

The role of the EIB, CEB
& the European Fund
for Strategic Investments.
A Housing Europe Briefing.

Financial support to social housing projects in Europe

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A CHALLENGING CONTEXT

BIG STRUCTURAL NEEDS

The financing needs of the social housing sector can be illustrated in different ways: the number of people on the waiting lists, the gap between demand and supply, the number of young people 18-34 still living at their parents' home, the rising number of overcrowded dwellings. The "State of Housing in the EU 2015" Report of the Housing Europe Observatory provided evidence for all above phenomena:

- Europe builds less since the beginning of the crisis, regardless of the sector, with the sole exception of Germany. Rising construction costs make it even more difficult for most countries to keep up with the demand. For example, in Sweden 436,000 homes are needed until 2020 while the government's national objective is 250,000. 245,000 new homes are needed in the UK every year and not even half of them are being built.
- Homelessness is on the rise across the continent. The situation of the most vulnerable keeps getting worse and phenomena of social exclusion become more intense. The social housing sector needs to be supported to address this issue, at times when the state retreats from the social housing sector and hands over a big share of responsibility to private initiatives.
- Outstanding mortgages are still at worrisome levels. The total outstanding residential debt to disposable household income ratio has also increased dramatically from 66.4 in 2004 to 81.8% in 2012.

MIGRATION FLOWS ADD UP TO THE CHALLENGE

Between 2002 and 2012 new construction in Germany has been relatively weak resulting to the current shortage on the housing market in the growing cities. Net-immigration from outside Germany increases population levels, particularly in cities. Additionally, the growth of the metropolitan regions is reinforced by the internal migration of the younger population looking for better opportunities in terms of jobs and education. Based on these trends and on the accumulated 'gap' in housing offer, the country foresees a need for new dwellings of about 400.000 units annually over the next five years which means that the number of newly completed dwellings must increase by about 140.000 units a year compared to the current level. This calculation does not take into consideration the high flow of refugees to Germany: for 2015 it is estimated that between 800.000 and 1.000.000 refugees arrived in the country. This challenge, that is here to stay, must be added to the existing housing shortage in metropolitan areas and in university cities.

On top of the needs related to new construction, the necessary refurbishment of the existing stock amounts to billions of Euros each year. For instance, social housing providers have been spending on average more than 30 billion € from 2010 to 2015 to refurbish 6.5% of their housing stock.

It is essential that financial support can be obtained under terms and conditions that allow affordability to be passed on to tenants while delivering quality affordable housing opportunities. Access to low-cost capital for renovation and new construction is vital. As we live at a time of low interest rates in many countries that however have not yet been channelled into projects at the required scale, setting up intermediary bodies that could aggregate the needs and channel low-cost funding is crucial.

Mutually beneficial relationships between housing providers and institutional investors in Europe are not new. Significant parts of Europe's existing urban housing supply and infrastructure depend on past relationships of this nature, with important roles played by local banks, building societies, and newly developing pension funds. Housing Europe Members have been stressing these points in last years as part of their advocacy work towards the European Institutions but also in their daily activities or via European initiatives such as the Power House Nearly Zero Energy Challenge.

EIB SCALING UP ITS SUPPORT TO SOCIAL HOUSING

The European Investment Bank (EIB) has been supporting construction and renovation of social housing for many years in several countries such as the UK, Ireland, France, Belgium and the Netherlands. Recently, a 120 million Euro loan has been granted to Investitionsbank des Landes Brandenburg (ILB) for the refurbishment and construction of refugee accommodation in different parts of the Federal State. Overall, the project is expected to deliver housing for many of the asylum seekers who will be arriving in Brandenburg until 2018.

Beyond the stable, although low, return on investment that social housing provides for investors like the EIB, a key positive element is the stable and regulated governance structures in the housing sector whether it is for renovation or new construction, the assurance of management as well as the ongoing maintenance of the properties along with the added value of community outreach. All these elements ensure that EIB funds will be channelled to high quality projects.

THERE STILL ARE DOUBTS OVER THE ADDED VALUE OF EFSI

The question of the risk assessment is central since investing in new build for social housing is not "risky" but rather long-term and with low return on investment. Does that qualify for the European Fund for Strategic Investments (EFSI)? The Social housing sector needs low-cost capital funding and can generate multiple socio-economic benefits but the small scale of the projects as well as the general economic context in some EU countries, especially in Southern Europe, are still on the way of a more extended involvement of the EIB, also through EFSI. While it is clear that the EIB prioritizes the maintenance of its AAA rating, what is the EU Bank doing to provide capital to sectors and geographical areas where access to capital through existing channels is problematic?

