

BACKGROUND NOTE FOR THE HOUSING FOCAL POINTS MEETING OF THE EU MEMBER STATES

9 NOVEMBER 2022, PRAGUE, CZECHIA



MINISTRY
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Prepared by:
Housing Europe

Participated:
Alice Pittini, Dara Turnbull, Edit Lakatos, Julien Dijol

Graphic Design:
Think Things Studio Barcelona (thinkthings.es)

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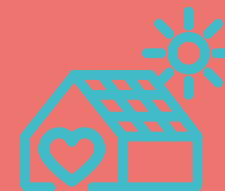
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OVERVIEW OF TRENDS REGARDING AFFORDABLE HOUSING IN EU COUNTRIES



INTRODUCTION

The COVID-19 pandemic has brought persistent housing issues, such as quality and affordability, into much sharper focus. This has been supported by a growing body of literature, data and other useful evidence from both European and international organisations and institutions showing unprecedented attention to this issue (including for instance the OECD, the World Bank, the European Commission Joint Research Centre, as well as several UN agencies¹). However, Europe was already facing a housing affordability crisis when the COVID pandemic hit - resulting from a combination of several long-standing elements. Since then, the context has changed with migration flow resulting from the conflict in Ukraine and an energy crises which has already started to show its negative social impact. Against this background, the EU Ministers responsible for housing, under the French Presidency of the Council of the European Union on 8 March 2022 in Nice, adopted a declaration reasserting the importance of providing affordable, sustainable, decent and resilient housing that ensures the quality of life.



¹ For a review of recent literature on this topic, see for instance chapter 2 in Housing Europe (2021) The State of Housing in Europe, available at <https://www.stateofhousing.eu>



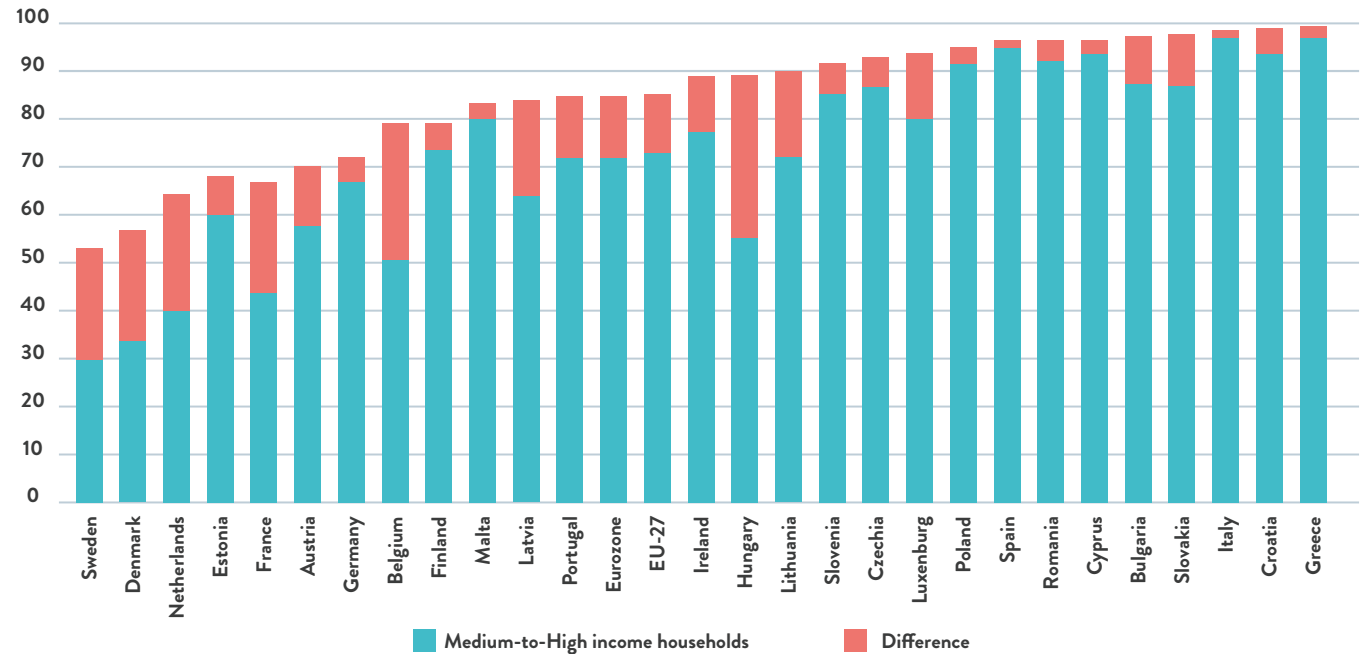
HOUSING AFFORDABILITY IN THE EU

Housing affordability has been declining for many households in the EU during at least the last decade. This primarily reflects increases in the cost of purchasing or renting a home in relation to changes in household disposable incomes, especially for lower-income and younger households².

In 2020, 17.4% of the EU-27 population lived in an overcrowded home. The rate of housing cost overburden rate was 7.8% for the overall population but it rose to 31.5% among those on low incomes, with important disparities among countries. In general, tenants were more affected by housing affordability than owners, and those renting at market prices in particular (over 20% of tenants at market prices were overburdened in the EU-27 in 2020). The housing cost overburden rate was highest in cities (at almost 10%) compared to towns and suburbs and rural areas.

At the same time, roughly three-quarters of households in the EU state that the cost of meeting their housing needs represents a “financial burden” for them. This is particularly the case for low-income households (less than 60% of the median income). This is highlighted in **Chart 1**, which shows that the difference in the percentage of low-income households who face a financial burden is significantly higher than for medium-to-high income households in many EU member states.

CHART 1 – PERCENTAGE OF HOUSEHOLDS DECLARING THAT MEETING THEIR HOUSING COSTS PRESENTS A FINANCIAL BURDEN TO THEM



Beyond these figures, it's important to keep in mind that the concept of housing affordability is a complex and contested concept. As pointed out by the OECD³ ‘There is no international consensus on how to define or measure housing affordability, and no single measure fully captures the range of concerns around the ability of households to secure decent housing in an appropriate location for an acceptable price’. The topic of measuring housing affordability is discussed in greater detail in the first Annex of this report.

² The average net earnings of a single person (without dependents) on 67% of the national average in the EU rose by 18.5% between 2013 and 2021, from €15,139 to €17,941 [Eurostat - EARN_NT_NET]. House prices rose by 41.3% in the EU (2013-2021) [prc_hpi_a], while private rents rose by 12.2% on average [prc_hicp_midx]. However, as shown by Housing Europe, national data may hide much more significant affordability challenges in cities : <https://www.housingeurope.eu/blog-1636/the-private-rental-sector-and-housing-unaffordability-in-european-cities>

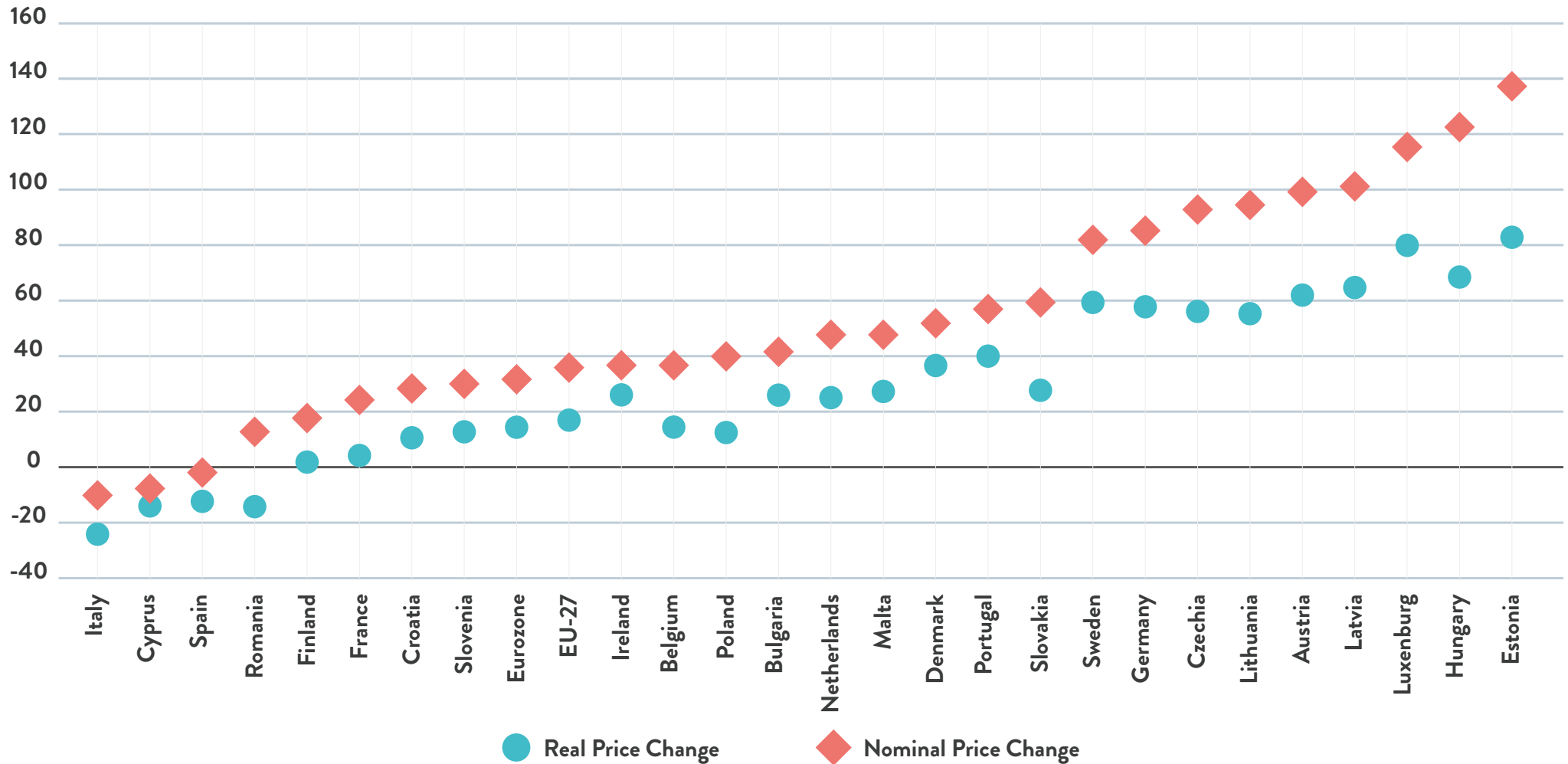
³ Affordable Housing Database, indicator 'HC.1.5. OVERVIEW OF AFFORDABLE HOUSING INDICATORS', available at <https://www.oecd.org/els/family/HC1-5%20Overview%20of%20affordable%20housing%20indicators.pdf>
The same document provides a useful and comprehensive overview of the different housing affordability measures in OECD and EU countries.



THE NEED FOR AFFORDABLE HOUSING

Housing markets across Europe are facing big challenges, such as an ageing population, increased demands related to migration, a growth of homelessness – resulting in growing and more diversified needs for affordable housing.

CHART 2 – CHANGE IN HOUSE PRICES (% , 2010-2021)



Source: Housing Europe calculations, based on Eurostat Residential House Price Index and HICP Inflation.

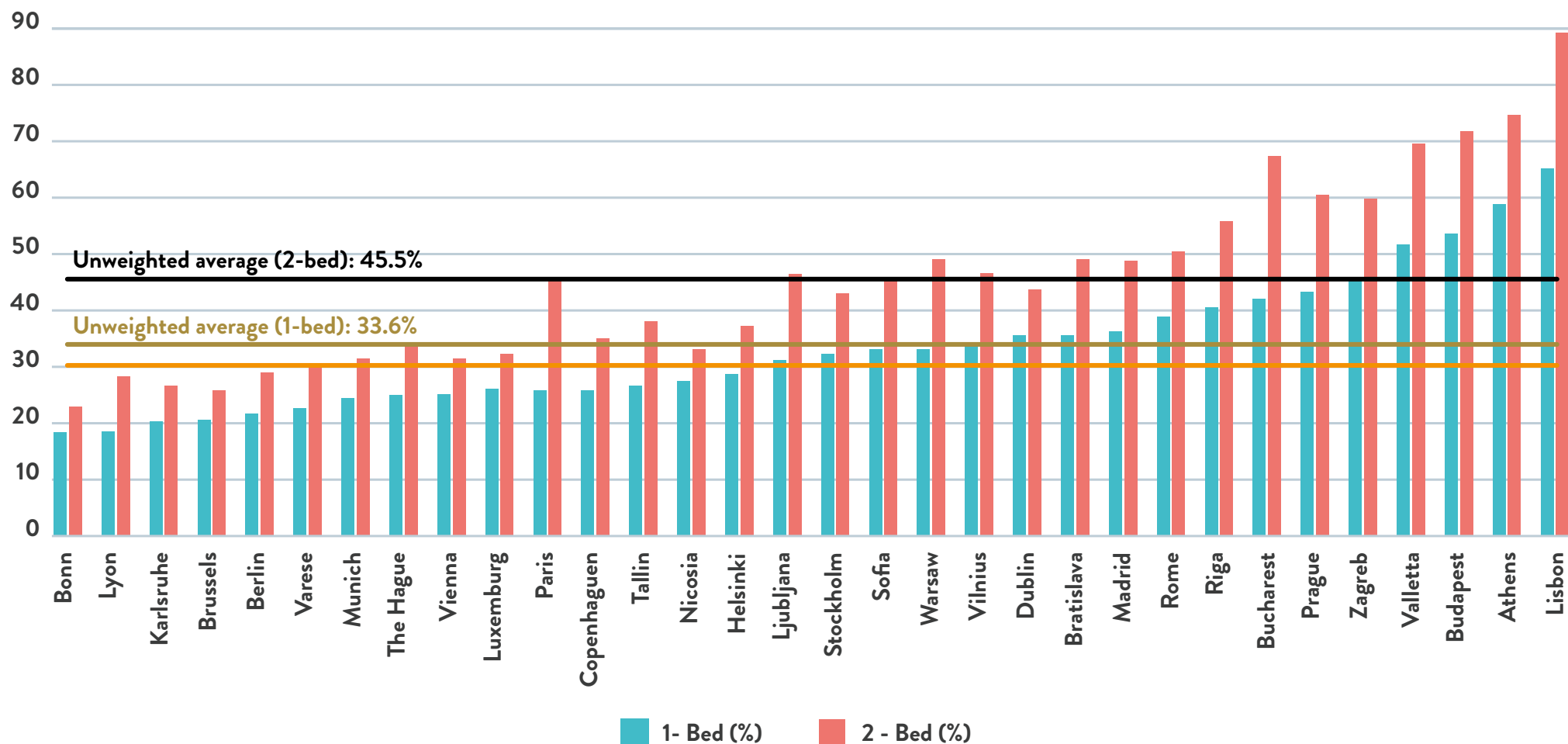
At the same time, in a majority of EU countries house prices have been growing steadily for nearly a decade. There are different factors at play behind this phenomenon, including a lack of coherent national policies, supply shortages, and the increasing financialization of housing.

