

# #Housing2030

Effective policies for affordable housing in the UNECE region





UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE  
HOUSING EUROPE

# #Housing2030

Effective policies for affordable housing  
in the UNECE region



**UNITED NATIONS**

Geneva, 2021

## NOTE

---

Requests to reproduce excerpts or to photocopy should be addressed to the Copyright Clearance Center at: [copyright.com](https://copyright.com)

All other queries on rights and licenses, including subsidiary rights, should be addressed to:

United Nations Publications  
405 East 42nd Street  
S-09FW001  
New York, NY 10017  
United States of America

Email: [permissions@un.org](mailto:permissions@un.org)

Website: <https://shop.un.org>

The findings, interpretations, and conclusions expressed herein are those of the author(s) and do not necessarily reflect the views of the United Nations or its officials or member States

The designations employed and the presentation of material on any map in this work do not imply the expression of any opinion whatsoever on the part of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Links contained in the present publication are provided for the convenience of the reader and are correct at the time of issue. The United Nations takes no responsibility for the continued accuracy of that information or for the content of any external website.

This publication is issued in English and Russian.

ECE/HBP/204
-------------

UNITED NATIONS PUBLICATION
----------------------------

Sales No. E.21.II.E.4
-----------------------

ISBN: 978-92-1-117267-6
-------------------------

eISBN: 978-92-1-403048-5
--------------------------

© 2021 United Nations

All rights reserved worldwide

United Nations publication issued by the  
United Nations Economic Commission for Europe



## FOREWORD

At least 100 million low and middle-income people in the United Nations Economic Commission for Europe (UNECE) region are housing cost overburdened; they spend more than 40 per cent of their disposable income on housing. Housing affordability is an important element of the right to adequate housing but is often a challenge for groups of the population facing vulnerabilities. These include young people, senior citizens, large families with children, and people who suffer from limited access to healthcare, fuel poverty, and price inflation of essential goods and services. Housing affordability remains a major challenge also for middle-income earners, especially in many large cities where rents are skyrocketing, and the quality of available housing is often low.

Rapid and unplanned urbanization and urban sprawl, climate change, financialization of the housing sector, the lack of consideration for an ageing population and migration are among the factors which further exacerbate the problem of access to affordable and decent housing and push even the most robust national housing systems to their limits.

The health crisis caused by the COVID-19 pandemic, when the most fundamental health advice from governments has been “stay at home”, has greatly amplified the challenges of the lack of access to affordable adequate and healthy housing for all.

Addressing the housing affordability challenge is central to achieving Sustainable Development Goal 1 on poverty eradication and 11 on inclusive, safe, resilient and sustainable cities and human settlements. A commitment to housing for all is also a transformative force that can contribute to the world overcoming challenges related to climate change, exclusion and inequality. There is an urgent need to understand how countries and cities can achieve more affordable housing – through their policies and practices.

This publication - #Housing2030: Effective policies for affordable housing in the UNECE region – explores housing affordability challenges and existing policy instruments for improving housing affordability in the UNECE region; it facilitates the exchange and dissemination of good practices in improving housing affordability among countries and cities of the region. The study addresses the following four topics: (1) housing governance and regulation; (2) access to finance and funding; (3) access and availability of land for housing construction; and (4) climate-neutral housing construction and renovation.

The study supports the implementation of the 2030 Agenda for Sustainable Development, the New Urban Agenda, the Geneva UN Charter on Sustainable Housing and other relevant international commitments. The study builds upon the four principles of sustainable housing, as outlined in the Geneva UN Charter: (a) environmental protection; (b) economic effectiveness; (c) social inclusion and participation; and (d) cultural adequacy.

It was developed within #Housing2030, a joint international initiative of UNECE, UN-Habitat and Housing Europe which brings together representatives of governments and housing experts from 56 member States in the UNECE region and 43,000 affordable housing providers and neighbourhood developers represented by Housing Europe.

The experience of the implementation of the #Housing2030 initiative demonstrated the great value of cooperation not only between the Initiative partners but also of experts and policymakers who contributed to the study.

We are committed to continue the cooperation within the #Housing2030 initiative and we hope to be able to support governments and experts with policy advice and capacity-building following the launch of this publication.

We hope that this publication will become a valuable resource for national, local governments and experts in developing their policies and programmes to promote access to affordable, adequate and healthy housing for all and that it will inspire housing experts to continue both further research on and practical implementation of innovative policies and tools to support access to affordable, adequate housing for all.

**Bent Madsen**

President of Housing Europe  
The European Federation of Public,  
Cooperative and Social Housing

**Maimunah Mohd Sharif**

Under-Secretary-General  
of the United Nations,  
Executive Director of the United Nations  
Human Settlements Programme (UN-Habitat)

**Olga Algayerova**

Under-Secretary-General  
of the United Nations,  
Executive Secretary of the United Nations  
Economic Commission for Europe

# CONTENTS

FOREWORD . . . . .	.iii
ACKNOWLEDGEMENTS. . . . .	viii
ABBREVIATIONS AND ACRONYMS. . . . .	xiii
EXECUTIVE SUMMARY . . . . .	xvi
INTRODUCTION . . . . .	1
Housing affordability and unaffordability – what do we need to know? . . . . .	2
An adaptable “toolkit” – not a one size “blueprint” . . . . .	2

## Chapter I: Governance. . . . . 5

What is the importance of good governance to affordable housing? . . . . .	5
What “tools” are in the governance policy toolbox? . . . . .	6
What governance tools and approaches help to support and enable public, social and affordable housing?. . . . .	7
How have governance tools been used in practice? . . . . .	7
Strategic frameworks . . . . .	7
Institutions and capacity-building . . . . .	11
Multi-level governance . . . . .	18
Setting and monitoring housing standards . . . . .	21
Evidence – governing with insight . . . . .	25
Supervision – accountable and transparent actors . . . . .	30
Dedicated social and affordable housing providers. . . . .	33
Tenant and owner-occupier involvement frameworks . . . . .	41
Useful resources and contacts . . . . .	45

## Chapter II: Finance. . . . . 49

Why are investment and finance tools important to affordable and inclusive housing?. . . . .	49
What tools are in the housing investment and finance policy toolbox? . . . . .	50
Regulating financial institutions to promote housing affordability . . . . .	51
Non-profit provision of social and affordable housing . . . . .	58
Subsidizing rents to ensure they are affordable . . . . .	62
Rent setting, indexation and regulation to promote affordability . . . . .	66
Microfinance for self-building and modernising housing . . . . .	68
Circuits of households’ savings to finance affordable housing . . . . .	70
Public loans, grants and purposeful public investment in housing. . . . .	74
Interest rate subsidies, loan guarantees and loan insurance to reduce borrowing costs . . . . .	79
Special purpose intermediaries to raise finance for social and affordable housing. . . . .	82
Sharing housing equity and costs . . . . .	86
Revolving funds which repeatedly reinvest in affordable housing . . . . .	88
Taxation to guide investment in housing . . . . .	91
Useful resources and contacts . . . . .	96

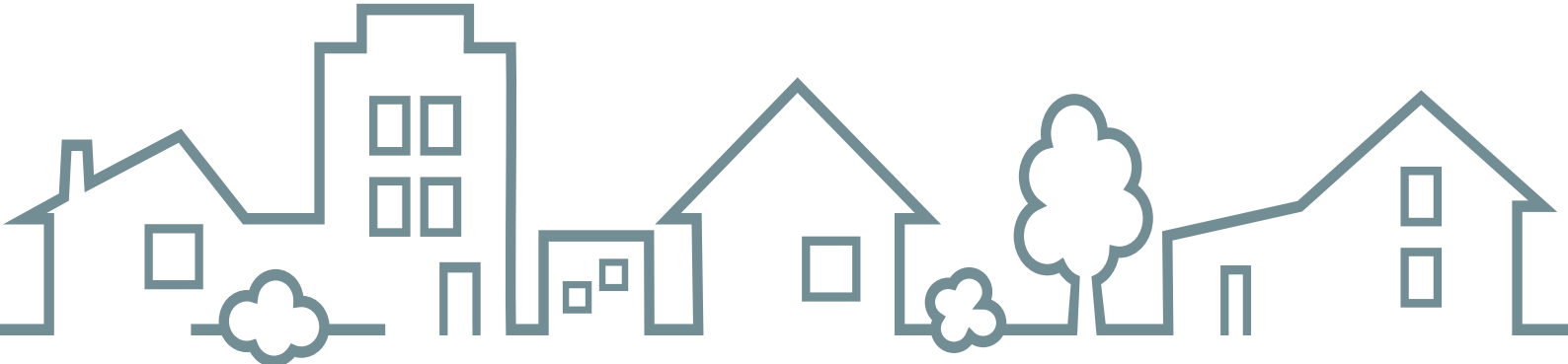
**Chapter III: Land . . . . . 101**

- Why is land policy important for affordable and sustainable housing provision? . . . . . 101
- What tools are in the land policy toolbox? . . . . . 101
  - What land policy tools are used to provide social and affordable housing? . . . . . 103
  - How can policymakers ensure that land policy is effective in supporting affordable and sustainable housing provision? . . . . . 103
- How have land policy tools been used in practice? . . . . . 104
  - Public land banking . . . . . 104
  - Public land leasing . . . . . 109
  - Land readjustment . . . . . 112
  - Land value capture . . . . . 114
  - Comprehensive city and neighbourhood planning . . . . . 119
  - Land-use regulation and inclusionary zoning . . . . . 121
  - Land value taxation . . . . . 124
- Useful resources and contacts . . . . . 130

**Chapter IV: Climate-neutral housing . . . . . 133**

- Why are climate-neutral housing construction and renovation policies important for affordable and sustainable housing? . . . . . 133
- What tools contribute to climate-neutral housing construction and renovation? . . . . . 134
  - What climate policy tools are used to provide social and affordable housing? . . . . . 136
  - How can policymakers ensure that climate policy is effective in supporting affordable and sustainable housing provision? . . . . . 137
- How have climate-neutral housing construction and renovation policy tools been used in practice? . . . . . 139
  - Energy performance-related building regulations . . . . . 140
  - Regulating the urban environment for energy efficiency . . . . . 143
  - Non-regulatory climate policy initiatives . . . . . 144
  - Financial incentives . . . . . 146
  - Awareness-raising and training . . . . . 155
- Useful resources and contacts . . . . . 163

**CONCLUSIONS . . . . . 165**



## List of figures

<b>Figure I</b>	Policy tools defined and illustrated in this report . . . . .	xvii
<b>Figure II</b>	Process for assessing the tools required to address unaffordable and inaccessible housing . . . . .	2
<b>Figure III</b>	Key elements of good governance . . . . .	5
<b>Figure IV</b>	Organization of affordable housing investment in Finland . . . . .	15
<b>Figure V</b>	The housing continuum. . . . .	34
<b>Figure VI</b>	Objectives of funding and financing tools for housing . . . . .	50
<b>Figure VII</b>	Generalized affordable rental housing costs and revenues, and possible subsidy instruments . . . . .	58
<b>Figure VIII</b>	Steps involved in the application of financial intermediation to affordable housing provision . . . . .	83
<b>Figure IX</b>	Individual and community benefits of different housing equity sharing models . . . . .	87
<b>Figure X</b>	Drivers of energy poverty and key indicators . . . . .	134
<b>Figure XI</b>	Actor constellation in the building renovation sector . . . . .	137
<b>Figure XII</b>	Key dimensions for Building Back Better . . . . .	138
<b>Figure XIII</b>	The energy pyramid . . . . .	138
<b>Figure XIV</b>	European Union energy labels. . . . .	141
<b>Figure XV</b>	Invitation for tenants to engage in building renovation projects in Germany and the United Kingdom. . . . .	157

## List of tables

<b>Table 1</b>	Governance tools most used by governments and housing organizations. . . . .	6
<b>Table 2</b>	Strategies for creating capacity to deliver on housing policies . . . . .	13
<b>Table 3</b>	What is the rationale for housing institutions and capacity-building? . . . . .	14
<b>Table 4</b>	Rationale for multi-level governance in housing policy . . . . .	19
<b>Table 5</b>	Rationale for housing standards setting and monitoring . . . . .	22
<b>Table 6</b>	Sources of cross-country comparative data on housing systems and policies . . . . .	27
<b>Table 7</b>	The key principles of limited-profit housing in Austria . . . . .	39
<b>Table 8</b>	Levels, objectives and methods of involving tenants and owner-occupiers in the governance of housing . . . . .	42
<b>Table 9</b>	Investment and finance tools to promote affordable and inclusive housing . . . . .	52
<b>Table 10</b>	What is the rationale for regulating financial institutions and their investment in housing? . . . . .	54
<b>Table 11</b>	Tools of the United Nations Environment Programme for a more sustainable and inclusive finance system . . . . .	56
<b>Table 12</b>	What is the rationale for non-profit sector delivery of affordable housing? . . . . .	60
<b>Table 13</b>	What is the rationale for providing rent assistance? . . . . .	64
<b>Table 14</b>	What is the rationale for rent setting, indexing and regulation? . . . . .	67
<b>Table 15</b>	What is the rationale for providing housing microfinance? . . . . .	69
<b>Table 16</b>	What is the rationale for using savings schemes to provide finance for housing? . . . . .	72
<b>Table 17</b>	What is the rationale for public loans, grants, and purposeful investment? . . . . .	74
<b>Table 18</b>	What is the rationale for interest rates subsidies, guarantees and mortgage insurance? . . . . .	81
<b>Table 19</b>	What is the rationale for affordable housing financial intermediation? . . . . .	84
<b>Table 20</b>	What is the rationale for sharing housing equity to support affordable housing? . . . . .	87
<b>Table 21</b>	What is the rationale for using revolving funds and collaborative reinvestment of surpluses for affordable housing? . . . . .	89
<b>Table 22</b>	What is the rationale for using taxation to promote housing affordability? . . . . .	93
<b>Table 23</b>	Land policy tools most used by national and subnational governments . . . . .	102
<b>Table 24</b>	What is the rationale for public land banking? . . . . .	105
<b>Table 25</b>	What is the rationale for public land leasing? . . . . .	110
<b>Table 26</b>	Steps in German land readjustment . . . . .	113
<b>Table 27</b>	What is the rationale for land readjustment? . . . . .	114
<b>Table 28</b>	Most common land value capture methods . . . . .	115
<b>Table 29</b>	What is the rationale for land value capture? . . . . .	116
<b>Table 30</b>	What is the rationale for comprehensive, city and neighbourhood planning? . . . . .	119
<b>Table 31</b>	What is the rationale for inclusionary zoning? . . . . .	122
<b>Table 32</b>	What is the rationale for land value taxation? . . . . .	126
<b>Table 33</b>	Climate policy tools most commonly used by national and sub-national governments . . . . .	135
<b>Table 34</b>	What is the rationale for financial climate policy initiatives? . . . . .	146

## List of boxes

<b>Box 1</b>	United Nations Sustainable Development Goals explicitly relevant to housing . . . . .	8
<b>Box 2</b>	What is the rationale for making a housing strategy? . . . . .	9
<b>Box 3</b>	Indicators of housing quality standards. . . . .	22
<b>Box 4</b>	Rationale for evidence-based housing policymaking and evaluation . . . . .	26
<b>Box 5</b>	Rationale for supervision of the housing sector . . . . .	30
<b>Box 6</b>	Rent-setting approaches for social and affordable housing . . . . .	36
<b>Box 7</b>	Rationale for regulation of social and affordable housing providers . . . . .	37
<b>Box 8</b>	Rationale for involving tenants in the governance of rented housing . . . . .	42
<b>Box 9</b>	What is the rationale for regulations related to energy performance of buildings? . . . . .	141
<b>Box 10</b>	What is the rationale for non-regulatory climate policy initiatives? . . . . .	145
<b>Box 11</b>	What is the rationale for awareness-raising and training in climate policy initiatives? . . . . .	155

## List of photos

<b>Photo 1</b>	ARA-supported social housing in Helsinki, Finland. . . . .	14
<b>Photo 2</b>	Social housing in Barcelona, Spain . . . . .	16
<b>Photo 3</b>	Social housing development in Vienna, Austria . . . . .	38
<b>Photo 4</b>	Tenant democracy, housing cooperative in Zurich, Switzerland . . . . .	44
<b>Photo 5</b>	A public green space in the Republic of Moldova . . . . .	77
<b>Photo 6</b>	Affordable housing developed by the Housing Fund of the Republic of Slovenia. . . . .	78
<b>Photo 7</b>	State Housing Development Fund-supported housing in Topolčany, Slovakia . . . . .	90
<b>Photo 8</b>	Aspern Seestadt social housing development in Vienna, Austria . . . . .	106
<b>Photo 9</b>	Typical Parisian urban area with apartment buildings . . . . .	128
<b>Photo 10</b>	Installation of solar panels at the Luče energy community, Republic of Slovenia . . . . .	151
<b>Photo 11</b>	Uzbekistan social housing buildings . . . . .	159



## ACKNOWLEDGEMENTS

The following people are acknowledged for their contributions:

### PRINCIPAL AUTHORS

<b>Julie Lawson</b>	Lead Author, Honorary Associate Professor, Centre for Urban Research, RMIT University, Australia
<b>Michelle Norris</b>	Director of the Geary Institute for Public Policy, University College Dublin, Ireland
<b>Holger Wallbaum</b>	Professor in Sustainable Building, Department of Architecture and Civil Engineering, Chalmers University of Technology, Sweden

### CONTRIBUTING AUTHORS

<b>Kat Grimsley</b>	UNECE Real Estate Advisory Group member; George Mason University, United States of America
<b>Sergio Nasarre-Aznar</b>	UNESCO Housing Chair at the University Rovira i Virgili, Spain
<b>Nuria Lambea Llop</b>	UNESCO Housing Chair at the University Rovira i Virgili, Spain

### #HOUSING2030 CO-CHAIRS

<b>Elena Szolgayová</b>
<b>David Orr</b>

### LEADERSHIP OF THE STUDY

#### United Nations Economic Commission for Europe

<b>Paola Deda</b>	Director, Forests, Land and Housing Division, UNECE
<b>Gulnara Roll</b>	Secretary to the Committee on Urban Development, Housing and Land Management, UNECE
<b>Cecilia Batac</b>	Statistics Assistant, Forests, Land and Housing Division, UNECE
<b>Evelina Rioukhina</b>	Programme Assistant, Forests, Land and Housing Division, UNECE
<b>Juan Valle Robles</b>	Consultant, Forests, Land and Housing Division, UNECE
<b>Ash Charlton</b> <b>Jean-marie McAdams</b>	Editors
<b>Anna Sokol</b>	Russian translator
<b>Kiyoun Kim</b>	Visual designer
<b>Kyla Marie Partridge</b> <b>John Sasuya</b> <b>Anthony Salazar</b>	Other contributors

## Housing Europe

<b>Sorcha Edwards</b>	Secretary General, Housing Europe
<b>Dara Turnbull</b>	Research Coordinator, Housing Europe
<b>Diana Yordanova</b>	Communications Director, Housing Europe

## PROJECT PARTNER: UN-HABITAT

<b>Robert Lewis-Lettington</b>	Chief of Section, Land, Housing and Shelter, Urban Practices Branch, Global Solutions Division, UN-Habitat
<b>Christophe Lalande</b>	Leader, Housing, Land, Housing and Shelter, Urban Practices Branch, Global Solutions Division, UN-Habitat
<b>Francesca Lionetti</b>	Associate Expert, Housing, Land, Housing and Shelter, Urban Practices Branch, Global Solutions Division, UN-Habitat
<b>Amie Figueiredo</b>	Associate Human Settlements Officer, Land, Housing and Shelter Section, UN-Habitat (in 2020)
<b>Giulia Lavagna</b>	Associate Human Settlements Officer, Land, Housing and Shelter Section, UN-Habitat

## UNECE PROJECT TASK GROUP

<b>Doris Andoni</b>	Director of Housing Department, Ministry of Finance and Economy, Albania
<b>Nino Gventsadze</b>	Head, Spatial Planning and Construction Policy Department, Ministry of Economy and Sustainable Development, Georgia
<b>Marie Mohylová</b>	Head of Housing Policy Department, Ministry of Regional Development, Czechia
<b>Maja-Marija Nahod</b>	Assistant Minister, Ministry of Construction and Physical Planning, Croatia
<b>Paloma Taltavull de La Paz</b>	Chair, Real Estate Market Advisory Group, UNECE
<b>Irena Perfanova</b>	Vice-Chair, Real Estate Market Advisory Board, UNECE
<b>Veronika Reháková</b>	Head, Department of Housing Policy, Ministry of Transport, Construction and Regional Development, Slovak Republic
<b>Aša Rogelj</b>	Deputy Director General, Ministry of the Environment and Spatial Planning, Republic of Slovenia
<b>Yves Laurent Sapoval</b>	Directeur de l'Habitat, de l'Urbanisme et des paysages, Ministère du Logement et de l'Habitat Durable, France
<b>Rachael Marie Scicluna</b>	Consultant, Ministry for Social Accommodation, Malta

## HOUSING EUROPE PROJECT STEERING COMMITTEE

<b>Clarissa Corbisiero</b>	Community Housing Cymru (CHC), United Kingdom
<b>Marco Corradi</b>	Azienda Casa Emilia Romagna (ACER), Italy
<b>Sara Jackson</b>	Scottish Federation of Housing Associations (SFHA), United Kingdom

## HOUSING EUROPE PROJECT STEERING COMMITTEE (CONTINUED)

<b>Gerlinde Gutheil-Knopp-Kirchwald</b>	Österreichischer Verband Gemeinnütziger Bauvereinigungen – Revisionsverband (GBV), Austria
<b>Gerald Kössl</b>	Österreichischer Verband Gemeinnütziger Bauvereinigungen – Revisionsverband (GBV), Austria
<b>Robin van Leijen</b>	Aedes Vereniging van Woningcorporaties (Aedes), the Netherlands
<b>Björn Mallants</b>	Vlaamse Huisvestingsmaatschappijen (VWH), Belgium
<b>Donal McManus</b>	Irish Council for Social Housing (ICSH), Ireland
<b>María Montes Miguel</b>	Asociación Española de Promotores Públicos de Vivienda y Suelo (AVS), Spain
<b>Özgür Öner</b>	Bundesverband deutscher Wohnungs – und Immobilienunternehmen e.V. (GdW), Germany
<b>Anu Sarnet</b>	Eesti Korterühistute Liit (EKÜL), Estonia
<b>Virginie Toussain</b>	L'Union Sociale Pour l'Habitat (USH), France

## FINANCIAL SUPPORT FOR THE PREPARATION OF THIS REPORT

Partners would like to express their gratitude to the Housing Agency of Ireland, the Housing Finance and Development Centre of Finland (ARA), the Slovenian Ministry of the Environment and Spatial Planning and the Czech Ministry of Regional Development for their support to the #Housing2030 Initiative and the preparation of this publication.

## OTHER EXPERTS CONTRIBUTING TO THIS REPORT

<b>Manuel Aalbers</b>	University of Leuven, Belgium
<b>Wolfgang Amann</b>	Institute for Real Estate Construction and Housing, Austria
<b>Mike Berry</b>	Centre for Urban Research, RMIT University
<b>Jelke Bosma</b>	University of Amsterdam, the Netherlands
<b>Javier Burón Cuadrado</b>	Housing Division, Barcelona City Council, Spain
<b>Eduard Cabré Romans</b>	Barcelona Housing Department, Spain
<b>Alice Charles</b>	World Economic Forum, Switzerland
<b>Emmanuelle Cosse</b>	L'Union Sociale Pour l'Habitat (USH), France
<b>Luigi Cuna</b>	Council of Europe Development Bank, France
<b>Joaquin de Santos</b>	Community Land Trust Brussels, Belgium
<b>Julien Dijol</b>	Housing Europe, Belgium
<b>Jago Dodson</b>	Centre for Urban Research at RMIT University, Australia
<b>Cassandra Dove</b>	Scottish Federation of Housing Associations (SFHA), United Kingdom
<b>Brian Evans</b>	City Urbanist for Glasgow and Professor at the Glasgow School of Art, United Kingdom
<b>Leilani Farha</b>	NGO "The Shift", Canada



**OTHER EXPERTS CONTRIBUTING TO THIS REPORT (CONTINUED)**

<b>Grzegorz Gajda</b>	European Investment Bank, Luxembourg
<b>Sébastien Garnier</b>	AxHA, Belgium
<b>Peter Gergely</b>	Ministry of Transport and Construction, Slovak Republic
<b>Ken Gibb</b>	Collaborative Centre for Housing Evidence, United Kingdom
<b>Michalis Goudis</b>	Heinrich-Böll-Stiftung – Thessaloniki Office, Greece
<b>József Hegedüs</b>	Metropolitan Research Institute, Hungary
<b>Andoni Hidalgo</b>	Opengela – Basque One-Stop-Shop for Neighbourhood Level Renovation, Spain
<b>Charalambos Iacovou</b>	Cyprus Land Development Corporation, Cyprus
<b>Katarina Ivanković Knežević</b>	EU Directorate for Employment, Social Affairs & Inclusion, Belgium
<b>Gert Jan Wijberg</b>	Utrecht University, the Netherlands
<b>Roger Jarman</b>	Housing Quality Network, United States
<b>Dennis Keating</b>	Cleveland State University, USA
<b>Abderrahim Khairi</b>	Housing Europe, Belgium
<b>Samir Kulenovic</b>	Council of Europe Development Bank, France
<b>Adele Lacey</b>	Housing Agency of Ireland
<b>Edit Lakatos</b>	Housing Europe, Belgium
<b>Jarmo Linden</b>	Housing Finance and Development Centre (ARA), Finland
<b>Toby Lloyd</b>	Housing Economist, United Kingdom
<b>Bent Madsen</b>	Housing Europe, Belgium
<b>Mieke Maerten</b>	De Energiecentrale – Gent, Belgium
<b>Clara Mafé</b>	Housing Europe, Belgium
<b>Ursula McAnulty</b>	Housing Agency of Ireland
<b>Daragh McCarthy</b>	Housing Agency of Ireland
<b>Michael McHale</b>	Housing Agency of Ireland
<b>Luís Mendes</b>	Instituto de Geografia e Ordenamento do Território da Universidade de Lisboa, Portugal
<b>Stefanie Merk</b>	Bundesverband deutscher Wohnungs – und Immobilienunternehmen e.V. (GdW), Germany
<b>Vivienne Milligan</b>	City Futures Research Centre, University of New South Wales
<b>Neil Munslow</b>	Newcastle City Council, United Kingdom
<b>Karen Murphy</b>	Irish Council for Social Housing (ICSH), Ireland
<b>Darragh O'Brien</b>	Ministry of Housing, Local Government & Heritage, Ireland
<b>John O'Connor</b>	Housing Agency of Ireland
<b>Barry O'Leary</b>	Housing Finance Agency, Ireland

## OTHER EXPERTS CONTRIBUTING TO THIS REPORT (CONTINUED)

<b>Will Perry</b>	Social Housing Regulator, United Kingdom
<b>Pedro Pinto de Jesus</b>	GEBALIS Public Housing Company, Lisbon, Portugal
<b>Alice Pittini</b>	Housing Europe, Belgium
<b>Jarosław Pucek</b>	National Property Agency, Poland
<b>Solveig Råberg Tingey</b>	The Danish Federation of Non-Profit Housing Providers (BL), Denmark
<b>Olivier Richard</b>	L'Atelier Parisien d'Urbanisme, France
<b>Josh Ryan</b>	Institute for Innovation and Public Purpose, University College London, United Kingdom
<b>Catherine Ryder</b>	National Housing Federation of England, United Kingdom
<b>Monica Scatasta</b>	Council of Europe Development Bank, France
<b>Jean-Pierre Schaeffer</b>	Independent expert, France
<b>Klaus Schrader</b>	Bundesverband deutscher Wohnungs – und Immobilienunternehmen e.V. (GdW), Germany
<b>Guido Schwarzendahl</b>	Bauverein Halle - Cooperative Housing Association, Germany
<b>Freek Spinnewijn</b>	European Federation of National Organisations Working with the Homeless (FEANTSA), Belgium
<b>Eva Sporer</b>	Legacoop Abitanti, Italy
<b>Lucia Štasselová</b>	Deputy Mayor of Bratislava, Slovak Republic
<b>Barbara Steenbergen</b>	International Union of Tenants (IUT), Sweden
<b>David Stewart</b>	Scottish Land Commission, United Kingdom
<b>Matteo Tarantino</b>	University of Geneva, Switzerland
<b>Iván Tosics</b>	Metropolitan Research Institute, Hungary
<b>Martin van Rijn</b>	Chairperson of Aedes – The Dutch Federation of Housing Corporations, the Netherlands
<b>Sven van Elst</b>	Vlaamse Huisvestingsmaatschappijen, Belgium
<b>Kim van Sparrentak</b>	Greens/EFA Member of the European Parliament, the Netherlands
<b>Annika Wahlberg</b>	International Union of Tenants, Sweden
<b>Richard Waldron</b>	Queen's University Belfast, United Kingdom
<b>Steffan Wetzstein</b>	URBACT Programme, Belgium
<b>Carolyn Whitzman</b>	University of Ottawa, Canada

## ABBREVIATIONS AND ACRONYMS

<b>AHS</b>	American Housing Survey	<b>EPF</b>	Île-de-France Public Property Establishment
<b>AMI</b>	area median income	<b>EU</b>	European Union
<b>ARA</b>	Asumisen rahoitus- ja kehittämiskeskus (Housing Finance and Development Centre)	<b>EUR</b>	Euro
<b>ARC</b>	Annual Return on the Charter	<b>Eurostat</b>	European Statistics
<b>CAD</b>	Canadian dollars	<b>EVB</b>	Erhaltungs- und Verbesserungsbeitrag (conservation and improvement contribution)
<b>CEB</b>	Council of Europe Development Bank	<b>FAWOS</b>	Fachstelle für Wohnungssicherung (Centre for Secure Housing)
<b>CHSB</b>	Consell de l'Habitatge Social de Barcelona (Barcelona Council for Social Housing)	<b>GCLBA</b>	Genesee County Land Bank Authority
<b>CJEU</b>	Court of Justice of the European Union	<b>GFC</b>	Global
<b>CLT</b>	community land trust	<b>GHG</b>	greenhouse gas
<b>CLTB</b>	Community Land Trust Brussels	<b>HCOR</b>	housing cost overburden rate
<b>CO<sub>2</sub></b>	carbon dioxide	<b>HCSB</b>	Housing Construction Savings Bank
<b>COSLA</b>	Convention of Scottish Local Authorities	<b>HERA</b>	Housing and Economic Recovery Act
<b>COVID-19</b>	coronavirus disease 2019	<b>NHIA</b>	Neighborhood Homes Investment Act
<b>DMB</b>	Deutscher Mieterbund	<b>HNDA</b>	Housing Need Demand Assessment
<b>Eco Fund</b>	Environmental Public Fund	<b>HUD</b>	US Department of Housing and Urban Development
<b>EE</b>	energy efficiency	<b>IMHAB</b>	Institut Municipal de l'Habitatge i Rehabilitació de Barcelona (Barcelona Municipal Housing and Rehabilitation Institute)
<b>EEA</b>	European Economic Area	<b>IZ</b>	inclusionary zoning
<b>EESH</b>	Energy Efficiency Standard for Social Housing	<b>KfW</b>	Kreditanstalt für Wiederaufbau (credit institution for reconstruction)
<b>EIB</b>	European Investment Bank	<b>LHEES</b>	Local Heat and Energy-Efficiency Strategies
<b>EKYL</b>	Eesti Korterühistute Liit (Estonian Union of Co-operative Housing Associations)	<b>LHS</b>	Local Housing Strategy
<b>ELAN</b>	l'évolution du logement, de l'aménagement et du numérique (reform housing, planning and digital technology)		
<b>EPBD</b>	Energy Performance of Buildings Directive		
<b>EPC</b>	Energy Performance Certificate		

<b>LPHA</b>	limited-profit housing association
<b>LTI</b>	loan-to-income
<b>LVC</b>	land value capture
<b>LVT</b>	land value tax
<b>NWB</b>	Nederlandse Waterschapsbank
<b>m2</b>	square metre
<b>MHD</b>	More Homes Division
<b>MLG</b>	multi-level governance
<b>NGO</b>	non-governmental organization
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OFS</b>	organismes de foncier solidaire (solidarity land organizations)
<b>OSCR</b>	Office of the Scottish Charity Regulator
<b>PIU</b>	project implementation unit
<b>PREE</b>	Programa Rehabilitación Energética de Edificios (programme on energy rehabilitation of buildings)
<b>SDG</b>	Sustainable Development Goal
<b>SHDF</b>	state housing development fund
<b>SHIP</b>	Strategic Housing Investment Plan
<b>SHR</b>	Scottish Housing Regulator
<b>SIB</b>	social impact bonds

<b>SoBon</b>	Sozialgerechte Bodennutzung (Socially Just Land Use)
<b>SolCan</b>	Solares en Canaria (solar on Canary Islands)
<b>SSHP</b>	Slovakian State Housing Programme
<b>STEP</b>	Stadtentwicklungsplan (urban development plan)
<b>STL</b>	short-term letting
<b>TIF</b>	tax increment financing
<b>UCH-TIF</b>	Urban Centre Housing Tax Increment Financing
<b>UNECE</b>	United Nations Economic Commission for Europe
<b>UN-Habitat</b>	United Nations Human Settlements Programme
<b>United Kingdom</b>	United Kingdom of Great Britain and Northern Ireland
<b>United States</b>	United States of America
<b>USD</b>	United States dollars
<b>VAT</b>	value-added tax
<b>WHO</b>	World Health Organization
<b>WIGEBA</b>	Wiener Gemeindewohnungs Baugesellschaft (Vienna Community Housing Construction Company)







## EXECUTIVE SUMMARY

#Housing2030 and its online repository of best practices<sup>1</sup> makes clear what affordable housing entails: effective governance, strategic land policy, as well as purposeful circuits of investment and active promotion of climate neutral and affordable housing and neighbourhoods. The study draws on the experience of over 100 researchers, policymakers, housing providers and advocates from across the United Nations Economic Commission for Europe (UNECE) region and beyond, to define useful approaches, outline their advantages and disadvantages, and illustrate their practical application. The study involved an extraordinary level of stakeholder engagement, despite the constraints of the coronavirus disease 2019 (COVID-19) pandemic, using survey instruments, online workshops and podcasts in order to maximize the exchange of policy experience and good practices.

Many useful housing policy tools brought together in this report to promote more affordable, inclusive and climate-neutral housing outcomes are summarized in figure I. The tools are grouped into the four themes of governance, land, finance, and climate neutrality, and are typically combined to shape housing systems to deliver improved housing outcomes.

National, regional and local housing policymakers are encouraged to reflect on the causes of unaffordability and exclusion, and find ways to adapt and combine policy instruments to address local needs and conditions, and above all play a purposeful and long-term role in shaping more affordable and sustainable housing outcomes.

### Key messages

Policymakers have a responsibility to shape more resilient housing systems and ensure that decent homes and neighbourhoods are affordable, safe and accessible, thereby implementing the Sustainable Development Goals (SDGs) by 2030, meeting the Paris Agreement goals on climate change, and realising the Right to Adequate

1 The #Housing2030 website provides an online resource of best practices, practitioner presentations, webinar recordings and audio podcasts. It also offers a living platform for sharing policy progress among the UNECE community (<https://www.housing2030.org>).

Housing. The Geneva UN Charter on Sustainable Housing, as well as the Housing Partnership Action Plan,<sup>2</sup> recommends that governments, the private sector and the civil society take a more purposeful role in shaping housing systems to deliver outcomes that serve both people and the planet. Policy advice towards a post- COVID-19 recovery from the United Nations Human Settlements Programme (UN-Habitat)<sup>3</sup> and the Organisation for Economic Co-operation and Development (OECD)<sup>4</sup> also guides governments to design and implement much more effective policies that can deliver more affordable, inclusive and sustainable housing now and for future generations.

Reforming housing systems necessarily requires an understanding of the drivers of (un)affordability and (ex) inclusion, which can be found in the operation and interaction of land, investment and labour markets. Drivers of housing outcomes differ between countries, cities and even neighbourhoods. Policy tools need to be designed and adapted to address local conditions and often quite complex causal processes. Typically, several policies need to be used in tandem and their actions coordinated.

Governments need not only the right suite of tools but also the capacity to implement them effectively, as well as to evaluate them over time and adapt to changing conditions. This requires not only the legislated authority and political support but also financial resources, administrative expertise, and stakeholder commitment to achieve the agreed targets. Housing systems are dynamic, and there is no “one best policy” for all time. Policies need to be coordinated purposefully, ensuring complementarity between objectives, key stakeholder roles, resources and actions.

2 Urban Agenda for the European Union, Housing Partnership, “The Housing Partnership Action Plan”, December 2018. Available at [https://ec.europa.eu/futurium/en/system/files/ged/final\\_action\\_plan\\_euua\\_housing\\_partnership\\_december\\_2018\\_1.pdf](https://ec.europa.eu/futurium/en/system/files/ged/final_action_plan_euua_housing_partnership_december_2018_1.pdf).

3 UN-Habitat, *Cities and Pandemics: Towards a More Just, Green and Healthy Future* (Nairobi, 2021), pp. 66-72. Available at [https://unhabitat.org/sites/default/files/2021/03/cities\\_and\\_pandemics-towards\\_a\\_more\\_just\\_green\\_and\\_healthy\\_future\\_un-habitat\\_2021.pdf](https://unhabitat.org/sites/default/files/2021/03/cities_and_pandemics-towards_a_more_just_green_and_healthy_future_un-habitat_2021.pdf).

4 OECD, *Housing and Inclusive Growth* (Paris, OECD Publishing, 2020). Available at [https://www.oecd-ilibrary.org/social-issues-migration-health/housing-and-inclusive-growth\\_6ef36f4b-en](https://www.oecd-ilibrary.org/social-issues-migration-health/housing-and-inclusive-growth_6ef36f4b-en).

Good governance shapes the functioning of different actors in housing systems. It promotes decision-making, policy development and implementation that is well-informed, based on expert knowledge and participatory, while also being accountable and transparent.

With the right financial, fiscal and taxation frameworks, coupled with purposeful housing delivery models and consumer support, policymakers can also shape the housing finance systems we need and ensure investment expands and protects affordable housing opportunities.

Better and fairer housing outcomes can be secured through effective land policies such as public land banking and leasing, land readjustment, land value capture and tax

instruments, and by combining these instruments by way of effective neighbourhood and city planning.

There is a wide range of climate policy tools, combining regulation, non-regulatory policy initiatives, funding and financial incentives as well as awareness-raising and training, that can help to realise both climate-neutral and affordable housing solutions and thereby contribute towards the achievement of international commitments to address climate change and ensure sustainable development.

Figure I summarizes the tools for governance, land policy, finance and climate neutrality defined and illustrated in this report.

**Figure I** Policy tools defined and illustrated in this report

<b>GOVERNANCE TOOLS</b>	Strategic frameworks		Institutions and capacity-building
	Multi-level governance		Setting and monitoring housing standards
	Evidence		Supervision
	Dedicated social and affordable housing providers		Tenant and owner-occupier involvement frameworks
<b>FINANCE AND INVESTMENT TOOLS</b>	Regulating financial institutions	Non-profit provision of social and affordable housing	Subsidizing rents
	Rent setting, indexation and regulation	Microfinancing	Using household savings
	Public loan, grants and purposeful investment	Interest rate subsidies	Loan guarantees and insurance
	Special-purpose intermediaries	Shared equity and costs schemes	Revolving funds for investment in affordable housing
	Taxation to guide investment		
<b>LAND POLICY TOOLS</b>	Public land banking		Public land leasing
	Land readjustment		Land value capture
	City and neighbourhood planning		
	Land-use regulation and inclusionary zoning		
	Land value taxation		
<b>CLIMATE-NEUTRALITY TOOLS</b>	Energy performance-related building regulations		Regulating the urban environment for energy efficiency
	Non-regulatory climate policy initiatives		Financial incentives
	Awareness-raising and training		



# Introduction





## INTRODUCTION

Our homes can offer an oasis for human flourishing in a sustainable living planet. Housing policy plays a key role in achieving this goal. Ensuring sustainable development and realizing the right to adequate housing involves long term strategic effort, requiring well-informed policy design, capable implementation, as well as regular evaluation and adaptation over time. Placing housing at the centre of urban policy accelerates the achievement of the SDGs and goals of the Geneva UN Charter on Sustainable Housing and progresses implementation of the Housing Partnership Action Plan towards the provision of decent, adequate, affordable and healthy housing for all. This study offers many positive policy tools for housing systems in order to deliver more affordable climate- neutral homes across the UNECE region.

#Housing2030 emphasizes the relationship between land, finance and building standards in generating the type of housing outcomes seen today. Effective policy tools can improve access to affordable housing and promote the development of more sustainable living environments.

#Housing2030 recognises that a wide variety of housing systems exists across the UNECE region, where households encounter dynamic and differing market conditions. This report offers a toolbox of policy approaches for customisation, rather than a blueprint, to address unique challenges of, and improve access to, affordable housing. Selecting the right policy tools begins with a thorough understanding of the drivers of unaffordable and inaccessible housing in each country and city.

#Housing2030 offers many positive policy tools to reform and strengthen housing systems to better deliver affordable, accessible and climate-neutral homes. Each tool is illustrated by examples drawn from across the UNECE region, demonstrating how policies have been applied to suit local needs, cultural preferences, and market contexts.

Of global significance, the turbulent first decades of the 21<sup>st</sup> century have brought multiple crises causing financial market instability, driving population movements, aggravating housing unaffordability, and threatening public health. These crises have undermined the achievement of the SDGs. Escalating housing and utility costs have imposed a financial burden on many households, affecting not only those with a low and middle income, but often, young households and those reliant on a single or precarious income.

Household resources are not only eroded by high housing costs. Unaffordable housing also delays family formation and weakens social solidarity. A lack of affordable housing also narrows access to job opportunities, constrains social mobility and diverts investment from more sustainable and productive economic development.

Despite the rapid growth of mortgage markets,<sup>5</sup> access to homeownership has declined across many UNECE countries from the United States to United Kingdom to Greece.<sup>6</sup> Young households find it increasingly difficult to leave the parental home; they rent for longer periods and are less likely to purchase a home.<sup>7</sup> While some rental systems are regulated to provide secure, quality housing at reasonable cost, others offer precarious poverty traps. In recent decades governments have increased public expenditure on housing allowances, while more purposeful capital investment in the supply of affordable housing has declined.<sup>8,9</sup> More balanced public investment, strategic tax incentives and carefully designed regulation can strengthen the social inclusion of housing systems and their role in economic stability and resilience.

5 In the EU27 and the United Kingdom there were EUR 7.6 trillion outstanding mortgages in 2019, accounting for 49 per cent of GDP (European Mortgage Corporation, "A Review of Europe's Mortgage and Housing Markets", *Hypostat*, November 2020, p. 9. Available at <https://hyppo.org/app/uploads/sites/3/2020/11/HYPOSTAT-2020-FINAL.pdf>).

6 Eurostat provides extensive data on housing costs and housing affordability indicators at a national level for EU member states (European Commission, "Sustainable growth for all: choices for the future of Social Europe", *Employment and Social Developments in Europe: Annual Review* (2019), pp. 151-160. Available at [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_19\\_3412](https://ec.europa.eu/commission/presscorner/detail/en/IP_19_3412)).

7 OECD, *Housing and Inclusive Growth* (Paris, OECD Publishing, 2020). Available at <https://www.oecd.org/social/housing-and-inclusive-growth-6ef36f4b-en.htm>.

8 Christian Lennartz, Rowan Arundel and Richard Ronald, "Younger Adults and Homeownership in Europe Through the Global Financial Crisis", *Population, Space and Place*, vol. 22, Issue 8 (November 2016), pp. 823-835. Available at <https://onlinelibrary.wiley.com/doi/full/10.1002/psp.1961>.

9 On average across the OECD, public investment in housing has been declining over the past two decades; see OECD, "Building for a better tomorrow: Policies to make housing affordable", *Employment, Labour, Social Affairs Policy Briefs* (Paris, OECD Publishing, 2021), p. 14. Available at [https://read.oecd-ilibrary.org/view/?ref=1060\\_1060075-0ejk314uil&title=ENG\\_OECD-affordable-housing-policies-brief](https://read.oecd-ilibrary.org/view/?ref=1060_1060075-0ejk314uil&title=ENG_OECD-affordable-housing-policies-brief).

### Housing affordability and unaffordability – what do we need to know?

Policymakers need to have their finger on the pulse of housing affordability and monitor its impacts on different households and the housing market over time. Unaffordable housing is a symptom of a dysfunctional housing system, but treatment requires understanding of its root cause. Well-informed policymakers can tailor appropriate reforms. These may include managing the volume and direction of mortgage investment, maximizing effective use of scarce land and housing resources, better regulation of rent setting and indexing of rental housing, and adjusting income and housing assistance policies. The policy treatment must address the cause to be effective.

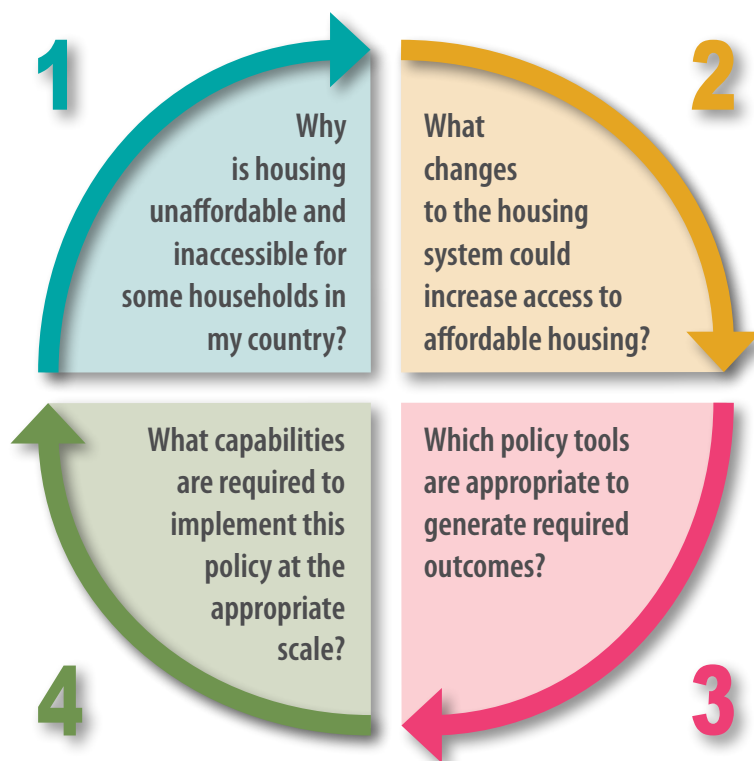
Different affordability measures compete for policymakers' attention.<sup>10</sup> Some measures provide for a simple national overview, such as price-to-income ratios, others can provide nuanced local assessments and consider household priorities and perceptions. While simple measures are easily applied, more sophisticated measures provide greater policy insights. Awareness of affordability challenges faced by different types of households, within different income brackets and with competing budget priorities, is useful; for example, the housing needs and financial means of a young couple with children will be quite different than that of a single retiree. Affordability measures may also reveal the challenges in differing housing tenures (e.g. ownership, private renting, social rental) and locations of the housing market (rural, well-located urban areas), and can focus policy responses to address the specific challenges.

### An adaptable “toolkit” – not a one size “blueprint”

#Housing2030 provides a “toolkit” rather than a universal “blueprint”, that adapts to the different and changing demands of member States and regions. It encourages policymakers to understand the unique drivers of affordable housing in their cities and regions and make well-informed decisions on necessary policy approaches, prompted by four questions (see figure II).

10 Marietta Haffner and Kath Hulse, “A fresh look at contemporary perspectives on urban housing affordability”, *International Journal of Urban Sciences*, vol. 25, Issue sup1 (2021), pp. 59-79. Available at <https://www.tandfonline.com/doi/full/10.1080/12265934.2019.1687320>.

Figure II Process for assessing the tools required to address unaffordable and inaccessible housing



#Housing2030 is a product of a year-long research effort involving country and best practice surveys, thematic workshops hosted by different regions across Europe, expert presentations and informative podcast series. Drawing on the experience of over 50 countries, 100 experts and almost 1,000 workshop participants, the drafting team has prepared four chapters on governance, land, finance and climate-neutral housing. Each chapter outlines and illustrates useful tools which can be tailored to improve housing affordability and address climate change across the UNECE region.

The first chapter concerns good governance tools, which shape the functioning of different actors in housing systems. It promotes decision-making, policy development and implementation that is well informed and participatory while being accountable and transparent.

The second chapter concerns investment in housing. With the right financial, fiscal and taxation frameworks, coupled with purposeful housing delivery models and supports for households, policymakers can also shape the necessary housing finance systems and ensure investment expands and protects affordable housing opportunities.



In the third chapter, the important role of land in affordable housing is addressed. Better and fairer housing outcomes can be secured through effective land policies such as public land banking and leasing, land readjustment, land value capture and tax instruments, as well as by combining these instruments through effective neighbourhood and city planning.

The fourth chapter concerns a wide range of climate policy tools, combining regulation, non-regulatory policy initiatives, investment and financial incentives, as well as awareness-raising and training that can help to realise

both climate-neutral and affordable housing solutions, and thereby contribute towards the achievement of related United Nations and EU climate targets.

#Housing2030 also provides recommendations for policymakers committed to improving affordable housing through effective governance, purposeful circuits of investment, strategic land policy, and instruments for climate-neutral housing. Towards 2030 the project website will continue to provide a wealth of resources as well as a platform for sharing progress by UNECE member States.





## Chapter 1

# GOVERNANCE

Good governance and regulation to support affordability in housing





# CHAPTER I: GOVERNANCE

## Good governance and regulation to support affordability in housing

### What is the importance of good governance to affordable housing?

Good governance shapes the effective functioning of housing systems. Without it, the availability of other factors such as land, capital and expertise might be squandered, or at least not be used to their full potential. Good governance also includes a clear understanding of stakeholder roles, for example national, regional and local government, the judicial system, housing providers, and individual households. It also defines responsibilities and systems of monitoring and accountability for decision-making, policy development, and implementation.

Effective housing governance also promotes a long-term vision for housing, accompanied by clear objectives and the policies necessary to achieve them. The success of housing policies is achieved by responsible stewardship, guiding institutional administration and development, and ensuring an optimal role for all stakeholders. Good governance also enables housing systems to deliver publicly supported adequate, affordable and accessible housing to future generations. The best practices presented in this chapter come from a few cities and regions where the political commitment to deliver adequate and accessible housing was maintained for a long period of time.

Regulation of the housing system is essential to achieve policy objectives and related social outcomes. It can use various tools or approaches to influence housing affordability and accessibility.

Good housing governance supports achieving Sustainable Development Goal (SDG) 11, especially target 11.1: supporting more affordable and inclusive housing systems. Achieving SDG 11 requires policymakers to do more than merely address housing market failures, “gaps” and crises in affordable housing. It needs the development of laws and regulations, implementing and monitoring agencies, and

programmes to improve and sustain access to adequate and affordable housing for all households – especially those unable to meet their housing needs without extra support.

A key ingredient for effective housing policy formation and implementation is knowledge of what mechanisms can help achieve each goal, and what has been effective in similar situations. Figure III summarizes the six key elements of good governance of housing.<sup>11</sup>

**Figure III** Key elements of good governance



Source: SIGMA, Principles of Public Administration. Available at <http://www.sigmaxweb.org/publications/principles-public-administration.htm>.

<sup>11</sup> This figure adapts international guidance for good governance, which stresses these six spheres (“Principles of Public Administration”, <http://www.sigmaxweb.org/publications/principles-public-administration.htm>).

### What “tools” are in the governance policy toolbox?

Governance can seem an abstract subject, at least when compared to land, finance and climate sustainability. This

can make identifying clear policy tools trickier, and some might be better described as approaches or mechanisms.

The governance tools outlined in Table 1 can be adapted to help policymakers improve housing outcomes.

Tool	Definition
<b>Strategic frameworks</b>	Agreed goals and long-term plans that focus efforts of stakeholders towards desired outcomes, often in the form of a national housing strategy.
<b>Institutional capacity</b>	Authority and resources to implement housing responsibilities are provided to relevant stakeholders, such as ministries with clear responsibility for housing, government agencies, land bankers, finance agencies, or social and public housing providers. This may involve political support, legal authority, financial resources, and industry networks and professional skills.
<b>Multi-level governance and partnership</b>	Multi-level governance refers to coordination and sharing of responsibility as well as jurisdictional authority between different actors in housing policymaking and implementation. This can be vertical, between national, regional and local governments, or horizontal, across different government agencies and departments. Multi-level governance structures, such as funding transfers and agreements, can also involve other private and public organizations involved in delivery.
<b>Housing standards</b>	Important housing standards relate to quality (including fire safety), space per occupant (relating to overcrowding), security (freedom from no-grounds eviction), affordability to different income and household types, access for different household groups (youth, aged, migrants) and proximity to key resources (employment, education and recreation).
<b>Evidence</b>	Housing policy should be informed by objective evidence; for example, of the need for adequate housing among different household types and in different locations, as well as disaggregated data on homelessness (including specific drivers).
<b>Supervision</b>	Supervision incorporates a range of governance processes including developing accountability systems, stakeholder participation, and the monitoring and reporting obligations which influence policy outcomes. It also involves mentoring, rectification and enforcement measures.
<b>Dedicated social and affordable housing providers</b>	Governments can have challenges with steering the outcomes of private actors in housing, for example housing developers, builders, or landlords. Thus, having dedicated, publicly controlled or accountable housing providers for, for example, social housing, can help countries intervene more effectively in the housing sector and ensure housing outcomes.
<b>Tenant and owner-occupier involvement frameworks</b>	In some countries, tenants and owner-occupiers play an active role in the governance of their dwellings and neighbourhoods. The extent and nature of this varies significantly, particularly between private condominium housing and different types of rented accommodation; for example, private rented, social, or cooperative housing.

### What governance tools and approaches help to support and enable public, social and affordable housing?

Some form of publicly controlled or supported housing exists in almost every country in the UNECE region. This can include housing directly provided by government or public authorities, or state-supported housing where providers must meet certain social objectives and adopt particular structures such as not-for-profit. However, the role of the social housing sector differs considerably between countries in terms of purpose, composition of providers and scale. While public housing is integral in some housing systems, in others it may be virtually non-existent.<sup>12</sup> The importance of having publicly controlled or supported housing options, from a governance perspective, will be discussed later in this chapter.

Useful approaches and tools for supporting public, social and affordable housing include:

- Clarity of vision, in the form of comprehensive long-term national and local housing strategies, with key stakeholders developing clear, deliverable goals with targets and required actions to ensure all households can access a range of adequate, secure, accessible and affordable housing options
  - High-level committed political leadership as well as administrative responsibility for promoting an affordable and inclusive housing policy
  - Long-term evidence-based multi-stakeholder planning involving local and national authorities, social housing providers and tenant organizations, to devise housing needs assessments – vital for setting delivery targets
  - Framework enabling effective action: legislation, strategic investment, and expert administration
  - Being accountable, inclusive and transparent by setting targets, monitoring implementation of housing policies, regular evaluation, and learning
  - Long-term commitment to the stability, sustainability and feasibility of an affordable housing system, ensuring that policies support good housing standards and access to an adequate housing supply
- Dedicated long-term funding and coordination across multiple layers of government and their departments through legislative authority and intragovernmental agreements
  - Strategic and task-orientated public investment, periodically evaluated and adjusted to address changing housing conditions
  - Establishing and monitoring standards for adequate, affordable and accessible housing across all forms of tenure, including homeownership, private rental, not-for-profit and cooperative housing
  - Establishing dedicated providers and managers of public, social and affordable housing to push delivery beyond electoral mandates - these help to act as effective conduits for the implementation of state housing policies
  - Adaptability and flexibility in regulating the activities of social housing providers, to allow innovation and development of strategies sensitive to highly localized need for affordable housing
  - Well-designed, context-sensitive and regularly evaluated rent-setting policies to ensure access to affordable housing for all who need it.

### How have governance tools been used in practice?

#### Strategic frameworks

Strategic international frameworks for housing system reforms include:

- The United Nations 2030 Agenda for Sustainable Development and its Sustainable Development Goals (see box 1)
- The New Urban Agenda<sup>13</sup>
- The Geneva UN Charter on Sustainable Housing<sup>14</sup>

12 OECD Affordable Housing Database. Available at <http://www.oecd.org/housing/data/affordable-housing-database/housing-policies.htm>.

13 United Nations Conference on Housing and Sustainable Urban Development, "The New Urban Agenda". Available at <https://habitat3.org/the-new-urban-agenda/>.

14 The Geneva UN Charter on Sustainable Housing aims to support countries as they seek to ensure access to decent, adequate, affordable and healthy housing for all. It was endorsed by the United Nations Economic Commission for Europe on 16 April 2015 (<https://unece.org/housing/charter#:~:text=The%20Geneva%20UN%20Charter%20on,and%20healthy%20housing%20for%20all>).

- Guidelines for the implementation of the right to adequate housing<sup>15</sup>
- The Housing Partnership Action Plan<sup>16</sup> of the Urban Agenda for the European Union (EU) also provides an important set of guiding principles for concentrating national efforts on key housing challenges.

**Box 1** United Nations Sustainable Development Goals explicitly relevant to housing

**Sustainable Development Goals – providing clear direction for progress**

**SDG 11:** Make cities inclusive, safe, resilient and sustainable

**SDG 11.1:** By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

**SDG 11.3:** By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries

The New Urban Agenda advises that urban planning practice should put humans and human rights at the forefront of urban sustainable development. A national housing strategy is a key part of a broader national urban policy and should be formulated alongside other relevant policies to sustainably shape more affordable and inclusive housing outcomes.<sup>17</sup>

Housing-related decisions are made at all government<sup>18</sup> levels across various departments, including land, environment, economic development and financial regulation as well as labour and social welfare policies. This multi-layered approach can create challenges, so it

essential to find ways to integrate them such as improved intragovernmental coordination to avoid conflicting strategies.

A long-term national housing strategy can provide all stakeholders with security about the future of the housing sector. Any worthwhile strategy must be feasible, sufficiently resourced, and remain effective, monitored, evaluated and adapted over time.

A housing strategy can include mechanisms to improve housing affordability, such as fair rent-setting and indexing, public investment, and effective use of land and other resources. Strategic actions should be informed by actual industry processes and specify clear standards, targets and responsibilities needed to change practice over time, with periodic evaluations.

Housing strategies should never lose sight of the overall objective to improve housing outcomes for ordinary people, including the development of an environmentally sustainable housing sector. A people-focused housing strategy should view households as unique entities, with similar but specific needs. Therefore, policymakers should develop a spectrum of housing needs, from those requiring urgent need of support, such as homeless people, to those not needing public support to meet their housing requirements. The role that different housing sector segments such as homeownership, private rental, social rental or cooperative will play in this spectrum should be well understood.

An adequately resourced, capably implemented, long-term national or regional housing strategy supports more affordable and inclusive housing outcomes. Innovative affordable housing strategies and programmes need effective political leadership which engages all government levels and adopts whole-of-housing industry consultation and implementation.<sup>19</sup>

15 United Nations High Commissioner for Refugees, "Guidelines for the Implementation of the Right to Adequate Housing". Available at <https://www.ohchr.org/EN/Issues/Housing/Pages/GuidelinesImplementation.aspx>.

16 Urban Agenda for the EU, "Housing Partnership Action Plan on Affordable Housing", December 2018. Available at [https://ec.europa.eu/futurium/en/system/files/ged/final\\_action\\_plan\\_euaa\\_housing\\_partnership\\_december\\_2018\\_1.pdf](https://ec.europa.eu/futurium/en/system/files/ged/final_action_plan_euaa_housing_partnership_december_2018_1.pdf).

17 National housing strategies are an important pillar of housing systems governance, as defined in the UN-Habitat Global Housing Strategy Framework Document. See [http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/SHS/pdf/Workshop-Social-Inclusion\\_UN-Habitat.pdf](http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/SHS/pdf/Workshop-Social-Inclusion_UN-Habitat.pdf).

18 The recent NSW Government guide for producing a local housing strategy provides a useful approach for adaptation to difference contexts, see <https://www.planning.nsw.gov.au/-/media/Files/DPE/Guidelines/Local-Housing-Strategy-Guideline-and-Template.pdf>.

19 Steven Rowley and others, "Government led innovations in affordable housing delivery", *AHURI Final Report No. 289* (Melbourne, Australian Housing and Urban Research Institute Limited, 2017). Available at <http://www.ahuri.edu.au/research/final-reports/289>.



**Box 2** What is the rationale for making a housing strategy?**Arguments in favour of strategic housing frameworks:**

- ✓ Creates a framework for promoting common good and resolving conflicts.
- ✓ Clarifies the role of various stakeholders.
- ✓ Brings together information and expertise from various areas.
- ✓ Informs and stimulates public discussion and debate.
- ✓ Defines priorities.
- ✓ Provides momentum for reform.
- ✓ Provides direction and defines the scale of effort required.
- ✓ Defines tangible and feasible actions.

**Constraints to effectiveness of strategic housing frameworks:**

- ✗ May not have wide support.
- ✗ It is either too short or too long-term.
- ✗ Well-presented, but is not given sufficient resources needed to succeed.
- ✗ Isolated from other relevant policy efforts.
- ✗ Progress is not always sufficiently monitored or reported.
- ✗ It can become outdated and obsolete quite quickly.
- ✗ May become redundant when a new chief executive, Minister, or Government is installed.

The following are examples of successful strategic housing frameworks which focussed on housing system reforms:

## Cooperation through the “Urban Agenda for the EU” Housing Partnership Action Plan

The Housing Partnership of the Urban Agenda for the EU used an evidence-based and consultative process, enhancing knowledge and promoting action to improve legal and financial conditions for EU cities to invest in new or renovated affordable housing. The Partnership involved representatives of EU Member States, cities, housing providers and tenants, as well as EU institutions and programmes. The partners prepared papers on ten selected themes and consulted extensively with the public, as well as with the European Commission and Parliament.

The EU Housing Partnership Action Plan proposed several key actions. These included improving support and policy guidance to develop European affordable housing, EU-level dialogue on housing matters, reformed funding structures or state aid rules, and improved housing issue monitoring through the European Semester process. “The European Semester provides a framework for the coordination of economic policies across the European Union. It allows EU countries to discuss their economic and budget plans and monitor progress at specific times throughout the year.” ([https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester\\_en](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester_en)).

The Partnership made specific recommendations on governance. For example, reducing the EU housing overburden rate - the percentage of household disposable

income spent on housing - from the current high rate of 40 per cent. It also recommended greater participation and protection of tenants in renovated dwellings, plus subsidies to ensure affordability after dwelling renovation. Mindful of the current emphasis on renovation, the Action Plan stressed strengthening the role of tenant organizations in the advocacy and rent-setting processes.

Given the continuing importance of land policies in supporting affordable housing development, the Action Plan advocates the use of land value capture and conditional land leasing (see chapter 3 for more on this topic). Finally, recommendations were made about developing rules and interventions to encourage cost-effective construction of good-quality housing, as well as measures counteracting housing market speculation to protect scarce affordable housing resources (see chapter 2).

## Housing strategy of Scotland, United Kingdom – a strategic investment

The successful Scottish housing strategy “More Homes Scotland”,<sup>20</sup> was formulated in response to the region’s increasingly high affordable housing need. Annual targets for social and affordable housing were set and met through proactive strategic interventions. These included capital grants for social housing construction and funding for shared equity affordable homeownership. There were also grants to construct affordable rental housing for key workers: nurses, teachers, policemen, electricians and so on.

20 The Government of Scotland website provides many useful links to its housing strategy and related programmes (<https://www2.gov.scot/Topics/Housing>).

The Scottish government set an overall implementation budget, providing robust information on housing needs to every local government area, which was disaggregated into private, affordable and social rental housing segments, as well as the needs for affordable homeownership. This enabled local government to focus on the planning and investment required to deliver these localized housing needs. As part of the Strategy, the Housing Needs Demand Assessment tool<sup>21</sup> was developed. This operates throughout Scotland and communicates reliable housing need information to local stakeholders, informing and building consensus for joint local action and investment.

The Strategy also aimed to improve existing dwellings. For example, it enhanced private rental sector regulation, facilitating longer-term tenancies, strengthened legal dispute mechanisms, and abolished “no-fault” evictions, all leading to more balanced tenant-landlord relations. Energy efficiency standards were also introduced in rental housing, and the rights of homeless people to adequate housing have gained significant focus as well.

To promote home ownership among younger people, the Strategy provided subsidies to young first-home buyers, to be recycled when properties are resold. Long-term soft loans are repaid or recycled when equity loans are returned.

Expert reviews suggest that the Strategy has been successful, and, despite the disruptions of the COVID-19 pandemic, is on track to meet its 50,000-unit target by 2021. To ensure this, more frequent needs assessments will be required, as well as more focused intervention evaluations, necessitating strategic monitoring. The Scotland Strategy has provided an example to the United Kingdom: for instance, Wales and Northern Ireland have developed similar needs-based assessment mechanisms and affordable housing supply programmes.<sup>22</sup>

With the current Scottish housing strategy about to finish, the government outlined a new long-term housing strategy (Housing to 2040) in early 2021. Its central goal is: “for everyone to have a safe, good quality and affordable

home that meets their needs in the place they want to be.”<sup>23</sup> Planned actions include the delivery of 100,000 new affordable homes by 2031/32 and continued effort to improve the climate-neutrality of peoples’ homes.

#### Feasible plans of the Slovakian State Housing Policy

The Slovakian State Housing Programme (SSHP)<sup>24</sup> has used a series of five-year plans and is a good illustration of long-term cumulative housing reform. While Slovakia experienced upheavals during transition in the early 1990s, including mass privatization of its housing stock, it has since actively built the legal and financial architecture required to gradually improve and adapt its housing system. The SSHP recognizes the leading role of the government in creating legal and investment conditions that improve access to housing, particularly for low-income households. It has pursued this role in a step by step, strategic and well-integrated manner, working across related policy areas – from justice and finance to social affairs and regional development.

The 2010-2015 Programme gave central importance to sustainability – defined as being supported by social, economic and environmental pillars. The completed plan made fundamental progress in terms of legislation, mission-focused institutions and programmes, contributing to better-functioning housing markets and involving action by Parliament and six different ministries. The reforms were completed within the planned timeframe (2011-2014). These clearly specified tasks have built an institutional and legal framework with improved access to housing and improved technical quality, thereby improving energy efficiency and durability.

Challenges still exist and the most recent SSHP (2020) builds on past efforts to address them. It continues successful SSHP subsidy programmes and activities and also clearly outlines new priority tasks for specific ministries.

21 Government of Scotland, “Housing Need and Demand Assessment”. Available at <https://www.gov.scot/publications/hnda-tool>.

22 Professor Ken Gibb of the UK Collaborative Centre for Housing Evidence presented on the National Housing Strategy of Scotland at the 2018 Affordable Housing Conference in Sydney, see <https://www.youtube.com/watch?v=IXOaFfEok6M>.

23 Government of Scotland, “Housing to 2040”. Available at <https://www.gov.scot/publications/housing-2040-2>.

24 Slovakia, “State Housing Policy Concept to 2020 of Slovakia”. Available at [https://www.employment.gov.sk/files/ministerstvo/ksbp\\_en\\_final\\_version.pdf](https://www.employment.gov.sk/files/ministerstvo/ksbp_en_final_version.pdf).

Some of the completed tasks include:

- Updated regulations on rents for dwellings acquired using public funds
- A review of tax instruments supporting investment in rental housing
- Development of a feasibility model of housing allowances to create conditions for sustainability of adequate housing
- Investigation of a legal framework, regulatory system for providers, and implementation tools for not-for-profit housing provision
- Assessment of the adequacy of legal rights and responsibilities associated with short-term tenancies.

#### From silos to systemic reform – the National Housing System strategy of Malta

Malta has recently pursued a new vision for housing policy development. Taking a culturally sensitive approach has been central to this, reflecting on new realities brought about by economic progress, migration, and new household formation trends. This perspective stresses the value of social relationships in homes and neighbourhoods, as well as the importance of participatory governance to accommodate a multi-ethnic and heterogeneous population.

In August 2020, the Ministry for Social Accommodation launched its first National Housing System strategy.<sup>25</sup> This followed the 2018 work of the Parliamentary Secretariat for Social Accommodation, which sought to diversify the housing market by using short, medium and long-term goals. These included private rented sector regulation, affordable housing development, and specialized housing programmes regenerating abandoned or dilapidated properties.

The strategy shifts away from a fragmented, bureaucratic approach and puts human well-being at the centre of housing policy and the built environment. This will be achieved through multiple housing pathways, including innovative financial initiatives, restructuring housing

benefits, and security of tenure improvements. Tangible examples of specific policy reforms include:

- Implementation of the Private Residential Leases Act (2020)
- Building 1,700 new social housing units
- Development of a financial and operational method for affordable housing
- Implementation of a new housing pathway under the Sustainable Communities Fund for Specialized Housing, primarily for the benefit of vulnerable groups.

