions’ was introduced to prevent developers rushing through planning applications to avoid the new requirements of the 2000 Planning and Development Act, after they became public knowledge but before they became law.
Housing Markets and Affordability

Over the past decade or so Ireland has witnessed the most extraordinary property boom in its history. House prices rose rapidly from the late 1990s to mid 2007. It is only in the past year that the property market has begun to slow, with prices falling for the first time in over a decade. Over that period house prices increased on average by 15 per cent per annum while wages and consumer prices increased by
only 5 per cent per annum, leading inevitably to affordability problems, particularly in urban areas.

While data on house prices is provided by central government, unfortunately this data is mainly at an urban level and is not available at any spatial scale which would allow comments to be made about house prices in rural areas. Therefore, only general trends can be described here, trends which apply to rural areas. This section examines the trends in these prices over the past decade in response to increases in demand brought on by demographic changes and rising incomes. Figure 5 shows new house prices (including apartments) for the state as a whole and for Dublin from 1993 to 2007. What it demonstrates is quite extraordinary and rapid house price inflation nationally but particularly in Dublin.

**Figure 5: New House Prices 1993-2007**

![Graph showing new house prices 1993-2007](image)

Source: Department of Environment, Heritage and Local Government (various)

Figure 6 compares trends in new house price inflation with general inflation. As it shows, house price inflation has, over the past six years averaged between 10 and 15 per cent per annum. General inflation on the other hand has been consistently below 5 per cent. Wage inflation has also been controlled due to the series of national pay agreements. These radically different trajectories have led to a historic disconnect between house prices, wages and general inflation and given rise to an affordability gap for first time buyers in the lower deciles of income distribution in particular.
The rapid growth in house prices from the mid 1990s onwards led to the creation of affordability problems for first time buyers. While there are a number of ways in which to measure affordability, one such method is to examine the relationship between house prices and annual incomes or earnings. Table 2 shows the relationship between house prices and annual earnings in different sectors. The sectors selected, manufacturing industry, banking and insurance, distribution and the public sector are intended to capture the relationship between sectors which are likely to contain first time buyers (at least in terms of income) and house prices. Table 2 shows the ratio of average new house prices nationally to annual earnings (assuming 1 earner) in different sectors. What is immediately apparent is the rapid rise in the multiples. In 1997 average new house prices in the state were 5.5 times the average annual earnings in manufacturing industry. However, by 2006 (latest available earnings data) the multiple have rise to 10.2. Annual earnings in the other sectors are higher and hence the multiple are lower but nonetheless the ratios almost double in the case of the other sectors.

Table 2: Ratio of New House Prices Nationally to Annual Earnings: 1 Earner

<table>
<thead>
<tr>
<th>Year</th>
<th>Manufacturing industries</th>
<th>Banking, Insurance, Building Societies</th>
<th>Distribution and business services</th>
<th>Public sector (Excluding health)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>5.5</td>
<td>3.8</td>
<td>n/a</td>
<td>3.7</td>
</tr>
<tr>
<td>1998</td>
<td>6.4</td>
<td>4.5</td>
<td>5.4</td>
<td>4.3</td>
</tr>
<tr>
<td>1999</td>
<td>7.2</td>
<td>5.1</td>
<td>6.4</td>
<td>4.9</td>
</tr>
<tr>
<td>2000</td>
<td>7.7</td>
<td>5.5</td>
<td>6.4</td>
<td>5.3</td>
</tr>
<tr>
<td>2001</td>
<td>7.7</td>
<td>5.3</td>
<td>6.4</td>
<td>5.2</td>
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<td>2002</td>
<td>7.9</td>
<td>5.5</td>
<td>6.8</td>
<td>5.4</td>
</tr>
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<td>2003</td>
<td>8.4</td>
<td>6.2</td>
<td>7.3</td>
<td>5.9</td>
</tr>
<tr>
<td>2004</td>
<td>9.0</td>
<td>6.5</td>
<td>7.7</td>
<td>6.0</td>
</tr>
<tr>
<td>2005</td>
<td>9.5</td>
<td>6.8</td>
<td>8.2</td>
<td>6.3</td>
</tr>
<tr>
<td>2006</td>
<td>10.2</td>
<td>7.1</td>
<td>n/a</td>
<td>6.7</td>
</tr>
</tbody>
</table>

Source: Derived from data in Department of Environment Housing Statistics Bulletins and CSO
Affordable Housing Schemes

Table 2 above shows the historic trend in the relationship between house prices and average annual earnings in certain sectors. While this is merely one way of analysing affordability it has the merit of showing the disconnect or mismatch that has emerged over the past decade or so between house prices and those sectors of the population in the lower income deciles. As a consequence of the emergence of a serious affordability problem for first time buyers the government has initiated a series of affordable house schemes. The schemes are as follows:

1. The 1999 Affordable Housing Scheme (national scheme)
2. Part V of the Planning and Development Act (national scheme)
3. Affordable Housing Initiative (Dublin-based scheme)
4. Affordable Housing Partnership (Dublin-based scheme)

One of the common elements of all these schemes is that the land or site cost is controlled or subsidised in some way, thus allowing the house to be sold at a discounted price to first time buyers, in effect a form of price control. Another common element is that all the schemes are aimed at first time buyers and the subsidies are directed only at the building of new houses. Table 3 summarises the contribution of each of the schemes to the end of 2007. As can be seen over 50 per cent of the affordable housing provided had been delivered in Greater Dublin Area.

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Affordable Housing Provision by Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1999</td>
</tr>
<tr>
<td>Total Dublin</td>
<td>2,243</td>
</tr>
<tr>
<td>Total GDA</td>
<td>2,670</td>
</tr>
<tr>
<td>Total State</td>
<td>6,133</td>
</tr>
</tbody>
</table>

Source: Derived from data in Department of Environment Housing Statistics Bulletins

Scheme 1 The 1999 Affordable Housing Scheme

This scheme provides new housing for first time buyers in areas where there is an affordability problem. It is a scheme which operates nationally and is organised and administered by local authorities. New dwellings are built on land provided by the local authority, which is land it already owns or which it purchases. The discounted purchase price of housing is subsidised through either the elimination of land/site costs entirely or through subsidisation of land. Local authorities use their own land banks for such housing or purchase land on the market which is in turn subsidised via site subsidy from central government. The purchase price is thus discounted in effect via a land subsidy (historic or current). Household income limits apply to potential purchasers; hence, there is in effect a maximum price which can be charged for such housing.

To be eligible for the Affordable Housing Scheme, households must be covered by one of the following categories:

1. Those in need of housing and whose income satisfies an income test,
2. A person whose application for local authority housing has been approved by the local authority,
3. A local authority tenant or tenant purchaser who wishes to buy a private house or to return their present house to the local authority, or
4. A tenant for more than one year of a house provided by a voluntary body under the Rental Subsidy Scheme who wishes to buy a private house and return their present house to the voluntary body.

An income test applies to the first category only. Households qualifying under the second, third or fourth category are exempt from the income test. Households qualifying under the first category must be a first time buyer, must be in permanent employment for at least one year prior to application, and the income on their P60 for the previous tax year must be within the following limits:

- **Single Income Household**: For a single income household, the gross income (before tax) in the last income tax year must be €40,000 or less to qualify.
- **Two Income Household**: For a two income household to qualify, the gross income (before tax) of the higher earner in the last income tax year, multiplied by 2.5, plus the gross income of the other earner in the last tax year, must sum up to €100,000 or less to qualify.

From the introduction of the Affordable Housing Scheme in 1999, to the end of December 2007, a total of 6,133 affordable dwellings were completed nationally (Figure 7). Completions peaked in 2003 at just over 1,500 units but since then have averaged 830 units completed per annum.

**Figure 7: 1999 Affordable Housing Scheme Completions- State**

![Figure 7: 1999 Affordable Housing Scheme Completions- State](image)

Source: Department of the Environment, Quarterly & Annual Housing Statistics

Table 4 displays completions of the 1999 scheme by regional authority. Forty four per cent of all completions in the scheme were in the Greater Dublin Area, which is unsurprising. However, the scheme had operated nationally and is likely to have been used in rural areas, particularly smaller towns and villages. Unfortunately data are only available at a local authority level.
### Table 4: 1999 Affordable House Completions by Regional Authority

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Border</td>
<td>0</td>
<td>0</td>
<td>46</td>
<td>66</td>
<td>88</td>
<td>50</td>
<td>37</td>
<td>62</td>
<td>76</td>
<td>425</td>
</tr>
<tr>
<td>Midlands</td>
<td>0</td>
<td>0</td>
<td>109</td>
<td>126</td>
<td>121</td>
<td>47</td>
<td>64</td>
<td>112</td>
<td>579</td>
<td>9</td>
</tr>
<tr>
<td>West</td>
<td>40</td>
<td>60</td>
<td>16</td>
<td>136</td>
<td>224</td>
<td>60</td>
<td>42</td>
<td>276</td>
<td>53</td>
<td>907</td>
</tr>
<tr>
<td>Dublin</td>
<td>0</td>
<td>0</td>
<td>31</td>
<td>712</td>
<td>233</td>
<td>548</td>
<td>137</td>
<td>293</td>
<td>2,243</td>
<td>37</td>
</tr>
<tr>
<td>Mid-East</td>
<td>0</td>
<td>0</td>
<td>119</td>
<td>100</td>
<td>100</td>
<td>18</td>
<td>31</td>
<td>59</td>
<td>427</td>
<td>7</td>
</tr>
<tr>
<td>Mid-West</td>
<td>0</td>
<td>0</td>
<td>8</td>
<td>43</td>
<td>50</td>
<td>5</td>
<td>16</td>
<td>8</td>
<td>130</td>
<td>2</td>
</tr>
<tr>
<td>South-East</td>
<td>0</td>
<td>26</td>
<td>113</td>
<td>113</td>
<td>126</td>
<td>82</td>
<td>16</td>
<td>21</td>
<td>133</td>
<td>630</td>
</tr>
<tr>
<td>South-West</td>
<td>0</td>
<td>0</td>
<td>66</td>
<td>42</td>
<td>105</td>
<td>164</td>
<td>144</td>
<td>136</td>
<td>135</td>
<td>792</td>
</tr>
<tr>
<td>Totals</td>
<td>40</td>
<td>86</td>
<td>272</td>
<td>882</td>
<td>1,524</td>
<td>860</td>
<td>857</td>
<td>743</td>
<td>869</td>
<td>6,133</td>
</tr>
</tbody>
</table>

Source: Department of the Environment, Quarterly & Annual Housing Statistics

### Scheme 2 art V Affordable Housing

In 2000 the government introduced what has turned out to be a controversial and complex piece of planning legislation, which imposed on private sector developers an obligation to subsidise social and affordable housing on sites they wish to develop. Developers are required, as a condition of planning permission, to transfer up to 20 per cent of their sites for use as social and/or affordable housing and, crucially, to transfer the site to the state at use value. Thus, developers must transfer up to 20 per cent of the site, or 20 per cent of the completed dwellings or, under an amendment to the Act, a financial equivalent of the land value, or an alternative site, to the local planning authority. Developers can also offer a mix of these measures.