In the following chapters we will look at new opportunities for funding social housing activities.

DIFFERENT LOAN OPPORTUNITIES

EIB LOANS

The European Investment Bank (EIB) is a natural financing partner for the EU institutions since 1958 and around 90% of its lending is within the EU. The EIB supports about 450 projects each year in over 160 countries. It is also one of the partners within the EU Urban Agenda where both Housing and Refugee Integration are considered to be Priority Themes. The EIB contributes to the respective Partnerships.

Why does the EIB contribute?

- social and affordable housing is key to integrated urban development which is an EIB priority
- serves inclusive growth
- strengthens social and economic cohesion by enabling balanced growth

Application related information:
www.eib.org/projects/cycle/applying_loan/index.htm

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EFSI, THE SO CALLED “JUNCKER PLAN”

Presented in 2015, the European Fund for Strategic Investments (EFSI) is an opportunity to finance quick and cost-effective construction of new dwellings and long-term investment schemes. The EIB cooperates with national public banks or other agencies. In the framework of the Plan, 85 billion euros are allocated annually to energy efficiency projects. No country-specific or sector-specific quotas are set and the criteria are specified by the Fund's investment policy.

Projects will be identified according to their EU added value, economic and social viability and their readiness to be launched within the next three years at the latest.

In short, projects

- should be economically viable
- reflect EU priorities
- have a high risk profile

The Housing sector is a new market segment for the EIB, so this is why the Bank encourages project proposals. Up to now, the EFSI has reached 24% of its 315 billion Euro targets. At least half of it should be allocated by July 2018 while the final deadline is summer 2020.

The projects will be approved by the Task Force that decides whether projects are shortlisted for financing.

www.ec.europa.eu/priorities/jobs-growth-and-investment/investment-plan_en

The European Investment Advisory Hub

The European Investment Advisory Hub ("The Hub") supports the development and financing of projects in the EU by offering a single point of contact for guidance and advice, providing a platform to exchange know-how, and coordinating existing technical assistance.

More info:
www.eib.org/eiah/about/index.htm

The European Investment Project Portal (EIPP) is aiming to offer a Platform for EU project promoters who can show their projects to potential investors worldwide. The Portal contains database of project summaries, an interactive project map and an interactive project directory in a tabular form.

www.ec.europa.eu/priorities/european-investment-project-portal-eipp_en

Criteria for admission of a project to the Portal:

- a minimum size of 10 million Euros
- falls under the European Fund for Strategic Investment
- is expected to start within three years from submission to the EIPP
- the project promoter should be a legal entity established in an EU Member State

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CEB LOAN

Social housing is one of the eligible sectors for a CEB loan. CEB often finances sustainable and affordable housing for vulnerable populations, including large families, young or low-income people, refugees, etc. as defined by national authorities, that have difficulties accessing housing or can only do so under unfavourable conditions.

Concerning the application for funding, the request for a loan should come from the Ministry of Finance of the respective country. The CEB applies its own eligibility criteria such as income, floor area, ownership and residence.

Eligible activities involve construction or refurbishment of housing and the conversion of existing buildings for residential use in order to provide decent and affordable housing.

Eligible projects may target access to property ownership, rented accommodation and associated infrastructure, provided under national or local government assisted schemes or regulated commercial programmes.

It is important to know that grant resources can be made available through the CEB's fiduciary accounts in order to subsidize interest rates and/or to finance technical assistance and/or part of the investment costs.

More information:
www.coebank.org/en/news-and-publications/news/ceb-releases-new-working-paper/

Contact:
www.coebank.org/en/contact/

EBRD (European Bank for Reconstruction and Development)

The Bank supports financially efficiency measures in power generations or gas flaring reduction but also energy efficiency in industrial processes, energy savings in residential and public buildings and investments in public transport energy efficiency.

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CONCRETE PROJECT EXAMPLES

THE CASE OF EFSI (JUNCKER PLAN)

UK

Installation of 7 million smart meters in British homes.	
Beneficiary	Calvin Capital, leading funder
Total Budget	€1.3 billion (€461 million loan from EIB and support from six other commercial banks)
Timeframe	2015 - 2020

More than 7 million smart meters will be installed. This is the largest project so far to be backed by the Juncker Plan and the second one in the UK. The initiative will finance the installation of more than 7 million smart meters in homes across Great Britain. The programme is a key for scaling up the use of smart meters in Britain and one of the largest smart meter schemes in Europe to date. The mass roll-out begins in 2016 and is expected to create 8800 jobs.