However, the pace of price increases has accelerated in many member states recently:

throughout the pandemic, house price growth has further accelerated and current prices are higher than at the outbreak of the global financial crisis in 2008 (see Chart 2).

Rents also registered significant increases, though this phenomenon has been largely concentrated in cities and high demand areas (Chart 3).

CHART 3 – PERCENTAGE OF NET INCOME REQUIRED TO AFFORD GOOD QUALITY RENTAL PROPERTY



Note: Housing Europe calculations, based on a couple where one partner earns the average local wage and the other earns two-thirds of the average.

There is increased recognition that the current housing affordability crisis has started to affect a significant number of middle-income households. The European Commission Joint Research Centre (JRC) concluded in its 'Future of Cities' report that house prices are recovering faster than earnings, leading to affordability problems in urban areas⁴. Recent trends from European cities⁵ for instance show **new categories of people in need of social and affordable housing. This includes people from lower middle-class backgrounds with jobs that do not provide sufficient financial resources to access housing on the private market.** Furthermore, cities have identified other groups such as single parents, couples with 2 or more children, people with precarious jobs, children in public care, people with disabilities and elderly men as the most common groups that ask for housing assistance⁶.

Chart 3 shows the percentage of the income of a couple (one earning the average wage in their city, the second earning 2/3 of the average) required to rent a home of a decent standard in a number of European cities. Even though the couple is certainly not low-income, rental affordability in most cities is clearly a problem, with most required to spend more than 30% of their disposable income to secure a home.

Most recently, the invasion of Ukraine has brought about an extraordinary set of circumstances throughout Europe. Since its start, the war has already led to significant population displacements, with more than 6 million people who have already crossed the Ukrainian border to seek refuge in neighbouring countries⁷. The EU promptly activated the “temporary protection” mechanism for displaced persons from Ukraine. The granting of this protection includes a right of residence, access to the labour market, access to housing, as well as social and medical assistance. This can result in additional pressure on the housing market, especially the rental sector.

Last but not least, the increasing cost of living is resulting in massive pressure on households across Europe. The inflation rate stood at 10.1% in August 2022, and Eastern & Central European countries are the most adversely impacted. It's also interesting to note that some of the countries taking the largest number of refugees like Poland or the Czech Republic are facing the highest increase in terms of inflation and energy costs – governments there would therefore be required to make extra efforts to help all sorts of households.

On average 40% of inflation in the EU is accounted for by electricity, gas, and transport fuels alone, while food and beverages accounts for more than a quarter. As highlighted by the European Commission: “The recent energy and food price rises hit the poorest households the hardest. The increases of fossil fuel, electricity and commodity prices, already noticeable in the second half of 2021, have been further aggravated with the invasion of Ukraine. They weigh particularly on the most vulnerable households, who have to spend a higher share of their disposable income on basic goods, such as energy and food”⁸.

To summarise, unmet housing needs combined with the global trends mentioned above should set alarm bells ringing for many policymakers across Europe, as it appears that the need, especially for social and affordable housing, will only grow in the coming years (see Annex to **Chapter 1** for more information).

⁴ European Commission JRC (2019) The future of cities <https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/future-cities>

⁵ Eurocities (2020) European Pillar of Social Rights - Cities delivering social rights: Access to affordable and social housing and support to homeless people <https://eurocities.eu/latest/access-to-affordable-and-social-housing-and-support-to-homeless-people/>

⁶ Ibid.

⁷ The United Nations Refugee Agency (UNHCR).

⁸ European Commission (2022) 2022 European Semester - Spring Package. Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank. https://ec.europa.eu/info/publications/2022-european-semester-spring-package-communication_en

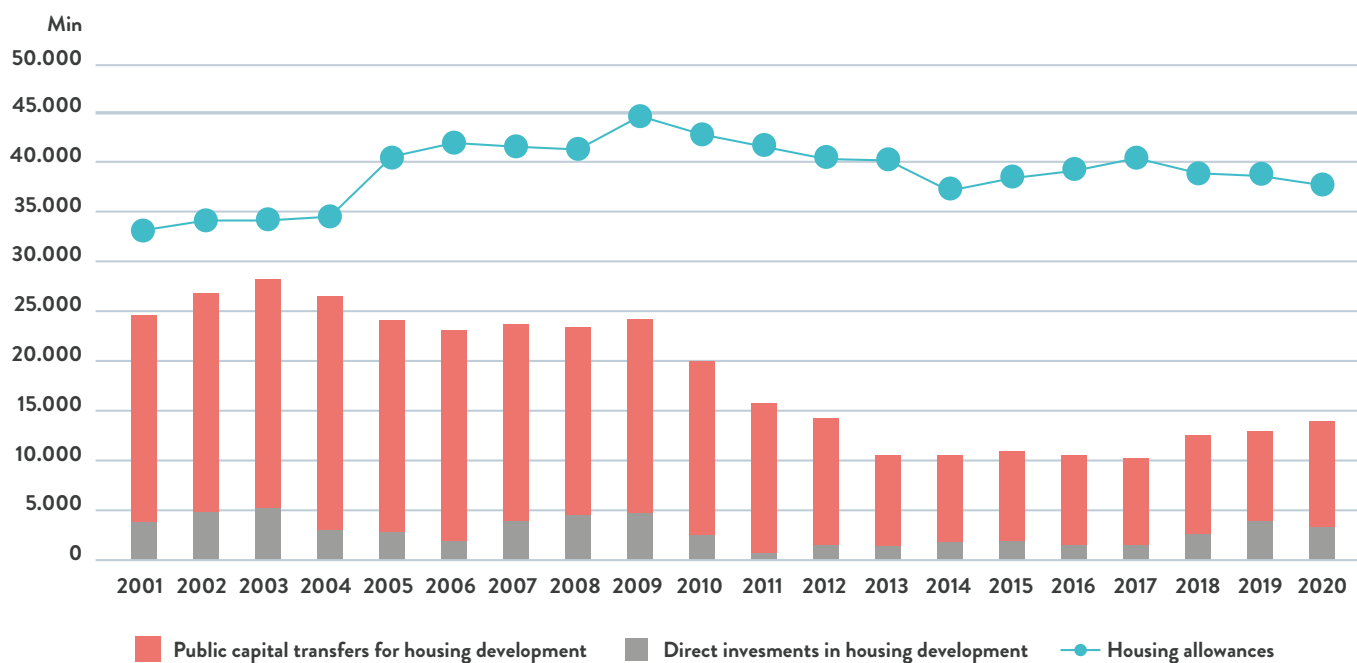




POLICIES AND GOOD PRACTICES

One critical issue which has been increasingly highlighted, when it comes to the decreasing availability of affordable housing, is how it is partly symptomatic of a shift from so-called 'bricks and mortar' investment in social housing, to governments simply providing income supports to low-income households, which can themselves serve to drive up prices and create an unaffordability feedback loop⁹. **Chart 4** illustrates trends in government spending over the past two decades.

CHART 4 – REAL PUBLIC EXPENDITURE ON CAPITAL AND INCOME SUPPORTS FOR HOUSING – EU-27



Source: Housing Europe calculations, based on Eurostat COFOG dataset.

⁹ OECD (2020), "Social housing: A key part of past and future housing policy", Employment, Labour and Social Affairs Policy Briefs, OECD, Paris, <http://oe.cd/social-housing-2020>



Investment into supply of affordable housing yields long-term benefits (also for future generations), and there's increasing evidence of its positive economic and social impact. This can include higher purchasing power for residents, higher tax revenues for the state, lower expenditure on housing allowances. Not to forget the positive outcomes of good quality housing in terms of health and wellbeing, which has again knock-on costs to the public purse¹⁰.

Although the share of public and social rental housing overall has been decreasing for decades in Europe, this is not a homogeneous path across Europe¹¹ and there are significant exceptions and examples of policy measures that have proved effective in creating more resilient housing 'systems'.

The **#Housing2030** initiative seeks to provide inspiring examples and tools for policymakers with an integral approach to affordable housing – comprising governance, land policy, finance, and climate sustainability. Good governance shapes the functioning of different actors in housing systems. It promotes decision-making, policy

development and implementation that is well-informed, based on expert knowledge and participatory, while also being accountable and transparent.

With the right financial, fiscal and taxation frameworks, coupled with purposeful housing delivery models and consumer support, policymakers can also shape the housing finance systems we need and ensure investment expands and protects affordable housing opportunities. Better and fairer housing outcomes can be secured through effective land policies such as public land banking and leasing, land readjustment, land value capture and tax instruments, and by combining these instruments by way of effective neighbourhood and city planning. There is a wide range of climate policy tools, combining regulation, non-regulatory policy initiatives, funding and financial incentives as well as awareness-raising and training, that can help to realise both climate-neutral and affordable housing solutions and thereby contribute towards the achievement of international commitments to address climate change and ensure sustainable development¹².

¹⁰ See Housing Europe (2022) Social and affordable housing: measuring the socio-economic impact. Available at <https://www.housingeurope.eu/resource-1731/social-and-affordable-housing-measuring-the-socio-economic-impact>

¹¹ See for instance Konstantin A. Kholodilin, Sebastian Kohl, and Florian Müller (2022) The Rise and Fall of Social Housing? Housing Decommmodification in Long-Run Perspective. MPiFG Discussion Paper 22/3.

¹² United Nations Economic Commission For Europe and Housing Europe (2021), #Housing2030: Effective policies for affordable housing in the UNECE region.

OVERVIEW OF THE POLICY DISCUSSION REGARDING STATE AID REGULATION AND ITS POSSIBLE REFORM TO ACCELERATE PUBLIC INVESTMENT IN AFFORDABLE HOUSING

THE TRENDS IN HOUSING AFFORDABILITY LEAD TO A REFLECTION ON THE IMPLICATIONS FOR STATE SUPPORT AND EU STATE AID RULES. THE FIRST ELEMENT TO CONSIDER IS THE QUESTION OF THE LEVEL OF INVESTMENT THAT IS NEEDED TO MEET THE INCREASE AND DIVERSIFICATION OF THE DEMAND FOR AFFORDABLE HOUSING.



Since 2009, in the OECD countries, the government expenditure for housing has decreased. In the biggest EU economies, France and Germany, the number of new affordable housing units has decreased respectively since 2017 and 2018¹³. At the same time, the demand for affordable and social housing has increased as shown by the figures in **Table 1** above.

However, we also have to look at the intensity and targeting of the state support. Who should be the target group of state support through social housing policies is a question that is worth asking at a time where the debate about how to solve the housing crisis has been relaunched. The European Pillar of Social Rights mentions in its principle 19 that “Access to social housing or housing assistance of good quality shall be provided for those in need”. Who are those in need in the post-COVID-19 times?

The evidence we have gathered shows that more essential workers, elderly people, large families, single parents, young households, and people experiencing homelessness will need affordable housing. With the prolonged surge of energy prices, the poverty rate at EU level is expected to rise, as is the numbers of people relying on foodbanks. After months of moratoria on evictions during the COVID crisis, they are expected to increase in the coming months. How can state support be adapted to this situation beyond the increase of the level of support?

For many stakeholders (in particular local authorities) there is a case to introduce more flexibility to the rules that impact the scope of activity and access to funding for social and affordable housing provision, so that they can better adapt the provision of affordable housing to local circumstances,

and work as much on the prevention of housing exclusion as on the handling of it; i.e. to take a ‘proactive’ housing policy stance, rather than a ‘reactive’ one. State support should be adapted to allow the provision of affordable housing to answer demand from multiple categories of the population, and according to the different features of local housing markets.

This diagnosis leads to a discussion about the relevance of state aid rules for social housing provision, since state aid rules determine both the intensity and the targeting of the intervention. Several stakeholders¹⁴ have already taken a position in favour of an adaptation of EU state aid rules so that social housing policies can be more easily adapted to the socio-economic and demographic challenges.

Looking at the current rules, we can see the following: Article 2(1)(c) of Commission Decision 2012/21 exempts from notification “compensation for the provision of services of general economic interest meeting social needs as regards..., social housing...”; Recital 11 of that Decision explains that “...undertakings in charge of social services, including the provision of social housing for disadvantaged citizens or socially less advantaged groups, who due to solvency constraints are unable to obtain housing at market conditions, should also benefit from the exemption from notification provided for in this Decision...”

