



## Future Challenges of Social Housing in Europe



### New Perspectives for the financial and legislative framework of the EU 13.11.2015, Vienna House Brussels

*35 high-level experts from the housing sector met November 13 at the Vienna House Brussels to discuss the **future challenges of social housing in Europe**. The event was co-organised by the Brussels offices of the International Union of Tenants and of the City of Vienna. It gathered experts from the municipal, social and cooperative as well as private housing sector, cities and regions and their associations as well as representatives from the European Commission, the Council, the European Investment Bank and other financial institutions.*

#### **Intense workshop sessions on financial and legal framework of social housing**

The intense half-day workshop dealt with financing models, EU funding, the impact of the country specific recommendations and how state aid rules affect social and affordable housing. In four sessions, each facilitated by an expert, participants explored the chances and challenges for social housing in Europe.

#### **Michaela Kauer: Cities need a better framework for long term public investment**

Michaela Kauer, director of Vienna House, underlined the motivation for the initiative in her opening remarks: «Issues around the legal and financing conditions for affordable housing have been subject of a lot of discussion in the recent years. We have seen decisions which endangered well established social housing systems in several EU member states. At the same time, we know that population growth in Europe's big cities will lead to a stronger demand in the near future». The example of Vienna shows that the city is growing by 30.000 new inhabitants per year; thus, there is a clear need to invest in affordable homes and in the technical and social infrastructure around them. «This in itself constitutes already a major challenge for the city's budget. Unfortunately, under the regulations of the European semester, long term public investments are defined as debts, thus adding to the national deficit. All initiatives to change this are therefore welcome».

#### **Orna Rosenfeld: Can Europeans still afford to live in Europe?**

Orna Rosenfeld, adjunct professor at the Paris Institute for Political Sciences and a long-time advisor on social housing for the United Nations Economic Commission for Europe (UNECE), led the session on "Financing models for housing in cities, regions and states". She stated that «today, the most fundamental question facing Europe is whether Europeans can still afford to live in Europe. Housing affordability issues have serious ramifications for the health of wide European as well as national economies. High housing costs and associated high debt levels reduce savings and effect investment in other sectors that are essential to the long term growth of the economy. For this reason examining the new ways to advance and finance social and affordable housing is critical. Housing may be a challenge today but it is also one underexplored sector that has a great potential for making positive change in European economy and wellbeing in the future».

The session showed the big variety of models to finance social housing throughout Europe and the need for further investment due to population growth in big cities, more energy efficiency in buildings and last, but not least, more demand expected through the rise in refugees in Europe, who will mostly be eligible for social housing. Participants discussed what was needed in the future in the sector of social housing and their concrete expectations towards the EU on how to create a better



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environment for financing social housing in the future. Participants highlighted the need to set an earmarking for social housing in public budgets as well as minimum quota for social rental housing in areas with shortages. The necessity to focus on object subsidies to help increase supply and prevent shifts to subject subsidies only, which results mostly in inflated prices in the rental sector. The need for dedicated financial instruments and intermediaries like specialized social housing banks or funds was mentioned as key to strengthen the institutional framework. Finally, the instrument of urban development contracts between cities, landowners and investors to avoid speculation and obligations to allocate a certain share for social or affordable housing development were highlighted as practices to lift up the affordable housing sector investment.

### **Sorcha Edwards: The challenge is to mobilise EU funds on local level**

In the session on the role of EFSI, the EIB and other EU funds for social housing, Sorcha Edwards, Secretary General of Housing Europe explained that «the EC estimates that over 1 million homes will be refurbished with the help of ESIF 2014-2017. Housing Europe reports that 77% of operational programmes allow investment in housing. Now the challenge is to mobilise at local level and make this happen».

