

EUROPEAN INVESTMENT BANK

SUPPORTING

SOCIAL AND AFFORDABLE HOUSING

Housing Focal Points Meeting
Prague, Czechia
9 November 2022

Outline

- EIB introduction
- EIB products
- EIB support to social and affordable housing (overview)
- EIB eligibility
- EIB social and affordable housing operations (examples)
- EIB advisory support

Introduction

- ❖ EIB is the EU's long-term lending bank set up in 1958 by the Treaty of Rome, with headquarter in Luxembourg and regional offices in all EU Member States;
- ❖ EIB shareholders are the 27 EU Member States;
- ❖ Largest multilateral lender and borrower in the world;
- ❖ Around EUR 60-70bn signed annually;
- ❖ Around 450 projects annually in more than 160 countries;
- ❖ Around 90% of financing goes to projects within the EU;
- ❖ Financing aims supporting EU priority objectives (climate change, infrastructure, energy, SMEs, regional development, etc.).



We help catalysing investments

LENDING	BLENDING	ADVISING
<p>Loans</p> <p>But also:</p> <p>Guarantees (trade financing)</p> <p>Equity participation</p>	<p>Combining EIB finance with EU budget (Project Bond Initiative)</p> <p>Higher risk projects for innovation (InnovFin)</p>	<p>Prepare, evaluate and support the implementation of projects (JASPERS)</p> <p>Support for public/private partnerships (EPEC)</p>
Attracting FUNDING for long-term growth		

Direct EIB financing available for local clients



Product: Investment Loans

Investment: Financing of individual investment, project implementation period of usually of 3 - 5 years.

Size: The EIB covers up to 50% of project implementation cost, a minimum amount of EUR 15m.



Product: Framework Loans

Financing of an investment programme consisting of various and often multisector sub-schemes; usually with an implementation period of 3 - 5 years.

The EIB covers up to 50% of total implementation cost of multiannual investment programme, a minimum amount of EUR 15m.



Product: PPP / off-balance structures

Specially prepared structure of the project with a long-term cash-flow perspective.

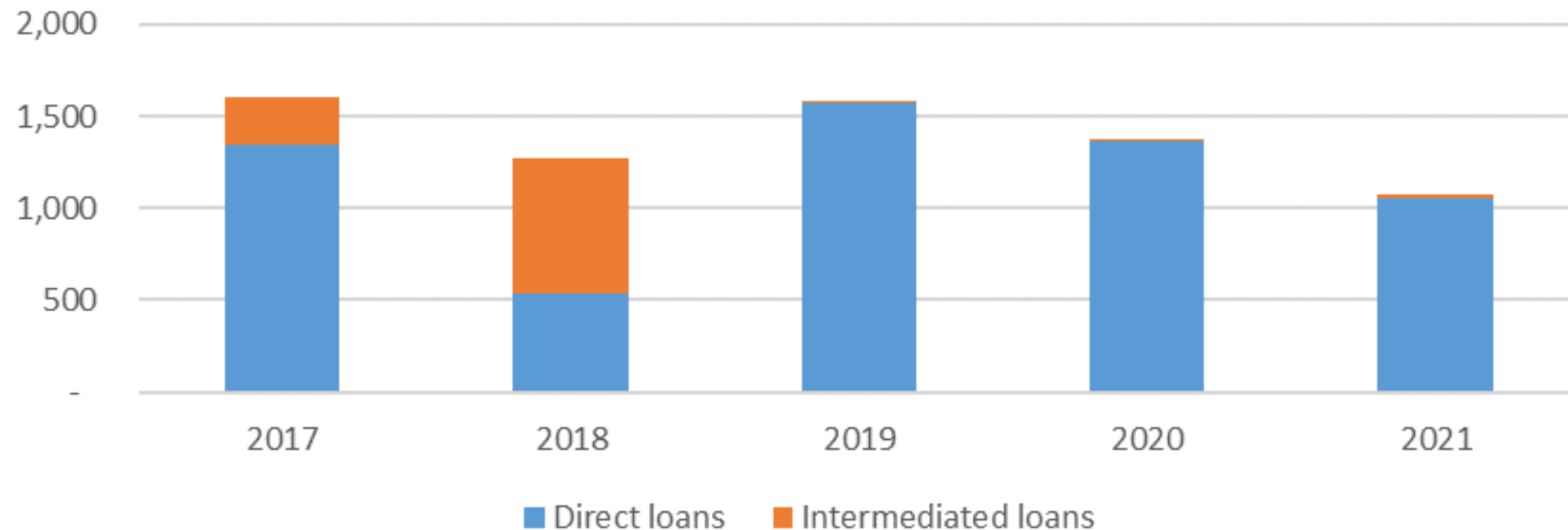
The EIB covers up to 50% of project implementation cost, a minimum amount TBA.