Article 2(1)(c) and recital 11 taken together indicate that publicly-funded social housing must be intended for “disadvantaged citizens” who experience “solvency constraints” and, as a result, “are unable to obtain housing at market conditions.



¹³ <https://www.oecd.org/social/social-housing-policy-brief-2020.pdf>

¹⁴ See for instance European Economic and Social Committee (2020) OPINION TEN/707 Universal access to housing that is decent, sustainable and affordable over the long term, and Eurocities (2020) European Pillar of Social Rights - Cities delivering social rights: Access to affordable and social housing and support to homeless people.

EU courts (in particular in the ruling T:2018:795 in the reference to the Dutch case¹⁵) and the European Commission¹⁶ have recognised the wide discretion that Member States enjoy in defining what they consider as SGEI. More specifically, it points out that criteria other than income ceiling should be used to limiting the scope of activities.. In other words, disadvantaged citizens can be defined in different ways. EU courts have never validated a restrictive definition of “social housing”, but rather sanctions the imprecision of the Member State in the definition of the mission of general interest that it has entrusted to them. EU courts have imposed an obligation on Member States to limit the scope or “perimeter” of the services of general economic interest such as social housing to what is necessary and to ensure that it is proportional to the identified need of citizens. An SGEI that goes beyond what citizens need or overlaps with what the market actually provides to those with the identified need is unnecessary, disproportionate, and, therefore, ill-defined. Because of this obligation to limit the perimeter of the SGEI, local authorities may reduce the support to social housing to a group solely based on income (because of the reference to “solvency constraints” in the recital of the Decision) instead of taking a more proactive role in affordable housing policy and by addressing other factors of the housing situation.

To avoid this, scholars have suggested an alternative approach that can identify “disadvantaged” persons with sufficient precision. Such persons can be defined by what they can afford to buy or rent in relation to what the market offers and their needs (large families, adapted housing for senior residents, etc.) and not only by their income. This approach should be free of “manifest error” from the point of view of the European Commission.

In the same vein, the Affordable Housing Action Plan of the EU Urban Partnership¹⁷ considers that the state aid rules provided by the 2012 decision has helped providers of

social housing to operate in a stable regulatory environment. However, it needs to be improved and should cover “the provision of social housing for clearly defined groups of people, for the promotion of non-segregated communities and for the regeneration of declining urban areas accepted as SGEI”.

Thus, in spite of the clarification given by the EU courts and to avoid potential future legal cases in relation to the application of the 2012 Decision on SGEI, a limited change in the wording of the Decision could help create more certainty and incentive to invest in affordable. For instance, the following wording could be considered:

“Undertakings in charge of social services, including the provision of social housing should also benefit from the exemption from notification provided for in this Decision. The target group of the provision of social housing shall be clearly defined by the Member State using criteria referring to housing needs”.

The Commission is currently evaluating the rules applicable to health and social services of general economic interest (SGEI). In this context, and as input to its evaluation, the Commission has commissioned a study from an external party¹⁸. The Commission will decide on whether to revise the SGEI Decision once the results of the ongoing evaluation are known and have been presented in a Staff Working Document.

This being said, it must be clear to authorities that there are alternatives to the use of the SGEI decision to provide state aid to affordable housing. However it would require

notification to the European Commission and would need to be granted to all types of property owners. For instance a recent scheme in Sweden (where there is no social housing) has been approved by the European Commission¹⁹ under certain conditions. This scheme provides support:

➔ For any rental housing in areas experiencing population growth and housing shortages or in municipalities experiencing population growth and suffering from a lack of a certain type of housing; or

➔ For student rental housing in or near municipalities which have universities or other higher education institutions. The aid is limited to a certain amount per m² and in exchange of this state aid, providers will cap the rent at a certain below-market level depending on the geographical location. Overall this scheme will help creating more affordable rental units but will stop in 2029 as there must always be an end to notified state aid scheme. Some critics to the scheme also point to the fact that these apartments will not always reach people with low income as it is focus on certain areas rather than target groups.

¹⁵ <https://curia.europa.eu/>

¹⁶ See for instance : <https://www.housingeurope.eu/file/454/download> and here with a particular reference to social mix : https://www.europarl.europa.eu/doceo/document/P-8-2015-002640-ASW_EN.html

¹⁷ <https://futurium.ec.europa.eu/en/urban-agenda/housing/action-plan/housing-partnership-action-plan>

¹⁸ https://ec.europa.eu/competition-policy/system/files/2021-09/kd0621047enn_SGEI_evaluation.pdf

¹⁹ https://ec.europa.eu/competition/state_aid/cases1/202041/286917_2194744_104_2.pdf



CONCLUSION

In its 2020 report, the OECD states that “the future of social housing will continue to be shaped by changing demographics, socio-economic and environmental realities, housing market evolutions and the changing nature of work, as well as policy decisions as countries chart a path towards economic recovery”²⁰. “Against the backdrop of these longer-term structural trends, the COVID-crisis provides a major opportunity to address the housing affordability crisis that existed well before the pandemic”.

In order to adequately meet the evolution of housing needs, there are increasingly calls for a more flexible approach on state support²¹, both in terms of the ‘level’ of support (e.g. public spending on affordable housing) and in terms of the ‘focus’ (e.g. state aid rules around social housing provision).

Although the EU courts have clarified the conditions for the use of the SGEI Decision (especially the necessity to precisely define the target group of the scheme, using the

most appropriate criteria, which is not necessarily income levels), uncertainties persist, since social housing providers usually need support for a wide range of activities providing services for a wide range of target groups. Public authorities that provide state support to social housing providers might hesitate to do so, despite the growing demand for affordable homes, since they do not know whether this would be in line with EU rules. Adapting the 2012 Decision seems a reasonable solution in this context.

However, public authorities still have the possibility not to use the 2012 Decision on SGEI (in case there is no social housing providers) and to notify aid scheme that will be open to all types of providers and will need to be delimited to certain areas or groups (i.e. to be proportionate) in order to be compatible with competition rules. Notified aid scheme need to also respect strict conditions (in particular in terms of duration) which can be seen as an obstacle for long term planning.

SUGGESTED DISCUSSION POINTS ON THE NEW FINANCIAL INSTRUMENTS

Challenge of meeting housing needs under EU state aid rules

- ➡ How could the State Aid rules be reformed so that they allow for more flexible approach and mixed communities?
- ➡ How are the current State Aid rules be used to invest adequately in affordable Housing? Could you share an example of a recent agreement with EC/ good practice from your country?
- ➡ What are the housing needs requiring public investment in your country?

²⁰ <https://www.oecd.org/social/social-housing-policy-brief-2020.pdf>

²¹ See EY study on the views of stakeholders: https://competition-policy.ec.europa.eu/system/files/2021-09/kd0621047enn_SGEI_evaluation.pdf

NEW FINANCIAL INSTRUMENTS AS PART OF A SOLUTION - COMBINING PUBLIC AND PRIVATE CAPITAL TO INVEST IN AFFORDABLE RENTAL HOUSING; PROMISING PRACTICE IN SOME MEMBER STATES

INTRODUCTION

Financial, fiscal and taxation frameworks shape housing finance systems. Social and affordable housing is supported by a **number of funding sources which vary a great deal** across different European countries. Even within a country social housing is in most cases provided **through a mix of different types of funding sources**. These sources include grant funding from (central or local) government, public loans and guarantees at favourable rates or interest rate subsidies.²² Making sure loans are available on long term and at low interest rates through loans extended directly by public authorities (Austria) or through subsidisation of the interest rate (France, Finland and Germany) is the most common way for public authorities to support social housing provision.

Also the **equity of housing providers** play a crucial role. For example, in Austria, limited-profit housing associations use (limited) surpluses to build up equity, which is then re-invested into the construction of new affordable housing through a revolving fund mechanism. These surpluses are hence not paid out to shareholders but channelled into productive investments²³.

Some use **contributions from private individuals**. In France, 70-75% of the capital needed for typical social housing development is funded by state backed special state investment vehicle called the 'Caisse des dépôts et consignations' (CDC). The CDC is funded by state-backed savings accounts held by most private individuals in France called a 'Livret A' or 'Livret de développement durable et solidaire' (LDDS). The CDC provided around €10bn in new financing for the development or acquisition of new social housing units in 2019 to add 78,740 dwellings to the social stock. It also provided €1.9bn to help finance the renovation of existing social housing units.²⁴

In Denmark, the National Building Fund is a private fund that is financed solely by the over 1 million social tenants in Denmark, via a portion of their rent payments. The fund acts as a 'savings account' for the entire non-profit housing sector. The system is often described as being a "closed circuit", which ensures that money invested in housing today, stays within the system, and continues to provide benefits long into the future²⁵.

²² Social Housing in the EU, Gerald Koessl, Alice Pittini, Mariel Whelan, European Mortgage Federation Hypostat, 2018.

²³ According to estimated by the federation GBV, in the case of limited-profit housing associations in Austria that amounts to about 3 billion Euros reinvested into the construction of new affordable housing and 1 billion Euros into the renovation of existing homes every year.

²⁴ See Annex 3.

²⁵ This concept is also sometimes referred to as the "permeability" of the social housing finance system – "The concept of permeability captures the relationship between social housing financial circuits and the wider housing system and economy. Specifically... whether the investment which flows into a social housing financial circuit remains in that circuit or seeps out and can be captured by external actors in the form of rental incomes, equity or interest payments" from Norris, M. and Byrne, M. (2020). *Funding resilient and fragile social housing systems in Ireland and Denmark*, Housing Studies, DOI: 10.1080/02673037.2020.1777944.

A shift from public grants to other financial instruments can be observed in the funding structure across Europe,²⁶. According to the Report of the European Commission from 2018, the minimum investment gap in affordable housing was already estimated at 57 b/year²⁷ that increased since.

Public banks and private banks, EIB, cooperative and ethical banks, and in some cases products of the capital market, are being used to support the delivery of social and affordable housing.²⁸ We can now see some **hybrid financing systems of social housing in the Region.**

This being said, there is a consensus among experts that **public participation/grants should remain an important source of financing** together with the combination of financial instruments.

While the EU contribution to social and affordable housing delivery is minimal in most countries, there are some developments of interest.



EU FUNDING AS PART OF A SOLUTION (2021-2027)

NAME OF THE FUND	SPECIFICITIES
European Structural Funds (ESIF)	<p><i>The new European Regional Development Fund (ERDF)²⁹: supports social housing projects that are also energy efficient.</i></p> <p><i>The European Social Fund Plus (ESF+) has the potential to fund jobs training programmes related to renovation, capacity building activities for municipalities and research on housing policy.</i></p> <p><i>The new Cohesion Fund³⁰ is not allowed to support investment in housing unless it is related to the promotion of energy efficiency or renewable energy use.</i></p> <p><i>The Just Transition Fund (JTF)³¹ is a new funding mechanism that supports the territories most affected by the transition towards climate neutrality. It can finance projects including</i></p> <p>reskilling of workers, investments in clean energy, and research and innovation projects, that could include the rehabilitation of housing.</p> <p><i>The European Territorial Cooperation - Interreg provides funding for projects between Member States, their outermost regions, the EU acceding countries and the neighbourhood countries.</i></p> <p><i>The European Urban Initiative (EUI) will be financed by €500 million from ERDF. It replaces a number of now discontinued programmes, such as the Urban Innovative Actions (UIA) and URBACT. It will support innovative actions, capacity and knowledge building, policy development and communication on sustainable urban development.</i></p>

²⁶ Financial instruments can be understood as public loans, bank loans, equity, private finance with public guarantee. Tax exemptions, rent setting according to cost, housing benefits, lands at discounted rates.

²⁷ Boosting investment in social infrastructure, https://economy-finance.ec.europa.eu/publications/boosting-investment-social-infrastructure-europe_en

²⁸ EFSI regulation.

²⁹ https://ec.europa.eu/regional_policy/en/funding/erdf/#2

³⁰ https://ec.europa.eu/regional_policy/en/funding/cohesion-fund/

³¹ <https://www.europarl.europa.eu/factsheets/en/sheet/214/just-transition-fund>

NAME OF THE FUND	SPECIFICITIES	TECHNICAL ASSISTANCE
Next Generation EU	<p>The Plan presents a good opportunity for scaling up investments with housing. Among its Pillars, affordable housing investments could benefit the most from the Pillar 1 (Recovery and Resilience Facility) and Pillar 2 (InvestEU):</p> <p>➔ Regarding the RRF, it offers up to €312.5 billion in the form of grants (not included in the calculation of their national debt). At least 30% must be allocated to tackling climate change, which could benefit building renovations, production of renewable energy, and increased circularity³².</p> <p>In its recent Report, Housing Europe estimates the share of allocation related to energy efficient renovation of buildings to a minimum of € 52.4 billion and to affordable housing construction a minimum of € 5,36 billion.³³</p> <p>➔ RepowerEU (€300 billion): In response to the hardships and caused by Russia's invasion of Ukraine, the European Commission launched on May 18th 2022³⁴ the RepowerEU Action Plan that puts forward a mix of measures that are expected to make the bloc energy independent, lower CO2 emissions, and decrease the energy bills. This is an opportunity to provide more affordable housing that supply their tenants the energy produced in their buildings. RepowerEU will be funded by the RRF.</p> <p>➔ InvestEU is addressing market failures and sub-optimal investment situations that hamper the achievement of EU goals regarding sustainability, competitiveness and inclusive growth. InvestEU can be combined with grants or financial instruments (or both), funded by the centrally managed EU budget or by the Innovation Fund.</p> <p>➔ A dedicated <u>Just Transition Scheme</u> is established under InvestEU that would serve as an excellent tool to be used for energy efficiency renovation programmes for the most vulnerable/energy poor neighbourhoods.</p> <p>➔ REACT-EU³⁵: will provide funding of € 50.6bn in current prices for projects that foster crisis repair capacities in the context of the coronavirus crisis, and secondly investments in operations contributing to preparing a green, digital and resilient recovery of the economy.</p> <p>It will be possible from ERDF to support investments contributing to the transition towards a digital and green economy as well as in infrastructure providing basic services to citizens, including housing.</p>	<p>In order to absorb the RRF allocation in an efficient manner, technical assistance (in a form of a grant) is made available <u>under the Technical Support Instrument</u>. Technical support requests should be addressed to <u>DG REFORM</u> through the national Coordinating Authority for the Technical Support Instrument.</p>

³² Indeed, as already highlighted in Section 1.2 & Section 1.3 the Demo 1 and Demo 2 sites used in HOUSEFUL have recently received funding from NGEU, showing the potential for follower buildings.

