



# **9 PATHS TO BETTER HOMES FOR A BETTER EUROPE**

**MANIFESTO FOR THE EUROPEAN ELECTIONS 2014**

*We, social , public and co-operatives housing providers, work together for a Europe which provides access to adequate and affordable housing that is socially, economically and environmentally sustainable and creates communities where all are enabled to reach their full potential.*

***We want to be part of the solution that Europe needs to deliver.*** Europe has to find a way to do better with less. This is why our solution stands on three pillars that will lead to better public budgets in each Member State as well as for Europe as a whole.

*FIRST, we must **work towards greater well-being for Europeans** to restore confidence, social stability, avoid further societal inequalities and boost local job creation.*

*SECOND, we must support the **right long-term national and European social investment** by ensuring better resources for social, public and co-operative housing. This will help us move towards a more resource-efficient and healthy Europe as well as lower socio-economic costs.*

*And THIRD, we must ensure **stable and responsible European housing markets** to avoid further recession of European economies and to support sustainable economic development. We must learn from past mistakes to build a better future.*

***Together our three priorities will deliver a long-term solution package for all Europeans and Europe as a whole.***

*We are ready to get on with this work however we need the EU to design policies that support our activities and we need the EU to do this in a coherent manner.*

***In return we will help Europe face its societal challenges of growing social exclusion and inequalities and high unemployment.***

***We invite you to join us for a better Europe!***

Greater well-being for Europeans	Long-term social investment	Responsible housing markets
<b>Solution n°1:</b> Make adequate and affordable housing a key lever for employment	<b>Solution n°4:</b> Increase the public support for supply of new affordable homes	<b>Solution n°7:</b> Make the EU competition rules compatible with housing needs (not the contrary)
<b>Solution n°2:</b> Increase cooperation against housing exclusion and national strategies against energy poverty	<b>Solution n°5:</b> Unlock the access to affordable market finance for social infrastructure	<b>Solution n°8:</b> Ensure a balanced EU economic surveillance of housing markets
<b>Solution n°3:</b> Avoid the emergence of a two-tiered Europe	<b>Solution n°6:</b> Improve the business case for the refurbishment of affordable housing	<b>Solution n°9:</b> Promote evidence-based and innovative approaches to housing

## MAKING HOUSING PART OF THE SOLUTION FOR A BETTER EUROPE

The economic and financial crisis of 2008 made European policy makers aware of the key role housing must play to achieve a stable economy and social cohesion. This resulted in a number of initiatives at European level:

- Greater support to housing by the European Structural and Investment Funds 2014-2020;
- The recognition of housing as important area of social investment for the EU;
- Increased attention to the stability of national housing markets and policies;
- The call by the European Parliament for an EU action framework for social housing;
- The extension of the notification-exemption of state aid rules regarding Services of General Economic Interest such as social housing.

With housing clearly a defining issue of our times, we have identified the following 9 solutions:

### Greater well-being for Europeans

#### Solution n°1: Make adequate and affordable housing a key lever for employment

We do not only rent and manage housing stocks. We create jobs, and enable labor market participation.

##### The situation in brief:

The European Commission and Member States have agreed to combat youth unemployment in Europe, which has increased from 7.1% in 2008 to 10.6% in the third quarter of 2012 and 10, 7 % in December 2013 with a youth guarantee in regions with a youth unemployment rate above 25 %. Financial support to offer training opportunities for young people is crucial. But it must be accompanied by measures to increase labor mobility, which includes the provision of adequate and affordable homes near the job opportunities.

##### Our solution:

We can support this if the EU helps us to deliver sufficient housing supply in areas with high economic growth so we can attract young (in particular low-skilled) workers. In deprived neighborhoods there is a need to attract middle-income households and entrepreneurs to help regenerate the area. EU policies should support these efforts and it should further support Member States efforts for renovations and refurbishment.