EU financing: EIB financing is compatible with EU grants – up to 90% of the project cost in cohesion regions and 70% outside of them.

Intermediated financing: Small investments maybe supported through a local banks (promotional or commercial)

EIB lending to social and affordable housing in figures

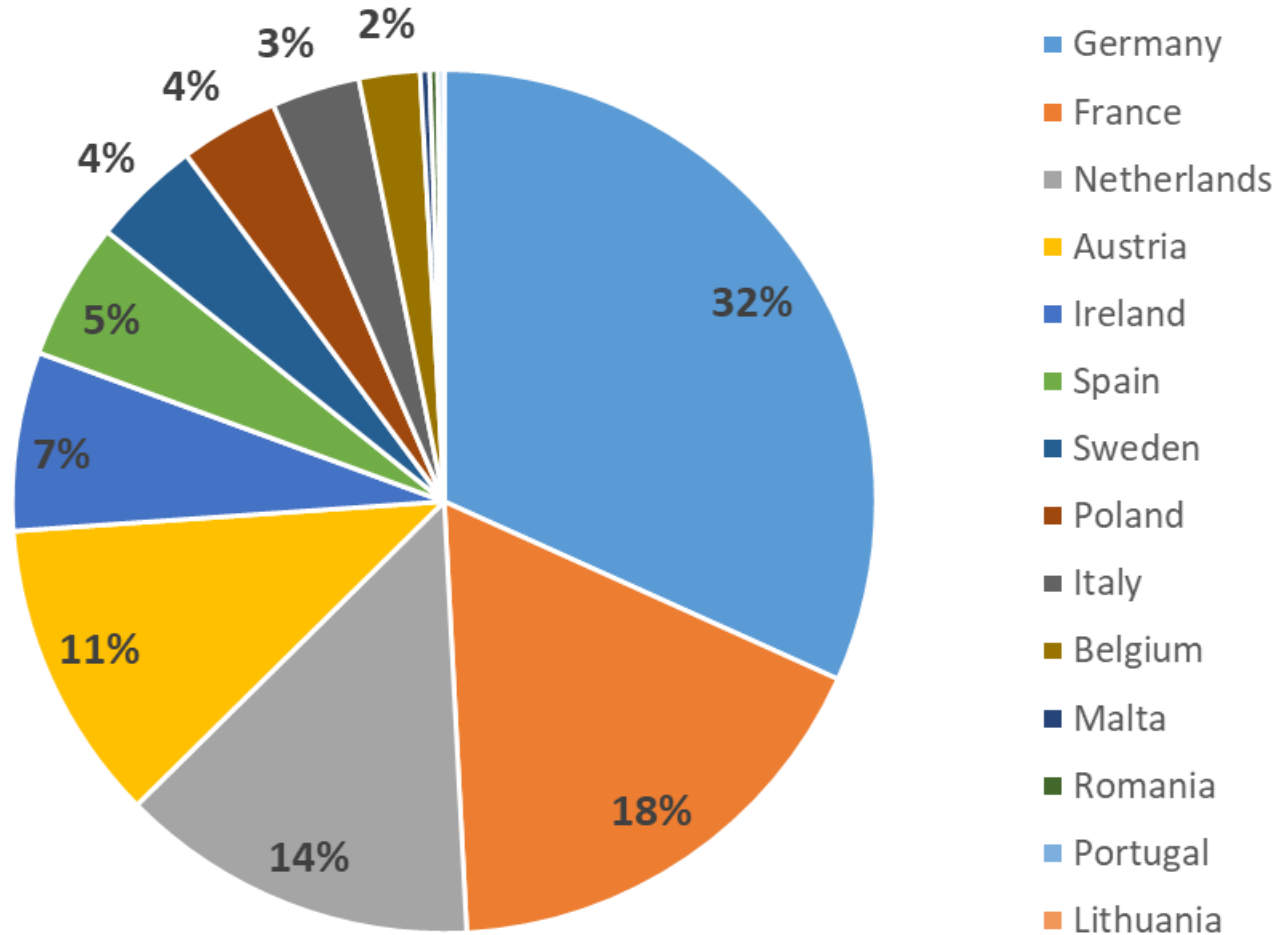
EIB lending to social and affordable housing in the EU-27,
2017-2021, in MEUR (EUR 6.9bn in total)



Indicator: Number of social or affordable housing units built or renovated: **807,000**