³³ Impact of the Recovery Plans on the social affordable housing sector, 2021, Housing Europe <https://www.housingeurope.eu/resource-1635/impact-of-the-recovery-plans-on-the-social-and-affordable-housing-sector>

³⁴ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/repowerEU-affordable-secure-and-sustainable-energy-europe_en

³⁵ https://ec.europa.eu/regional_policy/en/newsroom/coronavirus-response/react-eu

NAME OF THE FUND	SPECIFICITIES	
Loans of EIB (European Investment Bank)	<p>The EIB contributes to the provision of social and affordable housing (since it is key to integrated urban development), inclusive growth, and social and economic cohesion.</p> <p>EIB support is eligible for construction, energy efficiency or circularity, however it does not support ordinary maintenance of homes. The scale of project support can vary. However, above €25 million, the negotiations should be carried out with the EIB directly, otherwise it will be handled by designated national financial intermediaries.³⁶</p> <p>As EIB can offer a considerably lower rate than commercial banks, the overall demand for its products is rising. Projects in new countries in Eastern and Southern Europe are getting supported. The products that the EIB offers also becoming diverse (student accommodation,</p>	<p>assisted living, partial ownership, accommodation for refugees). Between 2016 and 2020 EIB lending represented €9,5 billion for social housing which is a net increase compared to the €7,5 billion between 2010-2016.³⁷</p> <p>The EIB is seeking to position itself as the 'Green Bank' in the EU, in order to back the European Commission's commitment to the EU Green Deal. As part of this, it will aim for at least 50% of its investments to be 'Green' by 2025. Thus, in the field of social housing, EIB funded projects will need to be of the highest standards when it comes to environmental sustainability.</p> <p>In the meantime, EIB also started financing impact bonds, for example the new Swedish social impact Bond.³⁸</p>
Programme ELENA (part of EIB)	<p>The programme ELENA (European Local Energy Assistance) specifically supports technical assistance for projects improving energy efficiency renovation in residential and non-residential buildings.</p> <p>The grant can help finance the drafting of technical studies, energy audits, business plans, financial advisory and legal advice but also the tendering procedure, project bundling</p>	<p>and Project management for regional, local and municipal authorities but also public corporations.</p> <p>The programme is appropriate for renovation projects (or aggregated projects) above € 30 million, with a three-year implementation period. Combination with other grants is possible as long as there is no double fundings of the same tasks.</p>



³⁶ A list of EIB intermediaries can be found on their website : <https://www.eib.org/intermediarieslist/search/index>

³⁷ EIB, 2020.

³⁸ Reference to the Swedish Social Impact Bond.

NAME OF THE FUND	SPECIFICITIES	
Loans of CEB (Council of Europe Development Bank)	<p>Social-housing constitutes one of the eligible sectors for the CEB to finance. The Bank often finances sustainable and affordable housing for vulnerable populations, including large families, young or low-income people, Roma and refugees that have difficulties accessing housing or can only do so under unfavourable conditions.</p> <p>The CEB applies its own criteria such as income, floor area, ownership and residence.</p> <p>Energy-related eligible activities involve construction or refurbishment of housing and the conversion of existing buildings in order to turn suited for residential use.</p> <p>These projects may target to accessing property ownership or rented accommodation and associated infrastructure, provided under national- and local-assisted governmental schemes.</p>	<p>CEB finance can be considered more flexible from the final beneficiaries' point of view. Even though the nature of finance is based on loans, the co-financing rate of projects is subject to negotiations which is a significantly more flexible process compared to the EIB products. On top of that, grant resources can be made available through the CEB's fiduciary accounts, in order to subsidize interest rates, technical assistance and/or part of the investment costs.</p> <p>Due to this support flexibility, CEB often co-finances EIB-supported projects. The most recent examples include loans to support Poland, Slovakia and Portugal.</p>

FINANCING MODELS COMBINING PUBLIC AND PRIVATE CAPITAL

Internationally known good practices are available below to be studied and replicated. Provision of guarantees by the State or local authorities on loans (PPP, investment platforms, social impact bonds) are all options.



NAME OF THE FUND	SPECIFICITIES	
Public-private partnership (PPP)	<p>The PPP model is an innovative way of delivering infrastructure, which, when well structured, can occur at a faster pace and at lower expense to the State as it offers recorded off balance sheet for government. Under this contract, the private partner bears significant risks and management responsibilities. The public authority makes performance-based payments to the private partner for the provision of the service or grants the private partner a right to generate revenues from the provision of the service. The first</p>	<p>PPP programme for social housing in Europe were signed in Ireland in 2019.³⁹</p> <p>The establishment of a PPP can be challenging for an unexperienced local authority, therefore, the European PPP Expertise Centre⁴⁰ - part of EIB advisory services- was set up in 2008 to provide adequate support in delivering PPPs.</p>

³⁹ A First social housing PPP in Ireland: <https://www.housingeurope.eu/resource-1262/the-first-ppp-programme-for-social-housing-in-europe-signed-in-ireland>

⁴⁰ <https://www.eib.org/epec/index.htm>

NAME OF THE FUND	SPECIFICITIES
Home renovation support scheme	<p>In order to address the high upfront costs of building renovation and the perceived long payback periods, the Government can set up a renovation scheme. This will allow low-income households to live in renovated, energy and resource performant buildings, enjoying better living conditions and a lower financial burden linked to housing costs.</p> <p>The scheme provides guarantees (covering 80% of the loans) for loans for energy efficiency measures and a grant component of investment costs calculated so that the estimated repayment of the loan needed to cover the remaining investment costs is limited to 90% of the estimated energy savings.</p> <p>The grant component aims at covering part of the upfront costs and ensuring the repayments for the loan will not exceed the energy savings, in particular for low-income households.</p> <p>The support scheme will be a national aid scheme, implemented at local level. It will be implemented by local authorities in partnership with financial institutions, housing associations and energy utility providers. To facilitate the access to loans for beneficiaries, a third-party payment system will be put in place by local authorities, in partnership with financial institutions and the national development bank, or another intermediary selected in an open non-discriminatory procedure. The implementation can take up to 5 years⁴¹.</p> <p>Success factors of the renovation schemes⁴²:</p> <ul style="list-style-type: none"> → Include flexibility into the scheme: The ability to adapt to changes whether internal (e.g. changes in partner organisations) or external (e.g. changes in funding streams), allows the scheme to maintain a sustained offering to low-income households . → One central coordinating entity: This creates a clear point of contact for households and a single point responsible for coordinating delivery of the measures. → Schemes should be piloted: Pilots can test the effectiveness of the scheme design and pinpoint potential issues, allowing these to be overcome before implementation. → Easy access to the funding schemes: Online or offline, easy access to application can achieve greater engagement of households⁴³. → Establishing ongoing review processes that allow for continuous improvement. <p>Renovation of existing homes for the shared benefit of purchasers and low-income renters in France.</p> <p>Renovation schemes involving tax incentives or special loans are plentiful in many countries, though they can often be of little interest to those on lower incomes; specifically low-income renters.</p>

⁴¹ Page 14-15, Reforms and Investments- Renovation Wave, European Commission.

⁴² Page 78-79, Feasibility study to finance low-cost energy efficiency measures in low-income households from EU funds, European Commission, https://ec.europa.eu/energy/sites/ener/files/documents/low_cost_energy_efficiency_measures_-_final_report.pdf

⁴³ The Multi-family Building Renovation Programme in Lithuania experienced low engagement from low-income households. In response, the scheme changed its rules so that low-income households had to engage or risk having their energy support subsidies removed. This led to much greater engagement from these households.

NAME OF THE FUND	SPECIFICITIES
<p>Project aggregation- Investment platforms</p>	<p>In order to up-scale the existing municipal pilots, the establishment of an investment platform could be envisaged. The logic of an Investment Platform is to bundle local projects together by involving private investors, municipalities and other financial intermediaries.</p> <p>The private investors provide capital funding which will assume the development risk, the municipalities will pay investors if performance objectives reached (based on savings to public budget). The Social Impact Bonds, Housing Impact bonds are working through this logic and used for integrated solutions (substance dependency / training services).</p> <p>In 2017, the European Commission published a factsheet providing information on how to establish an investment platform.⁴⁴</p> <p>If the Government would like to establish an Investment Platform, the EIB Advisory Hub⁴⁵ is providing support for the set-up by assessing the rationale and potential, structuring the combinations of EU funds and supporting the development of underlying projects.</p> <p>There are numerous benefits of establishing an investment platform:</p> <p>→ It can be set up on national/regional or on a city level with specific policy objectives (e.g. energy efficiency), as for example the Housing Finance Corporation (UK) and the City of Lisbon (PT).</p> <p>→ The Platform aggregates capital (supply) and projects (demand) which can overcome the scale problem to use financial instruments of EIB.</p> <p>→ Risk-sharing mechanisms: it allows a faster use of resources and generates multiple socio-economic benefits.</p> <p>→ The Platform can pass through lending rate (in addition to the operating expenses) to the developer unlike commercial banks.</p> <p>→ Ensuring a Long term (20,30 years) at fixed rate financing (unlike the commercial banks that require refinancing).</p> <p>Key elements for its replicability:</p> <p>→ Strong policy, public interest which can reduce programme risks.</p> <p>→ Finding the right intermediaries: collaboration between financial institutions, Foundations, Cities, Regions, and the Government. A municipality could act as focal actor for intermediation.</p> <p>→ Technical assistance for setting up the intermediary in case it is not a municipality.</p> <p>→ Availability of guarantee schemes at European level (EFSI); Grants to finance the study phase (Structural Funds, Elena technical assistance).</p> <p>→ The possibility to replicate on a larger scale following the first pilot projects.</p>

⁴⁴ Investment platform factsheet on how to establish and investment platform, European Commission 2017 : https://ec.europa.eu/commission/publications/how-set-efsi-investment-platform_en and Factsheet on what is an investment Platform: https://ec.europa.eu/info/sites/info/files/investment_platforms_factsheet_en.pdf

⁴⁵ <http://eiah.eib.org/>

NAME OF THE FUND	SPECIFICITIES	
Dedicated housing finance institutions	<p>These institutions are set up for long-term with strong public interest to finance initiatives from local level.</p> <p>Mostly not-for-profit entities, they re-invest surpluses that are generated to provide the basis for future financing.</p>	<p>Examples from UK, Slovenia, and Ireland can be found in Annex.</p>
Impact Bonds	<p>Social impact bonds, Housing Impact bonds are working through the same logic and are used for integrated solutions (substance dependency / training services)⁴⁶.</p> <p>The Impact Bond model is an innovative method allowing wide access to capitals from the world of investments, as governments/municipalities guarantee the risk against the commitment to pay for the quantifiable impacts (e.g., savings to public budget).</p>	<p>Through the collaboration between the public actors, this model also improves the quality of public spending and maximizes the investors' return.⁴⁷</p> <p>The Bonds have drawn significant interest in the context of integrated solutions which link different activities together, such as energy efficiency, training services, Housing First and social inclusion measures.</p> <p>Examples can be found in Annex.</p>

⁴⁶ A study on the benefits of using social outcome contracting in the provision of social services and interventions has been recently published by the European Union: <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8384&furtherPubs=yes>

⁴⁷ Briefing of the European Parliament on Social Impact Bonds, 2014 <https://www.europarl.europa.eu/EPRS/538223-Social-impact-bonds-FINAL.pdf>



SUGGESTED DISCUSSION POINTS ON THE NEW FINANCIAL INSTRUMENTS

CHALLENGE OF CO-FINANCING (NATIONAL FUNDING)

The 3 % deficit rule of the Maastricht criteria is slowing down the project development as the national co-financing is calculated under the deficit rules.

Even though the Investment clause 2.2 (since 2015) gives the possibility to deviate national co-funding only temporarily, a number of strict conditions should be met by the national governments. Therefore, the application of that clause stays limited.

Since the COVID crisis, the rules are frozen, however from 2023 the rules are set back to normal.

- How can we make sure **MS use this clause more often** for affordable housing investments?
- How is the **EC encouraging** MS to use it more systematically?
- Could the EC **exempt national co-financing related to social housing** from the deficit rules in long-term?
- Could the EC establish a **'Silver Rule'** for public social investment to allow MS to have higher levels of social investment policies?

