

# Housing Focal Points Meeting Prague

9 November 2022



# Content

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1. **Opening post: Affordable Housing from a European Perspective**
  2. Topic Introduction: New Financial Instruments to Improve Housing Affordability
  3. Topic Introduction: Regulation of State Aid and its Possible Reform with the Aim of Accelerating Public Investment in Affordable Housing
  4. Topic Introduction: Current Affair: The Response of Housing Policies to the Ukrainian Crisis



# Housing Europe Network



43,000 local housing organisations  
25 countries  
24,936,000 dwellings  
roughly 200,000 new dwellings per year  
over 200,000 dwellings refurbished per year  
roughly €40bn in new investment per year  
7,500+ staff employed by the federations  
300,000+ staff employed by local providers

**One goal**  
To provide decent & affordable  
housing for all



**#HousingEvolutions**

**Our members**  
ALBANIA – AUSTRIA – BELGIUM – CYPRUS  
CZECH REPUBLIC – DENMARK – ESTONIA – FINLAND  
FRANCE – GERMANY – GREECE – IRELAND – ITALY  
LUXEMBOURG – NETHERLANDS – NORWAY – POLAND  
PORTUGAL – SLOVENIA – SPAIN – SWEDEN  
UNITED KINGDOM – ARMENIA – SWITZERLAND

