



Fair society and economic stability: affordable housing wanted!

CECODHAS HOUSING EUROPE
14th September 2012, CIRIEC Congress
“Public, social and cooperative economy meeting the general interest”
Vienna

Introduction by Claire Roumet, CECODHAS Housing Europe

The presentation in short

1. What is general interest in housing policies ?

- ❑ The historical missions, concept, needs
- ❑ description of the social economy actors delivering it
- ❑ Traditional legal and policy framework and business model across Europe

2. Innovation in governance, regulation, civil society mobilisation

- ❑ Evolution of the concept, needs
- ❑ Evolution of the social economy actors delivering it
- ❑ Evolution of legal and policy framework ?

Conclusion: housing more than a roof: how to translate it into new social policy delivery mechanisms ?



1. What is general interest in housing policies ?



❑ Social housing has been developed in continental, UK and Nordic country in different phase, primarily linked to economic growth for which housing was needed for workers and to improving health. Then, it has been attached to social protection models.

❑ The 'universalistic' model:

concept: particular conception of social welfare, which aims to provide the whole population with housing of decent quality at an affordable price

allocation: through waiting lists with or without priority criteria, and local authorities reserve a number of vacancies for those households who have an urgent housing need.

❑ The 'targeted' approach:

concept: assumption that the objectives of housing policy will be met predominantly by the market and that only those households for whom the market is unable to deliver housing of decent quality at an affordable price will benefit from social housing.

allocation: wide variation in terms of allocation criteria and size of sector.

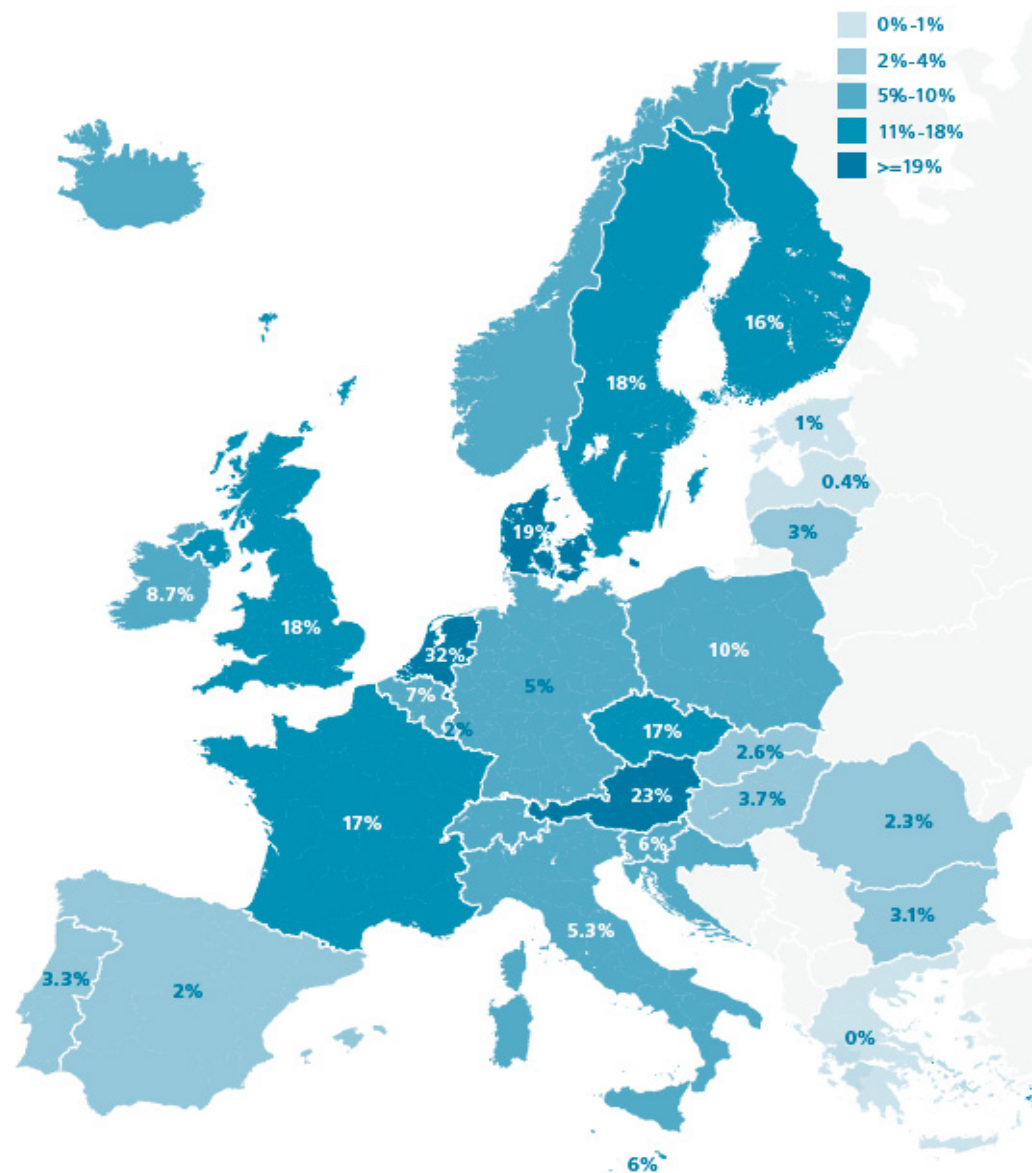
two sub-types:

❑ Generalist: allocates housing to households falling under a certain income ceiling