The rationale for this legislation is twofold. First, it was aimed at allowing local authorities to access development land cheaply, thereby enabling them to build either social and/or affordable housing at below market cost. Local authorities and other social housing providers have had serious problems accessing land in urban areas, especially in competition with private developers. While developers have the option to pay the local authority the financial equivalent of the land cost, many local authorities, especially in urban areas, are seeking to obtain completed and subsidised dwellings from developers. This is entirely understandable as in recent years direct output of social housing has lagged significantly behind social need, and there has been in general considerable under-development of this sector compared to earlier periods of significant public investment. The new planning legislation has another more social aim, in that by seeking to have social housing built alongside or integrated with private market housing, levels of what were termed 'undue segregation' would be diminished and social mix and social interaction would be encouraged. Figure 8 shows that initial progress in Part V scheme was quite slow. However supply from this mechanism has increased substantially since 2005 onwards. One of the drawbacks of the scheme is that it is dependent on the market and, as the housing market has slowed considerably, there are likely to be knock-on effects in terms of supply through this mechanism over the next few years.
4 OUTLINE OF MAIN POLICY INITIATIVES

This section covers the main policy initiatives dealing with rural housing in the Republic of Ireland:

- Strategy for Sustainable Development
- White Paper on Rural Development
- National Development Plans
- National Spatial Strategy
- Regional Planning Guidelines
- Rural Housing Guidelines

Concerns over managing rural settlements in the Republic of Ireland have been expressed in various policy documents over the 1990s. The Strategy for Sustainable Development (GOI, 1997), for example recognised that in some rural areas there is severe pressure in demand for one-off housing, a demand characterised as unsustainable and it proposed “a presumption against one-off rural housing developments adjacent to towns” (p. 151). Further attention to rural issues and generally regional development came with the publication of the ‘White Paper on Rural Development’ in 1999 (DAFRD, 1999). The White Paper stated that the Government’s vision for the future of rural society “is based on the maintenance of dispersed, vibrant rural communities” (p. 114). A key objective of the White Paper was the maintenance of rural population, not just in terms of numbers, but also in terms of achieving a balanced spatial distribution of population. The White Paper recommended that planning policy should, as far as possible, “facilitate people willing to settle in rural areas, especially those willing to settle in their own areas of origin” (p. 78). Additionally, the 2000-2006 National Development Plan (GOI, 1999) acknowledged the impact of urbanisation on rural hinterlands and the problems faced by more remote rural areas, including emigration and increased cost of service, but it made no specific reference to rural housing (Finnerty et al., 2003).

The publication of the NSS (DOELG, 2002) represented a timely opportunity for addressing rural issues and managing rural settlements in the country. Encouragingly, the NSS provided a typology of rural areas to identify different types
of rural areas and to reinforce the need for differing policy responses appropriate to local contexts. The rural typology was based on analysis of 30 variables, covering demographic structure, labour force characteristics, educational and social class data, employment profile, structure and performance of the farming sector and change variables (e.g. population changes). The types of rural areas and the policy responses identified in the Irish Strategy are shown in Table 5.

Table 5: Rural area types and general policy responses

<table>
<thead>
<tr>
<th>Rural Area Type and Description</th>
<th>Rural Area Policy Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Areas that are strong:</td>
<td>• Support agriculture by maintaining the integrity of viable farming areas;</td>
</tr>
<tr>
<td>Agriculture remains strong, but</td>
<td>• Strengthen rural villages and small towns by making them attractive to residential and employment-related development;</td>
</tr>
<tr>
<td>pressure for development is</td>
<td>• Reduce urban sprawl through a renewed emphasis on appropriate in-fill development.</td>
</tr>
<tr>
<td>high and some rural settlements are under stress.</td>
<td></td>
</tr>
<tr>
<td>2 Areas that are changing:</td>
<td>• Support communities where the viability of agriculture is under stress through promoting diversification in enterprise, local services and tourism.</td>
</tr>
<tr>
<td>Population and agriculture</td>
<td>• Build up rural communities through spatially targeted and integrated measures;</td>
</tr>
<tr>
<td>employment have started to</td>
<td>• Develop new rural tourism resources such as inland waterways.</td>
</tr>
<tr>
<td>decline and replacement</td>
<td></td>
</tr>
<tr>
<td>employment is required.</td>
<td></td>
</tr>
<tr>
<td>3 Areas that are weak:</td>
<td>• Promote marine and natural resource based development;</td>
</tr>
<tr>
<td>Population decline has been</td>
<td>• Overcome distance barriers with the support of technology.</td>
</tr>
<tr>
<td>significant.</td>
<td></td>
</tr>
<tr>
<td>4 Areas that are remote.</td>
<td>• Enhance accessibility;</td>
</tr>
<tr>
<td>5 Areas that are culturally</td>
<td>• Strengthen existing settlements;</td>
</tr>
<tr>
<td>distinct:</td>
<td>• Conserve cultural identity.</td>
</tr>
<tr>
<td>Areas with distinctive cultural</td>
<td></td>
</tr>
<tr>
<td>heritage (e.g. Gaeltacht or</td>
<td></td>
</tr>
<tr>
<td>Irish speaking areas.</td>
<td></td>
</tr>
</tbody>
</table>

Source: National Spatial Strategy, 2002 (p. 53)

The NSS recognised that there is a long tradition of people living in rural areas in Ireland and outlined four broad objectives as a basis for a sustainable rural settlement policy framework (DOELG, 2002, p. 105):

- To sustain and renew established rural communities and the existing stock of investment in a way that responds to the various spatial, structural and economic changes taking place, while protecting the important assets rural areas possess;
- To strengthen the established structure of villages and smaller settlements both to assist local economies and to accommodate additional population in a way that supports the viability of public transport and local infrastructure and services such as schools and water services;
- To ensure that key assets in rural areas such as water quality, the natural and cultural heritage and the quality of the landscape are protected to support quality of life and economic vitality;
- To ensure that rural settlement policies take account of and are appropriate to local circumstances.
In that context, the Strategy called for different responses to managing dispersed rural settlements between rural areas under strong urban influences, rural areas that are characterised by a strong agricultural base, structurally weak rural areas and areas with distinctive settlement patterns, reflecting the contrasting development pressures that exist in the countryside (Table 6). Surprisingly perhaps, considering that dispersed housing in the countryside comprises one of the most contested issues facing rural Ireland and contemporary planning policy (Scott, 2006), the strategy did not formulate an explicit policy framework for dealing with one-off housing developments in the countryside. It did however, develop a rural housing policy prescription with a distinction made between urban and rural generated housing in rural areas, defined as (DOELG, 2002, p. 106):

- **Urban-generated rural housing**: development driven by urban centres, with housing sought in rural areas by people living and working in urban areas, including second homes;
- **Rural-generated housing**: housing needed in rural areas within the established rural community by people working in rural areas or in nearby urban areas who are an intrinsic part of the rural community by way of background or employment.

### Table 6: Housing in different types of rural areas

<table>
<thead>
<tr>
<th>Residential development in rural areas</th>
<th>Policy Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under strong urban influence</td>
<td>• Improve the attractiveness of towns and villages (improved housing quality, affordability and design quality);</td>
</tr>
<tr>
<td></td>
<td>• Urban-generated housing should take place within their built up areas or on lands identified, through the development plan process;</td>
</tr>
<tr>
<td></td>
<td>• For rural areas that are experiencing growth, new residential development should be of a design, character and scale that is in keeping with its context;</td>
</tr>
<tr>
<td></td>
<td>• Such developments should promote a high quality living environment and enhanced public transport usage.</td>
</tr>
<tr>
<td>With traditionally strong agricultural base</td>
<td>• Small settlements (rural towns and villages) should cater for rural generated housing;</td>
</tr>
<tr>
<td></td>
<td>• Promote policies that incorporate a presumption in favour of appropriate development in villages and small towns.</td>
</tr>
<tr>
<td>That are structurally weak</td>
<td>• Any demand for permanent residential development should be accommodated as it arises, subject to good practice in matters such as design, location and protection of landscape and environmentally sensitive areas;</td>
</tr>
<tr>
<td></td>
<td>• Promote public and private investment in the provision of water services, in-fill and new development opportunities, design frameworks and the provision of sites in villages and smaller towns.</td>
</tr>
<tr>
<td>With distinctive settlement patterns (small clusters of housing)</td>
<td>• Strengthen settlement through appropriately scaled ‘in-fill’ development and avoiding linear or ribbon development;</td>
</tr>
<tr>
<td></td>
<td>• Safeguard key resources, such as landscape and habitats.</td>
</tr>
</tbody>
</table>

Source: National Spatial Strategy, 2002 (pp. 106-108)

32 ‘One-off housing’ is mentioned only once in the Irish Strategy, in the appendix for submissions and public consultation processes in preparing the NSS.
Generally, the NSS outlined that development driven by urban areas (including urban-generated rural housing) should take place within built up areas or land identified in the development plan process and that rural-generated housing needs should be accommodated in the areas where they arise (DOELG, 2002, p. 106). Thus, the NSS shifted the importance of rural housing developments from the development itself to the people and the motives behind such developments. These two different types can involve houses located in the same area, within the same price class or even look identical. It is peoples’ motives in their decision to build/buy a house in a rural location, their lifestyle (connection to rural localities) and their background (whether from an urban area or not) that will characterise a rural housing development as rural-generated or urban-generated (Gkartzios and Scott, 2005).

Furthermore, it is unclear to what extent these two mutually exclusive categories in rural housing reflect the reality of rural housing demand in Ireland. The urban-generated and rural-generated housing categories are policy terms which do not integrate with any public data on rural housing. Thus, it is unclear the extent to which problems associated with one-off housing are addressed by attributing these types of developments to urban-generated rural housing (Gkartzios and Scott, in press).

On a regional level, drawing on the NSS, the RPGs for the GDA for example (Dublin Regional Authority and Mid-East Regional Authority, 2004), propose that housing developments should be steered into designated development centres. The RPGs for the GDA suggest that local growth housing needs could be accommodated outside these development centres on greenbelt and agricultural land, as long as they have regard to “good design, servicing and siting in the rural landscape” (2004, p. 131). Furthermore, the guidelines require Local Authorities to identify locations to cater for rural generated housing needs in advance (2004, p. 161), since “accommodating rural generated housing need in greenbelt and on agricultural lands has the potential to degrade the function and quality of such areas” (2004, p. 213).

The introduction of the NSS has been welcomed by both academics and planning practitioners. Scott (2006), for example, argues that by developing a rural typology the Strategy acknowledges the existence of varying ruralities, and has provided the basis for a differentiated planning response and a spatially defined (rather than sectoral based) rural policy. However, despite the introduction of the NSS, rural planning still operates on a narrow land-use housing control policy, lacking the initiatives to secure co-ordinated rural housing policy across the country (see also section 6) that matches wider rural development aspirations. For example, scant attention is paid within CDP to examining the relationship of rural housing in connection to other rural development initiatives in rural areas, such as LEADER programmes (Gkartzios and Scott, in press). At the same time, the eight Regional Authorities, which were created in 1994 and are responsible for the Regional Planning Guidelines, could play a key role in integrating rural planning with wider rural development goals (see also Haughton and Counsell, 2004). However, Regional Authorities in the Republic of Ireland have relative very little power, limited human resources and budget, and also lack public recognition and support (Boyle, 2000; Moore and Scott, 2005). The same can be said about the Regional Assemblies, whose creation in 1999 has been criticised as an exercise in EU subsidy shopping, rather than a step towards devolution and enhanced regionalism (Boyle, 2000).
Rural housing policy has been further addressed in the Planning Guidelines for Sustainable Rural Housing (GOI, 2005). Guided by pressures from local councillors and the rural community regarding planning applications for one-off housing (see also Irish Times, 21/6/2007), rather than any empirical research, the guidelines appear to suggest a more relaxed approach to managing rural housing (Scott et al., 2005). The guidelines state that although all previous policy documents discourage urban-generated one-off housing developments in rural areas adjacent to towns, “it has become clear that these provisions were operated over rigidly” (p. 1). In summary, the guidelines outline that (p. 1):

- People who are part of the rural community should be facilitated by the planning system in all rural areas, including those under strong urban pressures;
- Anyone wishing to build a house in rural areas suffering persistent and substantial population decline will be accommodated;
- The development of the rural environs of major urban areas, including the gateways and hubs identified in the NSS and county and other larger towns over 5000 in population needs to be carefully managed in order to assure their orderly development and successful functioning into the future.

In essence, the rural planning framework in Ireland presents some conspicuous contradictions. First, while academic literature suggests that Irish rural planning consists of a lax regime (i.e. Duffy, 2000; Gallent et al., 2003), which has accommodated the growth of not only small towns and villages but also of dispersed single dwellings in the countryside (Gkartzios and Scott, 2005; Keaveney and Walsh, 2005), governmental policy documents (GOI, 2005) suggest that provisions against one-off rural housing have been implemented over rigidly in the state and introduce a more relaxed approach to managing rural housing. Second, on a policy implementation level, the emerging multi-level policy framework presents perhaps ‘mixed-signals’. While national and regional policy perspectives propose that residential development in the rural hinterland should be concentrated in identified towns and service villages, the ministerial guidelines and local CDP suggest a more permissive approach to dispersed housing in the countryside including areas in close proximity to urban centres. Third, despite the efforts of setting a national framework for dealing with spatial issues, loose compliance have been observed between Local Authorities, Regional Authorities and the NSS in delivering national policy goals at the local level.