Interestingly, a “project-based” approach has been developed to accommodate the different household and family structures created by rapid social and economic change. In this process, design competitions connect and integrate the social and built environment and service-provision elements of the strategy through a two-stage process:

- (a) An open call is issued to non-governmental organizations (NGOs), community-led projects, religious organizations, community land trusts (CLTs), and housing cooperatives to put forward proposals
- (b) An open call to all independent architects and architectural practices is made to enter an international design competition responding to community-based proposals.

For projects involving workshops between NGOs, architects and the community, the social dimension is incorporated at the research stage.

In this process, new collaborations have also been established between the Chamber of Architects and Civil Engineers, the Housing Authority, and the Ministry for Social Accommodation. Post-implementation evaluation ensures a “social value” requirement is delivered, and ongoing monitoring ensures social objectives are sustained. The evaluation also informs future programmes and projects.

### Institutions and capacity-building

Capable, sufficiently resourced institutions are essential for turning policy objectives into good practice. These can take many forms from national legislation to housing Ministries, by way of specialized housing agencies or strategic alliances between local government and housing providers.

Effective institutions are led by engaged policy leadership which is well-connected to central government agencies. This can guide policy implementation, ensuring key actors

25 Malta, “National Housing System: A Strategy Towards Sustainable Homes and Neighbourhood”.

sustain and adapt the innovative approaches required by changing circumstances. To deliver plans,<sup>26</sup> housing institutions also need appropriate human and capital resources, gather adequate political support, and promote knowledge among the broader population.

Leadership is a prerequisite for implementing effective governance. Housing leadership begins with high-level commitment from political leaders, and managers of key public agencies. Public leadership is often from a dedicated Housing Minister with an agency directly responsible for coordinating housing policy across relevant government departments, from finance and environment to economic and social policy. Establishing effective relations with other levels of government and stakeholders is also vital; this is discussed further in the section of this chapter on multi-level partnerships.

More than leadership, institutions need adequate resources such as staff, financing and legislative authority to provide the internal and external capacity to meet their housing objectives. Properly resourced housing institutions serve a clear, long-term and market-shaping role. They help to create purposeful norms in housing practice - vital to affordable housing provision. Common examples of housing-related institutions include dedicated housing agencies which can use key housing resources such as land, finance and management to create affordable housing and inclusive, sustainable urban policy. These agencies are also market leaders, setting standards and taking risks, as well as promoting successful new approaches, thereby driving system-wide change. This section outlines some examples.

Well-designed market-shaping institutions can drive patterns of investment, production, and consumption in affordable housing that promote good practice while increasing the cost of non-compliant or harmful practice. It is important that the work of these institutions is authorized and guided by legislation. Effective rules and regulatory processes will also guide other market actors, further reinforcing successful housing systems, as will monitoring their compliance.

Relevant institutions may be public agencies or non-government bodies, depending on historical practices and cultural norms. For example, in many parts of the UNECE region, municipalities play a key role in affordable housing provision alongside co-operatives, not-for-profit housing associations and charitable housing organizations. Governments and parastatal organizations may have different responsibilities for managing aspects of planning, development, financing and social/affordable housing. Some governments have delegated certain roles to organizations with specialized knowledge and experience, for example homelessness support. However, delegating roles does not imply that governments are taking away their responsibility for providing affordable housing or preventing homelessness.

How different strategies intertwine to ensure effective housing policy implementation is demonstrated in table 2.



26 Australian Housing and Urban Research Institute, "Ready for growth? Inquiry into Australia's affordable housing industry capacity", April 2017. Available at [https://www.ahuri.edu.au/data/assets/pdf\\_file/0016/12832/Ready-for-growth-Inquiry-into-Australias-affordable-housing-industry-capacity-Visual-Report.pdf](https://www.ahuri.edu.au/data/assets/pdf_file/0016/12832/Ready-for-growth-Inquiry-into-Australias-affordable-housing-industry-capacity-Visual-Report.pdf).



**Table 2** Strategies for creating capacity to deliver on housing policies

Components of capacity	Necessary conditions	Potential capacity-building solutions
<b>Political capacity</b>	<ul style="list-style-type: none"> <li>Continuing political will or commitment to pursue a policy outcome or support projects</li> <li>Establishing and maintaining a consensus-building approach across different organizations and levels</li> </ul>	<ul style="list-style-type: none"> <li>Housing responsibilities clearly defined in constitution or legislation</li> <li>Dedicated national or regional housing minister</li> <li>Long-term agreements supporting growth of housing assets and services</li> </ul>
<b>Policy capacity</b>	<ul style="list-style-type: none"> <li>Robust understanding of the context and key drivers of housing outcomes</li> <li>Anticipating future needs and adapting as needed</li> <li>Supporting specific housing outcomes which are adequately resourced and feasible</li> <li>Setting realistic goals, budgets, and deadlines to produce the targeted outcomes</li> <li>Well-administered and enforceable policies</li> </ul>	<ul style="list-style-type: none"> <li>Sufficient research and pre-planning undertaken during the project design stage</li> <li>Benchmarking other jurisdiction or country experiences prior to finalizing policy design</li> <li>Ensuring that policy proposals are thoroughly evaluated and deemed fit-for-purpose</li> </ul>
<b>Financial capacity</b>	<ul style="list-style-type: none"> <li>Availability of sufficient capital/financial resources</li> <li>Continued investment and engagement of stakeholders</li> <li>Determining if extra-budgetary resources are required</li> <li>(See also chapter II on investment and financing)</li> </ul>	<ul style="list-style-type: none"> <li>Allocation of multi-year (vs fiscal year) funds for budget approvals</li> <li>Mechanisms for allocating grants/funds.</li> <li>Establishing revolving funds to channel and sustain investments</li> </ul>
<b>Agency staff capacity</b>	<ul style="list-style-type: none"> <li>Sufficient staffing to execute policy and project goals.</li> <li>Sufficient skills or staff training</li> <li>Structure with clear responsibilities and accountability</li> </ul>	<ul style="list-style-type: none"> <li>Implementing a robust training scheme</li> <li>Engaging dedicated affordable housing staff with specialized experience</li> </ul>
<b>Project capacity</b>	<ul style="list-style-type: none"> <li>Projects accurately assessing local needs and constraints</li> <li>Skills in project development</li> <li>Local providers of social, affordable or not-for-profit housing able to advise on feasibility in a given context</li> </ul>	<ul style="list-style-type: none"> <li>Invest in-house project management capacity</li> <li>Specialist experts engaged when necessary to assist with project design</li> <li>Pool and share expertise in affordable housing development</li> <li>Form commissioning groups to share experiences and exert economies of scale</li> </ul>
<b>Stakeholder capacity</b>	<ul style="list-style-type: none"> <li>Having competent external affordable-housing stakeholders, willing to deliver housing policy outcomes</li> <li>Robust and constructive relationships with regulators, funders, industry groups and peers</li> <li>Availability of skilled labour force</li> <li>Engagement of community, and involvement of end-users in management</li> </ul>	<ul style="list-style-type: none"> <li>Legislation enabling housing associations and advocacy groups to play a critical and constructive role</li> <li>Funding and partnership agreements with appropriate stakeholders</li> <li>Training and support for expert labour force, residents, and volunteers</li> </ul>

Source: Adapted from Norman Glickman and Lisa Servon, "More than bricks and sticks: five components of community development corporation capacity", *Housing Policy Debate*, vol. 9, Issue no. 3 (31 March 2010), pp. 497–539; Vivienne Milligan and others, "Developing the scale and capacity of Australia's affordable housing industry", *AHURI Final Report No. 278* (April 2017).

Some of the arguments in favour of, and against developing strong institutions to drive forward better outcomes in housing systems are outlined in table 3.

Table 3 What is the rationale for housing institutions and capacity-building?	
Arguments in favour of housing institutions	Arguments against housing institutions
<ul style="list-style-type: none"> <li>✓ Brings together isolated areas of housing policy.</li> <li>✓ Coordinates and focuses stakeholder efforts.</li> <li>✓ Increases likelihood of adequate resourcing.</li> <li>✓ Increases the likelihood that housing policy will be effective in addressing key political and societal concerns.</li> <li>✓ Enables staff of policymaking and delivery agencies to work together effectively.</li> <li>✓ Increases the confidence of the public that their housing concerns are being addressed.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Electorate may not support greater resourcing for affordable and inclusive housing development.</li> <li>✗ Housing requires long-term solutions and planning, which institutions based on 4-year election cycles may not be able to provide.</li> <li>✗ Uses up resources which could be dedicated to other pressing policy priorities.</li> <li>✗ Ambitions rarely match capabilities.</li> <li>✗ May require substantial financial and personnel resources to operationalize.</li> <li>✗ May be too slow to anticipate adverse political and economic challenges.</li> </ul>

The following are some practical examples related to housing institutions and capacity-building:

Housing Finance and Development Centre (ARA), Finland

The Housing Finance and Development Centre (Asumisen rahoitus- ja kehittämiskeskus - ARA) of Finland is an example of a goal-oriented, sufficiently resourced, and effective public agency charged with improving housing outcomes. ARA works closely with central and municipal governments concerning land management, finance, monitoring and evaluation. Integrated neighbourhood

planning incorporating affordable and social housing has always had an important role in Finland - one in three homes are built with state support.<sup>27</sup>

ARA operates as a public agency under the Ministry of the Environment and manages an off-budget fund for a wide range of housing support models from student housing to care homes for the elderly. These are primarily in the rental sector but may soon move into affordable homeownership through guarantees and direct loans to households. Where access to finance is difficult due to market failures, ARA invests in and monitors the production, management and use of dwellings funded by state grants and interest-rate subsidies. It also audits not-for-profit businesses making use of public subsidies, minimizing risks to residents, providers and public investment.



Photo credit: Responsible Housing Awards 2019.

ARA is a state-funded institution, receiving over EUR 6 million each year. Grants, interest rate subsidies and guarantees are covered from the Housing Fund of Finland (known as VAR), which is a separate fund from the annual budget. While the state housing fund is off-budget and outside the financial framework, use of its resources

27 The Ministry of Environment Housing Policy Working Group of Finland takes a stand on subsidies for housing production and the quality of housing (<https://ym.fi/-/asuntopoliittinen-tyoryhman-ottaa-kantaa-asuntotuotannon-tukiin-ja-asumisen-laatuun>).

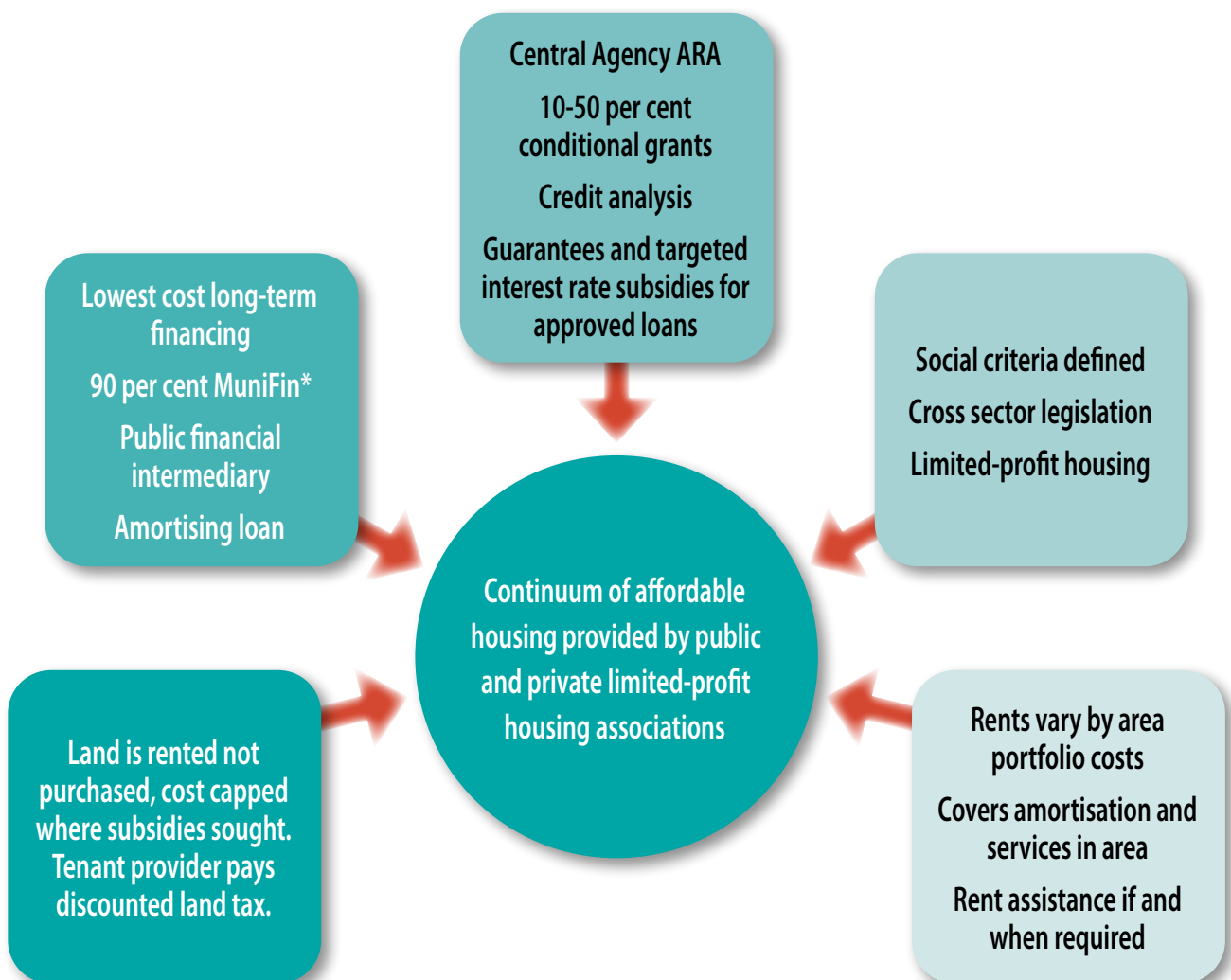
increases government borrowing and deficits. The use of the Fund is mandated by Parliament approval, but its resources are declining as interest rate subsidies are paid out.

Meantime, ARA also disburses subsidies for social housing production. It also provides interest-subsidized loans to ensure provision of reasonably priced good-quality housing for people who cannot afford suitable housing. Interest subsidies are intended solely for the benefit of the residents; non-profit corporations do not financially gain from them.

ARA also has an important role in monitoring use of public funds and auditing the not-for-profit housing organizations which receive them. This is based on annual declarations of performance and related financial statements. ARA requires declarations of public benefit and undertakes on-site and in-depth inspection visits to ensure that public housing objectives are met.

On rare occasions housing providers do not meet their legal obligations, putting their organizations and residents at risk. ARA conducts regular thorough audits of provider performance and makes recommendations for improvement and to rectify transgressions. When required, ARA acts to enforce change in the provider's behaviour.

**Figure IV** Organization of affordable housing investment in Finland



Source: Julie Lawson and others, "Social housing as infrastructure: an investment pathway", AHURI Final Report 306, (Melbourne, Australian Housing and Urban Research Institute Limited, 2018). Available at <http://www.ahuri.edu.au/research/final-reports/306>.

\* MuniFin (Municipality Finance Plc) is one of the largest credit institutions of Finland.

### Municipal Housing and Rehabilitation Institute and “Right to Housing” Plan – Barcelona, Spain

The Barcelona City Right to Housing Plan (2016-2025)<sup>28</sup> is based on its commitment to international human rights treaties – the “Right to Adequate Housing” and the “European Pillar of Social Rights”. The Plan has four dimensions: preventing and addressing the housing emergency, ensuring housing serves a social function, increasing the number of affordable flats, and renovating existing housing stock. Each dimension includes several actions, involving 59 measures in total.

Historically, Barcelona had a variety of public agencies involved in housing policy implementation at local government or intergovernmental level. Delivering integrated housing policies requires a strong joined-up approach to bring together all housing-related services. In 2017, to increase coordination, the Barcelona Municipal

Housing and Rehabilitation Institute (Institut Municipal de l’Habitatge i Rehabilitació de Barcelona - IMHAB) was established as the municipal body responsible for the promotion and construction of public housing, management of housing stock and rehabilitation of flats and buildings. IMHAB is also an outcome of strong and focused local leadership, which aimed to reform the disjointed housing system.

The housing reforms in Barcelona also demonstrate how public institutions can build effective partnerships with third parties and how residents can be involved in delivering their own housing needs. The Barcelona Council for Social Housing (Consell de l’Habitatge Social de Barcelona – CHSB) organizes activities for residents, such as debates and meetings to formulate proposals for housing-related action. The results are published as official reports, which reflect the expertise and experience of residents, and the benefits of consulting them to come up with improved housing policies.

**Photo 2** Social housing in Barcelona, Spain



*Photo credit:* Habitatges La Borda SCCL, Responsible Housing Awards 2019.

28 This description draws on the United Nations SDG Partnerships Platform, see <https://sustainabledevelopment.un.org/partnership/?p=34116>.



### Capacity-building in a post-transition nation – housing reforms of the Republic of Moldova

Since 1991 the Republic of Moldova has greatly improved its housing legislation, adopting legal reforms and implementing programmes to address the needs of vulnerable households and first-time home buyers. This has been necessary in the context of transitioning from a planned economic system to an open system. While greater implementation plus laws required to advance social housing provision are still needed, the Government is committed to building its capacity for housing policy execution.

Recently, the Republic of Moldova has established the following housing initiatives:

- 2015 - a new housing law which reforms the entire housing policy agenda and sets new principles for regulating housing relationships, including the allocation of social housing
- 2018 - a new condominium law, which provides a legal basis for more efficient management, use and maintenance of multi-apartment housing and its common assets
- 2019 - a modernized Civil Code, regulating the procedure for homeowners to acquire the rights to the public lands on which their residences are built.

The Republic of Moldova has also forged partnerships with regional development banks and local commercial banks to finance energy efficiency measures in residential buildings, as well as to boost technical building capacity among local building suppliers and construction workers. It has invested funds from the Council of Europe Development Bank (CEB) to build around 700 homes for about 2,500 vulnerable people. These were allocated by the local public administration authorities using fairly defined selection criterion. It has also developed programmes to facilitate access to home purchase by providing State guarantees on mortgages on first-home loans to beneficiaries aged 18-50 years.<sup>29</sup>

29 UNECE, *Country Profiles on Housing and Land Management: Republic of Moldova* (New York and Geneva, United Nations, 2015). Available at <https://unece.org/housing-and-land-management/publications/country-profiles-housing-and-land-management-republic>.

### Increasing capacity through training and knowledge sharing – the Estonian Union of Co-operative Housing Associations

In 2018, new legislation was introduced in Estonia enabling homeowners in apartment buildings to form cooperative “apartment associations”. The Estonian Union of Co-operative Housing Associations (Eesti Korterühistute Liit - EKYL) has 1,400 local member organizations and supports the managers’ network for the roughly 23,000 cooperative buildings across the country.

One of the key roles of EKYL is to offer training in both legal and day-to-day management issues for apartment cooperative managers, as well as providing opportunities for association managers to improve their knowledge and exchange experiences. Each year an estimated 4,500-5,000 people from various cooperatives are trained - board members, bookkeepers and executive directors (<https://ekyl.ee/en/training/>).

The training is delivered in various formats: seminars, information days, short courses, summer schools and study trips, as well as annual conferences. Certified training courses incorporate different types of sessions, including a 120-hour supplementary training for executive directors. The training covers legal issues, management, renovation, and national and international housing policy developments. According to participants, the training system strengthens cooperative housing through knowledge exchange and empowerment, as well as enhancing the role of members in social developments, housing economy and improving the living environment.<sup>30</sup> An official diploma, recognized by the Estonian Ministry of Education, is awarded to graduates.

### Competition frameworks in Vienna, Austria – co-opting the capacity of external housing experts

The capital of Austria, Vienna, is also one of the country’s federal provinces (länder) and has a well-established mechanism for commissioning housing developments involving development competitions. Like CHSB in Barcelona, the Viennese system finds a way to boost

30 Estonian Union of Co-operative Housing Associations, see <https://ekyl.ee/en/training/>.

public capacity for affordable housing development by co-opting some of the expertise and resources of external partners and involving the community.

Since 1995, “Wohnfonds Wien” - the city’s land banking corporation (outlined in detail in chapter III) – has operated a “four-pillar” competitive land allocation system, open to all developers. The winner is required to build their proposed development under conditions set out in the Viennese Housing Promotion Scheme, which includes a cost limit on rent currently set at approximately EUR 5/m<sup>2</sup>.

A public jury evaluates competition proposals according to quality, cost of construction, rent levels (which must be cost-based), value for money, architectural design, future maintenance costs, and environmental, ecological and social sustainability. The last criterion refers to creating positive inclusive communities, promoting greater social mix, and increasing tenant participation in subsidised housing developments. The jury has a two-year term and consists of structural and landscape architects, housing industry representatives, experts in ecology, economy, and law, as well as representatives from the city of Vienna and Wohnfonds.

Vienna boasts some of the most stable, innovative and high-quality examples of social housing in the UNECE region. Creating an effective governance framework which promotes competition between experts from different areas of affordable housing provision and social sustainability, has effectively leveraged mission-focused and capable partners for housing development. It has also promoted quality, value for money and innovation in housing design and neighbourhood planning. To replicate such policies elsewhere, public institutions, including universities, must play their role in developing skills and capacity among all relevant stakeholders: policymakers, financiers, builders, providers and residents.

External leadership in promoting specific approaches to housing provision – the Housing First Europe Hub

Policymakers can champion new approaches by learning from others. The work of researchers, social housing providers or civil society groups can therefore help develop new approaches.

The Housing First European Hub promotes knowledge exchange on the application of an emerging and promising

new approach to housing provision and homelessness prevention. Housing First prioritizes the early provision of housing for homeless people, rather than putting barriers between them and their access to possible housing. Emerging from the United States in the 1990s, variations of this new model have been adopted in several European countries, as well as Canada.<sup>31</sup> Research<sup>32</sup> has examined the application of Housing First in the United States and found that 88 per cent of those in the programme retained their housing for two years compared to 47 per cent in more traditional programmes.

The Housing First Europe Hub is a network of organizations, housing providers, foundations and governments which provides a platform to share learning and to scale up the approach. The Hub partners have produced a Housing First Europe Guide, which illustrates how the approach has been implemented in different European settings and is available in different languages from the FEANTSA website.<sup>33</sup>

## Multi-level governance

Governments typically comprise many interwoven organizational responsibilities over multiple levels: national, regional, and municipal or local. How these different roles and jurisdictions influence housing and urban policy varies between countries. In the UNECE region, housing policy has often been devolved to regional or local administrations, with the national government playing a secondary role. However, many responsibilities retained by national governments, such as taxation, public expenditure and social policy profoundly affect housing outcomes. Ideally, public actors have well-defined roles with coordinated policy and resource and transfer agreements to achieve universal adequate housing.

31 AHURI, “What is the Housing First model and how does it help those experiencing homelessness”. Available at <https://www.ahuri.edu.au/research/ahuri-briefs/what-is-the-housing-first-model>.

32 Guy Johnson and others, “Policy shift or program drift? Implementing Housing First in Australia”, *AHURI Final Report*, no. 184, Anne Badenhorst, ed. (Melbourne, Australian Housing and Urban Research Institute Limited, 2012). Available at <https://www.ahuri.edu.au/research/final-reports/184>.

33 Nicholas Pleace, *Housing First Guide Europe*. Available at [https://www.feantsa.org/download/hfg\\_full\\_digital1907983494259831639.pdf](https://www.feantsa.org/download/hfg_full_digital1907983494259831639.pdf).

In practice there can be a misalignment between those who can raise revenue through taxation and borrowing and those charged with developing and implementing housing policy. Therefore, even the most active city leaders may be unable to address housing and urban challenges without deference to legislative aid, fiscal instruments, and resources from national governments. National governments therefore remain crucial partners in devolved governance arrangements, as they can establish appropriate powers across all jurisdictions and support strategic revenue-sharing arrangements while enabling action at sub-national and city level innovation.<sup>34</sup>

Therefore, delivering affordable housing typically involves multiple policy tools working in concert, which requires strong multi-level governance (MLG) and partnership arrangements. MLG refers to the coordination of responsibility between different tiers of government (sometimes referred to as vertical coordination) or across different agencies and departments (horizontal). Such structures can also include private and public actors/organizations involved in projects, programmes and policies.<sup>35</sup> The rationale for multi-level governance of housing is summarized in table 4.

MLG mechanisms and tools can enable policymakers to coordinate affordable housing policy more effectively. These mechanisms may be formalized in legislation, activated via a national strategy, embedded in federal state agreements and fostered through long-term partnerships, characterized by constructive collaborative bargaining processes.

**Table 4** Rationale for multi-level governance in housing policy

Arguments in favour of multi-level governance	Arguments against multi-level governance
<ul style="list-style-type: none"> <li>✓ Coordinates fragmented areas of housing policy effort.</li> <li>✓ Increases the effectiveness of housing policy making and implementation.</li> <li>✓ Links those raising revenue and finance with those responsible for providing housing and services.</li> <li>✓ Can help avoid duplication of work between different stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>✗ May undermine the ability of local government to respond to local housing needs and preferences.</li> <li>✗ May mean that parts of the housing policymaking, and implementation system are less nimble and flexible because they need to consult with other parts of government before making decisions.</li> </ul>

The following are some examples of the MLG tools successfully employed in different countries:

Multi-stakeholder “performance agreement” – consensus-based delivery of Dutch social housing

The successful delivery of new social housing requires the participation of multiple stakeholders, including residents.

In the Netherlands the government has developed a performance agreement system where local authorities, housing providers and tenant organizations negotiate and agree on local housing delivery targets and “performance indicators”. These concern not just the quantity of housing required but also the location, building form and dwelling sizes required, reflecting the needs of low- and moderate-income households.

The preparation of the performance agreements therefore requires detailed quantitative and qualitative data monitoring of social and demographic changes (more on this later in this chapter). The social housing providers and tenants must also agree on rent increases and fair processes for dealing with arrears or income loss to sustain secure and affordable tenancies. Agreements on these issues can create trust, certainty and transparency between tenants

34 Julie Lawson and other, “Transforming public housing in a federal context”, AHURI Final Report No. 264, Australian Housing and Urban Research Institute Limited. Available at <https://www.ahuri.edu.au/research/final-reports/264>.

35 Pier Domenico Tortola, “Clarifying multilevel governance”, *European Journal of Political Research*, vol. 56, Issue 2 (May 2017), pp. 234-250.

and social landlords. So far, such agreements do not cover commercial landlords.

While the system of performance agreements has existed in the Netherlands for many years, it became formally part of housing legislation only with the new Housing Act of 2015. In 2020, researchers evaluated a key goal of this system - that tenants be more effectively involved when making performance targets and agreements.<sup>36</sup> They found that more agreements are being made and the proportion of agreements signed by tenants' organizations has risen sharply. However, addressing asymmetries in stakeholder access to information, resources and professional expertise would further improve tenant involvement.

#### Multi-stakeholder municipal housing partnership in Albania

Albania approved a new social housing law in 2018, overhauling a system hindered by lack of resources, and this once again highlights the importance of capacity-building. The new law introduced a framework to provide more inclusive and affordable housing for the most disadvantaged families, and to fulfil international obligations on the right to adequate housing. On top of existing social and affordable housing programmes and fiscal instruments, the law enables housing programmes to provide temporary and specialized housing for persons with special needs, and to improve housing and infrastructure for poor and vulnerable families. Important innovations include the creation of a public social housing fund and specific local government and private sector obligations on the development of social housing.

These new developments were informed by experience from an earlier multi-level governance project, which demonstrated how capacity can be built gradually from one initiative to the next. It involved an innovative partnership project in 2005-2011 between the Albanian Ministry of Finance, CEB, and eight municipal governments. The project combined CEB and national government financial resources and was managed by the local authorities. CEB contributed 48 per cent of

the project costs through a EUR 15 million loan. The municipalities contributed 49 per cent to costs in the form of land and project management and the remaining 3 per cent was covered by the State in construction costs and value-added tax (VAT) reimbursement, covering the cost of borrowing.

To manage the project a "Coordination Unit" was established at the Ministry responsible for housing, along with eight municipal project implementation units (PIUs) within local government administrations. The municipalities, through the PIUs, were responsible for the whole project cycle, including design, procurement, financing and supervision, as well as property registration and allocation and management of completed apartments. Staff involved in the processes acquired new skills through the training provided.

The project took some time to complete, and there were challenges and achievements along the way. Managing and disbursing funds in euro and local currencies, coming from different sources - local and State budgets and revenue from value-added tax (VAT) reimbursements - proved complicated.

However, the project was generally a success, delivering 1,138 social housing units in eight municipalities for around 4,000 people. It also made possible other policy implementation, such as property transfer from the state government to the municipalities, and its registration. It also was a test for local borrowing, which was later embedded in a law and has informed the development of a dedicated social housing fund in 2018.

A new social housing programme, introduced in 2018, includes annual calls for funding adaptation/reconstruction of existing public buildings (for instance, former industrial or administrative buildings) according to social housing standards.<sup>37</sup> This takes into consideration the fiscal capacities of local governments. This new social housing project provides a good example of vertical cooperation.

36 S J G Plettenburg and others, "Performance agreements to ensure societal legitimacy in the social housing sector; an embedded case study of implementation in the Netherlands", *Journal of Housing and the Built Environment*, vol. 36, Issue 1 (January 2021).

37 United Nations Development Programme Albania, "Social Housing Design and Construction in Albania: A Review of Existing Norms and Proposed Guidelines". Available at <https://www.al.undp.org/content/albania/en/home/library/poverty/social-housing-design-and-construction-in-albania.html>.

### Integrated Housing Need Demand Assessment and Strategic Housing Investment Plans of Scotland, United Kingdom

The Scottish Housing Need Demand Assessment (HNDA) process and Strategic Housing Investment Plans (SHIPs) are an illustration of effective national and local cooperation as well as purposeful resource allocation. HNDA and SHIP use estimated housing need and demand for different types of housing along with local housing strategies to better plan how housing investments should be applied and developments promoted.

As the statutory housing authority, local authorities are required to prepare Local Housing Strategies (LHSs) and they use the HNDA tool<sup>38</sup> developed by the Scottish Government to support their assessment of need and demand. HNDA informs deliberations between local and regional housing authorities and planning departments concerning supply targets for each type of housing in local areas.

The latest version of the HNDA uses 2016-based household projections of the National Records of Scotland, Scottish Government income estimates, Registers of Scotland house prices and Scottish Government private rent prices. It produces long-run, broad estimates of additional future housing required across Scotland including owner-occupation, private rent, below-market rent and social rent.

The HNDA Guide<sup>39</sup> provides guidance on the breakdown of housing supply targets. For example, the targets should represent a realistic interpretation of need across all tenures and market segments and must be agreed by local authority housing and planning departments, having considered a range of contingent economic factors. The horizon for achieving the targets should be both short and long term (5, 10 and 20 years) and align with local housing strategies and development plans as required by the Scottish Planning Policy. Finally, monitoring progress towards the set targets is necessary to ensure their timely achievement.

The More Homes Division (MHD) of the Scottish Government provides strategic support, advice and resourcing for local government in their role in needs assessment, planning, investment, and provisions of affordable housing. They make agreements with each local authority within the provisos of national planning goals, local housing strategies and SHIPs, addressing needs for mix of tenures and preferred providers.

There is also a peer review of Local Housing Strategies which is coordinated by the MHD area teams. This process is part of the work of the Convention of Scottish Local Authorities (COSLA).

### Setting and monitoring housing standards

The Office of the United Nations High Commissioner for Human Rights has developed “Guidelines for the Implementation on the Right to Adequate Housing for States”,<sup>40</sup> prepared by the Special Rapporteur, which states that “the right to housing should be defined as the right to live in a home in peace, security and dignity, and include security of tenure, availability of services, affordability, habitability, accessibility, appropriate location and cultural adequacy”.<sup>41</sup>

Setting and monitoring appropriate housing standards to realise this right is a vital tool of housing system governance, which can help shape better housing outcomes. When good standards are adopted and enforced, usually via legislation, they can help to promote more secure, adequate and affordable housing outcomes. This in turn can help to achieve other objectives, such as preventing homelessness, reducing poverty or mitigating climate change.

While setting standards is important, effective compliance monitoring is equally important. This lets policymakers know the scale and location of non-compliance, as well as the housing segment in which it is located. Housing providers can be required to rectify deficiencies in standards, through constructively applied enforcement

38 Scotland, Centre for Housing Market Analysis, “Housing Need and Demand Assessment” (2020). Available at <https://www.gov.scot/publications/hnda-tool/>.

39 Scotland, Centre for Housing Market Analysis, “Housing Need and Demand Assessment: manager’s guide” (2020). Available at <https://www.gov.scot/publications/hnda-managers-guide-2020/>.

40 Office of the United Nations High Commissioner for Human Rights, “International standards on the right to housing”. Available at <https://www.ohchr.org/EN/Issues/Housing/Pages/InternationalStandards.aspx>.

41 Office of the United Nations High Commissioner for Human Rights, “Guidelines for the implementation of the right to adequate housing”. Available at <https://www.ohchr.org/EN/Issues/Housing/Pages/GuidelinesImplementation.aspx>.



measures, giving the non-complier opportunity to remedy the error or take other appropriate actions. Compliance monitoring may also highlight broader systemic weaknesses which will require new standards, policy approaches or structural reform.

Differences in housing standards not only vary from country to country but also within different segments of their housing systems. For example, England uses a Decent Homes Standard which is monitored by the English Housing Survey. In 2019, 23 per cent of private rentals, 16 per cent of owner-occupied homes, and 12 per cent of social rented dwellings were recorded as being below this standard.<sup>42</sup>

The rationale for setting and monitoring housing standards, including the right to housing, is outlined in table 5.

Table 5 Rationale for housing standards setting and monitoring	
Arguments in favour of housing standard setting and monitoring	Arguments against housing standard setting and monitoring
<ul style="list-style-type: none"> <li>✓ Setting housing standards provides a benchmark against which progress in achieving key housing policy objectives can be measured.</li> <li>✓ Monitoring can inform the reform of ineffective policies and programmes and the design of new ones.</li> <li>✓ Evaluation of standards can drive improvements in housing standards and reduce housing deprivation and homelessness.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Setting standards which reflect the needs of different households, regions and tenures can be challenging.</li> <li>✗ Opportunities for setting standards can be limited by the lack of data required to monitor them.</li> <li>✗ Standards can be too low or be unenforced.</li> <li>✗ Industry may resist applying standards if their competitors do not.</li> </ul>

42 United Kingdom, Ministry of Housing, Communities and Local Government, "English Housing Survey", Headline Report, 2019-20 (London, 2020). Available at [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/945013/2019-20\\_EHS\\_Headline\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945013/2019-20_EHS_Headline_Report.pdf).

### World Health Organization housing quality standards

In 2010 the World Health Organization (WHO) commenced a long and thorough process of devising guidelines on housing and health and published the WHO Housing and Health Guidelines in 2018 for governments and relevant organizations.<sup>43</sup> A selection of housing standards are provided below for housing quality, overcrowding and affordability.

### Box 3 Indicators of housing quality standards

Standard	Indicator
<b>Housing quality</b>	<p>The share of the population living in dwellings which have at least four of the following indicators of poor housing quality:</p> <ul style="list-style-type: none"> <li>• Leaking roof</li> <li>• Damp walls/floors/foundations</li> <li>• Rot in window frames or floors</li> <li>• No bath or shower in the dwelling</li> <li>• No indoor flushing toilet for the sole use of the household</li> <li>• Dwelling too dark</li> <li>• Percentage of the population living in dwellings which have at least one of these indicators of poor housing quality by the number of indicators present.</li> </ul>
<b>Overcrowding</b>	<p>Percentage of the population living in an overcrowded household. A person is considered as living in an overcrowded household if the household does not have at its disposal a minimum number of rooms equal to:</p> <ul style="list-style-type: none"> <li>• One room for the household</li> <li>• One room per couple in the household</li> <li>• One room for each single person aged 18 and more</li> <li>• One room for a pair of single people of the same sex between 12 and 17 years of age</li> </ul>

43 World Health Organization, "WHO Housing and Health Guidelines". Available at <https://www.who.int/publications/item/9789241550376>.

### Box 3 Indicators of housing quality standards (continued)

- Overcrowding (continued)**
- One room for each single person between 12 and 17 years of age and not included in the previous category
  - One room per pair of children under 12 years of age (Eurostat)
- Housing affordability**
- Housing cost burden – total housing costs as percentage of disposable income
  - Housing cost overburden rate (HCOR) - the percentage of the population living in households where the housing cost is over 40 per cent of disposable income
  - The “at-risk-of-poverty rate after deducting housing costs” - the percentage of the population living in a household whose equivalized (adjusted for household type) disposable income minus housing costs is below the poverty threshold of 60 per cent of median equivalized household income
  - Self-reported heavy burden of total housing cost – the percentage of the population living in a household where the person responsible for affordability considers their total housing costs to be a heavy financial burden

WHO supports countries in adapting these guidelines to national contexts and priorities to ensure safe and healthy housing for all. The WHO Guidelines also cover the following areas:

- Inadequate living space
- Low indoor temperatures
- High indoor temperatures
- Accessibility of housing to people with functional impairments
- Proximity of housing to walking and cycling infrastructure.

### Eurostat overcrowding standards and overcrowding regulations in the United Kingdom

Overcrowded housing has long been one of the most serious housing-related issues. It increases the risk of infectious disease; there are facts available that COVID-19 spread more rapidly in student housing, multi-generational households, care facilities for aged people, and prisons.<sup>44</sup>

According to Eurostat, the EU statistical agency which produces detailed annual figures on overcrowded housing,<sup>45</sup> a person is considered living in an overcrowded home if the household does not have the minimum number of rooms as described in box 3. Analysis of Eurostat data reveals that over-crowding in the EU is most significant in Romania (56.4 per cent), Slovakia (54.9 per cent), Bulgaria (48.7 per cent) and Poland (47.7 per cent), and is increasing in Latvia and Italy, and rising from a low share in the United Kingdom and the Netherlands. The Eurostat figures have proven to be a useful source for different actors, including civil society groups, involved in monitoring housing needs and deprivation.

For example, the French homelessness charity “La Fondation Abbé Pierre” conducts an annual review of poor housing conditions (*l'état du mal-logement*).<sup>46</sup> This is important for transparency and helps to hold the Government and other public bodies accountable for their actions. While Eurostat mandates minimum standards for statistics on overcrowding, handled by national statistical agencies, many countries go beyond this, producing detailed and localized figures to identify particular areas in housing need.

For example, in the United Kingdom, detailed local figures on overcrowding proved to be extremely useful in analysing the spread of the COVID-19 virus. Research showed a clear correlation between overcrowding rates

44 Isabel Abbs and Louise Marshall, “Emerging evidence on COVID-19s impact on health and health inequalities linked to housing”. Available at <https://www.health.org.uk/news-and-comment/blogs/emerging-evidence-on-covid-19s-impact-on-health-and-health-inequalities>.

45 OECD, “Housing overcrowding (indicator)”. Available at <https://data.oecd.org/inequality/housing-overcrowding.htm>.

46 The 2021 edition of the report is available at <https://www.fondation-abbé-pierre.fr/actualites/26e-rapport-sur-letat-du-mal-logement-en-france-2021#telechargementrem12021>.

and transmission.<sup>47</sup> Breaching United Kingdom statutory overcrowding regulations, introduced in 1935, is a criminal offence. The Government regulates overcrowding by responding to tenant complaints, inspecting properties and fining owners breaching the regulations.<sup>48</sup>

Some tools to address overcrowding include:

- Collecting a range of data about overcrowding from multiple sources such as utility demands, non-payment of tax records, fire inspection reports, and tenant complaints. Attention should be given to hidden risk groups such as students and migrants
- Monitoring illegal conversions and inspect overcrowded dwellings for compliance with standards on building, urban planning, health, and fire safety
- Using data to determine the additional housing required
- Designing programmes to address needs of identified segments
- Facilitating the planning and zoning regulation appropriate to a housing type
- Funding programmes to invest in affordable housing and alleviate overcrowding.

### Indicators of housing (un)affordability

Housing affordability, or unaffordability, is a complex, relational issue, defined by actors in the housing system for differing purposes.<sup>49</sup> From the perspective of different households and social groups, affordable housing is highly contingent on resources, expenditure priorities and ability to access adequate housing under diverse market

conditions. It is also differentiated by user costs associated to the form of housing, for example, owners and renters and the cost of heating and cooling dwellings.

Despite the complexity of the term “affordability”, appropriate measurement is crucial for the design of housing policies and monitoring their outcomes. Changes in housing affordability affecting different households, regions and market segments can alert policymakers to take appropriate action.

Affordability measurements that are easy to assess include rent-to-income or mortgage-payment-to-income ratios, but these tend not to address income distribution concerns. For a low-income household, what remains after spending 15.25 or 30 per cent of income on housing costs may be insufficient to pay for food, electricity and health care. Conversely, a high-income household could spend more than 30 per cent and still have ample resources left for a very high standard of living.<sup>50</sup> Thus a simple income to housing cost ratio can easily overlook housing cost hardship.

However, there are other useful ways of measuring affordability. The residual income approach considers the adequacy of what is left of the household budget after housing costs are paid for. If this remainder falls below the amount required for a decent standard of living, then housing costs are unaffordable.<sup>51</sup> Adopting a residual income approach to measuring affordability requires greater attention from statistical agencies, including surveys of living costs. At a national level, the “at-risk-of-poverty rate after deducting housing costs” Eurostat dataset<sup>52</sup> is updated annually.

OECD provides a useful compendium of affordability measures used by them and the EU.<sup>53</sup> Furthermore, a detailed analysis on affordability measures by EU countries

47 Nathaniel Barker, “The housing pandemic: four graphs showing the link between COVID-19 deaths and the housing crisis”, Inside Housing (29 May 2020). Available at <https://www.insidehousing.co.uk/insight/insight/the-housing-pandemic-four-graphs-showing-the-link-between-covid-19-deaths-and-the-housing-crisis-66562>.

48 Wendy Wilson and Cassie Barton, “Overcrowded housing (England)”, Briefing paper, No. 1013 (London, House of Commons Library, 2020). Available at <http://researchbriefings.files.parliament.uk/documents/SN01013/SN01013.pdf>; Actions can be taken in England when housing is overcrowded. Shelter Legal, “Overcrowding”, 23 March 2021. Available at [https://england.shelter.org.uk/legal/housing\\_conditions/action\\_that\\_can\\_be\\_taken](https://england.shelter.org.uk/legal/housing_conditions/action_that_can_be_taken).

49 Geoffrey Meen and Christine Whitehead, *Understanding Affordability – The Economics of Housing Markets* (Bristol, Bristol University Press, 2020).

50 For information, see an analysis of common housing affordability measurements used by Eurostat at <https://www.housingeurope.eu/resource-1357/are-current-measures-of-housing-affordability-fit-for-purpose>.

51 Geoffrey Meen and Christine Whitehead, *Understanding Affordability – The Economics of Housing Markets* (Bristol, Bristol University Press, 2020).

52 See [https://ec.europa.eu/eurostat/web/products-datasets/-/LIC\\_LI45](https://ec.europa.eu/eurostat/web/products-datasets/-/LIC_LI45).

53 OECD, “Table 1.1. Selection of affordability measures in OECD and EU countries” in “”, *Employment, Labour and Social Affairs Policy Briefs* (Paris, OECD, 2021). Available at [https://read.oecd-ilibrary.org/view/?ref=1060\\_1060075-0ejk314uil&title=ENG\\_OECD-affordable-housing-policies-brief](https://read.oecd-ilibrary.org/view/?ref=1060_1060075-0ejk314uil&title=ENG_OECD-affordable-housing-policies-brief).



can be found in the appendix of the report “Employment and Social Development in Europe, Annual Review for 2019”<sup>54</sup> However, these are highly aggregated and do not give a picture of conditions in localized areas. To do the latter would require more effort by national statistical agencies. A good example of a more detailed and locally delineable housing report comes from the United States, namely the American Housing Survey and report on Worst Case Housing Needs.

Housing affordability is likely to remain a challenge during the long recovery from the COVID-19 pandemic. Timely and strategic systems are still needed for collecting appropriate indicators and communicating affordability.<sup>55</sup> This requires use of effective indicators and approaches in monitoring incomes, housing costs and allocation. Capacity to pay for housing varies from household to household depending on income and household type - single, couples, households with and without children etc.

In measuring housing affordability, several factors must be considered. These include: all costs related to housing, including heating, cooling, maintenance and service charges, as well as issues related to housing quality and costs associated with poorly located housing. The differentiation between renters and owners is also important as while rental payments cover housing services consumed, mortgage payments are an investment in a fixed asset. Outright owners may spend only on ongoing operational and maintenance expenses and therefore, will have lower housing costs.

## Evidence – governing with insight

Understanding how housing systems work and what generates unaffordable or inadequate housing conditions is necessary to design more effective policy solutions. To do this effectively and measure key housing outcomes requires use of the strategic housing indicators outlined

in the previous section. While this requires allocation of resources for research and monitoring, it will help ensure public support for necessary housing measures, giving other governance interventions, such as housing regulations, a better chance of achieving their desired effect. Thus, the investment may represent an overall saving for the government. Best practice in policy analysis considers a range of social, economic and environmental costs and benefits associated with accessible and affordable housing.<sup>56</sup>

National and local authorities should devise rigorous methods for housing needs assessments, to set targets for the delivery of appropriate forms and tenures of housing via commercial, social, public or cooperative providers, responding to local housing needs. It is important that such methods are evidence-based, sufficiently in-depth and based on a sound understanding of the housing system.

While all stakeholders should be involved, the process should also be transparent and ensure decision-making uses principles that serve the broader social and economic well-being of the general public. In 2020, UNECE published guidelines on evidence-based policies and decision-making for urban and housing policymakers.<sup>57</sup> A more specialized overview of housing indicators and affordability measures can also be found in the 2021 OECD Policy Brief.<sup>58</sup>

54 European Commission, Directorate-General for Employment, Social Affairs and Inclusion, “Employment and Social Developments in Europe. Sustainable growth for all: choices for the future of Social Europe”, *Annual Review* (Luxembourg, Publications Office of the European Union, 2019). Available at <https://op.europa.eu/en/publication-detail/-/publication/747fefa1-d085-11e9-b4bf-01aa75ed71a1/language-en>.

55 See a useful review of changing approaches in Marietta Haffner and Kath Hulse, “A fresh look at contemporary perspectives on urban housing affordability”, *International Journal of Urban Sciences*, vol. 25, Issue sup1 (2021), pp. 59-79.

56 See some studies on the economic and social benefits of social housing in the report “The Impact of Social Housing: Economic, Social, Health and Wellbeing” at <https://www.sfha.co.uk/news/news-category/sfha-news/news-article/investment-in-social-housing-reduces-poverty-improves-health-and-drives-economic-growth>; on housing policies in general in the report “Strengthening Economic Cases for Housing Policies” at <https://cityfutures.be.unsw.edu.au/research/projects/strengthening-economic-cases-housing-productivity-gains-better-housing-outcomes/>; and on appraising policy reform in the working paper “The economics of change: Policy and appraisal for missions, market shaping and public purpose” at <https://www.ucl.ac.uk/bartlett/public-purpose/publications/2018/jul/economics-change-policy-and-appraisal-missions-market-shaping-and-public>.

57 UNECE, *Guidelines on evidence-based policies and decision-making for sustainable housing and urban development* (Geneva, United Nations, 2020). Available at [https://unece.org/DAM/hlm/documents/Publications/2020\\_Guidelines\\_on\\_evidence-based\\_policies.pdf](https://unece.org/DAM/hlm/documents/Publications/2020_Guidelines_on_evidence-based_policies.pdf).

58 Willem Adema and Marissan Plouin, “Building for A Better Tomorrow: Policies to Make Housing More Affordable Employment”, OECD Employment, Labour and Social Affairs Policy Briefs (January 2021). Available at [https://read.oecd-ilibrary.org/view/?ref=1060\\_1060075-0e1k314uil&title=ENG\\_OECD-affordable-housing-policies-brief](https://read.oecd-ilibrary.org/view/?ref=1060_1060075-0e1k314uil&title=ENG_OECD-affordable-housing-policies-brief).

**Box 4** Rationale for evidence-based housing policymaking and evaluation

**Arguments in favour of evidence-based housing policy:**

- ✓ Increases the effectiveness of housing policymaking and implementation.
- ✓ Evidence of market instability and volatility is important to prevent bad policy decisions and promote better outcomes.
- ✓ Regular monitoring and evaluation of existing policies can inform their adaptation and accumulate expertise.
- ✓ Ensures that government actions are effectively targeted to address the most urgent needs.
- ✓ Enables government to identify poorly performing or obsolete policies or programmes and reform or discontinue them.

**Arguments against evidence-based housing policy:**

- ✗ Evidence may be difficult to collect.
- ✗ Wrong evidence may be collected.
- ✗ Evidence may be out of date, given how quickly housing sector dynamics can change.
- ✗ Ideology can dominate political choices rather than evidence.
- ✗ May present a burden to providers of affordable housing if indicators are not properly targeted.

Data on the following can help generate the insights required for good governance of housing systems:

- Size, quality, and affordability of housing stock
- Ownership, sales, sale prices, and rents of dwellings and land
- Output of new dwellings and demolition or obsolescence of existing dwellings
- Current or future need and demand for housing.
- Investment in housing, both by the public and private sector, households and firms, plus lending and borrowing for this purpose
- Cost and value-for-money of housing, and effectiveness of government interventions
- Household borrowing profiles, such as loan-to-value and loan-to-income ratios, as well as the age and other important characteristics of buyers.

It is important to have up-to-date data on house prices and rents as the dynamic nature of the housing market can cause rapid changes. The data can also alert public authorities to emerging housing bubbles or affordability issues. Major changes in the size and quality of housing stock usually occur over a long period, so policymakers may not require new data on these as frequently. Housing markets and the impact of housing policies vary between regions and cities and even within cities and towns, therefore targeted governance requires data which can be disaggregated at different spatial levels. Different income, age and social groups, household types and sizes, and physical abilities, are also affected differently by housing systems. Therefore, data which captures the varying socio-economic impacts of housing is needed to guide policy responses which are tailored to meet the particular housing needs of different groups.<sup>59</sup>

Governing with insight not only requires access to relevant data, but also for governments to have the skills to use this information to generate the analyses required to inform housing policy decisions. Four types of analyses are particularly important for insightful housing governance:

- Evidence-based housing policymaking
- Measuring current, and projecting future, housing needs
- Monitoring the implementation of housing policies
- Evaluating the impact of housing policies.<sup>60</sup>

Accessing the data required to govern housing with insight

Many international agencies collate comparative data on different countries, which is useful for national housing policy formulation. The main sources of international comparative data on housing are listed in table 6.

The table shows comparative data on public and private investment in housing, number of dwellings compared to

59 See report of the Irish Human Rights and Equality Commission and Economic & Social Research Institute that examines inequality and discrimination in housing at <https://www.ihrec.ie/app/uploads/2018/06/Discrimination-and-Inequality-in-Housing-in-Ireland.pdf>.

60 The Centre for Homelessness Impact, a UK What Works centre, is a great example of a focused insight-bringer to policies and practices on homelessness, see <https://www.homelessnessimpact.org/>.

population and output of new dwellings, as well as data on housing tenure. This can help governments compare the performance of their housing system with countries which have similar economic and demographic circumstances. The OECD Affordable Housing database includes details

of government affordable-housing programmes and investment in most OECD member countries, which can generate ideas on new solutions to housing problems. The dataset is not exhaustive, and many countries or regions produce additional or complimentary housing datasets.

**Table 6** Sources of cross-country comparative data on housing systems and policies

Institution	Source	Data provided	Countries covered
UNECE	<b>Country Profiles on Urban Development, Housing and Land Management</b> Website: <a href="https://unece.org/housing/country-profiles">https://unece.org/housing/country-profiles</a>	In-depth reviews of housing conditions, institutional, legal, as well as financial framework and policies	Over 16 UNECE countries primarily in the CIS region and Eastern Europe
Housing Europe	<b>Biennial report on affordable housing provision and policy developments in Europe</b> Website: <a href="https://www.stateofhousing.eu/">https://www.stateofhousing.eu/</a>	Trends in housing affordability, policy, investment, and provision	Large selection of European (both EU and non-EU) countries and regions
EU and European institutions	<b>Eurostat</b> Website: <a href="https://ec.europa.eu/eurostat/home">https://ec.europa.eu/eurostat/home</a>	Economy, public spending, demography, housing stock	All EU, EU applicant and European Economic Area (EEA) countries
	<b>European Mortgage Federation Hypostat</b> Website: <a href="https://hypo.org/emf/publications/hypostat/">https://hypo.org/emf/publications/hypostat/</a>	Housing output, prices and finance	All EU members and some non-EU countries
	<b>European social survey</b> Website: <a href="https://www.europeansocialsurvey.org/">https://www.europeansocialsurvey.org/</a>	Housing tenure, dwelling and neighbourhood quality	Most EU, EU applicant and EEA countries
	<b>EU Survey of Income and Living Conditions</b> Website: <a href="https://ec.europa.eu/eurostat/web/income-and-living-conditions">https://ec.europa.eu/eurostat/web/income-and-living-conditions</a> This data has been analysed by FEANTSA in their annual review of Housing Exclusion ( <a href="https://www.feantsa.org/en/report/2021/05/12/the-6th-overview-of-housing-exclusion-in-europe-2021">https://www.feantsa.org/en/report/2021/05/12/the-6th-overview-of-housing-exclusion-in-europe-2021</a> )	Housing cost overburden rate, tenure, dwelling quality household structure and income	Most EU, EU applicant and EEA countries
	<b>European Quality of Life Survey</b> Website: <a href="https://www.eurofound.europa.eu/surveys/european-quality-of-life-surveys">https://www.eurofound.europa.eu/surveys/european-quality-of-life-surveys</a>	Housing tenure, dwelling and neighbourhood quality	Most EU, EU applicant and EEA countries
OECD	<b>Affordable Housing Database</b> Website: <a href="http://www.oecd.org/social/affordable-housing-database.htm/">http://www.oecd.org/social/affordable-housing-database.htm/</a>	Government affordable housing programmes and spending, house prices, tenure	Most OECD countries
Bank for International Settlements	<b>Residential property price statistics</b> Website: <a href="https://www.bis.org/statistics/pp.htm?m=6%7C288">https://www.bis.org/statistics/pp.htm?m=6%7C288</a>	Residential property price statistics	All regions of the world
Euroconstruct	Construction Data- including residential construction Website: <a href="https://www.euroconstruct.org/ec/reports">https://www.euroconstruct.org/ec/reports</a>	Housing completions	Selected EU countries plus Switzerland and Norway

While international comparison is informative, differences within the regions of one country, and over time, are even more important for developing national policies. Therefore, national and local governments need to generate their own disaggregated data sources to analyse local housing systems effectively.

Good examples of this are: Housing Needs and Demand Assessments of Scotland (discussed in section “Multi-level governance”) and the Rent Stabilization Reports of New York City (discussed in section “Supervision – accountable and transparent actors”)

The most commonly used sources of data to effectively analyse local housing systems in a given country are:

- Census of population or similar surveys of population and housing
- Surveys: for instance, housing costs for renters and owner purchasers
- Industry statistics on finance, construction activity and completions
- Data on public spending on housing across renters, owners, and households with different characteristics such as income, type of household and age
- Administrative data on building permits granted, new housing completions, and the implementation of government housing programmes and their impact.

However, these data sources may not always provide the information required for insightful governance. This may be because they contain insufficient detailed information on housing or are not up-to-date enough to capture changes in the housing market, or it may be that disaggregation to the required city or neighbourhood level is not possible. Such issues need not be insurmountable if resources are made available to improve data collection services.

Most governments support national or regional statistical agencies in conducting surveys and providing locally relevant information on population and housing conditions in disaggregated form. Specific in-depth housing surveys are also conducted in many countries such as the United Kingdom,<sup>61</sup> the Netherlands<sup>62</sup> and the United States.<sup>63</sup>

Developments in data science, enabling access to larger data sets and comparison of data from several sources will increase evidence available for housing policymaking.<sup>64</sup> Comparison of administrative data with survey and financial data can help to generate the timely and detailed information required to govern housing with insight.

#### Analysing data to govern with insight – UNECE technical support

UNECE provides valuable technical support to governments by analysing relevant data and making recommendations based on the Country Profiles on Urban Development, Housing and Land Management. These are carried out at the request of member countries<sup>65</sup> and serve as a tool for governments to compare their progress with neighbouring countries and analyse their housing, urban development



61 For information on the English Housing Survey, see <https://www.gov.uk/government/collections/english-housing-survey>. The Northern Ireland, Scotland and Wales conduct surveys separately using slightly different methodologies and scope.

62 For information on the Housing Survey of Netherlands, see <https://www.cbs.nl/en-gb/our-services/methods/surveys/korte-onderzoeksbeschrijvingen/netherlands-housing-survey--woon->

63 For information on the American Housing Survey, see <https://www.census.gov/programs-surveys/ahs/about.html>.

64 Nestor M. Davidson, “Affordable Housing Law and Policy in an Era of Big Data”, *Fordham Law Journal*, vol. 44, No. 2 (2017).

65 UNECE, *Guidelines for the preparation of UNECE Country Profiles on Housing, Urban Development and Land Management*. Available at [https://www.unece.org/fileadmin/DAM/hlm/documents/Publications/Guidelines\\_for\\_the\\_preparation\\_of\\_ECE\\_Country\\_Profiles.eng.pdf](https://www.unece.org/fileadmin/DAM/hlm/documents/Publications/Guidelines_for_the_preparation_of_ECE_Country_Profiles.eng.pdf).

and land management policies, strategies, and institutions. They also offer many practical policy recommendations provided by country and international experts. On completion of a Country Profile and reflecting on the recommendations made, governments are encouraged to prepare a national action implementation plan. All Country Profiles since 1996 can be found on the UNECE website.<sup>66</sup>

### Housing needs estimates in Wales, United Kingdom

Planning for and delivering new housing can be a slow process. Therefore, accurate projections of future housing needs are required so that policymakers can plan future development to avoid shortages. However, the degree to which governments can persuade private housing developers to meet targeted housing needs is limited. Therefore, having local public providers of housing is imperative (see section on “Dedicated public housing providers” for further discussion).

There has been a lot of progress and cross-jurisdiction learning in needs assessment between the United Kingdom regions of Scotland, Wales and Northern Ireland. More recently, the Government of Wales<sup>67</sup> has established comprehensive but straightforward arrangements for estimating future housing needs focused on calculating:

- Existing unmet need - the number of households without access to adequate housing and requiring an additional dwelling
- Newly arising need - the projected number of newly forming households that will require additional dwellings in future.

To calculate needs the Government of Wales uses data on household incomes, house prices, private rents, numbers of households and trends in new housing output. Importantly, the Government has access to timely data on these indicators from its annual “Welsh Housing Conditions Survey”, making possible the needs assessments. Adding the estimates of existing unmet need and newly arising need will generate the estimated overall housing need.

66 For the database of all the UNECE Country Profiles, see <https://unece.org/housing/country-profiles>.

67 See [https://gov.wales/sites/default/files/statistics-and-research/2019-06/estimates-of-housing-need-by-tenure-2018-based\\_1.pdf](https://gov.wales/sites/default/files/statistics-and-research/2019-06/estimates-of-housing-need-by-tenure-2018-based_1.pdf).

### Worst Case Housing Needs reports to Congress - United States

The United States has a well-established system for reporting on appropriate national and local data concerning the affordability, adequacy and availability of housing. Housing conditions in 44 metropolitan statistical areas are assessed. Evidence of critical housing problems facing low-income households is provided annually to the United States Congress, drawing on the biennial American Housing Survey (AHS) funded by the United States Department of Housing and Urban Development (HUD) and the Census Bureau. This provides evidence on the affordability, availability and adequacy of housing and defines worst case housing needs of renters with very low incomes - below 50 per cent of the area median income (AMI) - who do not receive government housing assistance, and who pay more than one-half of their income for rent, live in severely inadequate conditions, or both.

The AHS data are used to geographically map worst case needs by income, race and ethnicity, with specific focus on rental housing. The AHS housing data advises the US Congress on the funding of specific HUD housing assistance programmes but does not necessarily lead to the definition of specific supply targets. The primary focus of the United States Congress has been on funding and targeting assistance rather than supply outcomes. This has influenced the level of support for housing vouchers (see chapter 2), which allow eligible households to “shop” for fair market apartments.<sup>68</sup>

68 Will Fischer and Barbara Sard, “Federal Housing Spending Is Poorly Matched to Need”. Available at <https://www.cbpp.org/research/housing/chart-book-federal-housing-spending-is-poorly-matched-to-need#Five>.



The AHS data are rigorously analysed by the Federal Department of Housing and Urban Development in the “Worst Case Housing Needs Report”. This provides Congress, all levels of government and relevant stakeholders with information on locally differentiated housing needs.<sup>69</sup> The evidence from these reports underpins government justifications for public expenditure on affordable housing programs, such as investment in Public Housing programs and Housing Vouchers.<sup>70</sup>

### Supervision – accountable and transparent actors

Having developed capacity or multi-level governance or any of the governance tools discussed in this chapter, adequate supervision is required to guarantee that all stakeholders keep their commitments and housing policy is being implemented. At the same time, those charged with realising housing policy must be accountable for their actions.

Supervision is a vital governance tool, used to measure agreed standards of housing practice, process outcomes, and ensure that no poor or unacceptable behaviour occurs. Sometimes problems arise in a specific form of housing tenure, for example a weakly regulated private rental sector which may comprise numerous unprofessional landlords or few large monopolistic providers.

Supervision incorporates a range of governance processes including ensuring:

- Accountability to consumers
- Stakeholder accountability to regulators
- Accountability to funders and policymakers
- Establishing effective rights of appeal and redress
- Fines and other enforcement measures are carried out.

Arrangements used for ensuring the accountability of housing organizations can include establishing:

- A “vulnerable residents” ombudsman
- Private and social rental sector regulators
- Public expenditure auditing
- Financial institutions compliance and risk
- Task-focused budgeting and reporting
- Reports to parliaments.

Examples of the use of some of these instruments in different countries are set out in the sections which follow.

#### Box 5 Rationale for supervision of the housing sector

<b>Arguments in favour of supervision:</b>	<b>Arguments against supervision:</b>
✓ Establishes a baseline level of quality in the delivered services and programs.	✗ Information may be ignored, misunderstood or misused.
✓ Holds organizations and actors to certain service delivery standards.	✗ May breach privacy standards.
✓ Empowers users.	✗ May expose vulnerable households.
✓ Protects service recipients from harm.	✗ May prevent public officials from reporting transparently for fear of repercussions.
✓ Prevents a misuse of public funds.	

69 For the latest “Worst-Case Housing Needs Report” and previous series, see <https://www.huduser.gov/portal/publications/worst-case-housing-needs-2020.html#:~:text=This%20report%20draws%20on%20data,100%20very%20low%20income%20renters>.

70 The “Worst Case” evidence from the AHD is used extensively in HUD Congressional Justifications FY 2016, see <https://www.hud.gov/sites/documents/FY16-CJE-ENTIREFILE.PDF>.



### Rent stabilization and monitoring access to affordable supply – New York City, United States

Policies to stabilize rental supply and regulate rents are well established in New York City under the Rent Stabilization Law, which covers three essential areas. The law limits the rate of rent increases, limits the method, manner and grounds for evictions and requires housing services to be maintained.

The Law also requires that access to affordable housing is monitored.<sup>71</sup> The New York City Rent Guidelines Board produces an annual Housing Supply Report which examines the supply and cost of rental property in the City – this is required under the “Rent Stabilization Law”. The Board keeps a watch on the supply of housing accommodation and vacancy rates from a wide range of data and is resourced by a research staff. The annual Report monitors vacancy and overcrowding rates, new housing production, co-op and condo conversions, demolitions, housing created through tax incentives, and government-sponsored housing efforts.<sup>72</sup>

### Responsible bank lending – Macroprudential Mortgage Rules – Ireland

The provision of mortgage credit to households by financial institutions has a major impact on the sustainability of home purchases and affects housing prices. Poor financial regulation was at the core of the Global Financial Crises of 2007/08 and had roots in irresponsible lending in the housing sector. This not only had implications for national and global financial stability, it also affected households, their economic recovery and social well-being.

Ireland experienced a significant residential property boom before the financial crisis of 2007/08, mostly fuelled by vastly increased mortgage lending by financial

institutions. House prices increased by 127 per cent in real terms from 1998-2007. The OECD average for the same period was 39 per cent.<sup>73</sup>

In response to the crisis, as well as supporting a strong rebound in residential prices, the Central Bank of Ireland introduced macroprudential mortgage rules in 2015. These rules introduced greater mortgage lending oversight and imposed stricter borrowing limits on households.<sup>74</sup>

This was achieved through two primary measures. Firstly, a “loan-to-value” (LTV) limit was placed on lending, meaning first-time borrowers could not receive more than 90 per cent of the value of the property they were purchasing. Secondly, a loan-to-income (LTI) limit was introduced, meaning a borrower or borrowers, could not receive a mortgage which exceeded 3.5 times their gross income. Even tougher limits were placed on the buy-to-let sector. While the measures have been adjusted over the years, these two regulatory “pillars” have remained. The Central Bank conducts a detailed annual review of the efficacy and appropriateness of the measures.<sup>75</sup> Importantly, the independence of the Central Bank means that its reviews are evidence-focused, rather than being unduly influenced by public or political opinion.

In terms of the measures’ impact, the Central Bank estimates that by the end of 2019, if the macroprudential measures were not in place, residential property prices in Ireland would have been at least 15-25 per cent higher than observed in the market. The assessed potential risk of mortgage default has also declined. Furthermore, research has shown that if Ireland had similar lending rules in 2003-2010, then house prices would have been up to 39 per cent lower in 2010.<sup>76</sup> Therefore the measures would have

71 New York Division of Housing and Community Renewal, “Rent Stabilization and Rent Control”. Available at <https://hcr.ny.gov/system/files/documents/2020/11/fact-sheet-01-09-2020.pdf#:~:text=Rent%20stabilization%20provides%20protections%20to,on%20grounds%20allowed%20by%20law.&text=Rents%20may%20be%20reduced%20if%20services%20are%20not%20maintained.>

72 New York City Rent Guidelines Board “2019 Housing Supply Report here”, Available at <https://rentguidelinesboard.cityofnewyork.us/wp-content/uploads/2019/08/2019-HSR.pdf>.

73 OECD, “Analytical house price indicators”. Available at [https://www.oecd-ilibrary.org/economics/data/prices/analytical-house-price-indicators\\_cbcc2905-en](https://www.oecd-ilibrary.org/economics/data/prices/analytical-house-price-indicators_cbcc2905-en).

74 Central Bank of Ireland, “Review of residential mortgage lending requirements”, Available at <https://www.centralbank.ie/docs/default-source/financial-system/financial-stability/macroprudential-policy/policy-documents/2016-review-of-residential-mortgage-lending-requirements.pdf?sfvrsn=12>.

75 Central Bank of Ireland, “Financial Stability Review 2020”. Available at <https://www.centralbank.ie/docs/default-source/publications/financial-stability-review/financial-stability/financial-stability-review-2020-ii.pdf?sfvrsn=9#page=85>.

76 Robert Kelly and others, “Credit conditions, macroprudential policy and house prices”, Available at <https://www.eba.europa.eu/sites/default/documents/files/documents/10180/1289723/0075c8b5-1909-4d03-9270-102339e2518a/V.de%20Bruyckere%20-%20Discussion.pdf?retry=1>.

significantly reduced the impact of the financial crisis on the Irish economy and on ordinary households.

While the measures have been criticized for making it harder for some households to become homeowners, as they struggle to save the required 10 per cent deposit, for example, the measures also dampen prices and mitigate the risk of irresponsible lending. The issues faced by some households are rather symptoms of failings in other areas of the housing sector, including insufficient regulation of the private rental market, leading to strong year-on-year growth in prices in many areas, and a lack of availability of social and affordable housing.

### Regulating short-term letting

Short-term letting (STL) has grown rapidly as new digital platforms have brought together local accommodation providers with the global tourism market. This has caused numerous problems for cities, their housing markets, and local residents. Indeed, a recent review by the OECD stated that: “the exponential growth in accommodation platforms such as Airbnb in many cities has contributed to a disruption of the local real-estate market. Impacts include inflated real-estate prices, unfair competition for licenced accommodation providers, and gentrification of tourism hotspots and inner-city areas, sometimes to the point of pushing locals out of the area”.<sup>77</sup>

A recent review<sup>78</sup> of actions taken by eleven cities in different countries identified three categories of responses to the rise of STL:

- (a) Permissive regimes which enable and encourage short-term letting can be found, for instance, in London and Phoenix;
- (b) Notification and restrictive systems, such as those found in Paris, which regulate STL;
- (c) Prohibitive regimes and those preventing the use of homes for short-term letting, for instance, in Amsterdam, Berlin, Barcelona and New York.

77 OECD, *OECD Tourism Trends and Policies 2020*. Available at <https://www.oecd-ilibrary.org/sites/6b47b985-en/index.html?itemId=/content/publication/6b47b985-en>.

78 Laura Crommelin and others, “Technological disruption in private housing markets: the case of Airbnb”, AHURI Final Report 305. Available at <http://www.ahuri.edu.au/research/final-reports/305>.

