



# The distribution of perceived advantages and disadvantages of infill development among owners of a commonhold and its' implications



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## ABSTRACT

Throughout Europe and beyond, a particular focus of regeneration and infill policies is set on mature inner city and suburban neighborhoods, where properties are often owned by commonholds. The component of collective decision-making makes infill development on commonhold areas especially complex. This paper conceptualizes the role and effects of collective decision making in the context of infill development on sites owned by commonholds and explores how the advantages and disadvantages of infill development are distributed among owners. The paper has a policy contribution as it assesses the distributive justice of infill development decision from the perspective of commonhold ownership structure and its implications. The findings of this paper contribute to the governance of commonholds, especially with respect to equality of decision-making and rights of majority and minority owners. These issues are essential regarding to the growing importance of the apartment owners in the governance of built environment and related challenges, such as regeneration of already developed urban areas.

## 1. Introduction

In many jurisdictions in Europe and beyond, such as in Australia, Singapore and Canada, a particular focus of regeneration policies is set on mature inner city and suburban neighborhoods (Christudason, 2009; Easthope et al., 2013; Harris and Gilewicz, 2015; Troy et al., 2015; Puustinen and Viitanen, 2015; Webb and Webber, 2017). Under-utilization of land, based on shifts defining new highest and best uses for these locations, along with soaring land prices and changes in zoning regimes are often key drivers of the revitalization (Harris and Gilewicz, 2015; Webb and Webber, 2017). The regeneration of these areas often involves housing intensification and relates to Compact City, Smart Growth and other policies that aim to accommodate population growth in urban areas, contribute to sustainable urban structure by reducing carbon emissions and sprawl and preserving biodiversity and, for example, enhance social cohesion (see e.g. Dieleman and Wegener, 2004; Downs, 2005; Ruming et al., 2012; Newton and Glackin, 2014). On a municipal level, benefits of housing intensification are associated with savings in the infrastructure costs, attracting new investments, maintaining and/or increasing services and public transport, increasing the tax base, producing more housing options and revitalizing both downtowns and mature and worn-out neighborhoods (Danielsen et al., 1999; Wheeler, 2001; Steinacker, 2003; McConnell and Wiley, 2010;

Newton, 2013).

However, the densification policies are one of the most controversial issues in urban planning, especially due to concerns of its possible negative social impacts on a local level (e.g. Kyttä et al., 2013) and more broadly, the uneven distribution of costs and benefits that results from the new development (see Jones et al., 2005, pp. 4, on conflicts in land use planning). Although people might support housing intensification as a general policy, they do not necessarily want it next to their homes (Doberstein et al., 2016). Local residents might perceive infill having negative externalities on their neighborhoods, such as loss of open space, green areas, character of the neighborhood and increased traffic (McConnell and Wiley, 2010; Arvola and Pennanen, 2014), as well as potential decrease in house values (Fischel, 2001; Downs, 2005). Moreover, the local resistance of new residential development might reflect inhabitants' emotional place attachment, meaning of home for them, and other subjective valuations (Ruming et al., 2012; Doberstein et al., 2016). In addition, the outcomes of densification are always context-specific. This highlights the need of contextually-sensitive densification planning (McCrea and Walters 2012; Kyttä et al. 2013; Puustinen et al. 2017).

In mature inner city and suburban neighborhoods, the properties are often owned by commonholds or similar multi-owned housing developments. Typically, the revitalization or renewal of these areas

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refers to terminating of the commonhold as a legal entity, and further demolition and rebuilding with higher densities (e.g. Christudason, 2009; Easthope et al., 2013; Harris and Gilewicz, 2015; Troy et al., 2015; Webb and Webber, 2017). Another avenue for the renewal of ageing stock and generation of moderate increase in density is by using the planning system, in which a commonhold gives planning concessions to allow new residential construction on its plot or additional levels (Hauge et al., 2012; Puustinen and Viitanen 2015; Troy et al. 2015, p. 20). Troy et al. (2015, p. 68) conclude that these in situ renovations of older blocks might “*prove more palatable options for neighbourhoods where significant density is not being sought, but where a sufficient value uplift or amenity improvement for owners would result*”. Financing of major repairs in the ageing buildings, and the long-term management of building stock, are the main incentives for this type of infill development (Puustinen and Viitanen, 2015; Puustinen et al., 2017).

In Finland, this type of infill development in the commonhold context is strongly encouraged by the government (Government's Programme 2015) and many municipalities (Uusimaa Regional Council 2014; City of Helsinki, 2016). Much of the infill development is aimed to occur in the suburban areas, consisting for the most part of three to six story apartment buildings that were mass-produced mainly in the 1960–1970s (e.g. Puustinen and Viitanen 2015). Due to relatively low density-rate, there is significant potential for new residential development on the unbuilt areas around existing buildings. In addition to contributing to the strategic aims of housing intensification especially in suburban areas, infill is considered as a means to revitalize suburbs, decrease the considerable maintenance backlog of the apartment building stock and enable energy retrofits in this stock (Kuronen et al. 2011; Ministry of Environment 2014; City of Helsinki, 2016). However, infill development has not attracted wide interest in the commonhold context.

