

Overview of Affordable Housing Finance in Europe

UNECE-UN Habitat Workshop

National Housing Policy in Albania: Financing for affordable housing and the role of housing agencies

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About us in brief

The European federation of cooperative, public and social housing

Network of national and regional housing provider federations, **45 members** in **24 countries**

About **43 thousand housing organisations** on the ground

'We have a vision of a Europe which provides access to decent and affordable housing for all in communities which are socially, economically and environmentally sustainable and where all are enabled to reach their full potential.'



Key Figures on Housing Europe

- **43,000** local housing organisations
- **24,936,000** dwellings
- roughly **200,000** new dwellings completed each year
- over **200,000** dwellings refurbished each year...and rising
- over **€50bn** in new investment per year
- **7,500+** staff employed directly by the federations
- **300,000+** staff employed by local housing providers

Building the case for investing in housing



“Housing is an integrative good, it is linked to many other sectors such as: health, economic security, energy security, transportation, education, employment. Housing also influences issues such as social cohesion and neighbourhood security” (UNECE, 2015)

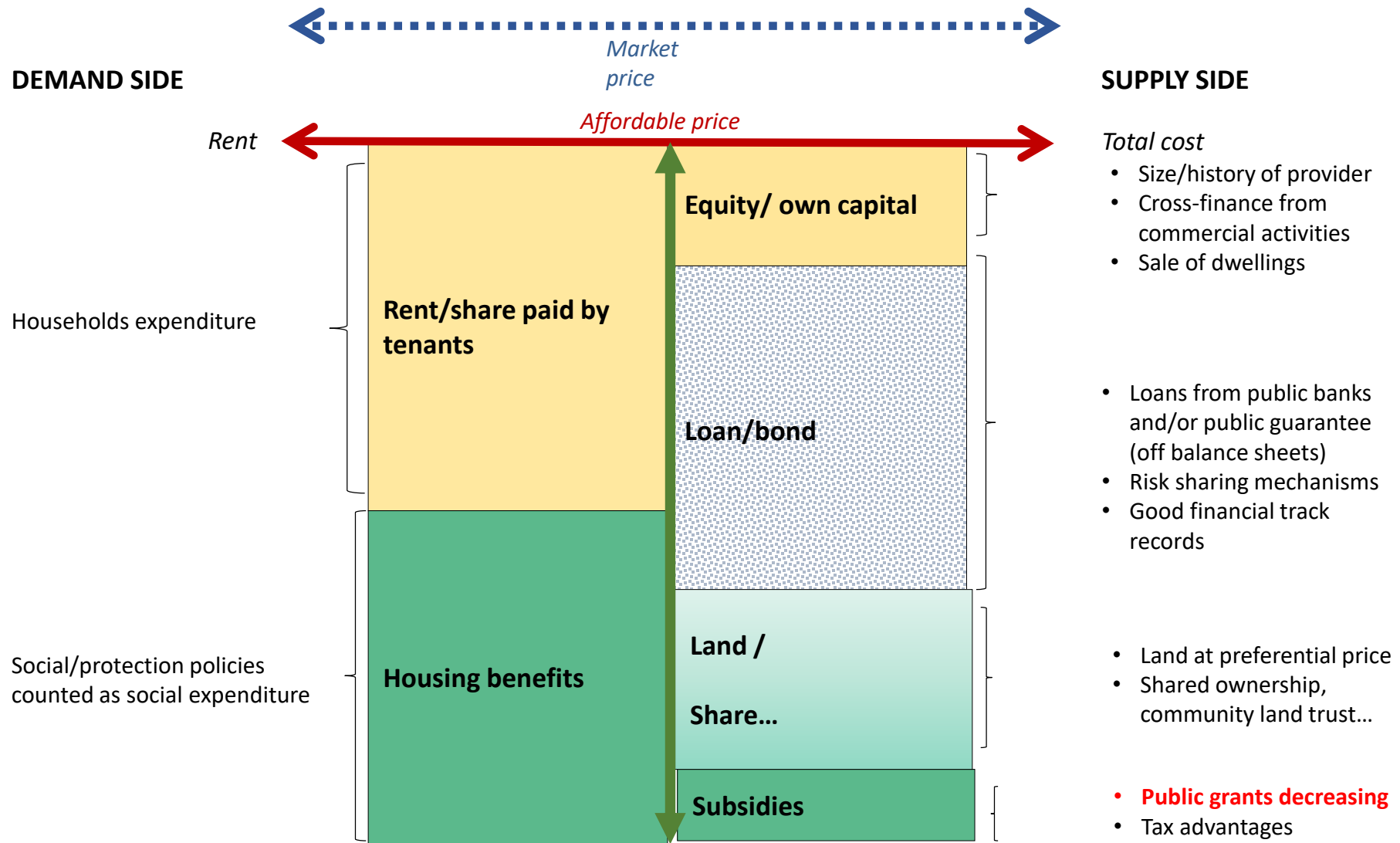
Housing Europe working on a Impact Investment Framework (WG2)