Across the United States, a variety of approaches have been applied in different cities. For example, New York City tries to detect illegal stays and prosecutes hosts for violating 30-day minimum tenancies. The city of San Francisco requires hosts of short-term holiday rental housing to register with the municipality, which in turn tries to limit short-term lets to short periods, provided the hosts themselves reside in the dwelling for at least 275 days per year. In Portland, Oregon, the local planning code is used to require dwellings to be occupied by the host and used for at least 270 days per year. It also limits the proportion of dwellings in apartment blocks which can be short-term let to 25 per cent.

Amsterdam has introduced a ban on “holiday rentals” - entire homes without the owner present, as opposed to rooms in homes with the owner present - in three neighbourhoods in the city centre and is looking to expand this to surrounding neighbourhoods. There is also a yearly cap of 30 nights in Amsterdam for holiday rentals and 90 nights in Berlin. Registration or a permit is also required in both cities.

However, in almost every city, it is local government rather than short-term letting platforms, that bear the burden of ensuring compliance. This has required significant resources and has proved both challenging and onerous for some tourist-attracting cities (see footnote 84). Particularly challenging is the lack of reliable data on STL activities as platforms do not provide this data to cities, citing privacy concerns. While platforms have suggested they are open to collaboration with cities, the extent of actual cooperation seems to be minimal in practice.<sup>79</sup>

While the effects of STL are mainly felt in cities, policy decisions and court cases at both national and EU level strongly affect the possibilities of regulation. In 2019, the Court of Justice of the European Union (CJEU) published an opinion that regarded short term housing rental platforms as digital service providers, thereby exempting them from regulations for real estate agencies.<sup>80</sup> However, a more recent decision backed cities by confirming that regulating STL can be seen as a measure to curb housing shortages.<sup>81</sup>

79 For example, see <https://www.euronews.com/2019/06/21/rental-platforms-like-airbnb-do-not-cooperate-with-authorities-claims-letter-from-european>.

80 For example, see <https://www.reuters.com/article/uk-eu-airbnb-idUKKCN1S61GZ>.

81 In relation to a French law under which municipal authorization is required for short-term rentals in cities of more than 200,000 residents showing that greater regulation is possible, see <https://www.reuters.com/article/us-airbnb-france-idUSKCN26D0YX>.

Researchers have recommended a number of strategies to manage STL better, these include:

- The inclusion of a registration system for STL listings, combined with independent data collection and analysis of active listings, to facilitate enforcement
- Additional localized strategies to limit STL and ensure adequate affordable rental supply in areas of intense STL use
- The integration of measures to limit commercial-style STL within a broad ranging, integrated housing policy, which reflects the changing nature of housing markets and the complex drivers behind these shifts
- The development of an ongoing research agenda into STL across cities and regional areas and its impact on housing and urban planning outcomes, supported by access to detailed, up-to-date data
- Collaborating with other cities to inform and influence policymakers.

Securing tenancies and preventing evictions - Centre for Secure Housing - Vienna, Austria

There are many agencies, both public and civil society, designed to supervise the private rental sector and improve the tenant security. In Vienna, to prevent evictions and ensure fair tenancy procedures, the Centre for Secure Housing (Fachstelle für Wohnungssicherung - FAWOS) was established in 1996 to provide rapid, efficient help to persons facing eviction. It is an agency of the Department of Social Affairs, Social and Health Law of the city of Vienna.

Under current legal provisions, the district courts notify FAWOS of court-issued execution titles and eviction dates relating to dwellings. FAWOS helps households to retain their dwellings by reviewing their case and providing counselling on legal aspects. It also supplies information on financial support and benefit entitlement, as well as support with household planning, short-term intensive social work, and ad hoc financial support.

Compared with 1995, FAWOS succeeded in reducing evictions from 61 per cent of cases to 36.5 per cent in the first year and 25 per cent in the following years. In 67 per cent of all cases of eviction, FAWOS provided the evicted tenants with a council flat through the Social Necessities Unit. FAWOS was instrumental in lobbying for amendment of the Tenancy Law (Article 34/3) to require notification as soon as eviction proceedings are instituted. The amendment of the legal provisions saw the extension of time limit for appeals against lease terminations

from two to four weeks. In 2000, the intended repeal of the Tenancy Act to incorporate oppressive clauses was abandoned after intensive lobbying by FAWOS and other social institutions in Austria.<sup>82</sup>

### Dedicated social and affordable housing providers

One important tool of housing governance that is overlooked in some parts of the UNECE region is having dedicated housing providers mandated with supplying social and affordable housing. Indeed, the housing tenure mix across Europe shows significant differences and imbalances. In terms of social rental housing, there are countries with 30 per cent of social housing providers (Netherlands) and others with very little, such as Bulgaria with less than 3 per cent and Greece almost none.<sup>83</sup>

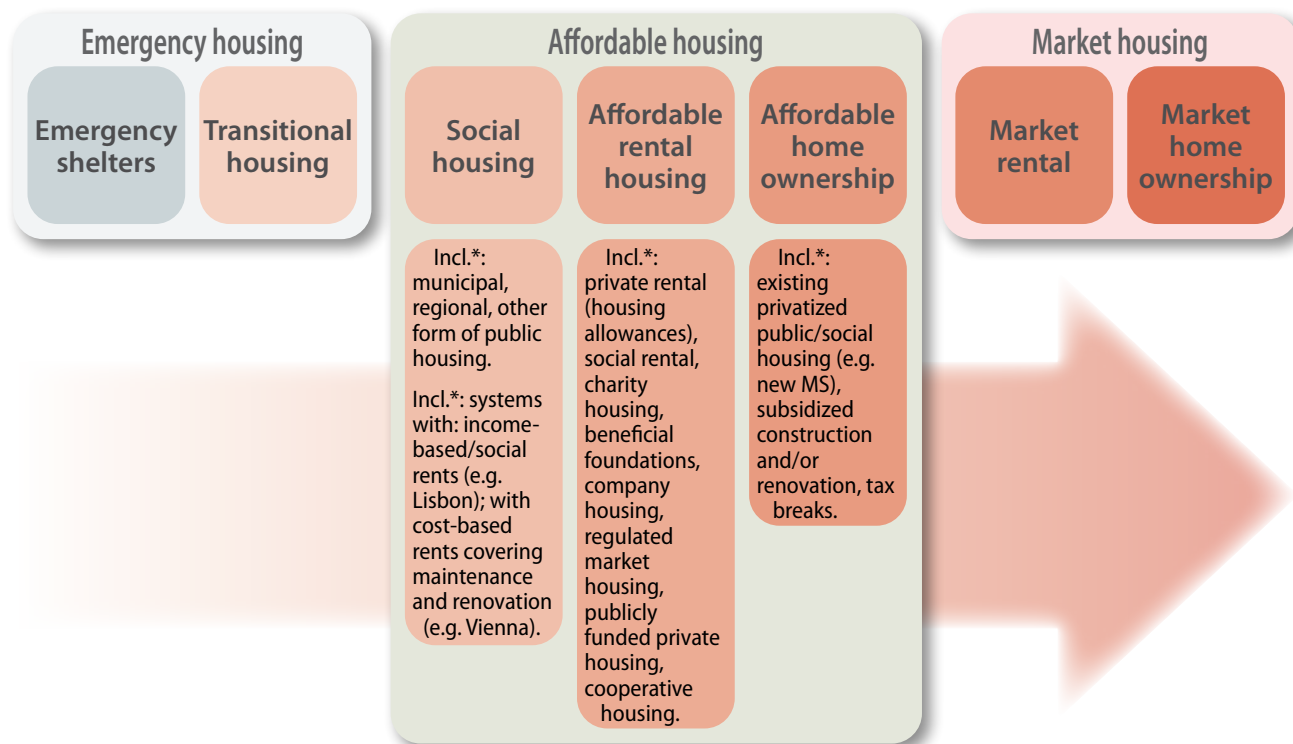
Across the UNECE region, social housing uses a wide diversity of actors ranging from local authorities and public companies to non-profit or limited-profit associations and companies, as well as housing cooperatives. Indeed, the term “social” housing is often used as a shorthand for different schemes such as “not-for-profit”, “municipal” or “cost-based” housing. In some countries, for example Switzerland and Germany, cooperative housing also serves as not-for-profit social housing function. In more recent years, a growing “affordable” housing sector can be seen in some countries or regions. This has led to the development of a so-called “continuum” of housing, illustrated in figure V.

Regardless of their names, what these forms of housing have in common is that they aim to offer decent housing below market prices to households whose needs are not adequately met by the commercial market. Social and affordable forms of housing are also regulated differently from commercial forms of housing. Often guided by a public purpose and supported with fiscal and financial subsidies, social housing providers operate under specific rent setting and allocation regulations to provide housing that meets defined public objectives.

82 City of Helsinki Housing Advice Service, see [https://docs.wixstatic.com/ugd/bcd9b3\\_fb58c123fb8049f4a81f8445b8e51d70.pdf](https://docs.wixstatic.com/ugd/bcd9b3_fb58c123fb8049f4a81f8445b8e51d70.pdf).

83 For example, see <https://www.stateofhousing.eu/>.

Figure V The housing continuum



**Incl.\*:** Including but not limited to.

Source: Urban Agenda for the EU, *The Housing Partnership Action Plan*, December 2018. Available at [https://ec.europa.eu/futurium/en/system/files/ged/final\\_action\\_plan\\_euua\\_housing\\_partnership\\_december\\_2018\\_1.pdf](https://ec.europa.eu/futurium/en/system/files/ged/final_action_plan_euua_housing_partnership_december_2018_1.pdf).

The great utility of social and affordable housing providers is that they can act as direct conduits for the transmission of public policy objectives such as combatting homelessness, supporting social mobility, combating poverty, implementing social mix, contributing to sustainable urban development, and tackling climate change. Indeed, in most instances, providers of social housing are owned or controlled by public agencies, such as municipalities or local authorities. In other cases, they are well-established social partners, working with policymakers to deliver common objectives and forming an important part of national or local housing strategies.

Dedicated social and affordable housing providers, with their needs-based allocation, often focus their allocations to serve low- and moderate-income households who would otherwise face housing exclusion or cost-overburden. Such providers can also expand housing supply and address market deficiencies; for example, providing over 100,000 new social homes developed per year in France. Given that social providers strive to serve

social and economic wellbeing rather than commercial priorities, they can also play an important counter-cyclical policy role. For example, by continuing to invest even during times of economic decline when market-based returns on investment may be diminishing. Of course, this requires complementary financing and subsidy schemes, such as those outlined in chapter 2 of this report.

By ensuring secure long-term access to housing that is both affordable and of decent standard, social providers can offer many additional lasting social benefits, for example in facilitating household formation, educational attainment and personal development, individual health, as well as economic and social participation.<sup>84</sup>

84 An example is a recent Scottish study on how social housing can improve health and economic development (<https://www.sfha.co.uk/news/news-category/sfha-news/news-article/investment-in-social-housing-reduces-poverty-improves-health-and-drives-economic-growth>).



Furthermore, social and affordable housing can strengthen local economic competitiveness by ensuring access to well-located affordable housing for key parts of the labour force. This was highlighted during the COVID-19 pandemic, as social providers in some countries were required to step in to provide housing for frontline workers.<sup>85</sup> Even before the pandemic, cities such as Tallinn in Estonia offered reserved affordable homes for ‘essential’ workers such as teachers and nurses. These workers could then affordably house themselves and contribute to the overall development and prosperity of their cities. A recent review of housing affordability in the United Kingdom showed that some essential frontline healthcare workers would be unable to afford the average-priced home in 98 per cent of the nation’s local council areas.<sup>86</sup> Poor access to adequate housing by key workers clearly has the potential to generate negative social and economic impacts.

The provision of affordable homes is also important for supporting more productive economies, reducing commuting times, and thereby the demand for carbon intensive transport infrastructure. Social housing construction and renovation can provide important economic stimulus and job creation in times and areas where it is needed. Indeed, social housing is a cornerstone of many national post-COVID economic-recovery packages.

It can also assist those not served adequately by existing market and government processes, combatting social and economic exclusion and minimising the rising costs of spatial segregation and homelessness. Furthermore, effective provision of social and affordable housing, as demonstrated by Housing First approaches, is a cost-effective way to prevent homelessness rather than deal with its consequences: health costs, absolute poverty, emergency health care, law enforcement and incarceration.

The absence of dedicated public or social housing providers means that governments must rely solely on private market solutions to tackle housing issues, which has significant downsides. Given the potential tension between private developers’ profit-maximising motives and policymakers’ public purpose objectives, a lack of dedicated social providers may mean that governments lack the resources to effectively deliver on their housing strategy. Dedicated social public housing providers are therefore essential to implement housing policies and shape market conditions. Furthermore, trying to develop affordable housing solutions through commercial developers can be expensive and inefficient. A recent review of the social housing system in Austria showed the significant cost-savings derived from the social housing sector, as opposed to trying to achieve the same housing outcomes through private channels and income supports.<sup>87</sup>

The growth of unregulated “affordable” housing provision by commercial players in some countries raises concerns in terms of good governance and efficient targeting of public spending if they are not tied to clear, effective and long-term regulation.<sup>88</sup> For example, the English Regulator of Social Housing has issued malpractice warnings with 13 of 50 such providers. The privatization of social housing also needs very careful consideration, with long-term analysis of the various costs and benefits of such action.<sup>89</sup>

85 Housing Europe, “State of Housing in Europe – 2021”. Available at <https://www.housingeurope.eu/resource-1540/the-state-of-housing-in-europe-in-2021>.

86 For example, see <https://www.theguardian.com/uk-news/2021/mar/30/covid-frontline-workers-priced-out-of-homeowning-in-98-of-great-britain>.

87 Housing Europe, “The economic benefits of affordable housing”. Available at <https://www.housingeurope.eu/blog-1539/new-study-the-economic-benefits-of-affordable-housing>.

88 For example, see United Kingdom Regulatory judgements and notices, and gradings under review.

89 Housing Europe, “The sale of social and public housing in Europe”. Available at <https://www.housingeurope.eu/resource-1515/the-sale-of-social-and-public-housing-in-europe>.

**Box 6** Rent-setting approaches for social and affordable housing

<i>Rent-setting approach</i>	<i>Description</i>	<i>Countries</i>
<b>Market-based</b>	Rent levels determined (at least partly) as a percentage of market-level rent levels for similar properties. This often referred to as “affordable” housing and may include both rental and affordable purchase options.	Canada, Germany, Ireland, Israel and the United Kingdom (England)
<b>Cost-based</b>	Rent levels determined (at least partly) by the costs of building/acquiring the dwelling, to allow long-term cost recovery.	Austria, Czechia, Denmark, Estonia, Finland, France, Hungary, the Slovak Republic, Switzerland and the United Kingdom (Scotland)
<b>Income-based</b>	Rent levels determined (at least partly) on household income levels (e.g. adjusted to reflect what households can afford to pay).	Bulgaria, Canada, France, Ireland, Luxembourg, Malta, Portugal, the United Kingdom (England, Scotland) and the United States
<b>Characteristic-based</b>	Rent levels determined administratively (at least partly) by considering dwelling characteristics (which can include size, amenities, location), often using a point system.	France, Israel, Lithuania, the Netherlands, Poland, Spain, the United Kingdom (England, Northern Ireland, Scotland, Wales), United States
<b>Fixed rent ceilings</b>	Fixed rent ceilings may be applied on top of other criteria.	France, the Netherlands, Spain and the United States

Source: Adapted from OECD, “Social housing: A key part of past and future housing policy”, Employment, Labour and Social Affairs Policy Briefs (Paris, OECD Publishing, 2020). Available at <https://www.oecd.org/social/social-housing-policy-brief-2020.pdf>.



To ensure providers of social and affordable housing meet their social function and operate in an effective and transparent manner, regulations are needed to oversee and steer them. However, these need to be carefully designed.

First, regulations should be predictable and stable over time, providing decision-making security for social providers. Given that social housing development typically involves providers setting out a multi-decade business plan, constant regulation change can lead to uncertainty and hinder future investment. The legal system underpinning the limited-profit social housing system in Austria is a good example of a broadly stable regulatory system which has helped to promote confidence on the part of providers. It is outlined later in the section.

Governments can help remove potential uncertainty by developing a broad consensus on public support schemes for social providers and targeted household groups. This can be done by making available sufficient suitable land, co-investing in specified housing developments, facilitating access to long-term financing, and providing tax incentives to encourage socially desirable business practices. These tactics shape the affordable and social housing sector and its role in the wider housing system. Funding tools are particularly powerful influences on social and affordable housing, and these are examined in greater detail in chapter II.

It is well-recognized by social housing organizations that good governance and appropriate regulation is crucial to their success. In addition to commitment to a public purpose, a robust framework including regulation, supervision and conditional funding, is also needed. While this may make extra demands on social providers compared to the private sector, it also confers special advantages on them and ensures effective use of public funds. It is essential, though, to balance these obligations with opportunity for responsible experimentation and innovation to develop best practice and adapt to changing social and environmental circumstances.

Regional and nationwide public, cooperative and social housing representative organizations such as those represented at a European level by Housing Europe, can also help to build expertise and pool sector capacity and reinforce good practices. Many national bodies representing social housing play a useful role in monitoring performance, exchanging best practice and promoting compliance. They also offer an effective

platform to communicate with policymakers and improve the efficiency of housing policy formation. Indeed, the development of best practice and effective governance of social housing providers, does not have to be a “top-down” exercise. Representative bodies and individual providers often peer review and collaborate to do it.

### Box 7 Rationale for regulation of social and affordable housing providers

#### **Arguments in favour of regulating social and affordable housing providers**

- ✓ Clarity of purpose, with compliance providing legitimacy.
- ✓ Shapes key actors' behaviour.
- ✓ Provides certainty, which in turn attracts lower-cost investment.
- ✓ Protects tenant interests as well as providing financial comfort to lenders and value for money for taxpayer.
- ✓ Promotes efficiency in the use of inputs.
- ✓ Provides a basis for monitoring and reporting key indicators of compliance.
- ✓ Provides a basis for accountability to clients, broader community and funders.
- ✓ Minimizes misuse of public funds.
- ✓ Incentivizes and enforces compliance.
- ✓ Evaluation keeps regulations up to date with changing expectations.

#### **Arguments against regulating social and affordable housing providers**

- ✗ Takes up time and limited resources.
- ✗ May not take into account economic feasibility.
- ✗ Limits innovation.
- ✗ May not be effectively implemented.
- ✗ No penalties for non-compliance.
- ✗ Other landlords do not have to comply, thus creating an uneven playing field.
- ✗ Can be too heavy-handed and not recognise reasons for non-compliance, such as lack of public support or excessive market costs.
- ✗ Developed by non-social housing experts, who may not properly understand the sector.



### Austrian legislation and auditing of limited-profit housing

Most social housing providers across the UNECE region operate according to legislation which defines their mission, realm of operations and business conduct. Austria has a well-defined “cost rent”, limited-profit housing association (LPHA) system. This requires auditing of cost-capped resources, including land costs, financing and management costs, and size of dwellings under 150 m<sup>2</sup>, as well as cost-covering approaches to rent setting and

indexing. Equity and assets must be dedicated towards affordable housing.

The Austrian regulatory system<sup>90</sup> is based on a number of key national laws like the Limited-Profit Housing Act, though delivery is a regional responsibility. The legislative framework sets out the role and rent-setting procedures of social housing providers which form 24 per cent of housing stock, comprising municipal housing companies and LPHAs. The LPHA sector owns about 17 per cent of housing stock and its key principals (see table 7).

**Photo 3** Social housing development in Vienna, Austria



Photo credit: [www.studiohuger.at](http://www.studiohuger.at).

90 Housing Europe, “The economic benefits of affordable housing”. Available at <https://www.housingeurope.eu/blog-1539/new-study-the-economic-benefits-of-affordable-housing>.



**Table 7** The key principles of limited-profit housing in Austria

Principles	Explanation
<b>Cost-rent</b>	LPHA calculate on a cost-basis, which means that rents can neither be set above nor below the costs incurred in the production, financing and management of residential buildings (cost rent). Rented homes for which financing loans have been paid off are subject to rent control on a permanent basis, something known as the “Grundmiete”, a flat-rate rent which in most cases is below the cost rent.
<b>Limitation of profits</b>	Revenue-generating components are a part of cost-covering prices. In the case of LPHA, however, these are clearly defined by legislation and supplementary regulations which set upper limits.
<b>Revolving funds</b>	Equity is permanently tied up for limited-profit purposes and surpluses are continuously reinvested. This is guaranteed by a limitation on profit distribution among owners and by an obligation to regularly reinvest any surpluses in housing construction. Furthermore, shares in a limited-profit housing association may only be sold off at a nominal value of the initial investment.
<b>Personnel restrictions</b>	LPHA must be independent from the construction industry to prevent tie-in deals to the detriment of tenants. This applies particularly to the functionaries of limited-profit companies. The salaries of functionaries may also not exceed statutory limits.
<b>Limited business activities</b>	Limited-profit housing associations must primarily pursue business activities that are within their main legal scope - home construction, maintenance and renovation, and must do so in their own name. For activities outside the main scope of business activities, such as construction of business premises, garages, and community facilities, LPHA require the permission of regional governments.
<b>Audit requirements</b>	All limited-profit building associations must be members of an auditing association and audited annually by independent auditors. The audit monitors legislation compliance, including efficient use of resources and capital as well as sound management of the organization.

Source: Adapted from a review of the Austrian Institute of Economic Research (WIFO) of the LPH sector (The Economic Impacts of Limited-Profit Housing Associations in Austria, 2021. Available at <https://www.housingeurope.eu/blog-1539/new-study-the-economic-benefits-of-affordable-housing>).

The Austrian regulatory approach is designed to create effective, mission-focused housing outcomes via not-for-profit providers that employ resources appropriately, efficiently and transparently. It promotes affordability, well-maintained assets and growth over the short and longer term. It has also prospered in turbulent economic and political climates. A recent review of the impact of the Austrian LPHA sector concluded that it adds nearly EUR 1 billion to Austrian GDP annually. It does this primarily by boosting private consumption, through lower housing costs, and allowing for greater public investment in economically productive areas (such as education or research) as a result of savings made relative to a situation

in which low-income households had their housing needs met via additional social welfare payments and income supports.<sup>91</sup>

91 Austrian Federation of Limited-Profit Housing Associations, “The economic impacts of Limited-Profit Housing Associations in Austria”. Available at [https://cms.gbv.at/repos/files/GBV/PDF/Studien\\_Publikationen\\_GBV/Summary%20WIFO%20study\\_The%20economic%20impacts%20of%20limited%20profit%20housing%20associations.pdf?exp=36561&fps=fabe0600122fc77400d1f01fc6c3d3d9d2813f3](https://cms.gbv.at/repos/files/GBV/PDF/Studien_Publikationen_GBV/Summary%20WIFO%20study_The%20economic%20impacts%20of%20limited%20profit%20housing%20associations.pdf?exp=36561&fps=fabe0600122fc77400d1f01fc6c3d3d9d2813f3).

Good regulation of the LPHA sector is mutually reinforced by internal regulation, management norms and external legislation. It comprises the following layers of regulation:

- (a) Internal control by a specialist auditor reporting to the CEO and Board of the association;
- (b) Industry control by a specialist auditing industry body (Revisionsverband) which all registered associations must pay to join (40 auditors operating regionally spend two weeks annually with each provider and provide certified reports of their compliance and performance to funders – the nine state governments);
- (c) External State Government control by housing departments providing subsidies to associations via a review of annual Revisionsverband reports as well as up-front and post assessments of the implementation of project subsidies, submitted via local governments;
- (d) National Legislation concerning (i) Housing Organizations for the Common Good, which outlines the business model for organizations with a social purpose serving eligible households, and (ii) governing the use of housing subsidies and cost-rent setting;
- (e) Reviews by court system of specific cases.

#### Provider-led benchmarking and monitoring – the Netherlands

Good governance does not have to be a purely “top-down” exercise. Providers of social and affordable housing have always taken a strong role in innovation and improving their sector. The first examples of social housing in Europe were not government-led, but independent initiatives of employers and civil society. While government regulation and frameworks are important for the social sector, to deliver stated public objectives, providers must also constantly improve.

A good example of provider innovation comes from the Netherlands, the nation with the highest percentage of social housing in Europe (around 30 per cent). Aedes, the national federation of social housing corporations (Woningcorporaties), which brings together 310 local providers of social housing, carries out a thorough annual “benchmarking” process to monitor the performance of its members.<sup>92</sup>

This benchmarking process includes detailed analysis of tenant satisfaction, operating expenses, environmental sustainability, maintenance and renovations, availability, affordability, and new construction. The benchmark is vital to effective functioning of the social housing sector; it provides Aedes with better information to lobby policymakers for improvements in sector performance. It also allows oversight of individual providers and identify those struggling to meet objectives. These providers can then be assisted by the broader social housing sector. As the benchmarking process is provider-led, it can quickly adapt to changing sectoral standards or even unforeseen issues such as the COVID-19 pandemic.

#### Scottish Social Housing Charter and the Scottish Housing Regulator – United Kingdom

In 2012 the Scottish Government established the Scottish Social Housing Charter, a series of outcomes and standards for all social landlords. The Scottish Housing Regulator (SHR) measures landlord performance against these, mainly through an Annual Return on the Charter (ARC) submission.

Furthermore, social landlords in Scotland are certified and registered to ensure they operate effectively - their compliance is regulated by the Scottish Housing Regulator. Most providers are also not-for-profit charities and so are regulated by the Office of the Scottish Charity Regulator (OSCR). A memorandum of understanding exists between OSCR and the SHR to ensure specialist governance and avoid unnecessary duplication.

The Scottish housing regulator is often held up as an example of international best practice – especially in terms of expert engagement with providers, tenant voices and public transparency. SHR has a board which includes 3 tenant members. It has a tradition of being consumer-focused, consultative and protected from undue influence by the Minister.

Under the Housing (Scotland) Act, there is strong acknowledgement and protection of tenants’ interests. The SHR not only protects the interests of social housing tenants, but also homeless people and applicants waiting for social housing, as well as other households who are not registered on the waiting list but also in need.

92 For example, see <https://benchmark2020.aedes.nl>.

Only not-for-profit organizations can be registered as social landlords in Scotland and receive public subsidies for this role. The Scottish Housing Regulator governs their performance, as well as making data easily accessible and comparable for the public and tenants. The SHR also has powers of statutory intervention and can use these in extreme cases of non-compliance, appointing a special manager, governing body members and ultimately transfer of assets.

The SHR no longer undertakes cyclical inspections, in part due to resource constraints, and has moved towards a risk-based approach with self-assessment as a key component. Since 2019, all social landlords in Scotland issue an Annual Assurance Statement, which must declare any aspect of non-compliance with regulatory standards.

### Tenant and owner-occupier involvement frameworks

In some countries, households play an active role in the governance of their dwellings and the buildings or estates where they live. The nature of this varies significantly between countries and regions, and between different types of ownership and rented housing.

According to the International Union of Tenants Charter,<sup>93</sup> tenants should have the right to participate in decision-making processes through representative organizations. German Tenants Advisory Councils and Operating Cost Advisory Boards in Berlin are good examples of this.<sup>94</sup>

The different levels of participation that residents can have in governance of their homes are summarized in table 8. As this table explains, these range from information provision to joint decision-making between landlords and tenants, to governance arrangements in which tenants take on full responsibility for the management of their buildings.

Research on involving tenants in the governance of rented housing also distinguishes between “consumer-focussed” and “resident-focussed” arrangements.<sup>95</sup> Broadly speaking, the consumer focussed model is more commonly used in governance of private rented housing, and is associated with information provision, consultation and dialogue with tenants. Examples include the legally underpinned system of negotiation between landlords and tenants used to set housing rents in Sweden<sup>96</sup> and the legal right of local government tenants to be consulted in England, United Kingdom.<sup>97</sup>

The resident-focused model is more commonly used in non-profit rented housing and in countries where traditions of cooperative housing provision are strong. It is associated with joint decision-making in housing governance and tenant management of housing estates. Examples of this approach include the “tenants’ democracy” approach to governing social housing in Denmark,<sup>98</sup> and housing cooperatives, which provide approximately 10 per cent of rented housing in Germany.

The right for tenants to participate in decision-making relevant to their homes has been strongly promoted by tenants’ representative organizations in many countries and by their international representative organization, the International Union of Tenants (IUT), which has members in 47 countries.<sup>99</sup> However, involving tenants in governance may create problems for people trying to get a tenancy, such as demands for low rents increasing demand for places, while also limiting the number of units which become vacant.

93 Since 1974, the IUT has adopted the Tenants Charter, which outlines good standards of tenancy and can be found here: <http://www.iut.nu/wp-content/uploads/2017/07/Tenants-Charter-english.pdf>.

94 For an outline of their role, chart and membership, see <https://www.degewo.de/wohnen-service/mitbestimmung/beiraete/>.

95 Liz Caincross and others. *Housing Management, Consumers and Citizens*, London, Routledge (1997).

96 Haymanot Baheru, “Swedish Legislation of Residential Tenancies: An Interaction between Collective Bargaining and Mandatory Regulation”. Available at [https://www.uni-bremen.de/fileadmin/user\\_upload/fachbereiche/fb6/fb6/Forschung/ZERP/TENLAW/FollowUp/Malta/Malta\\_4.3\\_2018\\_Regulating\\_Rental\\_Conditions\\_through\\_Collective\\_Bargaining\\_-\\_H\\_Baheru.pdf](https://www.uni-bremen.de/fileadmin/user_upload/fachbereiche/fb6/fb6/Forschung/ZERP/TENLAW/FollowUp/Malta/Malta_4.3_2018_Regulating_Rental_Conditions_through_Collective_Bargaining_-_H_Baheru.pdf).

97 This right is legally underpinned by the Housing Act, 1985, see [https://england.shelter.org.uk/legal/security\\_of\\_tenure/secure\\_tenancies/rights\\_of\\_secure\\_tenants#\\_edn10](https://england.shelter.org.uk/legal/security_of_tenure/secure_tenancies/rights_of_secure_tenants#_edn10).

98 Lotte Jensen and others, *Beboerdemokrati og forvaltning i den almene*. SBI-Rapport 322, Hørsholm Bygningsplanlægning. Available at <https://sbi.dk/Assets/Beboerdemokrati-og-forvaltning-i-den-almene-boligsektor/sbi-rapport-322.pdf>.

99 For more information, see <https://www.iut.nu/about-iut/the-tenants-charter>.

Table 8 Levels, objectives and methods of involving tenants and owner-occupiers in the governance of housing		
Levels of tenant involvement	Objectives of tenant involvement	Methods and mechanisms of implementation
Information provision	Tenants receive information on housing issues.	Bulletins, meetings, leaflets, tenant’s guides, websites
Consultation and dialogue	Tenants’ opinions are gathered and taken into consideration when making decisions and providing services.	Meetings, online surveys, discussion and feedback panels
Joint decision making	Tenants vote on issues related to service provision or are members of the boards of landlord organizations so landlords must take their opinions into account.	Tenants are organized and have representation. Agreements are made between landlords and tenants. Joint strategies and plans of action are undertaken.
Tenant management	Tenants have full control and make autonomous decisions concerning housing governance.	Management by tenants.

Source: Based on Declan Redmond and Michelle Norris, “Reforming Local Authority Housing Management: The Case of Tenant Participation in Estate Management”, in *Housing Contemporary Ireland: Policy, Society and Shelter* (New York, Springer, 2007), pp. 183-204.

Box 8 Rationale for involving tenants in the governance of rented housing	
<p><b>Arguments in favour of involving tenants in the governance of rented housing:</b></p> <ul style="list-style-type: none"> <li>✓ Tenants have a right to be consulted regarding decisions which affect their homes.</li> <li>✓ Tenants have insights into the effectiveness of housing management which can help improve service quality and efficiency.</li> <li>✓ Can promote stronger communities in rented housing developments and reduce social isolation.</li> <li>✓ Empowers tenants, increases their self-confidence and helps them gain additional skills.</li> <li>✓ Cheaper digital technology, more widespread internet and social media usage has made consulting tenants easier.</li> <li>✓ Promotes the open, inclusive governance of housing.</li> </ul>	<p><b>Arguments against involving tenants in the governance of rented housing:</b></p> <ul style="list-style-type: none"> <li>✗ May conflict with dominant ethos and culture of organization.</li> <li>✗ Can create inequalities between “insiders” and “outsiders”, that is, between current and aspiring tenants.</li> <li>✗ Can create additional demands on tenants to attend meetings, manage paperwork take on management responsibilities.</li> <li>✗ Tenants’ demands may undermine rent policy that secures funds for adequate maintenance, renovation and new housing.</li> <li>✗ It is very difficult to ensure that all categories of tenants get involved. Young people, disadvantaged households and ethnic minority tenants can be particularly difficult to reach.</li> <li>✗ May be tokenistic and not reinforced by monitoring, regulation and legislation.</li> </ul>

Source: Based on TPAS Cymru, *Guide to Tenant Participation* (Wales, 2017). Available at <https://www.tpas.cymru/ckfinder/userfiles/files/CC413-ITPIE-TPAS-BookletEnglish030317.pdf>.



Embedding resident involvement requires a committed corporate ethos and organizational culture. This may be anchored in legislation and good regulation. It involves a shift from paternalistic to a service user-orientation, doing things with tenants rather than for or to tenants.<sup>100</sup>

#### Advocacy in negotiating tenant and landlord agreements – Swedish Tenants Union

All tenants of rented housing in Sweden, including for-profit and non-profit provision, have the right to be involved in negotiating rents and tenancy conditions. This builds on a distinctive history of rented housing regulation which treats all forms of rented housing the same. This is reinforced by tenant mobilization and active campaigns for rights. Representative organizations of tenants and landlords negotiate tenancy agreements. If landlords refuse to negotiate with tenants, a statutory Rent Tribunal has the power to impose an arrangement regarding rent levels and tenancy conditions.<sup>101</sup>

#### Supported self-management – Estonian cooperative apartment associations

In Estonia, as a result of mass privatizations of public housing stock in the early 1990s, 97 per cent of people own their own home. Most live in multi-dwelling apartment buildings, which are managed by cooperative-style apartment associations

Members of apartment associations are responsible for managing their buildings under legally defined frameworks which support their decision making. For example, more than 50 per cent of apartment owners in each building must agree on the scope and budget

of any refurbishment work. This approach has been very successful; figures from Eurostat show that the percentage of low-income households in Estonia living in sub-standard dwellings has been declining steadily: from close to 40 per cent in 2004, to around half that in recent years. The Estonian Union of Cooperative Housing Associations and its members have had a significant role to play in this, upgrading and improving low-quality housing, driven by collective decision-making and enabling the management of buildings by residents.

#### Tenant democracy in Denmark

Social housing landlords in most European countries have arrangements for involving their tenants in governance. These arrangements have progressed furthest in Denmark and have evolved into which is popularly known as “tenant democracy”. This system enables tenants of housing associations to exert significant influence over estate management. Every year at an annual tenant meeting, the tenants of each housing estate elect a tenant board responsible for estate management and financial governance. At these meetings, tenants also approve rents, estate budget, estate management rules, and major maintenance and refurbishment projects. A majority of tenants must also approve any proposed sales of dwellings in their estates.<sup>102</sup>

These arrangements are attractive for tenants because they give influence over the management of their homes without requiring them to take responsibility for running estates themselves. Furthermore, there is evidence that the tenant democracy system has helped to strengthen the Danish social housing sector. This is in part because tenant democracy arrangements have increased tenants’ commitment to the sector and ensured that landlords are responsive to their needs, and that rent increases are kept to affordable levels. In addition, tenant boards have generally voted against sales of dwellings, limiting the impact of central government efforts to privatize social housing.<sup>103</sup>

100 For an overview of the arrangements used to involve tenants in the governance of social housing in Europe, see Hal Pawson and others, *Resident involvement in social housing in the UK and Europe* (London, Hyde Group, 2012). Available at <http://www.iut.nu/wp-content/uploads/2017/07/Resident-Involvement-in-Social-Housing-in-the-UK-and-Europe.pdf>.

101 Haymanot Baheru, “Swedish Legislation of Residential Tenancies: An Interaction between Collective Bargaining and Mandatory Regulation”, *Revista Electronica de Direito*, No. 3, October 2017. Available at [https://www.uni-bremen.de/fileadmin/user\\_upload/fachbereiche/fb6/fb6/Forschung/ZERP/TENLAW/FollowUp/Malta/Malta\\_4.3\\_2018\\_Regulating\\_Rental\\_Conditions\\_through\\_Collective\\_Bargaining\\_-\\_H\\_Baheru.pdf](https://www.uni-bremen.de/fileadmin/user_upload/fachbereiche/fb6/fb6/Forschung/ZERP/TENLAW/FollowUp/Malta/Malta_4.3_2018_Regulating_Rental_Conditions_through_Collective_Bargaining_-_H_Baheru.pdf).

102 Hedvig Vestergaard and Kathleen Scanlon, ‘Social Housing in Denmark’, in Kathleen Scanlon and others (editors) *Social Housing in Europe*. London: Wiley. (2014).

103 Ian Cole and David Etherington, “Neighbourhood renewal policy and spatial differentiation in housing markets: Recent trends in England and Denmark”, *European Journal of Housing Policy*, 5(1) (2005).

### Representation of German tenants and insurance company providing legal protection

In Germany, private renters can join a tenants' association, called a Mieterbund or Mietervereine. These represent tenants' interests and offer members advice on tenancy contracts, utility costs and tenancy laws.

The Deutscher Mieterbund (DMB) is a national body which represents 320 local tenants' organizations across Germany. Tenants pay a small membership fee and the organization employs 1,300 full-time employees and 2,500 volunteers across its network.<sup>104</sup> Many tenants' associations also offer litigation cost protection through legal protection insurance. To this end, the German Tenants' Association, regional associations and tenants' associations founded their own insurance company in 1983, the German Tenants' Association Legal Protection Insurance AG.

### Limited Profit Cooperatives in Switzerland

Renting is the dominant tenure in Switzerland (65 per cent), largely provided by individual private landlords and institutional landlords. There is a small diverse

social housing sector comprising 1,700 non-profit organizations, primarily small cooperatives and social housing foundations, associations and municipal housing companies. Together these provide about 14 per cent of total rental housing stock, mostly as flats and row housing in urban areas.

Most social landlords are very small not-for-profit cooperatives - 70 per cent own under 100 dwellings. Cooperatives are eligible for tax privileges in the different departments of the Swiss Federation. Earnings are not distributed but must be re-invested in public interest activities. A non-profit housing association restricts these to building and acquiring dwellings of moderate rents or prices, and profits must not exceed 6 per cent of social capital. Finally, any residual equity after dissolution of the organization must be used for affordable housing.

Cooperatives own the properties they manage. Members own a share but have no equity in their units. These shares are reimbursed to members upon leaving, at the original amount. Tenants do not have the right to buy their dwellings and there are no strong policies to further privatize social housing or strongly promote individual ownership of rental units. Unlike institutional investors, they are less sensitive to business cycles and shifts in markets, so they keep on building in periods when private capital is scarce.

**Photo 4** Tenant democracy, housing cooperative in Zurich, Switzerland



Photo credit: Allgemeine Baugenossenschaft Zürich (ABZ).

104 For more information about German Tenants Association, see <https://www.mieterbund.de/dmb/deutscher-mieterbund.html>.

## Useful resources and contacts

### On strategic frameworks

UN Sustainable Development Agenda 2030

[https://www.brd-org.se/blog/agenda-2030/?gclid=Cj0KCQjw4ImEBhDFARIsAGOTMj9UXJL6eG9pL87R28hvuaOS\\_FsfO9\\_Zumo0m\\_1kUT3sfyUf\\_4z7QkMaAqJZEALw\\_wcB](https://www.brd-org.se/blog/agenda-2030/?gclid=Cj0KCQjw4ImEBhDFARIsAGOTMj9UXJL6eG9pL87R28hvuaOS_FsfO9_Zumo0m_1kUT3sfyUf_4z7QkMaAqJZEALw_wcB)

Geneva UN Charter on Sustainable Housing

[https://unece.org/DAM/hlm/documents/Publications/EN\\_Geneva\\_UN\\_Charter\\_on\\_Sustainable\\_Housing.pdf](https://unece.org/DAM/hlm/documents/Publications/EN_Geneva_UN_Charter_on_Sustainable_Housing.pdf)

OHCHR Guidelines for the Right to Adequate Housing

<https://www.ohchr.org/EN/Issues/Housing/Pages/GuidelinesImplementation.aspx>

UN-Habitat Global Housing Strategy Framework Document

[https://mirror.unhabitat.org/downloads/docs/11892\\_1\\_594746.pdf](https://mirror.unhabitat.org/downloads/docs/11892_1_594746.pdf)

Building for a better tomorrow: Policies to make housing more affordable, Employment, Labour and Social Affairs Policy Briefs, OECD, Paris, 2021 <http://oe.cd/affordable-housing-2021>

Social housing: A key part of past and future housing policy, Employment, Labour and Social Affairs Policy Briefs, OECD, Paris, <http://oe.cd/social-housing-2020> [Guidance on formulating national housing strategies](http://oe.cd/social-housing-2020)

### Exemplar housing strategies

Canada's National Housing Strategy

<https://www.placetocallhome.ca/-/media/sf/project/placetocallhome/pdfs/canada-national-housing-strategy.pdf>

Housing to 2040: Scotland's Housing Strategy

<https://www.gov.scot/publications/housing-2040-2/>

Victoria's Big Housing Build

<https://www.vic.gov.au/homes-victoria-big-housing-build>

An informative video presentation of the Scottish approach by Professor Ken Gibb, on Scotland's completed Housing Strategy can be viewed here; <https://www.youtube.com/watch?v=IXOaFfEok6M>

British Columbia's Strategy Housing Matters

<https://triciestaskforce.files.wordpress.com/2014/02/housing-matters-bc-a-foundation-for-strong-communities.pdf>

Western Australia's Affordable Housing Strategy:

[http://www.housing.wa.gov.au/HousingDocuments/AHS\\_Report\\_final.pdf](http://www.housing.wa.gov.au/HousingDocuments/AHS_Report_final.pdf)

### Guidance for Local Housing Strategies

Local Housing Strategy Guidance

<https://www.gov.scot/publications/local-housing-strategy-guidance-2019/pages/8/>

Local Housing Strategy Template

<https://www.planning.nsw.gov.au/-/media/Files/DPE/Guidelines/Local-Housing-Strategy-Guideline-and-Template.pdf>

### On housing governance and leadership

On course for housing policy leadership

<https://lesardevelopment.com/housing-policy-leadership-academy/>

Alliance for Affordable Housing and Building

<https://www.bmi.bund.de/EN/topics/building-housing/city-housing/housing-industry/affordable-housing/affordable-housing-node.html>

## On building capacity

### On capacity building for housing and urban policy

[https://unhabitat.org/sites/default/files/2020/02/un-habitat\\_capacity\\_building\\_strategy\\_abridged\\_version\\_final\\_draft\\_for\\_sharing\\_revised\\_post\\_pmc\\_31012020\\_clean.pdf](https://unhabitat.org/sites/default/files/2020/02/un-habitat_capacity_building_strategy_abridged_version_final_draft_for_sharing_revised_post_pmc_31012020_clean.pdf)

### Co-operatives

<https://www.housinginternational.coop/>

### Estonian Housing Associations capacity building among owners

[https://ekyl.ee/en/organization/who-we-are/#:~:text=The%20Estonian%20Union%20of%20Co%2Doperative%20Housing%20Associations%20\(EKYL\),members%20\(apartment%20associations\)%20today](https://ekyl.ee/en/organization/who-we-are/#:~:text=The%20Estonian%20Union%20of%20Co%2Doperative%20Housing%20Associations%20(EKYL),members%20(apartment%20associations)%20today)

### Capacity Building Programs

<https://housing.novascotia.ca/programs/community-housing-capacity-building-program>

## On multi-level governance

### On the concept of housing and multi-level governance

[https://www.ahuri.edu.au/\\_data/assets/pdf\\_file/0022/13765/Housing,-multi-level-governance-and-economic-productivity-Executive-summary.pdf](https://www.ahuri.edu.au/_data/assets/pdf_file/0022/13765/Housing,-multi-level-governance-and-economic-productivity-Executive-summary.pdf)

### Types of long-term intergovernmental agreements include past Commonwealth-State Housing Agreements:

[https://www.aph.gov.au/about\\_parliament/parliamentary\\_departments/parliamentary\\_library/publications\\_archive/archive/statehouseagree#:~:text=Commonwealth%2DState%20Housing%20Agreements%20were,a%20party%20to%20the%20Agreement](https://www.aph.gov.au/about_parliament/parliamentary_departments/parliamentary_library/publications_archive/archive/statehouseagree#:~:text=Commonwealth%2DState%20Housing%20Agreements%20were,a%20party%20to%20the%20Agreement)

## Evidence-based housing policy

### UNECE Guidelines on evidence-based policies and decision-making for sustainable housing and urban development

[https://unece.org/DAM/hlm/documents/Publications/2020\\_Guidelines\\_on\\_evidence-based\\_policies.pdf](https://unece.org/DAM/hlm/documents/Publications/2020_Guidelines_on_evidence-based_policies.pdf)

### OECD Housing Data Base

<http://www.oecd.org/housing/data/affordable-housing-database/>

OECD (2021), "Building for a better tomorrow: Policies to make housing more affordable", Employment, Labour and Social Affairs Policy Briefs, OECD, Paris, <http://oe.cd/affordable-housing-2021>

Centre for Homelessness Impact, a United Kingdom what works centre, is a great example of a focused insight bringer to policy and practice on homeless. <https://www.homelessnessimpact.org/>

### The State of Housing in Europe

<https://www.stateofhousing.eu/#p=1>

### FEANTSA Housing Exclusion in Europe Annual Report

<https://www.feantsa.org/en/report/2021/05/12/the-6th-overview-of-housing-exclusion-in-europe-2021>

## Regulating social housing

### Gilmore, T (2017) Learning from the wider world of social housing regulation,

<https://static1.squarespace.com/static/56a56b4a05f8e21e9555eb4e/t/59dadeb212abd904963b8a95/1507516086913/32.-Learning-from-the-wider-world-of-social-housing-regulation---Tony-Gilmore.pdf>

### Cave, M (2007) Every Tenant Matters: A review of social housing regulation,

<https://thinkhouse.org.uk/site/assets/files/1786/cave.pdf>

### Green Paper – A New Deal for Social Housing

<https://www.gov.uk/government/consultations/a-new-deal-for-social-housing>

### Scottish Housing Regulator

<https://www.housingregulator.gov.scot/>

### Limited Project Housing Systems of Austria

[https://www.ahuri.edu.au/\\_data/assets/pdf\\_file/0014/3119/AHURI\\_Research\\_Paper\\_International\\_measures\\_to\\_channel\\_investment\\_towards\\_affordable\\_rental\\_housing\\_Austrian\\_case\\_study.pdf](https://www.ahuri.edu.au/_data/assets/pdf_file/0014/3119/AHURI_Research_Paper_International_measures_to_channel_investment_towards_affordable_rental_housing_Austrian_case_study.pdf)







## Chapter 2

# FINANCE

Shaping investment pathways  
to deliver affordable housing



## CHAPTER II: FINANCE

### Shaping investment pathways to deliver affordable housing

#### Why are investment and finance tools important to affordable and inclusive housing?

Housing finance can be seen as both the servant and master of housing systems.<sup>105</sup> Housing is often expensive to produce and challenging to pay for because the costs of its construction or purchase must be paid for upfront, in a lump sum, prior to construction. Therefore, housing finance instruments such as mortgages are required to enable households to pay for housing. However, once constrained, locally focused, and closely regulated, mortgage markets and financing products have been set free and ballooned on a global scale in recent decades.<sup>106, 107</sup> The impact of this is by no means universally positive. Indeed, many economic crises have their origins in loosely regulated housing finance systems.

A range of housing finance systems operates across the UNECE region, and in most systems mortgage instruments have proliferated to finance homeownership since the 1990s. However, many countries in this region have also seen a rise in housing costs that has outpaced growth in household incomes, especially among lower-income and younger workers. Consequently, homeownership rates have declined in numerous countries and low and increasingly middle-income households are more

indebted than in previous decades. A considerable share of households now face unaffordable housing costs and those with the lowest incomes risk social exclusion, poverty and even homelessness.

The Special Rapporteur on Adequate Housing to the United Nations has raised concerns about these developments and recommended that governments re-examine the relations between corporate and government finance, housing, and human rights (A/HRC/34/51).<sup>108</sup> Policymakers are also encouraged to make reforms to strengthen access to adequate housing, and ensure affordability, decent standard and security of tenure, as well as reforming housing finance.<sup>109</sup> Governments must mobilize the right focus and scale of investment to deliver the UN Sustainable Development Goals and realize the “Right to Adequate Housing”.<sup>110</sup> This chapter outlines how to shape the housing finance system, channelling investment to promote adequate, safe and affordable housing outcomes.

There are two tools which can be improved to promote access to housing affordability, adequacy and accessibility. First, there are the arrangements for funding housing: resources allocated by governments, businesses, and

105 UN-Habitat, “Financing Urban Shelter”, Global Report on Human Settlements (London and Virginia, Earthscan, 2005). Available at <https://unhabitat.org/financing-urban-shelter-global-report-on-human-settlements>.

106 By 2007 outstanding mortgage loans among EU 28 countries had reached EUR 5.9 trillion and grew to EUR 7.8 trillion by 2018 ([https://hypo.org/app/uploads/sites/3/2019/09/HYPOSTAT-2019\\_web.pdf](https://hypo.org/app/uploads/sites/3/2019/09/HYPOSTAT-2019_web.pdf)).

107 For further evidence for this process in the United States, see Manuel Adelino, Antoinette Schoar and Felipe Severino, “The Role of Housing and Mortgage Markets in the Financial Crisis”, *Annual Review of Financial Economics*, vol. 10 (November 2018), pp. 25–41.

108 Special Rapporteur on adequate housing, “Report of the Special Rapporteur on adequate housing as a component of the right to an adequate standard of living, and on the right to non-discrimination in this context” presented to the Human Rights Council at its 34th session, 27 February–24 March 2017. Available at <https://undocs.org/A/HRC/34/51>.

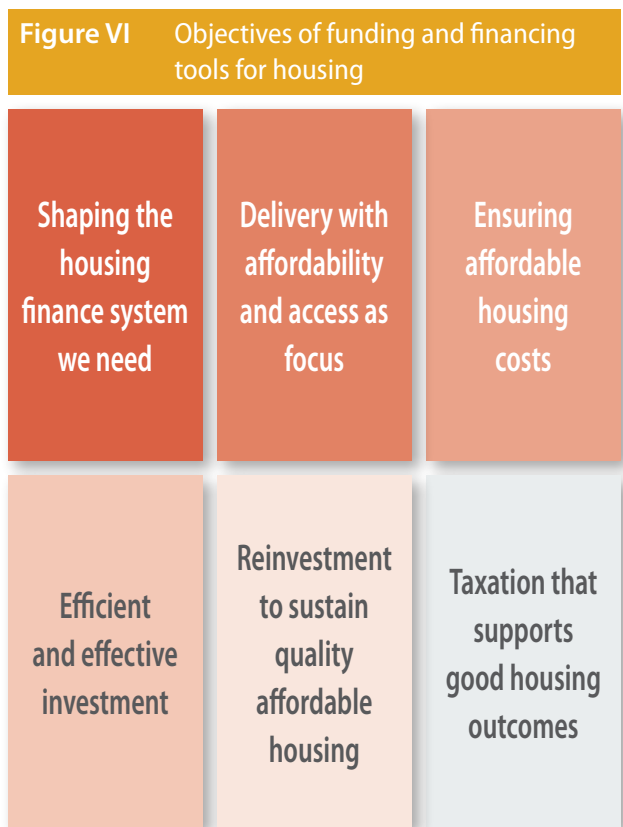
109 Special Rapporteur on adequate housing, “Guidelines for the implementation of the right to adequate housing”, presented to the Human Rights Council at its 43rd session, 24 February–20 March 2020. Available at <https://www.ohchr.org/EN/Issues/Housing/Pages/GuidelinesImplementation.aspx>.

110 The Right to Adequate Housing is recognized in international human rights law, see OHCHR and UN-Habitat, *The Right to Adequate Housing*, UN-Habitat Fact Sheet, No. 21/Rev. 1 (Geneva, Office of the United Nations High Commissioner for Human Rights, 2009). Available at [https://www.ohchr.org/documents/publications/fs21\\_rev\\_1\\_housing\\_en.pdf](https://www.ohchr.org/documents/publications/fs21_rev_1_housing_en.pdf).



households to cover capital investment and operating costs. Second, there are housing finance tools: the arrangements which allow these costs, especially high upfront capital costs, to be spread over time.<sup>111,112</sup>

This chapter examines how housing funding and financing tools can achieve the objectives presented in figure VI.



**What tools are in the housing investment and finance policy toolbox?**

A rapid evidence review published in 2018<sup>113</sup> identified the following funding and finance barriers to increasing the affordable housing supply:

No, or inadequate, public funding and subsidy for affordable housing

- Excessively favourable tax treatment for owner occupation
- Unhelpful interpretation of state aid rules in relation to non-profit housing providers, for example, by the EU
- Weak supply-side responsiveness to housing shortages
- Risk-averse lenders and providers, including occasional lack of lending to the non-profit sector
- The impact of the global financial crisis (GFC) in the form of tight mortgage-lending criteria affecting lower-income households and first-time buyers
- Market access difficulties facing lower-and-middle income households generally

Since this report, the COVID-19 pandemic increased the strength of these barriers in many countries.

There are a large variety of housing funding and financing tools available which governments can use to promote better housing affordability outcomes. In many respects housing finance systems are government creations – they could not exist without enabling legalization, government regulation, and implicit or explicit government guarantees. Therefore, policymakers could instead shape financing systems to achieve economic and social policy priorities. There is evidence that government use of these powers has increased in some countries since the global financial crisis.

111 For definitions of housing funding and housing finance employed in this chapter, see Julie Lawson and others, "Social housing as infrastructure: an investment pathway", AHURI Final Report, No. 306 (Melbourne, Australian Housing and Urban Research Institute, 2018). Available at [https://www.ahuri.edu.au/\\_data/assets/pdf\\_file/0025/29059/AHURI-Final-Report-306-Social-housing-as-infrastructure-an-investment-pathway.pdf](https://www.ahuri.edu.au/_data/assets/pdf_file/0025/29059/AHURI-Final-Report-306-Social-housing-as-infrastructure-an-investment-pathway.pdf).

112 Kim Hawtrey, "Affordable Housing Finance", Palgrave Macmillan Studies in Banking and Financial Institutions (London, Palgrave Macmillan, 2009).

113 Kenneth Gibb and Jim Haynton, "Overcoming Obstacles to the Funding and Delivery of Affordable Housing Supply in European States" (November 2017), p.44. Available at [https://ec.europa.eu/futurium/en/system/files/ged/2018.10.22\\_overcoming\\_obstacles\\_to\\_the\\_funding\\_and\\_delivery\\_of\\_affordable\\_housing\\_supply\\_in\\_european\\_states\\_1.pdf](https://ec.europa.eu/futurium/en/system/files/ged/2018.10.22_overcoming_obstacles_to_the_funding_and_delivery_of_affordable_housing_supply_in_european_states_1.pdf).



Housing investment and finance policy can influence housing affordability and access outcomes by:

- Supporting levels and types of new housing supply in required locations
- Subsidizing the housing costs of low-income households
- Using well-designed regulations to reduce or control housing costs
- Increasing funding for affordable housing by providing exchequer funding and encouraging the commercial and philanthropic sectors to also provide it
- Establishing “sealed circuits of finance” for affordable housing insulated from fluctuations in finance availability from governments and financial markets
- Reducing the funding costs of affordable housing provision by enabling access to long-term finance which will distribute these costs over the long-term and reducing the interest costs
- Mitigating the risks associated with default on loans for affordable housing or to low-income home-buying
- Using public funding for housing to provide affordable housing and achieve other key social and economic policy priorities such as improving energy efficiency, or housing accessibility for people with impaired mobility
- Regulating housing finance markets to encourage price stability and discourage house price booms and busts
- Using public funding for affordable housing counter cyclically, concentrating investment to promote housing market stability
- Using taxation strategically to encourage the efficient use and equitable distribution of dwellings, discourage speculation in housing markets, and attract long-term investment to affordable housing models
- Establishing specialist organizations to distribute funding for housing to low-income households and affordable housing providers which cannot access from the market.

The most common housing investment and finance policy tools employed by national and subnational governments to promote housing affordability are defined in table 9. Each of these tools is examined in more depth in the remainder of this chapter and examples of their successful application in practice in UNECE member countries are outlined.

### Regulating financial institutions to promote housing affordability

Credit-driven real estate boom-bust cycles can very negatively affect not only housing affordability and the sustainability of housing debt, but also broader society and the economy. Widespread deregulation of housing finance systems, the widespread use of new financial products like securitization of mortgages, and the growing inter-connectedness of national and international financial markets since the 1970s, has increased the flow of private finance into housing in most advanced economies. This has occurred alongside wider monetary policy promoting very low interest rates and unorthodox use of policies such as quantitative easing.

These approaches to financial policy and regulation have not only amplified housing booms and busts but also increased their occurrence. Declining affordability, the credit crunch of 2007, the 2008 global financial crisis (GFC), and the widespread housing booms which preceded them, are all closely related to financial deregulation and loose credit controls. To promote affordability and social inclusion, new policies need to ensure financial institutions invest in more sustainably in housing. Fit-for-purpose financial policies and regulation will need to shape housing system operation in recovering from the COVID-19 pandemic and address the challenge of climate change.<sup>114</sup>

In response to GFC, governments and central banks in UNECE member States have taken two courses of action:

- (a) Bank regulations have been changed to require banks to keep reserve capital on hand, thereby reducing their leverage ratios. This has reduced the level of credit flowing into some economies. Across the UNECE region this has been done as part of the latest round of the internationally agreed measures devised by the Basel Committee on Banking Supervision. These “Basel III” reforms<sup>115</sup> were finalized in 2017 and will be implemented from 2022. Additional rules on banks’ reserve capital requirements have been introduced in some EU countries while establishing a single supervisory mechanism for banks in the euro area.

114 OECD, “Housing and the Economy: Policies for renovation”, in *Economic Policy Reforms 2011: Going for Growth* (Paris, OECD Publishing, 2011), pp. 181–204. Available at [https://read.oecd-ilibrary.org/economics/economic-policy-reforms-2011\\_growth-2011-en#page9](https://read.oecd-ilibrary.org/economics/economic-policy-reforms-2011_growth-2011-en#page9).

115 See: Basel Committee on Banking Supervision (2017), *High-level summary of Basel III reforms*, December 2017, Geneva: BIS, [https://www.bis.org/bcbs/publ/d424\\_hisummary.pdf](https://www.bis.org/bcbs/publ/d424_hisummary.pdf).

(b) Several countries' regulation of mortgage-lending for homeowners and private residential landlords has been reformed to limit credit availability. This has generally been achieved by imposing or changing the mortgage loan-to-value ratio (LTV) and debt

servicing to income ratio (DSTI) rules for mortgage applicants. These tools determine how much credit borrowers can access, which influences house prices, affordability, indebtedness, and housing access.<sup>116</sup>

Table 9 Investment and finance tools to promote affordable and inclusive housing	
Tool	Definition
<b>Regulating financial institutions</b>	Governments can shape more effective investment in housing to promote affordability, and access and channel investment towards sustainable and productive activities. This can also reduce credit bubbles in house prices, economic instability and inequality.
<b>Non-profit provision of social and affordable Housing</b>	In non-profit affordable housing models, when surpluses are made after finance and operating costs, they are re-invested in additional housing provision, rather than extracted by shareholders. This growth model can also be efficient and productive, especially when public equity and long-term cost finance reduces cost rents and revolving funds are safeguarded and purposefully reinvested.
<b>Rent subsidies</b>	These are government assistance for households to meet their housing costs. They are designed to target needs or location and can be indexed or rationed.
<b>Rent setting, indexing and regulation</b>	They pertain to regulation of determination of housing rents for new tenancies, and how they are increased over time. These arrangements may differ for private and social housing tenants, or for low income and higher income tenants, or be applied equally to all tenants.
<b>Microfinance for self-building and modernising housing</b>	Small, non-mortgage-backed microfinance loans offered in succession can enable very low-income households build, renovate, or improve their homes.
<b>Circuits of household savings schemes</b>	In many countries, household savings are used to generate a dedicated flow of low-cost finance for affordable housing programmes. They may be used to fund mortgages for home buyers for instance, or the construction and refurbishment of social housing.
<b>Public loans, grants, and purposeful public investment in housing</b>	Government investment such as grants, equity shares and loans, and operating subsidies for housing providers, are important supports for affordable housing provision. Grants reduce the need for debt finance, and low-cost long-term government loans reduce and spread costs over time. Used strategically, public investment can efficiently fulfil many economic, environmental and social policies.

116 Andrea Nocero and Moreno Roma, "House prices and monetary policy in the euro area: evidence from structural VARs", ECB Working Paper, No. 2073 (Main, Germany, European Central Bank, 2017). Available at <https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2073.en.pdf>.

**Table 9** Investment and finance tools to promote affordable and inclusive housing (continued)

Tool	Definition
<b>Interest rate subsidies, guarantees and insurance</b>	These are mechanisms to reduce the costs of financing debt for individual home buyers, or to attract appropriate investment in affordable housing provision. Guarantees and mortgage insurance can protect mortgage lenders, thereby reducing loan premiums charged.
<b>Special-purpose financial intermediaries</b>	Special-purpose financial intermediaries channel funds from markets, savers, or the State towards affordable housing provision. They have specialist credit assessment knowledge and are established as public, co-operative, not-for-profits, and private financial services.
<b>Sharing housing equity and costs</b>	Many countries operate schemes to help home buyers buy a partial stake (or equity) in a dwelling. A variety of approaches are used for this, some facilitated by government and some by the private sector.
<b>Revolving funds which repeatedly reinvest in housing</b>	Revolving funds are closed circuits of funding and financing. For example, recycling of loan repayments for new loans, or dedicating rent contributions, operating surpluses or profits from the exploitation of housing and reinvesting these in new dwelling provision.
<b>Taxation to guide investment in housing</b>	Taxes encourage or discourage different housing outcomes, affecting the production, investment, occupancy, maintenance and exchange of dwellings. They can promote, protect and improve affordable housing.

There is significant research evidence that tightening mortgage lending rules is effective in addressing household over-indebtedness, and, to a lesser extent, dampening house price rises.<sup>117, 118</sup> However, these measures also have housing distribution implications. Mortgage market regulations exclude some households by creating a “down payment barrier” and a “credit access barrier”.<sup>119</sup> There is also growing evidence in Europe and the United States that large-scale corporate investors are outbidding small-scale first-home buyers, especially at the

lower end of the market.<sup>120</sup> Careful design of mortgage lending rules, related taxation requirements and market access rules need to ensure households are not excluded from access to affordable housing. Far-sighted structural reforms to the finance sector proposed by UN agencies are discussed below. There is also an important market-shaping role for strategic public investment. Among OECD countries, greater investment in social housing provision has been recommended,<sup>121</sup> as well as carefully designed housing allowances, savings schemes, as well as mortgage insurance and guarantee schemes. All these instruments are covered in this chapter.

117 Kenneth Kuttner and Ilhyock Shim, “Can non-interest rate policies stabilize housing markets? Evidence from a panel of 57 economies”, *Journal of Financial Stability*, vol. 26, Issue 1 (October 2016), pp. 31-44.

118 Claudio Borio and Ilhyock, “What Can (Macro-) Prudential Policy do to Support Monetary Policy?”, BIS Working Papers, No. 242, 31 December 2007. Available at <https://www.bis.org/publ/work242.htm>.

119 Dan Andrews and Aida Caldera Sánchez, “The Evolution of Homeownership Rates in Selected OECD Countries: Demographic and Public Policy Influences”, *OECD Journal: Economic Studies*, vol. 2011/1. Available at <https://www.oecd.org/economy/growth/evolution%20of%20homeownership%20rates.pdf>.

120 James Mills, Raven Molloy and Rebecca Zarutskie, “Large Scale Buy-to-Rent investors in the Single-family Housing Market: the emergence of a new asset class”, *Real Estate Economics*, vol. 47, Issue 2 (2019), pp. 399-430.

121 For discussion on investment for social housing provision, see OECD, “Building for a better tomorrow: Policies to make housing more affordable”, *Employment, Labour and Social Affairs Policy Briefs* (Paris, OECD, 2021). Available at <http://oe.cd/affordable-housing-2021>.

The scale, and wider fiscal and socio-economic impacts, of the banking crises which were triggered by the GFC necessitated concerted action by governments and central banks to regulate banks' mortgage lending more strictly, to reduce risk of future crises. Alone, however, these measures are insufficient to moderate housing market booms and busts.<sup>122</sup> This is because central banks' monetary policies also influence the flow of credit in housing systems and may counter efforts to control credit availability via banking regulation. Falling interest rates have caused house price bubbles, and unorthodox monetary policies introduced after the GFC, such as quantitative easing, have further inflated real estate investment. In addition, banks, and other traditional mortgage lenders such as building societies and Sparkasse are no longer the primary providers of private finance for housing.

Non-bank finance, from private equity investors, pension funds, real estate investment trusts (REITs) and other private investment vehicles, has become an increasingly important source of private finance for housing in recent decades.<sup>123</sup> In view of these fundamental changes in housing finance markets, there is a risk that governments and central banks' focus on regulating bank lending for housing is a case of "fighting the last war", while not preparing adequately for the next likely attack on housing market stability and addressing the most significant drivers of house price inflation.

For these reasons there is an argument for more broadly focussed regulation of financial institutions and other investors in housing, rather than focusing primarily on regulation of mortgage lending, to address all the factors undermining housing affordability. Broader focussed regulation could also take account the strong influence which financial institutions and their investment in housing have on other economic and social policy priorities such as environmental sustainability, labour market flexibility, balanced regional development, and welfare of vulnerable groups. The rationale for regulating financial institutions and their investment in housing, and the arguments against, are outlined in table 10.

Although the potential for more broadly focused financial regulation to help ensure housing is affordable is currently being discussed in many countries (such as Germany and Denmark) this report's research found very few examples of successful implementation. One example is discussed below, with proposals to strengthen regulation of financial institutions and their investment in housing.

**Table 10** What is the rationale for regulating financial institutions and their investment in housing?

Arguments in favour	Arguments against
<ul style="list-style-type: none"> <li>✓ Financial institutions play a key role in shaping housing access, affordability, and quality.</li> <li>✓ Excessive and poorly regulated credit flows are social, economically, and environmentally harmful, as evident from GFC and housing booms and busts.</li> <li>✓ The flow of credit to housing has increased radically in recent decades and has played a key role in driving house price inflation and unaffordability.</li> <li>✓ Governments have the power to shape financial systems and have a responsibility to use this influence to serve the public interest.</li> <li>✓ Civil society demands that financial institutions operate in a socially responsible manner.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Poor regulation may have adverse consequences such as undersupply of finance to housing for certain households.</li> <li>✗ Universally applied borrowing norms may impede mortgage credit access for first home buyers.</li> <li>✗ Policy and regulatory actions may be uninformed or responsive to vested interests.</li> </ul>

Notably, the European Union is currently discussing regulating financial institutions to reorientate capital flows for a more sustainable economy. As part of this, the European Commission has published an Action Plan on Financing Sustainable Growth and associated taxonomy

122 Josh Ryan-Collins, "Breaking the housing-finance cycle: Macroeconomic policy reforms for more affordable homes", *Environment and Planning A: Economy and Space*, vol. 53, Issue 3 (July 2019), pp. 480-502.

123 Mills, "Large Scale Buy-to-Rent investors" (see sect. "Regulating financial institutions to promote housing affordability, footnote 125).



of sustainable activities.<sup>124</sup> Some the measures, such as creating an EU green bond standard and fostering investment in sustainable projects, could be amended and repurposed to regulate finance to promote housing affordability.

A financial system for the 21st century –  
an inquiry of the United Nations  
Environment Programme

In 2015, the United Nations Environment Programme (UNEP) conducted an extensive inquiry which examined how the financial system could contribute to achieving SDGs.<sup>125</sup> It brought together practical examples of policy

changes in banking, capital markets, insurance, and institutional investment from advanced and developing economies.

The inquiry report – *The Financial System We Need* – includes many proposals for policy reforms which would direct market finance to achieve key social and economic priorities, harness public investment more effectively, and improve systems for governing financial markets, thereby transforming investment cultures.

Table 11 summarizes the regulatory and other reforms the inquiry suggests would make the finance system more sustainable and inclusive, and also support more affordable and inclusive housing provision. Several are explored in more depth later in this report.



124 For details of the Action Plan on Financing Sustainable Growth, see [https://ec.europa.eu/info/publications/sustainable-finance-renewed-strategy\\_en](https://ec.europa.eu/info/publications/sustainable-finance-renewed-strategy_en).

125 United Nations Environment Programme, *The Financial System We Need: aligning the financial system with sustainable development* (Nairobi, UNEP, 2015). Available at [https://investmentpolicy.unctad.org/uploaded-files/document/Background\\_per cent20UNEPInquiry\\_The\\_Financial\\_System\\_We\\_Need\\_EN\\_October2015\\_per cent20\(2\).pdf](https://investmentpolicy.unctad.org/uploaded-files/document/Background_per cent20UNEPInquiry_The_Financial_System_We_Need_EN_October2015_per cent20(2).pdf).