One of the reasons for the limited interest is the challenges related to the collective decision-making (Puustinen and Viitanen, 2015). The component of collective decision-making makes infill development on commonhold areas especially complex: in a commonhold, the ownership is organized through a legal structure dividing the property into private and common parts (Falkenbach and Nuuja, 2007). The apartment owners do not have a right to exploit parts of the common property individually. Decisions concerning commonly governed parts of the buildings and sites, such as terminating the scheme or allowing infill on the plot, have to be negotiated and reached together with the other owners with possibly conflicting interests. The institutional framework steering the governance of the commonhold defines the balance between individual and collective interests of the owners, and the equity between the owners. The equality of these collective decisions and related challenges, such as rights of minority and majority owners, have been addressed and studied by Christudason (2009), Easthope et al. (2013, 2014), Troy et al. (2015) and Troy et al. (2017) in relation to a complete renewal of existing strata titled properties in Singaporean and Australian context.

In the case of infill development, the owners assess the perceived advantages and disadvantages and choose to either to support or oppose infill development (or not to take any stances) in the collective decision-making (Puustinen and Viitanen, 2015). The commonhold context provides a special setting for the distribution of advantages and disadvantages of the new urban development. If profitable, the commonhold and all owners benefit economically from the infill development. However, it is possible that the disadvantages of infill development are not equally distributed: infill development might affect the housing needs of some of the owners considerably. Thus, the tradeoff the owners of a commonhold are making in their decision-making might be different with respect advantages and disadvantages of infill development.

The aim of this study is twofold. Firstly, the theoretical aim of the paper is to conceptualize the role and effects of collective decision

making in the context of infill development on sites owned by commonholds. Second, the aim of the empirical part is to analyse how the apartment owners perceive advantages and disadvantages of infill development and how they are distributed among the owners. Further, the paper has a policy contribution as it assesses distributive justice of infill development decision from the perspective of commonhold ownership structure and its implications. The findings of this paper contribute to the governance of commonholds, especially with respect to equality of decision-making, rights of majority and minority owners and a need to develop compensation mechanisms in the commonhold context. Furthermore, the paper addresses the need to discuss the legitimacy of different claims over the infill development decision based on the perceived advantages and disadvantages. These are essential issues with respect to the growing importance of the apartment owners in the governance of built environment and related challenges, such as regeneration of already developed urban areas (see, for example, Christudason, 2009; Easthope and Randolph, 2009; Easthope et al. 2013; Puustinen and Viitanen, 2015; Troy et al. 2017; van Der Merwe, 2016; Webb and Webber, 2017).

The data of the exploratory qualitative research draws upon semi-structured theme interviews of owner-occupiers in four case commonholds in Helsinki, capital city of Finland. At the time of the interviews, the four commonholds selected for the study had made a decision or were currently deciding on infill development on their plot as a means to finance upcoming major repairs.

The paper is structured as follows. Firstly, in the theoretical part of the paper, the collective decision-making and its' effects in the context of infill development on sites owned by commonholds are conceptualized and literature on residents' conflicting views on infill development is presented. The third part introduces the research setting and methodology. Results are demonstrated in the section 4, and further discussed in the section 5. The last section concludes.

## 2. Theoretical framework

### 2.1. Commonhold and institutional framework for collective decision-making in the context of infill development

Falkenbach and Nuuja (2007, pp. 11) define a commonhold system as a form of apartment possession where the ownership is organized through a legal structure dividing the property into private and common parts. The researchers classify commonholds to three classes by the organizational structure and the object of ownership: (1) commonhold with direct ownership (2) association and co-operative systems and (3) limited company systems. The first class includes, for example, condominiums and strata titles in many jurisdictions, the second class housing co-operatives in the U.S and the third class limited liability housing companies in Finland. Despite the differences in juridical applications, the owners have to make decisions concerning common parts together in all of them. According to Falkenbach and Nuuja (2007, pp. 4) “*common parts are the areas in the building and plot used by all owners or by some of them and the parts of the building ensuring the stability, the resistance and the protection of construction. Typically, these are stairwells, elevators, corridors, gardens, access roads, the roof, floors, foundations, load-bearing walls and exterior walls*”. While the apartment owners typically have right to sell their apartments for financial gain, they do not have a right to exploit parts of the common property individually (Troy et al., 2017) or have similar right of exclusive use concerning them as compared to their apartments (van Der Merwe, 2002). With respect to infill development, a part of the plot with building rights on freehold is the common property to be sold or developed further.

Regarding to Finland, Puustinen and Viitanen (2015, pp. 473) note that the municipal land use plan permitting, “*the housing company can decide to sell part of its property or plot (with building rights) to a developer for building purposes, issue new shares or even act as a developer itself*”.

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