In return, we can use renovation to combat unemployment. In Sweden, for example, it is estimated that up to 50,000 jobs could be created in socially disadvantaged areas if refurbishment is carried out with a focus on local employment and entrepreneurship. This in turn requires effective ways for local learning and skills-development. In Denmark, the social housing organizations have focused on creating apprenticeships when renovating. As a result, there are currently twice as many opportunities for apprenticeships in social housing renovation as the national average. Efforts like these require the bringing together of a range of different actors from the private and public

sector as well as local NGOs. This creates social innovation and change for the benefit of the individual tenant, the local community and the society as a whole. In fact, for 10 jobs created within a renovation program, 7 indirect jobs are created in the community and elsewhere. 80,000 jobs have been lost in France in the last two years in the construction sector, the refurbishment of building stock is an opportunity that cannot be missed.

## **Solution n°2: Increase cooperation against housing exclusion and national strategies against energy poverty**

### **The situation in brief:**

The number of people with complex housing needs in Europe is increasing. Europe needs to find a way to provide permanent and adequate housing for the increasing numbers of migrants, homeless, marginalized and disabled people, together with the appropriate support services. It is necessary from a human and socio-economic perspective and it will save huge future costs for society.

### **Our solution:**

The *Supporting People* programme in the United Kingdom has been recently evaluated. Findings show that £1.6bn of housing-related support services generated savings of £3.4bn for the public purse. The programme includes health and social care and results in a reduced need for more costly acute services.

This supports what experts and policy makers agree on: that prevention and early intervention is the most cost-effective and harm-minimising policy for confronting homelessness and that housing policies and corresponding taxation and mortgage policies, if well designed, can contribute to preventing homelessness and housing exclusion.

If growing evidence shows that community-based and person-centered services improve outcomes and are more cost-effective than institutional accommodation, we should move towards enabling vulnerable people to live independently and share in, and give back, to the benefits of community life. Training is needed to facilitate the successful integration of support and housing in this context.

What is also needed is a supply of adequate and affordable housing through a variety of tenures and well integrated within the local community. We call this social mix, and we believe that it helps avoid the effects of the down-turn including segregation. Member States should be able to deliver the right measures at the right time, locally, regionally and nationally.

In Europe, 52,08 million people cannot keep their home adequately warm, 161,42 million face disproportionate housing expenditure, 87,46 million live in poor quality dwellings and 41,74 million face arrears on their utility bills. Although there is no single indicator for energy poverty in the EU, available figures illustrate the increase of energy costs and growing inability for low income households to cope with them.

Despite the requirement of the European Energy and Gas Markets Directives to introduce national strategies to help vulnerable consumers, much still needs to be done to implement integrated measures against energy poverty. There is still an extreme lack of access to finance for low cost and low carbon refurbishment as well as a lack of the adequate structures. Training is also needed for housing staff and residents in the field of energy and the promotion of decentralized energy production.

8% of EU citizens cannot pay on a regular basis their utility bills and EU regional policies will help fight energy poverty by allowing energy efficiency refurbishment to be supported by EU Funds

### **Solution n°3: Avoid the emergence of a two-tiered Europe by supporting recovery in those countries hit hardest by the crisis**

#### **The situation in brief:**

The GDP for Europe as a whole has decreased from 2012 to 2013, however some Member States have experienced more extreme increases in terms of debt ratio, public deficit and unemployment rate. This makes investment and accessing EU funding almost impossible.

While will intended, the introduction of lower requirements for co-financing rates under the Cohesion Policy do not take the public deficits limits of Member States - and their resulting inability to raise additional national funding – sufficiently into account. As a result, the risk of the non-use of the Funds increases, which means that projects linked to urban or housing regeneration, which often require a very high upfront investment, risk being left out from the list of projects financed by Structural Funds.

This is a problem.

#### **Our solution:**

Structural Funds are meant to build upon and strengthen national initiatives in order to created added value nationally and for Europe as a whole.