Participants gave examples for the possibilities to finance social housing projects with EU/EIB-funds and reported on their experiences with already undertaken projects under EU funding. An important issue was whether the funds were tailor made for the sector, given the large variety of funding models for social and affordable housing. The discussion also focussed around the framework that is needed to ensure a stable funding for social housing. Participants suggested the revision of the stringent EU criteria e.g. on stability and growth pact or on public deficits which hinder investment in social housing; the need to target the private rented sector as well as the social sector when it comes to energy refurbishment. When bundling private funds with public funds, it is necessary to tackle two issues i.e. how the risks are shared between private investors and tax payers, and the criteria for the allocation of public guarantees. The EIB finances social housing projects since 2000 by providing intermediary loans at low interest rates, whose final beneficiaries could be governments and housing associations. There is anyway a need of local promotional banks which take the risks of investment. Finally, better information and lower administrative burdens are needed to make full use of EU funds.

### **Susanne Bauer: Subsidised housing for broad levels of the population**

Susanne Bauer from the department on housing research of the city of Vienna chaired the session on “Housing and the Country Specific Recommendations”. She stated that «guaranteeing affordable housing is one of the basic requirements for the development of opportunities and talent. Subsidised housing must therefore be accessible for broad levels of the population today and in the future. We would welcome policies in the CSR that would aim to increase the supply of new homes, in particular affordable homes. Therefore public, cooperative and social housing organisations should be strengthened, also to stabilise the system».

Participants discussed how the European semester and the CSR affected national housing policies and which political instruments were needed to support the supply of more affordable housing under the European semester. An important issue was whether the current recommendations were balanced and well fit for the respective national housing markets. Participants agreed on the fact that CSRs are very much based on economic analysis, while social considerations are not enough taken into account. A proposal was made to include the housing cost overburden in the European Commission’s scoreboard, in particular the overburden for tenants in the private sector. 25% of the



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private tenants in Europe spend more than 40% of their income on housing. Also, participants suggested that investment in social infrastructure like social housing should not be accounted in the deficit threshold of 3%.

### **Barbara Steenbergen: Narrow target group definition leads to instability in the market**

The session on the impact of EU state aid/competition policy on social housing was led by Barbara Steenbergen, Director of the Brussels Office of the International Union of Tenants. She explained that «with the revision of the State Aid package and the REFIT agenda of the EC we have a double chance to get rid of legal, financial and administrative burdens that hamper investment in social and affordable housing. An open flank is the narrow target group definition of social housing imputed by the EC, leading to instability and market caution. Countries that make a choice to invest in affordable rental housing not only for the poorest of the poor, but also for low and medium income groups, should be even more supported, e.g. by deleting the 3% deficit threshold for investments in social infrastructure like social rental housing. These are two concrete examples where the EC really could make a difference - for the sake of the real economy and millions of people in Europe that have to live in bad, precarious, unhealthy and overpriced housing».

The session showcased some of the current decisions of the EC and the ECJ on the basis of state aid regulations and their impact on social housing systems. Participants reported about their experiences “on the ground” with EC or ECJ decisions and discussed whether the current competition law was a suitable frame for the social housing sector. One important point was the question of the real construction activity and whether social and private housing providers had the same market access when constructing social housing. The problem is that investment is currently missing in both sectors, i.e. private and social. Affordable housing should be seen as a service, an investment with a social return. The target group of social housing, and the EU jurisprudence, is extremely problematic for cities and regions because it creates uncertainty in the definition of policies and undermines social mix. Therefore, the target group should be defined at local level, according to local needs. This requires a change in current EU legislation, namely the deletion of the definition of social housing in the SGEI decision (Recital 11).

### **Credits:**

The organisers of the workshop, the Vienna House Brussels and the International Union of Tenants, especially thank the rapporteurs of the workshops, Sébastien Garnier (AEDES), Davide Lanzillotti (IUT EU office), Lara Blake (EC DG Justice and Consumers) and Thomas Jézéquel (Eurocities) for their excellent work in channelling the debate into concrete policy recommendations.

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