More information:
eib.europa.eu/infocentre/press/releases/all/2015/2015-287-british-homes-to-get-smart-meters-under-eur-315-billion-investment-plan-for-europe.htm

GERMANY

Refurbishment / construction of refugee accommodation in different parts of the country

Beneficiary	State's investment bank, Investitionsbank des Landes Brandenburg (ILB)
Total Budget	€120 million loan
Timeframe	2015 - 2018

The aim of the project is to better face the challenges of the current refugee issue. The German Federal State of Brandenburg is the first region to receive an EIB loan. The loan will enable Brandenburg and the ILB to reduce the costs of their own investment in the refugee sector –investment which is made independently of the EIB Framework Loan and comes in the form of grants from the regional Ministry of Labour, Social Affairs, Health, Women and the Family, and loans (ILB). The individual schemes are being implemented by local authorities or related services, for instance municipal social housing companies.

Key figures:

- homes for 46,000 refugees
- around 100 schemes are being implemented from local authorities and social housing associations
- expected impact: the improved integration of refugees will foster contact with the local population; communities can envisage using the facilities created under the project such as student accommodation, homes for the elderly or educational centres

More information:
eib.europa.eu/infocentre/press/releases/all/2015/2015-309-eib-hands-out-first-ever-loan-for-refugee-housing-to-promotional-bank-ilb-in-germany.htm

FRANCE

Energy efficiency refurbishment in residential buildings.	
Beneficiary	Legal entities and local authorities (Final beneficiaries are homeowners and homeowner associations)
Total Budget	€800 million (€400 million EIB loan ensured by local intermediaries such as public and public-private entities as well as commercial banks)
Timeframe	2015 - 2019

The project agreement was signed in December 2015, aiming to increase the energy efficiency of 40,000 flats and houses across France by improving their insulation as well as renovating the heating and ventilation systems. This EFSI financial assistance will enable French home-owners to access long-term loans and much needed technical assistance to retrofit their homes to make them energy efficient and receive technical and administrative support. This particular project is expected to create 6000 jobs during the construction phase and in the long term it will save roughly the equivalent of the energy consumption of 10,000 households.

Energy efficiency investments benefit the economy by reducing energy bills, saving emissions and creating new jobs in the construction sector. Total energy savings are estimated to be 288,000 MWh, roughly equivalent to the energy consumption of 9.600 French households.

More information:
www.eib.org/projects/pipeline/2015/20150188.htm?lang=en

**HOMELSSNESS
IS ON THE RISE
ACROSS
THE CONTINENT**

EIB LOAN EXAMPLES

UK

Supporting greener social housing in London.

Beneficiary	Housing Finance Corporation Ltd (THFC)
Total Budget	€480 million (GBP 400m) EIB loan
Timeframe	2012 - 2026

A 480 million € (GBP 400m) EIB loan to The Housing Finance Corporation Ltd (THFC) is supporting retrofitting measures and the construction of highly energy-efficient new homes across the UK. THFC is an independent, specialized organization that provides loans to regulated housing providers across the UK. The funding from the EIB for this social housing scheme will be complemented by investment from the London Green Fund, which is managed by the Bank, and will target retrofitting schemes in the London area.

More information:

www.eib.org/infocentre/stories/all/2014-november-06/supporting-greener-social-housing-in-london.htm

NETHERLANDS

Refurbishment and construction of new energy-neutral homes.

Beneficiary	Portaal Housing Corporation
Total Budget	€200 million of EIB loan
Timeframe	2016 - 2020

Portaal Housing Corporation and the EIB have signed the first ever direct financing agreement between the EIB and a housing association. It is making a 200 million € facility available to make existing housing more energy-efficient and to build new energy-neutral homes.

With this loan Portaal will finance a substantial part of its investment programme that fits in well with the EU's urban renewal and sustainable communities' objectives as well as with the EIB's objectives.

The investment programme consists of more than 40 small-scale sustainability projects in the regions where Portaal operates and will therefore influence nearly 5.000 homes.

More information:

www.eib.org/infocentre/press/releases/all/2016/2016-016-portaal-in-zee-met-europese-investeringsbank.htm

GERMANY

Retrofitting / new construction of social housing and associated infrastructure in Hamburg.

