

The Swedish Investment Aid Scheme for Rental Housing and Homes for Students



Background

- In March 2015 the government presented a “housing package”, containing several different measures, including an investment aid.
- A long and complicated process from political “idea” to final scheme.
- The Investment Aid Scheme was implemented at the end of 2016.



Reasons for the aid scheme

- Widespread and long-standing housing shortage with ...
- ... negative impact on mobility both in the labour market and for students, with ...
- ... long term negative consequences for economic growth and the welfare for individuals as well as for the society.
- Strong focus on young adults.



Important institutional restrictions

- In Sweden, most rents for dwellings are set through collective negotiations between landlords or regional property federations on the one hand and local or regional associations, most of which are part of The Swedish Union of Tenants.
- For the stock of dwellings “fair rents” apply, meaning that dwellings with the same use-value or utility-value should have about the same rent, and conversely, rent differences must be due to differences in use-value.
- For new production there is a possible exemption since 2006: rents can be set with regard to production cost but must be agreed on with a local Tenants’ Association. Such rents can not be changed during a 15-year period, though annual rent increases in line with local general rent increases is allowed.



Central features of the scheme (1)

- Rent levels must be negotiated collectively but cannot exceed a certain level (rent cap) and are fixed for a period of 15 years.
- Only reasonable requirements concerning the income of prospective tenants, i.e., it's enough that they have the necessary means to pay the rent.
- The dwellings must be allocated in agreement with the (municipal) local or regional housing allocation agency or otherwise in accordance with transparent rules.



Central features of the scheme (2)

- Regionally differentiated maximum rent levels and aid levels.
- Highest levels in the Stockholm region, lower levels in the metropolitan regions of Gothenburg and Malmö, in other municipalities with a high and lasting population growth* and in municipalities outside the metropolitan regions with more than 75,000 inhabitants. Lowest in all other municipalities.
- Highest maximum aid levels per square meter living area for living areas ≤ 35 m², half as much for living areas between 35m² and 70 m², and no support for areas above 70 m²**.



Central features of the scheme (3)

- Higher energy performance than is otherwise required for new residential buildings.
- Increased aid if even higher energy performance (to compensate for higher investment expenditures).
- But: only “normal” profitability is allowed, “theoretically” calculated total grant can be adjusted downwards.



Central features of the scheme (4)

- Since 2020: In projects with 10 dwellings or more the developer must offer every eighth dwelling (12,5%) to the municipality to either allocate them to young adults (<31 years) or rent them and sublet them in order to facilitate (re)entry into the ordinary housing market for persons in a socially disadvantaged situation in accordance with the Social Services Act*.



The Process (1) 2015–2016

- 2015: Initially the intention was to notify the scheme with reference to article 107.3 c in the Treaty*.
- While developing the details of the scheme various other alternatives, that didn't involve notification, were analysed.
- The scheme has specific social features but is not targeting low income or vulnerable households.
- Article 56 in GBER** — Investment aid for local infrastructures — came up as a possible road forward. Thus, the scheme didn't have to be notified.
- 2016: In November 2016 the Government adopted the ordinance regulating the Investment Aid Scheme.



The Process (2) 2018–2020

- 2018: Complaint to the European Commission arguing that the Investment Aid Scheme was incompatible with GBER.
- 2018–2020: Formal answer to and informal dialogue with DG Comp.
- 2019: Prenotification process begins.
- 2020: Notification of the Investment Aid Scheme as compatible with GBER in order to get legal certainty.
- 2020: European Commission approves the scheme as being compatible with article 107.3 c in the Treaty.



COM's decision

- According to the Commission the aid scheme had been put into effect in breach of Article 108(3) of the Treaty on the Functioning of the European Union, but ...
- ... decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(c) of the Treaty on the Functioning of the European Union.



Official motivation for the decision

- Article 56(3) GBER: “The price charged for the use or the sale of the infrastructure shall correspond to market price.”
- The Investment Aid Ordinance imposes maximum allowed rents in order to ensure reasonable housing costs, rents that are below the prevailing rates on the market.
- “It is thus not necessary to assess whether the conditions of Chapter I and the other specific conditions of Article 56 GBER are complied with, ...”



Outcome (1)

- Projects totalling more than 60,000 dwellings have been approved of which two thirds, 66 % (39,700) have been completed (by the end of October, 2022).
- About 7,00 (12.6%) are homes for students, of which more than three of four – 5,700 (76%) have been completed.



Outcome (2) Number and share of ordinary rental dwellings and homes for students respectively

	Rental	Students	Total
Dwellings approved	52,731	7,520	60,251
Share (%)	87.5%	12.5%	100.0%
Dwellings completed	33,977	5,724	39,701
Share (%)	85.6%	14.4%	100.0%
Completion rate	64.%	72.4%	65.9%



What happens now?

- The investment aid scheme has always been politically contested.
- Stopped by the Parliament in 2018.
- Re-booted in 2019.
- Stop for new applications by the Parliament in 2021.
- New government in 2022: no applications will be approved after 31 December 2022.



Problems

- Swedish housing policy principles at odds with EU regulations:
- General, “comprehensive”, housing policy is not compatible with “social housing”:
 - => Not targeted to specific groups
 - => Not “social housing”
 - => Not compatible with SGEI regulations.
- Market failures do not only impact on people with limited means.
- How can socio-economically mixed residential areas be achieved if state aid must target only “resource weak” individuals and households?

