

1. Introduction

In the past, funding for and direct promotion of social housing in Portugal was the central government's direct responsibility.

The central government would, buy or make available land for construction of social housing, manage its construction, and sell or rent it to those in need.

By the end of the eighties housing policy became based on supported promotion, being the central government responsible for creating, in partnership with the municipalities, the conditions, so that, either the municipalities or the private sector would make social housing available to people, through rental or acquisition.

It was felt that the involvement of the central administration, could be substituted with advantage by municipalities, because they were closer to families and populations needing support, and had a better knowledge of their needs.

It was also felt, for the same reasons and their social aim, that charities could be involved.

Finally, housing cooperatives' experience and construction companies' construction capabilities, should also be called in to help providing social housing.

2. Social or cost controlled housing

The characteristics of housing that is to be supported by the central government are defined in the corresponding legislation, which calls for good quality and affordable housing.

The criteria to classify social or cost controlled housing, this being housing entitled to benefits granted by the government, deals with the following areas: size, construction costs, selling prices and quality standards.

2.1 Benefits

Benefits are of two kinds – tax and financial.

Tax benefits consist of a reduced VAT rate; regular VAT rate in Portugal is 19% - VAT rate on construction of social housing is only 5%.

They also include exemption from tax on acquisition of land to build.

Regular tax is 6.5% of the cost of acquisition.

Financial benefits are different in accordance with the destination of social housing, that is, the needs of families to whom social housing is designed.

The greater the need, the higher the benefit.

Financial benefits consist of funds granted as subsidy and subsidized interest rates on loans to construct or acquire social housing.

For families who can buy a home, but cannot afford the private market prices, social housing is built for sale, benefiting from a subsidy of interest on loans to finance its construction amounting to 1/3 of the interest that would otherwise be due.

On loans to finance construction or acquisition of social housing for rent the government gives a subsidy corresponding to 60% of the interest payable.

For those families who have lower incomes and live in shacks, the government grants the municipalities a subsidy of approximately 40% of costs of housing and an 60% interest subsidy on loans, which can be as much as 40% of the costs.

During the last decade there was a great effort made by the Portuguese government in re-housing or relocating poor families, most of them living in shacks in shanty towns in large metropolitan areas.

Specific agreements were made between the central government and the municipalities to re-house almost 90.000 families in Portugal. About 70% of them have already seen their situation solved.

All relocated families pay a rent in accordance with their family income.

There are other inadequate housing situations deserving attention in Portugal. For some years now, it has been felt that, having solved or having already identified the solutions for those extreme conditions of families living in shacks or shanty towns, it was the time to look into other situations, equally demanding.

3. Actual situation

Actually, the following considerations can be made regarding housing situation in Portugal:

There are a large number of families living in houses which are deficient in terms of structure, facilities, such as adequate running water supply, bathroom, etc., and, size for the number of people they accommodate (over-occupation);

There is a large number of decaying houses, most of them in older parts of urban areas, which need urgent repair.

Downtowns, which were the residence of families, are now vacant, whereas the suburbs of cities have been built with housing, sometimes, simply dormitories, without the facilities such as schools, medical and others, which are necessary to provide the proper environment to raise a family, making it costly in terms of infrastructures, such as power and water, and creating accessibility problems.

Home acquisition, has been fuelled in the last few years by low interest rates and government incentives, increasing families' indebtedness and making more difficult their mobility.

There is no suitable rental market in Portugal.

About 750.000 families are renters.

There are new rentals which are very expensive for the vast majority of people.

There are old rentals which are very low cost.

Old rentals were frozen for decades, and were allowed to increase, since 1990, according to inflation.

However, since the base amount was very low they do not provide enough income to the landlords for them to make proper maintenance of the buildings.

There are over 400.000 old rentals in Portugal with an average rent of € 55 / month.

This situation has translated into degradation of house buildings.

4. New developments

Recently the government took the following measures to invert the current situation:

4.1 A new program – Finance Program for Access to Housing – PROHABITA was created to provide incentives not only for re-housing families living in shacks to be demolished, but also to solve other deficient habitability conditions, including over-occupancy.

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FUNDING FOR SOCIAL HOUSING - Portugal
INH – National Housing Institute
Ministry for Towns, Local Administration, Housing, Regional Development

Incentives can be granted to the municipalities to rehabilitate vacant buildings of their own or acquire old vacant buildings to be used for relocation of families, instead of just building or acquiring new buildings.

Acquisition of old buildings and their rehabilitation will receive the same type of support (subsidy and subsidized interest) as construction or acquisition of new housing. Re housing or relocation is now closely associated with rehabilitating the existing house buildings.

Re-housing can also be done through rental by the municipalities, which in turn sublet to the re-housed families.

The program provides incentives consisting of a rental subsidy which can be as much as 60% of the rent paid for by the municipality.

This provision enables a higher number of interventions, since funds required for relocation through rental are significantly lower than the investment on construction or acquisition of houses.

On the other hand, it provides additional funds to the sector, since the financing and propriety of social housing for rental are transferred to other entities, such as investment funds.

Due to the scarcity of available land, some relocations have and are being made in the outskirts of large urban areas, sometimes without the necessary facilities, such as schools, kindergartens, and other, social cultural or leisure facilities to provide proper integration of families.

It is a priority of PROHABITA to promote quality of living in the social housing projects by providing subsidies for the construction of social and other equipment to be used by tenants.

4.2 As far as urban renewal is concerned, the government recently enacted laws creating special companies, called Urban Rehabilitation Companies with municipal and public funds with the purpose of speeding up the rehabilitation of old, historic parts of towns through:

Timely approval of projects and licensing

Obtaining agreement between the owners of the buildings to rehabilitate

Inviting tenders for works

Establish financing

Inspect the works

4.3 New rental legislation is in the process of being enacted, to improve the rental market, allowing rental increases which will enable landlords to afford the required maintenance of their buildings.

Such increases are only allowed on buildings which have been granted a “certificate of habitability “ indicating that they meet standards of adequate living conditions.

To help landlords doing the necessary construction works to obtain a certificate of habitability for their buildings, the government is in the process of passing legislation to introduce a new rehabilitation program – REHABILITA, which replaces actual rehabilitation programs, establishing simpler application procedures and providing financial support for works on the surrounding areas of the built zone, such as landscaping, parking, social equipment and other types of facilities, that make up a city.