5 USE OF OCCUPANCY CONTROLS

Drawing on the NSS (DOELG, 2002) and the Ministerial Guidelines (GOI, 2005), all planning authorities on the local level have adopted the distinction between urban-generated and rural-generated housing. Recent research (Gkartzios and Scott, in press) on all County Development Plans (CDP) in the State (29 in total) has shown that most Planning Authorities have put in place special rural housing provisions for members of the established rural community. That means that people who can demonstrate some sort of ‘local need’, may be granted planning permission for housing developments outside identified development boundaries or within areas of development control (greenbelts, agricultural zone, areas of environmental protection, etc.). Two County Councils (Leitrim, Roscommon) do not have any
provisions for ‘local needs’ at all, while the Cavan CDP, although it refers to local needs, it does not elaborate on the term and how a local need can be demonstrated or claimed. The absence or limited control in urban-generated housing developments in these counties can be partly explained by the fact that these are very rural counties and some areas have experienced prolonged rural depopulation. On the other hand, these counties on an aggregate level have also experienced significant housing-building growth in recent years (Scott et al., 2005; Gkartzios and Scott, in press).

All the other County Councils in the State have adopted (through their elected representatives) a series of criteria which establish how somebody can be considered as a ‘local’. A residency in the area is sometimes required, ranging from 2 years (Carlow CDP, 2003) to 15 years (Louth CDP, 2003), but in many cases this period is not clarified. The Offaly CDP (2003) for example refers to people who have been living in a rural area “for a substantial period and have connections with the local community” (p. 64). In addition, the special provisions for local people or members of the established community, in most cases include housing needs of farmers and generally people employed in agricultural activities, their (immediate) family members (husband, wife, son, daughter) and in some cases ‘local need’ provisions apply also to returning emigrants. Most CDP provide also for an occupancy condition. These types of conditions are specified in sections 47 of the Planning and Development Act, 2000, in order to prohibit potential sale of the house and to safeguard that the house for which a planning permission is requested, is a permanent residence (rather than a holiday home) – see also Tables 7(a) and 7(b). It should be clear that the occupancy conditions and local need criteria apply only to people who are looking for a planning permission to build in a rural area. These conditions do not apply to consumers who seek to buy existing property in the countryside. There is no research regarding the effectiveness and the impact of such conditions in rural planning and policy.
<table>
<thead>
<tr>
<th>County Councils (CC)</th>
<th>Development Plan</th>
<th>Rural housing provisions for 'Local Needs'</th>
<th>Years required to be considered 'local', 'resident', or 'permanent'</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlow CC</td>
<td>CDP 2003-2009</td>
<td>YES (social/personal/community needs)</td>
<td>2 years</td>
</tr>
<tr>
<td>Cavan CC</td>
<td>CDP 2003-2009</td>
<td>YES (reference to local needs, but NOT elaborated)</td>
<td>Not specified</td>
</tr>
<tr>
<td>Clare CC</td>
<td>CDP 2005-2011</td>
<td>YES (needs of local rural community)</td>
<td>10 years</td>
</tr>
<tr>
<td>Cork CC</td>
<td>CDP 2003-2009</td>
<td>YES (needs of established rural communities)</td>
<td>Not specified</td>
</tr>
<tr>
<td>Donegal CC</td>
<td>CDP 2006-2012</td>
<td>YES (bona fide housing need in rural areas)</td>
<td>7 years</td>
</tr>
<tr>
<td>Dun Laoghaire-Rathdown</td>
<td>CDP 2004-2010</td>
<td>YES (genuine housing need)</td>
<td>Not specified</td>
</tr>
<tr>
<td>Fingal CC</td>
<td>CDP 2005-2011</td>
<td>YES (local housing need)</td>
<td>10 years</td>
</tr>
<tr>
<td>Galway CC</td>
<td>CDP 2003-2009</td>
<td>YES (established members of the rural community)</td>
<td>Not specified</td>
</tr>
<tr>
<td>Kerry CC</td>
<td>CDP 2003-2009</td>
<td>YES (established links to the locality)</td>
<td>Not specified</td>
</tr>
<tr>
<td>Kildare CC</td>
<td>CDP 2005-2011</td>
<td>YES ('local need', 'local growth')</td>
<td>12 years</td>
</tr>
<tr>
<td>Kilkenny CC</td>
<td>CDP 2002-2008</td>
<td>YES (housing needs in rural areas)</td>
<td>Not specified</td>
</tr>
<tr>
<td>Laois CC</td>
<td>CDP 2006-2012</td>
<td>YES (needs of rural dwellers)</td>
<td>Not specified</td>
</tr>
<tr>
<td>Leitrim CC</td>
<td>CDP 2003-2009</td>
<td>NO</td>
<td>N/A</td>
</tr>
<tr>
<td>Limerick CC</td>
<td>CDP 2005-2011</td>
<td>YES (need of local communities)</td>
<td>10 years</td>
</tr>
<tr>
<td>Longford CC</td>
<td>CDP 2003-2009</td>
<td>YES (needs of local communities)</td>
<td>Not specified</td>
</tr>
<tr>
<td>Louth CC</td>
<td>CDP 2003-2009</td>
<td>YES (local housing need)</td>
<td>15 years</td>
</tr>
<tr>
<td>Mayo CC</td>
<td>CDP 2003-2009</td>
<td>YES (permanent housing needs)</td>
<td>Not specified</td>
</tr>
<tr>
<td>Meath CC</td>
<td>CDP 2007-2013</td>
<td>YES (persons local or linked to a rural area)</td>
<td>10 years</td>
</tr>
<tr>
<td>Monaghan CC</td>
<td>CDP 2006-2012</td>
<td>YES (local rural community)</td>
<td>5 years</td>
</tr>
<tr>
<td>Offaly CC</td>
<td>CDP 2003-2009</td>
<td>YES ('local need')</td>
<td>Not specified</td>
</tr>
<tr>
<td>Roscommon CC</td>
<td>CDP 2002-2008</td>
<td>NO</td>
<td>N/A</td>
</tr>
<tr>
<td>Sligo CC</td>
<td>CDP 2005-2011</td>
<td>YES (rural generated housing need)</td>
<td>Not specified</td>
</tr>
<tr>
<td>South Dublin CC</td>
<td>CDP 2004-2010</td>
<td>YES (native / genuine housing need)</td>
<td>Not specified</td>
</tr>
<tr>
<td>Tipperary North CC</td>
<td>CDP 2004-2010</td>
<td>YES ('local need')</td>
<td>10 years</td>
</tr>
<tr>
<td>Tipperary South CC</td>
<td>CDP 2003-2009</td>
<td>YES (genuine need to live in a rural area)</td>
<td>10 years</td>
</tr>
<tr>
<td>Waterford CC</td>
<td>CDP 2005-2011</td>
<td>YES (genuine local housing need)</td>
<td>Owning the property for at least 7 years</td>
</tr>
<tr>
<td>Westmeath CC</td>
<td>CDP 2002-2008</td>
<td>YES (needs of local communities)</td>
<td>Not Specified</td>
</tr>
<tr>
<td>Wexford CC</td>
<td>CDP 2007-2013</td>
<td>YES (persons with rural linkages)</td>
<td>10 years</td>
</tr>
<tr>
<td>Wicklow CC</td>
<td>CDP 2004-2010</td>
<td>YES (permanent native resident)</td>
<td>10 years</td>
</tr>
</tbody>
</table>

Source: Gkartzos (2008)
Table 7(b): 29 County Development Plans and ‘Local Needs’

<table>
<thead>
<tr>
<th>County Councils (CC)</th>
<th>Development Plan</th>
<th>Provisions for people employed in agriculture</th>
<th>Provisions for family members</th>
<th>Provisions for returning emigrants</th>
<th>Occupancy condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlow CC</td>
<td>CDP 2003-2009</td>
<td>NO</td>
<td>YES</td>
<td>YES (occupied by the applicant)</td>
<td></td>
</tr>
<tr>
<td>Cavan CC</td>
<td>CDP 2003-2009</td>
<td>NO</td>
<td>NO</td>
<td>NO (permanent occupancy)</td>
<td></td>
</tr>
<tr>
<td>Clare CC</td>
<td>CDP 2005-2011</td>
<td>YES</td>
<td>YES</td>
<td>YES (primary place of residence)</td>
<td></td>
</tr>
<tr>
<td>Cork CC</td>
<td>CDP 2003-2009</td>
<td>NO</td>
<td>NO</td>
<td>NO (primary place of residence, for 5 years)</td>
<td></td>
</tr>
<tr>
<td>Donegal CC</td>
<td>CDP 2006-2012</td>
<td>YES</td>
<td>YES</td>
<td>YES (7 years of occupancy)</td>
<td></td>
</tr>
<tr>
<td>Dun Laoghaire-Rathdown</td>
<td>CDP 2004-2010</td>
<td>YES</td>
<td>NO</td>
<td>YES (15 years of occupancy)</td>
<td></td>
</tr>
<tr>
<td>Fingal CC</td>
<td>CDP 2005-2011</td>
<td>NO</td>
<td>NO</td>
<td>NO (permanent residence)</td>
<td></td>
</tr>
<tr>
<td>Galway CC</td>
<td>CDP 2003-2009</td>
<td>YES</td>
<td>YES</td>
<td>YES (10 years of occupancy)</td>
<td></td>
</tr>
<tr>
<td>Kerry CC</td>
<td>CDP 2003-2009</td>
<td>YES</td>
<td>NO</td>
<td>YES (primary place of residence)</td>
<td></td>
</tr>
<tr>
<td>Kildare CC</td>
<td>CDP 2005-2011</td>
<td>YES</td>
<td>YES</td>
<td>YES (primary place of residence, for 5 years)</td>
<td></td>
</tr>
<tr>
<td>Kilkenny CC</td>
<td>CDP 2002-2008</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>Laois CC</td>
<td>CDP 2006-2012</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>Leitrim C</td>
<td>CDP 2003-2009</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A (permanent residence)</td>
<td></td>
</tr>
<tr>
<td>Limerick CC</td>
<td>CDP 2005-2011</td>
<td>YES</td>
<td>NO</td>
<td>YES (permanent occupancy, for 5 years)</td>
<td></td>
</tr>
<tr>
<td>Longford CC</td>
<td>CDP 2003-2009</td>
<td>YES</td>
<td>YES</td>
<td>YES (occupied by the applicant)</td>
<td></td>
</tr>
<tr>
<td>Louth CC</td>
<td>CDP 2003-2009</td>
<td>YES</td>
<td>YES</td>
<td>YES (permanent residency, for 7 years)</td>
<td></td>
</tr>
<tr>
<td>Mayo CC</td>
<td>CDP 2003-2009</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>Meath CC</td>
<td>CDP 2007-2013</td>
<td>YES</td>
<td>YES</td>
<td>YES (permanent occupancy, for 5 years)</td>
<td></td>
</tr>
<tr>
<td>Monaghan CC</td>
<td>CDP 2006-2012</td>
<td>YES</td>
<td>YES</td>
<td>YES (7 years of occupancy)</td>
<td></td>
</tr>
<tr>
<td>Offaly CC</td>
<td>CDP 2003-2009</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>Roscommon CC</td>
<td>CDP 2002-2008</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A (only in limited circumstances)</td>
<td></td>
</tr>
<tr>
<td>Sligo CC</td>
<td>CDP 2005-2011</td>
<td>YES</td>
<td>NO</td>
<td>NO (permanent residency)</td>
<td></td>
</tr>
<tr>
<td>South Dublin CC</td>
<td>CDP 2004-2010</td>
<td>YES</td>
<td>NO</td>
<td>YES (permanent residency, for 7 years)</td>
<td></td>
</tr>
<tr>
<td>Tipperary North CC</td>
<td>CDP 2004-2010</td>
<td>YES</td>
<td>NO</td>
<td>YES (permanent residency)</td>
<td></td>
</tr>
<tr>
<td>Tipperary South CC</td>
<td>CDP 2003-2009</td>
<td>YES</td>
<td>NO</td>
<td>YES (permanent residency)</td>
<td></td>
</tr>
<tr>
<td>Waterford CC</td>
<td>CDP 2005-2011</td>
<td>YES</td>
<td>YES</td>
<td>YES (permanent residency, for 7 years)</td>
<td></td>
</tr>
<tr>
<td>Westmeath CC</td>
<td>CDP 2002-2008</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>Wexford CC</td>
<td>CDP 2007-2013</td>
<td>YES</td>
<td>YES</td>
<td>YES (permanent residence, for 5 years)</td>
<td></td>
</tr>
<tr>
<td>Wicklow CC</td>
<td>CDP 2004-2010</td>
<td>YES</td>
<td>YES</td>
<td>YES (occupied by the applicant)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Gkartzios (2008)
The Kildare County Development Plan for example (County Kildare in within the Greater Dublin Area Region) in dealing with rural settlements distinguishes between ‘local needs’ (to primarily serve housing needs of the indigenous population, usually from a farming background) and ‘local growth’ (to attract development by people who can demonstrate some ties with the rural community) (Table 8). The Plan although is determined to curtail urban-generated rural housing developments (in line with the NSS), does not prevent dispersed housing outside identified development boundaries (one-off housing), as long as the ‘local needs’ and/or ‘local growth’ criteria can be met. To make matters more complex, it appears that tourist-related housing and second-holiday homes (which could be considered as urban-generated developments) are included in the ‘local growth’ category and therefore are supported for particular areas in the county (Gkartzos, 2008).