EIB lending to social and affordable housing in figures

EIB lending to social and affordable housing in the EU,
2017-2021, EUR 6.9bn

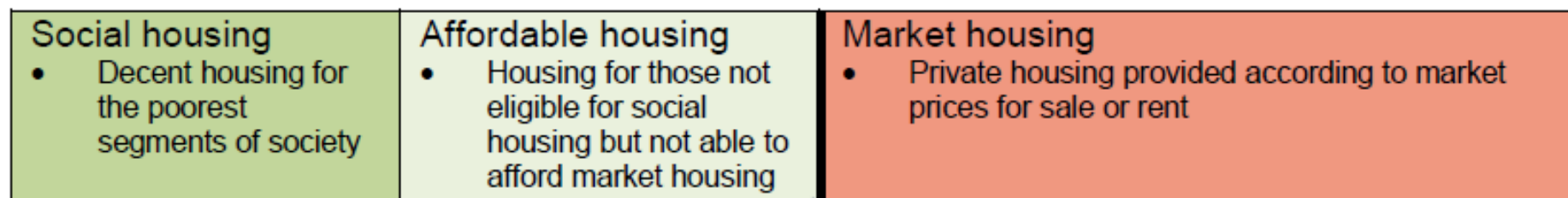


Social and affordable housing: principles

- ❖ EIB supports only financially, economically, environmentally, socially and technically sound and sustainability projects
- ❖ Justification for EIB intervention:
 - ☐ Housing as fundamental right
 - ☐ Market failure
 - ☐ Additionality and value added
- ❖ Solid national framework as prerequisite:

Social and affordable housing sector: principles

- ❖ EIB supports only SOCIAL AND AFFORDABLE RENTAL HOUSING (i.e. municipal rental housing for those in need with public support)
- ❖ No ownership housing, only rental, solid framework and transparent selection system and criteria for potential clients



- Dividing line varies by country, region or city
- Typically defined through public policy or regulation
- May relate to income, disability, key worker or other criteria

- ❖ New buildings, reconstructions and energy saving measures

Social and affordable housing sector: principles

- Housing offered on non-market terms to defined groups of eligible people.
- Terminology differs across countries
- Typical borrowers in the EU:
 - publicly owned entities
 - or privately owned, but not profit-driven entities such as foundations or cooperatives) and
 - municipalities.
- These entities typically build, finance, own and maintain housing units which are rented on the long-term basis to eligible tenants.
- Eligibility, rent levels and housing units allocation mechanisms are subject to state regulation.

Financial sustainability and social inclusion

- ❖ Lesson learnt from the most successful systems: FINANCIAL SUSTAINABILITY.
 - ❖ By system establishing sufficient revenues to cover initial CAPEX and OPEX (maintenance, repairs), without additional public budgetary resources and guarantees
 - ❖ By expanding the eligibility criteria;
 - ❖ By differentiated rent levels.
- ❖ An important benefit of this approach is that it avoids creating concentration of poverty, which was common in some systems of social and affordable housing. It thus supports an important goal of SOCIAL INCLUSION.

Which projects are eligible for EIB financing?

Yes

No



Social and affordable rental housing



Refugee accommodation/reception centres, associated infrastructure and start-up costs



Student accommodation/accommodation for apprentices



Care homes, assisted living



Ownership, military, key worker housing with clear public policy linkages and project targets market failures



Energy efficient affordable housing outside EU

Unplanned housing development, urban sprawl



Purely market-based housing that does not address specific public policy goals or a market gap



Barracks or similar housing



Speculative housing development



Conditions for EIB financing

- Role of public sector: REGULATION should define eligibility, allocation mechanism and rent setting.
- Well located individual projects: in proximity to technical and social infrastructure, the location should maximize social inclusion and avoid contributing to urban sprawl.
- The units shall be provided for rent, while options to provide the units for ownership can be included mainly to increase social mix and social inclusion
- Additional elements for assessment:
 - highly energy efficient housing, tenants' involvement in decision-making.
- EIB social and affordable housing overview 2020:
 - Rationale, eligibility, tools, project highlights and further resources
 - https://www.eib.org/attachments/thematic/social_and_affordable_housing_overview_2020_en.pdf

WIENER WOHNEN REVITALISIERUNG, Austria

- **Description:** Refurbishing of social housing throughout the entire urban area in Vienna with particular focus on energy efficiency measures.
- **Project cost:** EUR 364 m. **EIB financing:** EUR 150 m.
- **Borrower/Promoter :** Stadt Wien – Wiener Wohnen (WW), the housing department of the City of Vienna in charge of managing all services related to City's public housing stock.
- WW is one of Europe's largest landlords, owning around 220,000 council dwelling units (mainly apartments) grouped in around 2,000 public housing facilities located in Vienna.
- WW is an administrative enterprise without legal personality, fully integrated into the City but with separate accounts and financial statements.
- **More info:**
<https://www.eib.org/en/projects/pipelines/all/20161011>