<b>Table 11 Tools of the United Nations Environment Programme for a more sustainable and inclusive finance system</b>	
<b>Financial sector reforms</b>	<ul style="list-style-type: none"> <li>• Application to housing finance system</li> </ul>
<b>Enhancing market practice: disclosure, analysis, risk management</b>	<ul style="list-style-type: none"> <li>• Establish reporting frameworks on affordable and sustainable housing for investors in special purpose bonds which can be used to finance it.</li> <li>• Adaption of criteria for assessing social, sustainable, and affordable housing providers and investment vehicles by credit agencies.<sup>126</sup></li> <li>• Integrate housing market stability and climate change risks into central banks' financial stability reviews and similar reports. For example, improving granularity of mortgage data in relation to macroprudential targets, and credible environmental monitoring of investments to avoid "greenwashing".<sup>127</sup></li> </ul>
<b>Harnessing the public balance sheet: fiscal incentives, public financial institutions, and central banks</b>	<ul style="list-style-type: none"> <li>• Ensure that government funding and subsidies for housing and housing procurement processes promote more sustainable and inclusive outcomes.</li> </ul>
<b>Directing finance through policy: requirements and prohibitions, enhanced liability</b>	<ul style="list-style-type: none"> <li>• Ensure public procurement is designed to deliver sustainable and inclusive outcomes and improve societal well-being, economic development, and environmental sustainability.</li> <li>• Establish priority lending programmes to increase financial access for first time home buyers, not-for-profit social housing providers and co-operatives.</li> <li>• Introduce rules prohibiting speculative investment in affordable housing.</li> </ul>
<b>Cultural transformation: capacity building, behaviour, market structure</b>	<ul style="list-style-type: none"> <li>• Devise national compacts and road maps to reform finance for housing.</li> <li>• Support the development of values-based finance institutions and social impact investing.</li> <li>• Establish systems of certification and labelling for socially and environmentally responsible real estate companies.</li> </ul>

126 See for example Standard and Poors, "Methodology for Rating Public and Non-profit Social Housing Providers", 8 December 2020. Available at <https://www.spglobal.com/ratings/en/research/articles/201208-criteria-governments-request-for-comment-methodology-for-rating-public-and-nonprofit-social-housing-provid-11721121>.

127 The European Central Bank recommends that "high quality micro data on households' balance sheets, including indebtedness, financial and real assets is a useful tool for the assessment of micro and macro prudential risk stemming from the household sector" (<https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2277~disa4093901f33.en.pdf>).

The International Monetary Fund is encouraging central banks to assess climate risks (Pierpaolo Grippa, Jochen Schmittmann and Felix Suntheim, "Climate Change and Financial Risk: Central banks and financial regulators are starting to factor in climate change", Finance and Development, vol. 56, No. 4, December 2019. Available at <https://www.imf.org/external/pubs/ft/fandd/2019/12/climate-change-central-banks-and-financial-risk-grippa.htm>).

### Recommendations of the United Nations Special Rapporteur on adequate housing on realising the right to housing

In 2019, the United Nations Special Rapporteur on the right to adequate housing, Ms. Leilani Farha, published detailed guidelines to help governments establish the right to adequate housing (<https://www.ohchr.org/EN/Issues/Housing/Pages/GuidelinesImplementation.aspx>). Not surprisingly, given the key role it plays in housing affordability, finance is a central theme in these guidelines. For instance, both Guideline Numbers 4 and 12 address finance directly:

**Guideline No. 4.** Implement comprehensive strategies for the realization of the right to housing

- Housing strategies must identify the State’s obligations to be realized progressively, based on clear goals and timelines for achieving specific outcomes and the right to adequate housing for all in the shortest possible time
- Strategies should provide coherence and coordination in all relevant policy areas, particularly urban planning, land regulation, taxation and finance, social benefits, and services.

**Guideline No. 12.** Ensure the regulation of businesses in a manner consistent with state obligations and address the financialization of housing

States must regulate business in order to prevent investments having any negative impacts on the right to housing, including by:

- Preventing any privatization of public or social housing that would reduce the capacity of the State to ensure the right to adequate housing
- Maintaining a rental regulatory framework that preserves security of tenure and affordable housing for tenants, including through rent caps, controls or rent freezes where needed
- Imposing taxes on residential real estate and land speculation to curb the short-term resale of properties and on residential real estate left vacant.

These guidelines reflect emerging research on the impact of the financialization of housing - increasing the influence of financial markets and instruments on governments, housing systems, households and housing affordability.<sup>128</sup> Since the completion of her term, the Special Rapporteur has established a global movement called “The Shift” (<https://www.make-the-shift.org/>), aiming to generate and amplify a global conversation on the right to housing. Some of the Special Rapporteur’s responses to financialization are explored later in this chapter.

### NWB Bank (Nederlandse Waterschapsbank N.V) affordable housing bonds – the Netherlands

The NWB Bank (<https://nwbbank.com/en>) is a large Dutch public investment bank, set up in 1954. In 2017 it created affordable housing bonds to attract dedicated investors into affordable housing provision. This product won the best social bond award in 2018 and 2019 by the Environmental Finance investment analysis service.<sup>129</sup>

These affordable housing bonds are priced according to demand and strategically marketed to a small pool of investors interested in social and green housing. To date they have been significantly oversubscribed. The bonds fund loans for the provision, renovation and retrofitting of income-targeted social housing in the Netherlands, managed by not-for-profit organizations.

Social bond investors demand transparency, requiring high standards of reporting. Further work is needed to define the affordable and social benchmarks used in investor reports, as these can change. In addition, NWB co-operates with Aedes (<https://www.aedes.nl/>), the representative body for social housing providers in the Netherlands, to produce key performance indicator data on the bonds’ impact on social housing provision. The two organizations also organize regular site visits to the developments funded by the bonds’ investors to see the impact of their investments.

128 References to some of this research can be found at the end of this chapter.

129 For details on NWB Bank as winner of the 2019 Environmental Finance “Social Bond of the Year” Award award, see <https://nwbbank.com/en/news/nwb-bank-winner-2019-environmental-finance-social-bond-year-award>.

### Non-profit provision of social and affordable housing

Non-profit provision is commonly used to provide affordable housing, particularly in Western Europe where a variety of institutions provide social rented housing. These include municipalities, public housing agencies and government-owned companies, charities, non-profit and limited-profit housing associations, community interest companies and co-operatives. Their different governance and legal structures are reviewed in chapter I of this report.

These non-profit social housing providers use many different finance sources in differing combinations to support housing provision. The details of some of these,

such as public loans, grants and rents are discussed later, but the broad model is summarized in Figure VII below.

This figure shows that social housing providers generate revenue to fund housing provision, the “demand side” of provision, from several sources, notably tenants’ rents. The social housing sector promotes housing affordability by linking rents, not to market price, to other metrics such as tenants’ incomes, cost of housing provision, or size and quality of dwellings. Where the rent remains unaffordable, the tenant may access a government rent subsidy (discussed later in this chapter). Governments may also provide operating subsidies to social housing providers, often as subsidies on interest payable on loans taken out to build or buy social housing.

**Figure VII** Generalized affordable rental housing costs and revenues, and possible subsidy instruments

Capital for housing provision (supply side)		Revenue from housing (demand side)		
Generally social landlords are public bodies or charities which do not generate profits to tax. May also be exempt from value added tax	<b>Tax subsidies</b>	↑	<b>Operating subsidies</b>	Government may provide operating subsidies to social housing landlords often in the form of subsidies towards the interest on loans
Social landlords may invest their own equity in housing provision or use tenants or private investors’ equity. Government grants are also often provided	<b>Equity investment</b>		<b>Rent subsidies</b>	Government rent subsidies may be paid to either the tenant or the social housing landlord
Loans from government, banks, bond markets or non-profit lenders such as Sparkasse, or household savings schemes also fund the capital costs of housing provision. Government guarantees, guaranteed funds and also regulation of social housing landlords can help to reduce the interest rates	<b>Loans</b>		<b>Rent paid by tenants</b>	Tenants’ rents are not usually linked to market developments. Rather they are linked to tenants’ incomes, dwelling size, quality, or cost of housing provision
Low cost or free land may be provided for social housing developments. This can be provided by a dedicated land banking agency, via the planning system, conditional title transfer, lease arrangements and land trusts	<b>Land costs</b>			

Source: Adapted from Lawson, et al. 2018.



The capital cost of social housing provision, (called the production, supply side or bricks and mortar costs by economists) on the left of Figure 1, shows that social housing providers may operate on a not-for-profit basis and have favourable tax status. Furthermore, equity funding is often used to fund new social housing developments. This is most often sourced from social landlords' own reserves and grants from government, but sometimes from the private sector. Debt finance is usually the main source of capital funding for social house building or purchase, borrowed from banks, capital markets, pension funds, private investors, government lenders and non-profit lenders such as Sparkasse or household savings schemes. These borrowings are usually sourced from the private sector, meaning government equity contribution can help unlock significant additional private finance.<sup>130</sup> Sometimes this is supported by provision of free land or land leased by government or a specialist land-banking agency. Land for provision of housing is examined in chapter III of this report.

For governments and affordable housing promotion, non-profit housing provision has advantages over for-profit housing provision. It can be an important and stable source of housing supply (as in Finland, Austria, France and the United Kingdom), and ensure that households unable to secure free-market housing get access. It can also ensure that health or social care support is provided in addition to housing. These advantages are summarized in table 12, which shows that these benefits arise from non-profit agencies not extracting profit from housing but reinvest any surplus in the new housing provision or improved tenant services. Therefore, over the long term, non-profit social housing provision can provide a cheaper source of housing than for-profit housing providers which must generate profit to pay shareholders. Promoting affordability and providing long-term secure housing is the main mission of most non-profit social housing providers. Many are stakeholder organizations, with a strong community and resident focus, so they manage and grow their housing assets to serve a community purpose and address local housing needs.

Despite these advantages, since the 1980s, financial model non-profit housing providers has been undermined in several countries – for example, public funding cuts have reduced new housing production. A recent EU report

revealed a EUR 7 billion annual investment gap in social and affordable housing in member states - investment in this sector must increase by 25 per cent to address well-evidenced housing needs.<sup>131</sup> Privatization has limited non-profit housing providers' opportunity to reinvest surpluses in new housing. For instance, sale of social housing to tenants at below market value in Ireland has reduced the size of the social housing sector because replacements must be procured at full current market prices.<sup>132</sup> In England, United Kingdom, recent legalization allows for-profit housing providers to provide social housing and benefit from subsidies previously available only to social landlords such as provision of land and dwellings at below cost via the land use planning system. This limits subsidized land and dwellings available to non-profit social housing providers, potentially undermining their financial model. In the Netherlands, extraction of surpluses from the social housing sector via a social housing tax has been criticized on similar grounds. Government capital subsidies for social house building have also been reduced in many countries and only partially replaced with revenue subsidies (mainly in the form of rent subsidies - discussed later in this chapter) which has reduced new social housing output.<sup>133</sup>

However, it also important that governments and regulators monitor social housing landlords to ensure they are financially secure, managing in the best interest of tenants and those in need of social housing, and that surpluses are reinvested to protect these interests. Some social housing landlords in European countries<sup>134</sup> have

130 In England, for example, over the last 30 years around GBP 45 billion of public investment has been supported by over GBP 100 billion of private borrowing.

131 The annual investment gap increases to GBP 57 billion if the need to address energy poverty is taken into account, see table 4 (pp. 40-41) of Lieve Fransen, Gino del Bufalo and Edoardo Reviglio, "Boosting Investment in Social Infrastructure", European Economy Discussion Papers, No. 074 (Luxembourg, Publications Office of the European Union, 2018), pp. 40-41. Available at [https://ec.europa.eu/info/sites/default/files/economy-finance/dp074\\_en.pdf](https://ec.europa.eu/info/sites/default/files/economy-finance/dp074_en.pdf).

132 Michelle Norris and Aideen Hayden, *The Future of Council Housing: An analysis of the financial sustainability of local authority provided social housing* (Dublin Community Foundation for Ireland, 2018). Available at [https://www.ucd.ie/socialpolicyworkjustice/t4media/The\\_Future\\_Of\\_Council\\_Housing\\_\(Norris\\_Hayden\).pdf](https://www.ucd.ie/socialpolicyworkjustice/t4media/The_Future_Of_Council_Housing_(Norris_Hayden).pdf).

133 Edo Omic, *Housing inequality in Europe: Tackling inequalities in Europe: the role of social investment* (Paris, CEB, 2017). Available at [https://coebank.org/media/documents/Part\\_3-Inequality-Housing.pdf](https://coebank.org/media/documents/Part_3-Inequality-Housing.pdf); OECD, *Housing and Inclusive Growth* (Paris, OECD Publishing, 2020).

134 Manuel B. Aalbers, Jannes Van Loon and Rodrigo Fernandez, "The Financialization of a Social Housing Provider", *International Journal of Urban and Regional Research*, vol. 41, Issue 4 (July 2017), pp. 572-587.

become insolvent, and housing rents have increased and excluded lower income groups.<sup>135</sup> In some countries, maintenance under-investment has led to dwellings becoming so run down they have been demolished.<sup>136</sup>

The examples outlined below show policy measures intended to strengthen non-profit housing providers' financial model, and ensure their equity is recycled to provide additional well-maintained and supported social housing.

135 Anita Aigner, "Housing entry pathways of refugees in Vienna, a city of social housing", *Housing Studies*, vol., 34, Issue 5 (2019), pp. 779-803.

136 Michelle Norris and Aideen Hayden, *The Future of Council Housing An analysis of the financial sustainability of local authority provided social housing* (Dublin, Community Foundation for Ireland, 2018). Available at [https://www.communityfoundation.ie/images/uploads/research-reports/The\\_Future\\_Of\\_Council\\_Housing\\_%28Norris\\_Hayden%29.pdf](https://www.communityfoundation.ie/images/uploads/research-reports/The_Future_Of_Council_Housing_%28Norris_Hayden%29.pdf).

**Table 12** What is the rationale for non-profit sector delivery of affordable housing?

Arguments in favour	Arguments against
<ul style="list-style-type: none"> <li>✓ Core mission is to provide affordable and secure housing.</li> <li>✓ May provide specialist support services in addition to housing.</li> <li>✓ Housing not allocated based on ability to pay.</li> <li>✓ Surpluses reinvested, and not extracted as shareholder profits. This generally means non-profit affordable housing provision is cheaper over the long term.</li> <li>✓ Public subsidies for non-profit housing provision provide a long-term response to housing affordability problems.</li> <li>✓ Can address market failure to provide sufficient affordable housing where required.</li> <li>✓ Can compete against market providers and thereby encourage lower market rents.</li> <li>✓ Can provide a counter-cyclical source of new housing supply during periods of undersupply from the market.</li> <li>✓ Can attract long-term low-cost private investment, reducing the need for public funding.</li> <li>✓ Often provides stronger security of tenure than private rented housing.</li> <li>✓ Can return public investment in new dwellings over the long-term.</li> <li>✓ Tenants often involved in organizational governance.</li> <li>✓ Drives innovation in quality construction and delivery, which can influence and improve general housing system performance.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Generally, requires a public subsidy during years following new housing construction or purchase.</li> <li>✗ Low-income related rents are unsustainable without adequate public subsidy.</li> <li>✗ Some governments ideologically prefer to support for-profit investors and subsidize rent payments.</li> <li>✗ Requires effective regulation and long-term political commitment.</li> <li>✗ Demand outstrips supply.</li> <li>✗ Is less flexible than alternative subsidy methods such as rent subsidies for private renting tenants and can be more difficult to target on the lowest income households.</li> </ul>

### Limited-profit housing associations' equity investment in new housing – Austria

Well-managed social housing providers can accumulate their own equity to invest in further social housing provision. In Austria most new social housing has been provided by the Austrian Federation of Limited-Profit Housing Associations (German: Gemeinnützige Bauvereinigungen - GBV) in recent decades. These are legally obliged to operate on a cost-capped cost recovery basis and charge rents to reflect this. This system was briefly outlined in the chapter on Governance.

To generate equity to invest in new housing, the Austrian Limited-Profit Housing Associations (LPHA) can generate modest surpluses after loans funding dwellings have been repaid. Tenants continue to pay rents for these dwellings, set at a flat rate rather than cost-linked, and these are accumulated to contribute equity funding for new social housing. Legislation limits profit-distribution among owners, and compliance auditing by GBV plus accountability reporting enforces timely surplus reinvestment in housing construction. Furthermore, shares in a limited-profit housing association may only be sold at a nominal value.

Limited-profit housing associations are also regulated to ensure dwelling maintenance. To achieve this, rents paid by tenants also include payment into a “renovation fund”. Each LPHA building has this fund, which must be used for improvements in the building from which it was collected. The renovation fund must be kept separate from the other accumulated surpluses, meaning that LPHAs operate two dedicated funds: one for renovation and the other for new construction. The renovation fund enables work on properties to be completed without increasing rents, offering tenants stable and predictable costs.

### National Agency for the Inspection of Social Housing (ANCOLS) – France

All French social landlords are governed by strict rent and allocation regulations. Their capital investments are also tightly regulated, and they are subject to a housing construction code and inspection regime specifically concerning construction and management of housing for low-income households. ANCOLS (Agence nationale de contrôle du logement social) is the independent public “watchdog” for the French social housing sector.

Among many responsibilities, it oversees use of public funds by social housing providers in France, including analysing the appropriateness and efficacy of fund usage, setting out the results in a detailed annual report.<sup>137</sup> From 2014-2019, ANCOLS had audited and issued recommendations to those responsible for 85 per cent of social housing provision in France. Sanctions issued by ANCOLS vary from recommendations to improve management practices to more severe measures such as fines and the dismissal of the board of management.

Importantly for the social housing providers themselves, ANCOLS can help to highlight issues with current government support schemes, both for providers and their tenants, and can help to provide the impetus for much-needed reforms. For example, the most recent annual review of ANCOL highlighted the recent changes to rental allowances in France, which reduced the capacity of social providers to develop and maintain buildings.

### National fund for non-profit housing associations – Landsbyggefonden – Denmark

In Denmark social housing is a central part of Danish welfare society. It is non-profit and universal, to maintain a wide-spectrum tenant social mix for individual and societal benefit. Its main purpose is to deliver affordable housing for all in need. Today almost 1 million people in Denmark, live in the social and affordable housing sector, that is, one in six people and 600,000 housing units and the share of social housing provided per person is growing.<sup>138</sup>

The National Building Fund (in Danish: Landsbyggefonden - LBF - <https://lbf.dk/>) is a cornerstone of the Danish affordable and social housing model, ensuring a high housing stock standard and better tenant well-being.<sup>139</sup> It also plays a role in countercyclical efforts, such as the

137 For the latest report (in French), see <https://www.ancols.fr/home/publications.html>.

138 Michelle Norris and Michael Byrne, “Funding resilient and fragile social housing systems in Ireland and Denmark”, *Housing Studies*, June 2020.

139 For description of the use of the fund, see also Kenneth Gibb, K, Duncan MacLennan and Mark Stephens, *Innovative Financing of Affordable Housing: international and UK perspectives* (York: Joseph Rowntree Foundation, 2013). Available at <https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/affordable-housing-finance-full.pdf>.

COVID-19 recovery stimulus.<sup>140</sup> LBF was established in 1967 and is financed by tenant rents from the social and affordable housing provided by non-profit housing organizations.

When mortgage loans for dwelling construction have been repaid, tenants pay rents at the same level, with the extra going into the LBF as a saving. This fund finances the expansion of new affordable and social housing and renovation of existing properties. This includes improvements of both inside and outdoor areas, modernization of buildings to include access for elderly and disabled people, and energy improvements. The fund is also able to finance the demolition cost in vulnerable social housing areas, and to support infrastructural changes.

LBF provides a useful mechanism to ensure self-financing in the social and affordable housing sector. Savings are recycled to help maintain and improve dwellings and provide additional housing. It thereby provides a sealed finance circuit, reducing government need to reinvest in new social housing, and facilitates long-term planning for social housing funding. It also helps to even out variations in the financial strength of different social housing providers, in the costs of developing different estates, and thereby in rents charged which reflect development costs.

The purpose of the Fund is to build socially cohesive, safe, and sustainable communities. A particular focus is investments in social activities and rental price reductions. Efforts are organized in local partnerships such as schools, municipalities or NGOs, aiming to promote tenant employment opportunities and educational performance.

The Fund is managed by a nine-member board, including representatives of housing organizations, tenants and the two largest municipalities in Denmark. However, its budget must be approved by the housing minister.

140 European Commission, Build Up, “Green recovery for Denmark: a new renovation scheme for the social housing sector”, 25 May 2020. Available at <https://www.buildup.eu/en/news/green-recovery-denmark-new-renovation-scheme-social-housing-sector>.

The Danish government wants LBF to increase investments in energy-efficiency renovations, to play a key role in meeting climate goals and post-COVID-19 economic recovery.<sup>141</sup>

### Subsidizing rents to ensure they are affordable

Many governments provide rent assistance, also known as demand side or individual assistance, to tenants of private landlords, ensuring they can afford their rent. The design of these rent assistance programmes varies significantly in eligibility, allocation, generosity, and volume. The design of demand-assistance schemes can profoundly affect affordability and access to adequate housing.

In the United States and several European countries, rent assistance has grown substantially in recent decades, but evolved different approaches. The United States Housing Choice Voucher programme accounted for USD 19 billion in public support in 2021, while capital investment in public housing was reduced to zero.<sup>142</sup> The United Kingdom spends the highest proportion of its GDP (1.4 per cent)<sup>143</sup> among OECD countries on rent subsidies and this spending is significantly higher than public expenditure on new housing production which totalled GBP 23.4 billion<sup>144</sup> in 2018-2019. In France, the government spends around EUR 41 billion on housing assistance policy (1.9 per cent of GDP) of which EUR 18 billion is spent on individual housing

141 The Danish government will allocate DKK 30 billion from Landsbyggefonden (National Building Fund) to renovation of social housing during the period 2020-2026: DKK 18.4 billion (EUR 2.4 billion) for renovation of 72,000 social housing in the fund's support queue and the remaining DKK 11.6 billion (EUR 1.5 billion) for future renovations until 2026 (Housing Europe, “Green recovery for Denmark: a new renovation scheme for the social housing sector: A renovation scheme with a three-fold objective” (blog), 13 May 2020. Available at <https://www.housingeurope.eu/blog-1512/green-recovery-for-denmark-a-new-renovation-scheme-for-the-social-housing-sector>).

142 Compared to zero capital investment in public housing in the 2021 Presential budget and USD 9.9 billion low-income housing tax credits (LIHTCs) in foregone tax revenue (Fiscal Year 2021 Budget in Brief: U.S. Department of Housing and Urban Development”, page 9. Available at [https://www.hud.gov/sites/dfiles/CFD/documents/BudgetinBrief\\_2020-02\\_06\\_Online.pdf](https://www.hud.gov/sites/dfiles/CFD/documents/BudgetinBrief_2020-02_06_Online.pdf)).

143 OECD, “PH3.1 Public Spending on Housing Allowances”, 29 May 2021. Available at <https://www.oecd.org/els/family/PH3-1-Public-spending-on-housing-allowances.pdf>.

144 With 4.6 million recipients in the United Kingdom having paid an average of GBP 5,035 each, this represents 2.9 per cent of total public spending and 1.1 per cent of national income (Office of Budget Responsibility, “Welfare spending: housing benefit”. Available at <https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/welfare-spending-housing-benefit/>).



allowances, including rent subsidies.<sup>145</sup> In the EU, capital investment in affordable housing declined by 44 per cent, from EUR 48.2 billion in 2009 to EUR 27.5 billion in 2015. Over the same period, expenditure on housing allowances increased by 58 per cent from EUR 54.5 billion to EUR 80.8 billion.<sup>146</sup> Most systems now face strong cost pressures, and some governments such as the US, the Netherlands and the United Kingdom have tried to target and simplify assistance, but these reforms have sometimes increased housing unaffordability and insecurity for households affected.<sup>147</sup> In many countries the COVID-19 pandemic has accentuated these cost pressures because unemployment has risen, particularly among low income, younger and renting households, who are more likely to claim rent subsidies.<sup>148</sup>

An international review<sup>149</sup> of evidence on the impact of rent subsidies from selected countries on rent levels and housing quality found:

Strong evidence that a proportion of these subsidies is capitalized into higher rents in the private rental market, which thereby represents a “dead weight” loss for the state.

- Where housing supply is less responsive to demand, landlords will capture a greater proportion of rent subsidies in higher rent.
- Estimates of the magnitude of this “landlord capture” vary from 30 per cent to 78 per cent of the increase in subsidy, although context, methods and modelling vary.

However, from the policymakers’ perspectives, rent subsidies have some important attractions. They can enable speedy access to housing for claimants, compared to building new housing. Rent subsidies can be targeted closely at households in greatest need and can also be quickly reduced if a claimant’s income rises or government spending priorities change.<sup>150</sup> The rationale for providing rent assistance and the arguments against are set out in table 13.

145 Antoine Bozio and others, “Designing Housing Benefits: An Application with French Data”, *Economie & Prévision*, vol. 211-212, No. 2-3 (2017), pp. 163-175. Available at <https://www.cairn.info/revue-economie-et-prevision-2017-2-page-163.htm#:~:text=There%20are%20three%20kinds%20of,and%20the%20individual%20housing%20allowance>.

146 Alice Pittini, “The State of Housing in the EU 2019” Michalis Goudis, ed. (Brussels, Housing Europe, 2019). Available at <https://www.housingeurope.eu/resource-1323/the-state-of-housing-in-the-eu-2019>.

147 Iain Hardie, “The Impact of Universal Credit Rollout on Housing Security: An Analysis of Landlord Repossession Rates in English Local Authorities”, *Journal of Social Policy*, vol. 50, Issue 2 (February 2020), pp. 225-246.

148 For instance, the United States has introduced an Emergency Rental Assistance programme which makes available USD 25 billion to assist households that are unable to pay rent and utilities due to the COVID-19 pandemic (<https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program#:~:text=The%20Emergency%20Rental%20Assistance%20program,local%20governments%2C%20and%20Indian%20tribes>).

149 Nicola Brackertz, Ashton de Silva and Michael Fotheringham, *Literature review on the impact of demand-side housing subsidies on the housing market*, Ministry of Social Development, New Zealand (Melbourne, AHURI, 2015). Available at [https://www.ahuri.edu.au/\\_data/assets/pdf\\_file/0023/49127/AHURI-Literature-review-on-the-impact-of-demand-side-housing-subsidies-on-the-housing-market.pdf](https://www.ahuri.edu.au/_data/assets/pdf_file/0023/49127/AHURI-Literature-review-on-the-impact-of-demand-side-housing-subsidies-on-the-housing-market.pdf).

150 Marietta E. A. Haffner, “Housing Allowances in Comparative Perspective”, *Journal of Housing and the Built Environment*, vol. 24, Issue 1, (April 2009), pp. 85-87. Available at <https://rdcu.be/cmUSU>.

**Table 13** What is the rationale for providing rent assistance?

Arguments in favour	Arguments against
<ul style="list-style-type: none"> <li>✓ Helps tenants to find a home at an affordable price.</li> <li>✓ Ensures rents remain affordable for tenants.</li> <li>✓ Ensures that rents paid by tenants are broadly stable over the long term.</li> <li>✓ Can be closely targeted at the neediest households.</li> <li>✓ Level of assistance can be adjusted over time and withdrawn.</li> <li>✓ Provides a secure revenue stream for landlords when housing low-income tenants.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Demand-side subsidies alone cannot increase supply.</li> <li>✗ Where rents are not well regulated, and supply is restricted, rent subsidies can contribute to rent inflation.</li> <li>✗ It can be expensive for government.</li> <li>✗ Tenants and the wider rented housing market can become reliant on rent subsidies so they can be difficult or impossible to withdraw.</li> <li>✗ Spending can be difficult to control because it automatically rises when unemployment rises.</li> <li>✗ Does not address underlying causes of inadequate incomes to pay for housing costs.</li> <li>✗ May create poverty traps, keeping claimants in unemployment because rental assistance only provided when income remains low.</li> <li>✗ Can make investment in rental properties as an asset more attractive and thereby discourage investment in other assets.</li> </ul>

### Housing vouchers – United States

In the United States most rented dwellings are provided by private landlords and this sector has a small affordable rental housing segment. Housing vouchers (HVs), funded by the central government and allocated locally, are the most common United States mechanism to ensure rents are affordable. HVs aim to increase purchasing power and improve housing choices for very low-income renters, and more recently have used to encourage poor households to move to areas of greater labour opportunity.

The voucher is provided to eligible tenants according to a waiting list maintained by city or county housing agencies, who are searching for housing of a defined quality and cost. When a suitable dwelling and willing landlord is found, the HV can be used to help pay the tenant's rent.<sup>151</sup> This HV payment reflects the difference between a Fair Market Rent (FMR) which is calculated locally, and affordable rent defined as 30 per cent household income. If an HV recipient cannot find suitable housing within 60 days, the voucher must be returned to the issuing local housing authority.

The budget for HVs is capped and both demand and need outstrips availability. HVs are targeted strictly based on income - 75 per cent of recipients have a very low income.<sup>152</sup> It is estimated that only 25 per cent of eligible households are actually assisted by HVs due to limited supply, leading to long waiting lists and occasional government crises measures.<sup>153</sup> Voucher recipients also

151 For a review of this scheme, see Keith Jacobs and others, "Individualised and market-based housing assistance: evidence and policy options", AHURI Final Report, No.253 (Melbourne, Australian Housing and Urban Research Institute Limited, 2015). Available at [https://www.ahuri.edu.au/\\_data/assets/pdf\\_file/0021/5664/AHURI\\_Final\\_Report\\_No253\\_Individualised-and-market-based-housing-assistance-evidence-and-policy-options.pdf](https://www.ahuri.edu.au/_data/assets/pdf_file/0021/5664/AHURI_Final_Report_No253_Individualised-and-market-based-housing-assistance-evidence-and-policy-options.pdf).

152 Barbara Sard, "Housing Vouchers Work: Helping Vulnerable People Afford Decent, Stable Housing", *Off the Charts* (blog), Center on Budget and Policy Priorities, 28 March 2017. Available at <https://www.cbpp.org/blog/housing-vouchers-work-helping-vulnerable-people-afford-decent-stable-housing>.

153 At the time of writing, the incoming Biden administration proposed substantial expansion of many housing and urban development programmes, including the Housing Voucher programme, as part of the President's discretionary funding request for fiscal year 2022 (<https://www.whitehouse.gov/omb/fy-2022-discretionary-request/>).

face discrimination when searching for suitable homes. Only a few local governments have passed “source of income laws”<sup>154</sup> to combat this problem.

#### Individual rent assistance – the Netherlands

The well-established Dutch scheme of individual rent assistance is based on a quality point system for rent-setting and is provided directly to tenants. Unlike the United States system, the Dutch tax department assesses household incomes and makes direct payments to eligible households – being households with low to moderate income or reliant on social assistance. Unlike the United States, the scheme is not capped, but it is limited in other ways.

Importantly, rent assistance is conditional on households occupying moderately priced dwellings and it only pays part of the rental costs. As mentioned above, dwellings are assessed by an annually indexed government point system based on quality and space, and assistance is only provided to dwellings under a cost limit. Nevertheless, most modest rental dwellings fall below this and 33 per cent of households in the social sector can receive allowances.

#### Rent guarantees – Sweden

Another form of government assistance on rent costs is a rental guarantee. This reassures landlords that tenants will pay their rent. With increasing casualization of work and rise of self-employment, incomes are less stable and harder to verify. This can lead to discrimination in the rental market, as landlords often prefer tenants with a permanent employment contract. In Sweden, households who can verify suitable incomes can obtain a local government rent guarantee, easing their access to apartments.<sup>155</sup>

#### Rent subsidies for homeless people - Hungary

After decades of privatization, the Hungarian social housing stock is small by Western European standards, but the need for affordable housing is great.<sup>156</sup> As a result, some municipalities have introduced limited rent assistance programmes.<sup>157</sup>

For instance, the city of Szombathely has taken an active role mediating between homeless people and landlords providing rental accommodation. Since 2008, it has funded a capped rent subsidy system to support around 100 households annually, costing the city EUR 65,000 to EUR 80,000 per year, and providing EUR 70 per month to private landlords per household accommodated. This scheme costs less than refurbishing the city’s vacant or poorly maintained social housing stock.

Another city providing rent subsidy is Kecskemét, which has a population of 110,000 and a tiny social housing stock of 1,600 units. The rent assistance scheme supports 80-100 households each year. Households receive a subsidy for one year after which they must re-apply, enabling compliance checks. Both the Szombathely and Kecskemét municipalities, require a rental contract as a condition, but do not check if the landlord is compliant with the tax authority.

154 For an overview of Source of Income Laws by Local Housing Solutions, see <https://www.localhousingsolutions.org/act/housing-policy-library/source-of-income-laws-overview/source-of-income-laws/>.

155 Boverket, “Municipal Rent Guarantee”, 14 October 2020. Available at <https://www.boverket.se/en/start/about/about-boverket/easy-to-read/grant-and-support/municipal-rent-guarantee/>.

156 József Hegedüs, Vera Horváth and Eszter Somogyi, “The Potential of Social Rental Agencies within Social Housing Provision in Post Socialist Countries: The Case of Hungary”, *European Journal of Homelessness*, vol. 8, Issue 2 (December 2014). Available at <https://www.feantsaresearch.org/download/article-2-56529072930559942675.pdf>.

157 József Hegedüs, Vera Horváth and Eszter Somogyi, *Affordable Housing in Central and Eastern Europe: Identifying and Overcoming Constraints in New Member States*, (Budapest, Metropolitan Research Institute, 2017). Available at [https://ec.europa.eu/futurium/en/system/files/ged/2018.10.22\\_affordable\\_housing\\_in\\_central\\_and\\_eastern\\_europe.pdf](https://ec.europa.eu/futurium/en/system/files/ged/2018.10.22_affordable_housing_in_central_and_eastern_europe.pdf).

## Rent setting, indexation and regulation to promote affordability

Most countries in the UNECE region implement some form of legislative or regulatory control over the rental sector.<sup>158</sup> However, the extent can differ drastically between countries, or over time in the same country.<sup>159</sup> A wave of rental market deregulation in the 1990s and 2000s has relented or even changed course recently, as governments try to control unaffordable prices or undesirable societal effects such as homelessness. The COVID-19 pandemic has reinforced government intervention in the rental sector.

There are many ways for rents to be set, indexed, and regulated. Recent research and policy reports by researchers for the European Commission, OECD, and New Economics Foundation, provide an overview of the different forms of rent regulation, their advantages and disadvantages.<sup>160</sup> Furthermore, the European research project “Tenancy law and housing policy in multi-level Europe (TENLAW)”<sup>161</sup> has recommended principles for further development of national tenancy regulation, including rent regulation across Europe.

Government intervention is a divisive issue for housing policy stakeholders. Some point out that capping, indexing or otherwise regulating prices to below free market values can reduce new housing construction, as investors are put off by lower potential returns.

However, this is also strongly contested. For example, a recent long-term, multi-country analysis found that moderate rent controls do not seem to significantly affect supply, so regulations may not be as problematic as argued.<sup>162</sup>

Ironically, it is also true that demands by citizens or tenant organizations for governments to increase rent controls, tend to become stronger when supply is failing to keep up with demand. In tight markets rents can rise well above the longer-term costs of provision. “In these circumstances, landlords make excess profits and there is political pressure to even the playing field so that tenants are not being so heavily disadvantaged.”<sup>163</sup>

Overall, while rent controls can affect supply, this is true for most housing market regulation, including macroprudential rules, property taxes and land use planning. Rent regulations should therefore balance controls against ensuring everyone can access decent housing at an affordable price. Access to timely data and robust analysis is key in this regard (see discussion in chapter I).

The New Economics Foundation suggests that six building blocks should form the basis of any rent regulation policy:<sup>164</sup>

- (a) A landlord and rents database should provide an open-access record of all landlords, their properties, and associated rents.
- (b) A property-linked rent control should control rents between and within tenancies.
- (c) A desired rent level should be set, to which individual privately rented properties will have their rents reduced within a specified period.

---

158 The EU-funded TENLAW project is a good resource of an overview of tenancy and landlord legislation (<https://www.uni-bremen.de/jura/tenlaw-tenancy-law-and-housing-policy-in-multi-level-europe>).

159 Konstantin Kholodilin, “Long-Term, Multicountry Perspective on Rental Market Regulations”, *Housing Policy Debate*, vol. 30, Issue 6), pp. 994-1015.

160 OECD, “Box 3.5 Rethinking rent controls”, in *Housing and Inclusive Growth* (Paris, OECD Publishing, 2020). Available at <https://www.oecd-ilibrary.org/sites/643cfb7f-en/index.html?itemId=/content/component/643cfb7f-enboxsection-d1e6673>; Hanna Wheatley, Sarah Arnold and Joe Beswick, *Getting Rents Under Control: How to make London rents affordable* (London, New Economics Foundation, 2019). Available at [https://neweconomics.org/uploads/files/NEF\\_RENT-CONTROL\\_WIP3.pdf](https://neweconomics.org/uploads/files/NEF_RENT-CONTROL_WIP3.pdf).

161 The EU-funded TENLAW project is a good resource of an overview of tenancy and landlord legislation is the EU funded TENLAW project (<https://www.uni-bremen.de/jura/tenlaw-tenancy-law-and-housing-policy-in-multi-level-europe>). For the final report of TENLAW, see <https://www.uni-bremen.de/jura/tenlaw-tenancy-law-and-housing-policy-in-multi-level-europe>.

---

162 Konstantin Kholodilin and Sebastian Kohl, “Does social policy through rent controls inhibit new construction? Some answers from long-run historical evidence”, *DIW Berlin Discussion Papers*, no. 1839 (Deutsches Institut für Wirtschaftsforschung, 2020). Available at [https://www.diw.de/documents/publikationen/73/diw\\_01.c.702177.de/dp1839.pdf](https://www.diw.de/documents/publikationen/73/diw_01.c.702177.de/dp1839.pdf).

163 Christine Whitehead and Peter Williams, *Assessing the evidence on Rent Control from an International Perspective* (London, London School of Economics, 2018). Available at <https://www.lse.ac.uk/business-and-consultancy/consulting/consulting-reports/assessing-the-evidence-on-rent-control-from-an-international-perspective>.

164 Wheatley, “Getting Rents Under Control” (see sect. “Rent setting, indexation and regulation to promote affordability”, footnote 163).



- (d) A private rent index should govern annual rent changes in privately rented properties once the desired rent level has been reached.
- (e) An independent administrative body should design the rent control system, and subsequently administer it, collect and hold the data required, and set the desired rent level and the private rent index.
- (f) A system of enforcement mechanisms should put the onus on landlords and the state, rather than tenants.

Table 14 sets out the arguments for and against rent setting, indexing and regulation. This is followed by examples of rent regulation used in Germany, the Netherlands and Spain (in Barcelona). See also monitoring mechanisms mentioned in the governance chapter for the United States (in New York City).

**Table 14** What is the rationale for rent setting, indexing and regulation?

Arguments in favour	Arguments against
<ul style="list-style-type: none"> <li>✓ Market mechanisms lead to unaffordable rents in high pressure areas and do not reflect quality of housing provided.</li> <li>✓ High rents are causing poverty.</li> <li>✓ Eviction due to inability to pay high rents is a major cause of homelessness.</li> <li>✓ Subsidies to assist payment of high rents are expensive and do not improve quality or supply of affordable housing.</li> <li>✓ Affordable rental housing supports wider economic productivity, mobility and social inclusion.</li> <li>✓ Good governance of rent setting and indexing can support stability and reduce evictions.</li> <li>✓ Predictable rent setting and indexing enables reasonable returns and promotes stable long-term investment in housing.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Requires strong system of monitoring rents, legislation, and administrative capacity.</li> <li>✗ Limits rising rents and profitability for landlords in high pressure markets.</li> <li>✗ Poorly designed rent indexing systems may encourage landlords to evict tenants to raise rents.</li> <li>✗ May discourage investment in private rented housing and therefore contribute to housing undersupply.</li> </ul>

### Mietspiegel rent regulation system – Germany

Germany is well known for its large rental sector which typically offers secure tenancies and protection from eviction, making renting an attractive alternative to home purchase. Since the 1970s, a system has pegged rent increases to a reference rent for similar-quality local dwellings, established at regular intervals (usually every four years). Rent cannot rise more than 20 per cent above this reference rent over a three-year period. Only unsubsidized, market rental dwellings can inform reference rents. A database of these rents (Mietspiegel) provides a countrywide benchmark for tenants and landlords indexing rents.<sup>165</sup> There are some exceptions: for example, social housing apartments may follow different rules in some areas.

While the Mietspiegel moderates rent increases, they have still risen in high pressure markets. Further, it does not prevent rents from rising above inflation and income changes to unaffordable levels. That is why in 2015, under tight housing market conditions, a law was passed enabling German federal states to moderate rents for new leases in cities or municipalities. This “brake” measure ensured that rents could only rise a maximum of 10 per cent above local comparison rents.

Many cities across Germany have since implemented this measure, however tenant associations consider that the impact has not always been sufficient to curb excessive rent increases.<sup>166</sup> These systems are under constant pressure from competing interests and require well-informed policy stewardship and legal reinforcement.

165 Rent indexes are compiled on a local basis based on this database. For an example of an index that relates to Berlin, see <https://www.stadtentwicklung.berlin.de/wohnen/mietspiegel/de/downloads.shtml>.

166 For additional information, see <https://www.berliner-mieterverein.de/uploads/2018/01/Rent-Control-Rent-Brake-in-Germany-IUT-1-2018.pdf>.

### Point system for setting maximum rents – the Netherlands

The Dutch government applies a points-based system<sup>167</sup> to assess housing quality and determine the maximum price for renting it. This system is limited to the lower end of the market (under EUR 752 in 2021); above these rents are subject to market conditions. The number of points determines the maximum rental price of the home, room, or mobile dwelling. Each part of the house is awarded points for the size of rooms, kitchen, bathroom, energy performance and so on, as well as the property value. Every point corresponds with a rental amount in euros (+/- EUR 5 per point).

The lower end of rental market housing is largely provided by social housing corporations (about 30 per cent of national housing stock), subject to a household income allocation ceiling of EUR 40,024 per year (2021) as well as an annually regulated indexed rent level. For the middle and upper segment of the private rental market, dominated by private for-profit landlords, there is a liberalized regime. This has no general rules for setting rent increases or even how tenants should be notified of them.<sup>168</sup>

This low threshold for regulation has been problematic for tenants under tight market conditions, and there have been rapid price increases in Dutch cities in recent years. Amendments to housing legislation in 2019 empower Dutch municipalities to draft further rent regulations. The city of Hague has done this, and now regulates the allocation of middle rental housing segments (under 185 points and above EUR 753), ensuring that modest-income households applying for modest rental accommodation are given priority.<sup>169</sup>

### Rental Price Regulation Act – Barcelona, Spain

In 2020, the city of Barcelona introduced a new rent-setting system based on the concept of a reference rent. Rents of contracts entered into after 1995 must be lowered if they are above the reference rent level. The new law also covers non-rent service charges but does not cover dwellings built in the last three years, or social housing. There are fines for non-compliance, ranging from EUR 3,000 to EUR 90,000 depending on the seriousness of the offense. The new law applies to 61 municipalities in Barcelona.<sup>170</sup>

### Microfinance for self-building and modernising housing

Sometimes only a little funding is needed to provide or renovate affordable housing. In addition, people who need financial support to secure affordable housing or improve their homes may not be able to afford to repay large loans or have the facility to borrow. In the euro area, for instance, 3.64 per cent of households had no bank account in 2010, and this rose to 9.37 per cent among households with incomes in the lowest income quintile. The equivalent figures for the United States in the same year are 7.54 per cent and 21.97 per cent.<sup>171</sup>

Habitat for Humanity defines housing microfinance as consisting of “small, nonmortgage-backed microfinance loans offered in succession to support the existing incremental building practices of low-income populations”.<sup>172</sup> It emerged from the practice of providing small loans to increase access to capital for low-income populations to alleviate poverty. However, Habitat for Humanity identifies significant differences between general microfinance, used for micro-enterprises, and housing microfinance. The latter generally involves larger loan amounts and longer repayment times.

167 For additional information on the points-based system of the Netherlands, see <https://www.rijksoverheid.nl/onderwerpen/woning-huren/vraag-en-antwoord/hoeveel-huur-betaal-ik-maximaal-voor-mijn-woning>; and <https://www.amsterdam.nl/en/housing/rental-prices/>.

168 For a brochure of tenant's rights for the Netherlands, see [https://www.uni-bremen.de/fileadmin/user\\_upload/fachbereiche/fb6/fb6/Forschung/ZERP/TENLAW/Brochures/NetherlandsBrochure\\_09052014.pdf](https://www.uni-bremen.de/fileadmin/user_upload/fachbereiche/fb6/fb6/Forschung/ZERP/TENLAW/Brochures/NetherlandsBrochure_09052014.pdf).

169 For information on arranging affordable housing permit, see <https://www.denhaag.nl/en/permits-and-exemptions/residential-permits/affordable-housing-permit.htm>.

170 For a practical guide to the Rental Price Regulation Law, see [https://habitatge.barcelona/en/noticia/everything-you-need-to-know-about-the-rental-price-regulation-law\\_1037623](https://habitatge.barcelona/en/noticia/everything-you-need-to-know-about-the-rental-price-regulation-law_1037623).

171 Miguel Ampudia and Michael Ehrmann, “Financial inclusion: what's it worth?”, *European Central Bank Working Paper Series*, No. 1990, January 2017. Available at <https://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1990.en.pdf>.

172 Habitat for Humanity, *Shelter Report 2014: Step by step, supporting incremental building through housing microfinance* (Atlanta, Habitat for Humanity, 2013) pp. 4 and 6. Available at [https://www.habitatireland.ie/wp-content/uploads/2017/05/Shelter-Report-2014\\_Habitat-for-Humanity-Ireland.pdf](https://www.habitatireland.ie/wp-content/uploads/2017/05/Shelter-Report-2014_Habitat-for-Humanity-Ireland.pdf).

All types of microfinance targets customers participating in the informal economy without steady and verifiable incomes. When microfinance loans are used for housing, additional measures are necessary to evaluate borrowers' creditworthiness and there is generally a closer association with the need for savings. Housing microfinance products also often allow alternative forms of collateral such as employer or family guarantees.

Establishing and running housing microfinance programmes is not without its challenges. The risks of lending to populations without bank accounts, and thus without credit records, and whose income is derived from the informaleconomy are understandably high. In addition, because housing microfinance uses detailed individual assessments to assess borrowers' creditworthiness, in contrast to the standardized frameworks used by banks, this significantly increases its administrative costs. For this reason, the interest rates on housing microfinance loans are usually higher than those charged by mainstream mortgage lenders. For instance, the interest rates on housing microfinance loans in 2016 were 25 per cent in Eastern Europe and 27 per cent in Central Asia.<sup>173</sup> This suggests that for many very low-income households, grant aid may be more appropriate to enable access to affordable housing.

Table 15 outlines the rationale for housing microfinance and the arguments against. Some successful examples of the application of these approaches in practice are then discussed.

**Table 15** What is the rationale for providing housing microfinance?

Arguments in favour	Arguments against
<ul style="list-style-type: none"> <li>✓ Provides targeted support for very low-income populations excluded from access to mainstream finance.</li> <li>✓ Provides small sums of money for refurbishing dwellings or providing basic facilities such as heating, running water or toilets.</li> <li>✓ Particularly useful in countries with little or no social housing and with high rates of homeowner and self-build housing.</li> <li>✓ Particularly useful in countries where the banking sector is underdeveloped, and no other sources of credit are available to low-income households.</li> <li>✓ Particularly effective when combined with other supports for borrowers such as financial education and advice on carrying out renovations.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Risks of lending are higher because borrowers have low and unstable incomes and may not have conventional security for the loan.</li> <li>✗ Requires detailed individual credit assessments of borrowers which necessitates high staff numbers and an organizational infrastructure.</li> <li>✗ Interest rates on housing microfinance loans are generally high so grant aid may be more useful for low-income households.</li> </ul>

173 Sandra Prieto and Emily Simmons, *The 2016-17 State of Housing Microfinance: Understanding the Business Case for Housing Microfinance* (Atlanta, Habitat for Humanity, 2017). Available at <https://www.habitat.org/sites/default/files/documents/The-2016-17-State-of-Housing-Microfinance-Understanding-the-Business-Case-for-Housing-Microfinance.pdf>.

Microfinance for Roma households,  
Microcredit foundation “Horizonti” –  
North Macedonia

Horizonti (<https://horizonti.org.mk/en/mikro-zaemi-za-domuvanje/>) is a specialist microfinance provider in North Macedonia. It was founded in 2000, currently has eight branch offices around the country and provides microfinance for agriculture, business and housing. Their micro housing loans fund housing reconstruction, repairs and renovation. In addition, Horizonti provides free professional building advice in partnership with Habitat for Humanity North Macedonia.

In 2011 Horizonti received the European Best Practices Award from the Foundation Giordano Dell’Amore and the European Microfinance Network for its “Housing Microfinance for Roma and marginalized people” programme.<sup>174</sup> This project was developed with financial support from the Council of Europe Development Bank.<sup>175</sup> The Roma Housing Fund offers loans ranging from EUR 500 to EUR 1,700 with a maximum repayment period of 30 months. The loans have been used for roof reconstruction, adding toilets, and running water, room additions, heating systems, insulation and replacing doors and windows.

Mikrofond EAD and Habitat for Humanity –  
Bulgaria

In 2008, the Habitat for Humanity International established a partnership with Mikrofond EAD (<https://www.mikrofond.bg/>), a microfinance organization in Bulgaria that focuses on underserved regions and communities. They have run a project together to deliver housing microfinance services to clients in housing poverty throughout Bulgaria.<sup>176</sup>

Before the partnership, Mikrofond offered only business loans, but it saw an opportunity to introduce consumer loans for home improvements. The size of the loans provided was EUR 1,750 (USD 2,365) and the average payment duration is 31 months. Habitat for Humanity Bulgaria (<http://hfh.bg/bg/>) and Mikrofond also jointly provide financial education programmes to their clients. These cover budgeting, saving, debt management and financial planning, along with raising clients’ awareness about the benefits and risks of using credit.

### Circuits of households’ savings to finance affordable housing

Household savings provided the main source of home buyer mortgages in many countries until recent decades.<sup>177</sup> Building societies were founded in the United Kingdom in the 1770s, for instance, to provide a home for savings and fund mortgages for house building.<sup>178</sup> Similar organizations called savings and loan associations emerged in the United States and expanded nationwide from the 1930s. A similar model called “bausparen” emerged in Germany in the 1880s and spread to Austria. The equivalent organization in France is called “epargne-logement”. All of these organizations provide some form of “contract savings” meaning households saved for a specified period or to a specified level and were granted a mortgage for a multiple of this amount. In addition, in France and Austria, longstanding arrangements exist to channel household savings into finance for social housing provision.

This approach to financing housing began to fall out of fashion, particularly in English speaking countries, from the 1970s. As part of a wider trend towards financial sector deregulation, the legal distinction between building societies and banks was abolished in the United Kingdom and Ireland. Thereafter, banks were allowed to lend mortgages and most building societies were subsequently converted into banks.<sup>179</sup> In the United

174 European Microfinance Network, “European Code of Good Conduct for Microcredit Provision”, *EMN Note* (December 2011). Available at <https://www.european-microfinance.org/publication/housing-microfinance-roma-and-marginalized-groups>.

175 For information on activities of the Council of Europe Development Bank for Roma, see [https://coebank.org/media/documents/Roma\\_Brochure.pdf](https://coebank.org/media/documents/Roma_Brochure.pdf).

176 Habitat for Humanity, “Shelter Report 2014” (see sect. Microfinance for self-building and modernising housing, footnote 175).

177 Timothy Backwell and Sebastian Kohl, S, “The origins of national housing finance systems: A comparative investigation into historical variations in mortgage finance regimes”, *Review of International Political Economy*, vol. 25, Issue 1 (2018), pp. 49–74.

178 Barbara Casu and Andrew Gall, *Building Societies in the Financial Services Industry* (London, Palgrave Macmillan, 2016).

179 Dianne Thomson and Malcolm Abbott, “The life and death of the Australian permanent building societies”, *Accounting, Business & Financial History*, vol. 8, Issue 1 (1998), pp. 73–103





© ADOBE STOCK

States deregulation of the savings and loans associations coupled with poor lending decisions and wider macro-economic factors precipitated a severe crisis and several associations became insolvent in the 1980s.<sup>180</sup>

However, several Western European countries including France, Germany and Austria continued to use household savings as a significant source of funding for home buyer mortgages and social housing provision. The benefits of this were highlighted by the 2007 credit crunch and the global financial crisis which followed in 2008. Contract savings provide access to mortgages for low-and-middle income households who cannot secure finance from commercial banks. The requirement to accumulate savings also provides strong evidence of mortgage applicants' ability to repay their borrowings. Consequently, default rates on these loans are low. In addition, the use of household savings to fund social housing provision also enabled counter-cyclical investment in this type of housing during the global financial crisis when the ability of governments and banks to do so was restricted.<sup>181</sup>

Contract savings systems can also play a useful role in countries where the banking and finance market is underdeveloped. For this reason, this model was introduced in Bulgaria (2004), Croatia (2000), Czechia (1994), Hungary (1997), Romania (2003), and Slovakia (1993) during their transition from communism.<sup>182</sup>

On the other hand, some analysts argue that heavy reliance on contract savings mortgage systems impedes the development of commercial bank mortgage lending. It could also be argued to precipitate "credit rationing" because new mortgages can only be granted when sufficient savings are available to fund them. Furthermore, the ultra-low interest rate environment of recent years has created challenges for contract saving mortgage lending systems as they depend heavily on income from mortgage interest. If banks can offer lower interest rates, borrowers may refinance their mortgages with them.<sup>183</sup>

Table 16 outlines the rationale for using savings schemes as a source of finance for housing and the arguments against. Some examples of the use of contract savings in practice are then outlined.

180 James R. Barth, S. Trimbath and Glenn Yago, eds., *The Savings and Loan Crisis: Lessons from a Regulatory Failure*, in *The Milken Institute Series on Financial Innovation and Economic Growth*, vol. 5 (New York, Springer US, 2004).

181 Michelle Norris and Michael Byrne, "Housing market (in) stability and social rented housing: comparing Austria and Ireland during the global financial crisis", *Journal of Housing and the Built Environment*, vol. 33, Issue 2 (February 2018), pp. 227–245. 4

182 Hegedüs, "Affordable Housing in Central and Eastern Europe" (see sect. Rent setting, indexation and regulation to promote affordability, footnote 160).

183 Hans-Joachim Dubel, "Contractual Savings for Housing", in *Housing Finance Policy in Emerging Markets*, Loic Chiquier and Michael Lea, eds. (Washington, D.C, World Bank, 2009), pp. 215–246. Available at <https://www.mfw4a.org/sites/default/files/resources/Housing%20Finance%20Policy%20in%20Emerging%20Markets.pdf>.

**Table 16** What is the rationale for using savings schemes to provide finance for housing?

Arguments in favour	Arguments against
<ul style="list-style-type: none"> <li>✓ Provides a source of mortgage finance for low and middle-income home buyers who may not be able to secure this finance elsewhere.</li> <li>✓ The requirement to save prior to borrowing is a good indicator of the ability to successfully repay debt. Therefore, the rate of default on contract savings schemes funded mortgages is low.</li> <li>✓ Enables counter cyclical provision of housing finance when banks and governments' ability to provide this funding is limited. This proved to be particularly useful during the credit crunch.</li> <li>✓ This model is particularly useful in countries where the banking system and mortgage finance market is underdeveloped.</li> <li>✓ Savings schemes can provide a low-cost source of funding for social housing which is not on the government balance sheet.</li> </ul>	<ul style="list-style-type: none"> <li>✗ This measure does not benefit the lowest income households which cannot afford to save and service mortgages.</li> <li>✗ This measure may precipitate credit rationing because new mortgages can only be granted when sufficient savings are available to fund them.</li> <li>✗ Contract savings schemes are likely to require government subsidies to generate adequate funding for mortgages. This accentuates the regressive tendencies in this model.</li> <li>✗ Contract savings mortgages may be insufficient to cover the full costs of home purchase and borrowers may need to secure an additional "top up" loan.</li> <li>✗ The contract savings model of using short-term funds from savings to fund long-term mortgages has inherent risks and therefore requires strong regulation to ensure its long-term stability.</li> </ul>

### Bausparkasse – Germany

In contrast to their decline in many countries, building societies (german: bauparkassen) have remained important to the housing finance needs of countries such as Germany and Austria, where they provide a very large share of residential mortgage loans. Bausparen (contractual savings) is characterized by fixed, below-market rates on savings and subsequent loans. The closed circuit of savings and loans attempts to insulate customers from financial market volatility and members get stable loans at a predetermined, fixed rate of interest.

Special regulation and tight supervision are considered vital to their success. In Germany Bausparkassen are credit institutions and fall under the German Banking Act and the Bausparkassen Act, which defines them as specialized credit institutions. They are closely supervised to build savers' trust and attract savings over long periods to ensure that they will eventually be able to obtain a loan.<sup>184</sup> Such institutions are also growing in other countries including Croatia, Czechia, Hungary, Slovakia and Kazakhstan.

In Germany, bauparkassen are either privately owned, or publicly owned by federal or provincial governments. German Landesbauparkassen (<https://www.lbs.de/>) are public savings and loans banks which operate at the sub-national level and focus on low-interest residential mortgage loans. Their system involves closed-contract savings and loan circuits, where loans are funded by long term savings and amortization payments.<sup>185</sup> Bauspar loans are funded by contractual savings schemes, typically of seven years, which can be complemented by government savings and tax incentives. Such loans are long term, have fixed predictable interest rates and typically complement other loans financing home purchase.

184 For additional information, see [https://www.senat.gov.pl/gfx/senat/userfiles/\\_public/k8/komisje/2013/kbfp/prezentacje/097\\_1a.pdf](https://www.senat.gov.pl/gfx/senat/userfiles/_public/k8/komisje/2013/kbfp/prezentacje/097_1a.pdf).

185 For an overview of Bausparen System, see [https://www.housingfinance.org/wp-content/uploads/2020/04/6\\_1\\_Weinrich.pdf](https://www.housingfinance.org/wp-content/uploads/2020/04/6_1_Weinrich.pdf).

## Caisse des Dépôts et Consignations – France

France has longstanding, well developed, and successful arrangements for channelling household savings for social housing. This is done via the Caisse des Dépôts et Consignations (CDC) (<https://www.caissedesdepots.fr/>), a public agency established in 1816 to manage savings and investments in the public interest.<sup>186</sup>

CDC centralizes government-backed savings accounts called “Livret A” and makes a proportion of these available to fund loans for social housing provision. Livret A savings accounts are available in all French banks; they are popular because they offer an attractive interest rate, tax-free, and state guaranteed. There are around 50 million such accounts in France, with a current deposit cap of EUR 22,950. At the end of 2020, French households had EUR 411 billion in savings in CDC-managed savings accounts.

Some 65 percent of deposits from Livret A savings accounts are centralized in CDC and used to fund social housing construction and refurbishment loans. These loans are provided at slightly above cost, that is, above the Livret A interest rate, the average of the previous year’s consumer price index (CPI) inflation and the Euribor & Eonia rates – currently at 0.5 per cent. The result is that interest rates are generally below those available from commercial lenders. Critically CDC social housing loans are also provided for long durations, which helps spread the costs of social housing provision over time. Loans for social housing refurbishment and modernization are available for 15–30 years, loans for social housing construction available for 40 years, and for 50 years in 20 per cent of cases.

CDC provided around EUR 10 billion in new financing for development or acquisition of new social housing units in 2019, which helped add 78,740 dwellings to the French social stock. It also provided EUR 1.9 billion to help finance renovation of social housing units. For 2020–2022, the objective of CDC is to finance the delivery of 110,000 new social housing units per year plus renovation of a further 125,000 social dwellings.

One of the strongest features of the CDC model is that it is not “pro-cyclical” in its investment pattern. This means that even when an economy goes into economic decline or recession, like during the pandemic, CDC can maintain or even increase its investments. Savings by French households into their CDC-linked accounts actually increased in 2020, reaching an all-time high of EUR 411 billion. So, recession or not, money can support jobs in the construction sector and thereby the wider economy. It also means that those who have lost jobs or experienced income drop can be quickly helped to find suitable housing.<sup>187</sup> This is evidenced by the annual production of new social housing units in France actually increasing after the global financial crisis of 2007/08, supported by increased household saving in CDC-linked savings schemes.<sup>188</sup>

## Housing Construction Savings Bank – Kazakhstan

The Housing Construction Savings Bank (HCSB) (<https://hcsbk.kz/en/about-the-bank/>), founded in 2003, is modelled on the German *bausparen* system of contractual savings for housing. It is the only Kazakhstani bank which employs this model to fund mortgage lending.

The HCSB contract savings system is operated as follows:

- A saver deposits money with the bank, which earns a below-market rate of interest.
- Once a minimum of 50 per cent of the loan required has been saved, the saver can secure a mortgage from the bank.
- The mortgage is offered at a fixed interest rate for the lifetime of the loan and is repayable for a term of up to 25 years.

The bank originally offered a single savings and mortgage product but from 2016 it began to offer a wider variety of products, with the required savings accumulation period varying from 3.5 to 15 years.

186 Claire Levy-Vroelant, Jean-Pierre Schaefer and Christian Tutin, “Social Housing in France”, in *Social Housing in Europe*, Kathleen Scanlon, Christine Whitehead and Melissa Fernandez Arrigoitia, eds. (London, Wiley Blackwell, 2014), pp. 123–142. Available at <https://onlinelibrary.wiley.com/doi/10.1002/9781118412367.ch8>.

187 For a review of CDC scheme (in English) from 2021, see <https://www.housingeurope.eu/blog-1523/household-savings---a-force-for-a-renewed-and-solidaire-europe-of-housing-opportunity>.

188 Jean-Pierre Schaefer, “The French Social Housing Sector at the Crossroads of Budgetary Constraints and Social Missions”, *Critical Housing Analysis*, vol. 4, Issue 2 (2017), pp. 29–38. Available at <http://www.housing-critical.com/home-page-1/the-french-social-housing-sector-at-the-crossroads>.

The bank has made a significant contribution to expanding available mortgage credit. In 2018 it provided one third of the country's mortgage finance and its loan book has grown by approximately 33 per cent per annum in recent years.<sup>189</sup>

### Public loans, grants and purposeful public investment in housing

Governments in many UNECE countries provide grant funding and loans directly to support affordable and inclusive housing, such as first-home loans, loans for social housing, or grants for homelessness shelters. Funds for grant and loan programmes are provided by government tax revenues and public borrowing.

Governments might provide loans or grants for affordable and inclusive housing when no other funding is available, as during natural disasters or recessions, or for household categories with difficulty accessing market housing finance, like low-income households or people with mobility difficulties. However, as explained in table 17 (which sets out the rationale for using public loans and grants) public investment has important benefits over market finance in supporting affordable housing provision and is not just useful in responding to market failure. For instance, public loans and grants can provide cheaper and longer-term finance for affordable housing provision. Public funding for affordable housing can also be used to deliver other key societal objectives such as economic productivity, social well-being, and environmental sustainability.

Table 17 What is the rationale for public loans, grants, and purposeful investment?	
Arguments in favour	Arguments against
<ul style="list-style-type: none"> <li>✓ Governments can step in to provide funding when no alternative sources of funding are available.</li> <li>✓ Public funding can influence the level, purpose, and allocation of affordable housing provision.</li> <li>✓ Providing public grants or loans for social housing reduces the need for more costly debt financing and thereby reduces costs of delivery.</li> <li>✓ Public loans can be provided for longer terms.</li> <li>✓ If public loans are government guaranteed they can be offered at low interest rates. This reduces the annual cost of affordable housing provision, enabling more dwellings to be built at lower rents.</li> <li>✓ Public funding can be used to lever additional investment from the private or philanthropic sectors.</li> <li>✓ Using capital grants can be cost effective for governments, and they can quickly produce tangible housing assets; it is also a one-off expenditure which can be cheaper than providing an ongoing operating subsidy or rent subsidy.</li> <li>✓ Public loans and grants create economic value by supporting housing asset production and generating economic multiplier effects.</li> <li>✓ Creates social value by the provision of healthy, secure, and affordable accommodation.</li> <li>✓ When loans are repaid, they can fund new loans to support additional social housing provision and thereby provide a revolving fund.</li> <li>✓ Public loans and grants can be useful in counteracting housing market cycles by stimulating construction and stabilising employment when private investment in housing is constrained.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Governments may have other priorities for public expenditure.</li> <li>✗ Governments may not have the resources to devote to affordable and inclusive housing provision.</li> <li>✗ Short-term stimulus can undermine long-term planning and industry development if there is no ongoing investment once the stimulus is over.</li> <li>✗ Public loans and grants can be more difficult to target at lowest income households than alternative forms of subsidy such as means-tested housing allowances.</li> </ul>

189 UNECE, *Country Profiles on the Housing Sector: Republic of Kazakhstan* (Geneva, United Nations, 2018). Available at <https://unece.org/housing-and-land-management/publications/country-profiles-housing-sector-republic-kazakhstan>.



Indeed, public loans and capital grants helped drive the Western European expansion of social housing provision during the middle of the 20th century. In recent decades the scale of this funding has declined, but governments remain involved in funding social housing in most Western European countries. Their investment plays a critical role in leveraging private and non-profit sector investment and reducing the cost of social housing finance. Indeed, experience outside Western Europe suggests that no country has succeeded in developing a social housing sector of any significant size without using public funding to drive its emergence and early growth. Among the former communist countries of Central and Eastern Europe in the 1990s, Slovakia is distinguished by its success in significantly expanding its social housing supply. This was achieved with the help of significant public investment in loans provided by a revolving fund.<sup>190</sup>

Public funding for affordable housing is not just available from national governments. Although the European Union does not have official competence in housing policy, it has gradually increased support for affordable housing in recent years. For example, the EU Cohesion Policy dedicated EUR 6.6 billion towards housing between 2014 and 2020. Furthermore, the latest EU investment programme for 2021-2027, the Multiannual Financial Framework, provides significantly increased investment in sustainable neighbourhoods including promotion of energy efficiency in housing. Loans for social housing and other types of affordable provision are available from multi-lateral-governmental banks operating in the UNECE area. Most notable is the development bank of the EU - European Investment Bank (EIB) (<https://www.eib.org/en/index.htm>) - and the Council of Europe Development Bank (CEB) which lends to the 42 member countries of the Council of Europe (<https://coebank.org/>). Both the CEB and EIB illustrate how public loans and grants can be used in practice across UNECE member countries, as discussed in the next sections.

It is increasingly common for governments making decisions about public funding for affordable housing to take account of resource allocation, cost effectiveness, social and environmental outcomes, labour, and quality

standards.<sup>191</sup> Alongside national housing strategies, CEB and EIB apply requirements for energy efficiency of housing construction and improvements which they fund. Through this “purposeful” approach to public investment in housing, governments can achieve broader socio-economic and environmental objectives in addition to facilitating affordable and inclusive housing provision.<sup>192</sup>

#### Affordable Housing Supply Programme – Scotland, United Kingdom

The Scottish Government in the United Kingdom has developed strong capabilities in needs-based strategic planning for housing grant allocation and delivery. It has established an Affordable Housing Supply Programme to deliver 50,000 affordable homes, including 35,000 for social rent, between 2016 and 2021. It recently published an updated “Housing to 2040” policy statement, which aims to deliver an additional 100,000 affordable homes, including 70,000 social rental homes, by the first half of 2032.<sup>193</sup>

By working with local authorities, the Scottish Government has channelled increased capital investment to address well-evidenced and locally established housing needs.<sup>194</sup> It has also created a dedicated Housing Infrastructure Fund to address development blockages. Furthermore, the Government continued to employ funds to renovate vacant dwellings and established a new fund to increase affordable housing in rural and remote island areas.

190 Hegedüs, “Affordable Housing in Central and Eastern Europe” (see sect. Rent setting, indexation and regulation to promote affordability, footnote 160).

191 Anne Colgan, Aisling Sheehan and Katie Burke, *Commissioning in Human, Social and Community Services - A Rapid Evidence Review* (Dublin, Centre for Effective Services, 2015). Available at <https://www.effectiveservices.org/resources/commissioning-in-human-social-and-community-services-a-rapid-evidence-review>.

192 For proposal of the concept of purposeful investment, see Mariana Mazzucato, *The Entrepreneurial State: Debunking Public vs. Private Sector Myths* (London, Anthem Press, 2013).

193 Scotland, *Housing to 2040* (Edinburgh, Scottish Government, 2021). Available at <https://www.gov.scot/publications/housing-2040-2/>.

194 For the budgetary resources utilized for the Affordable Housing Supply Programme of Scotland, see [http://www.parliament.scot/ResearchBriefingsAndFactsheets/S5/SB\\_16-49\\_Housing\\_Supply\\_Budget.pdf](http://www.parliament.scot/ResearchBriefingsAndFactsheets/S5/SB_16-49_Housing_Supply_Budget.pdf).