Undoubtedly the designation of ‘local need’ criteria has been underpinned by successful pressures to secure planning permissions for one-off rural housing demands from the rural community. Such implications are not unknown in Irish planning, not only because planning is a political activity, but because of the intense localism that characterises Irish politics (Laffan, 1996; Moore and Scott, 2005). However, the legitimacy of local authorities to distinguish between locals and non-locals in granting planning permissions has been greatly disputed, especially after a complaint made by an Irish citizen to the European Commission (EC) (Irish Times, 21/6/2007).

The Commission has asked the Department of Environment, Heritage and Local Government (DOEHLG) to explain how ‘local needs’ rules do not break internal market rules and are not discriminatory. In particular, the EC’s argument is that the ‘local need’ criteria are against the Treaty of Rome (Articles 42 and 56 on free movement of capital and free movement of enterprise). The EC has emphasised five areas of controversy: residency requirement, bloodline criteria, local employment needs, agricultural activity and linguistic ability (the requirement to speak Irish in specified areas). Gkartzos and Scott (in press) report that according to the DOEHLG, ‘local need’ criteria do not interfere with the free movement of capital or the free movement of enterprise. As planning permissions are sought only for building a house, there is nothing in the CDP that stop anybody from buying an existing property anywhere in the country. Furthermore, the DOEHLG views these criteria as a means of facilitating development in rural areas (especially in areas beyond the boundaries of residential development), rather than a way to exclude people from particular types of development. This is particularly important considering that the other solution for the DOEHLG, would be a blanket ban on all one-off rural housing developments (similarly to Northern Ireland). However, such an approach would almost certainly prove too politically controversial and unpalatable for elected representatives outside of the major urban centres. For the same reason it might be too optimistic to expect any other drastic changes regarding the current rural housing regime. The policy in place exhibits the Government’s will to facilitate housing needs in the countryside, and at the same time showing that it is dealing with a very political and contested issue; but it is doubtful whether this policy prevents speculative and dispersed housing developments. Considering that there are no data to support the distinction between rural-generated and urban-generated demand for housing, it is unlikely to reach a conclusion in future as well.
### Table 8: ‘Local need’ and ‘local growth’ categories in the Kildare CDP.

<table>
<thead>
<tr>
<th>Local Need</th>
<th>Local Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Land owners whose primary employment is in farming for over 5 years</td>
<td>People whose employment is essential to the rural community, but it doesn’t require them to live in a rural area</td>
</tr>
<tr>
<td>2. People need to live in the immediate vicinity of their employment (bloodstock, forestry or horticulture)</td>
<td>People with extended family members living in a rural area</td>
</tr>
<tr>
<td>3. People who have spent substantial time (at least 12 years) in rural areas with immediate family members living there</td>
<td>People who grew up in Co. Kildare, left the area, but have no immediate family member living there</td>
</tr>
<tr>
<td>4. People who grew up in Co. Kildare (live there at least 12 years), left the area, but still have immediate family members living there</td>
<td>People who have been living in Co. Kildare for at least 5 years</td>
</tr>
<tr>
<td>5. People whose occupation is essential to the rural community (for more than 5 years)</td>
<td>Tourist-related housing</td>
</tr>
</tbody>
</table>

Source: adapted from the Kildare County Development Plan, 2005

Furthermore, the Law Society of Ireland (Law Reform Committee) published a report (LSI, 2005), where it is demonstrated how such ‘local need’ criteria contradict (or not) Human Rights conventions, the Irish Constitution, national law and European Union law. The report refers to ‘discriminatory planning conditions’ to include all conditions that limit the occupancy of a dwelling to various people. The report identifies that these conditions include bloodline criteria (relatives in the area), employment criteria (e.g. agricultural workers and local employees), residency criteria, returning emigrants and linguistic criteria (for example people who can speak Irish or not in the Irish-speaking areas of the country). The report concludes that An Bord Pleanala and Planning Authorities should:

- Never impose bloodline conditions;
- Never impose local residency conditions independently of local employment conditions;
- Impose restrictions to local residents or local employees as well;
- Avoid applying language conditions uniformly over large areas;
- Avoid applying agricultural worker conditions uniformly over large areas;
- Use returning emigrants conditions in most limited ways to ensure that the applicants have spent a considerable time in the local area;
- Never have an absolute rule or policy in favour of a particular condition, but always consider personal circumstances of the candidate.

### 6 PROSPECTS FOR RURAL HOUSING

Managing rural housing in the Republic of Ireland has not been an easy task. In the background of a loose rural planning regime (at least until the late 1990s), a powerful rural lobby group and with increasing preferences for rural residential environments, as seen for example though counter-urbanisation trends, lateral migration and second holiday homes (Gkartziot and Scott, 2005; Norris and Winston, 2008), policy implementers have followed the route of restricting house building activity in rural areas and, at the same time, securing and allowing housing for people who can demonstrate some sort of local need or connection. This has been facilitated with the imposition of a series of criteria which favour members of
the rural communities to build even outside the boundaries of residential development specified in the County Development Plans.

However, as Gkartzos and Scott (in press) argue, the diversity of such criteria presented from one Local Authority to another, raise questions regarding the coordination of managing rural housing in the State, and secondly, regarding the level of local opportunism in addressing spatial policy outcomes. Therefore, the effectiveness, of the planning system to successfully implement a coherent policy based on urban-generated and rural-generated housing distinctions is questioned. If housing developments should be constrained from special zones (i.e. greenbelt, agricultural land, environmentally sensitive areas), it is logical to assume that it should not matter whether housing is urban-generated or rural-generated. The logic in differentiating housing needs in the context of residential development in identified lands is not unreasonable, but the persistence of the planning system to allow rural-generated housing needs anywhere in the country could be problematic. Such problems have already been addressed and include social, economic and environmental implications associated with urban sprawl and dispersed settlement patterns (Scott, 2005; EEA, 2006).

It remains to be seen how rural housing policy will be altered (or not), considering the recent changes in the housing market in the Republic of Ireland. The changes in the housing market (i.e. house price decrease, slow-down in building activity) are relatively recent and no formal evaluation has been done to date in relation to these changes and the rural housing market.

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Rural Housing in Norway

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October, 2008
Rural housing in Norway

Introduction

This report is based on information and evaluations from the Norwegian Government and the agency Statistics Norway. The report starts by looking at Norwegian district policy in an historic perspective before its major elements are presented. The first of these is a short introduction into Norwegian regional planning. It is important to note that rural policy in Norway is part of regional policy. Second, the report goes deeper into the question on rural housing. In Norway there is no specific rural planning statement; however there is a national housing plan. The ‘housing problem’ for Norway is generally considered not to be in rural areas, but in cities, which have seen major increases in house prices and a shortage of residences. Third, the report presents and interprets key data on the Norwegian system. We then look at the main policy initiatives, primarily the use of differential tax system. The fifth element reviews the use of occupancy control and the effect of this policy. Finally, a tentative prospectus for rural housing in Norway is drawn out, bearing in mind that there is no specific plan for rural housing.

National context

Norway has successfully developed a resource based economy (hydroelectricity, petroleum, fisheries, agricultural) and is also competitive in specific sectors on the world market (light metals, automotive parts, maritime) thanks to improved productivity and innovation. Sound macro-economic policies have kept inflation under control, with tax income from petroleum and gas exploitation going into a Pension Fund contributing to reduce the impact of increased ageing. The country has enjoyed steady growth since the beginning of the nineties (3% per year between 1991 and 2003) and in terms of GDP per capita, it ranks third in the OECD, only behind Luxemburg and the United states. This favourable context has made it easier for successive governments to pursue regional development policies and programs comprising a strong bias in favour of remote rural areas and the north of the country (district policy) where climates, distance and very low population densities bring forward marked issues of accessibility and public service delivery. Despite these proactive policies, around half of Norwegian municipalities experienced population decline in the decades following the mid 1980s, with inward migration towards Oslo and major cities in the south.

Though it has changed over time, Norwegian regional policy can broadly be characterized as having a strongly redistributive character. It has evolved over the post war-war period, with an initial focus on the North (North Norway plan 1951) that had suffered great devastation during Second World War. A regional development fund was set up in 1961 and equal service provision in all parts of the country became a permanent policy goal. During the 1970s, bottom-up approaches were encouraged, followed in the mid eighties and into the nineties by a market-oriented approach. In a compromise between these, the main aim in rural policy today is to maintain a decentralized settlement pattern, but also value creation and make the most of the potential of all regions. Important steps were taken in 2003 and 2004 with the devolution of economic development budgets from the Ministry of Agriculture and Food and the Ministry of Local Government and Regional
Development to the county councils. Further, the establishment of Innovation Norway, through merging several state agencies, was aimed at ensuring the regional presence of a major national level actor. A White Paper released in mid 2005 reinforced the objective of maintaining the main features of the settlement pattern while recognizing that policy initiatives to achieve regional policy goals should also strengthen Norway’s international competitiveness.

Outline of rural and regional planning policy

The most recent period, with a minister from the former Farmer party (centre-right orientated), has seen a renewed emphasis on the specific requirements of peripheral areas. The creation of a “Government subcommittee on rural and regional policy” at the end of 2005, followed by the publication of a White Paper on regional policy mid 2006, underlined the continued need for strong support measures in the most sparsely populated areas. Urban policy concerns, for cities of different sizes, are also beginning to emerge with recent measures including a newly presented White Paper on the Capital Region which focuses in particular on governance and competitiveness issues.

The declared aim of the state regional policy is to secure the development of employment and production in all parts of the county, in order to uphold the main structures of the settlement pattern. This policy has two distinct aspects. One aspect is to stimulate development in the regions in general. Another aspect is to give special attention and resources to regions with unfavourable conditions. Here, priority is given to non-central regions, in order to compensate for peripheral disadvantages and to avoid distortion of the settlement pattern. This part of regional policy is of a discriminating nature: policy instruments are selectively directed to those regions lying in the designated areas. The government’s goal is to equalise living conditions across the country and maintain the main features of the settlement pattern in Norway. It also wants people to have a real freedom to live where they want.

Trends in rural and regional policy

Many government sectors and private enterprises have recently been reorganized at local and regional levels. Norway Post, the military and hospitals are recent examples. Reorganization was initiated to streamline service delivery in the light of the policy objectives of the sectors involved and management philosophies from the private sector were imported. These different processes have resulted in the centralization of several government sectors. Regions with small centres and dispersed populations have slowly but surely lost skills and jobs. This is the result of political choices favouring sectoral efficiency with little regard for rural and regional policy objectives.

The mechanisms sustaining the pattern of habitation in Norway are different today than just a few decades ago. Most children then were born outside the bigger urban centres. And although half moved out in search of work and education as they grew up, population figures declined only slightly. Today, this geographical bias in the birth rate no longer exists, but the proportion of young people leaving the countryside for the cities remains the same. The situation is exacerbated by a modest national population growth, much of which occurs in urban areas. Demographic trends in the
form of biased age distribution and sustained migration for education are putting many areas under considerable pressure. This demographic zero sum game throws the acute nature of the challenge facing us to preserve current settlement patterns into sharp relief.