When this does not happen due to lack of national funding opportunities, the added value is lost and the Member States who are in most need of the added value pay the highest price. The EU needs to find a solution to meet the growing risk of losing a significant volume of the EU funds available in these countries. Otherwise, the intended objectives are not achieved.

## Long-term social investments

### Solution n°4: Increase the public support for supply of adequate and affordable homes

#### The situation in brief:

Not all EU countries have adequate structures in place to finance the construction or refurbishment of adequate and affordable housing. Despite different policy frameworks, where these mechanisms do exist they all seek to reduce the cost of capital for investment in housing (and in particular affordable housing). In some countries, it is currently proving difficult to access bank loans or capital markets under reasonable conditions, especially for long term investment which is needed to provide affordable housing.

#### Our solution:

At the same time, the EIB has for many years been expanding its lending to social housing. The EIB lends either to the public authorities (municipalities, regions, provinces) or to aggregating funders of social housing. A European instrument specifically dedicated to housing issues would give greater leverage to the capital supplied by the EIB by raising funds from other financial institutions, as done by the Council of Europe Development Bank, and from capital markets. It would also enable the establishment of criteria for the selection of projects best suited to the housing sector (in terms of the volume, duration and measurement of the social return on investment).

Furthermore, in countries where social housing is defined as a Service of General Economic Interest (SGEI), the EIB should broaden the pre-condition of 50 per cent public financing. The criteria excludes social housing providers as eligible applicant for EIB programmes like ELENA as although they are subject to public supervision and their activities (to provide adequate housing) are financed partly publicly, the public finance does not amount to 50 per cent.

More generally market finance can be an ally to raise more stable long term resources. For instance, with the Welsh Housing Bond, the UK government commit to put £10 billion in a fund as a guarantee to reduce the cost of issuing a club bond through the Housing Finance Corporation. This would be the cheapest way to raise funds, but the terms and conditions would require landlords to commit a high level of properties as security. There are 19 Welsh housing associations involved. They plan to borrow £140 million to build 1,100 homes. The Welsh Government's 2016 house building target is 7,500.

## Solution n°5: Unlock the access to market finance for social infrastructure

### The situation in brief:

Not only has the crisis affected our sector negatively. There is an absolute inadequacy of adapted financial products on offer, especially in terms of duration. This is a major problem.

### Our solution:

We need long-term finance for home-ownership with fair and affordable contractual conditions, for the development of new and adequate and affordable housing and for the refurbishment of the current stock. This is an absolute prerequisite for stable housing markets and thus for stable economies in Member States and Europe as a whole.

The sustainability of investing in adequate and affordable housing, cannot be ignored by bank and fund managers. Our business model is based on incomes constituted by social rents that are very stable and linked to inflation. This makes our return on investment very predictable.

We need a system where we can access the same funds and financial schemes as the commercial real estate sector, but where the risks are calculated according to actual risk. This will attract private financing as well as underpin and strengthen the public financing where this is part of the financial scheme for adequate and affordable housing. As a result, highly productive PPP-models with societal added value could be put in place, which would also incentivize the right long-term public investments.

For example in Denmark, social housing is mainly financed on normal market terms through the Danish mortgage bond system, with local public financing covering the rest.

At the same time, the announced banking regulatory proposals for the next years carry substantial implications for banking and specifically mortgage regulation. Basel III in particular, introduces two new liquidity ratios and an increase in the minimum capital requirement of 1%. Many assessments concluded that this will lead to an increase in bank lending spreads as banks will pass on the rise in bank funding costs, due to higher capital requirements, to their customers. To meet the capital requirements effective in 2015 (4.5% for the common equity ratio, 6% for the Tier 1 capital ratio), banks are estimated to increase their lending spreads on average by about 15 basis points. The capital requirements effective as of 2019 (7% for the common equity ratio, 8.5% for the Tier 1 capital ratio) could increase bank lending spreads by about 50 basis points. As part of the new requirements, large exposures limits will be introduced, which will protect banks from large losses resulting from the sudden default of a single counterparty.