❑ Residual: focuses on housing provision for the most vulnerable

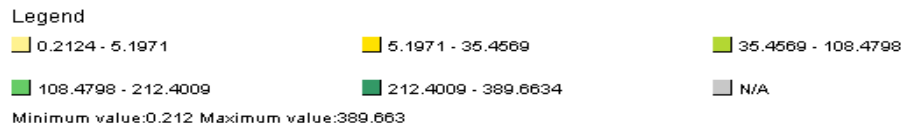
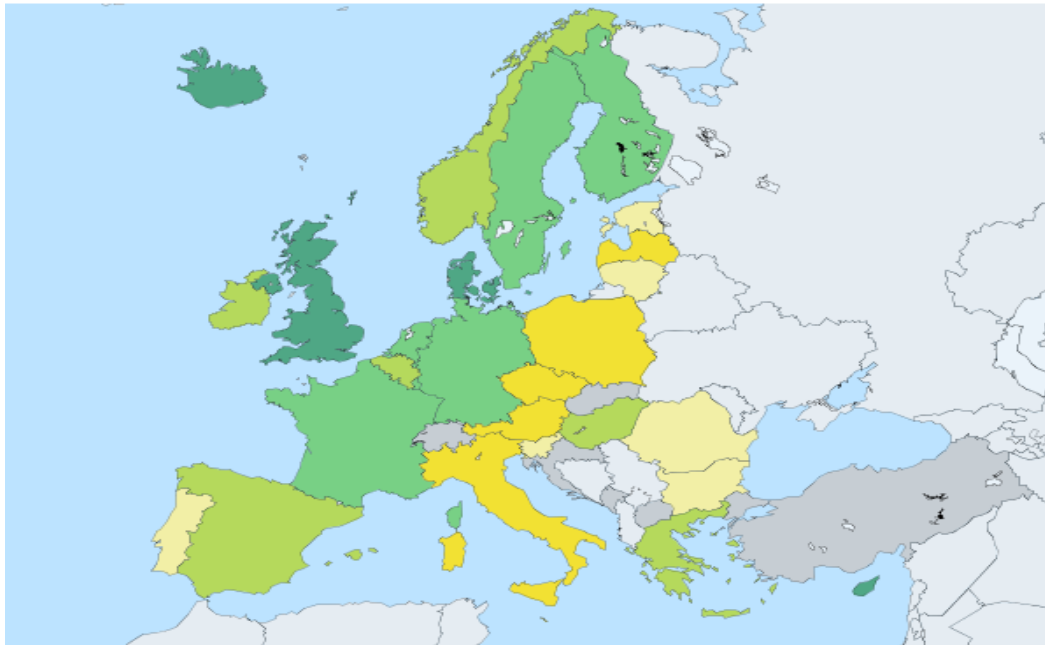
Social rental housing in the EU27

- Largest in NL, followed by AT and DK.
- UK, FR, SW and FI also have a large social/public housing sector
- On the contrary, no rental social housing in EL, very small share in CEE as well as PT, ES



Housing public expenditure by country

Social benefits per head of population by function
 PPS - 2009
Housing



Source of Data:: Eurostat
 Copyright of administrative boundaries: ©EuroGeographics, commercial re-distribution is not permitted
 Last update: 18.06.2012
 Date of extraction: 22 Jun 2012 11:56:40 MEST
 Hyperlink to the map: <http://epp.eurostat.ec.europa.eu/tgm/mapToolClosed.do?tab=map&init=1&plugin=1&language=en&pcode=tps00107&toolbox=legend>
 Disclaimer: This map has been created automatically by Eurostat software according to external user specifications for which Eurostat is not responsible.
 General Disclaimer of the EC: http://europa.eu/geninfo/legal_notices_en.htm
 Short Description: Social benefits consist of transfers, in cash or in kind, by social protection schemes to households and individuals to relieve them of the burden of a defined set of risks or needs.
 Code: 15-20407



Social protection benefits as % of GDP, housing function (2009)





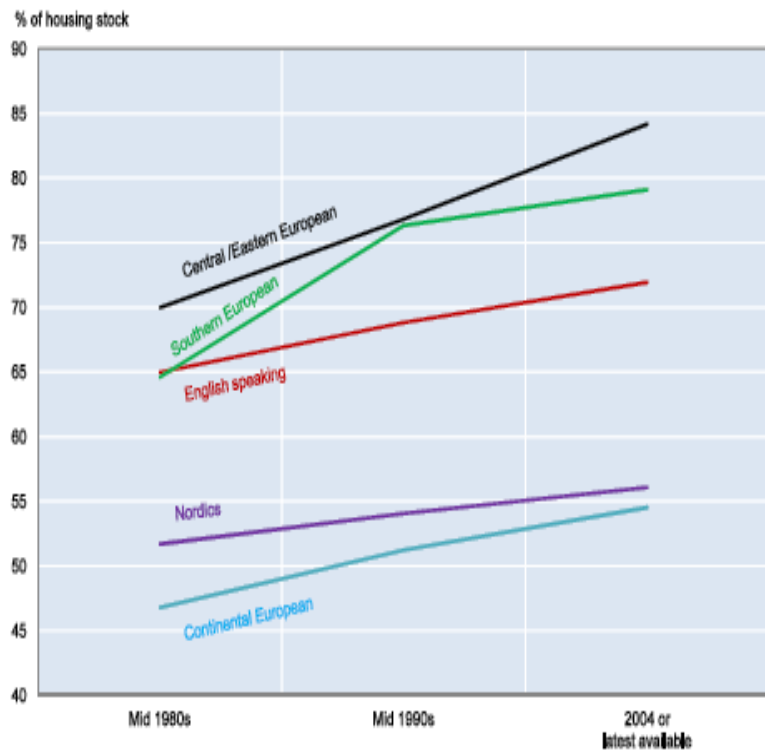
The development line of social housing

- ❑ Before welfare state: linked to industrial development (workers' housing and living conditions improvements financed by employers)
- ❑ After 1945:
 - ❑ First phase: reconstruction (till 1960)
 - ❑ Second phase: internal and external migration towards cities : accompanying the rapid economic growth and sharing the created wealth (till 1980-1990)
 - ❑ Third phase: much lower level of new social housing delivery; privatisation (right to buy; transfer to non-for profit entities or to tenants, sale) of public stock (1990 till 2000)
- ❑ The lost decade(2000-2010): low level of construction in the social housing sector; growing gap between supply and demand; drastic fall of affordability, social housing to be targeted to the most vulnerable

What is the housing situation of EU citizen and interlinks between broader economic performance of society ?