CHALLENGE OF ESTABLISHING INVESTMENT PLATFORMS

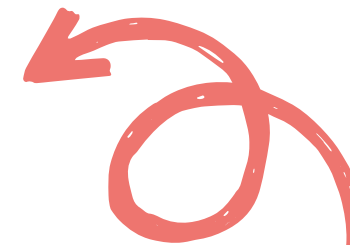
→ For financiers, a **stable, regulated and proportionate governance** is required for investment. The **existence of long-term housing strategies and institutions** is key. How to achieve this in numerous countries?

→ **Who participates/co-finances in platforms?** (Cities, Regions, National Governments, Pension funds, Philanthropic Funds, Sovereign Wealth, Ethical Banks)

→ **Should they be national or cross border** with specific policy objectives? (e.g. energy efficiency) E.g. Housing Finance Corporation (UK) specialised for social housing, the City of Lisbon acting as financial intermediary

→ How to aggregate **capital** (supply) and **projects** (demand) to **overcome the scale problem?**

→ Could the EU facilitate and simplify the blending of resources (public, private, local, national EU)?





CHALLENGE: TACKLING OTHER FINANCIAL BARRIERS ON LOCAL LEVEL (PRE-FINANCING, CO-FINANCING, INTERNAL/SOCIAL COSTS, MAINTENANCE)

Local governments are responsible for the implementation and future maintenance of social housing projects. Besides, they face huge pressures from a strong decline in revenues due to the decline of economic activities.

In terms of project start, **pre-financing** options of projects are often not available, and local authorities might have difficulty to secure enough **co-financing**. It can be also problematic that further costs due to modifications of the initial project - required during the operations - are not eligible for reimbursement. **Internal costs and social costs** necessary to implement the project are often not eligible to reimbursement (for example the cost related to **design or internal cost assisting old/disadvantaged tenants** during a refurbishment project).

➔ Could the new financing schemes include pre-financing for affordable housing projects?

➔ Could EU funding cover social costs related to energy renovation?

➔ Could the Governments ensure a dedicated budget for project management and maintenance to local governments?

For the project development phase, external funding could be used such as the **ELENA**⁴⁸ tool that provides up to 90% of the project development under the form of technical assistance (including feasibility studies, business plans and audit).

➔ Could the EIB help access ELENA in more a systematic way?

In terms of project management, **ESF+ hand in hand with national funding** could be allocated to the local authorities through the dedicated Operational Programme.

➔ Could the EC organise housing specific ESF+ meetings for the MS to show good practices?

Concerning the maintenance issue, an interesting solution to decrease the costs is **the involvement of tenants in the maintenance works**. An excellent example is the Dutch Startblok project⁴⁹ from 2017 that housed 50% young people from the neighbourhood, and another half newcomers. Today the building of 565 housing units is self-maintained. Other models could also be studied for implementation such as the co-housing (for example Moitoinous project in France⁵⁰) or the CLT model (Calico-Care and living in community project in Belgium⁵¹).

➔ Could Member States further exchange on these solutions?

⁴⁸ More about ELENA: <https://www.eib.org/en/products/advising/elena/index.htm>

⁴⁹ More about Startblok: <https://www.housingeurope.eu/blog-963/housing-a-better-future>

⁵⁰ More about the Moitoinous project in France: <https://www.housingevolutions.eu/project/one-roof-several-generations-toitmoitoinous/>

⁵¹ More about Calico project: <https://www.housingevolutions.eu/project/calico-care-and-living-in-community/>

CHALLENGE: TACKLING THE CAPACITY AND SKILLS GAP

The project application, payment procedures and the reporting put a **heavy burden** on different levels in terms of the new processes and skills that these require (implementation, additional social services provided to beneficiaries, the building maintenance and the occupants selection).

A need for improved skills and better capacities on local level is clear.

→ How will Member States overcome this challenge?

In terms of cooperation between the municipalities and the central Government, the recently established Liaison centre by the Ministry of Labour and social Affairs became an important focal point in Czechia.⁵²

→ Could the Liaison centre be replicated in other Member States to provide **methodological support and capacity building for affordable housing provision**?

→ Could the EU finance **peer-2-peer exchanges** (city-to-city) on affordable housing provision?

CHALLENGE: DIFFICULTY TO ACCESS TO FINANCE

There is a **need to develop future financing mechanisms** to support vulnerable groups across Europe. It is understood that further Ministerial exchange would be appreciated, therefore Housing Europe proposes to set a Working Group on Housing Finance. The Working Group will include international financial institutions such as EIB and CEB as well as national promotional banks and it will be based on 5 pillars:

→ Organisation of an annual EU Social & Affordable Housing Policy Summit;

→ 4 national workshops in different Member States;

→ Collection of inspiring/replicable initiatives on financing schemes;

→ Publication on the 20 best practices;

→ Peer-to-peer learning: Experts to help local projects.



⁵² The work done included:

- the organisation of national and regional conferences about the integration of social housing into the urban landscape and about the added value of these programme of the quality of life of local population;
- the communication strategies with local communities (social media, mass media, conferences, resident panels);
- the clear communication on the selection criteria of tenants as well as with the organisation of citizens' forums where the problems and needs can be discussed, and social impact can be explained;
- the cooperation with local stakeholders and their consultation;
- the provision of methodological support and thematic expertise to municipalities (see the Czech national example above).

LESSONS LEARNED FROM SYRIAN REFUGEE CRISIS TO BE APPLIED FOR CURRENT UKRAINIAN CRISIS



INTRODUCTION

Climate change, changing living conditions, armed conflicts are pushing more and more people to move in search of better quality of life, in Europe and globally. Increasing immigration contributes to increasing the **demand for affordable housing**⁵³ as well as services aimed at enhancing social inclusion and integration of migrants.

The 2015 Syrian refugee crisis highlighted some of the challenges that European cities and neighbourhoods were confronted with – first and foremost the lack of housing

(both temporary and permanent accommodation) in areas where job opportunities are concentrated, while remote or less attractive areas face a shrinking population and empty homes. At the same time, public administrations were faced with the challenge of providing homes for refugees while at the same dealing with increasing number of people on social housing waiting lists and budgetary issues to house and assist no/low-income groups.

European countries today host just over 1 million Syrian asylum-seekers and refugees. However, Europe today is faced with a new and much larger migration wave as a consequence of the Ukraine conflict. The agency of United Nations Refugee Agency (UNHCR) estimates that **more than 6 million people** have already crossed the Ukrainian border since the start of the war to seek refuge in neighbouring countries.⁵⁴ Although some have begun returning to Ukraine and entry flows are slowly stabilising at the time of writing, the numbers are still significant, currently **exceeding 1% of the national population in eight Member States and surpassing 3% in Poland and Czechia**⁵⁵, and trends are impossible to predict.

In March 2022 the European Union promptly activated the “temporary protection” mechanism for displaced persons from Ukraine which **includes a right of residence, access to the labour market, access to housing, as well as social and medical assistance**. The “Safe Home” initiative was also launched in July 2022 – with funding from CARE and AMIF funds - to support households who voluntarily host refugees in their homes.

Initially many of those who had to flee Ukraine could access private accommodations provided by individual households on a voluntary basis, others in reception facilities or through other temporary accommodation mechanisms (for instance relying on hotels/hostels) put in place by national authorities. However, the transition to more permanent housing solutions remains a challenge, especially in the context of supply shortages.

Learning from the Syrian refugee crisis, where possible public, social, and cooperative housing providers **are working together with local authorities to identify available homes**, often in very tight housing markets.

⁵³ Housing Europe (2021) The State of Housing in Europe, available at <https://www.stateofhousing.eu/>

⁵⁴ <http://www.unhcr.org/refugees.html>

⁵⁵ Impact of the Russian war in Ukraine on accessible and affordable housing in the EU in the context of the EU internal market, Committee of the Regions, 29 Sept 2022.

⁵⁶ OECD (2022) Housing support for Ukrainian refugees in receiving countries, available at <https://www.oecd.org/ukraine-hub/policy-responses/housing-support-for-ukrainian-refugees-in-receiving-countries-9c2b4404/>

➔ **In Austria** for instance involvement of limited profit housing providers in hosting refugees from Ukraine varies across regions. In some cases, they work closely with charitable organisations, others assist public authorities in coordinating regional plans. This happens mainly through subletting, which can be converted into direct contracts over time. The stock mobilised consists mainly of vacant housing units but also offices or commercial premises that can be temporarily adapted for residential use.

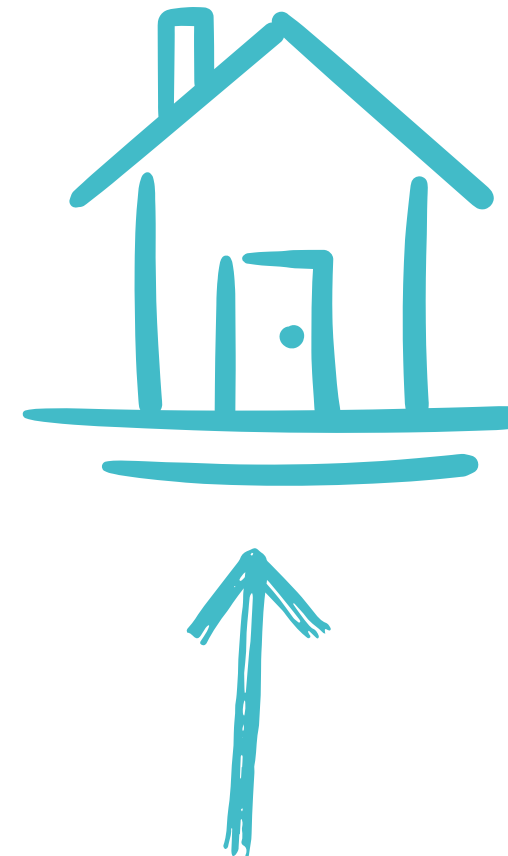
➔ **In Finland**, temporary protection has been granted to almost 22,000 Ukrainians. Given the temporary nature of their status, they are not eligible for subsidised rental apartments. However, since March 2022, housing organisations are allowed to house people under temporary protection provided they notify the Housing Fund ARA and get an exemption. When this is the case, housing organizations work in cooperation with municipalities, the Finnish Immigration Service and Red Cross.

➔ **In Germany**, the influx of refugees has so far concentrated in Berlin, Hamburg and other big cities. But vacant housing stock is rather available in Eastern Germany, creating to some extent a deadlock situation. Already the government has had to build shelters, and the situation could worsen if and when the refugees hosted by private citizens will have to find other solutions. Housing companies in contact with municipalities. For instance, North Rhine-Westphalia and the VdW Rheinland Westfalen reactivated the housing map which was used during the 2015 refugee crisis to identify and centralize information on available homes. Furthermore, GdW offers refugees a central online contact point for accommodation and additional information on the different types of support they can access.

➔ **In Denmark**, the federation of not-for-profit housing BL used live data on vacant dwellings and identified 3,300 units when the war started, out of which 2,000 were mobilized quickly. In just two weeks all of them were allocated to refugees from Ukraine.

➔ **In France**, the social housing federation Union Sociale pour l' Habitat is providing legal support and analysis to HLM housing organisations. The latter tend to house Ukrainian refugees by subletting through associations. Furthermore, the State has asked the préfets to come up with local plans to host refugees: HLM companies had to quickly communicate the number of homes available, and they have been recommended to cooperate with local authorities to make sure refugees they house can have easy access to local administration offices and transport.

➔ **In Italy**, housing cooperatives and those providing social services are coordinating their efforts to welcome refugees from Ukraine. Particular attention is dedicated to regions with a strong migration like for instance Emilia Romagna, Lombardy and Piedmont.⁵⁷



Overall, previous experience showed that EU Member States, local authorities, housing providers, associations and NGOs must mobilise quickly and collectively to provide not only housing but also different kinds of support – including for instance social, health and educational accompanying measures.⁵⁸ Some of these good practices are presented more in details in the Annex to Chapter 4.

⁵⁷ State of Housing in Europe, 2022 mid-term update.

⁵⁸ Recommendations of the EU Urban Agenda, 2016. More information in Annex 1.

POSSIBLE ACTION POINTS



- ➔ Provision of social housing as a tool for solution to cope and to deliver a dignified, long-term response.
- ➔ Promotion of new cooperation between different stakeholders from various sectors (landlords, State, intermediaries, health,...). Working together may require a cultural shift for many stakeholders.
- ➔ Creation of flexible housing schemes for labour migrants and develop the informative system.
- ➔ Further developing the Safe Home initiative on private housing options and link it to private rental agencies.
- ➔ EU programmes to help addressing migration (both refugees and labour migrants from the EU or third countries).
- ➔ Cooperating with the EU institutions (e.g. DG REFORM) to strengthen the integration policy and provide with more effective housing schemes.
- ➔ Member States to promote State investments as SGEI, as long as the market does not invest.

DISCUSSION



Lack of temporary and long-term housing

- ➔ Is there a possibility to construct affordable housing in appealing areas (for example Poland, Hungary and Germany)?
- ➔ How could we reduce funding barriers to provide more affordable housing to refugees?
- ➔ Could each MS set up a social rental agency that involves private sector vacant housing? How could we implement best practices in other countries?
- ➔ Could we create an EU information portal on housing options?

Difficulty to maintain and improve building standards

- ➔ Could we relax rules on building renovation and transformation while we build for refugees?

Information gap and lack of administrative capacity

- ➔ Could we create an EU database that allows the sharing of best practices?
- ➔ Could EU funding (REFORM) be available to fund peer-to-peer learning between sectors?
- ➔ How could we more effectively prepare Contingency plans to address medium- and long-term needs?

ANNEXES TO CHAPTER 1

OVERVIEW OF AFFORDABILITY DEFINITIONS



As stated in **Chapter 1**: It's important to keep in mind that the concept of housing affordability is a complex and contested concept. As pointed out by the OECD⁵⁹.