The restructuring of Norwegian industry and an increasingly mobile workforce have resulted in higher living standards and wider prosperity in Norway. Changes like these are not without costs, both to society and to the individual. The cultural and social cost is manifest in the narrower choice of places where people can realistically live. In terms of social heterogeneity and diversity, and social and environmental costs we are increasingly paying the price in the highly populated areas.

In addition, the economic costs are substantial. We are forced to invest more in infrastructure and services in densely populated areas, while the capacity of infrastructure and services in communities with declining populations is not fully utilized. It is an inefficient use of natural and human resources, and it harms growth capacity and job creation which otherwise would accrue from economic activity across the country.

**Key challenges**

**To trigger growth in all areas of the country**
Business agglomerations, centres of excellence and enterprises all over the country contribute to growth, prosperity and competitiveness. It is essential to make use of these vital resources in an increasingly global economy. A large proportion of Norway's export industry is located outside the larger urban areas. This includes existing industry and geographically fixed resources. Cities and towns are home to specialized businesses, scientific and knowledge communities. We need to take advantage of these urban areas to engender growth and promote cross fertilization of business and knowledge communities.

**Service and welfare delivery**
Responsibility for service and welfare provision rests largely with local and county authorities as these are best placed to adjust delivery to local needs. Central authorities are in charge of important services too, such as hospital care and maternity facilities. It is important to make sure that local and county authorities enjoy adequate economic flexibility to deliver services of a high standard and that rural and regional policy concerns are incorporated in decision making in different policy areas.

**Jobs where people live**
The growth in employment has largely favoured the service sector. While specialist services and services targeting the business community tend to cluster in the cities, other kinds of work are divided more evenly among Norway's municipalities. A key challenge is to create the dynamic environment necessary for new competitive businesses to succeed outside urban areas. We need businesses which exploit regional advantages and specialities and the excellent fund of knowledge and expertise we have in Norway.
An undertaking which forges a sense of optimism and confidence about the future
Areas eligible for national regional aid (geographic priority areas) include many small centres and areas with dispersed communities that are particularly threatened by declining populations and loss of jobs. In these areas we need a varied palette of rural and regional policy instruments which can foster a sense of optimism and belief in the future, encouraging individuals and businesses to stay and help their home community prosper.

Making small towns attractive, especially to younger people and women
To get young families to move to or remain in small towns, there need to be employment opportunities and adequate public services. But this is not enough. In addition, rural communities and local urban centres also need to be attractive in a cultural and recreational sense. Younger generations want to enjoy the outdoors, to get together socially in different venues, an opportunity to develop social networks, places with an aesthetic appeal and good housing. An attractive place will also be characterized by a sense of open-mindedness and tolerance towards newcomers, a variety of activities and life styles. Many small communities will have to do better to highlight and improve their amenities in this respect.

Small and medium-sized towns as attractive alternatives to the big city
We need to pay more attention to small and medium-sized cities and towns if we want to retain the general pattern of settlement in Norway. This is important both for the communities themselves and in light of their role as regional centres with specialized services, educational and competence-related assets. In several small urban areas, especially those eligible for regional development aid, business and industry are undergoing considerable change and population numbers are stagnating.

It is essential to make small and medium-sized towns attractive as an alternative to the bigger cities. Housing, career prospects and facilities for business creation and development as well as cultural activities are important in this respect.

The main components of the Government’s policy today for rural and regional development are:

- Harmonization and decentralization
- Ensure that sector policies promote rural and regional policy objectives. To this end a new Government Committee on Rural and Regional Policy has been appointed;
- Promote and consolidate local democracy and decentralize tasks and responsibilities;
- Support local and regional authorities in their role as community builders, among other things by reforming the division of responsibilities between levels of government;
- Promote integrated and concerted action among the many involved in public service delivery, ensuring high service standards and wide availability;
- Locate new national agencies and enterprises outside Oslo, unless there are pressing reasons not to do so;
- Draft a differentiated land use policy and promote the use of regional plans in important areas of community life.
Local welfare and development capacity
healthy municipal economy is a corner-stone of a pro-active rural and regional
development policy. The Government will take steps to
Redress the economic imbalances in the municipal sector as a means of
furthering good public services, prosperity and dynamic community
development;
Continue aid to small municipalities through the regional grant;
Ensure that funding of mandatory tasks is in harmony with spending
requirements.
The government will strengthen the municipal economy to get a good
furthering growth especially in areas where there is a need to prevent that
people do not move out. The challenge is to make the rural areas more
attractive, and to do that the national and local politics are used as a tool to
achieve these goals.

Good health services in all parts of the country. The Government is concerned
to:
Provide decentralized, accessible, high quality health and care services;
Maintain a decentralized hospital structure; hospitals serving local
communities will not be shut down.
The government wants to strengthen the local welfare - health care and
school. To achieve equal services across the country it is required a strong
public sector based on common solutions, good community and a good
democracy (Ministry of local government and regional development, press
release 43/2006).
An active rural and regional business development policy
Concerning business development component of its rural and regional
development policy the Government will:
Reinstate the system of regionally differentiated social security contributions,
as of January 1 2007, across as wide a geographical area as possible, while
setting up alternatives to regionally differentiated social security contributions
in relevant areas. (For details, see the homepages of Ministry of Local
Government and Regional Development and Ministry of Finance);
Widen eligibility for business support under regional development policy;
Enhance targeted incentives via Innovation Norway, SIVA (Industrial
Development Corporation of Norway), Research Council of Norway, county
and local authorities;
Ease access to various types of risk capital by way of the seed capital fund
among other facilities;
Support the establishment of new industrial parks and promote innovation in
existing parks. The Government will initiate a drive to encourage women
entrepreneurs in industrial parks;
Support the establishment of more Norwegian Centres of Expertise (NCE);
Increase the number of entrepreneurs by supporting entrepreneurial
education at schools, providing assistance to new businesses, supporting the
commercialization of marketable ideas from the scientific community and
spinoffs from existing businesses;
Dismantle barriers to entrepreneurial activity among the young, women and
ethnic minorities;
• Explore the possibility of helping smaller, newly established firms get through the first few years of operation;
• Set up municipal business development funds under the county authorities, and promote inter-municipal partnerships for business development.

The aim of the policies for rural areas in Norway has been to level out the economic conditions for equal service provision between municipalities and counties to maintain the settlement structure and sustain viable local communities. The government is emphasizing that people should have free choice to settle wherever they want (“White Paper no 21 (2005-2006)). In Norway, the regional (district) policy is divided into a “narrow” and a “broad” policy (see Prestegard, S.S. and A. Hegrenes, 2007) and the country is divided into zones for regional policy measures. In addition there is a particular zone for attempts in Nord-Troms and Finnmark which among other benefit from reduced income tax, lower energy taxes and depreciation of student loans (see section 4 of this report).

Targeting business development and job creation outside the main urban centres by means of sector-specific incentives

**Developing culture-related businesses. The Government will take steps to**
- Draft a plan of action dedicated to culture and business development;
- Facilitate and promote a culture-based business environment;
- Stimulate commercial development in connection with cultural heritage, customs and historical sites as a means of vitalizing local communities and fostering value creation.

**Tourism. The Government will take steps to**
- Formulate a national tourism strategy based on proximity to nature and Norwegian culture and customs, while embracing green tourism and the tourism sector as a rural industry.

**Agricultural policy. The Government will take steps to**
- Ensure the rural component of agricultural support;
- Make use of the Rural Development Fund to spur innovation in the agricultural sector;
- Promote and facilitate an active forestry sector and wood processing industry;
- Continue and develop existing food production and reindeer husbandry programmes.

**Conservation, management and development of protected areas. The Government will take steps to**
- Review ways of using protected areas more widely for local and regional business development within the constraints set by Norway’s nature conservation policy;
- Review compensation schemes for land included in protected areas.
Fishery and Aquaculture. The Government will take steps to

- Resolutely enforce regulations applying to the fresh fish trawler fleet;
- Support a fishing fleet which fosters enterprise and job creation along the entire coast;
- Lay down competitive terms for the aquaculture industry, in order to promote business growth in coastal communities;
- Implement a new marine programme to stimulate innovation and business growth;
- Regional quotas on cod fishing will come into force for certain vessel categories.

Oil industry in the North. The Government will take steps to

- See that increased oil industry activity in the North benefits the mainland in that part of the country;
- Promote cross-border contact in the North.

Alternative sources of energy. The Government will take steps to

- Stimulate the production of renewable energy by releasing funds under the Enova-managed Energy Fund;
- Stimulate energy production and heat delivery by the agricultural sector under the bioenergy programme.
- Development of attractive places
- The Government wants to stimulate the development of attractive places by
- Disseminating lessons and expertise about place development and the use of customs and culture to build a sense of local identity and encourage wider public involvement;
- Enable good working relations between the public and voluntary sectors;
- Facilitate more efficient use of farmland assets;
- Give the Norwegian State Housing Bank a more active role in rural areas.
- Good infrastructure for the whole country
- The Government is intent on developing an infrastructure of a uniformly high standard throughout the country, able to meet the needs of the wider economy and the public. To this end the Government will take steps to:
- Facilitate access to broadband and mobile phone technology and reception of television broadcasts where people live;
- Reduce the disadvantages of geographical distance for travellers and goods transport; remove bottlenecks and bring labour markets closer together;
- Invest more in avalanche safety measures, reduce taxes for ferries connecting main transport arteries; assess models and test systems with free ferries, and promote safe and efficient coastal transport;
- Retain the present airport structure;
- Continue efforts to achieve a uniform electricity network charge, and assess alternative ways of achieving this objective;
- Look at ways of reducing price differences on petrol.
- Promoting higher education and R&D in all parts of the country
- The Government is intent on developing and consolidating educational and scientific communities in all parts of the country. Following assessment of its Quality Reforms, it will consider how
The Quality Reform and funding system affects progress in the higher education sector;
Courses and student admissions could be more evenly distributed than is the case at present;
The funding system could ease cross-fertilization between higher education and the business sector in various parts of the country;
The funding system could help decentralize higher education;
To stimulate research in the private sector, and to achieve a more balanced geographical distribution of R&D.
Special measures for communities at risk from declining populations and restructuring
The Government is concerned to harness a sense of optimism and confidence about the future in small communities struggling with declining populations and a challenged business sector by:
Initiating a dedicated programme of growth and development for small communities in association with county and local authorities;
Continuing and developing the existing the Mercantile Competence Building Programme for Rural Retailers and the targeted incentive scheme for the most peripheral rural retailers;
Initiating a pilot driver training scheme at upper secondary schools in rural areas.
The Government will take steps to help vulnerable mountain communities draft development strategies alongside agricultural sector development efforts.
The Government believes that in the event of an acute crisis hitting the business and industry of particular area, it should be the responsibility of national government to fund remedial measures.
The Ministry of Local Government and Regional Development is planning to set up a competence centre on rural development as a means of sharing lessons and knowledge on the performance of development programmes, pilot schemes and interventions targeting local development.
The Ministry of Local Government and Regional Development will help bring influential figures and communities to public attention by inaugurating a special prize.
The Ministry of Local Government and Regional Development will appoint a committee of young people involved in obtaining qualifications and starting a family to help guide policy making in the field of rural and regional development.

The aim for all of these goals is to maintain the main features of the settlement pattern and ensure equal living conditions throughout the country. The practical pursuit of these goals must be understood in the light of regional development features. Access to jobs continues to be the most important prerequisite for population settlement. However, developments over recent years have shown that people settle more often than before in more densely populated areas. In other words, population concentration is increasing and residential aspirations are also influenced more than previously by the combination of available housing, services, leisure and jobs.
Outline of rural housing approach

There is no special housing policy for rural areas, but a more general policy that applies to the entire community as a whole. The Norwegian housing policy was approved by Parliament in 2004. Its vision is that all members of society shall have adequate, secure housing. The greatest possible number of inhabitants shall, to the greatest possible extent, enjoy direct access to the housing market and be able to provide for themselves from their own resources. It should be pointed out that the majority of the population already lives in satisfactory homes at reasonable cost levels, has direct access to the housing market and is self-sufficient. Thus, the Norwegian housing model, based on the goal of home ownership for the majority of the population, has been successful. The Government’s primary strategy for realizing its vision, and its main objective, is to stimulate a well-functioning housing market. The level of the interest rate is the single economic factor that exerts the greatest impact on the housing market. Therefore, the Government puts great emphasis on pursuing an economic policy that ensures stable, low interest rates. Such a policy promotes steady development of the housing markets, reduces risks for the various stakeholders, and supports stable, high employment levels. Stable, high employment levels secure people’s incomes, and enable them to cover their own housing costs.