Covered bonds (such as the Danish housing mortgage bonds mentioned above) could fall under the new requirements, which, by requiring more collateral, would deter investors from holding bonds covered by a wide variety of housing loans.

In this context we appreciate the various instruments proposed by the Commission over the last months to incentivize investments in social and long-term activities – such as the European Social Entrepreneurship Funds (EuSEF), the European Long-Term Investment Fund (ELTIF) and the statements of the Social Investment Package.

However, we find it very important to stress that these clever initiatives will not fulfil their potential to channel mainstream finance into investment with high societal added value as long as the risk attached to investing in adequate and affordable housing is considered equivalent to the one involved in commercial real estate activities.

## **Solution n°6: Ensure a positive business environment for the refurbishment of adequate and affordable housing**

### **The situation in brief:**

The value of energy efficiency investments has been proven from a societal perspective. Now we need to scale-up investment to reap the benefits of job creation and emission-reductions.

8% of EU citizens cannot pay their utility bills on a regular basis. At the same time buildings provide the second largest untapped and cost-effective potential for energy saving after the energy sector itself. In 2010 they consumed 41 % of Europe's final energy consumption and 36 % of greenhouse gas emissions.

### **Our solution:**

We, the social, public and cooperative housing sector, account for 12 per cent of the total housing sector in Europe or 25 million homes. We are confident that a large scale refurbishment of our existing stock is a clear win-win and can generate important co-benefits including health improvements and alleviation of fuel poverty.

This opportunity cannot be missed.

Currently however, the up-front costs of renovation are simply too high compared with the amount saved on energy bills. This means that investment is not profitable from a short-term financial perspective. This is also why profit-led Energy Service Companies (ESCO's), private banks or investment funds do not find energy efficiency in housing attractive.



Furthermore, there is an issue with fragmented ownership, with 73.5 per cent of the EU-population owning or re-paying loans or mortgages on their homes, 42% living in flats and 23% in semi-detached houses. This makes it difficult to implement refurbishment works on a large scale. This is particularly the case for multi-apartment blocks where apartments are owned by individual households.

We could lead a market shift as fragmented ownership is not an obstacle to the same extent in the social, public and cooperative rental sector. What is necessary is finding the means to address the lack of available up-front investment and to handle the so-called split incentive problem (where owners often do not recover investment through lower energy bills).

A way forward could be to aggregate funding opportunities for energy efficiency in the social housing sector that are potentially available: European or national public grants, public loans, upfront investment through ESCO's, part of the revenues of auctioning CO<sub>2</sub>-credits as part of the Kyoto-protocol or the EU emission trading scheme or even low-carbon bonds backed by the EIB.

Other instruments could be increased use of technical assistance (TA) and project development assistance (PDA). TA could be used to set up the hubs for low-carbon finance as a form of intermediary legal entities at the appropriate level. PDA could help develop project engineering and project financing to set up, for instance, an energy performance contract with an ESCO.

Bulgaria, for example, is actively working on policies to support ESCOs with the Bulgarian Energy Efficiency Fund (BgEEF) that was established in February 2004. It is a public-private for-profit entity, independent from any public or private institution and has the combined competences of a credit institution, a credit guarantee company and a consulting firm. It provides technical assistance to Bulgarian companies, municipalities and individuals in the development of investment projects in energy efficiency and then accompanies their financing, their co-financing or acts as guarantor to other financial institutions.

On top of that, applied research to develop low-cost technologies for the improvement of energy efficiency and renewable energies in the affordable housing sector should be continued. The research community needs to work more with affordable housing providers and SME's to further develop ways to achieve high reduction of energy consumption with manageable investment costs. In this respect, behavioral aspects should play a larger role.