Investment and COVID-19

- Millions more people **unemployed**
 - primarily those in the manufacturing and tertiary sectors
- Will make meeting housing needs more difficult
- Social welfare payments will act as a **temporary stop-gap**
- Social housing providers have many **shovel-ready sites**, they simply need funding and support
- They must be given the opportunity to
 1. **Provide stimulus** to the labour intensive construction sector
 2. meet socially beneficial and necessary objectives
 - **Two birds with one stone?**

So, how do we fund these
investments?

Social housing: financing model simplified



Public support/expenditures

Public support as guarantee, preferential price...

How is it financed?

- **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** (mainly EIB, with or without EFSI)
- **Own resources** and surpluses (→ revolving funds in NL, FR, DK)
- **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
- *Housing Europe study* '[Financing social housing in 6 European countries](#)' (2013)

Changing financing structure of SH operations

'Hybrid' systems are the New Normal

- Shift from public grants to other financial instruments - Public loan, bank loan, equity, private finance with public guarantee (NL, DK)
- Importance of attracting private investment, but with some limitations*
- Impact Bonds, cooperative & ethical banks have a role to play *'to address market failures-increase the efficiency of public allocation'* (according to EFSI)

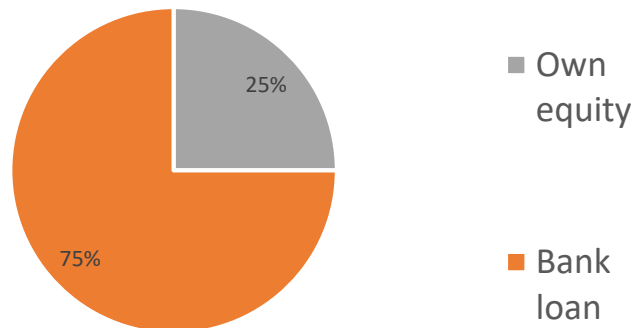
The Netherlands

One third of the total housing market owned by 'housing corporations'. Basically financially independent from public funding since 1993

3-layer security scheme to guarantee the loans they contract with banks

1. Central fund for social housing: public body financed through charges levied on all social housing organizations
2. Guarantee for social housing (WSW): private organization set up by the organizations themselves
3. Municipalities as last-resort guarantor

Netherlands national average



**Average 3.86% interest rate, 24 years.
0.5 lower if WSW**

France

Social housing accounts for about 17% of the stock in FR (HLM).

Most of the funding from low interest rate loans, where the main lender is the public bank Caisse des Dépôts et Consignations (CDC) which provides funds from the 'Livret A': a savings fund with regulated interest rate and not subject to income tax (indirect funding)

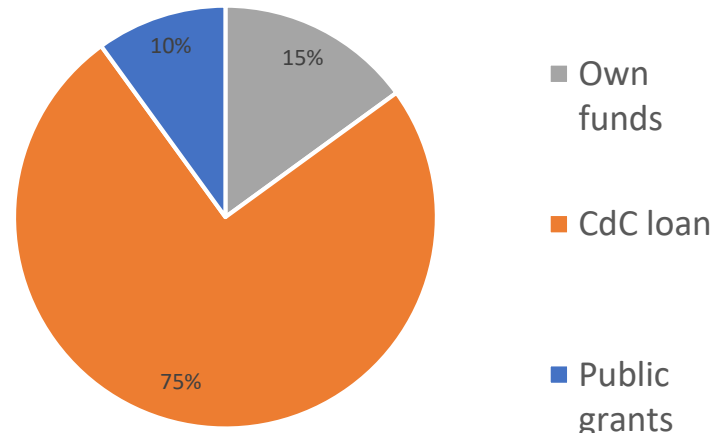
+ (local) grants

+ tax deductions

+ housing benefits

**Total public
subsidy estimated
22% of costs**

France national average



**3.35% interest
rate, 40 years**

Austria

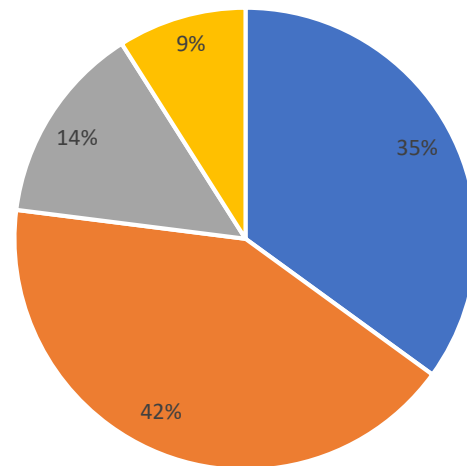
Public and limited profit rental housing is 22% of national stock. Limited profit companies main provider.