“There is no international consensus on how to define or measure housing affordability, and no single measure fully captures the range of concerns around the ability of households to secure decent housing in an appropriate location for an acceptable price”.

The most common definitions of affordability refer to the costs of housing relative to income. Following this approach, Eurostat produces and regularly updates the indicator ‘housing cost overburden rate’ which refers to ‘the percentage of the population living in households where the total housing costs (‘net’ of housing allowances) represent more than 40% of disposable income (‘net’ of housing allowances)’ and whereby housing costs include rents and mortgage interest rates, as well as the cost of utilities. Since 2021, this indicator is part of the EU ‘Social Scoreboard’ headline indicators, and as such used in the framework of the European Semester to assess progress by the Member States in enhancing housing affordability for their citizens. However, the usefulness of this indicator has been challenged by the Housing Partnership of the EU Urban Agenda⁶⁰, calling for a more nuanced and complex approach that takes

into consideration other elements such as rates of eviction and poverty rates as well as quality of the homes and the extent to which they’re adequate in relation to the household characteristics.

Furthermore, experts have pointed out that a ‘residual income’ approach (ie looking at the budget a household is left with after having paid for housing, and to what extent this is sufficient to cater for other needs) could support more accurate analysis of issues with housing affordability. According to this view,

“Housing is affordable when housing of an acceptable minimum standard can be obtained and retained leaving sufficient income to meet essential non-housing expenditure⁶¹”.

This perspective could be incorporated and support the EU initiative for a recommendation on minimum income in late 2022. However this approach also entails a series of conceptual problems and issues with measurement.

Against this evolving background, the term ‘affordable housing’ is being used more and more frequently in policy context to refer to measures aimed at ensuring decent housing is available for households to access housing at costs that are financially viable. ‘Affordable housing’ often

refers to a range of types of housing provision which is usually broader than social housing – the focus being rather on the outcomes in terms of affordability for end-users rather than on the specific framework and regulation around it. In the absence of any universally agreed reference on this concept, a useful operational typology was developed in the framework of the EU Urban Agenda Housing Partnership, which sees ‘affordable housing’ as part of a ‘continuum’ including social housing as well as other low-cost rental housing and even access to home ownership at reduced price⁶².

UNMET NEED FOR HOUSING IN EUROPE

The **table 1** summarises current gaps in housing supply compared to housing needs in selected countries.



⁵⁹ Affordable Housing Database, indicator ‘HC.1.5. OVERVIEW OF AFFORDABLE HOUSING INDICATORS’, available at <https://www.oecd.org/els/family/HC1-5%20Overview%20of%20affordable%20housing%20indicators.pdf>. The same document provides a useful and comprehensive overview of the different housing affordability measures in OECD and EU countries.

⁶⁰ Urban Agenda for the EU (2018) The Housing Partnership Action Plan. Available at <https://futurium.ec.europa.eu/en/urban-agenda/housing/action-plan/housing-partnership-action-plan>

⁶¹ Stephens, Mark (2017) quoted in IUT (2018), How to define, achieve and measure affordability in rental housing. Available at https://ec.europa.eu/futurium/en/system/files/ged/background_paper_on_affordability_iut_2018.pdf

⁶² Rosenfeld, O. (2017) ‘Analysis of interpretations of the term affordable housing in the EU Urban.

COUNTRY	TOTAL UNMET HOUSING NEED	OF WHICH: TOTAL UNMET SOCIAL & AFFORDABLE HOUSING NEED	AVERAGE ANNUAL DELIVERY OF NEW HOMES (2017-2019)	MAIN ISSUES DRIVING UNMET NEED
Ireland	At least 150,000	At least 70,000 units	17,800	<ul style="list-style-type: none"> → Consistent shortfall in new construction compared to underlying need → High volume of young people still living with their parents → Insufficient supply of new social housing
Luxembourg	Difficult to estimate due to high volume of cross-border workers - 35,000 unit shortfall in recent years	Difficult to estimate due to high volume of cross-border workers – c.6,000 on official waiting lists	4,050	<ul style="list-style-type: none"> → Strong population & economic growth → Insufficient new supply
Sweden	Around 170,000	Sweden has ‘universalist’ public housing – which is fully integrated into the overall housing market	53,000	<ul style="list-style-type: none"> → Strong population growth → Insufficient supply
Germany	Roughly 1 million homes	At least 225,000 units	288,000	<ul style="list-style-type: none"> → Strong population growth → Insufficient supply → ‘Secular shrinkage’ of the social housing sector
Slovenia	No reliable estimates available	Around 10,000 units	3,165	<ul style="list-style-type: none"> → Insufficient supply in urban areas → Internal migration related to economic pull factors (i.e. rural to urban)
Czechia	Difficult to estimate due to high degree of ‘financialisation’ and inefficient allocation of housing resources	No official figures available – but 35,000 households are homeless and 40,000 require income support to remain in their home; rough estimate of at least 65,000 additional ‘social’ units	33,000	<ul style="list-style-type: none"> → Strong financialisation of the housing sector → Weak regulation → Lack of effective structures to provide social housing (incl. obligation on developers to contribute) → Internal migration related to economic pull factors (i.e. rural to urban)

Source: Housing Europe estimates, based on information obtained from ‘The State of Housing in Europe’ questionnaire, November 2020- January 2021.

Agenda Partnership for Housing’, a briefing note prepared for DG REGIO and the EU Urban Agenda Partnership for Housing, European Commission, DG REGIO, Brussels.

ANNEXES TO CHAPTER 3

‘NEW FINANCIAL INSTRUMENTS AS
PART OF A SOLUTION - COMBINING
PUBLIC AND PRIVATE CAPITAL TO INVEST
IN AFFORDABLE RENTAL HOUSING;
PROMISING PRACTICE IN SOME MEMBER
STATES’



ANNEX 1

RECENTLY SUPPORTED PROJECTS BY CEB

LOAN TO INVESTITIONSBANK BERLIN, MARCH 2017

A **€ 100 million loan** to Investitionsbank Berlin (IBB), a public development bank active primarily in the social housing sector. The CEB will support the IBB with a multi-sectoral loan programme aimed at the **construction and renovation** of social housing units. This loan will provide urgently needed accommodation, **including for migrants and refugees**.⁶³



SOCIAL MORTGAGE LOANS TO HELP VULNERABLE PEOPLE TO ACCESS AFFORDABLE HOUSING, 2018, BELGIUM

November 2018 saw the end of a three-phase social housing programme in Belgium that had lasted nine years and benefited nearly **4,000 vulnerable families**. Out of the 4000 supported families, 30% was single-parent families, while 20% have a migrant or refugee background.

Through the programme, the CEB and the Fonds du Logement des Familles Nombreuses de Wallonie (Walloon Housing Fund for Large Families) (FLW), aimed to reduce child poverty and improve access to adequate affordable accommodation for large, including single-parent, families on insecure and low-incomes.⁶⁴ The loan value represented €230 million out of the investment of €460 million.

BUILDING AFFORDABLE STUDENT ACCOMMODATION -2021 (€ 75 MILLION LOAN TO THE HOUSING FINANCE AGENCY PLC)

It will fund the construction of new and **affordable public student accommodation**, for which there is unprecedented demand due to the steady increase of students in Ireland. The scarcity of student accommodation has strained rental housing markets surrounding universities in Ireland's main cities. The loan is therefore expected to significantly contribute to resolving the overall rental housing shortage problem and moderate the pressure on rents for students and non-students alike. The loan will prioritise vulnerable groups, particularly students with disabilities, who may otherwise not be able to take part in tertiary education. It will also promote gender balance. The primary beneficiaries of the loan will be affected students, while the secondary beneficiaries will be participants of the wider rental market in the vicinity of universities.

⁶³ <http://www.coebank.org/en/news-and-publications/news/ceb-approves-financing-new-social-projects-march/>

⁶⁴ Page 8 of the Report: https://coebank.org/media/documents/CEB_info_04_2018_en.pdf

ANNEX 2

PPP EXAMPLES

THE FIRST PPP PROGRAMME FOR SOCIAL HOUSING IN EUROPE SIGNED IN IRELAND (2019)

It is the first time Ireland used the PPP model for social housing, opening up an important new avenue for delivering the Irish State's social housing requirements.

The project is implemented through 3 different social housing boundless (total cost of €260 million) which will be leased to local authorities for up to 25 years.

The overall three-phase programme will enable 1,500 new homes to be built across the country. The EIB is going to finance the €120 million first phase which will enable the construction of 534 new homes will be built in Dublin, Louth, Wicklow and Kildare between 2019 and 2021. The contract is made with Comhar Housing Limited.

The new social housing units will be managed by Choice Housing, part of the Comhar consortium, under a 25-year financing agreement and construction managed by Sisk. Under the terms of the PPP finance agreement the Comhar consortium will build and maintain the housing for 25 years before it is returned "in prime condition" to the Irish State.

Oaklee Housing Trust, which is one of ICSH (Irish Council of Social Housing) members has got an involvement in the project and will undertake the tenancy management for the tenancies as part of this project however the private sector development and financial bodies are the lead bodies.

This project represents another means of delivering on the overall targets for social housing as part of Rebuilding Ireland.



ANNEX 3

HOME RENOVATION SUPPORT PROGRAMMES

A French scheme, known colloquially as the *Loi Denormandie*,⁶⁵ provides **tax incentives in order to help investors to renovate housing** in over 220 designated urban centres in France, **in return for agreeing to rent the newly renovated dwelling to a reserved group of low-income tenants**. This provides shared benefits for the purchaser and the tenant, who will be able to rent a higher-quality and less-costly home at an affordable price.

From the investor side, housing costs of up to a maximum of either €300,000 or €5,500 per m² are eligible for the scheme and the renovation costs must represent at least 25% of the overall total investment. For example, if the cost of acquisition and renovations was €450,000, only the first €300,000 are taken into consideration for the purposes of calculating the tax benefit. At the same time, if an investor renovates more than one property, the €300,000 'cap' applies to the 'portfolio' as a whole, effectively eliminating the incentive to purchase multiple homes under the scheme.

There are also clearly defined renovation targets. For example, the renovation works must improve the energy performance of the dwelling by at least 20% for apartments and 30% for houses, attaining a minimum energy certificate of E.⁶⁶ In addition, only homes located in defined high-

demand and regeneration areas are eligible,⁶⁷ whilst renovations must be completed no later than the end of the second year after the original purchase.

The tax reduction received by the owner is based on the length of time that you allow the property to be rented to the low-income tenant. A minimum lease is six years, giving a tax reduction equivalent to 12% of the allowable cost, while the longest possible lease is 12 years, providing a 21% tax benefit. Thus, a purchase and renovation cost of €300,000 could provide a tax benefit of up to €63,000. With regard to the rent that the owner can charge, this varies depending on a number of factors, such as the location and size of the dwelling,⁶⁸ but in any case is below the equivalent average market rent. The rent is revised on an annual basis, based on changes in core inflation.

From the tenant's perspective, they benefit from a stable rent, which is better adapted to their means than the private rental market. Eligibility for the scheme is based primarily on the income of the applicant household. This can vary quite a lot, depending on the location of the dwelling and the number and age of the members of the household. A single person living in a high-priced rental area could have an income of a little over €38,000, for instance.



⁶⁵ <https://www.service-public.fr/particuliers/vosdroits/F35011>

⁶⁶ <https://www.anil.org/investissement-locatif-ancien-denormandie/>

⁶⁷ <https://www.service-public.fr/simulateur/calcul/Zone-Denormandie>

⁶⁸ <https://www.anil.org/votre-projet/vous-achetez-vous-construisez/investissement-locatif/reduction-dimpot-duflot/>

ANNEX 4

PROJECT AGGREGATION PLATFORMS

AFFORDABLE HOUSING INVESTMENT PLATFORM IN POLAND

The investment platform supporting social and affordable housing projects in different municipalities across Poland was signed in 2017, with the aim of investing in total PLN 2.1bn (around EUR 496m) until 2021 in.

Organisations involved included:

- ➡ EIB
- ➡ Bank Gospodarstwa Krajowego (BGK), the Polish development bank
- ➡ Non-profit housing enterprises (TBS)
- ➡ Municipalities

The projects to be financed under the investment platform concern **the construction (more than 100 000 housing units) or retrofitting of social and/or affordable housing units** for rental, as well as the **construction of regulated affordable rent-to-buy housing**. In addition, the construction of associated infrastructure (such as roads, drainage, utilities) specifically designed to meet the needs of the housing units will also benefit from this financing.

Beneficiaries: Municipal authorities and registered social and affordable housing providers, such as non-profit housing enterprises (TBS).

The Platform is based on three main pillars.

1. The first pillar – the National Programme for Support of Social Housing – already exists, and receives EIB support in the form of partial funding for projects totalling PLN 800m (around € 190 million). Complementary lending aimed at the largest projects is to be provided through individual loans for an amount up to a total of PLN 400 million (around € 95 million) from the EIB.
2. These individual loans will be covered by the European Fund for Strategic Investments (EFSI), a central element of the Investment Plan for Europe. BGK will complement EIB lending in many cases by using its own funds. The EFSI financing represent € 95million out of the total € 496 million.
3. The last pillar, also totalling PLN 400m, consists of intermediated loans – projects will be financed by BGK, partially or entirely based on EIB funding.

More details on the Polish model are also available here:

<https://www.housing2030.org/>

SOCIAL & AFFORDABLE HOUSING INVESTMENT PLATFORM IN SPAIN

The agreement has been signed in June 2018 that aims financing social and affordable housing projects in Spain.