The challenges to housing policy are greatest in the larger urban areas. This implies making markets function satisfactorily, incorporating disadvantaged groups into the housing market, and dealing with issues related to housing quality. One of the main reasons why more people are disadvantaged in these areas than in the rest of the country is high house prices. Moreover, many disadvantaged people actively choose to live in these areas. Compared to the situation a few decades ago, only a minority of large urban centres now have significant concentrations of housing poor condition, inhabited by persons with problematic living conditions. Nonetheless, there are some smaller areas where these problems still exist.

Some groups have fewer resources than the majority of the population, and need help to get access to the housing market. Thus, the Government’s second main objective is to provide housing for groups that are disadvantaged on the housing market, as well as to take measures to enable these groups to continue to live in their homes.

The Government’s third main objective is to create a framework for increasing the number of dwellings and residential areas that are environment-friendly and incorporate the principles of universal design (equivalent to lifetime homes standards).

Municipalities are responsible for development within their own boundaries. The role of the Norwegian State Housing Bank is to assist and to develop a suitable framework for municipal activities, for example through competence-building measures. Municipalities can get grants from the Housing Bank for such measures and to provide what is effectively welfare housing (http://www.husbanken.no/Venstremeny/en_housingpolicy/Current%20Role.aspx).
Key data

Norway is a country where relatively few people are spread over a large territory, geographically placed along the north-western coastal edge of Europe. The total population is around 4.6 million (2005) with an overall population density only 14 inhabitants per km$^2$. The population, however, is very unevenly distributed spatially. Cities and other urban settlements cover only 0.3% of the total land area. Most of the country (about 3/4 of all its land area) is unsuitable for permanent human settlement because of high altitude or remoteness in relation to communication networks. Most human settlements are concentrated to land strips along fjords and the coast and in valleys and more fertile agricultural areas in the lowlands of southern Norway.

The figure below shows the population growth in the densely populated areas and the countryside. The figure shows that the population in densely populated areas has increased dramatically since 1769. Earlier the largest population was in rural areas, while today it is found in densely populated areas.

Source: www.ssb.no

Most growth in central municipalities

Active regional policy has not been sufficient to prevent centralization. The table below shows the relative number of people living in densely and sparsely populated areas, and the change in these numbers between 1998 and 2006. The definition of centrality is based on the official municipality classification from 1994 (Index of Centrality). The table shows that it is the densely populated municipalities that seen the greatest population growth over the period.
<table>
<thead>
<tr>
<th>Centrality of municipality</th>
<th>State transfers to municipalities</th>
<th>Taxes and transfers to municipalities</th>
<th>Free available fund in municipalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not central municipalities</td>
<td>25245</td>
<td>44244</td>
<td>13375</td>
</tr>
<tr>
<td>Less central municipalities</td>
<td>19970</td>
<td>35210</td>
<td>7706</td>
</tr>
<tr>
<td>Central municipalities</td>
<td>16790</td>
<td>32353</td>
<td>6643</td>
</tr>
<tr>
<td>Most central municipalities</td>
<td>13460</td>
<td>30424</td>
<td>4754</td>
</tr>
</tbody>
</table>

Source: SSB: Average municipal revenue per capita, according to local government centrality, 2003

The table shows that the least central municipalities have the highest revenue per capita regardless of the measure that is used. The negative relationship between income and centrality emerges clearly from the table. The relationships result from deliberate policy decisions.
Housing development in rural areas
The table below shows that there has been a slight increase of new homes in densely populated areas, while there is a stable share in peripheral areas.

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Central areas</td>
<td>1 694 508</td>
<td>1 739 171</td>
<td>1 772 251</td>
</tr>
<tr>
<td>Housing Rural areas</td>
<td>496 836</td>
<td>500 466</td>
<td>500 297</td>
</tr>
</tbody>
</table>

Source: SSB, http://www.ssb.no/

Homeless people in Norway
The table below shows the number of homeless people at 1 000 in 1996, 2003 and 2005, for each municipality group and for country. The table shows that there are a significant larger group of people that are homeless in areas that have large population.

<table>
<thead>
<tr>
<th></th>
<th>1996</th>
<th>2003</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number by 1000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>citizen Cities</td>
<td>4,01</td>
<td>2,56</td>
<td>2,42</td>
</tr>
<tr>
<td>Municipalities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>39 000 +</td>
<td>1,53</td>
<td>1,35</td>
<td>1,17</td>
</tr>
<tr>
<td>10-38 000</td>
<td>0,63</td>
<td>0,78</td>
<td>1,06</td>
</tr>
<tr>
<td>&lt;10 000</td>
<td>0,36</td>
<td>0,27</td>
<td>0,32</td>
</tr>
<tr>
<td>Total in Norway</td>
<td>1,50</td>
<td>1,14</td>
<td>1,19</td>
</tr>
</tbody>
</table>

Source: SSB

The table shows that there are more homeless people in the cities and large municipalities. The problem is in these findings a larger problem associated with larger communities. The findings also show that there is an increasing degree of homeless people from 1996 to 2005.

Housing stock
- Norway in January 2007 had 3.76 million buildings, of which 1.43 million (38 percent) were residential buildings.
- In January 2006 there were 2.2 million homes in Norway, of which 1.2 million villas.
- In 2001, there were 2.3 residents per dwelling. Almost eight out of ten households own their residence.
- There are over 400 000 buildings used for holiday in Norway.

Source: SSB

Main policy initiatives
Rural areas represent an important proportion of Norwegian territory: the investment aid map covers around 86% of the land mass and comprises two thirds of municipalities inhabited by approximately 29.5% of the population. These areas share features of lower educational attainments, out-migration, ageing and higher levels of public sector employment. They receive high grant amounts per capita to
ensure public service delivery and tax breaks for firms to sustain economic activity. Counties with strong rural features receive targeted funding. Innovation in local businesses is actively pursued by the public agencies mentioned above by use of specific infrastructure and policy tools aiming rural areas. This diversity of measures has contributed towards creating equal living conditions in different parts of the country by compensating handicaps of different kinds.

An important regional policy element is the tax system. This is in theory the most effective instrument when it comes to stimulating employment in rural area (http://www.iiasa.ac.at/Research/ERD/net/pdf/monesland_1.pdf). The key element is the differentiated payroll tax paid by employers. This tax is differentiated by zone, ranging from 14.1% of wage costs in central areas to 0% in the weakest zone (North-Troms and Finnmark). The zones differ slightly from the regional support zones, as they reflect labour market differentials in addition to peripherality problems. This scheme has been accepted by the ESA as a parallel to the transport support allowed in low-density EEA areas. There has been a dispute regarding the ESA contention that certain sectors should be omitted. The ESA view was accepted by the EFTA court in June 1999. Norway’s scheme was therefore altered from January 2000, and is no longer operated for locationally-fixed resource-based industries (farming, mining, hydro power plants), sectors with special support limiting EU/EEA regimes (steel, ship-building), and service sectors with international competition (international banking, road transport with more than 50 man-years, telecommunication). These sectors have to pay the same rate as central areas. However, for these sectors (except steel and transport), the reduced rate will still be charged up to a level where the tax differences (central minus local rate taxation) reach a threshold level set to 270,000 NOK. 95% of employment is still in sectors where the scheme is allowed to continue.

The zone map also had to be revised from the year 2000 onwards due to the ESA decision. Several municipalities have been moved to a higher-rated zone due to relatively good access to centres outside the zones, while other municipalities with threatened settlement levels have been moved to a lower-rated zone.
Finnmark county and 6 municipalities in northern Troms constitute a special incentive zone. They are defined as a zero-rate zone for the differentiated labour tax (although they also have to adapt to the new sector limitations for this scheme). This zone is exempt from electricity consumption tax and investment tax for building and plant construction. In addition, some household-directed incentives are used. Inhabitants of the zone do not pay state tax on personal (savings) income, and they have income disregards. In order to secure a sufficient supply of skilled personnel, graduate students living and working in the area are given a yearly percentage reduction of their study loans for each year they work within the zone.

**Municipalities’ use of taxation**

Close to 50% of municipal and county revenues are constituted by taxes. The main features are a capped level of income tax and a significant share of general purpose grants, with few earmarked grants and low levels of property tax (only 2% of municipal revenues in 2004). In big and medium sized cities, income tax represents much higher levels than grants, whereas in small municipalities these proportions are reversed – for example, the main revenue sources for counties in North Norway are constituted by grants from the central level. The financial framework is thus characterized by limited autonomy and automatic mechanisms in favour of small local governments with lesser revenue or facing higher costs per capita. There is some comparative benchmarking but few incentives or new tax raising possibilities to encourage local governments to develop pro-active public service or economic development strategies financed from their own revenue sources.

State policies are of great importance in all regions. The geographic dimension is different from sector to sector, but overall, the effects are seen to be beneficial to the
regional balance in Norway and for settlements in the districts. There are large regional policy stakes in several sectors, and the cost is, in some cases, relatively high. How cost-effective it is to safeguard regional considerations through sectors rather than through regional policy is a topic for further discussion.

Only a small number of sector policies have explicit regional political purposes, but there are a large number of policy areas that have a clear regional or district-related pattern in their activities. The sum of all these comprises the state's broad regional policy, seen unsurprisingly to be more effective when sector policy works together with regional policy.

**Occupancy control**

Norway has two types of occupancy control: the first is one applied to agriculture and forestry properties with a total land area of over 100 acres, or where more than 20 acres is full grown. In the second, Government’s aim has been to encourage settlements of permanent residence, rather than of holiday homes. Under Konsesjonsloven § 7, municipalities have power to introduce an occupancy control for all new supply (i.e., newly built housing and housing that changes ownership) in designated areas so that it is used for permanent residence (rather than a second/holiday home). Permanent residence is defined as being occupied for 50% of a specified period, commonly one year and the house is registered as such in the national registration office. 76 of the country’s 431 municipalities have adopted this type of occupancy control including some of the hitherto most popular areas for second/holiday homes (Tjøme, Larvik,Nøtterøy, Tvedestrand, Søgne and Ål). The scheme is controversial and is subject to significant political debate.

In principle, an effect of the controls over time would be that all housing in designated areas would be used for permanent residence. As implicit above, occupancy control for annual housing is impersonal – it applies to the property. So, a property can be occupied either by the owner or by others (i.e., as a private let). Breach invokes a per diem penalty or a demand on the owner to apply for a license to convert permanent residence into a holiday home.

In principle, this control prevents permanent residences being sold as holiday homes. However, its implementation has reduced the permanent occupation of housing in communities with occupancy control relative to those without. The difference in occupancy rates between the two sorts of community is not statistically significant. What this means, however, is that occupancy controls do not resist the tendency of some settlements to become ‘part-time’ settlements – occupied for only a few months of the year.

The first effect of occupancy control is on the number of permanent residences. Occupancy control reduces market value of their stock to well below that of holiday houses, and owners seek to avoid this reduction. They have therefore sought (successfully) to change the status of their house to a holiday home. Statistically, the rate of change of status in this direction is greater in municipalities with occupancy control than in municipalities without.
The second effect is on the proportion of permanent homes that are inhabited. Occupancy control prevents permanent homes being sold as a holiday houses, but a "kindred paragraph" in the license allows children or other relatives to take over the property and use it as holiday home. Given that control reduces the price of housing, there is an incentive for a person to buy a ‘permanent residence’ and allow children and close relatives to use the property as a holiday home.

The overall conclusion of two evaluations (see the appendix below) is that Government has not achieved what it wanted from occupancy control (http://www.civita.no/tema/okonomi/boplikt-for-fall).