**Our partners**  
BELGIUM – CROATIA – GREECE – FRANCE – ITALY  
KOSOVO – LATVIA – EASTERN EUROPEAN REGION





# Affordable housing

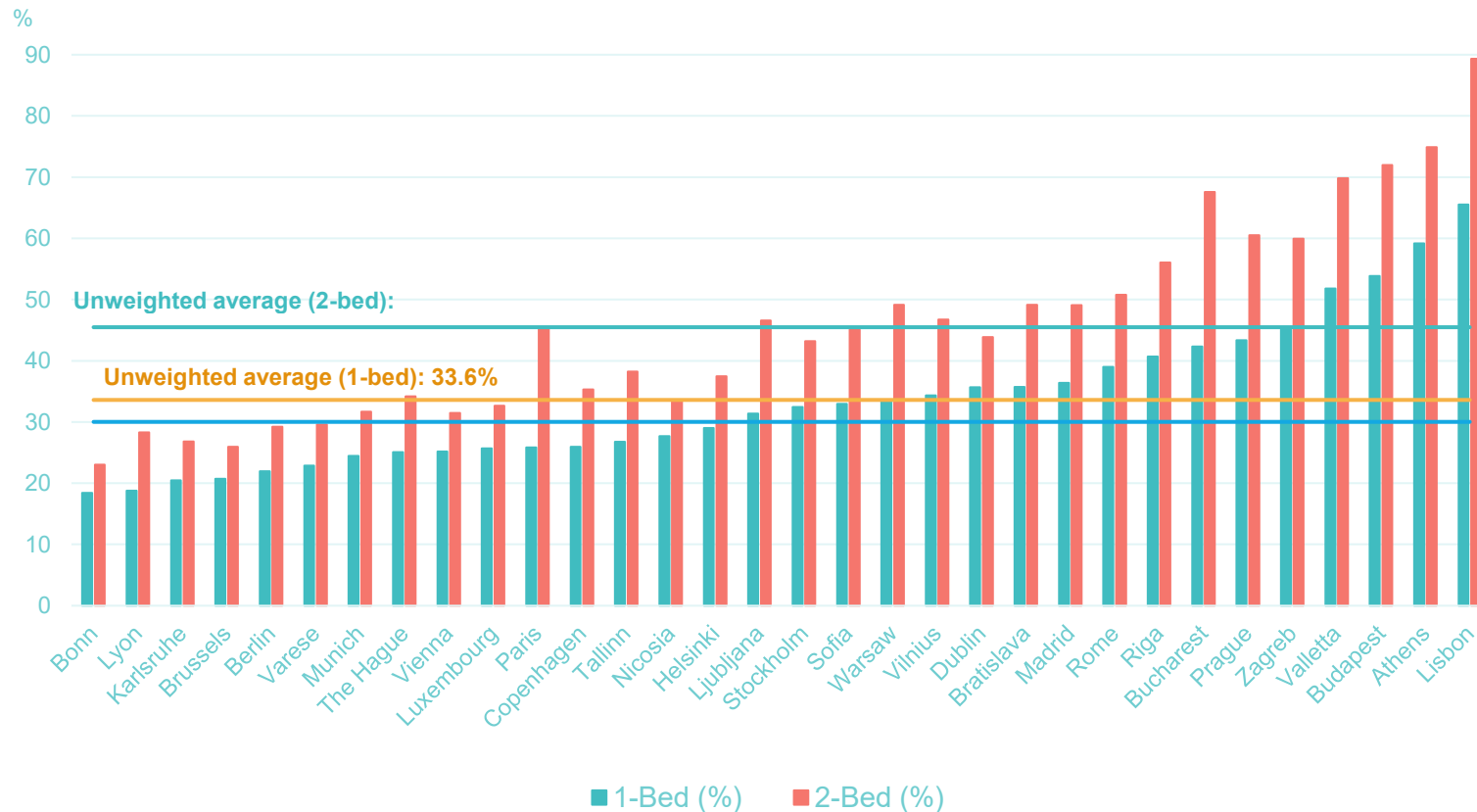
## From a European perspective

- Housing affordability has been declining for many households in the EU during at least the last decade
- Housing cost overburden affects most those on low incomes
- Highest among tenants at market prices, and in cities – a more widespread problem including for key workers
- Besides housing cost overburden, concern is increasing around housing costs
- Issues of housing quality and affordability stronger focus after COVID19
- Impact of current cost of living crisis – harder hit low to middle incomes

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- **1/3 people on low incomes**  
Face housing cost overburden
  - **3/4 all households**  
Perceive housing as financial burden
  - **>1/3 of current inflation**  
Is due to electricity gas and household fuels