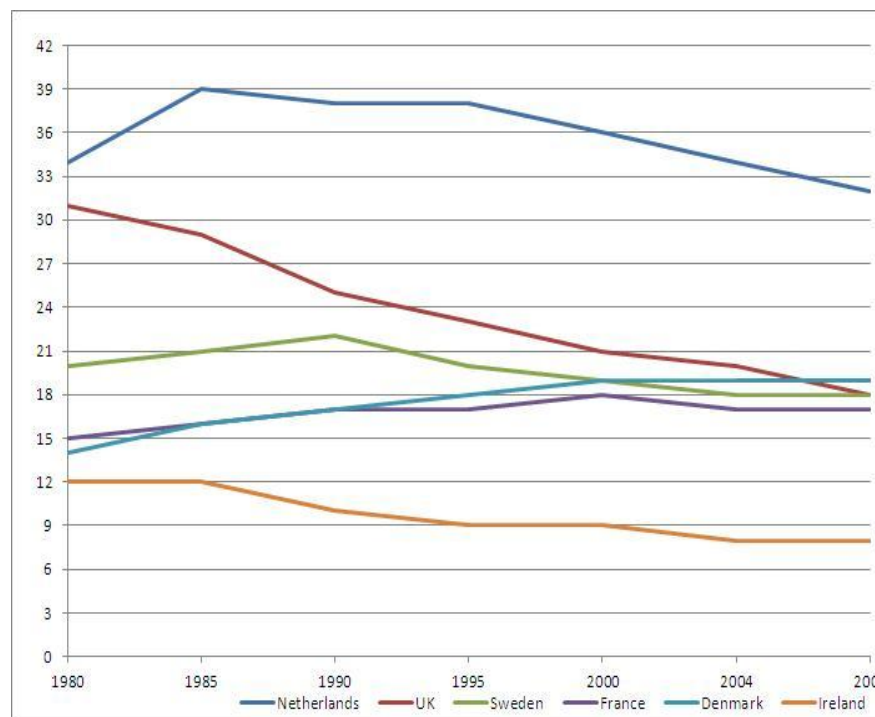
Home-ownership in European OECD countries (1980-2004)



1. Nordics includes Denmark, Norway, Sweden and Finland; English-speaking includes Australia, Canada, the United Kingdom, the United States and Ireland; Continental European includes Austria, Belgium, France, Germany, the Netherlands, Switzerland and Luxembourg; Southern European includes Greece, Spain and Italy; Central/Eastern includes Hungary, Poland and the Russian Federation. The homeownership rates in each group refer to the simple average of the rate in individual countries.

Source: Luxembourg Income Study (LIS).

Social housing in selected EU countries (1980-2008)





General Interest as defined by EU legal framework

❑ **As defined by the State aids EU decision(20.12.2011):**

Undertakings providing housing answering that definition (SIEG of housing) do not have to notify State aids received; if they are mandate to do so with clear definition ; and that over compensation is regularly controlled

“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”

- ❑ Conceived as meeting the need of a target group, even if it can be defined broadly
- ❑ Control of over-compensation not in line with the control of the sector (good management is evaluated at entreprise level, not at project level)



Social housing actors becoming affordable housing

- ❑ 1945-1960
 - ❑ Mainly public housing company to rebuilt but also the cooperatives
- ❑ 1960-1990
 - ❑ Diversification of providers; but still mainly public for the “millions” programme (in SW, FR, IT for example)- strong links with local authorities
- ❑ 1990-2007
 - ❑ Mergers, regionalisation, decrease financial support, transfer to new entities or renewed governance (in NL: corporatie independence; in UK: creation of new actors: tenants choice). Rapid growth in Spain of affordable housing. Dismantlement of the State owned stock in Eastern Europe
- ❑ 2004/2005
 - ❑ New EU Public procurement rules: no recognition of social enterprises; State aids rules: consider that social housing is for vulnerable people only: **definition of general interest is contextual to that period, not to all**
- ❑ 2007/2010
 - ❑ Support to affordable housing sector increased part of the recovery packages
- ❑ 2011/2012
 - ❑ Cuts in public spending: need to review the business model of social housing



Financing social housing

The basis: long term and diversification of funding; risk sharing by risk pooling and control of the sector

Consequence: the bigger the sector is the less it costs to finance new development (perequation),

- ❑ Public support: grants, public loans (through public banks/funds), interest rates subsidies, public guarantees
- ❑ Credit from banks (→ rating by international rating agencies, risk-pooling mechanisms in NL, UK)
- ❑ Own resources and surpluses (→ revolving funds in NL, FR, DK)
- ❑ Selling dwellings, non-landlord activities
- ❑ Tenant equity contribution

Very important the existence of a system of intermediation guaranteeing funding specifically for social housing.

Also key:

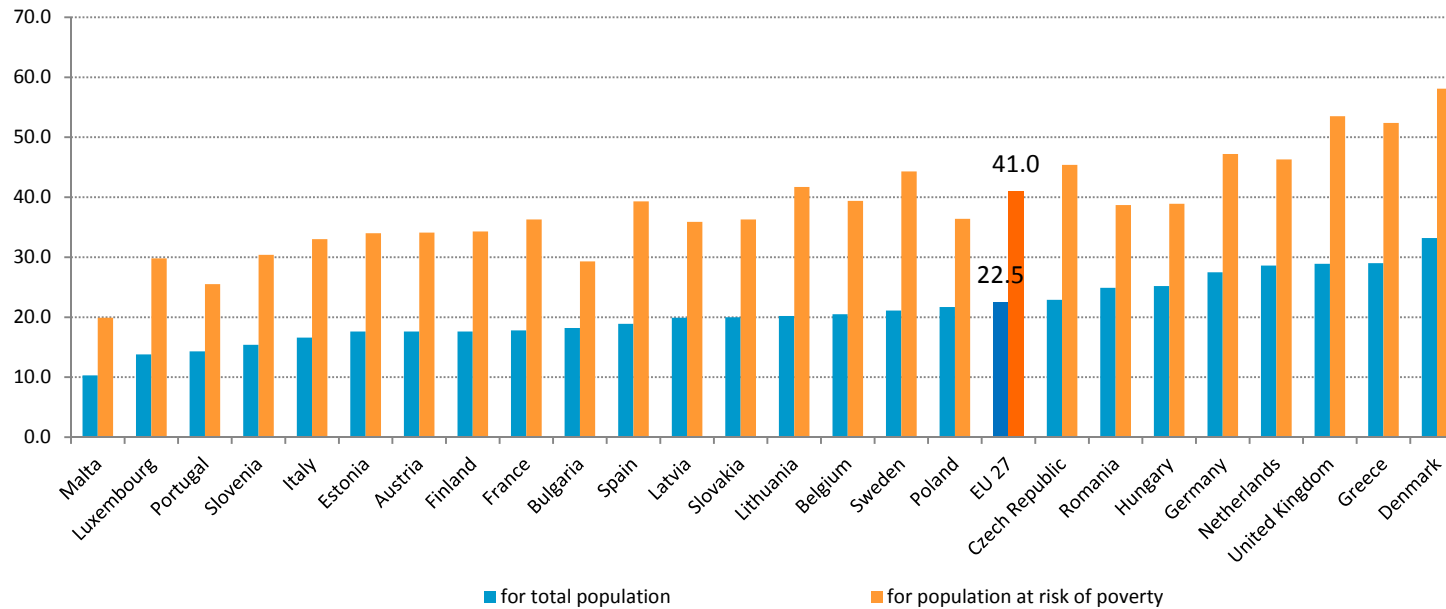
- ❑ Rents (cost-based VS income based)
- ❑ Housing allowances

But today what should be the aim of housing policies, and then mission of SIEG housing actors ?

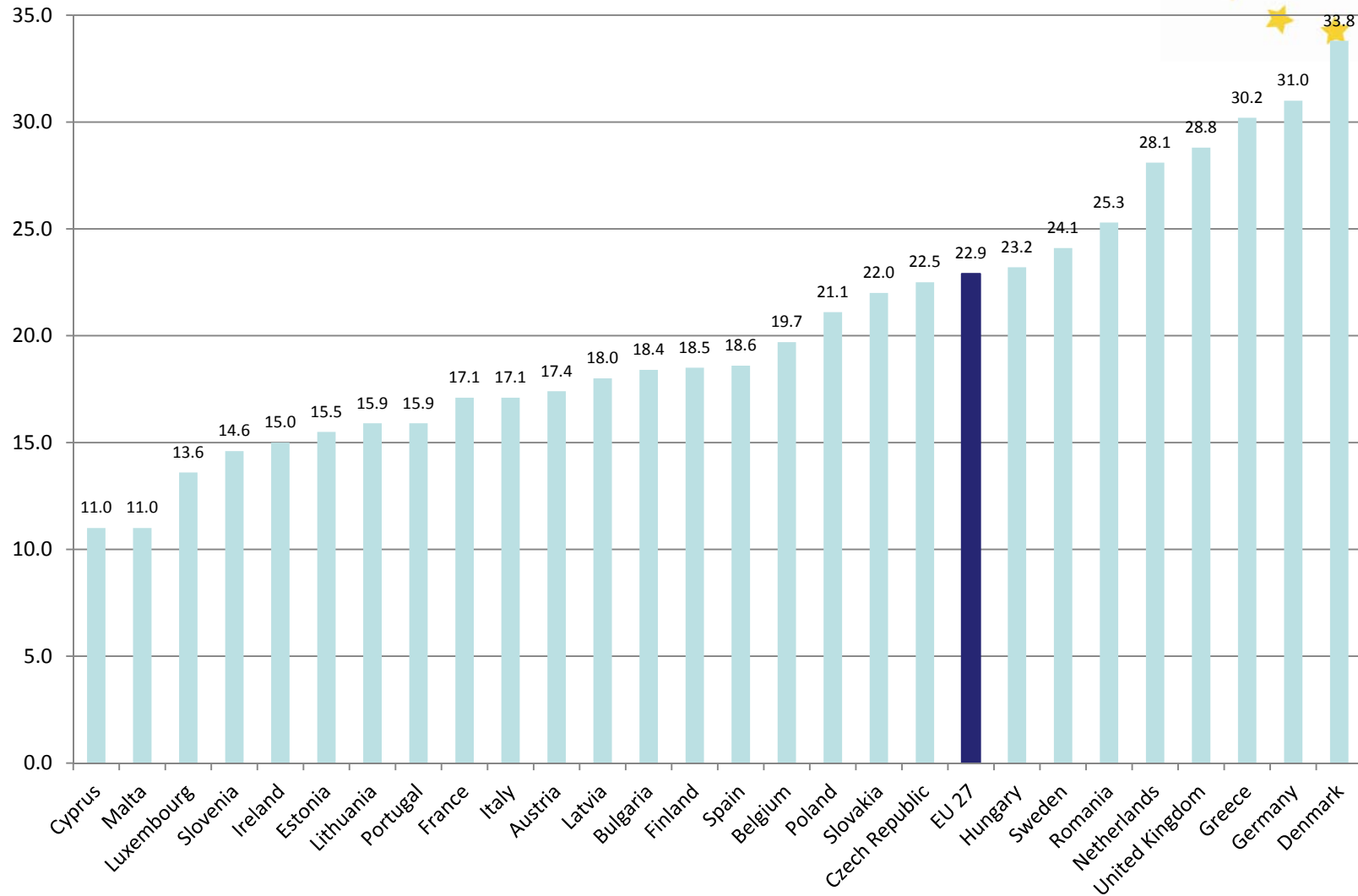


- Housing costs = 22.5% disposable income (41% at risk of poverty)
- Housing overburden = 10.1% (37% at risk of poverty)
- **Current situation as perceived by Europeans (Euro barometer: social impact of the crisis, April 2012)**

“At EU level, there was an increase, from 29% in October 2010 to 43% now, in the number of respondents who are at least at low risk of not being able to meet their **rent or mortgage payments**”