### Loans to co-finance affordable housing – Council of Europe Development Bank

The Council of Europe Development Bank is a multilateral development bank with an exclusively social mandate. It was founded in 1956 by eight member States of the Council of Europe to provide support for refugees and displaced persons in Europe. The Bank has since expanded to include 42 countries which are its shareholders and are eligible to borrow from it. The mission of CEB has also expanded to encompass supporting the implementation of socially oriented investment projects which promote:

- Inclusive growth: working to guarantee access to economic opportunities, ensuring a prosperous future for all
- Support for vulnerable groups: helping to integrate the most vulnerable citizens and nurture a more diverse society
- Environmental sustainability: supporting a liveable society that promotes environmental sustainability and mitigates or adapts to climate change.

CEB is not funded by its member States, rather its funding is raised by borrowing on international capital markets. The bank's credit rating is strong and stable at "AA+", reflecting access to less expensive financing on capital markets.<sup>195</sup> It lends to member States, co-financing eligible social projects. Housing is an important part of the bond issuance programme of CEB. The proceeds of its Social Inclusion Bond, issued since April 2017, are used to finance social housing, education and vocational training, as well as job creation and preservation, in micro, small and medium-sized enterprises. To date, 33 per cent of all proceeds, or EUR 495 million, have been allocated to housing projects. This has led to more than 10,600 housing units being built or renovated out of Social Inclusion Bond proceeds alone.<sup>196</sup>

CEB co-finances affordable housing and regularly partners with national and international organizations who contribute any remaining finance required. For instance, it is a partner in an alliance between public

investment banks and social housing providers in France (Alliance européenne pour un logement sociale durable et inclusif), which was formed in 2020 to simplify access to funds, coordinate strategic investment and expand the volume of investments in social housing. This new partnership involves the French Banque des Territoires, CEB, the European Investment Bank, and not-for-profit housing providers. They combine their expertise to access European funding and make long-term investments in public social infrastructure. Additional loans will accelerate social housing construction in economically challenged areas, providing more investment to house people in precarious situations, often including support and health services.<sup>197</sup>

Another example of recent CEB-supported activities comes from the Republic of Moldova.<sup>198</sup> CEB financing is being used to improve and increase the housing stock, with beneficiaries including young families; individuals or families in which at least one of its members works in a budgetary institution or works in the field of public services; families with at least three minor children; or persons with severe disabilities. Phase 1 (2008-2011) of the project comprised of the construction of 240 apartment units in four buildings. Phase II (2013-2021), which has an approved budget of EUR 13.4 million, is nearly completed. The total cost of the project is EUR 20.4 million, of which the CEB participation is 65 per cent of the total cost. CEB provides a loan for up to 20 years, including a grace period of 5 years. The contribution of the Republic of Moldova, realized through local authorities, is 35 per cent and consists of in-kind and financial contribution. The project will complete the construction of 667 social housing facilities in total.

195 Fitch Ratings, "Fitch Revises Council of Europe Development Bank's Outlook to Stable; Affirms at 'AA+'", 29 July 2020.

196 Rolf Wenzel, "What role for international financial institutions in the housing sector?", Housing Europe, 30 November 2020. Available at <https://www.housingeurope.eu/blog-1479/what-role-for-international-financial-institutions-in-the-housing-sector>.

197 L'Union sociale pour l'habitat, "Une alliance européenne pour un logement social durable et inclusif" (A European alliance for sustainable and inclusive social housing), 3 February 2021. Available at <https://union-habitat-bruxelles.eu/une-alliance-europeenne-pour-un-logement-social-durable-et-inclusif>.

198 Information available at <https://coebank.org/en/donors-and-trust-funds/beneficiaries-donor-funds/provision-social-housing-vulnerable-and-low-income-population-phase-2/> and "Practice of the Republic of Moldova on the implementation of programs for the construction of affordable housing" was presented at the UNECE Subregional Workshop on Housing: Policies for housing affordability in Russia and CIS. Available at <https://unece.org/hlm/documents/2021/03/agendas/draft-programme-cis-subregional-workshop-housing>.

Photo 5 A public green space in the Republic of Moldova



Photo credit: Cecilia Batac, UNECE.

### Loans, guarantees and equity investment for affordable housing – European Investment Bank

EIB is the lending arm of the European Union and is the biggest multilateral financial institution in the world. EIB is financially autonomous and raises money by issuing bonds on capital markets. The Bank's excellent credit rating enables it to raise this finance at very low interest rates.

Since its establishment in 1958, EIB has invested over a trillion euros by providing loans, loan guarantees and equity investment. Its activities focus on five priority areas: climate and environment; development, innovation and skills; small and medium-sized businesses; infrastructure; and cohesion. EIB does not provide finance for market housing, but non-market housing was a major element of the EUR 150 billion which EIB has invested in urban

projects to date.<sup>199</sup> The Bank funds the following type of non-market housing:

- Social and affordable rental housing
- Refugee accommodation or reception centres, and associated infrastructure provided during the asylum process
- Student accommodation and accommodation for apprentices
- Care homes and assisted living accommodation
- Shared equity housing including rent-to-buy or partial ownership where justified by clear market failures and public policy priorities

<sup>199</sup> European Investment Bank Group, *Social and affordable housing overview 2020* (Luxembourg, 2020). Available at [https://www.eib.org/attachments/thematic/social\\_and\\_affordable\\_housing\\_overview\\_2020\\_en.pdf](https://www.eib.org/attachments/thematic/social_and_affordable_housing_overview_2020_en.pdf).



This finance for housing is distributed by loans, loan guarantees and equity investments. EIB lends directly to social and affordable housing providers, but more commonly its finance is distributed via special-purpose financial intermediaries which manage housing investment in member countries. These organizations are discussed later in this chapter.

### Housing Fund of the Republic of Slovenia

The Housing Fund of the Republic of Slovenia is a public real estate fund. It was founded in 1991 to finance and implement a legislated national housing programme which operates on five-year cycles.

The objectives and specific targets of the Fund have evolved, but remain focused on the construction, renovation and maintenance of apartments and residential buildings, targeted at groups with particular needs such as families, young people, the elderly, and Roma populations. The main instruments used

to achieve this have involved co-financing with long-term favourable loans and interest rate subsidies, and investments in new innovations and international research.

The Housing Fund is a public authority and actively invests directly in housing and also co-invests in local community housing programmes, complementing the efforts of municipalities and non-government organizations. It also purchases land and houses directly on the market. Since 2006, non-profit dwellings regulated under the Housing Act have been let at relatively regulated low rents. Consequently, they are in high demand among prospective tenants, but have proven less attractive to investors. With its own construction and purchase projects on the market, the Fund provides an additional quota of publicly available rental housing, tying rent calculation to the real estate investment or purchase value. It offers eligible tenants a stable rental relationship under pre-known conditions for an indefinite period. In 2019 CEIB (also discussed in this chapter) provided the Fund with a long-term loan of EUR 50 million.

**Photo 6** Affordable housing developed by the Housing Fund of the Republic of Slovenia



Photo credit: Iván Tosics, Metropolitan Research Institute.



Currently the Fund directly owns 3,042 non-profit rental-housing units and a further 787 dwellings which are let at cost-based rents. Two companies owned by the fund own another 2,056 apartments, which they rent out at non-profit rent. These dwellings are located throughout Slovenia. The Fund is intensively building affordable rental apartments throughout Slovenia, and by 2023 it will provide 2,194 new public rental apartments.

The Fund is now focusing on effective administration for public rental dwellings. Thus, between 2017 and 2020, its activities have included:

- Co-investment in new public rental housing units, including residential units, under a co-financing programme
- Establishment and operation of the Public Service for Rental Management and Records system
- Management of mixed portfolio of formerly non-profit, commercial, and sheltered housing
- Providing new public rental housing units for young people, young families and the elderly, the utilization of rental buying-in and shared ownership instruments
- Development of new projects on land owned by the Fund
- Financial incentives for housing in the form of soft loans
- Sustainable construction and complete renovation of the housing stock for all products and programmes of the Fund
- Technical standards for the home-building industry
- Cooperation in development projects in housing construction
- Strengthening and implementing the Fund's development role in housing
- Efforts to obtain funding from EU funds
- Acquiring assets for and in the framework of partner projects.

### Interest rate subsidies, loan guarantees and loan insurance to reduce borrowing costs

In many UNECE countries the expansion of homeownership during the 20<sup>th</sup> century was supported by widely available generous tax relief on interest payable on homebuyer mortgages. In some countries, such as the United States,

Sweden, the Netherlands and Denmark, mortgage interest tax relief (MITR) is still widely available and constitutes a major part of public expenditure on housing in terms of tax revenue forgone. However, in the United Kingdom and Ireland they have been withdrawn or significantly reduced. Decisions to reduce MITR for homeowners reflect concerns about the cost of this subsidy and also about equity. MITR benefits homeowners who generally have higher incomes than renters, and mostly benefits the highest-earning and highest borrowing-homeowners who pay the highest rate of tax.<sup>200</sup> In addition, there is evidence that the value of mortgage interest tax relief is capitalized into house prices and therefore contributes to house price inflation and housing market booms and busts.<sup>201</sup> As a result, when made available to all home buyers, MITR may not be effective in increasing levels of homeownership.<sup>202</sup>

While interest rates are currently at historic lows, this is unlikely to continue, and has never done so in the past. Therefore, interest charged on housing loans and variations in interest rates have been significant challenges for promoting housing affordability until recent decades. Consequently, interventions to reduce and even out interest payments on housing loans have traditionally been important and frequently used housing funding and financing policy tools.

For instance, subsidies for loan interest for social housing development have traditionally been one of the most common government supports for this form of affordable housing in Western Europe.<sup>203</sup> In Denmark, these subsidies vary depending on the interest rate charged on commercial bank loans to social housing landlords, and are designed to ensure that the effective interest

200 OECD, *Housing and Inclusive Growth* (Paris, OECD Publishing, 2020). Available at <https://www.oecd-ilibrary.org/sites/6ef36f4b-en/index.html?itemId=/content/publication/6ef36f4b-en>.

201 Sven Damen, Frank Vastmans and Erik Buyst, "The effect of mortgage interest deduction and mortgage characteristics on house prices", *Journal of Housing Economics*, vol. 34 (December 2016), pp.15-29.

202 Steven C. Bourassa, and others, "Mortgage Interest Deductions and Homeownership: An International Survey", *Journal of Real Estate Literature*, vol. 21 (February 2012), pp. 181-203.

203 Christine Whitehead, "Financing Social Rented Housing in Europe" in *Social Housing in Europe*, Kathleen Scanlon, Christine Whitehead and Melissa Fernández Arrigotia, eds., (Basingstoke, Wiley-Blackwell, 2014), pp. 315–330.

rate paid remains flat over the long term.<sup>204</sup> In the United States, home loan subsidy programmes promote more affordable homeownership by providing reduced-interest rate loans to eligible borrowers. The mortgages are often offered by regional and local housing finance agencies, redevelopment agencies, or other local government agencies, in conjunction with approved private lenders. More favourable loan terms are sometimes available, such as relaxed underwriting requirements and lower borrowing costs compared with commercial offerings. The programmes typically focus on first-time homebuyers or specific populations, such as veterans or teachers.<sup>205</sup>

Loan guarantees are used by governments to influence the credit allocation decisions of financial institutions by reassuring bond investors with agreements outlining conditions where government will cover the coupon payment in the event of borrower default. These guarantees can take several different forms. They can be explicit, such as written government guarantees to repay defaulted loans, but are more commonly implicit, such as an expectation the government will take on an obligation without a contractual or policy commitment to do so. Sometimes the latter is supported by a sum of money which acts as a guarantee fund.

Guarantees can also cover all the debt required to finance a particular project or may be only partial guarantees. Guarantees commonly used to build market confidence among new investors increase the investment availability for required social and economic infrastructure such as social housing, and also reduce interest rates charged.<sup>206</sup> Experience shows that a well-managed guarantee has only very minor implications for government budgets and implicit guarantees have none at all.<sup>207</sup>

Since the 1930s, the United States and Canada have widely used government insurance as a policy tool to promote the supply of affordable housing finance, particularly for low-income home buyers.<sup>208</sup> This insurance stimulates mortgage lending activity by protecting the security of lenders' liens against the property securing the mortgage. This reduces the risk to lenders that borrowers might default on their mortgage obligations and thereby promotes the availability of mortgages.

When properly targeted, interest rate subsidies and other methods such as interest rate guarantees, and insurance can be useful tools in the housing finance and funding toolbox. However, when poorly managed they can have negative knock-on impacts such as house price inflation, significant costs for government, and risk loan default.

Table 18 outlines the rationale for using interest rate subsidies, loan guarantees and loan insurance to support availability of finance for affordable and sustainable housing, and the arguments against. It is followed by some examples of the use of these measures in practice in UNECE member countries. Notably, to manage risks associated with government guarantees supporting loan finance for social and affordable housing, in many countries these guarantees are managed by specialist organizations. These are called special purpose financial intermediaries (SPFIs); they conduct stringent credit assessments of applicants for loans,<sup>209</sup> and are discussed in this chapter.

---

204 Michelle Norris and Michael Byrne M (2020), Funding resilient and fragile social housing systems in Ireland and Denmark, *Housing Studies* (2020).

205 For some examples of US affordable mortgage schemes, see <https://www.localhousingsolutions.org/act/housing-policy-library/subsidized-mortgages-overview/subsidized-mortgages/>.

206 Timothy C. Irwin, "Government Guarantees: Allocating and Valuing Risk in Privately Financed Infrastructure Projects", *Directions in Development; Infrastructure*, No. 39497 (Washington, D.C., World Bank, 2007). Available at <https://openknowledge.worldbank.org/handle/10986/6638>.

207 Julie Lawson, "The use of guarantees in affordable housing investment: a selective international review", *AHURI Positioning Paper*, vol. 156 (Melbourne, AHURI Limited, 2013). Available at <https://www.ahuri.edu.au/research/position-papers/156>.

---

208 Bruce Katz and others, "Rethinking Local Affordable Housing Strategies: Lessons from 70 Years of Policy and Practice", discussion paper (Washington, D.C., Brookings Institution and Urban Institute, 2003). Available at <https://www.brookings.edu/wp-content/uploads/2016/06/housingreview.pdf>.

209 Lilia Razlog, Tim Irwin, Chris Marrison, "A Framework for Managing Government Guarantees", Discussion Paper, MTI Global Practice, No. 20 (Washington, D.C., World Bank, 2020). Available at <http://documents1.worldbank.org/curated/en/444621590552809834/pdf/A-Framework-for-Managing-Government-Guarantees.pdf>.

**Table 18** What is the rationale for interest rates subsidies, guarantees and mortgage insurance?

Arguments in favour	Arguments against
<ul style="list-style-type: none"> <li>✓ Can increase the availability of finance for affordable housing provision.</li> <li>✓ Can help to channel finance to those unable to access it from the market such as first-time home buyers.</li> <li>✓ Can reduce and flatten the cost of interest on loans for affordable housing.</li> <li>✓ Well-managed guarantees have little or no impact on the government balance sheet.</li> <li>✓ Guarantees and mortgage insurance can be particularly effective when managed by specialist organizations such as special purpose financial intermediaries.</li> <li>✓ Interest rate subsidies equalize the treatment of investment of households and businesses in housing. In most tax systems businesses can deduct the cost of their interest payments from tax, and mortgage interest tax relief enables households to do the same.</li> </ul>	<ul style="list-style-type: none"> <li>✗ The costs of interest subsidies on housing loans can be substantial and also unpredictable for governments.</li> <li>✗ Interest subsidies have become less useful in recent years as interest rates have declined.</li> <li>✗ Mortgage interest tax relief benefits higher earners more than lower earners and can drive house price inflation.</li> <li>✗ Poorly managed government guarantees create significant risks for government in the case of default.</li> <li>✗ Poorly managed mortgage insurance products can facilitate poor lending decisions.</li> <li>✗ Can contribute towards the overheating of the property market, by stimulating additional lending causing demand to outpace supply.</li> </ul>

### Housing Finance and Development Centre – Finland

The Housing Finance and Development Centre (ARA) (<https://www.ara.fi/en-us/>) is a public agency which operates under the direction of the Finnish environment ministry. Non-profit organizations can apply for grants, subsidies and guarantees from ARA to fund housing construction, purchase, and renovation. ARA funds social housing and several types of affordable homeownership to reduce cost and increase availability of finance for these.

Critically, ARA loan guarantees and other supports are only made available following detailed assessment of the financial sustainability of housing projects and sponsoring organizations. Furthermore, certificates are only provided for loans with the most competitive terms, driving down the costs further. ARA also controls and monitors use of the housing stock it has funded and monitors and directs non-profit housing corporations to ensure good financial management and appropriate use of government subsidies.

Since the global financial crisis, ARA guarantees have been extensively used to source low-cost private-loan finance via the special purpose financial intermediary called Munifin (<https://www.munifin.fi/>) which is owned by the Finnish municipalities. This arrangement has reduced the cost of financing and hence the cost of interest subsidies considerably.

### National Mortgage Guarantee – the Netherlands

The National Mortgage Guarantee (Dutch: Nationale Hypotheek Garantie [NHG]) (<https://www.nhg.nl/>) is a guarantee scheme for providers of homeowner mortgages such as banks. It guarantees to repay the residual debt if a bank forecloses on a homeowner mortgage. It thereby helps increase availability of homeowner mortgages, reduce costs by reducing the risk to banks providing mortgages, and the risk to homeowners if they cannot afford to pay.

The NHG guarantee is only available for mortgages which meet specific criteria for responsible lending and borrowing. These place limits on the maximum mortgage available, and on the ratio of the mortgage to the borrowers' income, ensuring borrowers can cover their living costs while servicing their mortgages. Holders of

NHG-guaranteed mortgages can draw on the guarantee in the following circumstances:

- Loss of employment
- Ill health or disability
- Relationship breakdown
- Death of a spouse or partner.

The guarantee is provided by a government-backed foundation called the Homeownership Guarantee Fund (Waarborgfonds Eigen Woningen) which was established in 1993. It is funded by a levy of 0.7 per cent of the total amount of each mortgage guaranteed by the fund, payable by the borrower.

#### Canada Mortgage and Housing Corporation

Mortgage insurance plays a significant role in the Canadian housing market. All national government-regulated financial institutions (and most financial institutions regulated by regional government) are legally required to purchase insurance for mortgages which exceed 80 per cent of the value of the dwelling being purchased. Subject to allocation limits, lenders can also purchase insurance for portfolios of previously uninsured low-ratio mortgages. The availability of mortgage insurance increases the availability of mortgages for borrowers with low down-payments who are likely to be lower earners or first-time home purchasers.

By far the largest provider of mortgage insurance is the Canada Mortgage and Housing Corporation (CMHC) (<https://www.cmhc-schl.gc.ca/>) - a national government agency operated on a commercial basis which a range of housing finance facilities. CMHC-insured mortgages have an explicit government guarantee that provides 100 per cent of lender claims in the event of a mortgage default. The costs of this insurance are funded by a premium paid upfront by the borrower when the loan is issued.<sup>210</sup>

Canada experienced a relatively low level of mortgage defaults and bank insolvencies following the global financial crisis in 2008. While numerous social, financial,

and regulatory factors contributed to this, there is evidence the mortgage insurance system played a role. This is revealed by comparing Canada with the US, where mortgage insurance also plays a key role in the housing finance system. In the US, mortgage insurance is paid on an ongoing basis by the borrower and can be cancelled when their loan-to-value ratio falls below a specified level, whereas this option is not open to Canadian borrowers. In addition, United States mortgage insurance only covers losses which exceed the loan-to-value ratio, whereas in Canada it covers the full amount of the loan. CMHC is subject to particularly close scrutiny by government because it offers an explicit government guarantee.<sup>211</sup>

#### Special purpose intermediaries to raise finance for social and affordable housing

Special purpose financial intermediaries (SPFI) are specialist organizations which identify and assess the borrowing needs of social and affordable housing providers or purchasers and help to arrange finance to meet these needs. This may involve aggregating the borrowing needs of groups of social and affordable housing providers, securing the finance required to meet these needs and then distributing it. SPFIs also often have a key role in vetting the creditworthiness of affordable housing providers and monitoring compliance with loan agreements. The basic steps involved applying financial intermediation to affordable housing provision are summarized in figure VIII.

The special purpose financial intermediaries which have been established to support affordable housing provision take several different forms. They include public agencies, non-government not-for-profit organizations, or for-profit private entities. For instance, in the Netherlands the public investment banks Bank Nederlandse Gemeenten N.V. (<https://www.bngbank.com/>) and Nederlandse Waterschapsbank N.V. (<https://nwbbank.com/>) play this role. Elsewhere government agencies act as SPFIs such as the Housing Finance Agency (<https://www.hfa.ie/>) in Ireland. The United Kingdom SPFI is a non-profit organization called The Housing Finance Corporation (THFC) (<https://www.thfcorp.com/>). In Switzerland a

210 Allan Crawford, Cesaire Meh, and Jie Zhou, "The Residential Mortgage Market in Canada: A Primer", *Bank of Canada Financial System Review* (December 2013), pp. 53-63. Available at <https://www.bankofcanada.ca/wp-content/uploads/2013/12/fsr-december13-crawford.pdf>.

211 John Kiff, "Canadian Residential Mortgage Markets: Boring but Effective?", Working Paper, No. 09/130, 1 June 2009 (Washington, D.C., International Monetary Fund, 2009).



**Figure VIII** Steps involved in the application of financial intermediation to affordable housing provision

Source: Lawson, 2013.

bond-issuing co-operative called EGW/CCL (<http://www.egw-ccl.ch/>) is the main special purpose financial intermediary supporting affordable housing provision. All these organizations are licenced to issue special purpose bonds which attract a government guarantee.

A number of factors have led to special purpose financial intermediaries have become essential tools of an affordable housing policy tool kit. These include the recent reduction in public capital grants and loans in many

countries, increased reliance on private finance, and the growing complexity of private financing arrangements. SPFIs are particularly useful for social housing landlords which are often too small to raise private finance directly, and therefore in countries where this sector is dominated by organizations of this size.

Table 19 outlines the rationale for using special purpose financial intermediaries to access finance for affordable housing and the arguments against.

**Table 19** What is the rationale for affordable housing financial intermediation?

Arguments in favour	Arguments against
<ul style="list-style-type: none"> <li>✓ Channels investment to meet public policy priorities and helps to ensure a stable supply of finance for affordable housing.</li> <li>✓ Can help to reduce the cost of finance for affordable housing, reducing the cost of housing provision.</li> <li>✓ Improves access to financing for smaller affordable-housing providers and is therefore useful in countries where the affordable housing sector is small and fragmented.</li> <li>✓ Pools fragmented borrowing demands and enables efficiencies.</li> <li>✓ Bridges the gap between small borrowers and large financial investors.</li> <li>✓ Offers investors a risk-free, socially useful investment option.</li> <li>✓ Intermediaries can be structured by government to have a strong public purpose and be not-for-profit and cost efficient.</li> <li>✓ Helps to establish more competitive financial terms for borrowers and ensure more stable, longer term, lower cost finance for affordable housing.</li> </ul>	<ul style="list-style-type: none"> <li>✗ May not be required if affordable housing providers can access sufficient finance independently.</li> <li>✗ May require underwriting by government in the form of a guarantee which increases both the cost and the risk to government.</li> <li>✗ Often must be accompanied by other forms of public support, such as grant equity and housing allowances.</li> <li>✗ Requires specialist knowledge of affordable housing business operating models to be effective.</li> <li>✗ Poorly managed financial intermediaries can pose a very substantial risk to the stakeholders involved and therefore need to be monitored closely.</li> <li>✗ Financial intermediary may exploit borrowers through high operating costs and management fees.</li> </ul>

EGW/CCL Bond Issuing Co-operative – Switzerland

The Bond Issuing Cooperative for Limited Profit Housing (Emissionszentrale für gemeinnütziger Wohnbauträger/ Centrale d'émission pour la construction de logements - EGW/CCL, <http://www.egw-ccl.ch/de/portrait/>) was jointly established in Switzerland in 1991 by the Government and the non-profit cooperative housing movement. Its purpose is to raise cheap finance for non-profit housing construction. This is done by issuing bonds in the name of the EGW/CCL and distributing these funds among affordable housing providers.

The bonds issued by the EWG/CCL are generally 6-15-year fixed bonds, covered by mortgages on the title of the financed dwelling and by a government guarantee. Thanks to a careful credit assessment and ongoing monitoring of loan repayments, the default rate is close to zero. These arrangements enable the EWG/CCL to raise finance at particularly low interest rates, which are only marginally higher than the interest rates on Swiss government bonds. Since it was founded, the EGW/CCL has carried out 87 debt issuances with a total volume raised of CHF 7.1 billion (EUR 6.4 billion as of April 2020).

EGW/CCL is organized as a cooperative. Its members are housing cooperatives and other non-profit property developers. There are about 400 individual cooperative members of the EGW/CCL of which approximately 75 per cent have benefited from its loans.

EGW/CCL has been successful in reducing the costs of finance for non-profit housing providers and thereby helped to stabilize rents in the sector, which are linked to financing costs. It also enables small affordable-housing providers access to capital markets and offers risk-free assets for investors. Consequently, it enjoys strong political support.<sup>212</sup>

212 Peter Gurtner, "The case of Switzerland", paper presented at the UNECE Workshop on the Future of Social Housing, Geneva, 4-5 February 2014. Available at [https://unece.org/fileadmin/DAM/hlm/prgm/hmm/social%20housing/2014\\_geneva/1.09\\_gurtner.pdf](https://unece.org/fileadmin/DAM/hlm/prgm/hmm/social%20housing/2014_geneva/1.09_gurtner.pdf).

### Housing Finance Agency – Ireland

The Housing Finance Agency (HFA) (<https://www.hfa.ie/>) was established in 1982 and is a public limited company wholly owned by the Irish government. Its mandate is to provide loan finance at the lowest interest rates possible to local government and non-profit sector housing associations for social housing provision, to Higher Education Institutions for student housing provision and for mortgage lending to low-income home purchasers.

The Agency sources its finance from two European Union public banks – EIB and CEB - and from short-term deposits from local government. At the end of 2020, the outstanding loan book of HFA was EUR 5.18 billion. The HFA is self-financing - a small margin is added onto its cost of funds to cover its administration costs - so it does not receive any government subvention.

In recent years, HFA has played a key role in funding the expansion of housing support for low-income households in Ireland. In 2010 it began to offer loan finance to non-profit sector social housing providers which had previously been funded primarily by government grants. This significantly increased the volume of finance available to these housing providers and enabled them to greatly increase their output. Securing long-term fixed-rate finance enabled the HFA to offer fixed-rate loans to non-profit social housing providers. This eliminated interest rate risk, which was a key concern for them.<sup>213</sup>

This experience of drawing on HFA loan finance has encouraged some non-profit social housing providers to use private banks and capital markets. HFA has also used these fixed-rate EIB and CEB loan facilities to offer 20-year fixed-rate, low-interest mortgages to low-income Irish home buyers.<sup>214</sup> Long term fixed-interest mortgages are not provided by commercial mortgage lenders in

Ireland and this type of loan significantly increases the affordability and predictability of mortgage payments, so it is particularly beneficial for low-income households.<sup>215</sup>

### KfW (Kreditanstalt für Wiederaufbau) Bank – Germany

KfW (credit institution for reconstruction) Bank (<https://www.kfw.de/>) was established in 1948 and is a public bank 80 per cent owned by the national Government of Germany and 20 per cent by the German Länder (regional governments). It does not take customer deposits, rather it raises funds almost entirely via international capital markets. In 2019 KfW raised EUR 80.6 billion from these to finance its activities.

As a public development bank, KfW has a broad mandate to finance and promote sustainable development. Consequently, it is involved in lending for green energy, technological innovation, start-up businesses, public and social infrastructure, education, and numerous other areas. Furthermore, unusually among special-purpose financial intermediaries, its activities are not confined to Germany. Its development banking arm funds projects in developing countries on behalf of the German Government.

The KfW Bank also lends extensively for affordable housing and to improve housing sustainability. It finances home purchase and construction loans, and home renovation and energy upgrading loans for individual households. It also loans to private, public, and non-profit organizations for the construction of new energy-efficient homes, the energy-efficient refurbishment of older residential buildings, and the creation of accessible housing.

In addition to its important work in raising finance for the projects it funds, the KfW Bank also has significant technical expertise on the design and implementation of these projects, informed by a comprehensive and sophisticated ongoing programme of project evaluation

213 National Economic and Social Council, Housing Policy: Actions to Deliver Change, NESCC Council Reports, No. 150 (November 2020). Available at [http://files.nesc.ie/nesc\\_reports/en/150\\_Housing\\_Policy.pdf](http://files.nesc.ie/nesc_reports/en/150_Housing_Policy.pdf).

214 For more details on making homeownership more affordable for first time buyers in Ireland, see <http://rebuildingirelandhomeloan.ie/>.

215 Conor O'Toole and Rachel Slaymaker, "Back to the future? Macroprudential policy and the rebirth of local authority mortgages in Ireland", Working Paper, No. 686 (Dublin, Economic and Social Research Institute, 2020). Available at [https://www.esri.ie/system/files/publications/WP686\\_0.pdf](https://www.esri.ie/system/files/publications/WP686_0.pdf).

and research.<sup>216</sup> As a result, the bank also plays an important role in informing government policy on priorities for social, economic, as well as environmental investment and international development, thereby shaping policy reform.<sup>217</sup>

### Sharing housing equity and costs

Another method of making housing more affordable and accessible is to share the cost of purchasing a home, so the home buyer does not have to bear the cost alone. Many countries operate schemes to enable home buyers buy a partial stake (or equity) in a dwelling and a wide variety of approaches are employed to enable this - some facilitated by government and some by the private sector. However, all these schemes are intended to give aspirant purchasers an opportunity to own their own home, without committing the amount of capital required to access homeownership in the traditional way.

There are broad models for sharing housing equity.<sup>218</sup> These are:

- **Subsidy retention models:** Home buyers purchase their dwelling at a discount from the normal market price and the value of this discount is retained during each subsequent resale. This allows a future purchaser to buy the dwelling at a discounted price and thereby ensures that it remains “permanently affordable” without the need for government or another a third party to provide a further subsidy to the new purchaser.<sup>219</sup>

- **Shared ownership models:** Dwellings are generally sold at market price, but a third party commits to purchase (or retain, if the third party is the vendor) a portion of the equity. This allows a home buyer to purchase the remaining equity at an affordable price. Usually, the home buyer must pay rent on the equity share which they do not own, so this obligation is governed by a legal agreement such as a lease. The home buyer can purchase the full equity in the property when he or she can afford to do so.
- **Shared equity loan:** A portion of the market price of the property is paid for through an equity loan provided by a third party and the rest of purchase price is financed by the home buyer. In this way, the loan appreciates in line with the market value of the dwelling. Often, equity loans do not accrue interest, at least not for an initial period.

As explained in figure IX, in terms of ownership rights and distance from the market, the subsidy retention model is closer to social housing or other forms of affordable rented housing. Shared equity models are closest to mainstream homeownership and shared ownership is somewhere in the middle of the two. This graphic also flags the benefits of shared equity models.

It explains the benefits of subsidy models are more significant for the community at large and lower for the individual homeowner. This is because the latter's opportunity for securing capital gains from the rising value of their home are diminished, but from the perspective of the community at large, this model creates a supply of housing which is sold and resold at prices which are “permanently affordable”, meaning the size of future public investment in affordable housing should be lower. Conversely, approaches which are closer to market shared equity models, such as shared equity loans, provide most of their benefit to the individual homeowners and less to broader society. They also mean that residents of a country are likely to be required to make a continued and potentially sizeable contribution to the provision of affordable housing from one generation to the next.

216 For more information on the scope of work of KfW contributing to sustainable development, see <https://www.centreforpublicimpact.org/case-study/kfw-development-bank/>.

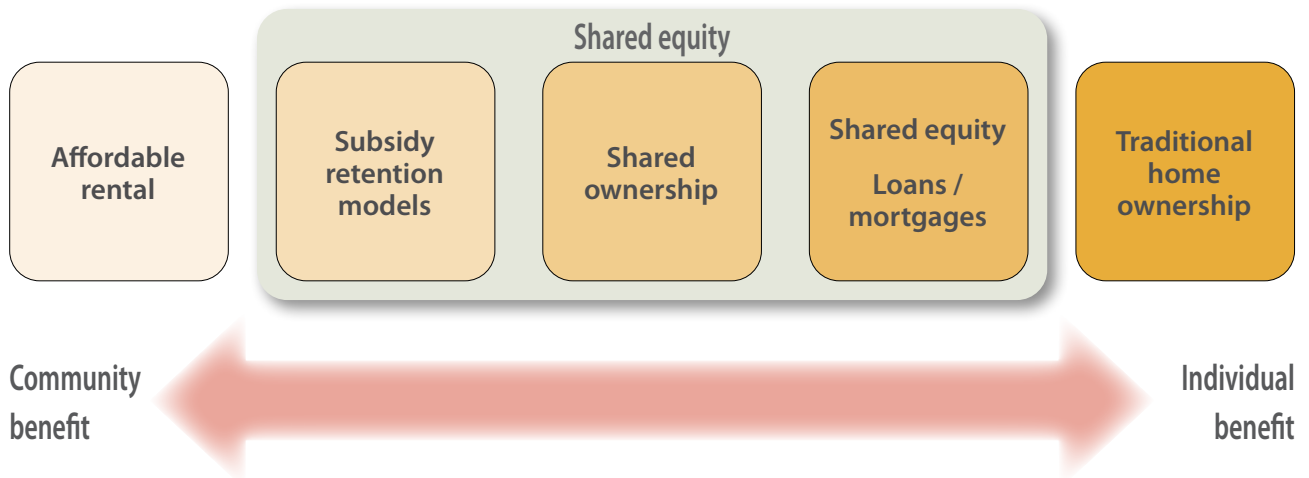
217 Ulf Moslener, Matthais Thiemann and Peter Volberding, “National Development Banks as Active Financiers The Case of KfW”, in *The Future of National Development Banks*, Stephany Griffith-Jones and Jose Antonio Ocampo, eds. (Oxford, Oxford University Press, 2018), pp. 198-230.

218 Hari Gupta, “Shared-equity homeownership”, Spotlight, No. 3 (Dublin, Oireachtas Library and Information Service, 2020). Available at [https://data.oireachtas.ie/ie/oireachtas/libraryResearch/2020/2020-06-04\\_spotlight-shared-equity-homeownership\\_en.pdf](https://data.oireachtas.ie/ie/oireachtas/libraryResearch/2020/2020-06-04_spotlight-shared-equity-homeownership_en.pdf).

219 Rick Jacobus and Jeffrey Lubell, *Preservation of Affordable Homeownership: A Continuum of Strategies*, (Washington, D.C., Centre for Housing Policy, 2007).



Figure IX Individual and community benefits of different housing equity sharing models



Source: Samantha Evans, "2018 Churchill Fellowship to investigate how Shared Equity can become a mainstream solution to housing affordability in Australia", August 2019, p. 11. Available at <https://www.churchilltrust.com.au/project/to-investigate-how-shared-equity-can-become-a-mainstream-solution-to-housing-affordability-in-australia/>.

Table 20 outlines the rationale for using equity sharing arrangements to enable affordable housing provision and the arguments against.

Table 20 What is the rationale for sharing housing equity to support affordable housing?

Arguments in favour	Arguments against
<ul style="list-style-type: none"> <li>✓ Enables lower earners and first-time home buyers to purchase a home.</li> <li>✓ Subsidy retention models provide a supply of permanently affordable housing, so when dwellings are resold no new subsidy is required.</li> <li>✓ Equity sharing models can operate without any public subsidy.</li> </ul>	<ul style="list-style-type: none"> <li>✗ The amount equity buyers realize from the sale of their subsidized home will be worth less than the equity they would have earned if they had bought the dwelling on the open market without restriction.</li> <li>✗ Equity sharing schemes commonly include restrictions on the owner's use of the house, such as the ability to rent out the dwelling or to whom they can sell the dwelling.</li> <li>✗ Restrictions on resale may raise difficulties in securing mortgage finance in some jurisdictions.</li> <li>✗ Shared equity loan schemes may artificially inflate house prices by increasing the sum buyers can pay for dwellings.</li> <li>✗ The combination of rent and mortgage payable in share ownership schemes can be unaffordable.</li> </ul>

### Community Land Trust Brussels – Belgium

Community Land Trust Brussels (CLTB) (<https://cltb.be/>) develops affordable rental and co-ownership housing projects in Brussels for low-income households. By April 2020, CLTB had delivered 49 dwellings and a further 59 were under construction. Its co-ownership housing is an example of the subsidy retention model of shared housing equity and therefore provides “permanently affordable” housing.<sup>220</sup>

Under this model, housing is built or refurbished on land which is collectively owned by the community land trust. Home buyers apply to CLTB to buy a home and, if their application is successful, they do so for a price which reflects their income rather than the market value. They also sign a ground lease contract which compels them to lease the land from the CLT for 50 years and when this finishes, they can renew it.

Alternatively, they can sell their dwelling to another household that meets the CLTB conditions of access; though dwellings can also be sold before the ground lease expires, if needed. However, in case of sale, the resident receives 25 per cent of the increase in value above what they paid for the dwelling and CLTB receives 6 per cent or EUR 3,000, whichever is the highest. The next household purchases the home at this sale price, which effectively neutralizes the remaining 69 per cent of the increase in value of the dwelling.

Collaborative management of buildings and the organization are also core principles of CLTB. Before buyers move into their new home they participate in a ‘project group’ with other buyers in same complex which collectively agrees the final design and fit-out of the dwellings and also how the housing estates or building will be managed. After buyers move into their new homes it is envisaged that they will take over responsibility the management of the estate or building. Current and future CLT members can attend the Trust’s annual general meeting and participate in decisions regarding the management of CLTB, as well as sit on the board of directors of CLTB.

220 Tom Moore and Kim McKee, “Empowering Local Communities? An International Review of Community Land Trusts”, *Housing Studies*, vol. 27, Issue 2 (2012), pp. 280-290.

### Right of occupancy housing - Finland

Right-of-occupancy housing<sup>221</sup> is a mix of renting and homeownership. Under this model the occupier must first pay a right-of-occupancy payment, generally amounting to 15 per cent of the purchase price. This can be used as security for a mortgage and attracts mortgage interest tax relief. In addition, the residents also pay a monthly residence charge for their right to occupy the dwelling. Right-of-occupancy housing is also subject to a monthly residence charge to cover capital expenses and upkeep costs. The amount of the residence charge is based on the cost recovery principle and may not exceed the average market rents of similar dwellings in the same locality. Right of occupancy dwellings can never be bought outright but the occupier has the right to live there permanently.

There are restrictions on the resale of right of occupancy housing. These dwellings can only be sold to a buyer approved by the local municipality. When occupiers of a dwelling of this type decide to give up their right of occupancy, they receive a refund of their right-of-occupancy payment, plus an index increment corresponding to the change in the building cost index.

Anyone aged 18 or older may apply for a right-of-occupancy apartment. There are no income restrictions, but applicants cannot own another dwelling in the same region or have the funds to purchase one. This form of housing has been financed mainly with state-subsidized housing loans or interest subsidy loans.

### Revolving funds which repeatedly reinvest in affordable housing

Revolving funds are widely used to pay for provision and upgrading of social housing in Europe and also to finance mortgages and house improvement loans for low-income households in North, Central and South America.<sup>222</sup> They provide a self-replenishing source of funding: when loans are repaid, the funding is lent out again and thereby “revolved”.

221 For details on right-of-occupancy housing in Finland, see <https://ym.fi/en/right-of-occupancy-and-part-ownership-housing>.

222 Alfredo Stein and Luis Castillo, “Innovative financing for low-income housing improvement: lessons from programmes in Central America”, *Environment and Urbanization*, vol. 17, Issue 1 (April 2005), pp. 47-66.

The key benefit of this from the perspective of policymakers is that it reduces the need for government to constantly reinvest in housing provision. While revolving funds are unlikely to eliminate the need for government investment, as the administration costs of these funds will need to be covered and provision made for potential ‘bad loans’, these funds are ringfenced and thereby insulated from fluctuations in public finance availability.

A further benefit of revolving funds is their simplicity, which facilitates reporting transparency and means unintended consequences are less likely. However, properly managed revolving funds are unlikely to be entirely simple since they require robust credit assessment arrangements. Consequently, large revolving funds are usually administered by local government or a special purpose financial intermediary as examined earlier.<sup>223</sup>

Individual affordable-housing providers commonly operate *de facto* revolving funds by reinvesting any surpluses or profits into provision of new dwellings or renovation of existing ones. Going one step beyond this system, in the social housing sectors in several European countries the surpluses of individual social housing providers are used collaboratively by pooling them into a central fund. There is evidence this approach can bring important strategic benefits to the entire social housing sector. It can fund the resolution to key strategic challenges such as the renovation of difficult-to-let estates, for instance, or can cross-subsidize weaker or ‘start-up’ social housing providers. However, inherent in this approach is the potential for disagreement over funding use and the temptation for governments to use the fund’s capacity as an excuse to cut social housing funding.

Table 21 outlines the rationale for using savings schemes to finance affordable and sustainable housing and the arguments against. This is followed by some successful examples of the use of revolving funds in three countries in Central and Eastern Europe.

223 Kenneth Gibb, Duncan MacLennan and Mark Stephens, “Innovative Financing of Affordable Housing: international and UK perspectives”, Joseph Rowntree Foundation Report, March 2013. Available at <https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/affordable-housing-finance-full.pdf>.

**Table 21** What is the rationale for using revolving funds and collaborative reinvestment of surpluses for affordable housing?

Arguments in favour	Arguments against
<ul style="list-style-type: none"> <li>✓ Simple-to-understand structure reduces the potential for unintended consequences.</li> <li>✓ Provides a sealed circuit of funding for affordable housing which is protected from fluctuations in the availability of exchequer funding.</li> <li>✓ Means that governments do not have to constantly reinvest in affordable housing provision.</li> <li>✓ Commonly used to fund low-interest home buyer mortgages and home improvement loans in advanced and developing economies.</li> <li>✓ In large and mature social housing sectors different social landlords could pool their surpluses to establish a collective revolving fund.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Requires robust management to minimise potential for bad loans.</li> <li>✗ Requires some ongoing government investment to cover administration costs.</li> <li>✗ May be used as an excuse to reduce ongoing government funding for affordable housing.</li> <li>✗ Policymakers may be tempted to ‘run down’ the fund by providing loans which exceed the revenue for repayments if this is deemed necessary to address key political priorities.</li> <li>✗ Social landlords who contribute to a collectively funded revolving fund may have difficulties in agreeing how it should be used.</li> </ul>

#### State Housing Development Fund – Slovakia

The State Housing Development Fund (SHDF) of Slovakia (<http://www.sfrb.sk/>) was established in 1996 as a revolving fund to finance the priorities of the Government of Slovakia defined in the State Housing Policy Concept. It is an independent entity supervised by the Ministry of Transport and Construction of the Slovak Republic.

The Fund was originally financed exclusively from the state budget and was envisaged to become self-sustaining over time. The fund still draws on small levels of government funding, together with some European structural funding, but is now primarily self-sustaining via the repayments on the loans which it has made.

**Photo 7** State Housing Development Fund-supported housing in Topoľčany, Slovakia



*Photo credit:* State Housing Development Fund of Slovakia.

The SHDF provides long-term loans on favourable terms. These cover up to 100 per cent of housing acquisition costs and are available for terms of up to 40 years at interest rates of between zero and 2 per cent. The loans are available for the:

- Construction or purchase of dwellings by qualified households - available to people with a disability, families with young people and former residents of orphanages
- Renovation or modernization in multi-apartment buildings and family houses
- Construction or purchase of social rented dwellings by municipalities and non-profit organizations, and construction of for-profit rented housing by private companies
- Construction and refurbishment of social service facilities by municipalities or private companies
- Acquisition and servicing of land for social housing by municipalities and also land used by for-profit rented housing by private companies
- Acquisition of a lodging-houses by municipalities or by private companies.

SHDF has made a significant contribution to improving the supply and quality of housing in Slovakia. There was a serious shortage of good quality housing, particularly for low-income households, following transition of Slovakia in the early 1990s. This was due to low levels of new housing supply from the market and the privatization of the majority of rented dwellings, which had previously been owned by the state during the communist period.<sup>224</sup> Between its establishment and 2016, the fund supported the provision of 40,858 social housing units, which is one of the highest rates of new social housing output achieved in

<sup>224</sup> UNECE, *Country profiles on the housing sector: Slovakia* (Geneva, United Nations Economic Commission for Europe, 1999). Available at <https://unece.org/housing-and-land-management/publications/country-profiles-housing-sector-slovakia>.



post-communist countries during that period.<sup>225</sup> Between its establishment and 2018, the SHDF has funded or co-funded the renovation of 25 per cent of the total Slovakian housing stock. Take-up of its loans by municipalities is helped by the fact that these are not included in general government debt.

SHDF is also significant in institutional terms and in terms of the housing finance expertise it can provide. Its extensive experience in financing housing meant that it was ideally placed to act as a special purpose financial intermediary to administer the EU JESSICA programme for energy-efficient renovation of dwellings when it was established in 2013.<sup>226</sup>

### National Housing Agency – Albania

The National Housing Agency (NHA) of Albania was established in 1993 and is a state-owned enterprise. It is legally mandated to conduct the following tasks:

Financing and entering contracts for construction, completion, and sale of dwellings:

- Conducting research and advising on housing and urban design
- Sourcing finance to implement its mandate
- Cooperating with municipalities to meet their obligations in the housing sector
- Providing low-cost housing and selling it with favourable conditions for families who need housing.

NHA was established with the technical assistance of the United States Agency for International Development (USAID) and a World Bank loan to complete the construction of some 6,000 – 7,000 apartments. These were started before 1990 and were left unfinished after the fall of the communist regime. NHA was initially established to manage this loan, the state budget for housing, and other sources of financing. However, in the years following its establishment, NHA accumulated funds from selling apartments to the beneficiaries and subsequently began

to use these funds as a revolving fund. This enabled NHA to become self-funding and thereby financially independent from government from 2007 onwards.

NHA now uses accumulated funds to provide new affordable housing and funds from selling this are then invested in new apartments. To start a new project, NHA signs an agreement with the mayor of a city. An agreement is signed only if the municipality assigns a plot of land to NHA. In addition, the municipality may also be required to invest in the land-servicing infrastructure required to construct the dwellings, and to reduce related municipal taxes and fees. The selling price of dwellings reflects the cost of construction, including the price of the land and 4 per cent overhead costs, and of land servicing.

Purchasers of dwellings are selected by municipalities on the grounds of low income and ability to afford the dwelling purchase price. Purchasers can buy with a bank loan or repay NHA in instalments. Loans and repayment in instalment agreements generally have a term of 15-25 years and attract 3 per cent interest.

### Taxation to guide investment in housing

The taxation of housing production, use, value, and exchange exerts a strong influence on the origin, scale, and flow of investment into housing as well as the rates of return that can be generated from different forms of housing. Taxes may favour different housing tenures and housing management models, such as owner occupation, private renting via commercial landlords or affordable rental via non-profit organizations. Taxes may also privilege different types and sources of investment in housing.

Taxes therefore shape housing markets by encouraging and discouraging different forms of housing output, occupancy and investment affecting the holding and transfer of dwellings. The design, application and use of tax instruments can affect housing costs and benefits and lead to inequality between first-home buyers and investors, owners and renters, income groups and even between generations.<sup>227</sup> Local, state, and national governments may be involved in collecting and distributing taxation revenues. Taxes are also the main source of revenue

225 Hegedüs, “Affordable Housing in Central and Eastern Europe” (see sect. Rent setting, indexation and regulation to promote affordability, footnote 160).

226 European Commission, European Construction Sector Observatory, “Slovak Republic”, Policy fact sheet State Housing Development Fund (September 2019). Available at <https://ec.europa.eu/docsroom/documents/38344>.

227 On the relationship between housing finance and realizing the right to housing, see Gertjan Wijburg, “The de-financialization of housing: towards a research agenda”, *Housing Studies* (May 2020).

used to fund public investment and services. Therefore, purposefully designed taxes affecting housing are a key instrument in the affordable housing toolbox.

Taxes may apply to the purchase and exchange of housing and land, the construction and maintenance of dwellings, and any income derived from their sale or rent. Housing related taxes typically include:

- Property and land value tax
- Value added tax on construction materials and the sale of dwellings
- Taxes on housing rental income
- Capital gains and inheritance taxes on the sale of housing.

There are significant challenges in using taxation to promote affordable and inclusive housing, however. For instance, low-income households may not earn enough income to pay tax, may be outside the labour market, or may not own housing assets and therefore be exempt from most taxes including taxes on housing. In many countries taxation of housing has undermined, rather than promoted, housing affordability and inclusivity. This is because benefits of income tax concessions on housing investments flow disproportionately to more affluent households – particularly homeowners, commercial landlords and investors in housing.

Furthermore, as mentioned earlier, commonly used housing tax incentives, such as mortgage interest tax relief, have incurred significant costs for government in terms of taxes forgone, whilst achieving few tangible benefits in terms of promoting housing affordability. Furthermore, national taxation systems have largely failed to respond to new developments in housing finance associated with “financialization” of housing, which have accelerated house price and rent inflation and resulted in changes in tenure mix in many urban areas.

Indeed, in many countries tax changes have facilitated investment in Real Estate Investment Trusts (REITS)<sup>228</sup> and specialist accommodation provision for students and tourists, without attempting to manage the negative knock-on impacts on housing affordability for the rest of the population that these types of investment may

228 REITs have many different names across Europe. In Spain they are called SOCIMIs.

generate. A recent European review of housing evidence stressed the need to address speculation and egregious tax distortions in land and housing markets.<sup>229</sup>

Despite these challenges, taxation has made an important contribution to promoting affordable and inclusive housing outcomes. Typically, non-profit housing providers are charitable organizations and subject to lower rates of sales tax, corporation tax and capital gains taxes than would be paid by private for-profit housing providers, for instance. In addition, some governments use tax provisions to promote investment in affordable and sustainable housing, for example tax breaks for private landlords to provide housing on social terms.

Furthermore, there is potential to use taxation (and regulation of finance) more actively to address some of the factors which are undermining the affordability of housing. As noted in a recent review of financialization from the European Commission’s Joint Research Centre (JRC): “policy plays an important role in the degree to which housing is, or can be, financialized. Thus, to understand the financialization of housing, the governance of housing should also be understood (or the lack of it).”<sup>230</sup> In other words, a nation or region’s capacity to resist financialization is only as robust as the governance structures underpinning its investment and rental systems.

Table 22 outlines the rationale for using taxation and financial regulations to promote housing affordability. This is followed by examples of the use of tax and regulatory mechanisms in different UNECE member countries.

229 Gibb, “Overcoming Obstacles” (see sect. What tools are in the housing investment and finance policy toolbox?, footnote 118).

230 Sjoerdje Van Heerden, Ricardo Ribeiro Barranco and Carlo Lavallo, *Who owns the city? Exploratory research activity on the financialization of housing in EU cities* (Luxembourg, European Union, 2020). Available at <https://op.europa.eu/en/publication-detail/-/publication/5a856622-bc0d-11ea-811c-01aa75ed71a1>.

**Table 22** What is the rationale for using taxation to promote housing affordability?

Arguments in favour	Arguments against
<ul style="list-style-type: none"> <li>✓ Tax measures tend to have a long policy life and are less likely to be abolished once adopted than direct public spending measures.</li> <li>✓ Reducing tax is always popular, often across the political divide.</li> <li>✓ Progressive design can promote fairness and social equality.</li> <li>✓ Tax incentives can bring in necessary investment.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Costs in terms of lost revenue may be considerable.</li> <li>✗ In addition, these costs are less visible to policymakers than direct public spending because tax foregone due to tax expenditures is not captured in national accounts. Therefore, tax expenditures have a tendency to rise in an unplanned way.</li> <li>✗ Many low-income households do not pay tax or own housing assets therefore their opportunity to benefit from tax reliefs is limited.</li> <li>✗ For this reason, tax expenditures on housing are often regressive, that is, they are of greater benefit to higher earners.</li> <li>✗ Measures are less efficient and less direct in effecting change in housing outcomes.</li> <li>✗ Outcomes of tax measures are more difficult to influence.</li> </ul>

## Affordable rental scheme – France

As already discussed, current market conditions are driving significant amounts of capital towards investment in private rental housing and this has contributed to a decline in homeownership in many parts of the UNECE region. Sometimes tax incentives are provided to investors in rental housing regardless of the rent-setting or allocation mechanisms being used. However, in France, the “Louer abordable”<sup>231</sup> (affordable rental) scheme attempts to channel some of this investment into providing additional rental housing for households eligible for social housing, by providing tax and other benefits to investors. This scheme has existed in various forms for about thirty years. It currently secures around 9,000 additional affordable dwellings each year and has thus far accumulated a dedicated stock of 100,000 dwellings provided under this tax framework.

In its most common form, the Louer abordable sees an owner of a dwelling sign a rental agreement (a “louer mieux” contract) with the Agence Nationale pour l’Amélioration de l’Habitat (ANAH)<sup>232</sup> - the national agency which manages the scheme. As part of this agreement, the owner hands over management of the dwelling to an approved ‘social rental agency’ for a fixed period, usually either six or nine years, though this can be extended after the end of the initial contract if both parties agree.

From the perspective of potential tenants, renting a dwelling provided under this programme is similar to renting a ‘traditional’ social housing unit. Eligibility is determined primarily based on income, but the maximum income allowable varies depending on household size and region.<sup>233</sup> In terms of the tax benefits available to landlords who lease their property under the Louer abordable scheme, between 15 per cent and 85 per cent of the rent can be tax free. Higher rates of tax incentives are available to landlords who rent to those on the lowest incomes, with less generous tax breaks available if the property is rented to those on medium incomes. The geographic location

231 To find out more about the scheme, see <https://www.service-public.fr/particuliers/vosdroits/F34115>.

232 For more information on the housing improvement agency ANAH, see [https://www.anah.fr/fileadmin/anah/Mediatheque/Publications/Les\\_aides/Dispositif\\_Louer\\_abordable.pdf](https://www.anah.fr/fileadmin/anah/Mediatheque/Publications/Les_aides/Dispositif_Louer_abordable.pdf).

233 For more information about the affordable rental scheme, see <https://www.economie.gouv.fr/cedef/dispositif-cosse-louer-abordable>.

of the property is also considered, with higher tax relief in higher-demand areas. The rent that can be charged is fixed by law and varies depending on factors such as size and location of dwelling.

It is also important to note that in the French system, tax breaks only apply in instances where rent is treated as “property income” and not as “industrial or commercial profits.”<sup>234</sup> In this way, the Louer abordable scheme is attractive for small scale individual investors rather than large corporate investment vehicles.

The Louer abordable scheme also has an important environmental element. Should a property need to undergo renovation works, the owner can benefit from various financial supports provided by ANAH, including a lower VAT rate on works and tax credits. To qualify, the renovated dwelling must meet specified minimum-energy standards. In any case, landlords in France must now offer minimum standards of thermal comfort to legally rent their dwelling.

#### Low Income Housing Tax Credit – the United States

In the US, most housing subsidies are provided indirectly via the tax system rather than direct public spending. One of the tax subsidies provided for affordable housing is Low-Income Housing Tax Credit (LIHTC) which were introduced by the Tax Reform Act in 1986. Since their introduction LIHTCs have helped to fund three million units of affordable housing. They cost the United States government some USD 9.9 billion per year in tax foregone.<sup>235</sup>

LIHTCs are available to both non-profit and for-profit housing developers. Once a housing developer has identified a site and been allocated tax credits, capital is raised by selling the credits to investors. Investors include banks, which have financed 43 per cent on average, 30 per cent from government-sponsored enterprises such as Fannie Mae, 19 per cent from insurance and other finance companies, and 8 per cent from non-financial

companies. Tax benefits only flow to investors if the scheme remains compliant for 15-30 years with the rules set when the tax credits were allocated.<sup>236</sup> Notably LIHTCs usually finance around 42 per cent of the costs of a typical housing project. Therefore, to deliver affordable housing this finance must be complemented by public grants and lower-cost financing.

To help fund additional dwellings from the USD 10 billion provided via LIHTC, since 2018 LIHTC projects can offer dwellings with higher income ceilings - up to 80 per cent of the local median income, with rents at 30 per cent of this level. Other dwellings in the same housing development must have lower income ceilings and the overall average of all dwellings in the development must be 60 per cent of area median income.<sup>237</sup>

#### Combating rental market financialization – Denmark

Recent reforms to the regulation of rented housing in Denmark offer a useful insight into how private investors can exploit tax provision loopholes to undermine affordability, and the measures that can be enacted to combat these.

Under Danish law, rents charged to tenants are strictly regulated: rent charged may not exceed an amount that covers “necessary operating expenses” and a “return on the value of the property.”<sup>238</sup> The latter is defined as a strict percentage of the property value related to the year in which the property was built. This is known in Denmark as a cost-determined rent (omkostningsbestemt leje). However, until recent reforms were adopted, the legislation also

234 For more information on rental housing in France, see [https://www.anil.org/fileadmin/ANIL/Acces\\_cibles/autres\\_documents\\_ANIL/Guide-conventionnement-2017.pdf](https://www.anil.org/fileadmin/ANIL/Acces_cibles/autres_documents_ANIL/Guide-conventionnement-2017.pdf).

235 For information on the programmes and initiatives within each of the three pillars of the “Prescription for HUD”, see [https://www.hud.gov/sites/dfiles/CFO/documents/BudgetinBrief\\_2020-02\\_06\\_Online.pdf](https://www.hud.gov/sites/dfiles/CFO/documents/BudgetinBrief_2020-02_06_Online.pdf), page 8.

236 Julie Lawson, Tony Gilmour and Vivienne Milligan, *International measures to channel investment towards affordable rental housing* (Melbourne, Australian Housing and Urban Research Institute Limited, 2010). Available at [https://www.ahuri.edu.au/\\_data/assets/pdf\\_file/0013/3118/AHURI\\_Research\\_Paper\\_International\\_measures\\_to\\_channel\\_investment\\_towards\\_affordable\\_rental\\_housing.pdf](https://www.ahuri.edu.au/_data/assets/pdf_file/0013/3118/AHURI_Research_Paper_International_measures_to_channel_investment_towards_affordable_rental_housing.pdf).

237 Will Fischer, “Low-Income Housing Tax Credit Could Do More to Expand Opportunity for Poor Families”, Center on Budget and Policy Priorities, 28 August 2018. Available at <https://www.cbpp.org/research/housing/low-income-housing-tax-credit-could-do-more-to-expand-opportunity-for-poor>.

238 Martin Bonde-Hansen, “The Dynamics of Rent Gap Formation in Copenhagen: An empirical look into international investments in the rental market”, thesis, Malmö University, 2021. Available at <https://www.diva-portal.org/smash/get/diva2:1536203/FULLTEXT02>.



specified two important exemptions to this rent-setting model. Firstly, the rules do not apply to newer buildings (built since 1992) or older buildings which had undergone extensive improvements. The latter was defined in relation to the dwelling's value and was updated each year.

In reaction to the use of these loopholes by investors, as well as public pressure on policymakers to tackle rapidly rising rental prices, new legislation came into effect in July 2020.<sup>239</sup> Among its provisions was a clause that these exemptions could only be sought five years after a building had changed ownership, were only applicable to buildings with a "C" energy rating or above, and are now in line with the building value, whereas before they could be

10 per cent above it.<sup>240</sup> It is also now illegal for an owner to offer a tenant a financial incentive in return for vacating a dwelling. More severe financial penalties for violating the terms of the rental act have also been adopted.

The Danish experience shows how well-meaning policies, such as those aimed at encouraging greater energy efficiency, can be used in a way that was not intended and worsen affordability and security for tenants. However, it also shows how such loopholes, once identified, can be closed off or adapted to steer the housing outcomes back towards the objective of universal affordable and secure housing. It also serves to reinforce the messages about effective governance and monitoring outlined in chapter 1.



239 For information on the changes to the new tenancy law of Denmark, see <https://www.boligportal.dk/blog/lejeloven/ny-lejelov-2020/>.

240 Ibid.

## Useful resources and contacts

### Financialization of housing

- Arundel, R. (2017) Equity inequity: Housing wealth inequality, inter and intra-Generational divergences, and the rise of private landlordism, *Housing, Theory and Society*, 34, pp. 176–200.
- Bezemer, D., Ryan-Collins, J., van Lerven, F. & Zhang, L. (2018) *Credit where it's due: A historical, theoretical, and empirical review of credit guidance policies in the 20th century*. London: UCL Institute for Innovation and Public Purpose Working Paper Series (IIPP WP 2018-11). Retrieved from <https://www.ucl.ac.uk/bartlett/public-purpose/wp2018-11>.
- Fernandez, R and M B Aalbers (2016) *Financialization and housing: Between globalization and Varieties of Capitalism*, Competition & Change, Vol. 20(2) 71–88.
- Fields, D. & Uffer, S. (2016) The financialization of rental housing: A comparative analysis of New York City and Berlin, *Urban Studies*, 53, pp. 1486–1502.
- Hendrikse, R. & Fernandez, F. (2019) *Offshore finance: How capital rules the world, State of Power*, Amsterdam: Transnational Institute. Available at <https://longreads.tni.org/state-of-power-2019/offshore-finance/>.
- Ronald, R., Lennartz, C. & Kadi, J. (2017) What ever happened to asset-based welfare? Shifting approaches to housing wealth and welfare security, *Policy & Politics*, 45, pp. 173–193.
- Ryan-Collins, J. (2019) Breaking the housing–finance cycle: Macroeconomic policy reforms for more affordable homes, *Environment and Planning A: Economy and Space*. doi: 10.1177/ 0308518X19862811.
- Van Heerden, S., Ribeiro Barranco, R., & Lavalle, C. (2020). *Who owns the city? Exploratory research activity on the financialization of housing in EU cities*. Brussels: European Commission Joint Research Committee. <https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/who-owns-city-exploratory-research-activity-financialization-housing-eu-cities>.
- Wijburg, G (2020) The de-financialization of housing: towards a research agenda, *Housing Studies*, DOI: 10.1080/02673037.2020.1762847.

### Interest rate subsidies, loan guarantees and loan insurance

- Lawson, J. (2013) *The use of guarantees in affordable housing investment: a selective international review*, AHURI Positioning Paper No. 156, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/position-papers/156>.
- Salvi del Pero, A. et al. (2016), *Policies to promote access to good-quality affordable housing in OECD countries*, OECD Social, Employment and Migration Working Papers, No. 176, OECD Publishing, Paris - [https://www.researchgate.net/profile/Angelica-Salvi-2/publication/297409618\\_Policies\\_to\\_promote\\_access\\_to\\_good-quality\\_affordable\\_housing\\_in\\_OECD\\_countries/links/56dee8ac08aedd1e515009b4/Policies-to-promote-access-to-good-quality-affordable-housing-in-OECD-countries.pdfpage=34](https://www.researchgate.net/profile/Angelica-Salvi-2/publication/297409618_Policies_to_promote_access_to_good-quality_affordable_housing_in_OECD_countries/links/56dee8ac08aedd1e515009b4/Policies-to-promote-access-to-good-quality-affordable-housing-in-OECD-countries.pdfpage=34).

### Microfinance for housing

- Grubbauer, M. and Mader, P. (2021) *Housing Microfinance and Housing Financialization in a Global Perspective*. Forthcoming editorial for a special issue of the International Journal of Housing Policy. [https://www.researchgate.net/profile/Phillip-Mader/publication/350486706\\_Housing\\_Microfinance\\_and\\_Housing\\_Financialization\\_in\\_a\\_Global\\_Perspective/links/6062ebb0458515e8347dced8/Housing-Microfinance-and-Housing-Financialization-in-a-Global-Perspective.pdf](https://www.researchgate.net/profile/Phillip-Mader/publication/350486706_Housing_Microfinance_and_Housing_Financialization_in_a_Global_Perspective/links/6062ebb0458515e8347dced8/Housing-Microfinance-and-Housing-Financialization-in-a-Global-Perspective.pdf).
- Habitat for Humanity (2017), *The 2016-17 State of Housing Microfinance: Understanding the Business Case for Housing Microfinance*, Washington: Habitat for Humanity, <https://mfc.org.pl/wp-content/uploads/2017/11/State-of-Housing-Microfinance-2016-17-Report-published-version-11152017.compressed.pdf>.

### Non-profit affordable housing provision

Gibb, K (2018), Funding New Social and Affordable Housing: Ideas, evidence, and options, <https://housingevidence.ac.uk/publications/funding-new-social-and-affordable-housing/>.

Gibb, K, Maclennan, D and Stephens, M (2013), *Innovative Financing of Affordable Housing: international and UK perspectives*, York: Joseph Rowntree Trust. <https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/affordable-housing-finance-full.pdf>.

Housing Europe (2013), *Financing of Social Housing Study in 6 European Countries*, Brussels: Housing Europe. Available at <https://www.housingeurope.eu/resource-369/financing-of-social-housing>.

Lawson, J. et al. (2018) *Social housing as infrastructure: an investment pathway*, AHURI Final Report 306, Melbourne: Australian Housing and Urban Research Institute, [https://www.ahuri.edu.au/\\_data/assets/pdf\\_file/0025/29059/AHURI-Final-Report-306-Social-housing-as-infrastructure-an-investment-pathway.pdf](https://www.ahuri.edu.au/_data/assets/pdf_file/0025/29059/AHURI-Final-Report-306-Social-housing-as-infrastructure-an-investment-pathway.pdf).

Norris M, and Byrne M (2020), Funding resilient and fragile social housing systems in Ireland and Denmark, *Housing Studies*, DOI: 10.1080/02673037.2020.1777944.

Norris, M., & Byrne, M. (2018). Housing market (in)stability and social rented housing: comparing Austria and Ireland during the global financial crisis. *Journal of Housing and the Built Environment*, 33(2), 227–245. <https://doi.org/10.1007/s10901-018-9595-4>.

OECD (2020) *Building for a better tomorrow: Policies to make housing more affordable*, Paris: OECD [https://read.oecd-ilibrary.org/view/?ref=1060\\_1060075-0e1k314uil&title=ENG\\_OECD-affordable-housing-policies-brief](https://read.oecd-ilibrary.org/view/?ref=1060_1060075-0e1k314uil&title=ENG_OECD-affordable-housing-policies-brief).

OECD (2020), *Housing and Inclusive Growth*, OECD Publishing, Paris, <https://doi.org/10.1787/6ef36f4b-en>.

UN Habitat (2009) *Financing Affordable Social Housing in the Europe*, UN Habitat, Nairobi <http://www.iut.nu/wp-content/uploads/2017/07/Financing-Affordable-Social-Housing-in-Europe.pdf>.

Whitehead, C. (2014). Financing Social Rented Housing in Europe. In K. Scanlon, Whitehead, & M. Fernández Arrigotia (Eds.), *Social Housing in Europe* (pp. 315–330). Basingstoke: Wiley-Blackwell.

### Public loans, grants, and purposeful investment

Amann, W., Lawson, J., & Mundt, A. (2009). Structured Financing Allows for Affordable Rental Housing in Austria. *Housing Finance International*, 23(4), 14–18, [http://iibw.at/documents/2009%20\(Art.\)%20Amann\\_Lawson\\_Mundt.%20Structured%20financing%20for%20affordable%20housing%20\(HFI\).pdf](http://iibw.at/documents/2009%20(Art.)%20Amann_Lawson_Mundt.%20Structured%20financing%20for%20affordable%20housing%20(HFI).pdf).

Council of Europe Development Bank (2017), *Housing inequality in Europe: Tackling inequalities in Europe: the role of social investment*, Brussels: CEB. [https://coebank.org/media/documents/Part\\_3-Inequality-Housing.pdf](https://coebank.org/media/documents/Part_3-Inequality-Housing.pdf).

Gibb, K and Haynton, J (2018) *Overcoming Obstacles to the Funding and Delivery of Affordable Housing Supply in European States* [https://ec.europa.eu/futurium/en/system/files/ged/2018.10.22\\_overcoming\\_obstacles\\_to\\_the\\_funding\\_and\\_delivery\\_of\\_affordable\\_housing\\_supply\\_in\\_european\\_states\\_1.pdf](https://ec.europa.eu/futurium/en/system/files/ged/2018.10.22_overcoming_obstacles_to_the_funding_and_delivery_of_affordable_housing_supply_in_european_states_1.pdf).

Hawtrey, K (2009), *Affordable Housing Finance*, London: Palgrave Macmillan.

Lawson, J, Gilmour, T and Milligan, V (2010), *International Measures to Channel Investment Towards Affordable Rental Housing*, Melbourne: Australian Housing and Urban Research Institute [https://www.ahuri.edu.au/\\_data/assets/pdf\\_file/0013/3118/AHURI\\_Research\\_Paper\\_International\\_measures\\_to\\_channel\\_investment\\_towards\\_affordable\\_rental\\_housing.pdf](https://www.ahuri.edu.au/_data/assets/pdf_file/0013/3118/AHURI_Research_Paper_International_measures_to_channel_investment_towards_affordable_rental_housing.pdf).

Mazzucato, M. (2013) *The Entrepreneurial State: Debunking Public vs. Private Sector Myths*. London: Anthem Publishing.