Beneficiary	Saga Siedlungs-Ag Hamburg, Gwg Gesellschaft Fuer Wohnen Und Bauen Mbh
Total Budget	€300 million (€150 million EIB loan)
Timeframe	2016 - ?

The proposed investment loan with SAGA GWG will be the second project with the City of Hamburg's social housing company for the financing of retrofitting and new construction of social housing and associated infrastructure. The housing investments will need to fulfil the EIB's eligibility criteria for urban renewal and sustainable communities.

The expected outcomes include retrofitted housing with additional new construction including communal space on the ground floor as well as care services for the elderly and disabled tenants.

More information:

www.eib.org/projects/pipeline/2015/20150274.htm

POLAND

EIB supports affordable housing via a major National Development Bank.

Beneficiary	BGK (Poland's Development Bank) to lend to TBS's (public housing enterprises) across Poland
Total Budget	€125 million framework loan
Timeframe	2016 -

EIB funding approved for a framework loan targeting affordable housing schemes which was intermediated by BGK, Poland's development bank. EIB and BGK signed a 125 million loan agreement for the financing of small to medium-sized investments in infrastructure and investments undertaken by small and medium-sized Polish companies. The supported areas include industry, tourism, services, infrastructure, energy, environmental protection, health and education.

As far as housing is concerned, incentives will be offered in the areas of energy efficiency, revitalisation, affordability etc. via a scoring system and through an open call for applications.

The advantageous terms, including a favourable interest rate and a longer payback period, of the EIB's financing for BGK will result in lower funding costs and improved terms for the final beneficiaries concerned.

More information:

www.eib.org/infocentre/press/releases/all/2016/2016-061-eib-establishes-cooperation-with-bgk-on-european-investment-advisory-hub-and-provides-finance-to-small-investment-schemes-in-poland.htm

SWEDEN

Social Housing under an Urban Framework Loan: Örebro Urban Infrastructure.

Beneficiary	Municipality of Örebro
Total Budget	SEK 1.700 million loan (€180 million)
Timeframe	2014 - 2017 (25-year loan)

EIB finances the City's investment programme which consists of some 40 small to medium-sized schemes in education, childcare, municipal housing and waste water treatment. The municipality's long-term investment strategy for 2014 - 2017 aims at modernising the municipality's basic

infrastructure and improving the quality of public services. The EIB has in 2014-15 approved similar municipal multi-sectoral framework loans to 7 different cities in Sweden: Stockholm, Malmö, Lund, Västerås, Örebro, Norrköping and Uppsala.

More information:

www.eib.org/projects/pipeline/2013/20130631.htm

CEB LOAN EXAMPLES

POLAND

Construction and renovation of affordable rental housing by social housing providers.

Beneficiary	State-owned Bank Gospodarstwa Krajowego (BGK)
Total Budget	PLN 800 million loan (approx. €186 million)
Timeframe	2016 - 2026

The aim of the loan is to support the rented housing sector in Poland. This new programme, co-financed by the CEB and the EIB, will enable the construction and renovation of affordable rental housing by social housing providers and municipal corporations. The programme will deliver some 30.000 dwellings over a timeframe of ten years. The CEB loan will cover the initial five-year period with an overall target of 15.000 housing units.

More information:

www.coebank.org/en/news-and-publications/news/ceb-approves-new-loans-social-projects/

FRANCE

Energy efficient renovations for migrant workers.

Beneficiary	Adoma - Group SNI
Total Budget	€100 million
Timeframe	2016 -

For the first time, CEB is co-financing a project of energy efficient refurbishment in a housing block of Adoma. SNI, whose branch is Adoma, and the CEB visited on 21 March 2016 the first retrofit operation in Hoenheim (Bas-Rhin). The three partners signed the contract of cooperation during the last social housing (HLM) congress.

The housing residence, whose refurbishment cost arrives to 1.8 million € (460.455€ CEB loan), gives home to 235 migrant workers. The project is one of the 60 projects to be co-financed in the next five years by the bank as part of the agreement, which seeks, with a budget of 100 million €, to provide better reception conditions and emergency shelter to refugees and asylum seekers.

The "key figures":

- A turnover of 353.1 million euros;
- A total investment in 2015 to 2033 million euros of which 1605 million in project management and 428 million in maintenance;
- 71,000 tenants (24.8% are under 30 years, 17.5% women

and 42.4% of employees with low incomes);

- 69 social houses, 167 homes;
- 169 structures for the reception of asylum seekers;
- 10 stabilization centres and 5 emergency shelters.