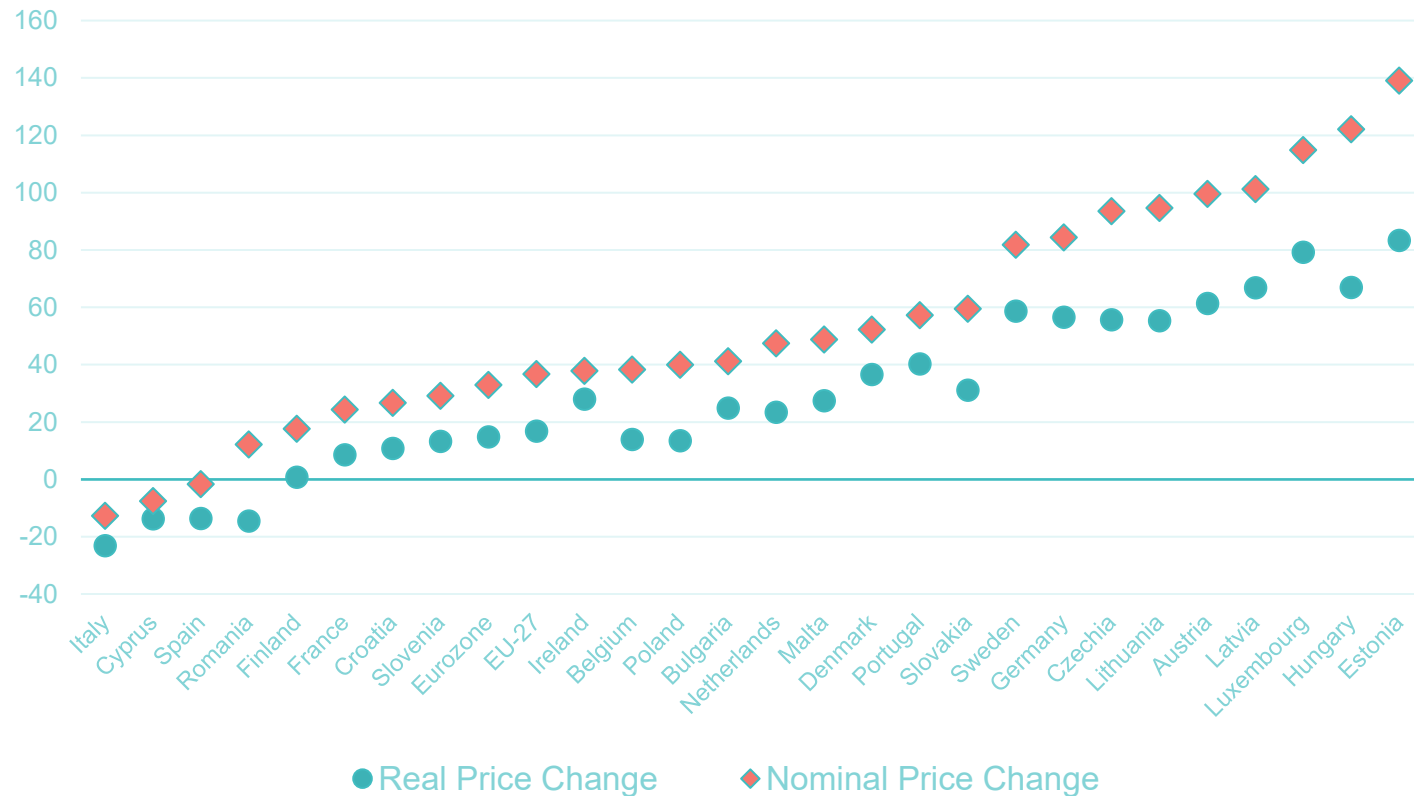
# Housing affordability

EU cities becoming less inclusive - **PERCENTAGE OF NET INCOME REQUIRED TO AFFORD GOOD QUALITY RENTAL PROPERTY**