Another research project for the Department of Economics and Social Sciences at the Agricultural College, now the University of the Environment and biodiversity (UMB), in 2002 showed some interesting findings. The project studied occupancy control in 39 municipalities across the country. These were compared with similar communities without occupancy control. Apart from the conclusions already mentioned, the survey showed that occupancy control:

- prevented the sale of properties;
- led to a lower level of investment and maintenance;
- had no positive effect on stabilising/ increasing populations;
- increased the financial risk for people who buy property in a municipality with weak economic growth and a decline in population;
- compliance created conflicts in the local community; and,
- was easy to circumvent. (http://www.stortinget.no/dok8/dok8-200607-040.html).

Prospect for rural housing

There is strong multi-party support for sustaining the current geographical distribution of the population in Norway. The management of land and property is an increasingly important aspect of agricultural policy. In the most recent agricultural policy, The idea is to create a “new deal” for the countryside (LMD 2005). Rural municipalities have a major interest in sustaining and even increasing their number of inhabitants in order to secure tax income and to ensure that they have the necessary number of inhabitants to sustain the production of public services and secure viable communities. A specific local strategy used to reach this objective is to offer attractive residential areas with the advantages of a country location such as seclusion, fresh air, greenery, peace and quiet in a location outside planned housing projects. These benefits represent relative advantages in contrast to urban land scarcity and dense housing (European Spatial Development Perspective: 2008). Government is seeking to achieve a geographically differentiated areal policy.
Appendix: Effects of occupancy control

Municipalities with occupancy control vs Municipalities without occupancy control

Bebodde eneboliger = occupied house; Fritidsboliger/eneboliger = occupied house/holiday house
Boplikt = occupancy control; Ikke boplikt = No occupancy control
Municipalities at the coast

![Chart showing distribution of municipalities at the coast](image)

- **Sentrale med boplikt**: Central with occupancy control
- **Sentrale uten boplikt**: Central without occupancy control
- **Ikke sentrale med boplikt**: Not central with occupancy control
- **Ikke sentrale uten boplikt**: Not central without occupancy control

Municipalities inland

![Chart showing distribution of municipalities inland](image)

- **Sentrale med boplikt**: Central with occupancy control
- **Sentrale uten boplikt**: Central without occupancy control
- **Ikke sentrale med boplikt**: Not central with occupancy control
- **Ikke sentrale uten boplikt**: Not central without occupancy control

(Visit [www.civita.no/tema/okonomi/boplikt-for-fall](http://www.civita.no/tema/okonomi/boplikt-for-fall) for more information.)
Occupancy conditions in rural housing in Sweden

Gärd Folkedotter,
October, 2008
Introduction

In July 2008, Sweden had a population of 9.2 million inhabitants and an area of 449,964 (1572 km x 499 km) square kilometres - an average of 20 inhabitants per square kilometre. The population has increased annually over a long period and current predictions are of 10 million inhabitants in 20 years time (SCB, Statistics Sweden). The population is unevenly spread over the country, and the number of inhabitants in many municipalities in the north of Sweden is decreasing. The main reason for the population growth in Sweden has been immigration strongly exceeding emigration (SCB 2008:206).

Glesbygdsverket (the Swedish National Rural Development Agency) has defined three types of areas in Sweden:

1. Glesbygd (sparsely built-up areas) more than 25 minutes travel by car to nearest densely populated area with at least 3000 inhabitants; also including islands without connection with the mainland.
2. Tätortsnära landsbygd (rural areas near densely populated areas) within 5-45 minutes travel by car from densely populated areas.
3. Tätorter (densely populated areas) with more than 3000 inhabitants, including areas within 5 minutes travel by car.

According to these definitions, around 24 % of the population lives in sparsely built-up areas or rural areas near densely populated areas. Glesbygdsverket has also defined four types of regions – inland parts of forest counties, other parts of forest counties, big city regions (labour market regions of Stockholm, Gothenburg and Malmö) and the rest of Sweden. (Glesbygdsverket: www.glesbygdsverket.se)

The situation in Sweden has not changed very much since the beginning of this century (see Folkesdotter 2003). The three largest cities – Stockholm, Gothenburg and Malmö - and their surrounding regions are growing and some inland municipalities in the north are losing population. Around half of the population now live in the three metropolitan areas.

Formas, the Swedish Council for Environment, Agricultural Sciences and Spatial Planning, has prioritised three areas; 1) environment and nature 2) agriculture, animal and food, and 3) planning and development. Rural development discussion and research has been more focused on land use, local economy and employment than on housing (Formas: www.formas.se).

Outline of rural planning approach

There is a general focus on environmental issues in planning. Boverket (the National Board of Housing, Building and Planning) emphasises that settlement development should be sustainable from a broad perspective – socially, culturally, ecologically and also economically. Foreseen climate changes with more rain, increased risk for landslide, erosion and flooding should be considered. These will make the conditions for agriculture better and the growth of forests will increase, but so will the risks for storm damages. (SOU 2007:60)
Parliament has established 15 national objectives for environmental quality, including clean air and water, a rich agricultural landscape and a living coast and archipelago. The overall aim is that the most significant environmental problems in Sweden should be solved in 20-25 years. These objectives have been broken down into targets at regional and local levels.

In order to reach the environmental goals, planning measures for a decrease in transport have been taken, and environmentally favourable transport systems are encouraged. Sprawl is avoided, new housing is concentrated along public transport lines and new bicycle roads are planned. Few plans dealing with environmental quality goals have yet been realized and it is too early to judge the real effects of such planning.

In earlier periods, comprehensive spatial planning was to a large extent concerned with urban growth and extensions. The orientation has changed to support a good living-space (Fysisk planering och hushållning med mark och vatten samt byggnader, Fördjupad utvärdering av miljömålsarbetet, Boverket oktober 2003, available at www.boverket.se).

One of the major concerns has been the protection of shores. There is a general presumption against building within 100 metres (and sometimes within 300m) of rivers, lakes and seas (Strandlagen, the Shore Act, later incorporated into more comprehensive environmental law). Municipalities may however make detailed plans allowing development. There is a large demand for houses and plots at shores. Some municipal authorities may therefore plan for development at shorelines in order to attract people to settle in the municipality. Another key issue is the decline of services in rural areas and small communities: for example the closure of schools, food stores and petrol stations and deterioration of the postal service. Some municipalities have also made comprehensive plans and detailed plans where areas with holiday homes are transformed, aiming at permanent dwellings and a more dense development.

One example of comprehensive planning is found in Gävle, a municipality with some 93 000 inhabitants, situated at the Gulf of Botnia. The municipality has proposed a comprehensive plan for the city, aiming at its sustainable development, where new dwellings will be situated near the centre, near water and near public transport facilities. (Förslag till översiktsplan Gävle stad 2025).

The municipality has also suggested a comprehensive plan for an old area with holiday homes along the coast, being developed into permanent housing, completed with new housing, municipal sewage systems, water supply and improved roads. Today there are around 500 houses, used as permanent homes and c400 holiday homes. Some 300 of them are likely to become permanent homes within 20 years. 400-750 new dwellings – detached houses, terraced houses and flats - are proposed in the plan (Sammanfattning av översiktsplan Norrlandet, mars 2008).

There is no official definition of "fritidshus"(holiday home) in Swedish planning and building legislation. Some municipalities use the term "fritidshus" in rules for waste management, defining it as a house used for leisure, not being a permanent dwelling (Örebro kommun www.orebro.se). Permanent dwellings are seen as dwellings were
people live permanently: defined as over 6 months in every 12. The Swedish taxation authorities register where people live permanently and their address. The right to vote in municipal elections and the right to social services and benefits are linked to a person’s home address.

Outline of approach to rural housing: is there a problem?

A short answer to the question “Is there a problem with rural housing?” could be: No, there is not one problem; there are different problems in different places. Considering the vast land area of Sweden, it is easy to understand that conditions may vary. In some municipalities, especially in the north of Sweden, the population is decreasing, and some permanent dwellings have become holiday homes. In the south of Sweden and in areas near Stockholm, the trend is the opposite; holiday homes are often transferred to permanent dwellings. Only a few municipalities in sparsely built-up areas or rural areas seem to have problems with lack of dwellings; such problems are worst in the big cities and their regions. The only specific issue for rural areas is for those with an ageing population where there may be a lack of (adapted) flats for older people no-longer able to stay in their current house.

According to a survey of Swedish municipalities, asking if permanent use of holiday home occurs, 60 municipalities answered yes, frequently, 188 municipalities said yes, to some extent, 38 municipalities said yes, infrequently and 3 municipalities answered do not know. In the north of Sweden, several municipalities with population decrease view permanent use of holiday homes as an advantage, while other municipalities see problems (Adlers 2008).

Advantages with permanent living in holiday homes, according to municipalities

- The number of inhabitants increases and municipalities get revenue from taxation.
- Holiday home owners appreciate that permanent dwellers can keep an eye on empty houses to prevent housebreaking and damage.

Disadvantages with permanent living in holiday homes, according to municipalities

- Larger wear and tear on nature
- The standard of roads is not appropriate for permanent use.
- There is no service such as schools and care for elderly.
- The character of the areas will change, more looking like traditional residential districts.
- Lack of water and sewage systems.

Some vignettes characterise the different positions facing different municipalities: In Tyresö, a municipality in the Stockholm region, nearly 70 % of the holiday homes are used as permanent dwellings. In the municipality of Båstad, at the west coast, many permanent dwellings are now used as holiday homes. This has increased house prices and young people and young families with ties to Båstad cannot buy a house. Loss of incomes from taxation of permanent dwellers is a problem for the municipality.

In the municipality of Simrishamn, in the south of Sweden, the number of permanent inhabitants is around 19,00 but in summer there are perhaps 30,000. The
municipality has sought to get those having holiday homes to become permanent inhabitants. The municipality of Härjedalen, in the north of Sweden, is glad for every new inhabitant. Roads, water and sewage supply are here seen as sustainable (Adlers 2008).

It is, in general, not very difficult to find a dwelling in the countryside outwith the counties of Stockholm, Skåne (including Malmö) and Västra Götaland (including Gothenburg). Empty flats in municipal housing are most frequent in the northern counties but there are also variations between municipalities in the same county.

Bostadsförsörjningslagen (The Dwelling Provision Act), in force from 2001, states an obligation for the municipalities to provide good dwellings for all inhabitants and to set up guidelines for dwelling supply. How the municipalities fulfil their duties is not heavily regulated, but, if needed, the municipalities must organize a local housing authority and also cooperate with other municipalities (www.boverket.se).

Boverket has listed what Swedish municipalities consider current issues and many are related to housing. 84% of the municipalities want to be able to offer dwellings in attractive places, 68% mention dwellings for elderly and/or handicapped, and 66% want more people moving into the municipality. 32% want flats at affordable rents and 27% are concerned about dwellings for young people and students. 24% see segregation/integration of different groups as a key issue. (Segregation problems are usually related to immigrants and seldom discussed in relation to rural areas.)

Review of recent rural housing market context

During the first six months of 2008, the population increased in 15 of 21 counties, and most in the county of Stockholm. The county of Skåne in the south of Sweden came next. In the counties of Norrbotten and Västerbotten, in the north, the population decrease was largest. The municipality of Övertorneå in Norrbotten had the largest decline, -1,51%. Only two municipalities in Norrbotten, the northernmost county, had a population growth. (SCB 2008:206).

In Skåne – the southernmost county including the third largest city, Malmö – a considerable growth has taken place. Since the bridge between Denmark and Sweden was opened to traffic in 2000, the region has seen a substantial increase in its population of Danish origin (Andersson, Bråmå and Hogdal 2007).

In 2008, 134 municipalities (40%) said there is a shortage of dwellings, 113 municipalities (39%) show a balance and 40 (14%) have a surplus, across municipalities as a whole. However, 205 of 290 municipalities declared a shortage of dwellings in their centre. Most common was a lack of small and middle-sized flats to rent. There were other shortages: most municipalities point at the elderly wanting to move to a smaller dwelling, families with children and those with high demands for an attractive location, as those most affected by the shortage of dwellings (www.boverket.se/bostadsmarknadsenkät/).

Most municipalities have housing companies. The amount of empty flats varied in 2007 from 0% in the county of Gotland (an island at the east coast), and very low rates in the counties of Stockholm, Halland (at the west coast) and Skåne. The
counties in the north, Jämtland, Västerbotten, Norrbotten and Jämtland had the largest proportion of empty flats. (www.scb.se). The mean annual rent per square metre for flats in municipal housing companies varied in 1997 from 747 SEK in municipalities with more than 200,000 inhabitants to 545 – 561 SEK in rural and sparsely populated municipalities (Magnusson and Turner 2000). There are considerable variations between municipalities but in general it is easier to find a flat in rural areas and the rent is lower than in urban areas.