Combination of different sources: bank loans ('normal' bank loans, loans by specific banks raised via Housing Construction Convertible bonds), public loans by federal provinces, developers' equity and tenants' contribution (really a shared equity scheme?).

+ VAT deduction

Austria financing structure

**Total public subsidy
estimated to be 13% of
costs**



- public loans
- Bank loans
- Developer equity
- Tenant equity

**0 to 2%
interest, 35
years**

**2-3%
interest rate,
25 years.
0.5% lower
if HCC**

European funding sources

European funding sources for Albania

Council of Europe Development Bank (CEB)

- Albania joined the Council of Europe Development Bank in April 1999. Since then, the Bank has provided funding in support of investments in social housing, health, and in rural and urban regeneration and sustainable tourism
- **Example: “CEB provides €150m to build social housing in Ireland in Sept 2019”**
- “to create over 230,000 square meters of dwelling space, providing at least 8,000 low-income persons with a new home”
- Low-interest loan; work with states to find manageable agreement; long repayment period

Who can apply?

- Local & regional authorities, Public agencies, Development NGOs, Banks, Investment Funds

European funding sources for Albania

EU | Instrument for Pre-accession Assistance (IPA)

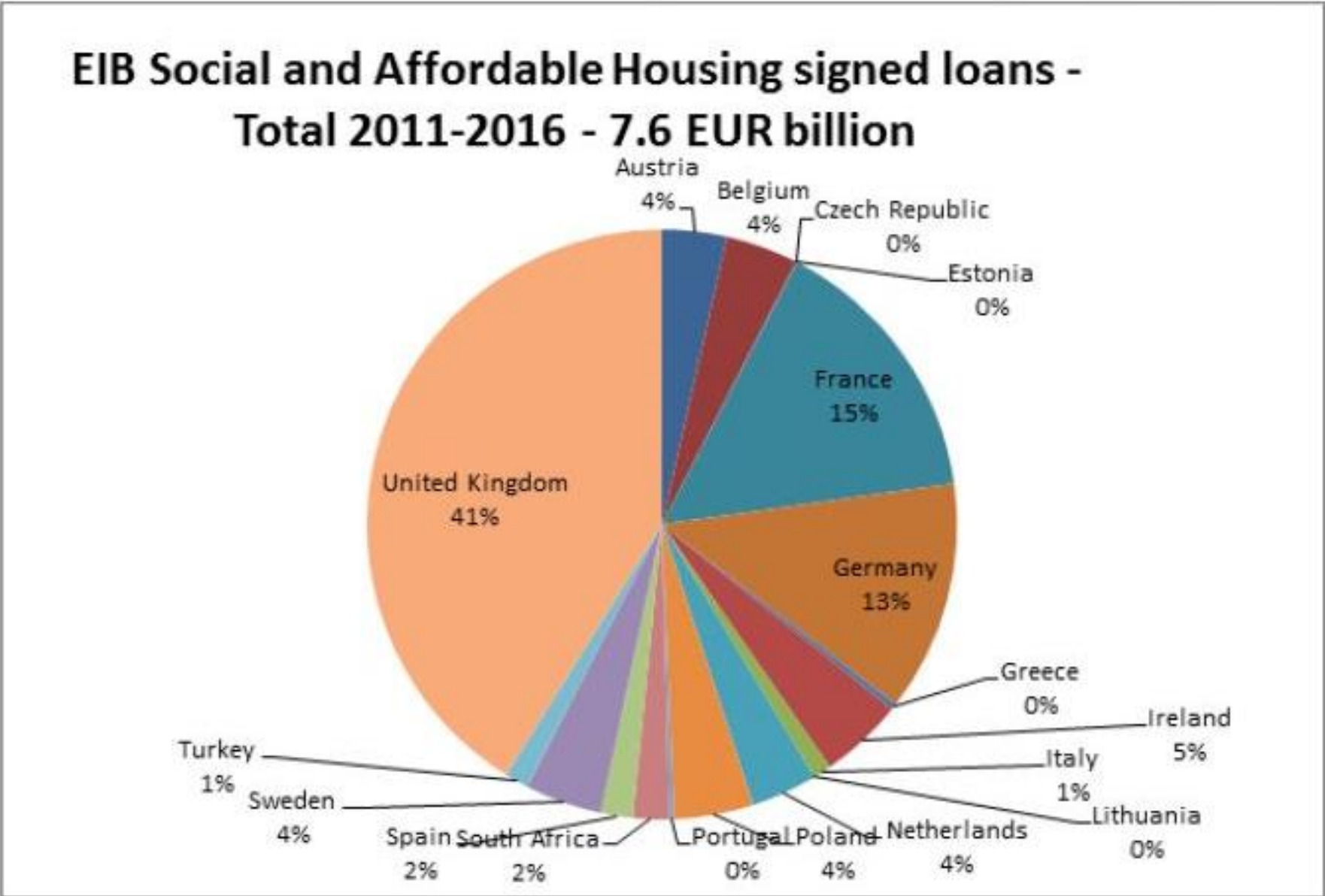
- Albania signed a ‘Stabilisation and Association Agreement’ with the EU in 2009. Since then, the ‘the EU Delegation in Tirana’ has distributed **over €1bn** in IPA funds in Albania
- Funds have been primarily used so far for “public finance management, public administration and justice reform, employment and vocational education and training, home affairs and transport”
- **BUT** specific funding to “combat social exclusion” and “reducing regional disparities” is available
- New **IPA (2021-2027) due to come into force next year**

