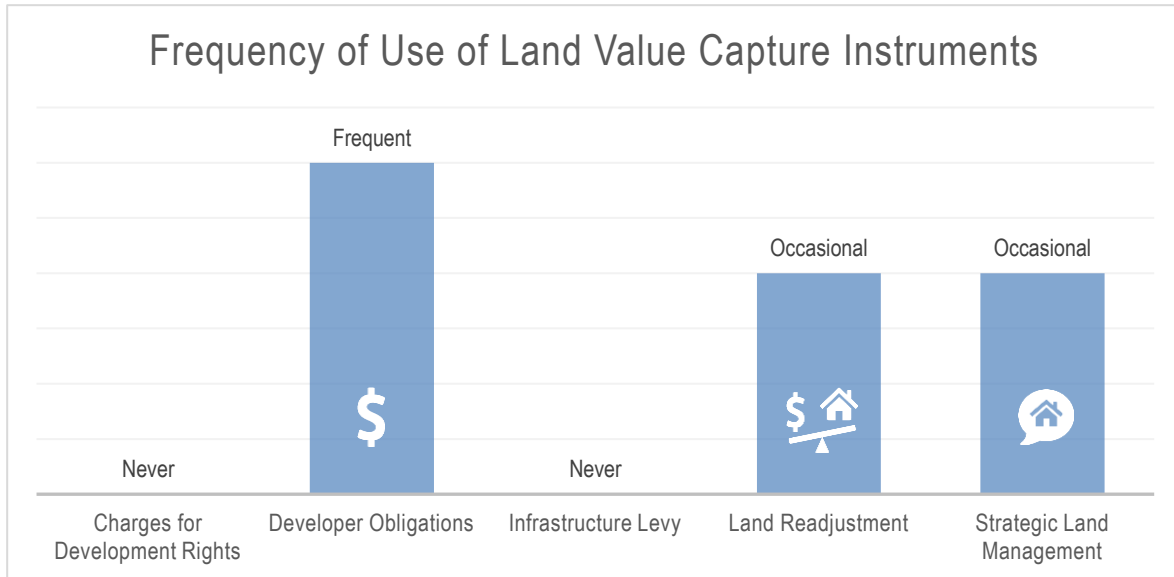


# Estonia



Two land value capture instruments are used in Estonia. Developer obligations are used to compensate for the impact of developments on public infrastructure, while strategic land management is used to provide infrastructure and public services. However, the structure and application of these instruments differs greatly across local governments. While the national government permits certain forms of land value capture, specific terms and procedures are not defined, leading to differing applications of instruments across municipalities. The main obstacles that limit the broader use of land value capture include a lack of a consistent framework across municipalities, resistance or inability to paying fees by property owners, and a lack of financing for strategic land management.

## Main instruments

Instrument (OECD-Lincoln terminology)	Local name	National legal provision	Implementation	Use
Developer obligations	N/A	Section 131, <i>The Planning Act/2015</i>	Local governments	Frequent
Strategic land management	N/A	<i>Acquisition of Immovables in Public Interest Act/2018</i>	Local governments	Occasional
Land readjustment	Ümberkrunti mine	Section 131, <i>The Planning Act/2015</i> Sections 2, 16 of the <i>Land Consolidation Act/1995</i>	Local governments, Land Board (Ministry of Environment)	Occasional



## Enabling framework

Estonia is a unitary state with one subnational level of government: 79 local governments (OECD, 2021<sup>[1]</sup>). The national government influences spatial and land-use policies directly through the National Spatial Plan and indirectly through a variety of sectoral agencies (OECD, 2017, p. 87<sup>[2]</sup>). While Estonia's national government provides the legislative framework that enables land value capture, land-use planning is primarily conducted by urban and rural municipalities. Local officials have a high level of discretion when deciding the granting of planning permits.

The principle of a social function of property is included in Estonia's constitution.



## Developer obligations

Developers are subject to obligations to obtain approval or support for new land development. Obligations can consist of cash or in-kind contributions to compensate for the impact of developments on infrastructure. Developers can pay in-kind charges after a development is approved, but charges must be paid before receiving use permits. Local governments frequently charge for development approvals.

The legal basis for developer obligations is provided by national law, albeit not explicitly. The Planning Act of 2015 gives municipalities the right to make a contract with a developer, but does not elaborate on exactions or fees specifically and does not define when or how developers can be charged. Thus, developer obligations are applied on a case-by-case basis in municipalities.

The lack of a framework for land value capture broadly, and for developer obligations specifically, means the latter are regulated at the local level, where regulations differ widely. Local governments have a high level of discretion in charging developers, and the national government does not interfere in the recovery of the land value increases. Local governments can charge property owners, set the amounts, and reinvest funds without approval from a higher level of government, and retain the revenue generated. Notably, private entities can also charge developers if the former provides the service impacted.

Because every municipality can make their own rules, calculations differ. Charges are negotiated between the jurisdiction and the developer on an ad hoc basis. The charge is typically based on the cost incurred by the jurisdiction due to the developer's impact on infrastructure, the size and type of development, or the value of land on which it is built. Developers can be exempt from obligations if their developments meet certain criteria, also determined ad hoc. They rarely appeal against required charges.

Payments can take the form of cash, provision of public improvements or services, affordable housing, or a combination. Public infrastructure or services provided by developers in exchange for approvals include public spaces such as parks or roads, parking, facilities such as schools or elderly care, and public utilities. The provision of affordable housing in exchange for development approval is rare, and limited to a few examples in Tallinn.

Obstacles to applying developer obligations include the lack of a consistent legal framework across municipalities due to the absence of any national law, and an insufficient demand for development to justify a charge. Substantial charges

would foreseeably hamper development.



## Land readjustment

Governments occasionally conduct simple forms of land readjustment in urban areas, as enabled by the Planning Act of 2015. Land is marked for readjustment through the General and County Spatial Plans. The main obstacles to greater land readjustment use in urban areas include innovation and technical capacity.



## Strategic land management

The aim of strategic land management is to provide public infrastructure and services such as schools, parks, public transport, roads or parking, public utilities, and administrative buildings and services. Land is typically acquired within the administrative jurisdiction, including both brownfield and greenfield sites.

National and local governments acquire land through purchase at market price, transfer from public entities, or expropriation. However, they cannot freeze land prices before announcing public investment or rezoning, and then buy the land at that price. There is no time limit that land acquired can be retained.

Because strategic land management is predominantly used to facilitate the provision of public infrastructure and services, land acquired is typically not sold after development. Rather, the government typically retains ownership for land use related to such public purposes as referenced above. Development is typically carried out through public-private partnerships that acquire and develop the land. Both local and national level governments participate in such public private partnerships, often composed of contracts where the private entity is responsible for financing and developing the land. Under such schemes, a land plot is divided between use for development and for public infrastructure such as streets. The land belongs to the developer during development, who builds the streets with their own resources, sometimes with financial support from the municipality. After completion, the developer transfers ownership of the streets over to the municipality.

Land is typically acquired and retained by local governments, the Land Board operating under the national government's Ministry of Environment, and private non-profit corporations created by the government. Both national and local governments receive revenues associated with development. Municipal governments do not need approval from higher levels of government to conduct strategic land management.

The main obstacle to strategic land management is a lack of financing for the acquisition of land.