Impact of housing costs



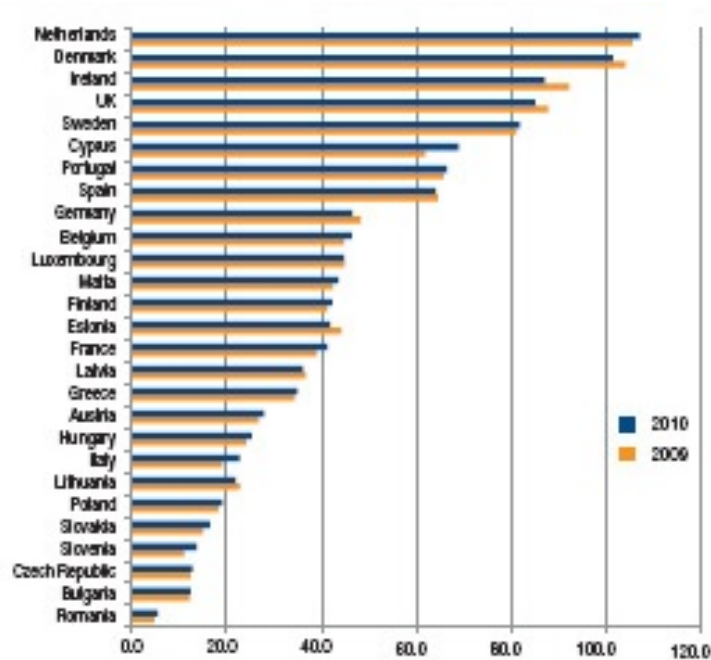


'Home ownership policies and financial stability

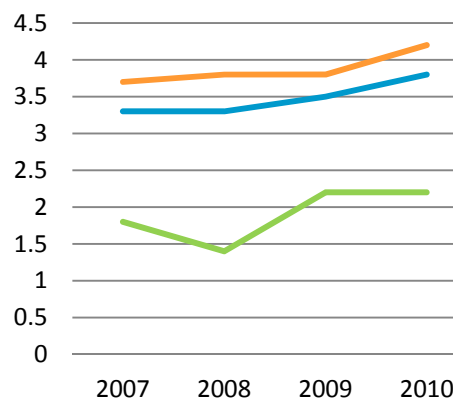
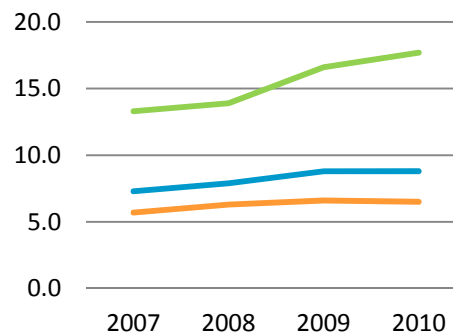
- High level of mortgage debt (from 32% in '98 to 52.4% in 2010)
- Increase in arrears (8.6% and 20%)
- Energy poverty (52.08 million people)