The operation consists of supporting promoters (both public and private companies) operating in the social and affordable housing sector. Investments under this operation will mainly include new constructions and rehabilitations, energy efficiency improvements and accessibility measures in social and affordable housing.

- ➡ Implementation: by the national promotional bank, Instituto de Credito Oficial.
- ➡ EFSI financing: € 300 million (project total cost: € 600 million).⁶⁹

⁶⁵ <https://www.service-public.fr/particuliers/vosdroits/F35011>

⁶⁶ <https://www.anil.org/investissement-locatif-ancien-denormandie/>

⁶⁷ <https://www.service-public.fr/simulateur/calcul/Zone-Denormandie>

⁶⁸ <https://www.anil.org/votre-projet/vous-achetez-vous-construisez/investissement-locatif/reduction-dimpot-duflot/>

⁶⁹ More information: <http://www.eib.org/projects/pipelines/pipeline/20170769>

ALLIANCE FOR SUSTAINABLE AND INCLUSIVE SOCIAL HOUSING IN FRANCE

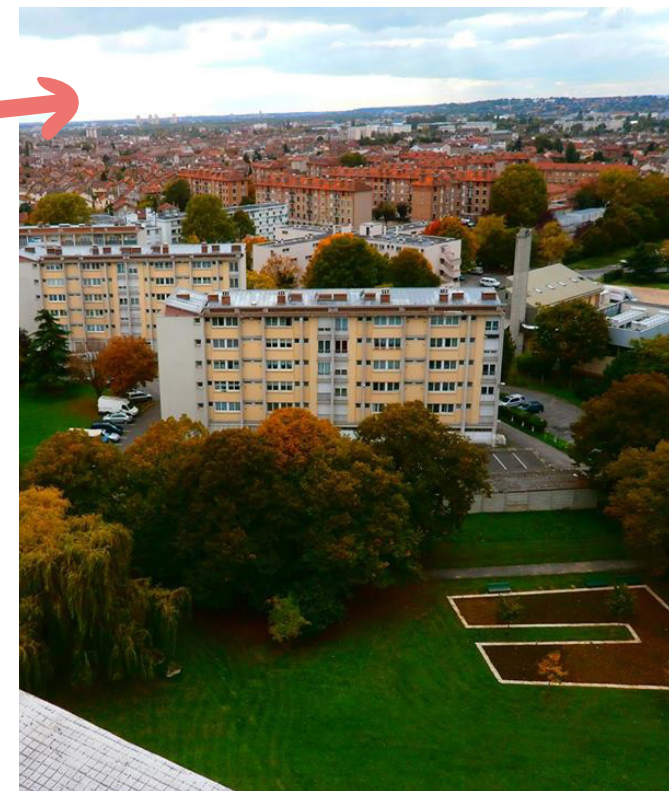
The Alliance for Sustainable and Inclusive Social Housing (*Alliance européenne pour un logement social durable et inclusive*⁷⁰) is a funding platform for projects related to social housing in France. The Alliance brings together several public and private investors under one roof, in order to pool their financing and simplify the process of accessing finance for social housing providers.

Organisations involved include:

- ➡ L'Union sociale pour l'habitat (USH) – the French union of social housing providers
- ➡ La Banque de territoires – an arms of the French national public investment bank
- ➡ The European Investment Bank (EIB)
- ➡ The Council of Europe Development Bank (CEB)

Since its launch in 2020, the Alliance has benefitted from **€1.8 billion in loans provided by the EIB and CEB.**⁷¹ These loans are accepted by the Banque de territoires, which in turn manages their disbursement to providers of affordable housing in France.

In the absence of the Alliance, the providers of social housing, many of whom have limited staff resources, would have to access funding from the three financial partners separately. This would require extra time resources. In addition, given the minimum lending criteria of the EIB and CEB, many projects would be too small to normally apply for funding from these sources. For example, the EIB typically applies a minimum threshold of €20 million in order to invest in social housing projects. The Alliance will, therefore, make a significant contribution to the delivery of new social housing units, as well as the renovation of existing ones, over the coming years.



⁷⁰ More information: <https://coebank.org/fr/news-and-publications/news/the-european-alliance-for-sustainable-and-inclusive-social-housing-launches-a-first-wave-of-650-million-long-term-financing/>

⁷¹ See: <https://coebank.org/en/news-and-publications/news/additional-150-million-loan-from-ceb-to-banque-des-territoires-to-secure-housing-for-vulnerable-populations/>

ANNEX 5

DEDICATED HOUSING FINANCE INSTITUTIONS

THE HOUSING FINANCE CORPORATION (THFC)

The Housing Finance Corporation (THFC) is the UK's leading affordable housing aggregator. Set up in 1987, THFC issues long-term bonds in the Sterling capital markets and on-lends the proceeds to housing associations at low interest rates. It currently provides financing to over 160 Housing Associations in the UK.

As a not-for-profit entity, any surpluses that are generated by THFC are retained, and used to provide the basis for future lending. **Its current loan book is around £7.5 billion (€9.1bn).**

THFC has a diverse pool of funding sources. This includes **the EIB, with whom it has around £2.6 billion (€3.2bn) in outstanding loans.** Given the lending threshold of the EIB (€20 million), the value of THFC in taking these loans and then dispersing them in smaller tranches is clear.

THE DANISH NATIONAL BUILDING FUND (LANDSBYGGFONDEN)

For more than 50 years, the National Building Fund has been playing a crucial role in supporting the Danish social and affordable housing sector, ensuring that housing providers are not affected by cyclical investment patterns, which usually peak during times of the strongest economic prosperity and decline in times of economic difficulty. Instead, the Fund allows social and affordable housing operators to be self-funded, not needing to rely solely on public financing.

The National Building Fund was founded in 1967 through a broad political agreement, based on a need to keep rents for older cost-based rental dwellings closer to those of new social dwellings. Its main purpose was – and still is – to function as a solidarity fund for the social and affordable housing sector.

The National Building Fund is used to balance surpluses with deficits across all non-profit housing estates, using the fund as an 'equalisation' mechanism. This ensures a fiscally robust

non-profit sector and allows a large percentage of capital and operating funds for social housing to be self-funded, rather than needing to rely on public financing.

The National Building Fund is a private fund that is financed solely by the over 1 million social tenants in Denmark, via a portion of their rent payments. The fund acts as a 'savings account' for the entire non-profit housing sector. The system is often described as being a "closed circuit", which ensures that money invested in housing today, stays within the system, and continues to provide benefits long into the future⁷².

In the coming years, an increasing part of the outstanding mortgages held by Danish housing associations will be paid off. This will enhance access to capital in the Fund, and allow it to play a larger role in meeting funding needs in the non-profit housing sector.

⁷² This concept is also sometimes referred to as the "permeability" of the social housing finance system – "The concept of permeability captures the relationship between social housing financial circuits and the wider housing system and economy. Specifically...whether the investment which flows into a social housing financial circuit remains in that circuit or seeps out and can be captured by external actors in the form of rental incomes, equity or interest payments" from Norris, M. and Byrne, M. (2020). Funding resilient and fragile social housing systems in Ireland and Denmark, Housing Studies, DOI: 10.1080/02673037.2020.1777944.

THE HOUSING FUND OF THE REPUBLIC OF SLOVENIA (HFRS)

The HFRS is a public real estate fund. It was founded in 1991 to finance and implement a legislated national housing programme which operates on five-year cycles.

The objectives and specific targets of the Fund have evolved, but remain focused on the construction, renovation and maintenance of apartments and residential buildings, targeted at groups with particular needs such as families, young people, the elderly, and Roma populations. The main instruments used to achieve this have involved **co-financing with long-term favourable loans and interest rate subsidies**, and **investments in new innovations and international research**.⁷³

The Housing Fund is a public authority and actively invests directly in housing and also co-invests in local community housing programmes, complementing the efforts of municipalities and non-government organizations. It also purchases land and houses directly on the market.

With its own construction and purchase projects on the market, **the Fund provides an additional quota of publicly available rental housing, tying rent calculation to the real estate investment or purchase value**. It offers eligible tenants a stable rental relationship under pre-known conditions for an indefinite period. In 2019, CEIB provided the Fund with a long-term loan of € 50 million.

THE HOUSING FINANCE AGENCY IN IRELAND

Established as a state-owned company in 1982, the Housing Finance Agency provides loan finance to local authorities, voluntary housing bodies and higher education institutions for housing and related purposes.⁷⁴

The HFA maintains a broad funding base, raising finance on the domestic and international capital markets in structures and at costs that reflect its customers' requirements. The HFA has a long-term fixed rate finance arranged with the National Treasury Management Agency (NTMA), European Investment Bank (EIB) and Council of Europe Development Bank (CEB). New loan drawdowns were arranged with the EIB and CEB during 2020, using the HFA's secure position and long track-record to secure very competitive interest rates.

The Housing Finance Agency is in a position to accept applications from Approved Housing Bodies who meet the following minimum criteria to apply for Certified Body status, prior to applying directly for funding:

➡ Evidence of at least three years' operation of projects under the Capital Loan & Subsidy Scheme

- ➡ Acceptable legal form (company, co-operative, society)
- ➡ Three years' audited financial statements
- ➡ Current Tax Clearance Certificate
- ➡ In addition, the body will, subsequent to being deemed a Certified Body, be required to establish a properly mandated bank account and sign a Master Loan Agreement (MLA) with the HFA.

Between 2016 and 2019 the number of adults in Ireland who were registered homeless grew from 3,885 to 6,363. **A €150 million CEB loan to Ireland's HFA** is helping to deliver new social housing to vulnerable people. The loan enabled HFA's customers **to retrofit or build nearly 2,250 energy-efficient social housing** units across Ireland. These units provided 224,000 sqm of living space and are the new homes for 7,525 people. The project is directly aligned with the government of Ireland's objectives to combat homelessness and enhancing quality of life.⁷⁵

In 2020, the HFA approved €1 billion in loans to providers of social housing, in order to help fund 4,526 new homes. At the end of 2020, the outstanding loans of the HFA amounted to €5.2 billion.



⁷³ <https://www.housing2030.org/project/housing-fund-of-the-republic-of-slovenia/>

⁷⁴ <https://hfa.ie/hfa/Live/Release/WebSite/HomePage/index.html>

⁷⁵ <https://coebank.org/en/news-and-publications/news/100-million-euro-loan-social-housing-ireland/>



FRENCH LIVRET A SYSTEM MANAGED BY CAISSE DES DEPOTS

In France, almost all people have either a 'Livret A' or 'Livret de développement durable et solidaire' (LDDS) state-backed savings account. It is a tax-free way of saving money, up to a maximum of €22,950, which is available through any bank and offers savers a more attractive interest rate than their usual current account. The latest figures show that there are currently €500bn in savings in these savings schemes. Savings are managed by a special state investment vehicle called the 'Caisse des dépôts et consignations' (CDC).

By far the main benefactor of the money channelled to the CDC by ordinary French households is the social housing sector. Indeed, the CDC is the number one source of funding for social housing in France (about 70-75% of the capital needed for typical housing development).

One of the strongest features of the CDC model is that it is not 'pro-cyclical' in its investment pattern. This means that even as an economy enters a period of economic decline or

recession, as has been the case because of the pandemic, the CDC can maintain or even increase its investments. Indeed, savings by French households into their CDC linked accounts actually increased in 2020. This means that, recession or not, money can be made available to support jobs in the construction sector and, thus, the wider economy. It also means that those who have lost their own job or seen a fall in their income can be helped to find suitable housing that meets their needs more quickly.

The CDC provided around €10bn in new financing for the development or acquisition of new social housing units in 2019 – which will help to add 78,740 dwellings to the social stock. It also provided €1.9bn to help finance the renovation of existing social housing units. For 2020-2022, the objective of the CDC is to provide financing to support the delivery of 110,000 new social housing units and the renovation of a further 125,000 social dwellings.

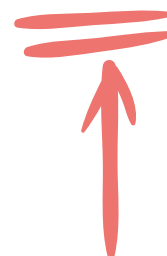
ANNEX 6

IMPACT BONDS

The affordable housing sector is already developing such instruments across the continent, some of which are presented below:

- ➡ Hémisphère Social Bond, for urgent accommodation in France, with a total of €100 million budget (Caisse des Dépôts, 2017);⁷⁶
- ➡ 2 affordable Housing Bonds in the Netherlands, launched in 2018, to finance the lending to Social Housing Organizations;⁷⁷
- ➡ A €500 million Impact Bond, launched in 2018 by the Council of Europe Development Bank for 7 years, to support social-housing and education, through gathering investors' interest of €1 billion to financing loans.⁷⁸

These initiatives are linking investments to the Sustainable Development Goals (SDGs), which in turn tackle different aspects of energy poverty⁷⁹. On top of that, these Bonds provide for capital and projects aggregation, thus **acting as Investment Platforms**. Although increasing interest from the investors' side can be noted, the development of such instruments is a **time-consuming process**, since their implementation require **innovative collaborations between governments, housing providers and investors**, especially concerning the design of their management and implementation plan.⁸⁰



NETHERLANDS: TWO AFFORDABLE HOUSING BONDS LAUNCHED BY NWB BANK⁸¹

In 2017, the NWB Bank (Nederlandse Waterschapsbank N.V.), rated Aaa/AAA, launched a **7-year EUR 1.5 billion and a 15-year EUR 500 million inaugural Affordable Housing Bond** to finance the lending to Social Housing Organizations in The Netherlands according to NWB Bank's affordable housing bond framework. Importantly, only investments labelled as Services of General Economic Interest by the government may be financed.