European funding sources for Albania

European Investment Bank

- Since 2000, the EIB has lent **€474 million to Albania**
 - The main focus has been on supporting key transport infrastructure
- Elsewhere, the EIB regularly funds [social housing schemes](#)
- Low-interest loan; work with states to find manageable agreement; long repayment period; can provide up to 50% of the funds required for a scheme
- **Example: “EIB provides €40m to build social housing in Sevilla in December 2019”**
- “The project consists of the construction of 562 social housing units for rent in Sevilla in Spain”
- **Example: “EIB provides €24.7m to build social housing in Malta in June 2017”**
- “retrofitting and new construction of social housing and associated infrastructure facilities”, EIB funding will contribute to the delivery of 621 new social housing units

EIB Lending For Social Housing by country



Horizon 2020









Advantages

- Supports cross-border projects focused on energy related operations (energy efficiency, renewables and climate mitigation/adaptation)
- Wide range of organisations are eligible
- Combination possibilities with other Funds
- Nature of financing: grant
- Does not require co-financing

Challenges

- Projects should be highly innovative, multidisciplinary focusing on technicalities
- It provides small-scale funding (1-2 million €)
- Some operations might be ineligible or only partly covered

Home > Our Projects

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| <p>European Energy Poverty Observatory</p>  <p>EPOV is geared at improving the transparency of information and policy by bringing together the disparate sources of data and knowledge that exist in varying degrees across the whole of the EU. →</p> | <p>HEART</p>  <p>Tackling technical, economic and social aspects of energy retrofit. At the center of the project are two buildings managed by social housing providers. One is managed by Est Metropole Habitat with activities nearby Lyon in France and the other one is from ACER and situated around Regio Emilia in Italy. →</p> | <p>HOUSEFUL</p>  <p>The main goal of the HOUSEFUL project is to develop and demonstrate innovative integrated circular services focused on the optimal management and use of water, waste, energy and material resources during all stages of the life cycle of residential buildings (new and existing). These services will be deployed and tested in four residential buildings in Austria and Spain from different building periods. →</p> | <p>OPENGELA</p>  <p>The project aims to bring to life a novel concept of neighbourhood offices in Obxarkoage (Bilbao) and Txontea (Elbar) which will operate as one-stop-shops, helping the community of neighbours with any procedure related to the renovation of their buildings. →</p> |
| <p>PuSH</p>  <p>Public Space in European Social Housing This HERA network supported project explores the hypothesis that public spaces on social housing estates throughout Europe are a prime locus of cultural encounter and therefore constitute a unique potential resource for European integration. →</p> | <p>Triple A-Reno</p>  <p>To make nZE (nearly Zero Energy) renovations attractive for consumers TripleA-reno wants to come up with clear information and communication on the real energy usage, indoor quality and personal health by developing an open and end-user-centered gamified (application of game-design elements and game principles) platform for decision support, quality validation / proven quality and community building. →</p> | <p>Syn.ikia</p>  <p>Syn.ikia aims at achieving sustainable plus energy neighbourhoods. This will be achieved while ensuring high-quality indoor environment and well-being. The main strategy for achieving these goals is to deliver a blueprint for sustainable plus energy buildings and neighbourhoods, leading the way to plus energy districts and cities. →</p> | <p>Drive 0</p>  <p>Drive 0 has a unique concept, offering efficient renovation solutions concerning energy, materials and costs, within innovative consumer-centred circular renovation processes. By implementing this concept, DRIVE 0 encourages a transition from a linear economy to a circular economy. →</p> |

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Thank you for your time
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Panel discussion 'activities of international organizations supporting housing policies Europe: how they can help in Albania?'

- Housing Europe as a reference for sustainable housing systems
- sharing of knowledge via [ad-hoc group](#) for countries with housing systems in transition
- [Housing2030](#) initiative together with UNECE and UNHABITAT
- studies and briefings produced by [Housing Europe Observatory](#)