Increase in arrears on:
Utilities
Mortgage/rent

Mortgage indebtedness as % of GDP



Source: European Mortgage Federation

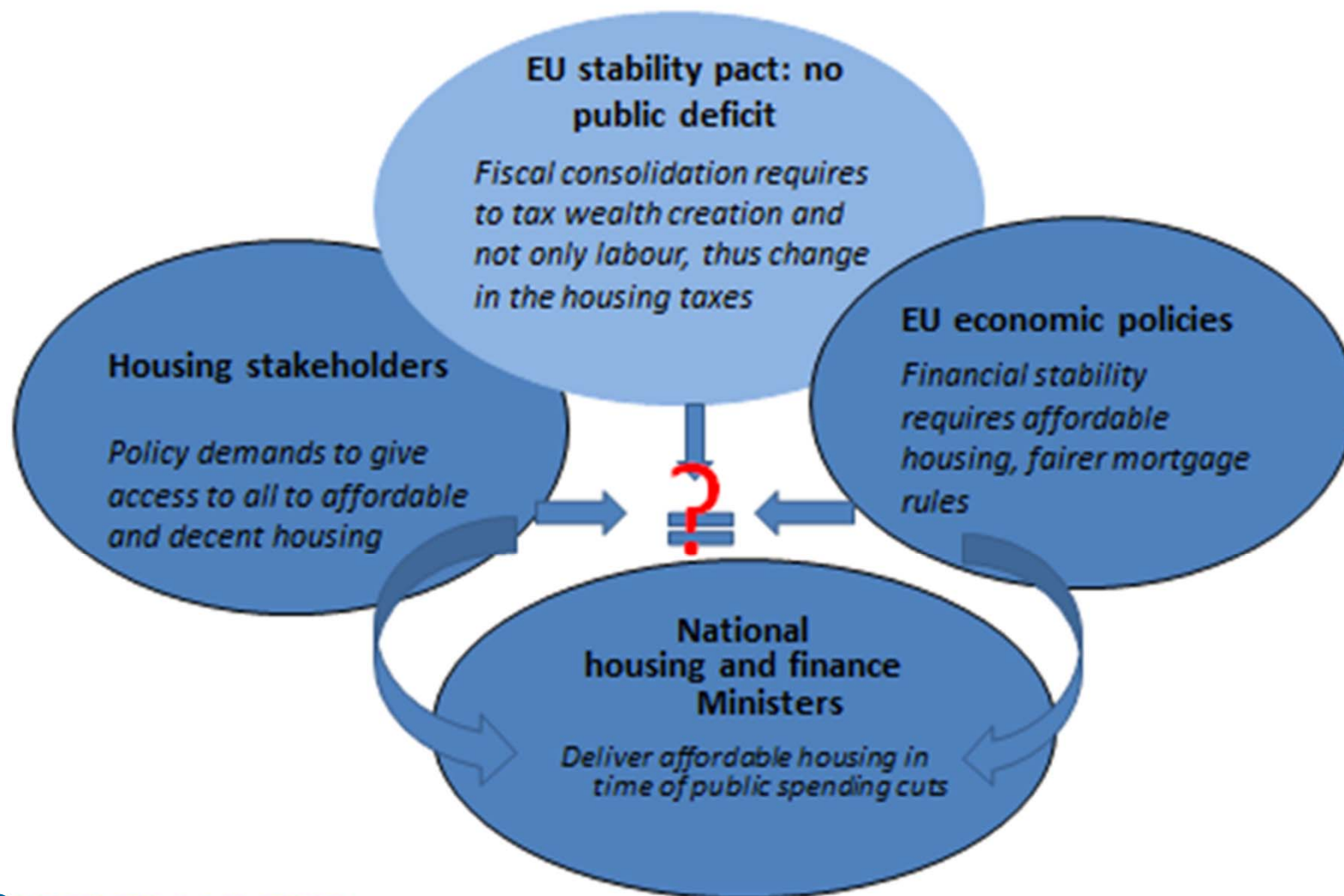


- European Union (27 countries)
- European Union (15 countries)
- New Member States (12 countries)

European economic governance post crisis: 6 pack



Which are the housing policies answering the different objectives ?



European economic governance (1)

European Semester

End of year

Annual Growth Survey: Overall guidance for the EU
Produced by the Commission - Discussed by the Council - Endorsed by the Spring European Council

March

European Council policy orientations based on the Annual Growth Survey

April

Stability or Convergence Programmes

Produced by EU Member States
except those under financial assistance programmes

National Reform Programmes

Produced by EU Member States
except those under financial assistance programmes

June

Country-specific recommendations

including fiscal policy and macroeconomic imbalances
Produced by the Commission - Adopted by the Council following endorsement of the European Council

European economic governance (2)

Measures effective from 13 December 2011

Fiscal surveillance

Monitoring of fiscal policy

Commission assessment of Member States based on structural budget balance

Additional steps proposed by the Commission on 23 November 2011:
Examining draft national budgets (October)
Possible Commission opinion on draft national budgets (November)

Risk of fiscal imbalances

Excessive Deficit Procedure

Deficit higher than 3% of GDP or deficit lower than 3% and debt higher than 60% of GDP and annual debt reduction target of 1/20 of debt not achieved over 3 years

Preventive action

Step 1: Recommendations to the Member State
Step 2*: 0.2% of GDP to be deposited with interest

Corrective action: Excessive Deficit Procedure

Step 1: EDP recommendations and closer monitoring
Step 2*: Deposit of 0.2% of GDP without interest
Step 3*: Fixed fine of 0.2% of GDP (up to max. of 0.5%)
Step 4*: Variable fine if continuous non-compliance

Macroeconomic imbalances surveillance

Monitoring of macroeconomic imbalances

ALERT MECHANISM REPORT
based on scoreboard results of 10 indicators (e.g. unemployment, public and private indebtedness, housing market trends, competitiveness, productivity)

In-depth country studies

Existence of macroeconomic imbalances

Excessive macroeconomic imbalances

Preventive action Recommendation to the Member State

Corrective action: Excessive Imbalance Procedure

Step 1: Council recommendation and corrective action plan by Member State
Step 2*: 0.1% of GDP to be deposited with interest in case of lack of corrective action
Step 3*: 0.1% of GDP to be paid as annual fine in case of repeated lack of action or non-compliance with Council recommendations

*These sanctions only apply to euro area countries.



CSR 2012: 5 countries to reform their housing policies



NL: HEREBY RECOMMENDS that the Netherlands should take action within the period 2012-2013

- ❑ (...)Take steps to gradually reform the housing market, including by:
- ❑ modifying the favourable tax treatment of home ownership, including by phasing out mortgage interest deductibility and/or through the system of imputed rents,
- ❑ providing for a more market-oriented pricing mechanism in the rental market, and
- ❑ for social housing, aligning rents with household income.

SW: HEREBY RECOMMENDS that Sweden should take action within the period 2012-2013“Take further preventive measures to strengthen the stability of the housing and mortgage market in the medium term, including by fostering prudent lending, reducing the debt bias in the financing of housing investments, and tackling constraints in housing supply and rent regulations”

UK: HEREBY RECOMMENDS that UK should take action within the period 2012-2013: “Address the destabilising impact of high and volatile house prices and high household debt by implementing a comprehensive housing reform programme to increase housing supply and alleviate problems of affordability and the need for state subsidy of housing. Pursue further reforms to the mortgage and rental markets, financial regulation and property taxation to prevent excessive volatility and distortions in the housing market.”

CSR 2012: 5 countries to reform their housing policies



DK: “HEREBY RECOMMENDS that Denmark should take action within the period 2012-2013 to Consider further preventive measures to strengthen the stability of the housing market and financial system in the medium-term, including by taking account of the results of the ongoing study by the Ministry of Business and Growth on the distribution of assets and liabilities across households and by reviewing the property value and municipal land value tax system. “

ES: HEREBY RECOMMENDS that Spain:

- ❑ 3. Introduce a taxation system consistent with the fiscal consolidation efforts and more supportive to growth, including a shift away from labour towards consumption and environmental taxation. In particular, address the low VAT revenue ratio by broadening the tax base for VAT. **Ensure less tax-induced bias towards indebtedness and home-ownership (as opposed to renting).**
- ❑ 4. Implement the reform of the financial sector, in particular complement the on-going restructuring of the banking sector by addressing the situation of remaining weak institutions, put forward a comprehensive **strategy to deal effectively with the legacy assets on the banks' balance sheets**, and define a clear stance on the funding and use of backstop facilities.



So multiple processes and priorities for the EU

For which housing policy can contribute positively and be impacted by !