More information:

www.coebank.org/en/news-and-publications/projects-focus/france-housing-solutions-migrants/

PORTUGAL

Rehabilitating run-down neighbourhoods and ensuring affordable housing.

Beneficiary	Government's Institute for Housing and Urban Rehabilitation
Total Budget	€15 million loan
Timeframe	2016 -

In 2014, the Portuguese government approved the “Regime Excepcional de Reabilitação Urbana” for the rehabilitation of housing units built more than 30 years ago, located in urban rehabilitation areas and predominantly intended for residential use.

The main objective of the CEB loan is to co-finance the rehabilitation of urban areas to improve living conditions and provide affordable housing via the government's Institute for Housing and Urban Rehabilitation (Instituto da Habitação e da Reabilitação Urbana).

The programme will support around 1.500 households that will live in the rehabilitated buildings in better conditions as well as the inhabitants of run-down neighbourhoods who will see an improvement in their living environment and local economic conditions.

More information:

www.coebank.org/en/news-and-publications/projects-focus/rehabilitating-run-down-neighbourhoods/

EBRD EXAMPLES

BLUEHOUSE EQUITY FUND IN SIX COUNTRIES

Beneficiary	Bluehouse Accession Property
Total Budget	€100 million
Timeframe	2006 -

The proposed project is an equity investment in Bluehouse Accession Property (II), L.P. (the “Fund”), an investment vehicle pursuing long-term capital appreciation through real estate investments. The Fund will be established for the purpose of acquiring, developing, renovating, reconstructing, owning and managing real estate property in Romania, Bulgaria, Ukraine, Moldova, Serbia and Montenegro (“the Region”), with aggregate capital commitments of up to EUR 100 million.

More information:

www.ebrd.com/work-with-us/projects/psd/bluehouse-equity-fund.html



**OUTSTANDING
MORTGAGES
ARE STILL AT
WORRISOME LEVELS**

TURKEY

Secure and energy efficient housing in Istanbul (2015).

Beneficiary	Turkish Government (final beneficiaries are the tenants)
Total Budget	
Timeframe	2016 -

The EBRD together with the Turkish government and the Climate Investment Fund boost investment in energy efficiency improvements in Turkey’s housing sector and help residents reduce their energy bills while contributing to a cut in the national share of greenhouse gas emissions.

More information:
www.ebrd.com/news/video/istanbul-secure-and-energy-efficient-housing-.html

EXAMPLES FROM NATIONAL PROMOTION BANKS

AUSTRIA

The establishment of a housing investment bank.

Beneficiary	Housing Investment Bank-housing associations
Total Budget	€700 million loan
Timeframe	2016 - 2020

Following a nationwide campaign to promote affordable housing space in Austria, a legislative proposal for a Federal law was submitted by the Federal Ministry of Science, Research and Economy in November 2015. This legislative proposal contains the establishment of a housing investment bank that takes over an assumption of liabilities against minimal payment by the Austrian Federation amounting to 500 million €. Together with this assumption of liabilities by the Austrian Federation, the housing investment bank will be able to accumulate loans amounting up to 700 million € from specified credit institutions such as for instance the EIB. The housing investment bank will provide financial means to non-profit making and commercial developers. With the set up of the housing investment bank, the whole housing sector will be able to attract an overall investment volume of 5,75 billion €, most of which will be available for the creation of affordable housing space and € 750 million for rural housing infrastructure. With this housing stimulus package it is estimated that a total amount of 30.000 housing units will be built and 20.000 jobs will be created by 2020.

BELGIUM

A plan for 500 new homes in Brussels.

Beneficiary	SLRB
Total Budget	€200 million loan
Timeframe	2016 - 2020

Public procurement is a real opportunity for any business to provide goods and services to public institutions. Approximately 15% of the national GDP is invested annually. The Brussels housing sector is not left out, both through regional and communal land boards, the CPAS, CITYDEV and the Housing Association of the Brussels-Capital Region (SLRB), a member of Housing Europe. The BGHM announced the project for the creation of 500 new social homes.



A stylized black silhouette of a person in mid-air, jumping over a hurdle. The person's arms are outstretched forward, and their legs are bent in a jumping motion. The hurdle is a simple black shape on the ground. The background is a solid yellow color with a fine halftone dot pattern.

***EUROPE BUILDS
LESS SINCE
THE BEGINNING
OF THE CRISIS***