### Regulating financial institutions that provide investment in housing

United Nations (2017) Report of the Special Rapporteur on Adequate Housing as a Component of the Right to an Adequate Standard of Living, and on the Right to Non-discrimination in this context, New York: United Nations. <https://undocs.org/A/HRC/34/51>.

Ryan-Collins, J. (2019). Breaking the housing–finance cycle: Macroeconomic policy reforms for more affordable homes. *Environment and Planning A: Economy and Space*. <https://doi.org/10.1177/0308518X19862811>.

Gertjan Wijburg (2020): The de-financialization of housing: towards a research agenda, *Housing Studies*, DOI: 10.1080/02673037.2020.1762847.

## Rent assistance

Brackertz, N et al (2015) *Literature review on the impact of demand-side housing subsidies on the housing market*, AHURI. [https://www.ahuri.edu.au/\\_data/assets/pdf\\_file/0023/49127/AHURI-Literature-review-on-the-impact-of-demand-side-housing-subsidies-on-the-housing-market.pdf](https://www.ahuri.edu.au/_data/assets/pdf_file/0023/49127/AHURI-Literature-review-on-the-impact-of-demand-side-housing-subsidies-on-the-housing-market.pdf).

OECD Social Policy Division (2019), *PH3.1 Public Spending on Housing Allowances*, Paris: OECD, <https://www.oecd.org/els/family/PH3-1-Public-spending-on-housing-allowances.pdf>.

Peabody, (2019) *The Impact of Universal Credit Examining the risk of debt and hardship among social housing residents*. [https://www.peabody.org.uk/media/13678/universal\\_credit\\_report-lr.pdf](https://www.peabody.org.uk/media/13678/universal_credit_report-lr.pdf).

## Rent setting, indexing and regulation

New Economics Foundations (2020) *Getting Rents Under control*, NEF, London [https://neweconomics.org/uploads/files/NEF\\_RENT-CONTROL\\_WIP3.pdf](https://neweconomics.org/uploads/files/NEF_RENT-CONTROL_WIP3.pdf).

Kholodilin, K. (2020). Long-Term, Multicounty Perspective on Rental Market Regulations, *Housing Policy Debate*, 30(6): 994-1015, DOI: 10.1080/10511482.2020.1789889.

Whitehead, C., & Williams, P. (2018). *Assessing the evidence on Rent Control from an International Perspective*. London: London School of Economics. <https://www.lse.ac.uk/business-and-consultancy/consulting/consulting-reports/assessing-the-evidence-on-rent-control-from-an-international-perspective>.

## Revolving funds and collaborative reinvestment of surpluses

Hegedüs, J, Horváth, V and Somogyi, E (2017), *Affordable Housing in Central and Eastern Europe: Identifying and Overcoming Constraints in New Member States*, Budapest: Metropolitan Research Institute, [https://ec.europa.eu/futurium/en/system/files/ged/2018.10.22\\_affordable\\_housing\\_in\\_central\\_and\\_eastern\\_europe.pdf](https://ec.europa.eu/futurium/en/system/files/ged/2018.10.22_affordable_housing_in_central_and_eastern_europe.pdf).

## Sharing housing equity

Gupta, H (2020), *Spotlight: Shared-equity homeownership*, No. 3 of 2020, Dublin: Oireachtas Library and Information Service. [https://data.oireachtas.ie/ie/oireachtas/libraryResearch/2020/2020-06-04\\_spotlight-shared-equity-homeownership\\_en.pdf](https://data.oireachtas.ie/ie/oireachtas/libraryResearch/2020/2020-06-04_spotlight-shared-equity-homeownership_en.pdf).

Jacobus, R and Lubell, J (2007), *Preservation of Affordable Homeownership: A Continuum of Strategies*, Washington: Centre for Housing Policy, Preservation of Affordable Homeownership: A Continuum of Strategies | Community-Wealth.org ([community-wealth.org](http://community-wealth.org)).

## Savings schemes

<https://www.housing-finance-network.org/index.php?id=284>.

Dubel, H-J, Chiquier, L and Lea, M (2009) "Contractual Savings for Housing", in Chiquier, L and Lea, M (eds.), *Housing Finance Policy in Emerging Markets*, pp. 186-134, Washington: The World Bank.

## Special purpose financial intermediaries

Lawson, J. (2013) *The use of guarantees in affordable housing investment: a selective international review*, AHURI Positioning Paper No. 156, Melbourne: Australian Housing and Urban Research Institute Limited, <https://www.ahuri.edu.au/research/position-papers/156>.  
<https://www.ahuri.edu.au/research/position-papers/156>.

## Tax provisions securing affordable housing investment

<https://fas.org/sgp/crs/misc/RS22389.pdf>.

<https://www.localhousingolutions.org/act/housing-policy-library/land-value-taxation-overview/land-value-taxation/>.

<https://www.parliament.nsw.gov.au/lcdocs/other/8810/Additional%20information%20Tenants%27%20Union%20of%20NSW%20Land%20tax.pdf>.

<https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2087.en.pdf>.







## Chapter 3

# LAND

Effective use of a scarce resource for affordable housing





## CHAPTER III: LAND

### Effective use of a scarce resource for affordable housing

#### Why is land policy important for affordable and sustainable housing provision?

Land policies play a major role in improving the capacity of housing systems to deliver affordable and adequate homes. Good land policies can shape markets that promote more inclusive, stable, and sustainable living environments, which strengthen communities and support productive economic development by enabling more affordable housing to be provided. These policies can also help to achieve the United Nations Sustainable Development Goals and realize the Right to Adequate Housing.<sup>241</sup>

A poorly operating land market can have adverse consequences for communities and the social well-being of all citizens. It can:

- Constrain land supply, even when new homes are required for a growing population
- Drive up housing costs, excluding young households from realising their housing needs
- Fuel urban sprawl, wasting scarce resources and damaging the environment.

Dysfunctional land markets undermine the goals of achieving stable, inclusive, and good-quality living environments, while they can also drive inequality and social exclusion.

Land markets and their housing outcomes do not have to be this way. Better housing can be secured through effective land policies such as public land banking and

leasing, land readjustment, land value capture and tax instruments and by combining these instruments through effective neighbourhood and city planning.

Each country has developed different legal, professional, and technical capacities and traditions in land policy development. Their land and housing markets have become embedded in governance arrangements and political landscapes, which invariably affect the capacity of land policies to improve housing.

To help decision makers and practitioners shape more effective land markets and housing systems, this chapter outlines how land policies can help to promote affordable and inclusive housing. It outlines the tools which policymakers most commonly use to intervene in land markets and which of these are used to support affordable housing provision.

Seven of these land policy tools are then examined in more depth. The arguments in favour and against using each of these tools are outlined and examples of their application in different countries are discussed.

#### What tools are in the land policy toolbox?

Land policy instruments work together to influence housing affordability and access by:

- Shaping market interactions to maximise affordable, inclusive, and sustainable housing
- Establishing clear owner and occupancy rights and responsibilities
- Facilitating transparent and reliable processes of exchange
- Developing a clear vision of desired development
- Regulating land-use and development approval processes

241 The Right to Adequate Housing is recognized in international human rights law. See Office of the United Nations High Commissioner for Human Rights, *The Right to Adequate Housing*, Fact Sheet No. 21 (Rev.1), Human Rights Fact Sheet (United Nations, Geneva, 2009. Available at [https://www.ohchr.org/documents/publications/fs21\\_rev\\_1\\_housing\\_en.pdf](https://www.ohchr.org/documents/publications/fs21_rev_1_housing_en.pdf).

- Acquiring and developing land for a public purpose
- Capturing land value for a public purpose
- Participating in land markets through land purchase, preparation, lease and release to ensure housing supply outcomes
- Partnering with key stakeholders to jointly develop and manage housing
- Pooling fragmented and underused land to ensure more coherent and timely development

- Requiring affordable and inclusive housing in new developments
- Providing incentives, as well as penalties, to secure desired public interest outcomes
- Using land taxation to ensure appropriate uses and invest in new housing initiatives.

The most common land policy tools employed by national and subnational governments are defined in table 23. Seven of these are examined in more depth in the latter part of this chapter.

Tool	Definition
<b>Public land banking</b>	The process by which a government makes direct land purchases through the open market to create a portfolio of property that it can develop, lease or otherwise use to fulfil its goals.
<b>Public land leasing</b>	A contract between the lessor (government) and a private lessee outlines use and improvement rights and responsibilities for a defined period. Leasing land can reduce upfront project costs and make developments more feasible. In the case of cost rent housing, leasing can also improve affordability.
<b>Publicly managed development</b>	Sites are acquired and prepared for construction by authorised public utilities and sold to selected builders for permitted development to meet policy objectives.
<b>Strategic planning</b>	Longer-term planning clarifying the desired city model to improve the living conditions of the citizens affected, which specifies prioritized actions, responsible stakeholders and required resources. Reviewed at intervals and adapted.
<b>Regulatory planning</b>	A system of land-use and development rules, often laid down in legislation, governing public administration and interaction with private landowners, public decision-making processes and enforcement of the development and use of land.
<b>Land readjustment</b>	A process by which the public sector creates an assemblage, or consolidation, of multiple parcels of land into a larger site with improved configuration facilitate strategic use and timely development.
<b>Zoning</b>	A form of land use regulation that specifies uses, dimensions and densities of permitted development in specific areas, to guide and enforce standards of future development.
<b>Inclusionary zoning</b>	Inclusionary zones are land-use instruments that tap the economic gains from rising real estate values to create affordable housing for lower-income families. A related inclusionary housing programme might require developers to sell or rent 10 to 30 per cent of new residential units to lower-income residents.
<b>Planning gain</b>	A betterment tax on the improved land value derived from planning permission. It may be dedicated to general or specific purposes, including affordable housing.



**Table 23** Land policy tools most used by national and subnational governments (continued)

Tool	Definition
Land value recapture	An increase in land value through public works or rezoning is referred to as betterment. This increase can be captured via planning contributions or land value tax. This can fund community services and infrastructure, such as affordable housing, replacing or reducing required public investment or user fees (e.g. rents) etc.
Neighbourhood planning	Small-scale area-focused planning processes, often combining multiple policy strategies such as land acquisition, community consultation, land use rezoning, and leading and co-funding of development and service agreements.
Land value taxation	Various methods to collect development value through taxation or levies. These can support affordable housing supply and prevent inappropriate land uses.

Source: Lawson and Ruonavaara (2020).

### What land policy tools are used to provide social and affordable housing?

To ensure that social and affordable housing is built in locations where it is needed, governments use a range of land policy strategies. These policy instruments include:

- Legislating to allow for compulsory acquisition of land and its fair compensation, from which all or part of the land is made available for social housing
- Public purchase of land by a designated authority well in advance of it being needed to create a land fund and ensure the strategic provision of lower-cost land for social housing
- Direct provision of public land by a permitted public authority, such as a public land bank, at market, cross-subsidized or submarket price, to social housing developers according to defined public policy goals
- Direct long-term lease of land by a permitted public authority to social housing providers, often on condition that allocation address local needs-based waiting lists, with lease costs appropriately indexed and adjusted over time
- Designation of specific areas for social housing development in strategic urban plans, presented in detail via zoning requirements and development conditions
- Ensuring that redevelopment of brownfield or greenfield sites includes a specified share of dwellings allocated on a “needs” basis, to be owned or managed by social landlords
- Conducting competitions and collaborative strategies for available land, which are judged based on the level of social housing in the overall development proposal.

Some land for social housing is provided by commercial developers on a voluntary, negotiated, or compulsory basis. This may occur as part of a land-use planning or development approval process which requires some dwellings built in private housing developments to be used for social housing. Finally, some social housing providers also accumulate their own banks of land, which they use strategically for new projects. However, increased competition for land, particularly in urban areas, has made accessing sufficient land for social and affordable housing development more difficult across the UNECE region.

### How can policymakers ensure that land policy is effective in supporting affordable and sustainable housing provision?

As explained above, governments can design, implement, and adapt many different types of policies to improve the capacity of the land market to deliver more affordable housing to address local needs. However, to ensure these policies are effective in practice, it is vital that the agencies responsible for their implementation have the capacity to fulfil their role. This implies that they need to have the legal authority, professional expertise and funding resources to do so.

Effective land management requires a long-term strategy because land policies are long-term instruments that shape the direction of residential developments over many decades. At the same time land policies are intended to influence land markets, but they must also be proactive, flexible and adaptable to changing market conditions.

Regional and local governments are crucial players in land policy implementation and in addressing local housing needs. However, their actions are often constrained by a lack of powers and resources as well as complementary national policies or frameworks. Thus, the transfer of authority must go hand in hand with sufficient capacity and resources to ensure that local policymakers can implement land policies effectively and therefore maximise the impact which these policies have on the provision of affordable housing and sustainable communities.

### How have land policy tools been used in practice?

The following sections illustrate how the tools of land policy have been implemented in practice by different governments around the world and the arguments in favour and against the use of each of these tools. They are offered as practical sources of inspiration which, when appropriately adapted, can inform the design and implementation of local solutions.

#### Public land banking

Governments in many countries manage land for housing through a process known as “land banking” – acquiring, reassembling, preparing and releasing land for house building – in order to secure the desired level of new housing supply and mix of housing types, tenures and prices. Land banking is most conducted at local government level or by specialist agencies established by a government.

The private sector also engages in land banking. Construction firms, specialist land banking companies and investors assemble land banks to enable implementation of their housing development plans and to maximise profits.<sup>242</sup> However, public land banking has distinct public interest objectives: it is intended to ensure that housing can be delivered in the required numbers, location, tenure mix and cost, and that the required infrastructure and services are also provided.

242 Cameron K. Murray, “Time is money: How land banking constrains housing supply”, *Journal of Housing Economics*, vol. 49, 101708 (September 2020). Available at <https://www.sciencedirect.com/science/article/pii/S1051137720300449>.

In addition, while both public and commercial land banks may be purchased at full market value, in practice, the land for inclusion in public land banks is often purchased at below market value if a country’s legal framework allows it.<sup>243</sup> The purchase price may reflect existing uses, rather than a potential use value. This means that, if land is used for farming (for example), its purchase price reflects its agricultural use value rather than its potential value after it has been developed for housing.

In addition, public land banking organizations in some countries are legally empowered to expropriate land (i.e. to require its sale) or to negotiate its purchase at prices based on the current use value, in order to enable delivery of affordable housing. Compulsory acquisition powers are more successful when transparent valuation metrics and compensation arrangements for private landowners are employed. This strengthens the legitimacy and community acceptance of this process.

The land included in public land banks is later repurposed, prepared and developed to suit required future uses such as housing. This process is often guided by a long-term strategic plan, such as a metropolitan land-use strategy and/or a housing needs assessment. Again, this process works best when governed by a clear legislative and land administration framework, and when coordinated with relevant stakeholders such as municipalities, housing services and infrastructure providers. The task is given greater focus when conducted to deliver clear targets, such as several affordable homes for different types of households to be delivered over a specified period.

Outstanding examples of this public land banking in Western Europe can be found in Vienna, Helsinki, Amsterdam and Cyprus.<sup>244</sup> Table 24 outlines the rationale for public land banking and the arguments against using this type of intervention in land markets.

243 Bill Randolph, Laurence Troy, Vivienne Milligan, and Ryan van den Nouwelant, “Paying for affordable housing in different market contexts”, *AHURI Final Report No. 293* (Melbourne, Australian Housing and Urban Research Institute Limited, 2018). Available at <https://www.ahuri.edu.au/research/final-reports/293>.

244 Richard Ronald and John Doling, “The Changing Shape of the East Asian Housing Model”, in *Housing East Asia*, Ronald and Doling, eds. (London: Palgrave Macmillan, 2014), pp. 9–43. Available at [https://www.researchgate.net/publication/304859445\\_The\\_Changing\\_Shape\\_of\\_the\\_East\\_Asian\\_Housing\\_Model](https://www.researchgate.net/publication/304859445_The_Changing_Shape_of_the_East_Asian_Housing_Model).

**Table 24** What is the rationale for public land banking?

Arguments in favour of land banking	Arguments against land banking
<ul style="list-style-type: none"> <li>✓ To overcome systemic barriers to production of affordable housing.</li> <li>✓ To reduce the cost of land and enable better-quality or more affordable housing to be produced; cost efficiency.</li> <li>✓ To fulfil strategic planning goals, such as affordable housing located close to employment opportunities; social equity.</li> <li>✓ To capture the benefits of increased land values for the wider community; fiscal equity.</li> <li>✓ To ensure the redevelopment of derelict land, impeding further development.</li> <li>✓ To ensure that rapid development can be planned for and adequately serviced.</li> <li>✓ To stabilise land and housing markets and reduce their vulnerability to crises and volatility.</li> <li>✓ To use market power to improve development outcomes through competitive tendering.</li> <li>✓ To promote non-profit forms of development, which would not otherwise occur.</li> <li>✓ To reactivate development of repossessed or tax-delinquent property.</li> <li>✓ To fulfil planning objectives via active land acquisition policy.</li> </ul>	<ul style="list-style-type: none"> <li>✗ The “free” market naturally responds to demand and supply pressures.</li> <li>✗ Land bankers do not always co-ordinate land release in line with public interests.</li> <li>✗ Poorly designed or executed policies for compulsory sale can unfairly override established private property rights.</li> <li>✗ Public land bankers can be inefficient and top-down bureaucracies.</li> <li>✗ Public planning lacks expertise to predict land requirements adequately.</li> <li>✗ Public land bankers are often outbid by private developers and unable to efficiently participate effectively in the market.</li> </ul>

### Wohnfonds Wien – Vienna, Austria

The Vienna Land Procurement and Urban Renewal Fund (in German: Wiener Bodenbereitstellungs- und Stadterneuerungsfonds), known as Wohnfonds Wien, was founded in 1984 by the city-government. It is a not-for-profit, financially independent corporation, governed by a trust chaired by the city council and regulated under the Fund Act.

It has taken only a few decades for Wohnfonds Wien to become a powerful public-interest player in the land market of Vienna, thereby ensuring the ongoing production and management of affordable housing for many of the city’s residents.

Wohnfonds Wien purchases and releases land on the open market for development in accordance with the objectives of the strategic metropolitan plan of Vienna. This regularly updated plan aims to ensure the fulfilment of evolving housing and infrastructure needs of the city, such as decent affordable housing for key workers. Access

to Wohnfonds Wien’s land bank is open to all types of building firms, both not-for-profit and for-profit, that participate in unique open competitions.

Wohnfonds Wien now operates an active, highly successful public-interest land bank. By 2018, it had accumulated 3,256,059 m<sup>2</sup> of land, strategically promoting affordable construction and renovation across the city.

Wohnfonds Wien steers development outcomes via two key instruments: conditional housing development subsidies and a competitive design process involving citizen juries. It also organizes developer competitions for large land developments (of over 500 housing units), regardless if they have received public subsidies, to ensure they fulfil strategic planning objectives.

In most cases, affordable homes are partly subsidized via low-interest public loans. These favourable loans are provided on the condition that the housing produced is rented below a certain rent ceiling. To ensure that lower financing costs leads to reduced rents, recipients must

operate according to cost rental housing principles. These principles are clearly defined in the Limited Profit Housing Act of Austria (also outlined in the chapter on governance).

A large number of the housing projects have been developed in cooperation with Wohnfonds-Wien.

Around the newly built Vienna Central Station an entirely new urban district, Sonnwendviertel, has been created on the former ÖBB site (Austrian Federal Railways) in 2019. 5,000 apartments – including more than 2,000 subsidized apartments – became available for around 13,000 people

in this district. From 2009 to 2016 three developer competitions (Bauträgerwettbewerbe) were held for this area. Community group projects with 65 units were assessed by the Land Advisory Board (Grundstücksbeirat).

Wohnfonds Wien also facilitates rehabilitation activities such as “soft” and district-managed urban renewal of historic residential buildings as well as new urban areas. For example, Wohnfonds-Wien launched a block renovation initiative adjacent to the new Sonnwendviertel district to promote the revitalisation of old housing stock, while ensuring affordability was maintained.

**Photo 8** Aspern Seestadt social housing development in Vienna, Austria



Photo credit: Lisa-Jürgen Pletterbauer, [www.pletterbauer.net](http://www.pletterbauer.net).



Aspern Seestadt is one of the largest urban development projects of Europe in the fast-growing 22nd district of Vienna north-east of the city. Housing at Seestadt comes in many different forms: owner-occupied or rented apartments (big and small), student accommodation and serviced apartments. All apartments are of high quality and with balconies, terraces or gardens. By 2028, it will accommodate over 20,000 people and, eventually, an equal number of workplaces. In the mix are 4,000 new municipal houses adjacent to a park, constructed by the government owned - limited profit company “Wiener Gemeindewohnungs Baugesellschaft” (WIGEBBA). Regulated rents are anticipated to be EUR 7.50 per m<sup>2</sup>. Unlike other projects, it will not require any additional tenant funds or deposit. Tenancy is also permanent and allocation on a needs basis.<sup>245</sup>

#### Île-de-France Public Property Establishment – Île de France region, France

The Île-de-France Public Property Establishment (french: Etablissement Public Foncier - EPF) is the public land banker for Île-de-France. EPF contributes to the housing supply and supports economic development by actively buying undeveloped greenfield land or brownfield sites, preparing these for further development and reselling them for housing development purposes. This public agency focuses strongly on meeting housing needs and improving neglected housing acquired from slum landlords. In infill areas, its preparatory work may involve demolition of existing buildings, asbestos removal, and decontamination of land. The costs of this work are recovered in the resale process and according to the regional and sectoral needs. EPF currently has 18,000 sites, of which 50 per cent have been dedicated to social housing. A detailed and up-to-date map of EPF's activities is available on its website (<http://www.epfif.fr/>).

245 For more details about this project, see [https://www.wienerwohnen.at/Neues-aus-dem-Gemeindebau1/News\\_24\\_gemeindebau\\_neu.html](https://www.wienerwohnen.at/Neues-aus-dem-Gemeindebau1/News_24_gemeindebau_neu.html).

#### Revitalising distressed areas in the United States

In the United States of America (United States),<sup>246</sup> land banking has been used to revitalise economically distressed areas. Their role has become even more important since the global financial crises and subsequent foreclosures. Public land banks acquire distressed, foreclosed or abandoned properties with the intent of redeploying them for more productive use. Rehabilitation and resale regenerates neighbourhoods and increases property tax revenue, and importantly redistributes properties to meet specific community needs, such as affordable housing.

Michigan State provides good examples of local land banks as their state legislation enables a variety of sources of revenue for them to acquire, remediate and maintain the properties. This means that poor communities do not have to rely on limited local government general revenue for funding.

The Genesee County Land Bank Authority (GCLBA) is an example of a Michigan state land bank. Michigan State has suffered from widespread and long-term abandonment which accelerated following the global financial crisis. Between 2005 and 2015 GCLBA took responsibility for over 14,000 abandoned tax delinquent homes. To determine what to do with all these homes it consulted with the neighbourhoods via a citizen advisory council and outreach officers. This process has built trust with the residents and engaged them in developing solutions. These solutions include not only demolishing unsafe unsightly properties and creating green spaces, but also renovating selected homes and selling them to local tenants for affordable home ownership. This process often employs local people in demolition, rubbish removal, landscaping and rehabilitation.<sup>247</sup>

246 For a guide for establishing a land bank in the United States, see Frank S. Alexander, *Land Banks and Land Banking*, 2nd ed. (Flint, Michigan, Center for Community Progress, 2015). Available at <https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/report-alexander15.pdf>.

247 A short video of Genesee County Land Bank in Flint depicts how tax delinquent properties are accepted by the landbank and rehabilitated for reuse (<https://www.youtube.com/watch?v=15LySSXIQKw>).

Home sales were offered to first time home purchasers, under favourable contracts. The average home in 2015 cost only USD 6,500 (approximately EUR 5,500) with monthly payments of USD 200 (about EUR 170) for five years. Purchasers negotiate feasible and sustainable conditions with the land bank to ensure their long-term stability as residents, thus strengthening the community and improving local safety and dignity. Non-governmental not-for-profit organizations such as Habitat for Humanity sometimes act as intermediaries for renovating the homes and finding suitable purchasers.

#### Direct assistance in land acquisition for social housing providers

Governments and special-purpose funding agencies can play a very important role in accessing and acquiring land for social housing, as is the case in Vienna. It was also once a common practice in the United Kingdom.

Legislation introduced in the 1940s in the United Kingdom enabled local governments to acquire land at levels close to existing land value, make plans for new towns and use this land for building social housing. This accelerated a dramatic increase in house building, particularly of social housing, and supported the post-war economic recovery and enabled social house building to play a countercyclical role in the economy. During the period 1949-1979, social providers accounted for 53 per cent of all new homes built in the United Kingdom (5.2 million units).<sup>248</sup>

However, gradually, land compensation requirements were altered, and these undermined the scale and pace of affordable and social housing construction. The negative impact of these measures on social housing provision was amplified by the introduction of the “right to buy” for tenants of social housing and, more recently, pressure on local governments to sell public land to private

house builders.<sup>249</sup> Today, social housing providers must rely heavily on their own asset sales and cross-subsidies from commercial developments to make social housing development feasible.

To address these challenges several public land banking initiatives have been introduced in the United Kingdom in recent years. For instance, Wales has implemented a Land for Housing loan scheme, which has been successful in supporting the viability of social housing projects and bringing forward sites more swiftly. As the name suggests, the scheme provides favourable loans to social housing associations to purchase land for new projects.<sup>250</sup> In 2018-2019, there were 650 affordable housing units delivered on land made available by the public sector, up by 22 per cent on 2017-2018 level and accounted for 25 per cent of all affordable housing provision.<sup>251</sup>

Scotland abolished the right to buy social housing in 2016,<sup>252</sup> thereby protecting its social housing stock for future generations. It has also undertaken initiatives in planning obligations (discussed below) and local land auditing<sup>253</sup> to channel sites and equity towards social housing development. Scotland, too, has a land

248 See “Table 241: permanent dwellings completed, by tenure, United Kingdom, historical calendar year series” in the United Kingdom Government website (<https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>).

249 For maps detailing the extent of public land sales in England, see Joe Beswick, Duncan McCann and Hanna Wheatley, “Building the Social Homes We Need: Solving the land and capacity challenges”, (London, United Kingdom, New Economics Foundation, 2019). Available at [http://www.nationwidefoundation.org.uk/wp-content/uploads/2019/11/Building-the-social-homes-we-need\\_191120\\_150504.pdf](http://www.nationwidefoundation.org.uk/wp-content/uploads/2019/11/Building-the-social-homes-we-need_191120_150504.pdf). For history of land policy regarding public acquisitions and sales, see United Kingdom, UK Parliament, Building More Social Housing (London, 2020). Available at <https://publications.parliament.uk/pa/cm5801/cmselect/cmcomloc/173/17302.htm>.

250 The Wales (United Kingdom) Land for Housing scheme allows registered social landlords to borrow money to buy land to build on. As the scheme provides loans, the money is recycled as loans are repaid. See Gov.Wales, “£14.67m to help social landlords build more homes”, 29 March 2019. Available at <https://gov.wales/help-social-landlords-build-more-homes>.

251 Gov.Wales, “Affordable housing provision in Wales, 2018-19”, *Statistical First Release*, No. 98 (14 November 2019). Available at <https://gov.wales/sites/default/files/statistics-and-research/2019-11/affordable-housing-provision-april-2018-march-2019-508.pdf>.

252 Scotland ended the right to buy council housing in 2016 (<https://www.gov.scot/policies/social-housing/council-housing/>).

253 PAN 2/2010 advises on increasing affordable housing and the preparation of housing land audits (“Affordable Housing and Housing Land Audits”, *Planning Advice Note*, No. 2 (Scottish Government, 2010). Available at <https://www.gov.scot/publications/pan-2-2010-housing-land-audits/>).

commission which is currently investigating how to turn around vacant and derelict brownfield sites and increase affordable housing supply.<sup>254</sup>

### Public land leasing

The leasing of public land is another tool that governments can use to capture increases in land value, enable affordable housing provision and ensure the optimum use and allocation of land. Public land leasing involves a contract between the public lessor and lessee concerning usage and improvement rights and responsibilities, over a defined time period.

This model has several financial advantages for governments:

- The government retains ownership of the land assets. These assets provide a long-term source of revenue from lease payments.
- Open market land prices and rents are often priced to reflect the advantages gained by existing or anticipated public investment, such as road and public transport infrastructure. Public land leasing means that the benefits of the investment flow to the community, rather than specific landowners, and thereby help to repay public investment and fund further investment in public services.<sup>255</sup>
- Holding such land assets also provides governments with a useful hedge against inflation because they generally increase in value over time. Moreover, changes in permitted use can generate substantial uplift in value which can then be captured for public investment. For example, increasing asset values can be used as collateral to raise the finance required for other public purposes. This land lease and reinvestment strategy has been used to urbanize land through strategic housing investments in other countries.

- Governments also use conditions attached to land leases to steer the use and development of land more effectively to achieve key public policy objectives. For example, governments may set lease fees at a level intended to attract and sustain occupation by desired leaseholders, such as affordable housing providers or particular types of households such as families with children.
- Paying leasing fees, rather than the cost of purchasing sites for housing, can make developments more feasible and, in the case of affordable housing provision, enable lower rents or sale prices.
- Land leasing can also be used to stem land price inflation in a context where inflationary pressures are strong.

In Europe, some cities have been built primarily on publicly leased land. Examples include Amsterdam,<sup>256</sup> Stockholm<sup>257</sup> and Helsinki and the latter still owns 70 per cent of land in the city. In Helsinki land leasing is used to facilitate the provision of a range of housing types including affordable “right-of-occupancy” housing and social rental housing.

Community land trusts (CLTs), which provide affordable housing on leased land, have been used in the United States for several decades to facilitate the provision of affordable housing. These have recently gained the attention of policymakers in several Western European countries and numerous pilot CLT projects have been established.

The arguments in favour of and against the use of public land leasing are summarized in table 25.

254 Details of the ongoing work on brownfield sites can be found at <https://landcommission.gov.scot/our-work/housing-development>.

255 Jean-David Gerber, Thomas Hartmann and Andreas Hengstermann, eds., *Instruments of Land Policy: Dealing with Scarcity of Land* (London, Routledge, 2018).

256 For an overview of the history of the ground lease system of Amsterdam, see Iris van Veen, *Public ground lease in Amsterdam and the effects on housing* (<http://www.tink-iris.nl/downloads/public-ground-lease-and-the-effects-on-housing.pdf>).

257 Carl Caesar and Fredrik Kopsch, “Municipal land allocations: a key for understanding tenure and social mix patterns in Stockholm”, *European Planning Studies*, vol. 26, Issue 8 (2018), pp. 1663-1681.

**Table 25** What is the rationale for public land leasing?

Arguments in favour of land leasing	Arguments against land leasing
<ul style="list-style-type: none"> <li>✓ Retains land asset within public ownership.</li> <li>✓ Provides a long-term stream of revenue from land-lease payments to reinvest in the broader community.</li> <li>✓ Reduces cost of land and enables better-quality or more affordable housing to be produced; cost-efficiency.</li> <li>✓ Fulfils strategic planning goals, such as affordable housing located close to employment opportunities, social equity and inclusion.</li> <li>✓ To capture long-term revenues for the wider community; fiscal equity.</li> <li>✓ To finance provision of public services.</li> <li>✓ To ensure derelict land is redeveloped.</li> <li>✓ To ensure rapid development can be planned for and adequately serviced.</li> <li>✓ To promote competition in the development industry and prevent monopolistic practices.</li> <li>✓ To use market power to improve development outcomes through competitive tendering.</li> <li>✓ To reduce speculation on land and promote non-profit forms of development.</li> <li>✓ To reactivate development of repossessed or tax-delinquent property.</li> <li>✓ To use planning powers with more active land acquisition policy.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Lease fees may be set too high or too low, indexing rents may be based on outdated land-use values.</li> <li>✗ Adjustments to fees may be opposed by lessees and generate insufficient revenues.</li> <li>✗ Land leases may not be accepted as collateral by banks, impeding investment in new development and major upgrading.</li> <li>✗ In some countries, the continuity of land-leasing arrangements cannot be guaranteed because the owners of residential property have a legal right to buy the site on which the dwelling is built.</li> </ul>

### Public land ownership and leasing in Helsinki, Finland

The City of Helsinki adopted a long-term policy called “Home Town Helsinki” in 2016, to promote and deliver a well-balanced mix of housing to meet the different needs and life situations. A key goal was the creation of mixed tenured neighbourhoods across the city. It also established targets for realising rented and ownership housing production in both the regulated and unregulated markets. Of 6,000 dwellings produced per year, 25 per cent are subsidized and regulated rental housing and 30 per cent are unsubsidized but with regulated ownership, which is price and quality controlled. The high level of public land ownership and conditional land leases make Helsinki’s ambitious affordable and inclusive housing goals feasible.

Helsinki owns 70 per cent of its land area and is therefore able to play a major role in providing and promoting

affordable housing. It has accumulated a portfolio of 60,000 housing units, of which 48,500 are subsidized by the government for rental housing. Most new housing is also built on city property. Each year the city produces 1,500 dwellings directly, of which 750 units are subsidized rental housing.<sup>258</sup>

Housing sold on city-owned land uses the so-called “company share” model, which applies to both owner-occupied and subsidized owner-occupied flats. When buying and selling homes, it is the company share that is traded, not the title to the land and housing. The process of exchange is managed by the city.

258 For more on the Home Town Helsinki programme, see [https://www.uuttahelsinki.fi/sites/default/files/osion\\_artikkelisivun\\_osa/liitetiedostot/am\\_esite\\_englanti\\_low.pdf](https://www.uuttahelsinki.fi/sites/default/files/osion_artikkelisivun_osa/liitetiedostot/am_esite_englanti_low.pdf).



Helsinki has adopted a specific approach to ensure that middle-income families can also afford to live in all neighbourhoods of the city, even in the most expensive ones. Known as the “Hitas” system, it aims to reduce costs when housing is developed on publicly owned land. The price of units is regulated according to their real production costs and maximum prices are set and regulated by the city. Demand is high for these units and allocation is by a lottery. Owners pay a lower monthly cost, but they must also pay a fee to rent the land.<sup>259</sup> The scheme works well in areas where the market costs are higher than production costs. For builders of housing in Helsinki, Hitas units are the only form of housing possible to develop on public lands. Their profits are lower, but sales are guaranteed due to high demand.

#### “Socially Just Land Use” in the city of Munich, Germany

The City of Munich in Germany has adopted a long-term policy for the use of land that it owns. According to its planning department, creating and securing an adequate supply of affordable housing options is a central challenge for the city’s urban development. “Socially Just Land Use” (Sozialgerechte Bodennutzung- SoBoN) provides a guidance for zoning of land, which aims to ensure an adequate number of affordable housing to meet local needs.

SoBoN determines a social use of land whereby at least 30 per cent of the considered area is reserved for social housing and 10 per cent for subsidized rental housing regardless of income level (60 per cent in the case of land held by the city). SoBoN requires developers to participate in the costs of the associated public infrastructures linked to those developments.

Additionally, Munich focuses on developing the rental market by favouring solidarity-based concepts such as cooperative housing corporations, joint housing developments or rental syndicates when offering publicly held land. The current split of city land as the following ratio for development:

- 50 per cent social housing
- 40 per cent “Konzeptioneller Mietwohnungsbau” (conceptual rental housing)
- 10 per cent joint building ventures.

Plots to be developed as conceptual rental housing are tendered by the city. Developers must present a concept with a fixed below market level price and reduced rents (max. EUR 13.50/m<sup>2</sup>) and a focus on special low- and mid-level income groups. Conditions are then binding for 80 years.

Moreover, the city of Munich no longer sells its land; rather, it grants leaseholds in order to retain its capability to influence urban development. In the future, Munich’s land will only be granted for rental developments and not condominiums.

#### Community land trusts in the United States and Europe

CLTs are non-profit, community-based organizations whose mission is to provide long-term affordable housing by owning land and leasing it to those who live in houses built on that land.<sup>260</sup> While typically operating on a small scale, CLTs can also be an engine of innovation, social entrepreneurship and renewal in brownfield areas. In the United States they have proven successful and resilient over the long term, even in the context of rising home mortgage default following the global financial crisis.

259 See “Processing of Hitas and Semi-Hitas Projects”, June 2016 (<https://www.hel.fi/static/kv/asunto-osasto/hitas-plans-en.pdf>).

260 Udi Engelsman, Mike Rowe and Alan Southern, “Community Land Trusts, affordable housing and community organising in low-income neighbourhoods”, *International Journal of Housing Policy*, vol.18, Issue (2018), pp. 103-123.

In Europe, advocates of CLTs contend that their shared democratic governance and anti-speculative model of land management and leasing can empower communities, including marginalised households. The planning process and lease model promotes inclusion and stability. The approach to land stewardship is contrasted by the unsustainable sale of land assets by fiscally constrained public authorities.<sup>261</sup>

The public land leasing to cooperatives of the French government is a variation on the theme of leasing land to communities. This has become an increasingly important mechanism to support the provision of affordable housing for both sale and rent to public sector “key workers” such as nurses and teachers, particularly in cities.<sup>262</sup>

To support the implementation of this policy the new “solidarity land organizations” (organismes de foncier solidaire - OFS) were created in 2014. This arrangement enables a household in France to buy the main “bricks and mortar” residence and lease the land on which it is built, thereby reducing purchase costs. The household can resell the dwelling, but according to a fixed formula in order to limit the capital gain and ensure that affordability is protected over the long term.<sup>263</sup> A special lease, called “le bail réel solidaire” (real solidarity lease - BRTS), was created to separate the cost of buildings from that of the underlying land in order to lower housing costs for cooperative members.<sup>264</sup>

## Land readjustment

Land readjustment involves consolidating and rezoning multiple pieces of land into a more orderly pattern and preparing them for future development (see table 23), as well as enabling the more efficient use of land, particularly in expanding urban areas. In some countries land

readjustment is also used to fund public investment in the transport and social infrastructure required to render sites suitable for development, and provide affordable housing. This is achieved by amalgamating land holdings with many owners and distributing the development costs and final property ownership among the original owners in accordance with their original shares.<sup>265</sup> Land readjustment has been used extensively in the Netherlands<sup>266</sup> and Germany<sup>267</sup> for many decades.

### Land readjustment in Germany<sup>268</sup>

The system of land readjustment (LR) in Germany is very well established (since 1902) and extensively applied by municipalities across the country. The process of German land readjustment, undertaken by a land readjustment authority, is outlined in Davy’s five steps (see table 26) as legislated in the German Baugesetzbuch (BauGB), which is a federal law statute on land use planning. Under this law municipal governments can use land readjustment to implement a binding land-use plan (Bebauungsplan). The process of “land readjustment may change the locations, shapes, and sizes of existing plots. Undeveloped as well as developed land may be readjusted.”<sup>269</sup> In the process municipalities can also capture part of the land (Umlegungsvorteil) for public purposes such as parks, footpaths and childcare centres-and in this way they can also promote more affordable and inclusive housing.

261 For a review of some CLTs in Europe, see <https://www.nweurope.eu/projects/project-search/shicc-sustainable-housing-for-inclusive-and-cohesive-cities/>.

262 Sonia Guelton and Vincent Le Rouzic, “Long-term land leases in France: An instrument to address scarcity of social housing”, in *Instruments of Land Policy: Dealing with Scarcity of Land*, Jean-David Gerber, Thomas Hartmann, and Andreas Hengstermann, eds. (London, Routledge, 2018).

263 For more about these solidarity land organizations (OFS), see <https://www.hlm.coop/ressources/all/9716>.

264 For more about these special leases, see <https://www.hlm.coop/contenu/le-bail-reel-solidaire-brs>.

265 Joana Almeida and others, “Improving land readjustment practice. Application of management models to Portugal”, *European Planning Studies*, vol. 26, Issue 7 (2018), pp. 1431-1449.

266 Erwin Van der Krabbenab and Sander Lenferink, “The introduction of urban land readjustment legislation as an institutional innovation in Dutch land policy”, *Habitat International*, Issue 75 (2018), pp. 114-121.

267 Theo Kötter, “A German perspective on land readjustment: a proper instrument of modern urban governance for efficient land use”, in *Instruments of Land Policy: Dealing with Scarcity of Land*, Jean-David Gerber, Thomas Hartmann, and Andreas Hengstermann, eds. (London, Routledge, 2018).

268 Julie Lawson and Hannu Ruonavaara, “Land Policy for affordable and inclusive housing: An international review (Helsinki, SmartLand, 2020). Available at <https://smartland.fi/wp-content/uploads/Land-policy-for-affordable-and-inclusive-housing-an-international-review.pdf>.

269 Benjamin Davy, “Mandatory Happiness? Land Readjustment and Property in Germany”, in *Analyzing Land Readjustment: Economics, Law and Collective Action*, Yu-Hung Hong and Barrie Needham, eds. (Cambridge, MA, Lincoln Institute of Land Policy, 2007), page 39. Available at <https://www.lincolnst.edu/sites/default/files/pubfiles/analyzing-land-readjustment-full.pdf>.

The German system allows for mandatory land readjustment but ideally, the process should begin with consensus building. Persuasion and negotiation should first be used to resolve the disagreement, with coercion employed only as the last resort when the involved parties have failed to compromise after exhausting all conflict-resolution mechanisms.

On its own, land readjustment rarely covers the full costs of the public works required to make land suitable for development. Therefore, direct public subsidy and access to additional sources of funding from the private sector can be required to make projects financially viable.<sup>270</sup> However, as explained in table 27, land readjustment has considerable advantages for governments because i) it does not require substantial up-front capital investment and ii) it ensures that existing property owners share the costs and benefits of land redevelopment.

**Table 26** Steps in German land readjustment

Step	Land readjustment authority
<b>Step 1</b> Commencement of land readjustment	<ul style="list-style-type: none"> <li>• Define the area selected for land readjustment according to the recent land use planning.</li> <li>• Freeze changes of present land uses and transfer of rights in the land.</li> <li>• Map all properties and list all landowners.</li> <li>• Indicate in the land register that land readjustment has commenced.</li> </ul>
<b>Step 2</b> Preparation for land readjustment	<ul style="list-style-type: none"> <li>• Merge all properties into one bulk of land designated for readjustment.</li> <li>• Assess the present market value of the land.</li> <li>• Subtract all land designated for public use (e.g. local roads) and allocate this land to the municipality or development company.</li> <li>• Select relative value or relative size as the standard for the redistribution of readjusted land.</li> <li>• Determine the share of each individual owner.</li> </ul>
<b>Step 3</b> Value capture and reallocation	<ul style="list-style-type: none"> <li>• Determine the value of the readjustment gain that owners have to pay to the municipality (standard of relative value) or that may be retained in land (standard of relative size).</li> <li>• Consider the present and proposed uses of the land as well as the needs and suggestions of landowners.</li> <li>• Allocate readjusted plots of land to each owner.</li> <li>• Determine the compensation of landowners who have not received their full shares.</li> </ul>
<b>Step 4</b> Readjustment plan	<ul style="list-style-type: none"> <li>• Issue a formal decision on land readjustment.</li> <li>• Determine the rights and obligations of each party, including the municipality.</li> <li>• Include a map of the new property boundaries.</li> <li>• Make legal remedies available to all parties.</li> <li>• Issue a public notice when, upon exhaustion of all legal remedies, the readjustment plan has become legally binding.</li> </ul>
<b>Step 5</b> Implementation of readjustment plan	<ul style="list-style-type: none"> <li>• File the readjustment plan with the land register.</li> <li>• Monitor the legal and actual implementation of the readjustment plan.</li> </ul>

Source: Davy, "Mandatory Happiness?" (see footnote 271, page 41).

270 Yu-Hung Hong, "Assembling Land for Urban Development: Issues and Opportunities", in *Analysing Land Readjustment: Economics, Law, and Collective Action*, Yu-Hung Hong and Barrie Needham, eds., (Cambridge, MA, Lincoln Institute, 2007).

Table 27 also outlines several potential drawbacks of this method, including conflict with existing landowners over their participation, assessed land values and compensation. This potential for conflict reflects the difficulties inherent in valuing and reallocating the parcels of land that often need to be assembled to create a viable site for redevelopment, and the fact that land readjustment can sometimes generate social upheaval, including compulsory acquisition of land leading to the loss of existing tenure arrangements and income sources, and demolition of dwellings.

Therefore, a recent policy working paper for the World Bank concluded that land readjustment requires a very strong framework of supporting legislation to be effective, and its success is also strongly dependent on the capacities of the land-use planning system and its institutional framework, particularly the ability of the relevant public-sector organizations to proactively promote desired urban development.<sup>271</sup>

Governments can also minimise the conflict by maximising democratic participation in land readjustment. In many countries, a supermajority vote in favour of land readjustment proposals is required from existing landowners, for instance, even if this creates the risk that development could be impeded. To manage this risk, in some countries, such as Germany, there are laws that prevent blockages by overriding local objections to land readjustment initiatives and compensate former landholders fairly and efficiently.

**Table 27** What is the rationale for land readjustment?

Arguments in favour of land readjustment	Arguments against land readjustment
<ul style="list-style-type: none"> <li>✓ Does not require substantial upfront capital for buying out existing landowners, which lowers the redevelopment costs for public and private developers.</li> <li>✓ Is more equitable than other land assembly methods, because the benefits and costs of land redevelopment are borne by the affected property owners.</li> <li>✓ Minimizes displacement of large populations.</li> <li>✓ Acts as an institutional arrangement through which wider community participation in land development and public-private-community partnerships can be fostered.</li> <li>✓ Can enable improvement of housing quality and quantity and provision of necessary infrastructure and affordable housing.</li> </ul>	<ul style="list-style-type: none"> <li>✗ May lead to conflict with existing residential property owners, limiting consensus.</li> <li>✗ Requires a strong legislative framework, often subject to a lengthy political process.</li> <li>✗ Takes time to implement and recover investment made.</li> <li>✗ Process of determining land values and land contributions can be controversial.</li> <li>✗ Valuation and reallocation of land parcels is complex due to varying qualities and size.</li> </ul>

Source: Policy Research Working Paper No. 6312, World Bank; see <http://hdl.handle.net/10986/12173>.

### Land value capture

The value of land is often a result of government decisions and investments, such as land-use planning decisions to rezone land from agricultural to residential or industrial use, or government investment, particularly in public transport infrastructure, which is a key driver of land and property values in cities. The New Urban Agenda of the United Nations promotes best practice in capturing and sharing the value of this increase in land values – which is often termed “betterment”.

271 Nancy Lozano-Gracia and others, “Leveraging Land to Enable Urban Transformation: Lessons from Global Experience”, Policy Research Working Paper, No. 6312 (Washington, D.C., World Bank, 2013). Available at <http://hdl.handle.net/10986/12173>.



Land value capture is an umbrella term that describes a large number and variety of measures which can capture betterment for the public good. As explained in table 28, some of these are taxation instruments that require landowners to pay a special tax or fee, which funds the repayment of loans taken out to fund infrastructure. Others are development-based methods which i) obtain contributions from the owners of property who would benefit from infrastructure provision, or ii) obtain private capital from businesses that agree to develop and operate the infrastructure under a partnership agreement.<sup>272</sup> However, in practice most land value capture initiatives employ a mix of both strategies.

Land value capture has been used widely in the United Kingdom and the United States. Such mechanisms have

funded the construction of major infrastructure and public housing programmes, post-World War II “new towns” (e.g. Milton Keynes in the United Kingdom)<sup>273</sup> and iconic infrastructure (e.g. Canadian Pacific Railway).

Although land value capture measures have been rolled back in some countries, their contemporary application has increased to partly fund affordable housing delivery. This is primarily for practical reasons. It is a method of paying for the costs of public infrastructure investment, which is useful in view of constraints on the availability of public funding and competing public priorities. In addition, proponents of land value capture justify its use on ethical grounds: it captures the value of increases in land values that are “unearned” by individual landholders and therefore can be appropriated for the benefit of the community.<sup>274</sup>

**Table 28** Most common land value capture methods

Method	Details
<b>Betterment contributions and special assessments</b>	This tax instrument is aimed at capturing land value increases that result from planning decisions and reassigning contributions to invest in public infrastructure and community services.
<b>Charges for building rights/Density bonuses</b>	This is a fee to fund infrastructure or provide affordable housing in return for additional development rights.
<b>Exactions</b>	Developers pay for the special approvals or permissions required to develop or build on a site that requires public investment to be viable.
<b>Development levies of impact fees</b>	All development is levied with a one-time charge designed to cover the costs associated with its impact on specific public services, on affordable housing and infrastructure, such as road or water provision.
<b>Tax increment finance</b>	A proportion of the additional property tax revenue generated by anticipated increases in land or property values is ringfenced to fund the necessary infrastructure.
<b>Transfer of development rights</b>	Landowners pay a fee to transfer the density potential (as established by local planning rules) of one tract of land to a different non-contiguous site better suited to higher-density development.

Source: Based on Lourdes Germán and Allison Ehrich Bernstein, “Land Value Capture Tools to Finance Our Urban Future”, Policy Brief, Lincoln Institute of Land Policy (September 2018). Available at <https://www.lincolnst.edu/sites/default/files/pubfiles/land-value-capture-policy-brief.pdf>.

272 George Hazel Consultancy, “Land Value Capture Discussion Paper”, paper prepared for Metrolinx, Toronto, Canada, August 2013. Available at [http://www.metrolinx.com/en/regionalplanning/funding/Land\\_Value\\_Capture\\_Discussion\\_Paper\\_EN.pdf](http://www.metrolinx.com/en/regionalplanning/funding/Land_Value_Capture_Discussion_Paper_EN.pdf).

273 Tony Crook, *Capturing increases in land value: Briefing Paper* (Glasgow, UK Collaborative Centre for Housing Evidence, 2020). Available at <https://housingevidence.ac.uk/wp-content/uploads/2019/12/191212-capture-inc-in-land-value-TC.pdf>.

274 Michael Oxley, “Implicit land taxation and affordable housing provision in England”, *Housing Studies*, vol. 23, Issue 4 (2008), pp. 661–671.

Land value capture (LVC) instruments are unlikely to fund the full costs of public infrastructure and affordable housing provision (though revenues raised can be substantial). These instruments also generate funding in a pro-cyclical way, meaning the funding only becomes available when the land is brought forward for development. In addition, land value capture can sometimes be difficult to implement consistently and across different land uses and locations.

For over twenty years, leading experts<sup>275</sup> have argued that regulatory planning and housing targets are insufficient to influence output and ensure affordability, and that much more direct measures – such as land allocation and conditional supply subsidies – are required.

The principles underpinning the application of land value capture and specified contributions are often contested. Inconsistent application of land value capture mechanisms may reflect that they are devised and applied by the local government, rather than legislated and enforced by national governments. A local planner’s capacity to negotiate effectively with developers also varies. Some policy researchers argue that a more general land value tax is preferable to sporadic and specific-purpose LVC.<sup>276, 277</sup> While stable land tax on value is often essential for local government expenditure and investment, these may not be directed towards affordable housing.

On the other hand, customised LVC mechanisms can also help to ensure that value capture reflects local needs. The link to local projects, or addressing development impact, may also increase their political legitimacy.<sup>278</sup>

The rationale for employing LVC is summarized in table 29. As this table shows, from the perspective of government the benefits of establishing arrangements for LVC are significant because it can help fund public infrastructure/ services and affordable housing by taxing the “unearned” element of land values. This can help to unlock land for public developments which would not be viable without this investment, while also discouraging inefficient speculation and land uses.

**Table 29** What is the rationale for land value capture?

Arguments in favour of land value capture	Arguments against land value capture
<ul style="list-style-type: none"> <li>✓ Generates funding that would otherwise be unavailable for public infrastructure, affordable housing, and public services.</li> <li>✓ Unlocks land for development which would not be viable without contributed infrastructure or services.</li> <li>✓ Channels new private investment to meet local planning objectives.</li> <li>✓ Captures the value of unearned increases in land values due to government investment or decisions, for the benefit of the community.</li> <li>✓ Discourages speculation on land values and inefficient land allocation.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Not sufficient on its own to fund necessary housing and infrastructure investment and reliant on additional funds.</li> <li>✗ Pro-cyclical or ‘fair weather’ instrument which only generates revenue when construction is taking place, and not during downturns in construction rates.</li> <li>✗ Deters landowners from releasing land for development to minimise the tax or land value capture charges due.</li> <li>✗ Leads to fragmented local schemes do not provide a consistent public revenue source and undermine strategic planning efforts.</li> <li>✗ Complex to implement and reliant on negotiating skills of the planner.</li> </ul>

Source: Based on Patrick Fensham and Brendan Gleeson, “Capturing Value for Urban Management: A New Agenda for Betterment”, *Urban Policy and Research*, vol. 21, Issue 1 (2003), pp. 93-112; and Crook, “Capturing increases in land value” (see footnote 278).

275 Bill Randolph and others, “Paying for affordable housing in different market contexts, Final Report, No. 293 (Melbourne, Australian Housing and Urban Research Institute Limited, 2018). Available at <https://www.ahuri.edu.au/research/final-reports/293>.

276 For Lincoln Institute of Land Policy’s outline of land value and land tax, see <https://www.lincolninstitute.edu/key-issues/value-capture-property-tax>.

277 Joan Youngman, *A Good Tax: Legal and Policy Issues for the Property Tax in the United States* (Cambridge, MA, Lincoln Institute of Land Policy, 2016). Available at <https://www.lincolninstitute.edu/publications/books/good-tax>.

278 Crook, “Capturing increases in land value” (see sect. Land value capture, footnote 275).

### Land value recapture approaches in the United States

A range of land value recapture tools are used in the United States. When it comes to affordable housing provision, the most common tools are “density bonuses” and dedicated tax increment financing (TIF) schemes. Inclusionary zoning is also used extensively, and this tool is elaborated upon with reference to the European experience in the following sections.

In a density bonus scheme, a developer is permitted to build a larger project on a site than would otherwise be permitted, in exchange for including specific elements such as a certain percentage of affordable housing units. In some cases, a developer can contribute land or funds for creating off-site affordable housing.

In creating a density bonus policy, local jurisdictions must determine specifics such as (i) what amount of additional density can be accommodated, (ii) where/on what sites additional density can be accommodated, (iii) what kinds

of affordable units are feasible (e.g. senior, workforce housing, very low income), and (iv) how much additional density will be granted based on the number/type of affordable units created. Public entities should also ensure that the programme provides sufficient incentives to encourage participation in the scheme.

An illustration of density bonus can be found in California, where State law requires local governments to encourage housing development for all income levels and assist in the development of adequate housing to meet the needs of low- and moderate-income households. In 2016, the city of San Francisco revised its original scheme to adopt a 100 per cent “Affordable Housing Bonus Program”.<sup>279</sup> Approved developments involve up to three stories higher than is normally permitted. All apartments in such buildings must be rented at reduced rates to households with an income at 80 per cent of the area median. Such developments are typically built by not-for-profit developers operating within the city. They usually require additional public subsidies for projects to be economically feasible.<sup>280</sup>



279 San Francisco Planning, “Affordable Housing Bonus Program (AHBP)”. Available at <https://sfplanning.org/ahbp>; Legislation for AHBP is available at <https://sfgov.legistar.com/View.ashx?M=F&ID=4607864&GUID=E25217EF-B19C-40A4-A243-D56F1E36FAAD>.

280 For an outline of the density programmes operated by San Francisco Planning, see <https://sfplanning.org/ahbp>.

TIF is created through state legislation and local regulation which designates a specific geographic area as a special zone. These are economically distressed geographical areas and the TIF designation incentivizes redevelopment and revitalization. While TIFs are usually established to revitalize distressed communities, they can also be used to help preserve and promote affordable housing.

TIF works by freezing the property tax collected by public entities at the level in place when the TIF was created. However, while the amount collected by local authorities is frozen, the actual tax collected continues to increase over time as the value and use of properties increase, thus increasing the taxable base. This additional amount of tax is used as an incentive, either through forgiveness/waiver programmes or through collection and redistribution by the TIF entity to support specific projects. At the end of the designated period, local authorities can collect the entire, escalated amount of tax and dedicate this to achieve local development goals.

The success of TIF schemes for affordable housing relies on communities dedicating captured tax increment funds in order to build or preserve affordable homes and/or assist households to enter home ownership. Some States of the United States have passed legislation and reporting requirements to ensure this transfer takes place.<sup>281</sup> Two examples can be found in Massachusetts and the city of Atlanta.

The Massachusetts State government established the Urban Centre Housing Tax Increment Financing (UCH-TIF) programme to allow cities and towns to designate commercial centres with a need for affordable multi—unit housing. It requires at least 25 per cent of new housing units created in TIF zones to be affordable. TIF may be combined with other grants and loans from other local, state and federal development programmes. Each year, participating localities are required to report on progress to the state government, specifying the amount of TIF revenue generated, number and type of new housing units created and the initial incomes of households renting or purchasing the new, dedicated affordable housing.<sup>282</sup>

281 National Housing Conference, “How TIFs Can Be Used for Affordable Housing”. Available at <https://nhc.org/policy-guide/tax-increment-financing-the-basics/how-tifs-can-be-used-for-affordable-housing/>.

282 For information on regulation for UCH-TIF, see <https://www.mass.gov/doc/760-cmr-58-urban-center-housing-tax-increment-financing-uch-tif-program/download>.

The second example concerns the Beltline road development area in Atlanta, Georgia, which makes use of funds from a long-established TIF district. Some 15 per cent of the funds raised were set aside for affordable housing in the district, via a housing trust fund. This aims to produce about 5,600 affordable housing units in the area.<sup>283</sup> There are currently 873 affordable housing units in the pipeline.<sup>284</sup>

The effectiveness of TIF raising funds and channelling these towards affordable and inclusive housing is difficult to generalise due to the diversity of local programmes. However, a common criticism of TIFs is that they often lead to increased property values and gentrification, which, if not properly managed, can ultimately harm or displace those in need of affordable housing solutions. The following good practice insights stem from a recent evaluation of 40 TIF programmes:

- Establish a needs-based and dedicated allocation of funds.
- Track the change in property values, monitor accumulated delayed TIF tax revenue and provide clear reports on allocated expenditure.
- Ensure that delayed tax collection and hypothecated use of funds do not erode resources for other essential services (e.g. schools).
- Regularly review effectiveness of the revenue raising and funding mechanism and learn from evaluation of the different outcomes of TIF use in various geographic areas.<sup>285</sup>

283 Atlanta BeltLine, “Project Goal: Affordable Housing Overview - 5,600 units of Affordable Workforce Housing”. Available at <https://beltline.org/the-project/project-goals/affordable-housing/>.

284 Atlanta BeltLine, “ABL’s Mid-Year Update”, 21 September 2020. Available at <https://beltline.org/2020/09/21/abis-mid-year-update/>.

285 David Merrimaan, “Improving Tax Increment Financing (TIF) for Economic Development”, Policy Focus Report (Cambridge, Lincoln Institute of Land Policy, 2018). Available at <https://www.lincolninst.edu/sites/default/files/pubfiles/improving-tax-increment-financing-full.pdf>.



### Comprehensive city and neighbourhood planning

Detailed local area planning plays a key role in ensuring that cities function well, and that infrastructure and public services are supplied as they become needed, in order to support strong and vibrant communities. These plans should set out a range of long-term policy objectives for local areas, identify the land policies which will be required to achieve them, as well as clear processes for evaluating their performance and adjusting them as local conditions change. For example, i) to better address issues such as changes in housing affordability; ii) the need for more homes which are adapted for an ageing population; iii) mobility and access to local services; iv) promoting a vibrant arts and cultural scene, boosting employment opportunities; and v) tackling climate change.

Land use, housing and transport (MAL in Finnish) agreements negotiated between the national and local governments in Finland are an example of this approach. These agreements aim to deepen cooperation and coordination between municipalities in urban regions of Finland and the central government in relation to land use, housing, and transport. These agreements specify the shared objectives of land use, housing production and transport networks over a desired timeframe and, importantly, also detail central government and municipal contributions to realizing these objectives.

As shown in table 30, land use planning instruments of this type have important benefits, but they require proactive negotiation between stakeholders and adequately resourced and expert public administration.

**Table 30** What is the rationale for comprehensive, city and neighbourhood planning?

Arguments in favour of comprehensive city and neighbourhood planning	Arguments against comprehensive city and neighbourhood planning
<ul style="list-style-type: none"> <li>✓ These measures can contribute to high-quality land-use planning, which will support socially and environmentally sustainable settlements and communities.</li> <li>✓ They can help to ensure that affordable housing is provided “in my backyard” (IMBY).</li> <li>✓ Best practices, including effective citizen involvement, which can help ensure that the “end users” welcome the results, and limit public opposition to the construction of the planned developments.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Comprehensive planning is complex to devise and implement and requires strong planning capacity and relationships between central and local government.</li> <li>✗ To be effective, comprehensive city and neighbourhood plans must be accompanied by the funding required to operationalise them.</li> <li>✗ The comprehensive planning process is lengthy and may not adequately predict future changes or community needs.</li> <li>✗ Community involvement can lead (rightly or wrongly) to prioritization of citizen needs/wants that conflict with public goals (e.g. “not in my backyard” objections).</li> </ul>

### Soft urban renewal in Vienna, Austria

Soft urban renewal<sup>286</sup> is an approach to improving dilapidated areas which has been implemented since the mid-1970s in Vienna. The Viennese approach has been widely accepted as international best practice, offering inspiration for other cities.<sup>287</sup> It is considered “soft” or “gentle” as it does not involve the demolition of historic buildings or the construction of entirely new urban areas, nor does it displace and compulsorily rehouse residents living in renewal areas.

Legislated under the 1984 Vienna Housing Rehabilitation Act, the soft urban renewal created financial renovation incentives for private homeowners and was implemented through a decentralized and participatory approach to building and neighbourhood improvement.

Much effort has since gone towards improving housing standards, while avoiding social segregation and gentrification. The urban renewal has involved strategic subsidization of private housing rehabilitation, rather than the demolition of historic buildings. Public authorities first look at bringing empty flats into use and developing communal areas and then later address whole blocks of flats and creating new urban areas.<sup>288</sup>

The soft renewal approach, which is both decentralized and interdisciplinary, prioritises affordability and social inclusion objectives, avoids forced change of ownership and enables rehabilitated housing to remain affordable to existing occupants. Particular attention is given to the needs of vulnerable households (the elderly and new migrants).

The redevelopment is managed by offices in each city district. These are run by either private architects or non-profit building associations and are financed by the city. They work with both tenants and owners to improve the housing stock; for example, by enhancing green courtyards, and making proposals for communal facilities and connections to public transport. There are now 13 district offices (Gebietsbetreuungen) which can also apply for city funds<sup>289</sup> to involve vulnerable or socially marginalised households more actively.

An evaluation of this scheme in 2010 found that soft renewal had made substantial improvements to living conditions in Vienna. From 1984 to 2001, through rehabilitation, houses that were categorised as substandard were substantially reduced - from approximately 320,000 (39 per cent of the total stock) to less than 125,000.

The renewal activities produced a large stock of affordable rehabilitated housing with avoiding a forced change of ownership or occupancy. One important result was the avoidance of social segregation and gentrification. A total of 2,160 buildings with 142,000 apartments were improved as part of the process of soft renewal and the number of fully equipped apartments rose from about 328,000 to more than 715,000.<sup>290</sup>

Notably, limited profit affordable housing is in relatively good condition, in part due to the business model which funds it that requires regular maintenance and periodic renovation. Chapter II on funding and financing affordable and inclusive housing has extensively elaborated on this matter.

286 For an outline and history of soft urban renewal, see <http://www.nzdl.org/gsd/mod?e=d-00000-00---off-0cdl-00-0---0-10-0---0---0direct-10---4-----0-11-11-en-50---20-about---00-0-1-00-0--4---0-0-11-10-0utfZz-8-10&cl=CL2.8&d=HASH16ced04f610cd5230c91a2&gt=2;> <https://www.gbstern.at/ueber-uns/was-wir-tun/stadterneuerung/milestones-der-sanften-stadterneuerung/>.

287 For more information on the soft urban renewal of Vienna, see European Urban Knowledge Network, “Case study housing – Vienna, Austria: Soft Urban Renewal”, 22 June 2010. Available at <https://www.eukn.eu/news/detail/case-study-housing-vienna-austria-soft-urban-renewal/#:~:text=Soft%20urban%20renewal%20pursues%20the,to%20demolition%20and%20new%20building.>

288 In dialogue with the city of Munich, Vienna outlines its changing approach to urban renewal ([https://www.muenchen.de/rathaus/dam/jcr:a632312d-3aaf-4e26-8d22-0379867c6e18/2014-10-22\\_Vienna\\_Folder\\_web.pdf](https://www.muenchen.de/rathaus/dam/jcr:a632312d-3aaf-4e26-8d22-0379867c6e18/2014-10-22_Vienna_Folder_web.pdf)).

289 The financial incentives that made this possible are further elaborated in the chapter on funding and finance.

290 Wolfgang Förster, “Case study housing – Vienna, Austria: Soft Urban Renewal”, European Urban Knowledge Network, 22 June 2010.

### Land use, housing and transport (MAL) agreements of Finland

MAL agreements are agreements between the Government of Finland and its major city regions. They concern land use (M), housing (A) and transport (L). They aim to promote cooperation and coordination between governments to achieve land-use, housing production and transport goals.<sup>291</sup>

The MAL agreement for Helsinki sets a housing production target of 60,000 new dwellings for the years 2016–2019. It also specifies how much of this target will be state-supported housing. In the Helsinki metropolitan area, the share of the Government is 30 per cent of total production. The agreement also commits the Government to:

Providing several different kinds of subsidies for production of new housing:

- Agreeing to sell state-owned land that becomes available for housing production to municipalities at a regulated price
- Guaranteeing that the state-owned developer company A-Kruunu will develop state-subsidized rental housing in the Helsinki region
- Treating the Helsinki region favourably in granting ARA support for producing right-of-occupancy housing (a form of cooperative housing).

Area-based agreements specify how much housing should be built in each municipality as well as where this building activity is to take place. These agreements have been quite successful. The Ministry of Environment reported in 2018 that the overall production goal and the production target for state-supported rental housing for the whole period were close to being attained, that the municipalities had zoned more land for housing production than had been targeted, and that nearly 90 per cent of new production had been located in the target areas.

291 For the official website for these agreements, see <https://ym.fi/en/agreements-on-land-use-housing-and-transport>.

### Land-use regulation and inclusionary zoning

Zoning is an instrument of land-use planning that can be used to require or encourage the provision of affordable housing. Through planning law, regulation, and development applications, “inclusionary zoning” (IZ) can capture resources from the private market for the social and affordable housing sector. This is achieved by means of mandatory or voluntary inclusion of specific types of affordable housing as a condition of planning approval for new housing developments.<sup>292</sup>

The use of this measure has increased in Europe and the United States in recent decades, particularly among governments and municipalities that do not have large public land banks to enable affordable housing provision, and where there are concerns about the potential for spatial segregation of low-income communities from areas of opportunity. Inclusionary zoning can enable the mixing of market and affordable housing in a single development and may thereby facilitate the mixing of households with different incomes.<sup>293</sup>

In a European context, Germany, France, Ireland, the Netherlands, and the United Kingdom have all adopted some form of inclusionary zoning in recent decades, though this is not an exhaustive list.

France has been employing inclusionary planning instruments since 1990s. At present, urban areas of France must have a minimum of 20–25 per cent of their housing stock be social or affordable in nature, depending on the size and the characteristics of the area in question. A number of fiscal incentives and sanctions are in place to promote and enforce this target.

292 Nico Calavita and Alan Mallach, *Inclusionary Housing in International Perspective* (Cambridge, Lincoln Institute for Land Policy, 2010).

293 Anna Carnegie, Michelle Norris and Michael Byrne, “Tenure mixing to combat public housing stigmatization: external benefits, internal challenges and contextual influences in three Dublin neighbourhoods”, *Cities*, vol. 79 (March 2018), pp. 12–17; Gideon Bolt, Deborah Phillips and Ronald Van Kempen, “Housing Policy, (De)segregation and Social Mixing: An International Perspective”, *Housing Studies*, vol. 25, Issue 2 (February 2010), pp. 129–135. Available at <https://www.tandfonline.com/doi/full/10.1080/02673030903564838>.

Thus, the French planning system explicitly and actively promotes the provision of affordable and social rental housing via inclusionary zoning, setting targets and in some cases penalizing localities that fail to comply. However, wealthier local areas have resisted this strategy as they would rather pay the fine than support additional social housing. Articles 130-132 of the new law to reform housing, planning and digital technology (l'évolution du logement, de l'aménagement et du numérique – ELAN), adopted in 2018, relaxed requirements for certain municipalities, but overall, the clear policy objectives remain in place in most urban areas.<sup>294</sup>

Ireland introduced similar legislation, in 2000, which enables local authorities to require that a proportion of new private housing developments be designated for social rented housing or housing for sale at affordable prices. This measure has proved successful in increasing social and affordable housing supply, but its implementation has been challenging on political and practical grounds and the legislation has been amended several times. For instance, the provision that enabled housing developers to meet these obligations by providing cash compensation to the municipality has been removed due to concerns that it was being overused; developers are now obliged to provide completed dwellings or land in every case.<sup>295</sup> Table 31 presents arguments in favour of and against inclusionary zoning.