Investors include dedicated investors and committed mainstream accounts such as ACTIAM N.V., Achmea Investment Management, APG, Crédit Agricole S.A., Bankhaus Lampe, Werner Huber, Robeco Investment Management, Municipality Finance PLC and OP Corporate Bank PLC.

The Dutch system, apart from securing housing for those in need, also targets a larger group of tenants, like youth and older people, who are facing challenges to find affordable living.

⁷⁶ More info on Hémisphère: <http://www.caissedesdepots.fr/groupe-sni-6-000-places-dhebergement-durgence-financees-par-le-fonds-impact-social-hemisphere>

⁷⁷ More information on the Dutch Housing Bonds: <https://www.bngbank.com/Funding/Sustainability-Bond-for-Dutch-Social-Housing-Associations>

⁷⁸ <https://coebank.org/en/news-and-publications/news/ceb-issues-second-social-inclusion-bond/>

⁷⁹ Mastrucci et al., Improving the SDG energy poverty targets: Residential cooling needs in the Global South, 2019.

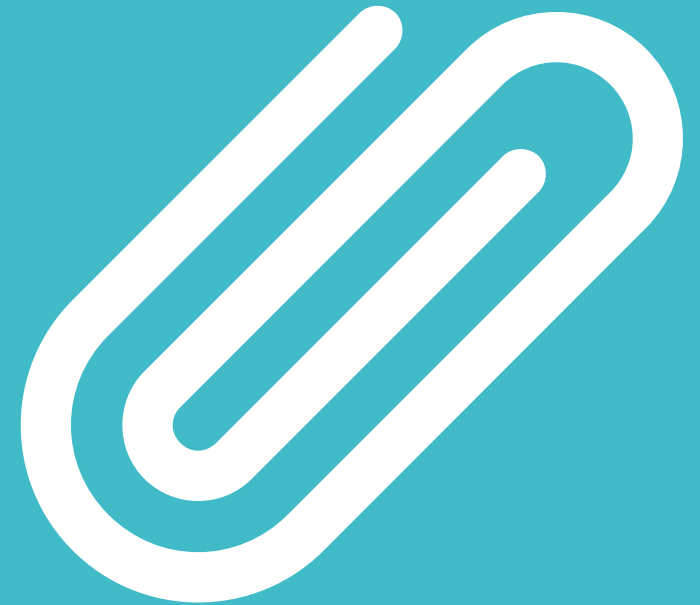
⁸⁰ Page 12-13, Edit Lakatos & Apostolos Arsenopoulos: Investigating EU financial instruments to tackle energy poverty in households: A SWOT analysis, Energy Sources, Part B: Economics, Planning, and Policy, 2019, DOI:10.1080/15567249.2019.1667456, Link to the article:

<https://doi.org/10.1080/15567249.2019.1667456>

⁸¹ More information about the Dutch Housing Bonds: <http://www.housingeurope.eu/resource-951/netherlands-additional-steps-for-social-impact-investment>

**ANNEXES TO
CHAPTER 4**

**‘LESSONS LEARNED FROM SYRIAN
REFUGEE CRISIS TO BE APPLIED FOR
CURRENT UKRAINIAN CRISIS’**



MAIN RECOMMENDATIONS BY THE CITY OF AMSTERDAM (ACTING AS THE COORDINATOR OF EU URBAN AGENDA WORKING GROUP ON MIGRATION) FOLLOWING THE EU WORKING CONFERENCE ON 'RECEPTION AND HOUSING OF MIGRANTS AND REFUGEES' (10TH- 11TH OF NOVEMBER 2016):

➔ **Reduce funding barriers and provide support with application and reporting**
Method: It is proposed that actors take up funding with the involvement of local authorities. It is further preferred that funds can be directly applied for at EU level. In addition, **a helpdesk/one-shop stop can be set up to provide EU level assistance to actors** who are in need of that.

➔ **Combine existing EU funding programs with EIB loans to give cities direct access to funding**
It is suggested to make part of the **AMIF fund resources available to cities or enterprises directly in relation to expenditures** concerning refugee inclusion. At present, AMIF funding is channelled through central governments. An opportunity for more direct access by cities or enterprises would be a 'blending facility' between the AMIF grant resources and EIB loan resources, under which AMIF grants could be combined with EIB loans to cities or social impact funds. In the case of such blending facilities - which are administered by EIB - the EIB enters into a direct relationship with the city or fund, rather than channelling the funds via central government.

➔ **Relax rules on building renovation and transformation**
Solutions are found in the renovation or transformation of old (vacant) building/offices. However, it can take a long time to obtain permits for such actions. In some cases, this can be traced back to EU requirements concerning biodiversity and environment (that do not sufficiently take into account the need to act quickly in times of crises).

Method: Consider **a fast-track decision procedure** for a (possible) relaxation of such rules and regulations.

➔ **Peer to peer learning networks**
Method: To make available a knowledge exchange programme for professionals in the field. This can be tied to existing exchange networks (URBACT, INTERERG, ERASMUS+) by making special calls in relation to migrants and refugees. Knowledge exchange networks should stimulate peer to- peer learning on (alternative) financing and provide (peer-) assistance in writing proposals.



A Covenant of Mayors

Method: **Set up a Covenant of Mayors on the inclusion** of refugees and migrants. This can be done based on the rules of the existing Covenant of Mayors for climate and energy, an initiative of the European Commission in partnership with the Committee of Regions. Following that particular form, the Covenant of Mayors is a bottom-up movement that can mobilise a great number of local and regional authorities to develop action plans and direct investments towards the inclusion of migrants and refugees. The Covenant is not only for big cities, but also for smaller cities and towns, as well as regions as a whole. Furthermore, the Covenant's website acts as a network portal and support structure for participating cities and citizens alike.



Create a database for best practices

Method: **Create or improve an (existing) EU database that allows the sharing of best practices** on different issues, including reception, housing and integration. Existing knowledge tools/institutes/platforms such as the European Website on Integration, Europa Decentraal, Housing Europe, and EUKN etc. should be involved. A monthly newsletter (by topic) should further ensure dissemination.



Redistribute EIB financing to build housing

Method: It is suggested that governments **use an EIB loan based on 'Disasters Reconstruction' to build new housing for refugees**. This (re)construction takes place while refugees wait for status recognition. After status recognition has been received, refugees repay these loans via their rental costs. This payment of rent is in turn financed by 'Refugee Aid' funding. Put differently, the status holders pay off the EIB loan by means of another government subsidy. The repayment will approximately take 3 to 5 years. Thus, the key here is to enable local governments to redistribute EU funding to individuals.



Relax state aid rules and public procurement

Method: It is suggested that **EU rules become more flexible, mainly in terms of interpretation of exceptions** in times of a crisis. The exceptions should be made in the EU sphere of competition and internal market for certain forms of housing for refugees. (Emergency) accommodation such as tiny houses, modular housing, containers, laneway housing etc. should be subject to more lenient rules on state aid and public procurement.



Link housing to employment

The EU should foster a **better relationship between employment services and social housing providers** to achieve more effective labour market integration.



Urban regulation impact assessment

Ideally, EU legislation should take into account and reflect urban knowledge and practices.

Method: It is suggested to **use an urban impact assessment for assessing EU regulation ex post and ex ante**. It is thus proposed to enlarge the existing instrument of economic, social, and ecological impact assessment with a territorial -especially urban- dimension.

You can download the report of the working conference by clicking on this link: <https://www.housingeurope.eu/resource-891/reception-and-housing-of-migrants-and-refugees>

ANNEX 2

SOLUTIONS FROM THE GROUND

⁸² <https://www.opnieuwthuis.nl/>

⁸³ More info at <http://www.housingeurope.eu/resource-674/dutch-housing-associations-and-the-integration-of-refugees>

⁸⁴ More info at <http://www.housingeurope.eu/blog-514/housing-refugees-in-the-netherlands>

BEST PRACTICES FROM SOCIAL HOUSING PROVIDERS

➔ IN LYON, FRANCE

The Accelair programme was launched in 2002 within the framework of EQUAL by Forum Réfugié and aims at fostering social and professional integration of refugees through a coordination response providing access to employment, training and housing. The key elements of the programme are the following:

- ➔ All refugees can benefit from support if they live in the Lyon region or if they are housed in a shelter in the Rhône-Alps region; and if they have obtained refugee status for less than one year
- ➔ Accelair is a partnership project **which associates all stakeholders related to refugees – such as housing & employment...**
- ➔ This program is **based on a local platform** which works on employment and housing for refugees. The platform tries to develop all actions which can help to overcome the obstacles which prevent refugees from having access to their rights.

In 2008, the Immigration Ministry asked Forum Réfugié to transfer its methodology to national level. On December 31st 2010, 20 counties in France asked Forum Réfugié to develop a program like Accelair in their own areas. It's not exactly the same program in each area, but they try to transpose some key principles such as integration and actions at local level.

➔ IN BRADFORD, UK

Horton Housing Association in Bradford works closely with partners including Bradford Council, private landlords, schools, its own training centre and other training providers and the Job Centre to make sure people coming to the city are given a warm welcome.

BRICSS is a scheme to **prevent 'bed blocking' by providing high quality accommodation** for people being discharged from hospital that are homeless or living in inadequate housing. The support offered **includes providing suitable accommodation, access to education and health services, support with language skills and cultural orientation, and other housing-related support, including counselling**, drop-in services and maintaining connections to family and friends. Run in partnership with Bevan Healthcare CIC, the scheme is one of the first of its kind in the country and has since been adopted as a pilot in other areas.

➔ IN THE NETHERLANDS

The "Home again" Platform⁸² is aimed to accelerate the housing of refugees. The national federation of social housing association, Aedes, is also involved in this platform. In the Netherlands, each **municipality receives a task from the central government to provide housing** to legalized refugees. Each one has a minimum housing quota.

The Platform Home Again offers a digital map which allows to see the housing progress in the different municipalities and gives a picture of the country (see illustration) with the monthly progress of the housing quota, by municipality or by province. Furthermore, a monthly newsletter is distributed and there is an online forum so members can communicate with each other and exchange good practices. For instance, a project where refugees and students are sharing an apartment block and where the social housing provider cooperates with a Vluchtelingenwerk, an NGO with volunteers that help refugees with practical support⁸³.

Besides refugees social housing providers have other urgency targets. They make local arrangements about this with municipalities. In 2013 one out of three social housing allocations was based on urgency in Amsterdam. This example shows social housing providers, regions and municipalities can provide solutions in the short and long term by working with public authorities and other social actors to help with the housing and integration of refugees.⁸⁴

OTHER BEST PRACTICES FROM THE CITY LEVEL

➡ COMPLEX PROGRAMMES OF LEIPZIG LINK HOUSING, HEALTH AND EDUCATIONAL SUPPORT

The city council is committed to **housing refugees in different areas across the city as it aids integration** by working against the concentration of migrant communities in particular areas of the city. There are serious health, education and social issues that have to be taken into consideration when integrating refugees, citing the educational examples of finding kindergarten places or placing refugees in apprenticeships.

According to the Deputy Mayor (Thomas Fabian) the key element of integration is employment and this is dealt with from day one he states, in terms of offering refugees languages classes and support and exploring employment and to training options, from their initial reception. Private partners have a role to play in the housing of refugees and in managing their integration into the labour market. In terms of fostering inclusion. It is important that migrants engage with the range of social, health and education available services they have to learn to help themselves, although assistance should be offered where required. Leipzig city council approach is that the idea of separate services should be rejected as this would limit engagement with local people and work against integration into the broader society.

➡ INITIATIVE OF THE BELGIAN NGO CONVIVIAL TO RECRUIT LANDLORDS TO RENT HOUSES TO MIGRANTS

More than 2000 landlords are involved in the programme. It highlights the importance of **housing refugees and migrants throughout the city**, both in terms of encouraging integration and minimising possible ghettos. The initiative counters criticisms that migrants are housed in poorer areas, with the resultant pressures on local services.⁸⁵

All these examples from local level show that bringing human contact and high quality increase the effectiveness of integration and gives better results. Learning successful techniques is the first step to achieve a more integrated approach in order to help people in need.

➡ YES WE RENT! - LEVERAGING VACANT PRIVATE PROPERTY TO BUILD UP A COOPERATIVE AFFORDABLE HOUSING SCHEME

The scheme from the Mataró City Council tackles a dramatic lack of affordable rental housing. It is a project that aims to explore solutions based on the social and cooperative economy to generate an alternative supply of affordable and stable housing in the city of Mataró, Spain. Through establishing a cooperative, the city builds up **a temporary accessible housing scheme based on empty privately-owned housing** and run by the tenants' cooperative, framed within the public programs of affordable housing.

It thereby aims to provide a blueprint, an organisational and economic model for a smart housing intervention. Based on a relatively small initial investment, it will gradually expand until it reaches a critical share of the rental market in order to increase affordable housing opportunities for tenants.⁸⁶



⁸⁵ More info: <https://www.convivial.be/devenez-proprietaires-malins/>

⁸⁶ Yes, We Rent! – Leveraging vacant private property to build up a cooperative affordable housing scheme - Housing Evolutions Hub



Housing Europe is the European Federation of Public, Cooperative and Social Housing

Established in 1988, it is a network of 46 national and regional federations which together gather about 43,000 public, social and cooperative housing providers in 25 countries. Altogether they manage over 25 million homes, about 11% of existing dwellings in the EU.

Social, public and cooperative housing providers have a vision of a Europe which provides access to decent and affordable housing for all in communities which are socially, economically and environmentally sustainable and where everyone is enabled to reach their full potential.

www.housingeurope.eu