Glesbygdsverket (the Swedish National Rural Development Agency) has discussed the financing of dwellings in rural and sparsely populated areas (Glesbygdsverket: Bolån på landet. Om finansiering av bostäder i gles- och landsbygder. Mars 2003). The market value for a dwelling may be considerably lower than the cost of production in large parts of the country. In the real estate market, the quota between the market value and the production cost – Tobin’s q – is used for analysis. If the quota is higher than 1, it means that it is profitable to build; the house is worth more than the production cost. If, on the other hand, the quota is lower than 1, there is a risk of loss if the house must be sold.

The Tobin’s q-values have changed from time to time; they have been higher in times of prosperity than in times of depression. In the boom of 1990 around 20 % of the municipalities had values over 1 but in years of depression only half as many.

However, the values in rural areas may be underestimated for several reasons:

1. Agricultural units and farms with a number of houses of perhaps higher value are not included.
2. Purchases in rural and sparsely populated areas often take place within the family at relatively low (often zero) prices.
3. Old dwellings in rural areas may often be in much poorer condition than corresponding houses in urban areas, and such circumstances have an influence on comparisons.
4. New houses in large developments are likely to come about in attractive urban settings and their average price pushes up the overall urban average.

Regional differences have increased over the last 20 years, according to the Swedish National Rural Development Agency. Lantmäteriet (the Swedish Department for Land Survey) has undertaken a study of weak real estate markets and results of this work underpins the conclusion above of increased regional differences. Åsele – a municipality in the north of Sweden – and Stockholm are seen as extremes in the real estate market. The average price for a detached house in Åsele increased by 25 per cent from 140 000 SEK 1980 to 175 000 in 2002. During the same period, prices for well-situated detached houses in Stockholm grew from 480,000 to 2,600,000 SEK (Sundquist 2002). Åsele had in 2006 only 3265 inhabitants, and their median income was 176,629 SEK; the lowest rank of Swedish municipalities. The inhabitants of Stockholm had a median income of 229,117 SEK, being number nineteen in rank (www.scb.se).

Outline of main policy initiatives

There are few policy initiatives concerning rural housing at the national level. The role of the state in the dwelling sector has heavily decreased since the beginning of
the 1990s (SOU 2008:38). Demographic changes imply growing surpluses of dwellings in some rural areas and an increasing shortages in, especially, the big city regions. Different municipalities face different situations and their policies most certainly differ.

Municipal housing companies exist in most municipalities (SOU 2008:38 p 79) and may be used as an instrument. An official report has proposed two models in order to bring the Swedish system into conformity with EU rules pertaining to state aids; the Swedish Parliament has not yet decided on this matter. In the first model, municipal housing companies are run according to sound business principles, which mean that they must be operated without support that is considered state aid under EC law. This means not only that the municipalities may not give direct subsidies to their municipal housing companies, but also that the companies must eventually generate the highest possible profit, taking into account the operational risks the municipality elects to accept. According to the second model, the municipal housing operates according to a cost-rent principle. It is uncertain whether this model would be accepted if examined under EC law (SOU 2008:38 p 35-36).

A new municipal real-estate fee on dwellings has replaced the national real-estate tax from January 2008. The fee for a self-contained house is at most 6,000 SEK and not exceeding 0.75 % of the rateable value of site and building (www.skatteverket.se). Compared to earlier rules, the new ones are favourable for people who own large and expensive houses in high demand areas. The anticipated problem (Folkesdotter, 2003, p 54) of less well-off homeowners living in a popular area (with a strong market pressure) facing rising taxes, has diminished through the imposition of the tax ceiling. However, a simple house with low standard may get a higher tax value than before when land prices in the same taxation area rise.

The taxation of a property is meant to correspond to 75 % of the market value two years before the taxation. It depends both on the value of the land and of the building(s). First, the land value is set, as if the ground had not been built on (but with a right to build), and then the total value is confirmed. The difference between the total value and the land value is seen as the building value. Skatteverket has investigated property transactions and has noted that the value of land increased rather more than total value since 2006, due to a strong demand for building sites for new development. The higher the price level is, the higher the market values the relative price for land; the land value can vary between 15 % and 75 % of the total value (www.skatteverket.se).

Statens Bostadskreditnämnd (BKN, the National Housing Credit Guarantee Board) is a national government agency under the Ministry of Finance. BKN administers government credit guarantee programmes for housing development. Government credit guarantees can be provided for loans advanced by financial institutions operating in Sweden. At the end of 2006, 14 credit institutions were affiliated to BKN programmes. A municipality that considers it needs help to reconstruct or reorganise its housing company can apply for support from BKN. Government support is only available if the municipality itself cannot bear the costs for the reconstruction and if other measures are not sufficient. In 2007, a total of 102 municipalities had applied for support for the reconstruction of municipal housing companies; agreements were signed with around 50 (www.bkn.se/In-English/).
BKN has analysed the building of owner-occupied houses in municipalities where the cost of production is higher than the second-hand value. The results of the study were, in short, as follows:

- Areas with weak or very weak conditions for new production of owner-occupied houses are not confined to municipalities in sparsely built-up areas. The same conditions are found in rural areas near densely populated areas and the outer parts of some larger local dwelling and labour markets in the country.
- There is a significant connection between population growth rates and q-rates (the quota between production cost and market value of the property).
- Neither the total amount of dwellings nor the number of owner-occupied houses in weak dwelling markets are very low.
- The production of owner-occupied houses is sensitive to local market conditions, but a considerable number of owner-occupied houses are produced in municipalities where the market value for such houses is lower than the production cost. In areas with extremely low market values, some new houses are also built.

In the last case, such production is not carried out from a plain commercial point of view; there may be personal reasons for building; people with strong ties to a place want to build a house there. Another reason can be that the local supply of houses and dwellings is unsuitable in relation to anticipated demographic change and what is deemed reasonable provision (BKN: Kreditgarantier till byggande av egnahem i glesbygd, Dnr 52-43/08).

BKN draws the conclusion that it is doubtful if there is any general need for increased support from the state in order to increase the number of owner-occupied houses in municipalities where the production cost is higher than the market value. However, BKN notes that this issue has been recognised in different situations and by several actors, and suggests that an earlier proposal from BKN concerning owner-occupied houses in sparsely populated areas will be carried out as a trial for two years in municipalities in sparsely built-up areas (with more than 25 minutes travel by car to nearest densely populated area with at least 3 000 inhabitants).

BKN’s report “Stöd till byggande av egnahem i glesbygd” (Support to self-building in sparsely built-up areas; dnr Fi2007:105) proposed that:

- BKN can give guarantees – not linked to market value for the house – up to 150 % of the subsidy basis for new construction or reconstruction of a house of one’s own.
- BKN makes available a budget of 50 millions SEK yearly for supporting building of own houses in sparsely built-up areas.
- BKN uses this grant for the part of guarantee fees for loans concerning new construction or reconstruction of own homes that exceeds the fee for corresponding loans within 90 % of market value.
- The grant and the guarantee fees go to the guarantee reserve of BKN and shall together correspond to the expected costs for the state for the guarantee engagement.
- BKN guarantees for building in sparsely populated areas should take place within its standard rules.
- Around 1,000 homes will be able to be built with the support of credit guarantees from the state.
- BKN may distribute the accessible amount for subsidized guarantees for new construction or reconstruction of own houses among the municipalities.

The support in the proposal is meant for people wanting to build (or reconstruct) a house of their own. Indirectly, it may be an advantage for the building contractor.

BKN’s guarantee compensates the lender for losses on a guaranteed loan due to the borrower’s inability to service the loan. The main principle is that the property has to be sold if the lender wants to be compensated through the BKN guarantee. Compensation from a BKN guarantee covers capital losses, interest in arrears and legal and other costs. The maximum compensation is the value of the loan covered by the guarantee plus a supplement and interest at a standard rate during the compulsory procedure (www.bkn.se).

The Swedish government has announced its intention to increase the protection of shores where exploitation pressure is high and bring in more flexible rules where the pressure is low (Riksdag & Departement, 9/2008). It remains to be seen if this bill will be implemented, and, if so, how it affects housing development.

**Use of occupancy controls**

Sweden has no ban on using a holiday home for permanent living, or vice versa. Despite some discussion of the measure (Folkesdotter 2003, p 53-54), there are at present no signs that government will take this action.

The County Government Board of Västra Götaland has emphasised that possibilities for earning one’s living and for permanent residence are necessary for a living archipelago. It has proposed a new permanent residence duty in order to protect the local property market. The County Government Board has also asked the National Government to investigate the possibilities of introducing the concepts of “fritidsbostad” (leisure dwelling) and “permanentbostad” (permanent dwelling) into Plan- och bygglagen (Planning and Building Act) in order to give municipalities the ability to control the use of dwelling houses in different areas (Glesbygdsverket: Planering för åretuntboende i kust och skärgård, juli 2001). No proposals have yet come from the National Government.

The proposal has been made by looking at Fionland, Sweden’s neighbouring country, where you must apply for a building permit, if you want to live permanently in your holiday home, and this property is classified as such. The municipal authority controls if the place/building is fit for permanent dwelling and fulfils basic technical requirements: there should be a road fit for use, sewage and supply of water must be properly handled and without disadvantages for the environment. The building of roads, water-supply and sewer must not cause the municipality excessive costs (Miljöministeriet, Finland, www.ymparisto.fi).
Many holiday homes in Sweden have a low sanitary standard, and with access only by private roads. Municipalities may to some extent obstruct efforts to raise standards: they may perhaps raise costly demands concerning water and sewage supply. Many municipalities have housing companies, but they seldom own houses with flats in rural areas: their properties are in most cases situated in the larger built-up areas in the municipality. There is no significant need for below-market price housing in rural areas; as earlier mentioned the rent is lower than in urban areas.

Prospects for rural housing: beyond the credit crunch?

A doctoral thesis by Jan Amcoff (2000) describes population change and the growth of housing stock in the Swedish countryside and seeks explanations for these changes. It shows that the population outside built-up localities has been growing, particularly in areas surrounding bigger cities. This is primarily due to an influx of families with children. Although many of them have converted existing second-homes into permanent dwellings, the dwelling-stock is growing even faster than the population. That is primarily due to young people leaving home. Explanations emphasising the reduced geographical restrictions on rural living (e.g. improved commuting possibilities) seem to fit the empirical data.

Amcoff investigated the counties surrounding Lake Mälaren in Eastern central Sweden. New rural inhabitants often retain their work and at least part of their social life in the cities after their moves to the countryside. The building lots and dwellings are considerably cheaper in the countryside than in the cities. However, neither the incomes nor the activity indicate any considerable presence of migrants forced out of the cities. Many new rural settlers do mention lower housing costs as an advantage of rural life but also mention higher costs of transport.

Amcoff holds the view that the attraction of the countryside as a living milieu should be sought from further back in history than in the recent past. Sweden is a recently urbanised country where many people still have personal ties to a farmstead or village, the national culture is arguably oriented towards nature and the rural.

Another thesis, by Susanne Stenbacka (2001), deals with counter-urbanisation in Sweden and was carried out in four parishes in East Central Sweden. Reasons for moving to the countryside were analysed in term of the values and previous experiences of the migrants. The concepts of "freedom", "peace and quiet", "sense of community" and "independence" were found to be important, also previous contacts with relatives in the countryside, and ownership of a second home that could be upgraded to a permanent place of living.

The desire to live in rural settings seems to be strong, but people have also other wants and needs. Beautiful nature and settlement are advantages for rural areas and small towns in comparison with big city regions but equally important in order to keep the population are good schools, child care, work, cultural services and communications (Grantinger, Blücher, Nyström 2000).

It seems likely that there will be persistent demand for rural housing in the future, both from Swedes and people from other countries. The present trends, with a growth in the three metropolitan areas, and a decline in the north of Sweden, seem
likely to continue. The National Government and County Boards in the north are likely to continue to try to stimulate trade and employment, in order to make it possible for people to support themselves and to stay in rural areas. Housing availability is not likely to be a major issue here.

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