- 3% public deficit and max 60% of public debt: Fiscal consolidation programme including restriction on housing benefit and social protection policies (and tax policies to be less favorable to home-ownership)
- Preventing financial and assets bubbles: housing price to be more stable, private debt to be sustainable
- Economic priorities to be growth enhancing: supporting housing sector creates employment
- EU 2020 goals on fighting against poverty and **climate change**: great potential in the housing sector

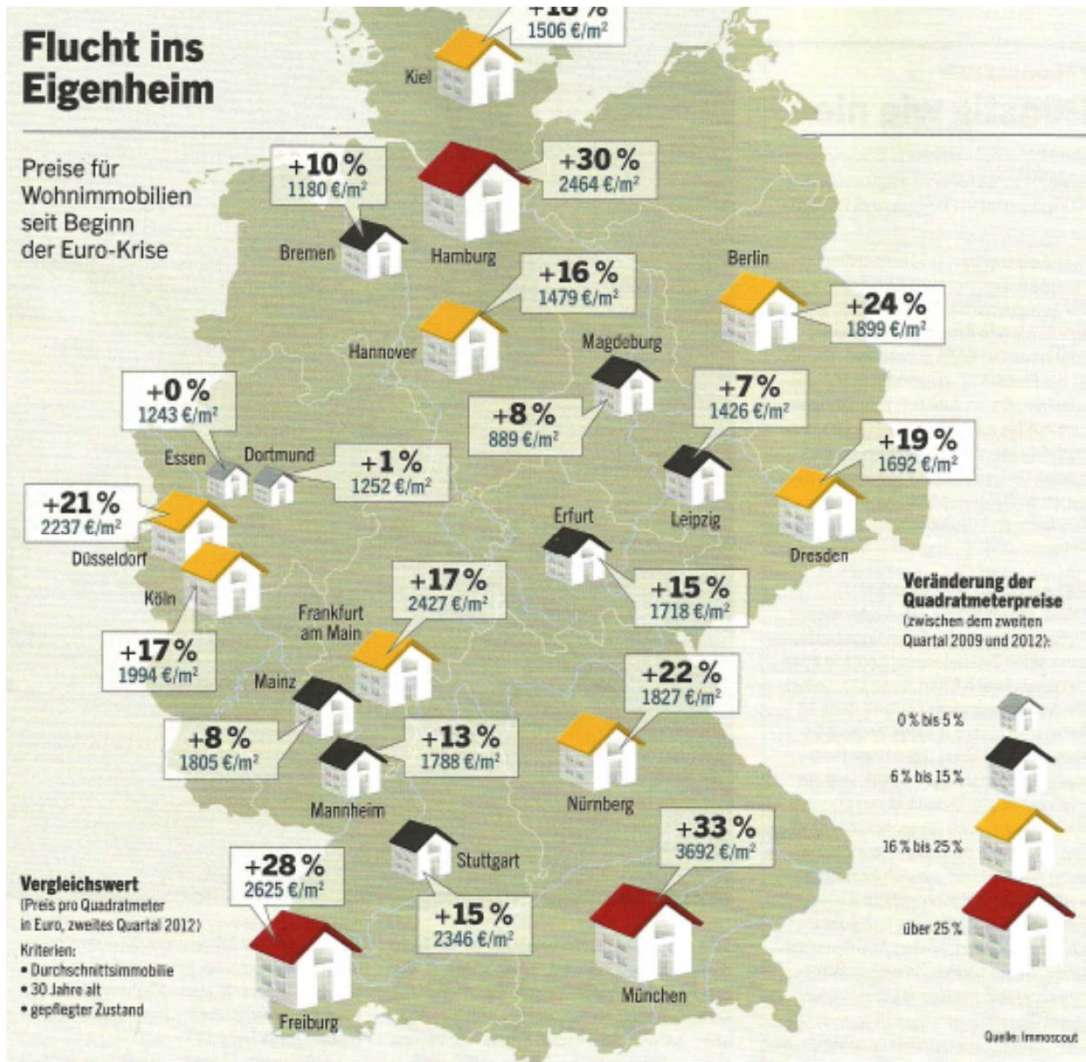
- Increasing affordable housing supply: the core mission historically of the social housing providers; much wider than linked to target groups, but linked to increasing the economic potential of a territory
- New roles on ensuring a fair energy transition: refurbishment programme to tackle energy poverty; becoming energy providers

Where housing related policies are in the national reforms programme



implementing the EU 2020 strategy and economic reforms in Member States	AT	BE	Bu	CY	DK	ET	FI	FR	HU	LI	LU	NL	PL	PO	RO	SK	SL	SP	SW	UK
Analysis of the housing related policies included into the national reports																				
economic																				
research and innovation boosted in the bio construction sector		■																		
CRD IV implementation to mortgage institutions, analysis of private households risk into mortgage (Danish housing finance- special covered bonds)					■														■	
reducing tax refund obtainable from housing loan interests						■						■								■
housing policy reform FI ? In LI, housing benefit to be implemented and renting sector boosted, portugal: boosting rental market; UK: home ownership							■			■		■		■					■	
national assets management agency to buy the repossessed houses; negotiation with Banks to cancell part og the mortgage debts in foreign currency									■											
stop the State fund for housing development																	■			
2012 Spring fiscal policy bill to facilitate the rental of privately-owned homes and stimulate supply																				■
mortgage regulation : (85% of the value of homes as as max: mortgage cap in SW)													■							■
home ownership boosting: new buy guarantee scheme (5% of deposit only is needed; the rest public guarantee: expected to create 50.000 jobs)																				■
increase supply: tax incentives, programmes to use empty homes																				■
removing planning obligations currently preventing to build more																				■
develop shared ownership																				■
green																				
massiv refurbishment of housing programme (AT:860 millions invested public and private, 12.000 maintained of created; 4,4 millions of CO2 saved)	■				■							■								
social programme for refurbishment of private homes; (■				■															
formed the employment environment alliance to improve the costruction and prepare transition towards zero-homes	■				■															
use of structural funds for energy efficient homes refurbishment; creation of a housing renovation fund		■									■									
in wallonia: public housing renovation (Woodpacker plan financed by EIB)		■									■									
agreement with utilities companies to reduce final consumption by10 % (in 2020 compared to 2001-2005 level)											■									
social																				
energy market regulation (and water utilities) to ensure affordable price		■			■				■			■								
mortgage regulation and overindebttness prevention; cheaper loans to vulnerable groups		■			■				■			■								
homeless strategy		■			■			■			■									
increase supply of social housing, mobilise private rental stock		■			■				■					■						
structural Funds used to improve housing conditions of Roma			■												■			■		
IGLOO type of programme: rehabilitation of homes as a way to job integration (and improved livign conditions)				■					■						■			■		
energy poverty strategy									■											
Housing with social care programmes for disabled, homeless									■											
social benefit reforms including housing																	■			