POZNAN SOCIAL HOUSING INVESTMENT FACILITY, Poland

Within Poland Social and Affordable Housing Programme

- ❖ **Description:** 1,050 new housing units in several locations in the City of Poznan. The project also includes the refurbishment of existing dwelling units, community healthcare centres, associated open space and provision for local amenities such as shops and services.
- ❖ **Project cost:** EUR 85 m. **EIB financing:** EUR 42 m. **Maturity:** 25 years.
- ❖ **Borrower and Promoter:** Zarząd Komunalnych Zasobów Lokalowych sp. z o.o. (ZKZL), municipal company 100% owned by the City of Poznan, responsible for the management of the municipal housing stock and the provision of social and communal housing. Loan to ZKZL without guarantee from the City, supported by EFSI. ZKZL benefitted from advisory services from European Investment Advisory Hub (EIAH).
- ❖ **Video Case Study:** <https://eiah.eib.org/videos/poznan-social-housing-investment-facility>
- ❖ **More info:** <https://www.eib.org/en/projects/pipelines/all/20160894>

BGK Social and Affordable Housing (Poland)

Intermediated framework loan

- ❖ Brokered loan to the Polish National Development Bank (BGK)
- ❖ Construction of 4,000 social and affordable apartments across Poland
- ❖ The project selection system favoured the revitalisation of the territory concerned
- ❖ EIB loan: EUR 266 m, 50 % of the total cost
- ❖ Beneficiaries: municipal societies / associations (established to create and manage social and affordable housing)



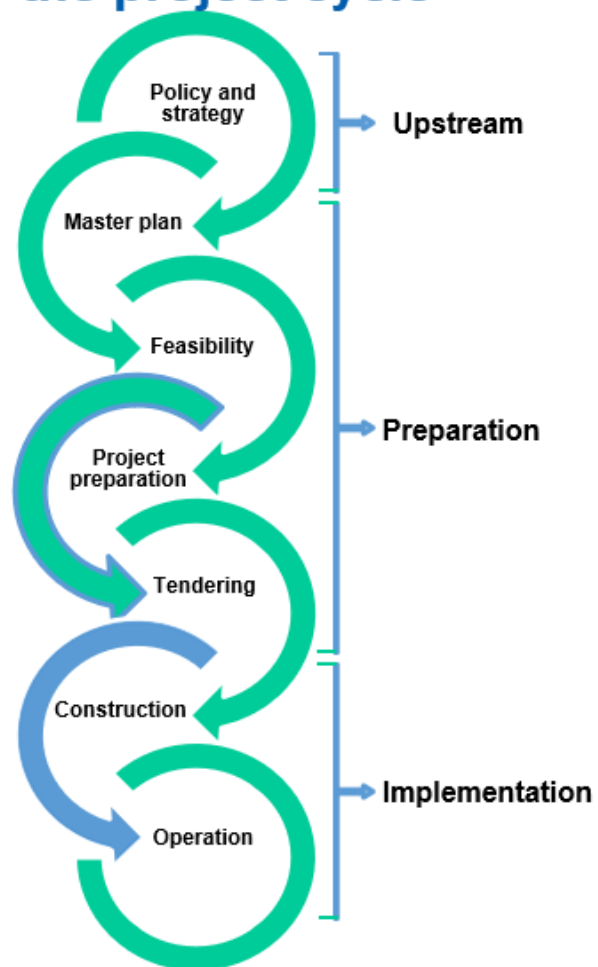
HFA Social and Affordable Housing Programme (Ireland)

- ❖ Construction of new and modernisation of existing social and affordable housing over a period of 4 years
- ❖ EIB loan: EUR 200 m (5 billion. CZK), 50 % of total costs
- ❖ Borrower: State-owned non-profit company established for the construction and development of rental housing, student accommodation, etc. (Housing Finance Agency)
- ❖ Promoter: municipalities and 'residential companies', which are private non-profit companies responsible for social housing



EIB Advisory support (Invest EU Advisory Hub)

Support throughout the project cycle



Sample assignment typologies

Market Development – Sectorial Demand Study



- Demand Analysis
- Sample Review
- Case studies
- Need for Commission sign-off

Project identification and initial screening



- Safer Transport Platform, ITS
- Circular Economy
- Mobility, CEF Blending Facility

Financial Analysis and Modelling



- Assumption Book
- Financial Model
- Financial note

Investment Platforms and capacity building



- Market assessment to identify project pipeline
- Design of proposed investment platform or fund
- Capacity Building support to MAs or NPBI

Potential beneficiaries

Public sector

- Member State Governments
- Managing Authorities
- Municipalities
- Public companies
- National Promotional Banks and Institutions

Private sector

- Private companies
- Financial intermediaries

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