**Table 31** What is the rationale for inclusionary zoning?

Arguments in favour of inclusionary zoning	Arguments against inclusionary zoning
<ul style="list-style-type: none"> <li>✓ It can support the delivery of social housing by securing well-located sites.</li> <li>✓ It can help to reduce the direct costs to government of such development.</li> <li>✓ It can enable the tenure and income mixing of neighbourhoods and thereby mitigate the risks of socio-spatial segregation.</li> <li>✓ It can be widely applied to all (or most) new residential developments, to continually increase the supply of affordable housing stock.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Successful implementation requires a strong legislative basis and good negotiation skills on the part of the staff of municipalities.</li> <li>✗ It is a pro-cyclical tool, which works well only when market permits.</li> <li>✗ Voluntary agreements can be challenging to negotiate with developers.</li> <li>✗ It can attract strong opposition from politicians, communities and developers.</li> <li>✗ To be implemented effectively, it must have political legitimacy.</li> <li>✗ The costs of affordable housing procured through inclusionary zoning mechanisms can be unpredictable.</li> <li>✗ Burdensome inclusionary zoning requirements can render projects non-viable and disincentivize the private development of housing on which they rely, leading to greater shortage of housing units and increases in pricing.</li> </ul>

294 This applies to municipalities with more than 3,500 inhabitants (1,500 in Ile-de-France), belonging to agglomerations or inter-municipal authorities of more than 50,000 inhabitants, including at least one municipality of more than 15,000 inhabitants. All municipalities in these categories are required to have 25 per cent or 20 per cent of social housing by 2025.

295 Aideen Haden, and Bob Jordan, *Rebuilding the Irish Neighbourhood: How can we make mixed tenure communities work?* (Dublin, The Housing Agency, 2018). Available at <https://www.opr.ie/wp-content/uploads/2019/11/Rebuilding-the-Irish-Neighbourhood.pdf>.



### Long-term land-use planning and new zoning regulation of Vienna, Austria

Real-estate speculation can drive up land prices, housing costs and restrict new residential development.

Planning requirements can be designed to prevent this inefficient practice. An example is provided by the Viennese planning system, which is guided by a long-term strategic Urban Development Plan (Stadtentwicklungsplan – STEP). This plan incorporates a range of land uses and zones and, most recently, a zone for subsidized housing.<sup>296</sup>

This new zone is authorised by planning legislation, which governs any change in land use from green fields or commercial land use to residential use. Subsidized housing is also a well-defined term in Austrian legislation, which is linked to the operation of limited-profit cost-rent housing, which is also clearly defined in national law.

When greenfield land is converted for residential use, two-thirds of the useable floor area must be earmarked for any housing receiving a subsidy from the Vienna City Council. Subsidies are provided on the condition that the housing is offered below a certain price level, meets defined ecological standards and is allocated to households within certain income limits.

The new regulation is intended to facilitate sites for the development of affordable, cost-rent and limited-profit housing, accessible to low and moderate-income households. It is also expected to foster collaboration between for-profit and limited-profit providers. For-profit developers may also approach limited-profit housing associations to be partners in completing development obligations, as they have the specialized expertise and cost capped limited profit business model.

So far, the new zoning regulation only concerns large areas that are designated for residential or mixed use over 5,000 m.<sup>297</sup> Affordable housing developments that result from the new regulation will be entered on the land register. To ensure affordability obligations are retained, the city of Vienna must give its consent to any future sale.

296 The new planning regulation of Vienna is outlined on the city's website, <https://www.wien.gv.at/bauen-wohnen/bauordnungsnovelle-gefoerderter-wohnbau.html>.

297 The basic (land) costs in subsidized housing are capped at EUR 188 per m<sup>2</sup> of gross floor area above ground, and a rent threshold of EUR 5.05 per m<sup>2</sup> is imposed (2020).

### Inclusionary zoning law in the United Kingdom

The two main sources of investment in new social housing in the United Kingdom are central government funding and planning agreements between private developers and local authorities, under which the developer contributes land, housing or cash as a condition of planning permission. Planning obligations to support the provision of social housing are known as Section 75 Agreements in Scotland and Section 106 Agreements in England and Wales.<sup>298</sup> Agreements must be directly relevant to the proposed development, prescribe a given portion of housing that is affordable and compensate for loss or damage created by a development (for example, loss of open space), or mitigate a development's impact (for example, through increased public transport provision).

Around a third of all affordable housing delivered in Scotland between 2007 and 2012 involved some form of development contribution.<sup>299</sup> In England, section 106 supported the development of 28,000 affordable homes in 2019, almost half of all such units.<sup>300</sup> Despite their significance, the United Kingdom Government planning reform has proposed the abolition of section 106 agreements in the future.<sup>301</sup>

Scottish land policy continues to support affordable housing development through securing land for such development. Any land gained through development contributions is transferred to registered not-for-profit social landlords. Only landlords operating on a not-for-profit basis can receive land development contributions and provide social housing. The usual arrangement between a local authority and a private developer is that, before 30 per cent of the market units have been completed, land for 25 per cent of the residential units will

298 Section 106 is currently under review by the United Kingdom Government.

299 United Kingdom, Scottish Government, Affordable Housing Securing Planning Consent 2011/12, Statistical Bulletin (2012).

300 Kate Henderson, "Response to government planning proposals", National Housing Federation, 06 August 2020. Available at <https://www.housing.org.uk/news-and-blogs/news/response-to-government-planning-proposals/> (accessed on 23 March 2021).

301 United Kingdom, Ministry of Housing, Communities and Local Government, Planning for the Future: White Paper (London, 2020), p.60. Available at [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/907647/MHCLG-Planning-Consultation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907647/MHCLG-Planning-Consultation.pdf).

be passed on to a registered social landlord at nil value.<sup>302</sup> The registered social landlord will normally then develop the affordable housing land.<sup>303</sup>

Since 2016 the Scottish government has increased investment in affordable housing alongside pro-social land policies, producing more than 50,000 additional units in just three years. This has taken place in combination with needs assessment and social housing investment plans, which are discussed in subsequent chapters on governance and finance.

### Land value taxation

For centuries, governments have collected taxes relating to immovable property. In Europe and North America, land taxation has been strongly promoted on equity and redistribution grounds by a wide range of economists, including such influential thinkers as David Ricardo, John Stuart Mill and Henry George.<sup>304</sup>

Taxes that relate to the value of land and the structure built upon it are an important source of revenue for local governments, contributing an independent source of funds for infrastructure and services, which help to underpin good living environments for all. These taxes can be simple to administer and inexpensive to maintain by capable public agencies and are also difficult to evade by taxpayers.<sup>305</sup>

Most land-based taxes are complemented by either one-off transaction taxes, sometimes referred to as “stamp duty” (paid on acquisition) or disposal of land or property. Such revenues relate to the level of market exchange and tend to be pro-cyclical, indirectly encouraging government policies supporting rising house prices.

Other tax instruments may apply to specific areas or time periods, such as aforementioned Tax Increment Financing, and are used to stimulate appropriate developments and uses in certain areas.

Overall, the design of property tax instruments must be proportionate, progressive, and sustainable to ensure effective resourcing of public investments and services – including affordable and inclusive housing.<sup>306</sup>

A well-administered land tax can predictably smooth public revenue flows to plan for and fund collective infrastructure<sup>307</sup> and encourage more efficient use of the housing stock. Property taxes can be progressive and strategic when they use regularly assessed land values and support appropriate land uses. Strategically applied taxes can discourage inappropriate uses, such as vacant housing in an area of high housing need. Taxes, coupled with time limited planning permission, can also be used to promote appropriate use and timely development, discouraging the holding of land assets.

Broad-based property taxes can also have a more meaningful impact on controlling land values and, by extension, the costs of housing provision.<sup>308</sup> Yet property taxes need to reflect changes in assessed values and uses, and be adjusted in a timely and regular manner to provide sufficient revenue to fund public investment and provision of services.

Setting the rate and target of taxes collected has implications for social fairness and economic progress. Owner-occupiers, investors, landlords and their tenants may be affected differently. Property taxes can extract appropriate revenue to fund broader social goals. However, they can also potentially be a burden on household finances, thereby making it more difficult for low-income households to live in areas of high land value and amenity.

302 Scotland has a housing regulator which aims to protect the interests of tenants, people who are homeless, and others who use social landlords' services - <https://www.housingregulator.gov.scot/>.

303 City of Edinburgh Council 2010 model section 75 agreement (<https://www.edinburgh.gov.uk/downloads/file/26158/model-section-75-agreement>).

304 Richard F. Dye and Richard W. England, eds., *Land value taxation: theory, evidence and practice* (Cambridge, Lincoln Institute of Land Policy, 2009). Available at <https://www.lincolnst.edu/sites/default/files/pubfiles/land-value-taxation-chp.pdf>.

305 For a useful discussion on land and property taxation, see *Land Administration in the UNECE Region: Development trends and main principles* (United Nations publication, 2005). Available at <http://www.unece.org/fileadmin/DAM/hlm/documents/Publications/landadmin.devt.trends.e.pdf>.

306 For a recent G20 OECD discussion paper, see *Tax policies for inclusive growth in a changing world* (2018), <http://www.oecd.org/g20/Tax-policies-for-inclusive-growth-in-a-changing-world-OECD.pdf>.

307 See empirical work by Wood G et al. (2012), *The spatial and distributional impacts of the Henry Review recommendations on stamp duty and land tax*, AHURI Final Report No.182. Melbourne: Australian Housing and Urban Research Institute.

308 Discussion draws on Fabian Wenner and Fabian Thiel, “Land taxation in Estonia: An efficient instrument of land policy for land scarcity, equity, and ecology”, in *Instruments of Land Policy: Dealing with Scarcity of Land*, Jean-David Gerber, Thomas Hartmann and Andreas Hengsternann, eds. (London, Routledge, 2018), pp. 78-88.



Raising revenue from property taxes from owner-occupiers can be a challenge when these taxes are large and lumpy (i.e. payable in a single instalment). This can be overcome by spreading payments through the year, and by supporting some taxpayers (such as the elderly who may be asset-rich but income-poor) through deferral or tax credits.

Some property tax systems favour certain types of landholders or occupants. Tenants may not be directly subject to property taxes; owners of vacant homes may be additionally taxed, and investors may be subject to varying rates of capital gains taxes. Such taxes can influence the level of services available, occupancy rates and speculation. Balancing payees and raising sufficient revenue is important, but reforms often meet political resistance – with short-term electoral goals based on appealing to property owning voters overriding long-term community interests. This is even the case when the outcome is less investment in services and facilities for everyone, even the property owners themselves.

In some countries, administrative systems are outmoded, and land valuations outdated. This leads to administrative and political challenges when modernising and increasing collection and tax rates – suppressing revenue collection and compounding public financial shortfalls.

Insufficient local fiscal resources necessitate reliance on transfers from other levels of government, in addition to active asset management, public borrowing and charging user fees. When the fiscal resources of local governments are constrained, but development pressures are strong, the land value capture instruments covered in this chapter may provide useful alternatives for governments.

With increasing decentralisation of responsibilities to regional and local governments in the 1990s, local control over revenues from property taxes has become more important, and this has also affected their role in the supply of affordable housing. In some cities, devolution of responsibilities without commensurate transfer of resources has imposed serious constraints – leading to



cutbacks in local services, more active reliance on land sales to maximise revenues, and subordination of long-term social returns.<sup>309</sup>

An effective local property tax, supplemented by budget transfers from other higher levels of government, can fund local services that benefit local populations and businesses. However, this relies on long-term transfer agreements as well as institutionalised, capable and regular valuation of property so as to keep pace with long-term market developments, retain political support and at the same time ensure effective revenue collection, expenditure and investment.

Some countries, such as Ireland, have introduced a recurring tax on unused brownfield residential development sites to encourage landowners to release them for construction. However, taxes of this type are often difficult to implement in practice. Identifying ‘unused’ land is not straightforward. There may be practical explanations as to why land has not been built on, such as lack of road access or water services for instance. Such taxes, therefore, are regularly disputed by landowners. Furthermore, vacant site taxes are often initiated in response to high land price inflation, but in this context the tax has to be set at a very high level to dissuade owners from retaining their sites in the expectation of securing further capital gains.<sup>310</sup> Several examples of vacancy taxes are illustrated in the following section.

An alternative to a more broad-based approach to land value taxes (LVTs) is the taxation of land (or site) values without taking account of buildings or other improvements. LVTs are recurrent taxes and are generally set at a fixed rate, which does not vary according to the actual use of the site. These taxes recoup the value of large increases in land values due to land-use planning decisions, public investment in infrastructure, or demand for land by private or institutional investors. In addition, because land taxes are at a fixed rate, the only way to lower the relative burden of the tax (compared to income derived from the land) is to use the land as efficiently as possible.

As shown in table 32, land value taxation has strong benefits in terms of encouraging the efficient use of land and discouraging land speculation, which can undermine housing affordability. Land value taxes (LVTs) do not have the same distorting effects on land markets as more conventional property taxes and are also very difficult to avoid. However, they can be challenging to implement – which is why Estonia is currently the only EU member state that applies an LVT without any other form of additional real estate taxation. This example is discussed in more depth in the next section of the report.

**Table 32** What is the rationale for land value taxation?

Arguments in favour of land value taxation	Arguments against land value taxation
<ul style="list-style-type: none"> <li>✓ LVTs do not distort the market equilibrium, considering that land supply is fixed and perfectly inelastic.</li> <li>✓ LVTs are difficult to avoid.</li> <li>✓ LVTs encourage efficient land use.</li> <li>✓ LVTs can help lower urban land costs and attenuate land price cycles, thus making urban housing more affordable.</li> <li>✓ LVTs can generate funding for public infrastructure and services.</li> <li>✓ LVTs discourage land speculation and recoup the gains mainly from speculation for the public good.</li> </ul>	<ul style="list-style-type: none"> <li>✗ LVT tax may encourage gentrification since low-income homeowners may be forced to move if land values rise in their area and they cannot afford to pay the higher land tax.</li> <li>✗ LVTs can encourage premature development, which might not prove to be the best long-term use.</li> <li>✗ Implementing LVT requires an accurate and up-to-date register of land ownership.</li> <li>✗ LVT is often opposed by those holding significant and valuable land assets.</li> <li>✗ LVT may impose duplicate tax burdens in instances where citizens have already paid for infrastructure through other taxation mechanisms.</li> </ul>

Source: Wenner, “Land taxation in Estonia” (see sect. Land value taxation, footnote 312); Cathy Hughes and others, “Implementing a land value tax: Considerations on moving from theory to practice”, *Land Use Policy*, vol. 94, Issue 1 (May 2020), pp. 144-189.

309 See for example the Centre for Cities report (2019), <https://www.centreforcities.org/reader/cities-outlook-2019/a-decade-of-austerity/>.

310 Niamh Moore-Cherry, “Re-thinking the post-crash city: vacant space, temporary use and new urban imaginaries?”, *Irish Geography*, vol. 48, Issue 1 (2015), pp. 6-12.



### Land value taxation in Estonia

An alternative to singular development contributions is a more broadly based land value tax. Estonia is currently the only EU member state that employs a land value tax as its sole form of ongoing real estate taxation. Transaction taxes on property sales in the country are low, so LVT is the primary source of tax revenue from real estate. The proceeds from this tax are used to fund municipalities in Estonia.<sup>311</sup>

Municipalities are free to set the LVT tax rate between 0.1 per cent and 2.5 per cent of the assessed land value per annum. A central government agency is responsible for the valuation of land. It bases these valuations on property sales transaction data. The law does not require regular review of these valuations; they are reviewed only periodically since LVT was introduced in the early 1990s. LVT was originally applied to almost all land, with exemptions only for land used for roads, churches, cemeteries, embassies and nature reserves, although recent changes allow waivers for owner-occupied homes and pensioners.

The available evidence suggests that the Estonian version of LVT has failed to generate the benefits predicted by its proponents (see table 32). This is because of the political difficulties associated with setting the LVT at sufficiently high rates, updating the land valuations on which the tax is calculated and minimizing exemptions from the tax.

For instance, Estonia experienced strong land and house price inflation in the early 2000s, followed by a sharp crash in prices after the global financial crisis. Some economists have claimed that the failure to set LVT at sufficiently high levels and to regularly revise land valuations meant that this tax was not effective in controlling this bubble and may actually have contributed to it.<sup>312</sup>

Today, the share of total tax revenue that comes from real estate in Estonia is one of the lowest in the EU, and land-value taxation revenues are not sufficient to fund its municipalities. This has inspired calls to introduce a property tax to bolster municipal tax revenues.<sup>313</sup> As shown in table 32, LVT is assumed to promote more efficient use of land, particularly in urban areas, but the evidence from Estonia suggests that it has had a limited or mixed effect.

### Taxing vacant housing based on potential rental income in France

Taxes can be selectively applied to discourage undesirable land uses. These are also relevant for the conversion of empty dwellings to liveable homes.

“Empty houses” is an inefficient use of essential resources and can also have a negative impact on security, community, and economic activity in neighbourhoods. Some homes are empty most of the year because they are only used intermittently as holiday accommodation.<sup>314</sup> Other vacant homes fall into the hands of accidental landlords via inheritance or are accumulated by speculative investors.

311 Description draws on Wenner and Thiel, “Land taxation in Estonia” (sect. Land Value Taxation, footnote 312).

312 Luca Cocconcelli and Francesca Romana Medda, “Boom and bust in the Estonian real estate market and the role of land tax as a buffer”, *Land Use Policy*, vol. 30, Issue 1 (January 2013), pp. 392–400.

313 Viktor Trasberg, “Property and land taxation in the Baltic States”, *Journal of Property Tax Assessment and Administration*, vol. 1, Issue 2 (2004), pp. 31–43.

314 Vacation homes and short-term letting can contribute to the economy but also cause housing access problems for locals living in tourist-reliant economies (<https://www.sciencedirect.com/science/article/pii/S0160738319302026>).

**Photo 9** Typical Parisian urban area with apartment buildings



Photo credit: Guilhem Vellut (creative commons licence).

Rising homelessness amidst vacancy rates is a common phenomenon in Europe<sup>315</sup> and North America.<sup>316, 317</sup> Activating and reusing vacant buildings could offer a solution to abandonment and intentional vacancy (this is commonly known as the “buy to leave” speculative market).

France has extensive experience<sup>318</sup> in developing and applying vacancy taxes, which encourage owners to reintroduce empty dwellings to the housing market in areas where there is unmet demand, in order to improve access, especially by low-income households. Introduced in 1998, the French vacant homes tax applied to all liveable housing that have been vacant for more than two years, but public housing was exempt in 680 larger urban areas. The tax related to the potential annual rent that the property could produce, initially at a rate of 10 per cent of the rental value during the first year when the tax was due (after two years of vacancy), increasing to 12.5 per cent for the second year (3-4 years vacant) and 15 per cent after four years of vacancy. The vacancy tax has since been substantially widened in application and its rate increased.

315 For more information, see <https://www.feantsa.org/download/filling-vacancies-real-estate-vacancy-in-europe-local-solutions-for-a-global-problem-short-version6570491700181194618.pdf>.

316 Alan Mallach, *The Empty Housing Next Door*, Policy Focus Report (Cambridge, MA, Lincoln Institute of Land Policy, 2018). Available <https://www.lincolnst.edu/sites/default/files/pubfiles/empty-house-next-door-full.pdf>.

317 Rental and ownership vacancy rates have hovered around 7 per cent in the United States.

318 The impact of the vacancy tax of France was recently examined (Mariona Segú, “The Impact of taxing vacancy on housing markets: Evidence from France”, *Journal of Public Economics*, vol. 185 (May 2020).

Research on the application of the tax has found that it influenced the behaviour of owners of vacant units, who converted their dwellings for use as primary residences and reduced the vacancy rate by a substantial 13 per cent over four years, with stronger results in areas of higher vacancy.

The tax accounted for a 13 per cent decrease in vacancy rates between 1997 and 2001, especially among long-term vacant dwellings, and most vacant units were turned into primary residences.<sup>319</sup>

In 2013, the vacancy tax was substantially strengthened. The duration of tax-free vacancy was reduced to one year, and the tax rate began at 12.5 per cent of potential rent income and increased to 25 per cent in the years following the property being left vacant. The government also made the tax compulsory for local areas with more than 50,000 inhabitants.

#### Taxing vacant housing based on value in Vancouver and British Columbia, Canada

Vacancy taxes have also been enacted at a city and regional level. As part of its 10-year housing strategy, the city of Vancouver established an Empty Homes Tax in 2017, applicable to homes vacant for more than six months that were not a principal residence.<sup>320</sup> The tax raised 38 million Canadian dollars (CAD) (roughly EUR 25 million) from one per cent of assessed values in the first year of collection for affordable housing projects in the city. The revenue initially covered set-up and implementation costs; the remainder was ring-fenced for affordable housing initiatives.

This tax was followed, in 2018, by the British Columbia Speculation and Vacancy Tax<sup>321</sup> which encourages the conversion of empty homes owned for speculative purposes by foreign corporations or individuals, into homes accessible for residents. It also ensures that foreign investors pay their provincial tax obligations and thereby support further affordable housing initiatives.<sup>322</sup> This provincial-level tax has applied to those owning residential property in specified regions, including metropolitan Vancouver, but does not relate to indigenous owners, public bodies, registered charities, housing co-ops and certain not-for-profit organizations.

The tax rate applies to relevant owners of property vacant for more than six months of the year. The rate is 2 per cent of the assessed value for all properties subject to the tax for foreign owners and satellite families<sup>323</sup> and 0.5 per cent for Canadian citizens or permanent residents of Canada who are not members of a satellite family. In the first year of application the tax generated revenue of CAD 115 million (close to EUR 75 million) to help fund affordable housing projects where the tax is applied, of which 90 per cent came from foreign owners, satellite families and Canadians living outside of British Columbia. This has since risen to CAD 185 million (around EUR 120 million) annual revenue stream, dedicated to new affordable housing projects.

319 Ibid.

320 This is a 1 per cent tax on the assessed value of the property, where unoccupied for more than six months a year.

321 For the Speculation and Vacancy Tax Act [Sbc 2018] Chapter 46, see <https://www.bclaws.ca/civix/document/id/complete/statreg/18046>.

322 The application of the tax is explained in detail on the BC Provinces official website (<https://www2.gov.bc.ca/gov/content/taxes/speculation-vacancy-tax>).

323 A satellite family is an untaxed worldwide earner.

## Useful resources and contacts

### International planning practice for affordable housing – a review

Lawson, J and Ruonavaara, H (2020), Land Policies for Affordable and Inclusive Housing – An International Review, University of Turku and RMIT University, for SmartLand, Academy of Finland: <https://smartland.fi/wp-content/uploads/Land-policy-for-affordable-and-inclusive-housing-an-international-review.pdf>

### Land banking

Land banks overview, pros and cons, National Housing Conference, <https://www.nhc.org/policy-guide/land-based-solutions/land-banks-and-community-land-trusts/>

Land Banks and Land Banking document, Center for Community Progress, Michigan: <https://www.communityprogress.net/filebin/LandBanksLandBankingVer2DigitalFinal.pdf>

Center for Community Progress, FAQs on Land Banking: <https://www.communityprogress.net/land-bank-faq-pages-449.php>

Burlington Associates in Community Development, Land Banking vs. Land Trusting: [https://www.burlingtonassociates.com/files/8513/4463/0249/1-Land\\_Banking\\_vs.\\_Land\\_Trusting.pdf](https://www.burlingtonassociates.com/files/8513/4463/0249/1-Land_Banking_vs._Land_Trusting.pdf)

Wohnfonds Wien <https://www.wohnfonds.wien.at/website/article/nav/103>

Sozialgerechte Bodennutzung (SoBoN) – Der Münchner Weg: <https://www.muenchen.de/rathaus/Stadtverwaltung/Kommunalreferat/immobilien/sobon.html>

Wohnen in München VI – 2017 bis 2021: <https://www.muenchen.de/rathaus/Stadtverwaltung/Referat-fuer-Stadtplanung-und-Bauordnung/Stadtentwicklung/Grundlagen/Wohnungspolitik.html>

Konzeptioneller Mietwohnungsbau (KMB): <https://www.muenchen.de/rathaus/Stadtverwaltung/Referat-fuer-Stadtplanung-und-Bauordnung/Wohnungsbau/Konzeptioneller-Mietwohnungsbau.html>

Mieten-Stopp (Pressemitteilung): <https://ru.muenchen.de/2019/140/Mieten-Stopp-bei-staedtischen-Wohnungen-86135>

Erhaltungssatzungen: <https://www.muenchen.de/rathaus/Serviceangebote/wohnen-bauen/erhaltungssatzungen.html>;  
<https://ru.muenchen.de/2019/136/Erhaltungssatzungen-werden-weiterentwickelt-86021>

Land leasing for affordable and inclusive housing development – Helsinki: [https://issuu.com/theaou/docs/elina\\_eskela\\_the\\_helsinki\\_mix](https://issuu.com/theaou/docs/elina_eskela_the_helsinki_mix)

Land readjustment for orderly and inclusive planning – Seoul and Germany: [https://www.fig.net/resources/proceedings/fig\\_proceedings/korea/full-papers/pdf/session20/mullerjokel.pdf](https://www.fig.net/resources/proceedings/fig_proceedings/korea/full-papers/pdf/session20/mullerjokel.pdf)

Combining planning and housing policies - Housing Needs Demand Assessment and Social Housing Investment Plans of Scotland: <https://www.gov.scot/policies/more-homes/housing-and-planning-delivery-framework/>

### Land capture tools

Capturing land use value uplift for public investment and public rental housing: <http://hub.hku.hk/handle/10722/194620>

Lincoln Institute of Land Policy. "Value Capture and the Property Tax": <https://www.lincolnst.edu/key-issues/value-capture-property-tax#:~:text=Common%20land%20value%20capture%20tools,applications%20of%20the%20property%20tax>

Lincoln Institute of Land Policy. Land Value Capture tools brief, "Tools to Finance our Urban Future": <https://www.lincolnst.edu/sites/default/files/pubfiles/land-value-capture-policy-brief.pdf>



### Density bonuses

Grounded Solutions Network project “inclusionaryhousing.org”, developed with the National Housing Conference and the Lincoln Institute for Land Policy: <https://inclusionaryhousing.org/designing-a-policy/land-dedication-incentives/density-bonus/>

World Bank, Density Bonus synopsis: <https://urban-regeneration.worldbank.org/node/20>

Manhattan Institute, 2020 report on New York City experience with “Zoning, Taxes, and Affordable Housing: Lessons from Bloomberg’s Final Term”: <https://media4.manhattan-institute.org/sites/default/files/zoning-taxes-and-affordable-housing-EC.pdf>

American Planning Association, Planning Home Case Study: San Francisco, CA, Affordable Housing Bonus Program and Reducing Displacement (podcast recording): <https://www.planning.org/home/engage/hartley-podcast/>

American Planning Association, Incentive Zoning: Meeting Urban Design and Affordable Housing Objectives (report): [https://planning-org-uploaded-media.s3.amazonaws.com/publication/download\\_pdf/PAS-Report-494.pdf](https://planning-org-uploaded-media.s3.amazonaws.com/publication/download_pdf/PAS-Report-494.pdf)

### Inclusionary zoning

Grounded Solutions Network project “inclusionaryhousing.org”, developed with the National Housing Conference and the Lincoln Institute for Land Policy, ‘How Does Inclusionary Housing Work?’: <http://inclusionaryhousing.org/inclusionary-housing-explained/what-is-inclusionary-housing/inclusionary-housing-work/>; <https://inclusionaryhousing.org/inclusionary-housing-explained/what-are-the-downsides/>

Urban Institute, Inclusionary Zoning. ‘What Does the Research Tell Us about the Effectiveness of Local Action?’: [https://www.urban.org/sites/default/files/publication/99647/inclusionary\\_zoning\\_what\\_does\\_the\\_research\\_tell\\_us\\_about\\_the\\_effectiveness\\_of\\_local\\_action\\_2.pdf](https://www.urban.org/sites/default/files/publication/99647/inclusionary_zoning_what_does_the_research_tell_us_about_the_effectiveness_of_local_action_2.pdf)

Mercatus Center, George Mason University, “Inclusionary Zoning and Housing Market Outcomes”: <https://www.mercatus.org/system/files/hamilton-inclusionary-zoning-mercatus-working-paper-v2.pdf>; “Inclusionary Zoning Hurts More Than It Helps”, Policy Brief: [https://www.mercatus.org/system/files/hamilton\\_-\\_policy\\_brief\\_-\\_inclusionary\\_zoning\\_hurts\\_more\\_than\\_it\\_helps\\_-\\_v1.pdf](https://www.mercatus.org/system/files/hamilton_-_policy_brief_-_inclusionary_zoning_hurts_more_than_it_helps_-_v1.pdf)

Lincoln Institute of Land Policy. “Inclusionary Housing Creating and Maintaining Equitable Communities”: [https://www.lincolnst.edu/sites/default/files/pubfiles/inclusionary-housing-full\\_0.pdf](https://www.lincolnst.edu/sites/default/files/pubfiles/inclusionary-housing-full_0.pdf)

Furman Centre for Real Estate & Urban Policy, New York University, School of Law and Wagner School of Public Service, “Silver Bullet or Trojan Horse? The Effects of Inclusionary Zoning on Local Housing Markets” Working Paper 08-01: <https://furmancenter.org/files/SilverBullet08-01.pdf>

### Tax increment financing

World Bank, Washington, DC waterfront redevelopment case study (also see other tabs on navigation bar): <https://urban-regeneration.worldbank.org/Washington>

National Housing Conference, Tax Increment Financing: the Basics: <https://www.nhc.org/policy-guide/tax-increment-financing-the-basics/>

City Lab, “TIF plays a role in megaprojects such as Chicago’s Lincoln Yards and Amazon’s HQ2 in Arlington, Virginia”: <https://www.citylab.com/equity/2019/10/tax-increment-financing-explained-tif-economic-development/597313/>

## Chapter 4

# CLIMATE-NEUTRAL HOUSING

Decarbonizing the housing stock in an inclusive and affordable way

A+++

A++

A+

A

ENERGY

## CHAPTER IV: CLIMATE-NEUTRAL HOUSING

### Decarbonizing the housing stock in an inclusive and affordable way

#### Why are climate-neutral housing construction and renovation policies important for affordable and sustainable housing?

In 2019 the buildings and construction sector accounted for 36 per cent of final energy use. CO<sub>2</sub> emissions from the operation of buildings have increased to their highest level yet at around 10 GtCO<sub>2</sub>, or 28 per cent of total global energy-related CO<sub>2</sub> emissions. With the inclusion of emissions from the buildings construction industry, this share increases to 38 per cent of total global energy-related CO<sub>2</sub> emissions.<sup>324</sup> According to UNECE,<sup>325</sup> in the economically developed countries, buildings consume over 70 per cent of the electrical power generated and 40 per cent of primary energy and are responsible for 40 per cent of CO<sub>2</sub> emissions from combustion. Therefore, buildings have the largest potential for improving energy efficiency (EE) and mitigating greenhouse gas (GHG) emissions. Renewable energy technology alone cannot meet EE and GHG emission requirements, despite recent improvements.

Priorities differ from country to country and solutions need to be tailored accordingly. While some regions/sectors may urgently need to insulate old housing stock, the priority of others could be to switch energy sources to renewables (insulation is no longer a main concern) and/or tackle fuel poverty.

Energy prices are a significant part of our domestic expenditures and, on average, prices that consumers

pay (especially for gas and electricity) have risen over the last decade in many parts of the world. In 2018, the poorest households in Europe spent 8.3 per cent of their total expenditure on energy costs, with the percentage even higher (15–22 per cent) in some Central and Eastern European countries.<sup>326</sup> Together with increasing costs for land (see chapter 2) and increasing property and rent prices, energy cost is putting households in a challenging economic situation, especially the low-income households.<sup>327</sup> This phenomenon is also called “energy poverty” (see figure X).

The UNECE workshop on social housing, in 2014,<sup>328</sup> reported that in the UNECE region:

- More than 87 million people live in poor-quality dwellings
- Almost 42 million face arrears on their utility bills
- More than 52 million people cannot keep their home adequately warm
- The urban heat island effect will increase the energy demand for cooling
- Over 161 million face disproportionate housing expenditure.

324 United Nations Environment Programme, 2020 Global Status Report for Buildings and Construction: Towards a Zero-Emission, Efficient and Resilient Buildings and Construction Sector (Nairobi, 2020). Available at [https://globalabc.org/sites/default/files/inline-files/2020%20Buildings%20GSR\\_FULL%20REPORT.pdf](https://globalabc.org/sites/default/files/inline-files/2020%20Buildings%20GSR_FULL%20REPORT.pdf).

325 UNECE, Framework Guidelines for Energy Efficiency Standards in Buildings (ECE/Energy/GE.6/2017/4).

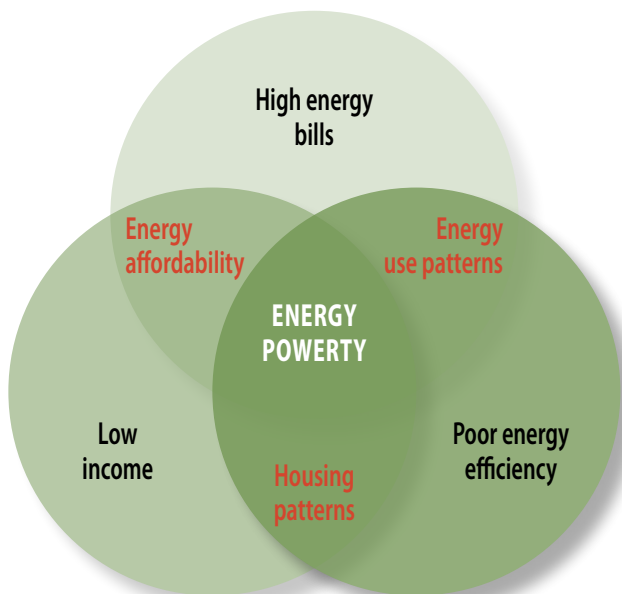
326 European Commission, “Energy prices and costs in Europe”, October 2020. Available at [https://ec.europa.eu/energy/data-analysis/energy-prices-and-costs\\_en?redir=1#energy-costs-for-the-economy-households-and-industry](https://ec.europa.eu/energy/data-analysis/energy-prices-and-costs_en?redir=1#energy-costs-for-the-economy-households-and-industry); European Commission, “Electricity prices for household consumers - bi-annual data (from 2007 onwards)”, Eurostat. Available at [https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nrg\\_pc\\_204&lang=en](https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nrg_pc_204&lang=en); EU-Energy Poverty Observatory. Available at <https://www.energy-poverty.eu/> (accessed on 16 April 2021).

327 OECD, “Housing Costs Over Income”, Affordable Housing Database. Available at <https://www.oecd.org/els/family/HC1-2-Housing-costs-over-income.pdf>.

328 UNECE, *Report of the workshop The Future of Social Housing Environmental and Social Challenges and the Way Forward*, Geneva, Switzerland, 4 and 5 February 2014. Available at [https://www.unece.org/fileadmin/DAM/hlm/prgm/hmm/social\\_housing/2014\\_geneva/2014\\_social\\_housing\\_report.pdf](https://www.unece.org/fileadmin/DAM/hlm/prgm/hmm/social_housing/2014_geneva/2014_social_housing_report.pdf).



**Figure X** Drivers of energy poverty and key indicators



Source: Adapted from ASSIST Consortium, “Vulnerable Consumers and Fuel Poverty Report” (2019). Available at [https://www.assist2gether.eu/documenti/risultati/vulnerable\\_consumers\\_and\\_fuel\\_poverty\\_report.pdf](https://www.assist2gether.eu/documenti/risultati/vulnerable_consumers_and_fuel_poverty_report.pdf).

Large-scale housing renovation programmes are essential to meeting the goals of the Paris Agreement<sup>329</sup> and related SDGs. Such efforts also benefit the creation of new jobs and increase the comfort and health levels in living and working spaces. However, renovation ambitions can have adverse effects if they do not take into account the socio-economic situation, especially of the most vulnerable households. In some countries, such as France, Sweden, Denmark and the Netherlands, social and affordable housing landlords are leading the planned EU Renovation Wave<sup>330</sup> although not all housing systems have the benefit of large and capable social, public or cooperative housing sectors as, for example, in Austria. In this chapter, the city of Vienna provides an example of a form of investment in energy efficiency, and of a process of “soft urban renewal” in chapter III of this report.

329 The long-term temperature goal of the Paris Agreement is to keep the increase in global average temperature to well below 2 °C above pre-industrial levels; and to pursue efforts to limit the increase to 1.5 °C.

330 European Commission, “Renovation Wave: doubling the renovation rate to cut emissions, boost recovery and reduce energy poverty”, 14 October 2020. Available at [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_1835](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1835).

Climate-neutral construction and renovation will need to become the new norm. So far policy actions have not focused on lowering CO<sub>2</sub> emissions in the residential sector. Yet, there is a growing recognition of the need to accelerate and widen policy efforts, expanding their narrow focus from just the building to a more systemic approach. This would also encompass the energy production system, neighbourhood planning and the circular and resource efficient use of building materials and services. Beyond the demands of climate change, the post COVID-19 economic recovery, has also provided impetus for renovation to create comfortable, energy-efficient homes and stimulate employment at the local level. Energy efficiency investments in buildings can create jobs, as much as up to 30 jobs for every million euro invested.<sup>331</sup>

This chapter aims to support decision makers by providing examples of climate policy tools that can help in the implementation of climate neutral and affordable housing solutions and correspondingly contribute towards the achievement of related climate targets in the UNECE region.

### What tools contribute to climate-neutral housing construction and renovation?

Climate policy tools, often combining regulation, non-regulatory policy initiatives, funding and financial incentives as well as awareness-raising and training, must be used together on all levels and across all stakeholders to enable progress towards climate neutrality and housing affordability.

A summary of the most commonly used climate policy tools is presented in table 33.

331 International Energy Agency (IEA), “Sustainable Recovery”, World Energy Outlook Special Report (June 2020). Available at <https://www.iea.org/reports/sustainable-recovery> (accessed on 17 April 2021).



**Table 33** Climate policy tools most commonly used by national and sub-national governments

Tool	Definition
<b>Ban and phase out of fossil fuel heating systems</b>	A ban or a phase out of fossil-fuel-powered heating systems (e.g. tied to a grace period) is a strong measure to steer and accelerate technology changes.
<b>Certification</b>	Deep renovation passports/roadmaps are applied to stipulate clear renovation steps and milestones. An Energy Performance Certificate (EPC) provides details on the energy performance of a property and suggestions for improvement. It is required for constructing, selling or letting properties. If the energy performance is above the average, residents benefit (e.g. economically).
<b>Performance obligations within a set time period</b>	Some types of existing building stock, depending on their energy performance ratings, should be renovated until a certain year. For example, buildings that fall into the G and F categories have to be renovated by 2028.
<b>Mandatory inspections</b>	Mandatory regular inspection of heating and cooling systems helps to keep their optimal mode of operation.
<b>Regulation/Allowance of roof extensions</b>	Especially in areas close proximity to urban resources, regulations can facilitate increased density, such as an additional floor, providing energy renovation also takes place.
<b>Tax instruments</b>	Tax rebates or tax breaks are widely used to influence the behaviour of consumers and businesses. For example, governments may grant a tax credit to promote something specific - such as replacing older appliances with more energy-efficient ones.
<b>Energy or CO<sub>2</sub> taxation</b>	Energy taxation is an important instrument for governments to ensure a clean energy transition while respecting the principle of subsidiarity and proportionality. The World Bank defines a carbon tax as “a form of explicit carbon pricing; it refers to a tax directly linked to the level of carbon dioxide (CO <sub>2</sub> ) emissions, often expressed as a value per ton CO <sub>2</sub> equivalent (per tCO <sub>2</sub> equivalent). Carbon taxes provide certainty regarding the marginal cost faced by emitters per tCO <sub>2</sub> -equivalent but do not guarantee a maximum level of emission reductions, unlike an emissions trading scheme”.a A sustainable energy and CO <sub>2</sub> taxation system that ensures provision of affordable housing and keeping housing affordable should be established.
<b>Public Procurement of Innovative (PPI) solutions</b>	Public procurement refers to the purchase by governments and state-owned enterprises of goods, services and works. The public sector uses its purchasing power to act as early adopter of innovative solutions which are not yet available on a large-scale commercial basis.
<b>Coordinated national or multi-national strategies</b>	Examples include the European Commission Green Deal, the Spanish National Energy Efficiency Action Plan 2017-2020 and Housing Plan 2018, and the Dutch Energy Agreement (in Dutch: Energieakkoord) 2013-2023.
<b>Grants for investment in deep renovation</b>	Grants for investment in deep renovation are mainly offered by public authorities. They are heterogeneous by nature and range from investigating the challenges and opportunities of deep renovation to specific technological solutions to be promoted (e.g. energy-efficient heat pumps).

**Table 33** Climate policy tools most commonly used by national and sub-national governments (continued)

Tool	Definition
Grant programmes	They are given for insulation works or to install renewable energy sources.
Promotion of energy performance contracting	Energy performance contracting is a market-based instrument for the implementation of energy efficiency in buildings and is a contractual arrangement between a beneficiary (e.g. building owner or occupier) and a provider (usually an energy service company (ESCO)) to improve the energy efficiency of a building.
Public credit default guarantees	Public credit guarantee schemes have gained popularity as a tool to try to increase access to credit for firms perceived to be financially constrained, typically small and medium-sized enterprises. The public is stepping in when a credit fails (risk shifting). These public credits could be provided only to housing associations that provide affordable living space (existing or new).
Soft loans	A soft loan is a loan with no interest or a below-market rate of interest. They typically offer longer amortization schedules than conventional bank loans.
State-run innovative financing schemes	State-run innovative financing schemes are covering a wide range of approaches, for example, revolving funds for energy efficiency measures.
Moderating and coaching	The Energy Coaches are a financially supported resource for homeowners and commercial building owners and managers. They are trained energy efficiency specialists who provide building-science based information about the options and opportunities to improve the energy efficiency of a building (project).
Strategic research	Financial support for research and development projects to stimulate strategic energy innovations. <sup>b</sup>
Demonstration and information on good practice examples	Good practices, both in terms of technological innovation and organizational practices, can be promoted for wider adoption, through a variety of media - from open source databases to customised study tours.

<sup>a</sup> World Bank, "Pricing Carbon", 22 June 2020. Available at <https://www.worldbank.org/en/programs/pricing-carbon>.

<sup>b</sup> For instance, Housing Europe participates in research and innovation projects with the support of the EU Horizon 2020 programme (<https://www.housingeurope.eu/section-38/our-projects>).

### What climate policy tools are used to provide social and affordable housing?

A powerful toolbox combines technological innovations with behaviour-related programmes as well as a strategic investment. It acknowledges established social-cultural influences, dynamic economic conditions and local climatic variations. It uses instruments that are relevant to the different phases of a building's life cycle while ensuring affordability and combating fuel related poverty.

Common tools for enacting energy and climate policy in the social and affordable housing sector include:

- Legislating to prohibit excessive rent increases when energy related renovations are undertaken and ensure the costs are spread over long periods through reasonable rent indexation
- Combining investment in renovation with an economic support programme to ensure that energy improvements do not leave to excessive costs to tenants, such as the EU Just Transitional Mechanism

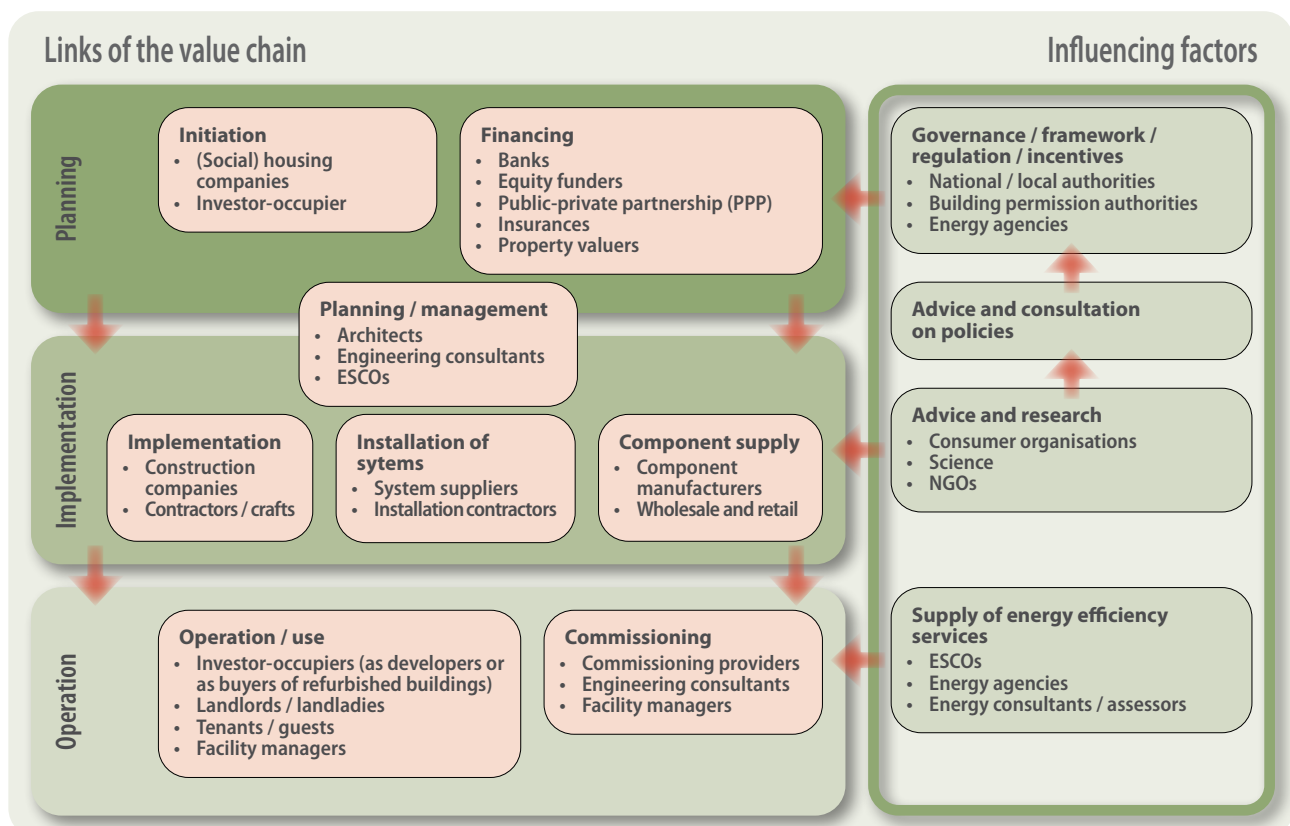
- Designating specific areas for low-carbon and affordable housing development in strategic urban plans, with detailed zoning requirements and development conditions
- Purchasing existing buildings by a designated authority and coordinating renovation programmes to ensure the provision of low-rent social housing
- Investing in low carbon social housing and social housing renovation
- Providing soft or long-term loans to “social building owners” committing to environmental and social goals
- Enabling the creation and registration of mandatory or voluntary homeowners’ associations
- Building capacity in energy efficiency, for example, on environmental impact and cost ratios, tenant engagement possibilities, life cycle costs etc. among building owners, managers and end-users
- Conducting competitions for technological energy efficiency solutions involving affordable housing.

### How can policymakers ensure that climate policy is effective in supporting affordable and sustainable housing provision?

A policy toolbox for new housing leaves greater space and opportunities to influence and assure a carbon-neutral construction than in the case of an existing building stock. The “use stage” and the “end of life stage” play crucial roles and bring additional challenges when existing homes or communities need to undergo renovation. Nevertheless, for both types of buildings a successful policy toolbox has to carefully interact with all stakeholders involved, the most relevant of which are the (future) residents, architects, financiers, construction companies, contractors, component and material suppliers, and the building owners and managers (see figure XI).

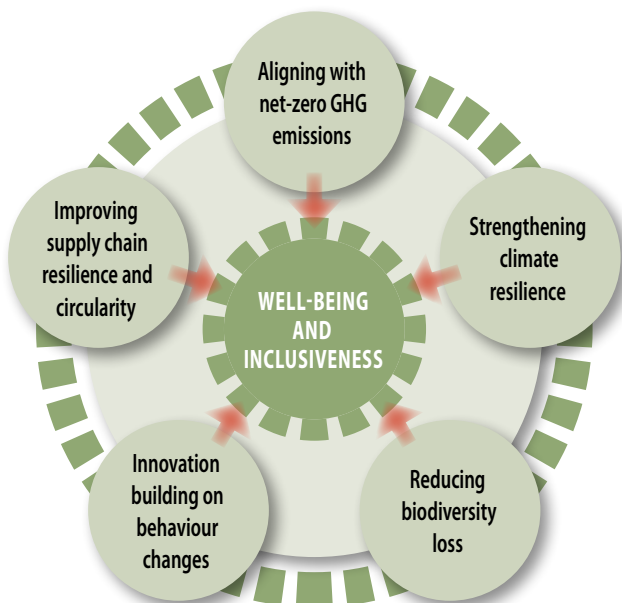
Figure XI illustrates the complex framework of interactions between actors, which policymakers need to acknowledge. Of major importance will be the contribution to address and solve the so-called landlords/tenant “split incentive” dilemma as well as the principal/agent split.

**Figure XI** Actor constellation in the building renovation sector



Source: Justus von Geibler and others, “Policy options for residential housing in Europe: Scaling energy renovation at multi-building level”, Deliverable 5.5, DREEM, 30 September 2019. Available at [https://dreem.eu/wp-content/uploads/2020/09/D.5.5\\_DREEM\\_Report\\_policy\\_options\\_for\\_residential\\_housing\\_in\\_Europe.pdf](https://dreem.eu/wp-content/uploads/2020/09/D.5.5_DREEM_Report_policy_options_for_residential_housing_in_Europe.pdf).

**Figure XII** Key dimensions for Building Back Better



Source: OECD, "Building Back Better: A Sustainable, Resilient Recovery after COVID-19", 5 June 2020. Available at [https://read.oecd-ilibrary.org/view/?ref=133\\_133639-s08q2ridhf&title=Building-back-better- A-sustainable-resilient-recovery-after-Covid-19](https://read.oecd-ilibrary.org/view/?ref=133_133639-s08q2ridhf&title=Building-back-better- A-sustainable-resilient-recovery-after-Covid-19) (accessed on 23 November 2020).

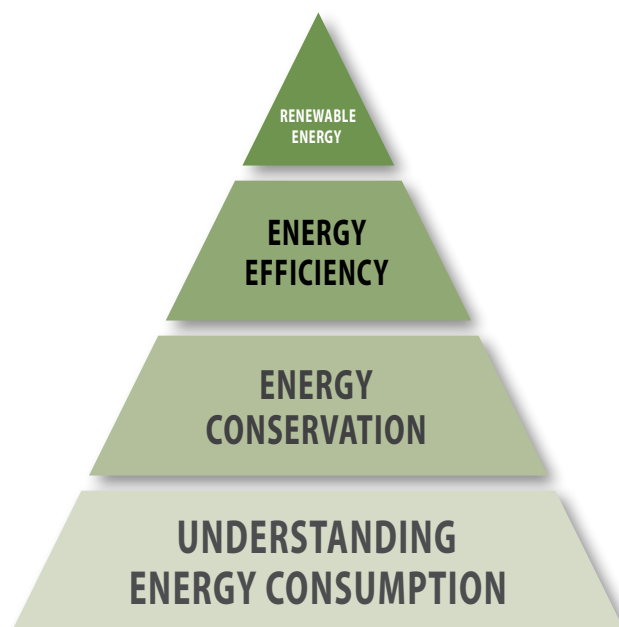
Studies have revealed that not all tenants may want to or be able to afford the changes needed to redirect society towards preventing global warming.<sup>332</sup> Hence, it is very important to reflect on whether tenants are considered as permanent ones and whether their needs for affordable and secure homes are treated equally important as being energy-efficient and low carbon to address global warming in line with the sustainable and resilient recovery plans after COVID-19 (see figure XII).

The energy pyramid (see figure XIII) neatly illustrates that different aspects need to be addressed to save energy and to reduce GHG emissions. Raising awareness of the activities and reasons for energy consumption is the basic element of a sustainable energy strategy.

332 Jenny Stenberg, "Dilemmas associated with tenant participation in renovation of housing in marginalized areas may lead to system change", *Cogent Social Sciences*, vol. 4, Issue 1 (September 2018).

For the housing sector, raising awareness refers to the behaviour of residents and their energy consumption patterns. An advanced understanding of energy consumption enables energy conservation measures in terms of careful use of energy by the residents. Energy efficiency measures are representing the next level in the energy pyramid and they are plenty of solutions available, from installing energy-efficient equipment and systems, such as eco-labelled refrigerators, LED-based lighting systems up to deep renovation measures of the building envelope and the building technical systems. Finally, the usage of renewable energy sources to cover the remaining energy demand completes the energy pyramid (see figure XIII).

**Figure XIII** The energy pyramid



Source: Dennis Buffington, "The Energy Pyramid", *Mushroom News*, vol. 58, No. 5 (May 2010).

According to the European Fuel Poverty and Energy Efficiency Project, actions and measures to tackle energy poverty and improve the indoor environmental quality of housing of low-income households work towards three targets:

- Improve the energy efficiency of buildings occupied by vulnerable households including a commitment to and effort in educating households on the rational use of energy and energy saving
- Reduce energy prices for the households
- Strengthening low incomes as much as possible.



- Based on several studies, the most cost-effective and efficient means to address energy poverty are often summarized as:<sup>333</sup>
- Improvements in the dwellings' envelope
- Passive heating and cooling techniques
- Considering local energy-generating possibilities (e.g. "prosumer" and renewable energy communities)
- Improvement of the building's services (such as replacement of heating system, heat recovery etc.).

Experiences have shown that energy efficiency requirements on new buildings, especially on renovation projects, could negatively impact affordability of rental housing payments. Therefore, governments have to carefully design, implement and monitor climate policies in such a way that the environmental progress that is being aimed does not place an excessive financial burden on low-income tenants and/or owner-occupiers, and is not achieved at the cost of affordability and security of occupancy. Climate policies should also be effective in addressing and overcoming market distortions that continue to reinforce reliance on fossil fuels.

Municipalities and public housing associations have a major responsibility to assure a sufficient supply of energy-efficient, low carbon and affordable houses. Furthermore, governments have to define the framework conditions in a way that public and private building owners are incentivised to plan, build, operate and maintain climate- and people-friendly housing, incorporating different complementary reforms - such as legislative changes, financial incentives and better dissemination of information – in the package solution.<sup>334</sup>

### How have climate-neutral housing construction and renovation policy tools been used in practice?

The housing sector is faced with the dilemma of increasing energy efficiency, especially in the existing housing stock, and assuring affordability of rents for tenants and owner-occupiers. Several studies have shown that deep renovation projects resulted in a significant rent increase.<sup>335</sup> Oftentimes the amount saved on energy from the renovation does not compensate for the rent increase imposed on households. This is because in most cases energy improvements are also combined with overall improvements of the housing quality (e.g. bathroom renovations, installation of a new kitchen, higher quality flooring etc.).

There are some energy-efficiency measures that are considered "no-cost" or "low-cost" options. An example of a low-cost option is the replacement of old light bulbs with energy-efficient ones and a no-cost option would be the change in user behaviour (e.g. reducing the level and duration of heating; not keeping windows ajar the whole day and instead, open windows two to three times a day for 5-10 minutes; sealing major air leakages from windows and doors). These measures may be small, but they have a relevant contribution to achieving the Net Zero Carbon Emissions goal by 2050.<sup>336</sup>

Beyond energy use from housing (ultimately, GHG emissions), the design and construction of neighbourhoods and cities are also important. Fragmented, isolated and low-density living environments are generally far more energy-intensive relying on fossil-fuelled transport. More compact communities, with an accessible mix of housing options and in close proximity to resources such as education and employment, tend to encourage walking and cycling. They are not only less energy-intensive but also better from a health perspective. Town planning, land use zoning and transport system that facilitate the

333 D. Kolokotsa, and M. Santamouris, "Review of the indoor environmental quality and energy consumption studies for low income households in Europe", *Science of The Total Environment*, vol. 536 (1 December 2015), pp. 316-330.

334 For a review of recent and proposed efforts by EU countries to address energy-related poverty, see Stefan Bouzarovski and Harriet Thomson, "Towards an inclusive energy transition in the European Union: Confronting energy poverty amidst a global crisis", EU Energy Poverty Report (Luxembourg, Publications Office of the European Union, 2020). Available at [https://www.energy-poverty.eu/sites/default/files/downloads/observatory-documents/20-06/epov\\_third\\_report\\_final\\_v2\\_compressed.pdf](https://www.energy-poverty.eu/sites/default/files/downloads/observatory-documents/20-06/epov_third_report_final_v2_compressed.pdf).

335 Mangold, M., M. Österbring, H. Wallbaum, L. Thuvander, and P. Femenias. 2016. 'Socio-Economic Impact of Renovation and Energy Retrofitting of the Gothenburg Building Stock'. *Energy and Buildings* 123: 41–49. <https://doi.org/10.1016/j.enbuild.2016.04.033>.

336 IEA, Impact of behaviour changes on CO<sub>2</sub> emissions in the Net Zero Emissions by 2050 Case, 2021-2030, IEA, Paris. Viewed at: <https://www.iea.org/data-and-statistics/charts/impact-of-behaviour-changes-on-co2-emissions-in-the-net-zero-emissions-by-2050-case-2021-2030>.

creation of compact mixed cities and towns and provide quality neighbourhood recreation and low-carbon mobility, especially in greenfield developments, can have a large positive impact on energy use. In Chapter III, the land, housing and transport agreements of Finland have illustrated how comprehensive neighbourhood planning and intelligent strategic investment can ensure low carbon, affordable and accessible housing.

Urban planning focusing on sustainability, liveability, and inclusion promotes affordable and inclusive housing in all neighbourhoods, reduces reliance on cars, brings workers and school children closer to their homes, reduces the need for time-consuming commuting, supports quality local neighbourhoods and reduces the necessity for intensive, polluting road investments.

The following sections illustrate a few examples of climate policies that have been implemented by different governments around the world, and the arguments in favour of and against using each of these tools. They may be used as practical sources of inspiration which, when appropriately adapted, can inform the design and implementation of local solutions.

### Energy performance-related building regulations

Governmental regulation in the framework of climate policies for housing defines the way business, in a wider sense, can operate and it also defines the rules or mechanisms that limit, steer, or otherwise control social behaviour. Governments (national and sub-national) are the legislative authorities providing the legal framework to the stakeholders of the construction sector (see figure XI). EE-related building regulations are a very powerful climate policy tool and are implemented widely all over the world. They are the basis for all energy renovation-related policy measures, as they are binding for all stakeholders involved.

Since the first oil crisis in the early 1970s, EE measures in building codes have been developed more intensively to provide a “comfortable” indoor environmental quality and avoid climate-related building damages (such as mould) as well as to reduce the energy demand of residential buildings in the heating period. The first EE measure that was required was the thermal insulation of a building envelope, that is, roof, outer walls, slab on ground (in colder climates), windows and doors.

Over the years, the EE requirements in the building codes have been strengthened together with the development of innovative building materials and advanced building technologies (e.g. double and later triple glassed windows, high-performing insulation materials, heating, ventilation and air conditioning systems with exhaust heat recovery etc.) There are several examples worldwide of successful implementation of EE requirements which led to a significant reduction of energy consumption of buildings over the years, with a focus on new constructions whereas legal requirements on the existing building stock have only been introduced more recently.

It is not just the physical aspects of buildings that matter but also how they are segregated, as this influences how people use them, how journeys to and from home are made, and therefore, the use of energy. Energy-efficient cities regulate land use and development to encourage a mix of compatible work and lifestyles and prevent low-density housing from causing urban sprawl. Energy-efficient cities provide services at the right scale to promote self-sufficiency and reduce the need for inter-city travel, with bike lanes and walking paths linking neighbourhoods, healthier, low carbon local mobility such as cycling, and walking becomes the norm.



© ADOBE STOCK

### Box 9 What is the rationale for regulations related to energy performance of buildings?

#### Arguments in favour of regulations related to energy performance of buildings

- ✓ To provide clear guidance and reliability on future expectations for the stakeholders involved.
- ✓ To stimulate innovations that the market is reluctant to explore.
- ✓ To create new markets that would not evolve fast enough due to unfavourable framework conditions.
- ✓ To encourage supporting vocational as well as educational programs.
- ✓ To fulfil national/trans-national planning objectives via active energy and climate policy.

#### Arguments against regulations related to energy performance of buildings

- ✗ The results achieved do not always justify the administrative resources involved.
- ✗ Local authorities do not always have the capabilities to monitor compliance of standards.
- ✗ Well-meaning regulations might generate negative rebound-effects, such as excessive inflation of materials or labour costs.
- ✗ International regulations may not adequately acknowledge local circumstances.
- ✗ Risk of becoming obsolete as government and regulations are slower than market innovation.

Source: Oleg Golubchikov and Paola Deda, "Governance, technology, and equity: An integrated policy framework for energy efficient housing", *Energy Policy*, vol. 41 (February 2012), pp. 733–741.

### Energy Performance of Buildings Directive of the European Union

In 2010, EU has established a legislative framework that includes the Energy Performance of Buildings Directive (EPBD)<sup>337</sup> and the Energy Efficiency Directive. Together, the directives promote policies that aim to achieve a highly energy-efficient and decarbonized building stock by 2050, create a stable environment for investment decisions, and enable consumers and businesses to make more informed choices to save energy and money. Following the introduction of energy performance rules in national building codes, buildings today consume only half as much as typical buildings from the 1980s.

As part of the "Clean energy for all Europeans" package, both directives were amended in 2018 and 2019. In particular, the 2018 amendments to EPBD<sup>338</sup> introduced new elements to increase building renovations which is binding for all the EU Member States, and stipulates targets, levels and deadlines for EE improvements. All the member States had to incorporate these amendments into their legal regulatory systems.

Figure XIV European Union energy labels



Image from: [depositphotos.com](https://depositphotos.com)

337 Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32010L0031&from=EN>).

338 Directive (EU) 2018/844 of the European Parliament and of the Council of 30 May 2018 amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L0844&from=EN>.

### National building renovation obligation – France

Further amendments made in 2018 to strengthen and refine EPBD links it to the long-term strategies of the EU Member States. The strategies are monitored using clear “progress indicators”.

The most forward-thinking utilization of the information provided in the EPCs has been seen so far by the introduction of performance-based renovation targets and requirements in France. They discuss a national obligation to renovate all buildings of the energy classes F and G by 2028. The French Energy and Climate Act<sup>339</sup> include innovative ideas on how to deal with worst-performing buildings, for example, by introducing mandatory audits as of 2022.

France has long been actively improving the energy efficiency of its social housing stock, and social housing providers are accelerating the switch to low-emission energy and ensuring that improvements are passed on to tenants further reducing energy-related poverty. Social landlords have committed to local low-carbon construction supply chains, scale efficiency, and recycling of materials, to move towards a more circular economy.<sup>340</sup>

In developing the supply of social housing, in particular for low-income and very low-income households, the “L’Union sociale pour l’habitat” aims to improve the quality and maintain a high level of urban design. The Union proposes a 3-year plan for new housing construction (more than 300,000 housing units) and rehabilitation of housing (approximately 400,000 units), depending on the capacity of construction companies and their subcontractors and suppliers to meet the demand and to preserve nearly 500,000 jobs in the sector.

339 Nicolas Boring, “France: Law on Energy and Climate Adopted”, Library of Congress, 2019. Available at <https://www.loc.gov/item/global-legal-monitor/2019-12-04/france-law-on-energy-and-climate-adopted/>.

340 L’union sociale pour l’habitat. Available at <https://www.union-habitat.org/rapport-activite/2019-2020/#hlm-modele> (accessed 23 November 2020).

### Energy Performance Certificates – European Commission

EPCs were introduced in 2002 in the framework of the European legislation as an integral part of EPBD. The ultimate goal of EPCs is to create a demand-driven market for energy efficiency in the building sector. EPCs aim to serve as an information tool for building owners, occupiers and property actors when selling or renting out a building/unit. An EPC provides the energy performance of a building similar to the EU Energy Label, for example, for household appliances.

All member States have set up a system to collect EPC data voluntarily. These EPC registers are the primary source of information regarding energy-certified buildings, but the share of buildings registered in the EPC database varies across Europe. To ensure compliance with energy performance requirements, checks are conducted during the building process and fines are imposed for violations (e.g. Belgium). Sometimes, compliance to energy performance is checked when a dwelling, classified E, is rented out (e.g. United Kingdom).<sup>341</sup> In Scotland, United Kingdom, private landlords are obliged to ensure they have at least “D class” energy rating when letting out apartments or they must ensure that properties are improved to meet the required energy standard before they are sold or rented out to new tenants.<sup>342</sup> Scotland has also published, in February 2021, its draft Heat in Buildings Strategy.<sup>343</sup> The draft has further details of the forthcoming changes to EPCs, including potential reforms, and the regulatory framework for all housing tenures (<https://www.gov.scot/publications/heat-buildings-strategy-achieving-net-zero-emissions-scotlands-buildings-consultation/>).

341 United Kingdom, Gov.UK, “Guidance for landlords of domestic private rented property on how to comply with the 2018 ‘Minimum Level of Energy Efficiency’ standard (EPC band E)”, 4 May 2020. Available at <https://www.gov.uk/guidance/domestic-private-rented-property-minimum-energy-efficiency-standard-landlord-guidance>.

342 For details on the funding of the social housing energy D standard, see <https://www.gov.scot/policies/home-energy-and-fuel-poverty/energy-efficiency-in-social-housing/>.

343 Scotland, *Heat in buildings strategy – net zero emissions: consultation* (Edinburgh, Government of Scotland, 2021). Available at <https://www.gov.scot/publications/heat-buildings-strategy-achieving-net-zero-emissions-scotlands-buildings-consultation/>.



For the social sector, Scotland has just come to the end of the first milestone of the Energy Efficiency Standard for Social Housing (ESSH1) and is now moving to the second milestone (ESSH2). The ESSH2 target is: “All social housing meets, or can be treated as meeting, EPC Band B (Energy Efficiency rating), or is as energy efficient as practically possible, by the end of December 2032 and within the limits of cost, technology and necessary consent. In addition, no social housing below EPC Band D should be re-let from December 2025, subject to temporary specified exemptions.”<sup>344</sup>

#### The German Building Code – Energy Conservation Act (Energieeinsparverordnung) – Germany

Another example of a powerful regulation is the German Building Code - Energy Conservation Act (Energieeinsparverordnung – EnEV)<sup>345</sup> - that requires the replacement of combustion units that are more than 30 years old. Furthermore, it requires the insulation of ceilings touching unheated roofs and of previously uninsulated hot water and heating pipes and their fittings in unheated spaces in case of an ownership change.

In most cases, building regulations related to energy efficiency primarily pursue environmental goals and need to be complemented by supporting financing schemes, for example, to avoid negative consequences for vulnerable households.

### Regulating the urban environment for energy efficiency

Apart from regulations and certification governing the energy efficiency of housing, the regulation of the broader urban environment is also key.

National and city governments have a key role to play in regulating and promoting more energy-efficient liveable cities. In Scotland, United Kingdom, there have been commitments from the Government to work towards a 20-minute-neighbourhood concept, “where people can meet their needs within a 20-minute walk from their house – enabling people to live better, healthier lives and supporting our net zero ambitions”<sup>346</sup> There are also plans for Local Heat and Energy-Efficiency Strategies (LHEES) to be in place across Scotland from 2023.<sup>347</sup> This can be done by integrating housing, infrastructure and transport plans to promote mixed, compact and walkable cities. Enacting land-use strategies may also involve regulations that steer more compact urban growth, with a more dense and interconnected mobility network. Standards for the creation of parks and living spaces can also ensure accessible green spaces and that every citizen lives within a reasonable distance from a local public park, square, or garden. A number of other approaches to affordability and environmental planning evolve in different contexts. For example, the Finnish MAL neighbourhood agreements which co-ordinate multi-level policy with strategic investments in land use, housing and transport, and the Viennese “soft renewal”, mentioned in Chapter III.

Land-use regulations can also encourage smaller blocks with a range of uses, and encourage mixed-use developments, where people can live and walk to work, school, services or play areas. Good transport planning includes regulatory standards for block sizes to encourage safe walkability and for the design of streets to balance the needs of all users, including pedestrians and cyclists.<sup>348</sup>

344 European Commission, Directorate-General for Energy, *Good Practice in Energy Efficiency* (Luxembourg, Publications Office of the EU, 2017), p. 13. Available at [https://ec.europa.eu/energy/sites/ener/files/documents/good\\_practice\\_in\\_ee\\_web.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/good_practice_in_ee_web.pdf); For details on the funding of the social housing energy D standard, see <https://www.gov.scot/policies/home-energy-and-fuel-poverty/energy-efficiency-in-social-housing/>.

345 For details on the Energy Conservation Act, see [https://enev-online.com/enev\\_2014\\_volltext/enev\\_2014\\_verkuendung\\_bundesgesetzblatt\\_21.11.2013\\_lesversion.pdf](https://enev-online.com/enev_2014_volltext/enev_2014_verkuendung_bundesgesetzblatt_21.11.2013_lesversion.pdf) (accessed on 7 October 2020).

346 Scotland, Scottish Government, *Protecting Scotland, Renewing Scotland* (Edinburgh, 2020). Available at <https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2020/09/protecting-scotland-renewing-scotland-governments-programme-scotland-2020-2021/documents/protecting-scotland-renewing-scotland/protecting-scotland-renewing-scotland/govscot%3Adocument/protecting-scotland-renewing-scotland.pdf?forceDownload=true>.