Questions for debate



- ❑ Instable housing markets creates the ground for the next crisis
- ❑ Currently: a new German bubble and a blust after boom in Spain (and Ireland)
- ❑ New housing market regulations, but also revised mission for potential economic and financial stabiliser role of dedicated SIEG housing providers

Source: Wirtschaftswoche , June 2012

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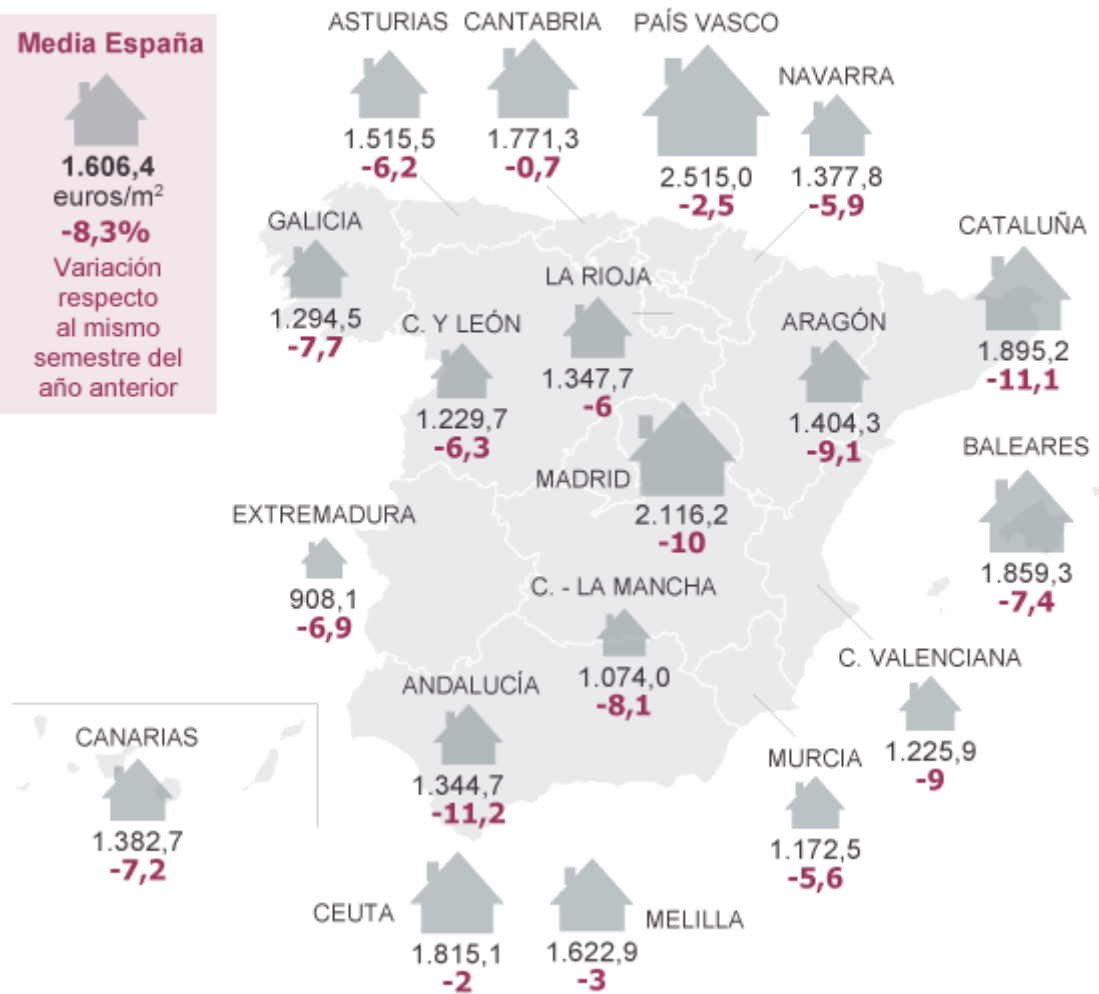
Precio medio de la vivienda en el primer semestre de 2012.

Media España



1.606,4
euros/m²
-8,3%

Variación
respecto
al mismo
semestre del
año anterior



Source: El pais,
16 July 2012



In short

Housing market performing ?

- Housing supply insufficient
- Affordability not ensured
- Growing housing exclusion (repossession, youth, negative equity...)
- socio-demographic trends impacting demand (more households...)
- Fair energy transition

Social housing 'systems' adapted ?

- Definition, Providers
- Size of the sector
- Financing
- Beneficiaries

Urgent to completely redefine General interest in housing, and see what actors are needed



Need of dedicated actors ? What future ?

- ❑ In terms of governance, **the new place of tenants , users** : major trend of management innovation ?
- ❑ Rethinking the links with the local communities: we see a “return path” to clear and strong links with local authorities, in the form of **partnerships, contract...**
- ❑ **From a sector division** (as this conference: water, energy, housing) **to a local sustainable development** increasing wellbeing of communities partnerships (actors can have different role)
- ❑ **More hybrid than ever**: diversification of resources; diversification of activities, business model more open (thus more short-term and economically oriented): less and less EU rules adapted to this reality becoming a major obstacle to delivery
- ❑ **New social/environment policies delivery: social impact bonds** and other revolving funds or third party investment for energy: from a risk pooling /sharing practices to risk taken by the one delivering the services (and not the authority, public sphere anymore)
- ❑ **Beyond the actor’s transformation: what is urgent is to define SIEG at European level as housing market in a country is linked to others. Actor’s mission still national, regional; when housing policies much more global (linked to financial markets)**