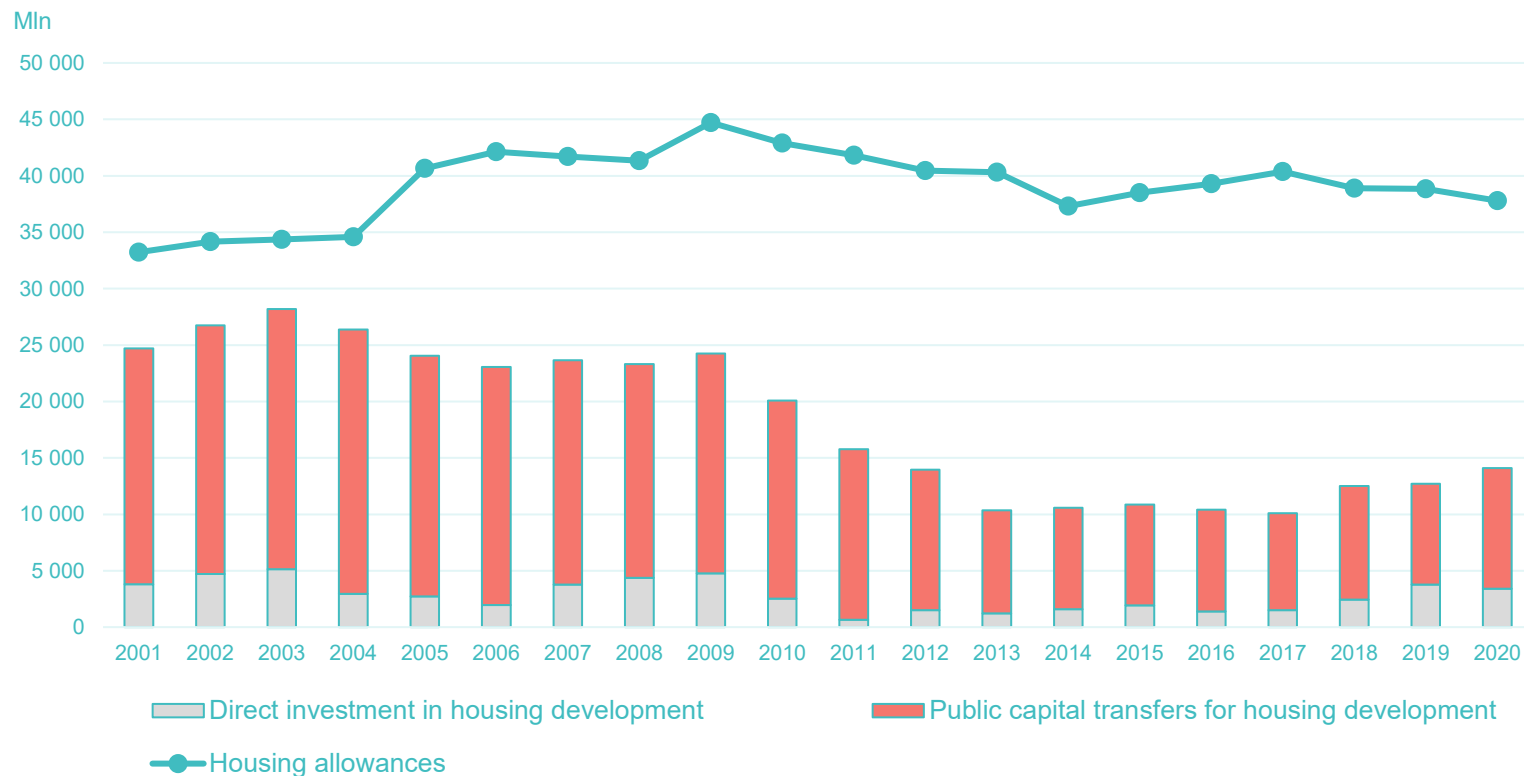
# Recent trends

House price increasing at fast pace 2010-2021



# Policies

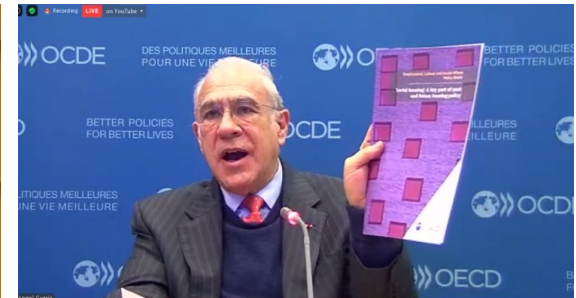
## Decreasing public support for supply side measures



# Housing Policy #BuildBackBetter

## Plans, actions & opportunities

- A number of **institutions are increasingly vocal** in calling for investment in affordable housing
- However, there is **not yet a sustained trend in re-investment in social, public, and affordable housing** – despite some positive examples



### 10-point plan

Europe's Housing Crisis calls for a clear commitment to boost public investment from the EU and European Housing Ministers

Long-term investment in social, cooperative, and public housing  
A fair energy transition that makes green citizenship a reality for all  
Inclusive and attractive Next-Generation neighbourhoods





# #Housing2030 study with the UN on policies for affordable housing



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# Financial instruments

To improve housing affordability

## Diversity of funding models:

- Public support: grants, public loans (through public banks/funds), interest rates subsidies, guarantees
- Borrowing from banks and/or capital market (→ rating by international rating agencies, risk-pooling mechanisms in NL, UK) - Increasing role of EU financial institutions
- Own resources and surpluses (→ revolving funds in NL, FR, DK, AT)
- Cross-finance from selling dwellings, from commercial activities where allowed
- Tenant equity contribution (significant in AT, DK)

## Other key factors:

- - Rent setting (and availability of housing allowances)
- - Availability and cost of land
- - Taxation

# Financial instruments

## EU as part of the solution

- Increasing EU support for affordable housing
- Mix of funding and financial instruments
- Housing Europe is tracking the take up of EU funds for new construction & renovation and facilitating exchange on how to make best use of the funds as well as investigating new sources of finance
- While the EU contribution to social and affordable housing delivery is minimal in most countries, there are some developments of interest and lessons to be learnt





## 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)?





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# State Aid regulation & reform

## To accelerate public investment in affordable housing

- European Pillar of Social Rights “Access to social housing or housing assistance of good quality shall be provided for those in need”
- State support to be adapted to increasing/diversifying need for affordable housing, beyond increasing the level of support
- Key: State aid regulation and SGEI Decision

### 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?

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# Ukraine crisis

## Overview

- Size of the phenomenon much larger than 2015 Syrian refugees crisis
- Future trends hard to predict
- EU “temporary protection” mechanism includes a right of residence, access to the labour market, access to housing, as well as social and medical assistance + EU Safe Homes initiative supports private individuals
- 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 (OECD).

**>6 million people**

Seeking refugee in neighbouring countries

**>1% of the national population in 8 MS**

even >3% in Poland and Czechia

**Over 860,000 homes destroyed in Ukraine**

Already in June



# 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?



# Thank you

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