347 Scotland, Scottish Government, “Local Heat and Energy Efficiency Strategies (LHEES): phase 2 pilots evaluation”, 23 October 2020. Available at <https://www.gov.scot/publications/local-heat-energy-efficiency-strategies-lhees-phase-2-pilots-evaluation/>.

348 Serge Salat, Mansha Chen and Feng Liu, “Planning Energy Efficient and Livable Cities”, Knowledge Series, No. 022/14 (Washington, D.C., Energy Sector Management Assistance Program/World Bank, 2014). Available at [https://www.esmap.org/sites/esmap.org/files/DocumentLibrary/ESMAP\\_CEETI\\_MayoralNote\\_6\\_PlanningEE%20Livable%20Cities\\_optimized.pdf](https://www.esmap.org/sites/esmap.org/files/DocumentLibrary/ESMAP_CEETI_MayoralNote_6_PlanningEE%20Livable%20Cities_optimized.pdf).

One increasingly important aspect of planning concerns energy generation and distribution in local communities, such as energy nets and heat districts.<sup>349</sup> The planning of energy-efficient and comfortable housing has been the subject of ZERO-PLUS<sup>350</sup> energy projects;<sup>351</sup> several completed developments are described on their website (<http://zeroplus.org/index.php>). Through effective regulation of land use, density and transport, the design and development of more energy-efficient and liveable urban forms can be promoted.

Calculative practices also build policy synergies between the objectives of affordability, resource efficiency (and circular economy) and environmental sustainability. Measurements of affordability can include the consideration of energy and transport (infrastructure) costs, and incorporate these when assessing future investments in infrastructure, housing and transport. Their results could make the costs of locational disadvantage and resource usage more visible, and thus inform better decision-making.

Overall, these approaches require the building of a stronger connection in planning strategies between housing affordability, energy efficiency, transport costs and GHG emissions. However, there is no one-size-fits-all approach, in part because of the complexity of the relationships involving the urban shape, form, density and current energy use in the context of specific cultural norms and climatic patterns. For this reason, many urban tools are often combined, involving multi-level governance and agreements over funding transfers, and can be adapted over time and customized to address local needs, norms and conditions.

### Non-regulatory climate policy initiatives

Non-regulatory approaches may, in some circumstances, be more appropriate or serve as useful supplements to an effective regulatory regime. They are also sometimes called “soft” regulation, and typically include self- and co-regulation, standards and recommendations:

- Self-regulation is where business or industry sectors formulate codes of conduct or operating constraints, on their own initiative, for which they are responsible for enforcing.
- Standards are documents based on voluntary compliance, established by consensus, and approved by a recognized body. Technical regulations, on the other hand, are mandatory requirements for the design, content, operation, and disposal of products to protect health and safety or minimize environmental damage.
- A recommendation is a legal instrument that encourages those to whom it is addressed to act in a particular way without being binding on them.

349 For an outline of district energy networks, see [https://www.designingbuildings.co.uk/wiki/District\\_energy\\_networks](https://www.designingbuildings.co.uk/wiki/District_energy_networks).

350 For information about ZERO-PLUS, see <http://www.zeroplus.org/#:~:text=The%20aim%20of%20ZERO%2DPLUS,2015%2D1%2DPPP>.

351 JPI Urban Europe, “Europe Towards Positive Energy Districts”, first update, February 2020. Available at [https://jpi-urbaneurope.eu/wp-content/uploads/2020/06/PED-Booklet-Update-Feb-2020\\_2.pdf](https://jpi-urbaneurope.eu/wp-content/uploads/2020/06/PED-Booklet-Update-Feb-2020_2.pdf).



**Box 10** What is the rationale for non-regulatory climate policy initiatives?**Arguments in favour of non-regulatory climate policy initiatives**

- ✓ To motivate stakeholders to take a pro-active role in defining and contributing to a climate initiative.
- ✓ To create trust in public and private collaborations.
- ✓ To reach other target groups via different communication channels than regulatory approaches do.
- ✓ To create synergies between governmental and market approaches.
- ✓ To fulfil national/trans-national planning objectives via collaborative active energy and climate policies.

**Arguments against non-regulatory climate policy initiatives**

- ✗ Legal and executive enforcement power is partially limited.
- ✗ The control might be more challenging.
- ✗ Well-intentioned approaches are mitigated by some stakeholders involved, which jeopardizes the achievement of the intended goals.
- ✗ Businesses do not always consider themselves as having responsibility for societal development.
- ✗ Could lead to an unwanted competitive advantage for the collaborator.

**The National Climate Agreement, the Netherlands**

An example of a soft regulation is the Dutch National Climate Agreement - “Klimaatakkoord” (<https://www.klimaatakkoord.nl/>). In 2019, an agreement with the electricity, industry, built environment, mobility, and agriculture sectors was achieved to deliver on climate goals. The central goal of the Agreement was to reduce emissions by 49 per cent in 2030 compared to 1990, with the further ambition of reaching 95 per cent less emissions by 2050. The Dutch Government engaged in an inclusive social dialogue that included a large number of organizations, NGOs and businesses. The Agreement contains several sectoral subchapters, including one on the built environment.

A central element of the approach to the built environment is switching buildings from natural gas to more sustainable heating sources. The approach includes measures on different thematic elements (a district-orientated approach to the built environment, tax instruments, and innovation instruments and education) and three sectoral approaches (private residences, residential rental properties and non-residential properties). The focus of this chapter in the agreement is the residential rental property segment; this consists mostly of measures taken by the social housing sector. A good overview, in English, of the entire chapter on the built environment, can be found in the Dutch Long-Term Renovation Strategy that was submitted to the European Commission in 2020.

Despite many fiscal and legal obstacles in recent years, Dutch housing corporations have signed a declaration that they are willing to increase their investment in construction (new construction, sustainability, and maintenance). The aim is to continue and accelerate these investments and, where possible, also make additional countercyclical investments when legal and financial frameworks allow for it.





The Climate Protection Initiative – Austria

Klimaaktiv is the climate protection initiative of the Federal Ministry for Sustainability and Tourism. Since 2004, Klimaaktiv has covered all central technology areas for sustainable energy use with the main topics “Building and renovation”, “Saving energy”, “Renewable energy” and “Mobility”. The initiative contributes to the development of quality standards, advice and training by communicating results via its digital platform of initiatives by companies, countries and municipalities, organizations and private individuals.

Klimaaktiv has developed a building certification scheme called Klimaktiv Gebäudestandard (Klimaaktiv building standard), which issues certification at three levels: Bronze, Silver and Gold. Concerning energy efficiency, CO<sub>2</sub> emissions, construction materials and other criteria, the Klimaaktiv standard has requirements that go significantly beyond the legal obligations set in the building code. In some Austrian provinces, the housing promotion scheme is linked to the Klimaaktiv certification standard (Klimaaktiv certification either as direct eligibility criteria or as bonus criteria). The majority (54 per cent) of all multifamily houses with the Klimaaktiv standard were built by limited-profit housing associations.<sup>352</sup>

**Financial incentives**

Apart from regulations and codes, financial incentives are one of the most commonly used and effective approaches among countries to support and direct the housing sector towards energy efficiency and assure affordability. Scaling up investment in energy efficiency is crucial to achieving a sustainable energy future. Financing instruments increase the availability of, or access to, capital for investing in energy-efficient buildings or retrofits.

Among the huge variety of financing schemes, preferential public loans and government-guaranteed financing schemes are potential public policy responses to address the existing financing gap and leverage additional private investment. Public co-investment and carefully structured government guarantees can accelerate energy-efficient retrofitting and the development of energy-efficiency technologies or services faster than mandatory minimum energy performance standards.

Financial tools can also aid affordability when providing low carbon housing or retrofit solutions to communities and households with limited financial capacity. They can also prepare markets for the next steps to strengthen mandatory minimum energy performance standards towards higher energy efficiency levels for retrofitting existing buildings while ensuring affordability.

An overview of the rationale of financial policy tools is provided in table 34.

**Table 34** What is the rationale for financial climate policy initiatives?

Arguments in favour of financial climate policy initiatives	Arguments against financial climate policy initiatives
<ul style="list-style-type: none"> <li>✓ To specifically target low-income households to prevent fuel poverty.</li> <li>✓ To address issues with known technical constraints.</li> <li>✓ To support innovation and the knowledge economy with future growth and job benefits.</li> <li>✓ To mobilize private co-funding.</li> <li>✓ Participation of financial intermediaries increases awareness.</li> </ul>	<ul style="list-style-type: none"> <li>✗ A larger financial budget is needed to create an impact which goes along with an administrative burden.</li> <li>✗ There is a risk of low participation that would not justify the effort and potentially lead to “free riders”.</li> <li>✗ Monetary incentives are helpful but not sufficient to overcome the barriers regarding the investor-beneficiary dilemma in rental housing.</li> <li>✗ There might be a need for co-financing from tenants/landlords which can be challenging to be assured.</li> <li>✗ Eligibility criteria need to be properly designed and checked (avoiding misuse of the instrument).</li> </ul>

352 For more about the buildings subsidized, see the Klimaaktiv database (<https://klimaaktiv-gebaut.at/ueberUns.htm>).



Revolving funds and auctioning –  
Austria, Czechia, France, Poland, Slovakia  
and Slovenia

Revolving funds are a strong catalyst of energy-efficiency renovation in several countries. While they function in different ways, the general idea is that they provide low-interest loans to qualified owners and developers constructing and/or renovating (affordable) housing units. Funds may be used to provide a loan for the development, construction, acquisition, preservation, substantial rehabilitation, or energy renovation of housing units.

Not-for-profit social and public housing providers operate business models that build maintenance costs into the regular rent paid by their tenant. This ensures that assets are well-maintained and kept up to standard, including in terms of energy efficiency. If maintenance funds are built up over time, then they can help to ensure that major renovations do not need to lead to a meaningful increase in rents or sudden affordability issues for tenants. These maintenance funds can, thus, be considered as a type of revolving fund. These funds should be complemented by good governance structures, which outline how the maintenance and upgrade will be managed.

One example of well-maintained, affordable, energy efficient housing is provided by Austria. This country's success in producing social housing can partly be explained by its limited-profit business model and mission-focused governance. The legislated and cost-capped rent system promotes efficiency, and land policies, conditional grants and long-term low-cost financing ensure affordability for households.

Modest revenue surpluses can be accumulated by Austrian limited-profit housing associations (LPHAs), for example by a flat-rate rent in the housing stock where loans have been repaid with 3.5 per cent interest on LPHA equity invested. There is also a building-specific renovation fund (Erhaltungs- und Verbesserungsbeitrag (EVB) - "conservation and improvement contribution"), and payments must be used within 20 years or be returned to the tenants. For example, a typical social rent in Austria would be around EUR 7.20/m<sup>2</sup> and the EVB ranges from EUR 0.53 to 2.13/m<sup>2</sup> depending on the age of the building. The LPHAs may not use funds from the EVB to invest in new construction.

There are, of course, limitations on the operating surpluses that can be generated from rents. They cannot be withdrawn by shareholders, and compliance is reinforced by tenant democracy and the annual auditing of operations. Non-compliance can involve harsh penalties, including forced mergers and even deregistration. Overall, the Austrian regulatory approach is designed to drive efficient, mission-focused housing outcomes that employ resources to promote affordability, well-maintained assets and growth in supply over both the short- and longer-term.<sup>353</sup>

The Lithuanian urban development fund, which was set up in 2009 for multi-apartment buildings, illustrates how a revolving fund works in practice. The fund offers preferential loans at a fixed (subsidized) 3 per cent interest rate, with a 20-year maximum maturity, a two-year grace period and a 15 per cent grant in the form of a write-off for energy savings above 20 per cent and reaching class D in energy efficiency. There is a 25 per cent grant for savings levels above 40 per cent.

Grants are allocated to eligible low-income families from state funds. Homeowner associations can also take up the subsidized loans and grants delivered by the fund and then repay the loans to the fund. The main lessons learned were at the start, the lack of well-organized housing associations that slowed down the uptake of the grants; it was impossible for loans to be granted for whole buildings; and, with single loans, the system was not manageable. This helps to reinforce the importance of "collective" housing structures (i.e. social, public, cooperative and condominium owner-occupancy housing) in the quick and efficient rolling-out of large-scale renovation schemes.

Similar financial schemes exist in several other countries, for example, Czechia,<sup>354</sup> Poland, Slovenia and Slovakia. Countries such as France use the revenues from the auctioning of CO<sub>2</sub> allowances owned by the State to finance the thermal renovation of buildings.

353 For details of how this system works, see [https://www.ahuri.edu.au/\\_data/assets/pdf\\_file/0014/31119/AHURI\\_Research\\_Paper\\_International\\_measures\\_to\\_channel\\_investment\\_towards\\_affordable\\_rental\\_housing\\_Austrian\\_case\\_study.pdf](https://www.ahuri.edu.au/_data/assets/pdf_file/0014/31119/AHURI_Research_Paper_International_measures_to_channel_investment_towards_affordable_rental_housing_Austrian_case_study.pdf).

354 State Environmental Fund of the Czech Republic, "New Green Savings Programme". Available at <https://www.sfzp.cz/en/administered-programmes/new-green-savings-programme/>.

### Social impact bonds – Finland, France and the Netherlands

Social impact bonds (SIBs) are used in very diverse contexts around the world and across social issues.

In Europe, numerous initiatives have emerged, including:

- The SIB of the Hémisphère fund in France, a EUR 200 million fund created in 2017 (<https://iilab.fr/2018/10/19/hemisphere-fonds-a-impact-social-dampleur-inedite-france/>), acquired 62 low-cost hotels that were then restructured and leased to a social housing operator (Adoma) to enable it to respond to the housing rights of vulnerable groups and provide emergency housing.
- The Finnish SIB, Epikus,<sup>355</sup> takes a preventative approach. It finances activities that prevent social problems (social exclusion, unemployment etc.). A common form of Epikus is an outcomes-linked financing mechanism, in which a public sector actor contracts for improved social outcomes with an investment vehicle or through a financial instrument instead of service providers directly. The intermediary, managing the investment vehicle, then raises private financing to fund the purchase of services delivering the intervention. If the intervention is successful, the public sector actor repays investors and provides a risk-adjusted return.

A logical next step would be to develop SIBs that tackle social and climate challenges together, for example, considering the external benefits of renovation such as better health.

This is already occurring in the Netherlands, where the NWB Bank issues SDG Housing Bonds, focusing on specific impact drivers for affordability and energy efficiency in social housing.<sup>356</sup> In combination with the “Waarborgfonds Sociale Woningbouw” (Guarantee Fund for Social Housing), it provides a secure instrument for raising capital for social housing provision in the country.<sup>357</sup> This type of investment instrument is discussed in Chapter II.

355 Epikus, “About Epikus”. Available at <https://www.epikus.com/about.html> (accessed on May 14, 2021).

356 NWB Bank, “New SDG Housing Bond brings total of issued sustainable bonds above €15 billion”, (n.d). Available at <https://nwbbank.com/en/news/New-SDG-Housing-Bond-brings-total-of-issued-sustainable-bonds-above-15-billion>.

357 NWB Bank, “SDG Housing Bonds”. Available at <https://nwbbank.com/en/investor-relations/sdg-housing-bonds>.

### Tax deduction – Luxembourg and Sweden

Tax incentives can be used to steer investment in energy-efficiency measures. The reduction of VAT or tax deductions on renovation activities, mainly on labour costs, has often created win-win-situations for the environment, economic growth, and created/assured workplaces.

Luxembourg has introduced a reduced tax of 3 per cent on all construction and renovation of housing, provided the property is intended as a main residence.<sup>358</sup> The total amount of the VAT benefit cannot exceed EUR 50,000 per built and/or renovated residence. In Sweden, the system is called “ROT-avdrag” (repairs, conversion, and extension - deduction).<sup>359</sup> Repair, maintenance, conversions and extensions are counted as ROT work, and are tax deductible up to 50,000 Swedish crowns (approximately EUR 5,000) per person per household per year.

### Public loans, funds and grants – European Union, Austria, Denmark, Estonia, France, Germany, Slovakia, Slovenia, Spain, the Netherlands, Ukraine, and Wales, United Kingdom

State housing development funds are well-established and effective instruments which are used by various member States across Europe. The European Investment Bank (EIB) also provides investment and co-financing for low-carbon technologies and housing projects.<sup>360</sup> This investment by EIB is established under the Emissions Trading Directive.

Slovakia has a state housing development fund in the form of favourable loans for investment in larger renovations (deep renewal), including thermal insulation of residential buildings and apartments.

358 Guichet.lu, “Applying for VAT rebate or direct application of the super-reduced tax rate”. Available at <https://guichet.public.lu/en/citoyens/logement/construction/aides-indirectes/remboursement-tva-taux-reduit.html> (accessed on 10 October 2020).

359 Skatteverket, “ROT and RUT work”. Available at <https://www.skatteverket.se/servicelankar/otherlanguages/inenglish/businessesandemployers/declaringtaxesbusinesses/rotandrutwork.4.8dcbbe4142d38302d793f.html> (accessed on 10 October 2020).

360 EIB, EIB Energy Lending Policy: Supporting the energy transformation (November 2019). Available at [https://www.eib.org/attachments/strategies/eib\\_energy\\_lending\\_policy\\_en.pdf](https://www.eib.org/attachments/strategies/eib_energy_lending_policy_en.pdf) (accessed on 8 October 2020).

The Danish National Building Foundation follows the same principles. It is used for large renovation projects and social development plans in distressed housing areas.<sup>361</sup> The Foundation is a revolving solidarity fund, and acts as a savings and investment account for the whole of the social housing sector in Denmark.

The Danish Government is also spending 30 billion Danish croons (EUR 4 billion) on green renovations in the social housing sector as the first step towards green recovery.<sup>362</sup> The programme aims to raise the standard of older properties to reach contemporary energy standards, insulating exterior walls, roofs and ceilings, and replacing old windows with energy-efficient ones, to make substantial heat savings (between 30 per cent and 40 per cent).

In practical terms, the Danish scheme will cut 50,000 tonnes of CO<sub>2</sub> and reduce energy consumption by approximately 500 gigawatt hours, which corresponds to the heat consumption of 40,000 typical apartments.

The scheme also has positive social implications. For example, due to the number of units being renovated, it will help to deliver “accessible” housing (e.g. old-age friendly) at around one third of the usual price. It will also get thousands of construction sector workers and apprentices back into the labour market.<sup>363</sup>

Austria has been providing relatively stable and affordable housing conditions for decades.<sup>364</sup> To finance new and renovated dwellings, each province designs subsidy schemes reflecting local policy preferences, providing long-term low-interest public loans with various conditions and target groups that differ across the provinces. While new construction is mainly financed via public loans, public funding for renovation is mainly via non-repayable grant funding (see section on revolving funds and auctioning in this chapter).

Typically, these loans start out with very low rates of interest and gradually grow in predictable steps over time. In turn, loan repayments and interest are reinvested into revolving funds for housing purposes in the provinces.<sup>365</sup>

In Estonia, a pressing housing policy concern is the quality and energy-efficiency of homes in apartment buildings. Many people live in apartments that were built between 1960 and 1990. These were privatized and, for the past 30 years, have relied on individual owners to maintain them. In the past decade, over 1,100 apartment buildings have been renovated, primarily in major cities, often with international financial assistance. However, rural apartment buildings have lagged behind, as have household incomes in these areas, and many buildings are now in a very poor state of repair and subject to demolition.

New legislation in 2018 has made it compulsory for owners to form an association, become more involved in managing their buildings, and take greater responsibility for ongoing maintenance. However, many property owners do not have the financial capacity to renovate their buildings to achieve high energy standards (C) or have a long-term plan for their maintenance.

Government support and rural economic development is therefore still required. However, a key problem has been unstable financing to support effective measures. So far, current renovation activities have not been sufficient to address needs.

For this reason, a national programme of renovation grants has been provided in strategic areas since 2019, and Estonia has recently approved a long-term national strategy<sup>366</sup> to achieve the full renovation of all buildings erected before 2000 by 2050. This strategy aims to improve the living and working conditions of 80 per cent of citizens and has set long-term targets to increase the number of renovations each year. It will employ state-funded loans, guarantees and grants, new technologies, information measures, and research and development. The apartment

361 Landsbyggefonden, “The National Building Foundation”. Available at <https://lbf.dk/om-lbf/english/> (accessed on 10 October 2020).

362 Housing Europe, “Green recovery for Denmark: a new renovation scheme for the social housing sector”, 13 May 2020. Available at <https://www.ourhomesourdeal.eu/post/green-recovery-for-denmark> (accessed on 23 November 2020).

363 Ibid.

364 For a profile of the Austrian Federation of Limited-Profit Housing Associations (GBV), see <https://www.gbv.at/english/> (accessed on 10 October 2020).

365 Wolfgang Amann, Alexis Mundt and Walter Hüttle, “Austria: Social housing providers at the forefront of energy efficiency” (2011). Available at [http://iibw.at/documents/2011%20\(Art.\)%20Amann\\_Mundt\\_Huettler.%20Energy%20Efficiency%20Austria.pdf](http://iibw.at/documents/2011%20(Art.)%20Amann_Mundt_Huettler.%20Energy%20Efficiency%20Austria.pdf).

366 Tallin Technical School, “Long-term strategy for building renovation”, July 2020. Available at <https://www.ekyl.ee/wp-content/uploads/Long-term-strategy-for-building-renovation-in-Estonia.pdf>.

renovation strategy is not an isolated effort, rather it is part of national energy and climate plan of Estonia.

As Estonia has limited public sector resources, it looks to various EU funds, revenue from trading GHG emission allowances, and private funds through market-based services to fund its renovation plan.<sup>367</sup> Ongoing evaluation will be vital to adapting investment in rural housing, as the economic situation changes over time.

A French scheme, known colloquially as the *Loi Denormandie*,<sup>368</sup> provides tax incentives to help investors to renovate housing in over 220 designated urban centres in France, in return for agreeing to rent the newly renovated dwellings to a reserved group of low-income tenants. This provides shared benefits for the purchaser and the tenant, who will be able to rent a higher-quality and less-costly home at an affordable price. From the investor side, housing costs of up to a maximum of either EUR 300,000 or EUR 5,500 per m<sup>2</sup> are eligible for the scheme, and the renovation costs must represent at least 25 per cent of the overall total investment. The renovation works must improve the energy performance of the dwelling by at least 20 per cent for apartments and 30 per cent for houses, attaining a minimum energy certificate of E.<sup>369</sup>

The German Kreditanstalt für Wiederaufbau (KfW) promotes the refurbishment of houses if they do not exceed a specific energy requirement for a comparable new house after refurbishment.<sup>370</sup> KfW has defined six levels of support for a building renovation into a “KfW Efficiency House”. If the cost and effort of a complete refurbishment are too high, it is also possible to select individual measures.

Financing is available, for example, for the thermal insulation of walls, roof and floor space, the renewal of windows and exterior doors, the installation/renewal of a ventilation system, and the optimization of heat distribution for existing heating systems.

Grants are also offered for quality control of executed construction works, sometimes in collaboration with the banks of the federal states (*Landesbanken*). Through the *Hamburgische Investitions- und Förderbank*, which is an investment and development bank, direct subsidies are offered for implementing a higher standard within the social housing programme and energy improvement measures including construction works quality controls. 50 per cent of the costs of a technical expert and up to EUR 4,000 can be granted.

Another example of pre- and post-renovation monitoring that is dedicated especially to social housing comes from the Netherlands. There, the concept of the zero on the meter (*nul-op-de-meter*) renovation target is defined as a building (usually social housing renovation projects) in which the yearly building-and user-related energy consumption equals the generated renewable energy in the building and surrounding area, for example with photovoltaic (PV) panels on the roof.<sup>371</sup>

The Slovenian Environmental Public Fund (*Eco Fund*) was established in 1993. Its main purpose is to promote development in the field of environmental protection by offering financial incentives such as soft loans and grants for different environmental investment projects. It began with soft loans for investments in environmental protection as a revolving fund. It has provided support to environmental investments through soft loans and developed a strong focus on the financial sustainability of the projects it supports. In 2008, the Fund was granted the use of additional financial mechanisms, such as grants, to support environmental investments.

---

367 Ibid (2020), p.61. In the coming years, the measures of the long-term renovation strategy will be implemented using the State's tax revenue, the funds of the EU budget framework for 2014-2020 (above all, the funds of the European Regional Development Fund, the Cohesion Fund and, to a lesser extent, Horizon 2020), and the auctioning revenue from the EU scheme for greenhouse gas emission allowance trading (in accordance with the objectives listed in Article 10 (3) of Directive 2003/87/EC117, subsection 161 (4) of the Atmospheric Air Protection Act and the State's budgetary strategy).

368 For more of the scheme, see <https://www.service-public.fr/particuliers/vosdroits/F35011>.

369 For information on this law, see <https://www.anil.org/investissement-locatif-ancien-denormandie/>.

370 KfW offers loans according to efficiency house level (<https://www.kfw.de/inlandsfoerderung/Privatpersonen/Bestandsimmobilie/>).

---

371 Olivia Guerra-Santin and others, “Designing for residents: Building monitoring and co-creation in social housing renovation in the Netherlands”, *Energy Research & Social Science*, vol. 32 (October 2017), pp. 164–79.



**Photo 10** Installation of solar panels at the Luče energy community, Republic of Slovenia

*Photo credit:* Tomi Medved, Laboratory of Energy Policy, University of Ljubljana.

A few years ago, Eco Fund took over the organization and financing of a free energy advisory network, offering free expert advice on how to improve energy efficiency for households. It also took over part of the task of energy poverty reduction by covering the entire cost of several environmental investments of households struggling with energy poverty. Currently, Eco Fund is facing new challenges, such as adapting financial incentives to meet the new demands of national strategies that set additional tasks for the Fund: larger energy renovations vis-à-vis smaller renovations, a higher number of required renovations, the stimulation of the remaining, unrefurbished building stock, energy poverty reduction, the development of innovative financial instruments, etc.

From 1 January to 31 December 2019, a total of approximately EUR 62 million subsidies were paid by Eco Fund to various beneficiaries, namely:

- EUR 41,618,294 - for energy-efficiency and renewable energy measures in residential buildings, including self-sufficiency in electricity

- EUR 35,528 - for the performance of energy audits in companies
- EUR 1,897,005 - for energy-efficiency investments by companies
- EUR 8,797,908 - for investments by municipalities in the construction of nearly zero-energy buildings
- EUR 9,415,548 - for environmentally friendly electric vehicles and buses
- EUR 335,774 - for charging stations for electric cars in the Natura 2000 area and protected areas.

In Spain, the “Plan Estatal De Vivienda 2018-2021” programme aims to finance renovation work to improve energy efficiency and sustainability, with special attention paid to the building envelope in buildings of a collective residential type. The maximum amount of the subsidy is between EUR 8,000 and EUR 12,000 per home (which can be increased if the property is declared an Asset of Cultural Interest or if disabled people reside there), or 40 per cent of the eligible investment (which can reach 75 per cent,

depending on the level of family income). Eligible actions include the improvement of the thermal envelope; the replacement of carpentry and glazing of the openings, or others, including the installation of bioclimatic and shading devices or the installation of residual energy recovery devices; the implementation of free cooling (process of using external ambient temperature to reject heat, rather than using a refrigeration process that consumes electricity) using outside air and heat recovery from the provision of fresh air; and the connection of homes to existing heating and cooling networks.

An interesting complement is the Spanish national programme on energy rehabilitation of buildings - Programa Rehabilitación Energética de Edificios (PREE) - with a budget of EUR 300 million,<sup>372</sup> that forwards funding to public housing and energy communities. An important aspect of the PREE, in addition to its positive effects on improving energy efficiency and the environment, is its social scope: special attention is paid to renovation in buildings that accommodate vulnerable groups affected by energy poverty. In line with the National Strategy against Energy Poverty 2019-2024, additional aid is granted for renovation in housing buildings whose owners have been granted the social bonus – the “bono social eléctrico” is as a public mechanism to address energy poverty – as determined in the selection process carried out by the regions.

The city of Barcelona offers grants for up to 55 per cent of the cost of renovations for solar energy generation (both for individual applications and those submitted by a community of owners), and for up to 50 per cent of the cost for comprehensive energy improvements.<sup>373</sup> The Spanish Government has approved a EUR 20 million (USD 22.5 million) subsidy scheme to support the installation of solar PV capacity on the Canary Islands (Solares en Canaria – SolCan). The SolCan programme for 2020 was expected to spread the public funds across projects that are likely to bring 150 MW of PV power to the archipelago, according to the Ministry for the Ecological Transition and the Demographic Challenge.

---

372 European Commission, “National strategy against energy poverty 2019-2024: Spain”, EU Energy Poverty Observatory. Available at <https://www.energypoverty.eu/publication/national-strategy-against-energy-poverty-2019-2024>.

373 Housing, Barcelona, “Grants for energy-saving renovations”. Available at <https://habitatge.barcelona/en/services-grants/renovation/grants-renovation/grants-energy-renovation> (accessed on 10 October 2020).

In the Netherlands, the Renovatieversneller (renovation accelerator)<sup>374</sup> programme focuses on rental and owner-occupied homes by offering conditional and varying grants. It aims for scale, e.g. through initiatives to industrialize production, and runs for three years, between 2019 and 2022. The programme has already contributed to making 100,000 homes free of natural gas. About half of these houses will be connected to local heat networks, mostly in urban areas where this technique is already widely used. In addition to technical assistance, 100 million euros is available in grants over four years.

The Energy Efficiency Fund was created by the Ukrainian Government, in order to support energy-efficiency initiatives, implement incentive tools, and support measures aiming to increase levels of energy efficiency in buildings and energy-efficiency measures in the residential sector. This is done with due consideration for the National Plan of Energy Efficiency, and with the aim of reducing CO<sub>2</sub> emissions to fulfil the Paris Agreement. The Fund provides support in the form of grants to homeowner associations for the implementation of comprehensive technical solutions for energy-efficiency renovations in multi-family buildings, while factoring in the best European thermal modernization practices. Activities are funded from the State Budget and supported by the European Union and the German Government. The Energy Efficiency Fund Programme is implemented in cooperation with the International Finance Corporation, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, and the United Nations Development Programme.

In Austria, many direct investment programmes have improved the energy efficiency of rental, ownership and affordable housing by raising standards, researching materials and processes, and granting subsidies for suitable measures. The most important schemes are the “housing promotion schemes” of the nine Austrian provinces, which all have dedicated programmes for new construction as well as for renovation. Subsidies can only be provided on the condition that housing built or renovated will meet higher energy and heating standards. These subsidies have usually been designed as a contribution to investment costs (mainly for renovation) or as a loan (mainly for new construction) with reduced interest rates. Renovation subsidies account for about a quarter of total spending on housing by regional governments.

---

374 De Renovatieversneller. Available at <https://derenovatieversneller.nl/> (accessed on 23 November 2020).

Limited-profit housing in Austria is already rather energy efficient, due to earlier efforts and a good recycling of surplus funds towards housing maintenance and improvements, as required in the law. A specific measure that has already been implemented is a subsidy to replace oil and gas boilers with renewables or low-carbon district heating systems. It is a federal subsidy but can be combined with similar subsidies at the regional (provincial) level. Whereas in the beginning it was mainly addressed to owners of single-family homes, it has recently been extended to owners of multi-family houses. For 2021 and 2022, a total of EUR 650 million is dedicated to this initiative.<sup>375</sup> The measure is limited to a maximum grant of EUR 5,000 per home. With two thirds of all homes of limited-profit housing associations already being connected to district heating systems, other sectors (including single-family homes) are likely to be the main beneficiaries of this initiative.

Wales, United Kingdom, committed GBP 20 million to its Optimised Retrofit Programme, which looks to reduce the carbon footprint of existing social housing in Wales, make energy bills more manageable for residents, and provide new, local job and training opportunities. It is funding the retrofit of over 1,000 homes and is supporting the social housing sector under different approaches to reach carbon neutrality.

This Programme funds the collaboration of 68 partners, including 26 housing associations, which aim to make building fabric improvements, use low- and zero-carbon technologies, and install intelligent ongoing operational controls. The project will retrofit a wide range of building typologies and develop a variety of digital tools to enable each home to be easily and quickly surveyed.

There is a focus on the foundational economy, to ensure that the funding improves the way the local economy works in Wales by developing growth to vital services and goods. As well as social housing providers, this large-scale collaboration of partners includes a range of research, innovation, academic, technology, energy, industry organizations from across the United Kingdom.

375 Klimaaktiv, "Funding campaign 2021 for thermal building renovation and boiler replacement "out of oil"", 8 April 2021. Available at <https://www.klimaaktiv.at/foerderungen/raus-aus-oel.html>.

The Programme is funding a Citizens Assembly, which is run by four Welsh housing associations, third-sector organizations, and a local authority. The Citizens Assembly recommendations inform the decarbonization decisions of housing associations, the regional government and local authorities.

#### Household appliance contracting – Belgium

In the Flanders region of Belgium, a community-building organization - Samenlevingsopbouw West-Vlaanderen<sup>376</sup> - offers a very interesting contracting scheme. Instead of buying household appliances, such as refrigerators, freezers, and washing machines, people in energy poverty can rent them under a 10-year contract, including service and warranty. In already energy-efficient buildings, appliances often offer an additional optimization potential for the environment and the household economy.

#### Large-scale roll-out of photovoltaic installations in the social housing sector – Belgium

With the help of the European Investment Bank's financial instrument Elena, the national social housing federation, Vlaamse Huisvestingsmaatschappijen (VWH), created an Esco-like vehicle, by and for the social housing providers, which will organize and finance the installation of PV panels on around 90,000 social dwellings in the coming years.<sup>377</sup> The aim is to provide lower electricity costs and lower GHG emissions.

376 Samenlevingsopbouw West-Vlaanderen, Homepage Samenlevingsopbouw West-Vlaanderen. Available at <https://www.samenlevingsopbouwwwwl.be/> (accessed on 10 October 2020).

377 Housing Evolutions, "ASTER: Access to Sustainability through Energy Retrofit". Available at <https://www.housingevolutions.eu/project/aster-access-to-sustainability-for-through-energy-efficient-retrofit/>.



Allowances for low-income people/households – Lithuania, Slovakia, France, the Netherlands

Several programmes have been successfully launched to provide financial support to low-income people to compensate for renovation and energy costs. The “Habiter Mieux” (Better Living) programme was created in France in 2010. The aim was to complement existing finances for energy renovations, with a specific focus on low-income households; at the beginning it was aimed at people who are over 60 years of age.

The programme included several tasks, such as a global diagnosis of the home to make recommendations on which improvements should be done, a proposal of a renovation package that allows for an energy-efficiency gain of at least 25 per cent, an energy evaluation before and after the renovation, assistance for searching professionals to realize the work, financial coordination of the renovation, especially mobilization of the different assistance schemes, and help with the follow-up of the renovation and acceptance of work. The programme was supervised by the National Housing Agency and managed at the sub-regional level. Interestingly the programme has been funded jointly by public funds and utilities.

Allowances can also be in the form of interest rate subsidies for investments made by homeowners or landlords renovating their homes to achieve energy efficiency. For example, Lithuania has created a fund called the Jessica II Fund for Multi-apartment Building Modernisation,<sup>378</sup> which is operated by the European Investment Bank; it offers favourable credit options for house-owner associations.<sup>379</sup> The State also offers subsidies, at a fixed annual interest rate of 3 per cent (up to 20 years) with a two-year grace period during construction. Fifteen per cent of the subsidy is written off if 20 per cent savings are attained, the energy efficiency Class D is achieved upon completion, and 100 per cent of the costs to prepare the

renovation documentation are reimbursed (paid from national funds). Eligible costs include the replacement of windows and doors, the insulation of ceilings/roofs or walls, the installation of solar panels, and the replacement of energy-related equipment.

After the introduction of the fund, corrective measures had to be introduced to increase its attractiveness. The most important measures included: an extra 25 per cent written off if savings reach 40 per cent; the municipalities being instructed to draw up lists of the worst-performing buildings; only the majority of apartment owners (not all) having to agree to join the programme; and a gradual phase-out of heating bill compensations.

For tenants, rent allowances or rent supplements can also assist with energy costs or increased rents due to renovation.

Another innovative scheme that was introduced in the Netherlands, is called Energisprong<sup>380</sup> (Energy Leap), which focuses on social housing. It aims to fund investments in retrofitting through bill savings, ensuring no net additional cost to tenants. Instead of paying their energy bills, tenants pay a similar amount to the housing associations. Using this money, the corporations pay building companies to retrofit the houses, which have developed “industrialized” renovation procedures that are highly cost-effective. The key to the scheme is that it is an area-based approach, using retrofit technology that can be introduced rapidly. The building stock lends itself to this approach due to its homogeneous nature. The scheme has grown significantly since the initial Dutch case studies. It is now used in five EU nations and two States of the United States, with further countries on the horizon; it has the potential to become one of the most important mass renovation tools in the coming years, as part of the EU renovation wave. Significant new Energiesprong investments have been announced in France, and it also features in the national renovation plan of France.

378 Buildup EU, “Jessica II Fund for Multi-apartment Building Modernisation in Lithuania”, 24 October 2018. Available at <https://www.buildup.eu/en/practices/cases/jessica-ii-fund-multi-apartment-building-modernisation-lithuania> (accessed on 23 November 2020).

379 European Investment Bank, “Lithuania: New financing for energy efficiency loans with Siauliu Bankas”, 3 January 2019. Available at <https://www.eib.org/en/press/all/2019-001-new-financing-for-energy-efficiency-loans-in-lithuania-with-siauliu-bankas> (accessed on 23 November 2020).

380 For an outline and video of this initiative, see <https://energiesprong.org/about/> (accessed on 23 November 2020).



## Awareness-raising and training

For scaling up large renovations, there must also be a sufficient number of skilled providers willing and able to perform the energy-efficient renovation tasks. Education and training of building professionals (architects, planners, portfolio managers, builders, building and installation contractors, financiers and other relevant market actors) are essential to increasing renovation rates and ensuring high-quality and very energy-efficient retrofits.

Training on easy-to-use tools for energy-efficient building design and life-cycle cost calculation is important. Certification of successful participants in the training can make it more attractive for both the qualified market actors and their customers. Furthermore, awareness-raising programmes for building owners and tenants are necessary to close the energy-performance gap.

Awareness-raising activities and training are essential for increasing the renovation rates and providing the necessary quality level for low-carbon housing construction and renovation.

### Box 11 What is the rationale for awareness-raising and training in climate policy initiatives?

#### Arguments in favour of awareness-raising and training in climate policy initiatives

- ✓ To create a larger market uptake of knowledge generated.
- ✓ To generate ownership of relevant stakeholders involved.
- ✓ To overcome the current skills-gap of complex energy-efficiency renovation work.
- ✓ To facilitate a meeting place for the stakeholders involved, e.g. national energy agencies, organizations for vocational training and education, and associations of workers.

#### Arguments against awareness-raising and training in climate policy initiatives

- ✗ Difficult to assess the effect of actions introduced and conducted.
- ✗ The level of ambitions varies.
- ✗ Is mainly effective when driven by a commercialized, top-down market.
- ✗ Might miss the point of providing holistic approaches and knowledge.
- ✗ Might have a low uptake if it is voluntary.

### Knowledge-providing tools – the Netherlands

In the Netherlands, the “Energy Saving Explorer”<sup>381</sup> tool is used to inform building owners and private individuals of the possibilities of energy-saving measures, and to illustrate their effects on the energy costs and energy demands of the home(s).<sup>382</sup>

### Renovation coaches in several countries

In several countries, “renovation coaches” have been introduced to guide building owners, for example, on cost-efficient renovation procedures.<sup>383</sup>

One approach has been the establishment of one-stop shops.<sup>384</sup> There are a variety of legal models for these, from in-house publicly administered to private commercial operators. Few initiatives have focused on promoting affordable and inclusive energy transition among a range of households and housing tenures. However, the one-stop shops of Belgium intended to assist both homeowners and tenants in the energy efficiency of their homes are well-developed and will be further developed as part of the Green Deal.<sup>385</sup> The “De Energiecentrale” (<https://stad.gent/nl/energiecentrale>) is a one-stop shop for advice and guidance on increasing the energy efficiency of private homes, established by the city of Ghent. As energy poverty is a growing concern, De Energiecentrale has worked out

381 Netherlands Enterprise Agency, “Long-Term Renovation Strategy: En Route to a low-CO<sub>2</sub> Built Environment”, document prepared for the Ministry of the Interior and Kingdom Relations, the Netherlands, 6 March 2020. Available at [https://ec.europa.eu/energy/sites/ener/files/documents/nl\\_2020\\_ltrs\\_en.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/nl_2020_ltrs_en.pdf) (accessed on 10 October 2020).

382 For more about scaling up research, see <https://www.tno.nl/en/focus-areas/energy-transition/roadmaps/sustainable-subsurface/towards-an-energy-producing-environment/accelerated-renovation-of-homes-and-buildings/> (accessed on 23 November 2020).

383 For more information on renovation coaches, see <https://www.warmerwonen.be/> (accessed on 10 October 2020).

384 Benigna Boza-Kiss and Paolo Bertoldi, “One-stop-shops for energy renovations of buildings: Case studies”, Science for Policy Report, JRC113301 (European Commission, Ispra, 2018). Available at [https://e3p.jrc.ec.europa.eu/sites/default/files/documents/publications/jrc113301\\_jrc113301\\_reportononestopshop\\_2017\\_v12\\_pubsy\\_science\\_for\\_policy.pdf](https://e3p.jrc.ec.europa.eu/sites/default/files/documents/publications/jrc113301_jrc113301_reportononestopshop_2017_v12_pubsy_science_for_policy.pdf) (accessed on 23 November 2020).

385 The Flemish approach of Belgium was presented at the Housing2030 workshop in November 2020 ([www.housing2030.org](http://www.housing2030.org), accessed on 23 November 2020).

a multilevel approach for helping vulnerable households lower their energy bill, for example, by:

Promoting energy-efficient behaviour using energy scans and subsidies for energy-saving appliances among tenants and owners who lack the financial resources for renovation;

- (a) Promoting and supporting basic renovations to increase energy efficiency and improve basic housing quality, providing customized renovation guidance;
- (b) Enabling every Ghentian inhabitants to renovate, even those with insufficient savings or those who cannot get a loan. To support the inhabitants, the city of Ghent has established a revolving climate fund. Through this fund, De Energiecentrale provides soft consumer loans for energy renovations;
- (c) Partnering with the Urban Innovative Actions project “Improving housing Conditions for CAptive Residents” (ICCARus),<sup>386</sup> which aims to renovate houses of 100 households in Ghent that do not meet the minimal living standards. ICCARus awards a starting capital of EUR 30,000 for each house, which must be refunded upon change of ownership;
- (d) Speeding up the renovation of social housing units and enhance their energy efficiency. Ghent provides investment grants for the renovation of social housing and new construction projects, and also provides funding for energy studies;
- (e) Investigating the possibilities of integrating renewable energy into social housing pilot projects.

In the United States, the energy saver renovation programme of Chicago<sup>387</sup> targets owners of condominium buildings accommodating low-income renters. It provides landlords with an energy analysis, cost-effective energy-saving recommendations, low-cost financing, and advice on accessing rebates and other subsidy programmes. It also provides construction management and building performance monitoring to ensure ongoing energy savings.

386 Urban Innovative Actions, “ICCARus (Gent knapt op) - Improving housing Conditions for CAptive Residents in Ghent”. Available at <https://www.uia-initiative.eu/en/uia-cities/ghent-call3>.

387 According to Peter Ludwig of CNTenergy, the Energy Savers programme of Chicago has upgraded 7,500 housing units for efficiency, created 350 jobs, and resulted to savings for occupants and owners. Available at [https://rpsec.energy.gov/sites/default/files/reports/c-705\\_EnergySavers.pdf](https://rpsec.energy.gov/sites/default/files/reports/c-705_EnergySavers.pdf) (accessed on 23 November 2020).

### Tenant engagement – Germany and the United Kingdom

Many renovation projects have shown that tenants are often poorly engaged with renovation activities or are even misinformed about the planned works. Many successful approaches for tenant engagement and communication strategies exist.<sup>388</sup>

A prominent example of tenant engagement is the tenant council (Mieterbeirat) in Germany. Tenants’ councils are elected representatives regarding the tenants’ interests in a respective state. They represent a position of tolerance and solidarity towards all cultures and promote the coexistence of all residents of a neighbourhood. Tenants’ advisory councils and building owners are called upon to work together responsibly and constructively to improve the living situation as well as social, cultural and neighbourly relationships to the mutual satisfaction of the tenants, according to Degewo.<sup>389</sup>

The multi-building renovation processes of the DREEAM project involves different stages and one of them is the tenant engagement stage. This means that tenants are already involved even before the renovation process starts.<sup>390</sup>

388 Kathleen Zoonekindt (Savills), “Final analysis on the tenants engagement and communication strategies”, ver. 5, paper prepared for a DREEAM project, 30 September 2019. Available at [https://dreeam.eu/wp-content/uploads/2020/09/D.4.8\\_Final-analysis-on-tenants-engagement-and-communication-strategies-compressed.pdf](https://dreeam.eu/wp-content/uploads/2020/09/D.4.8_Final-analysis-on-tenants-engagement-and-communication-strategies-compressed.pdf) (accessed on 10 October 2020).

389 Degewo, “Advisory Boards in the Neighbourhoods”. Available at <https://www.degewo.de/wohnen-service/mitbestimmung/beiraete/> (accessed on 5 April 2021).

390 *DREEAM Tenant Engagement*, YouTube video, 4:15, posted by “DREEAM Project”, 26 September 2018. Available at <https://www.youtube.com/watch?v=sFlgd9usnXo> and [www.dreeam.eu/multimedia/](http://www.dreeam.eu/multimedia/) (accessed on 27 October 2020).



### Training programmes

One of the key factors in successful building renovation projects is skilled workers. Billions of euros are wasted annually because construction works (new construction and renovation) are carried out by unskilled people. The consequences are often severe for the inhabitants, for example, in terms of a bad indoor environment (mould), structural damages and higher energy costs than theoretically necessary (heat bridges). Training programmes are key to ensuring damage-free construction projects.

### Industry training strategies to implement energy renovation – Belgium, Austria and France

Long-term renovation strategies are currently being developed by several European countries, as encouraged by the EU Green Deal. Plans must not only alleviate energy poverty but also address the necessary skills and training of renovation professionals.

An assessment of these issues was undertaken by the Buildings Performance Institute Europe (BPIE), and only three plans scored “good” with regard to alleviating poverty – notably Belgium, with a focus on measures to improve the energy performance of the rented social housing sector. For example, any renovation must meet the prevailing new-build standards.<sup>391</sup>

A range of training initiatives were proposed as part of these plans:

- The Austrian law for energy efficiency requires qualifications for energy audits and consultants for public buildings and companies. The Klimaaktiv framework develops education programmes for all areas related to renovation and offers e-learning.
- The Sustainable Building Facilitator service in Belgium, which offers ad hoc advice to developers and building managers, will be reinforced so that it becomes the single one-stop shop entry point for building professionals. A renovation laboratory, RenoLab, will be set up by 2024 to help the construction sector with various aspects of sustainable renovation.

- In France, the social housing sector requires a very large skilled labour force for the energy-efficient renovation of its homes. The sector has proposed to establish a dedicated Low-Carbon School for Social Housing.<sup>392</sup> The Union of Social Housing Organizations (USH) already took steps in this direction in 2020 via a massive online open course on energy management. It proposed to extend this effort by establishing a low-carbon observatory for social housing, setting a national benchmark for energy efficiency in social housing operations and research on construction processes and materials to improve energy savings and low-carbon performance.

### Capacity-building in professional housing management in Kazakhstan and Uzbekistan

Efficient and qualified housing administration is a prerequisite for the modernization of the rapidly deteriorating housing stock in Central Asia. As a professional market for housing management has not been sufficiently developed, it is crucial to improve the legal conditions for housing management, to strengthen the role of qualified housing managers in the high-quality maintenance of residential buildings, and to support energy-efficient refurbishment. Within the professional housing project, training is offered by the Housing Initiative for Eastern European (Initiative Wohnungswirtschaft Osteuropa - IWO), the European Training Centre for the Housing and Real Estate Industry (EBZ) Germany, SHANYRAK association of management entities, services and energy service in housing sector Nur-Sultan, Kazakhstan, Association of the Organizations of Professionally Managing and Serving Housing Funds in Uzbekistan and the United Nations Development Programme (UNDP) in Kazakhstan. This training is given to enhance the professionalism and improve the organizational and institutional capacities of business intermediary organizations dealing with housing and energy efficiency issues.

391 Dan Staniaszek, Judit Kockat and Arianna Vitali Roscini, *A Review of EU Member States' 2020 Long-Term Renovation Strategies* (Brussels, BPIE, 2020), p.13. Available at [https://www.bpie.eu/wp-content/uploads/2020/10/LTRS-Assessment\\_Final.pdf](https://www.bpie.eu/wp-content/uploads/2020/10/LTRS-Assessment_Final.pdf).

392 L'union sociale pour l'habitat, "L'USH s'associe à l'IFPEB et Carbone 4, spécialistes du bas-carbone, pour créer l'École bas-carbone du logement social" (USH joins forces with IFPEB and Carbone 4, low-carbon specialists to create the Low-Carbon School of Social Housing), 15 September 2020. Available at <https://www.union-habitat.org/communiqués-presse/l-ush-s-associe-l-ifpeb-et-carbone-4-specialistes-du-bas-carbone-pour-creer-l->



**Photo 11** Uzbekistan social housing buildings

Photo credit: Cecilia Batac, UNECE.

National strategies integrating a range of policy tools – the Russian Federation and the United States

National energy efficiency strategies, guided by the SDGs and driven by legally binding international commitments, such as the Paris Climate Agreement, increasingly give attention not only to the energy efficiency of new and existing housing and neighbourhoods but also to reducing energy-related poverty. National strategies often bring together a range of policy tools, from building standards and their compliance to tax incentives and direct investment to promote walkable neighbourhoods, as outlined in box 9. UNECE has developed different materials to assist countries in preparing energy efficiency strategies, among them the:

- Action Plan for Energy-Efficient Housing in the UNECE Region, which outlines a number of goals, targets and actions structured in three dimensions of energy efficiency - (i) governance and finance, (ii) technological advancement, and (iii) access and affordability (<https://unece.org/info/Housing-and-Land-Management/pub/2838>)
- Good Practices for Energy Efficient Housing (<https://unece.org/info/Housing-and-Land-Management/pub/2887>)
- Green Homes (<https://unece.org/info/Housing-and-Land-Management/pub/2873>)
- Climate Neutral Cities (<https://unece.org/info/Housing-and-Land-Management/pub/2882>).

It has also published a useful report mapping progress in the development of energy-efficiency standards and technologies in buildings across the UNECE region drawing together the latest evidence (<https://unece.org/info/Housing-and-Land-Management/pub/2917>). The following illustrations from the Russian Federation and the United States present how numerous policy tools can be combined to drive change across very large geographies, often involving multiple jurisdictions and housing submarkets. Both national strategies are continually evolving as they respond to new challenges, technical innovations and policy directions.

In the Russian Federation many households live in ageing multistorey residential buildings with inefficient district heating systems reliant on fossil fuel energy sources. Deep energy efficiency renovations of old apartment complexes can significantly reduce energy consumption (up to 50 per cent).<sup>393</sup>

The Government of the Russian Federation has been evolving strategies to improve energy efficiency and increase energy savings for consumers, incorporating different policy tools. Since 2013, the Ministry of Energy has been implementing the State programme on Energy Efficiency and Energy Sector Development<sup>394</sup> with associated energy savings and energy efficiency improvement targets, a role it now shares with the Ministry of Construction and Utilities concerning the built environment. The Presidential Decree of 7 May 2012 “On measures to ensure the citizens of the Russian Federation affordable and comfortable accommodation and quality of housing and communal services” built on previous commitments to undertake energy audits and establish energy passports for buildings to determine the most appropriate labelling scheme for Russian conditions.

Energy efficiency of housing is now the responsibility of the Department of Housing and Utilities within the Ministry of Construction, Housing and Utilities.<sup>395</sup> It supports

implementation of technical standards for apartment dwellings, as well as manages Fund for Promoting Housing and Utilities Reform<sup>396</sup> to promote energy improvements.

Energy efficiency classifications, with technical requirements to achieve different energy classes (A++ to G) cover the following aspects of apartment dwellings.<sup>397</sup>

- Thermal insulation
- Heating and hot water systems
- Air conditioning systems
- Natural and mechanical ventilation
- Solar gains (G-values)
- Lighting efficiency design, position and orientation
- Air-tightness
- Thermal bridging
- Indoor and outdoor climatic conditions

High energy efficiency certification (A) can only be given to apartments with individual heat supply stations, automatic indoor temperature regulation, energy-efficient lighting of common areas and energy metres. In 2017, 8,686 dwellings were classified as energy-efficient, with most achieving a B standard (5,438). Standards are yet to be developed for renewable energy sources, passive solar systems or solar protection. Only thermal standards are mandatory, and penalties and incentives are not widely used to promote compliance (UNECE, 2018, p.25).

The Government has made a strategic investment on housing energy efficiency by establishing the Fund for Promoting Housing and Utilities Reform. The Government co-funds (10 per cent) the costs of energy-related apartment renovations to achieve a B or higher energy standard.

Given the large size of the country and its regional variation in climate and living conditions, the Ministry of Construction, Housing and Utilities is devising more locally tailored and delivered programmes. The Government is currently formulating ways to improve energy efficiency,

393 IEA, *Energy Policies Beyond IEA Countries: Russia 2014* (Paris, International Energy Agency, 2014). Available at <https://www.iea.org/reports/energy-policies-beyond-iea-countries-russia-2014>.

394 The programme was renamed in 2019 to State Programme on Energy Sector Development (<https://docs.cntd.ru/document/553977101?marker=656010>).

395 For information on the roles and responsibilities of departments in the Russian Federation dealing with energy efficiency, see <https://minstroyrf.gov.ru/about/d/departament-zhilishchno-kommunalnogo-khozyaystva/>.

396 Russian Federation, Ministry of Construction, Housing and Utilities. “Description”. Available at <http://government.ru/en/departament/291/>.

397 UNECE, *Mapping of Existing Technologies to Enhance Energy Efficiency in Buildings in the UNECE Region* (Geneva, 2018), p.32. Available at [https://unece.org/DAM/energy/se/pdfs/eneff/publ/Mapping\\_of\\_EE\\_Standards\\_in\\_Buildings\\_09.08.2018/Info\\_doc\\_4\\_EE\\_standards\\_mapping.pdf](https://unece.org/DAM/energy/se/pdfs/eneff/publ/Mapping_of_EE_Standards_in_Buildings_09.08.2018/Info_doc_4_EE_standards_mapping.pdf).

which will be mandatory for the renovation of apartment buildings and public sector facilities. The renovations aim to increase the living comfort and reduced utility bills in the future will pay off the cost of the renovation. Efforts have also been made to resettle households when their housing is deemed unsafe or uncomfortable (those having the “G” EPC rating standard).

In 2021 the Ministry reported a modest progress in the scale of efficient residential construction. However, energy cost savings to residents was considerably high at 40 per cent.<sup>398</sup> In addition, the Ministry has also been developing a mechanism to increase interest in installing metering devices to measure individual energy consumption (as opposed to uniform building costs with district heating systems). These devices are considered important to raise consumer awareness of utility costs as well as of savings in energy bills resulting from the renovations.

The United States enacts national legislation, strategies, policies and programmes to drive energy efficiency, that have a direct effect on the provision of federally funded affordable housing policies and programmes. Some of the federal energy efficiency policies are the Energy Policy Act of 2005, Energy Independence and Security Act of 2007, and the Housing and Economic Recovery Act (HERA) of 2008.

The Energy Policy Act 2005 stipulates the energy efficiency product purchasing requirements; and integrates energy efficiency in capital investment planning and in public housing construction. The Energy Independence and Security Act of 2007 updates the federal energy performance standards for buildings for new construction projects, supported by housing programmes and financing products of the United States Department of Housing and Urban Development (HUD), and for manufactured housing. The Housing and Economic Recovery Act of 2008 (HERA) added an impulse to energy efficiency in existing single-family residential markets, especially in markets affected by the global financial crisis. Various United States presidents have also provided national leadership in this realm, such as the Obama Climate Action Plan, stimulating industry reform and apartment standards; and the recent Biden Infrastructure Plan which encourages retrofitting efforts.

HUD coordinates housing programmes in the affordable housing domain in partnership with other public and private agencies. Under section 154 of the Energy Policy Act of 2005, HUD is required to report to Congress on its progress and achievements toward implementing planned actions. HUD reported to Congress in 2016 that it has utilized a wide range of policy tools/strategies to “promote energy-efficient buildings and location-efficient communities that are healthy, affordable, and diverse”, including:

- Conditional grant programmes, which are designed to promote healthy developments
- Performance-based incentives to mobilise private investment
- Innovative public loans to stimulate green renovation and construction, which are tailored to drive change in different segments of the housing market
- Decision-making tools to channel efforts of public actors, such as public housing authorities and needs assessment tools for capital investment that address energy efficiency issues
- Benchmarking standards to guide good performance
- Common energy and green retrofit standards or protocols
- Training and technical assistance for key stakeholders and partners in public assisted programmes
- Public competitions to catalyse better energy performance
- Data collection and reporting systems
- Evaluation instruments to assess the effectiveness of the Government’s energy efficiency investments analysis via energy modelling and scenario planning tool
- Funding of sustainability research and evaluation
- Implementation of federal statutes on energy efficiency
- Updating minimum energy code requirements
- Strengthening interagency and private sector partnerships
- Expanding energy literacy and economic opportunity strategy
- Implementing Industry wide and strategic housing segment impulses as part of the President’s Climate Plan and Better Buildings Challenge
- Setting renewable energy target in federally assisted housing
- Undertaking place-based initiatives for climate resilience and adaptation
- Support resilient power and climate resilience.

398 Russian Federation, Ministry of Russia, “Energy Saving and Energy Efficiency in the Housing and Utilities Sector”. Available at <https://minstroyrf.gov.ru/en/trades/housing-and-utilities/22/>.

The American Jobs Plan, proposed by the United States President Joe Biden, foresees the spending of over USD 2 trillion on infrastructure over a period of 8 years as part of the wider “Build Back Better” plan.<sup>399</sup> Contained within the infrastructure plan is a proposal to devote more than USD 200 billion to refurbishing housing in the United States. Affordable housing is a key area where improved infrastructure and investment are desperately needed, with a growing number of residents experiencing housing insecurity. High rent and home energy costs together form an “affordable housing crisis,” with a significant proportion of the residents paying more than half of their monthly income on rent. To address these challenges, the American Jobs Plan foresees spending USD 213 billion to build, preserve and retrofit more than two million homes and commercial buildings, simultaneously employing a greater number of Americans in construction and project labor agreements. The plan foresees:

- Producing, renovating and retrofitting more than one million affordable, resilient, accessible, energy-efficient and electrified housing units while extending affordable housing rental opportunities to vulnerable communities, including in rural and tribal areas
- Building and rehabilitating more than 500,000 homes for low- and middle-income homebuyers via the Neighborhood Homes Investment Act (NHIA)<sup>400</sup>

- Eliminating exclusionary zoning and harmful land use policies
- Investing an additional USD 40 billion to improve the infrastructure of the public housing system
- Mobilizing private investment into distributed energy resources; retrofits of residential, commercial and municipal buildings; and clean transportation.

Taken together, such measures aim to improve employment and affordable housing outcomes for families while addressing the wider-reaching goals of improving infrastructure and housing resilience, combatting climate change, and delivering an equitable clean energy future.

The Biden administration has proposed to include in his budget request for fiscal year 2022 the amount of USD 800 million to invest across HUD programmes to rehabilitate public housing, and to modernize and upgrade housing energy efficiency and resilience to climate change impacts, such as increasingly frequent and severe floods. To weatherize low-income households, an additional USD 400 million is proposed for the Department of Energy. If enacted, the budget will increase public investments in affordable and energy efficient homes.<sup>401</sup>

---

399 United States of America, The White House, “Fact Sheet: The American Jobs Plan”, Statements and Releases, 31 March 2021. Available at <https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/>.

400 Neighbourhood Homes Investment Act, <https://neighborhoodhomesinvestmentact.org/>.

---

401 For more on the proposal of President Biden to increase the HUD budget for fiscal year 2022 to 15%, see <https://nlihc.org/resource/president-biden-proposes-15-increase-hud-budget-fy22>.



## Useful resources and contacts

The following list provides an overview of useful resources and contacts around climate-neutral housing construction and renovation. Several sources are valuable and provide information that goes beyond the “policy category” (regulative, non-regulative, financial, awareness and training) this report used as a structuring framework they have been assigned to.

### Regulative policy-oriented resources

UNECE (<https://www.unece.org/housing/sustainablehousing.html>)

UN Habitat (<https://unhabitat.org/project/housing-rights>)

UN-Habitat Sherpa tool (<https://www.sherpa4housing.org/>)

Housing Europe (<https://www.housingeurope.eu/>)

EU Energy Poverty Observatory (<https://www.energypoverty.eu/>)

“A review of EU Member States’ 2020 Long-term Renovation Strategies” (<https://www.bpie.eu/publication/a-review-of-eu-member-states-2020-long-term-renovation-strategies/>)

Policy Report on “Energy poverty and vulnerable consumers in the energy sector across the EU: analysis of policies and measures” ([https://ec.europa.eu/energy/sites/ener/files/documents/INSIGHT\\_E\\_Energy%20Poverty%20-%20Main%20Report\\_FINAL.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/INSIGHT_E_Energy%20Poverty%20-%20Main%20Report_FINAL.pdf))

European Standard EN 15978 - Sustainability of construction works. Assessment of environmental performance of buildings. Calculation method

### Non-regulative-oriented resources

Build Up – The European Portal for Energy Efficiency in Buildings (<https://www.buildup.eu/en/topics>)

Building Performance Institute Europe (<https://www.bpie.eu/>)

### Finance-oriented resources

European Investment Bank (<https://www.eib.org/en/>)

Kreditanstalt für Wiederaufbau (KfW) (<https://www.kfw.de/KfW-Group/>)

Directorate General for Internal Policies, Policy Department A: Economic and Scientific Policy (2016). “Boosting Building Renovation: What potential and value for Europe?” ([http://trinomics.eu/wp-content/uploads/2016/11/IPOL\\_STU2016587326\\_EN.pdf](http://trinomics.eu/wp-content/uploads/2016/11/IPOL_STU2016587326_EN.pdf))

Lakatos, E. and Arsenopoulos, A. (2019): Investigating EU financial instruments to tackle energy poverty in households: A SWOT analysis, Energy Sources, Part B: Economics, Planning, and Policy, DOI: 10.1080/15567249.2019.1667456

### Awareness and training-oriented resources

Training for Renovated Energy Efficient Social housing (<https://ec.europa.eu/energy/intelligent/projects/en/projects/trees>)

The Geneva UN Charter Centre in Estonia - established in 2016 in cooperation with the Estonian Union of Co-operative Housing Associations (EKYL). The EKYL specializes in the development and organization of training programmes on housing management for local housing management associations in Estonia and in countries with economies in transition (<https://ekyl.ee/en/>)

### Other

Staniaszek, D., Kockat, J. and Vitali Roscini, A.. 2020. “A Review of EU Member States ‘Renovation’”. Brussels ([https://www.bpie.eu/wp-content/uploads/2020/09/LTRS-Assessment\\_Final.pdf](https://www.bpie.eu/wp-content/uploads/2020/09/LTRS-Assessment_Final.pdf))

WHO housing and health guidelines (<https://apps.who.int/iris/rest/bitstreams/1161792/retrieve>)

OECD better life index (<http://www.oecdbetterlifeindex.org/topics/housing/>)



Conclusions





## CONCLUSIONS

Housing is central to people's lives, health, dignity, safety, and their neighbourhoods. Housing also contributes significantly to social solidarity, environmental sustainability, and economic stability. In the 21<sup>st</sup> century, the governance, land and finance systems that influence the delivery and consumption of housing have been beset by numerous crises. Emanating from climate change, unguided investment flows, and most recently, a global pandemic, these crises have had profound consequences for the people and the planet.

Policymakers have the responsibility to shape more resilient housing systems and ensure that decent homes and neighbourhoods are affordable, safe and accessible, thereby implementing the SDGs by 2030, meeting the Paris Agreement climate goals and realising the Right to Adequate Housing. Progress can be accelerated with high level support and long-term commitment. Governments can drive action to address housing and related concerns, supported by capable and dedicated policy designers, experts and informed advocates.

This report offers key policy stakeholders, such as housing ministers and mayors, the tools to shape more inclusive and sustainable housing systems, together with the households and communities they serve. To provide focus to and momentum for housing policy reforms, and meet the SDGs by 2030, this report makes the following recommendations:

### On good governance

With regards to governance for affordable housing, UNECE member States should strive to:

- Put people at the centre when developing, formulating, and implementing tools, policies and programmes.
- Ensure high level government commitment to having affordable, healthy and climate-neutral housing and living environments as a central pillar of urban policy.
- Integrate, coordinate and monitor relevant policy efforts.
- Enable the exchange of progress at regular international meetings of housing and urban ministers and mayors.
- Apply evidence-based, multi-stakeholder planning processes combining local and national "housing needs assessments" with feasible development and required investment plans.
- Ensure balanced and fair tenant-landlord relations, committed to security of tenure, fair rent setting and indexing, and ensure adequate quality standards.
- Support appropriately regulated models of housing provision which are resident focused and committed to affordable, inclusive and climate-neutral housing.
- Exchange best practices in affordable housing governance, with resident involvement, through industry development and training.

### On good housing investment policies

With regards to investment in affordable housing, UNECE member States should strive to:

- Regulate national finance systems to promote housing affordability, sustainable housing construction and renovation, and to address housing needs and climate goals.
- Support and prioritise investment in range of housing delivery models which have affordability, sustainability and needs-based allocation as their core purpose, utilizing a range of regulatory, funding and financing tools.
- Establish effective financial frameworks, public purpose financial intermediaries and revolving funds to channel investment to expand access to affordable, adequate and sustainable housing.
- Ensure taxation instruments support and promote affordable, adequate and sustainable housing outcomes.
- Protect residents from excessive financial risks and burdens by employing appropriate design and enforcement of credit norms, consumer protection, financial literacy, and regulation of financial products.

### On good land policies

With regards to land policies for affordable housing, UNECE member States should strive to:

- Establish a purposeful vision, articulating desired urban development committed to social inclusion and sustainability, via long-term strategic plans, land banking activities, and development promotion and regulation.
- Ensure sufficient affordable and social housing is planned for and facilitated via strategic planning, land use and allocation as well as development approval policies.
- Engage in land markets directly and purposefully to ensure affordable and sustainable residential development takes place, through purposeful site acquisition, land adjustment, conditional sale, and lease processes, as well as strong cooperation with affordable housing providers and residents.
- Promote innovation and best practices in affordable, climate-neutral residential development among land developers, planners, house builders, housing providers and residents.

### On climate-neutral housing investment policies

With regards to climate-neutral housing, UNECE member States should strive to:

- Establish a national strategy to promote climate-neutral, inclusive and affordable living environments, securing commitment from key stakeholders and outlining required legislative, regulatory and investment implementation actions.
- Coordinate spatial and mobility planning to promote energy-efficient homes, neighbourhoods, cities, and regions in green, socially inclusive, and walkable neighbourhoods thus minimizing dependence on car use.
- Use financing, fiscal and regulatory tools to accelerate and shape more effective, housing systems that deliver affordable, inclusive and energy-efficient housing.
- Use building resources efficiently, by balancing benefits of constructing new housing against re-use and renovation of existing housing.
- Ensure costs of renovation processes do not displace residents or place an excessive cost burden by using grants, long-term low-cost investment and/or assistance to tenants.
- Support the development and implementation of building standards, technologies, processes and supply-chains to promote climate-neutral living environments.
- Improve knowledge of deep renovation possibilities among tenants, housing providers and private owners.







**UNECE**



# **#Housing2030: Effective policies for affordable housing in the UNECE region**

Housing is central to people's lives, their neighbourhoods, and social and economic well-being and policies can play a key role in ensuring it is safe, affordable and accessible. The publication "#Housing2030: Effective policies for affordable housing in the UNECE region" is an outcome of the cooperation between UNECE, the UN-Habitat and the Housing Europe within the #Housing2030 Initiative. The report addresses integral policy tools for affordable housing: effective governance, strategic land policy, housing investment and active promotion of climate neutral and affordable housing and neighbourhoods. The study draws on the experience of over 100 researchers, policymakers and housing providers from across the UNECE region and beyond, to define useful approaches, outline their advantages and disadvantages, and illustrate their practical application. #Housing2030 also provides recommendations for policymakers committed to improving affordable housing. This report is also accompanied by the [Housing2030.org](http://Housing2030.org) website of resources, including thematic podcasts and good practices.

Information Service  
United Nations Economic Commission for Europe

Palais des Nations  
CH - 1211 Geneva 10, Switzerland  
Telephone: +41(0)22 917 12 34  
E-mail: [unece\\_info@un.org](mailto:unece_info@un.org)  
Website: <http://www.unece.org>

ISBN 978-92-1-117267-6



9 789211 172676