## Responsible housing markets

### Solution n°7: Make EU competition rules compatible with housing needs

#### The situation in brief:

Housing is a local and national issue and not part of EU competences. We must be able to guarantee a certain variety in the area of social, cooperative and public housing that often goes far beyond the mere provision of housing to include the provision of important social infrastructure.

#### Our solution:

The Member States' responsibility for delivering adequate and affordable housing must be respected so they can determine the criteria for social housing in line with the principle of subsidiarity, independently. This is the only way to react to local requirements and needs in a flexible manner. A strict regulation of access criteria to social housing jeopardises the housing supply for certain population groups, as the experience of some European cities has shown.

We therefore ask the European Commission to leave the definition of social housing and the choice on the type of provision up to the Member States.

This includes removing the restriction to *'disadvantaged citizens or socially less advantaged groups'* from the rules on Services of General Economic Interest and the linkage of this term to income-levels. On the contrary, the definition of services should be left open to include a large share of the population, in order to avoid social segregation.

Furthermore, we believe that social housing provision backed by public support does not entail a distortion of competition on the internal market. If any, the effect is positive. It is a question of (labour) mobility and keeping societal inequalities, which can have long-term negative and very costly effects, low.

If policy choices are made at the national level we will have better and more flexible ways of solving problems that EU cannot solve for the individual Member States anyways. We need to cooperate, not to limit each other.

## Solution n°8: Ensure a more balanced EU economic surveillance of housing markets

### The situation in brief:

Housing markets have been increasingly monitored by the European Union since 2011 and the first European Semester. This marks an improvement in the monitoring of economic policies, since it implies a recognition that dysfunctional housing markets have been greatly fuelling the economic and financial downturn of the last 6 years.

However, the process so far has shown a narrow focus on monitoring real house prices as an indicator. This limits the discussion on how prices can be kept relatively low to avoid real estate bubbles. This has too often resulted in a too simplistic call for liberalization of housing markets, which misses at least 3 fundamental points, none of which are taken up by the Commission in its economic surveillance of the EU:

First, that there is an urgent need for a greater supply of housing for people with low to middle-income in both high employment and low employment areas. These people cannot meet their housing needs without an adequate regulation of the market.

Second, providing adequate and affordable housing requires a long-term commitment to providing quality services at an affordable price. The market alone is not likely to fulfill this objective as profit-driven real estate investors are more likely to seek more lucrative, short-term investments.

Third, increasing the supply of adequate and affordable housing can only make sense when backed by policies that are not biased towards accession to homeownership and dangerous lending practices. So far this practice has pushed prices artificially up, resulting in foreclosures and evictions – which in return increase the demand for affordable housing.

It is a dangerous and negative spiral.

In the UK almost 400.000 new households were formed in 2011, while less than 115.000 new housing units were produced. The inadequacy of housing stock and housing production creates social tension in many countries, but is not being adequately addressed.

### Our solution:

Instead of limiting adequate and affordable housing, the EU should ask Member States to deal NOW - through long-term investments in adequate and affordable housing - with the risk of new housing price bubbles. We know their potential to threaten EU economies.

With this background, we point at the alternative methods to identify housing bubbles proposed by the European Central Bank in 2012, using criteria such unemployment rate, disposable income (or disposable income per capita) and the debt-to-income ratio (<http://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1493.pdf>).

## Solution n°9: Promote evidence-based and innovative approaches

### The situation in brief:

Public policies have a major impact on the daily lives of citizens. Too often the whole range of effects is not fully understood until negative trends emerge. This is also true for housing policy. Arguing for instance that the ageing population will decrease the need for construction of new homes reveals a misunderstanding of the demographics behind housing needs: the number of households is the crucial factor that drives the demand for housing and it will go up for many decades. Furthermore the migration patterns and other societal changes need to be carefully monitored and anticipated, if efficient housing policies are to be adopted.

### Our solution:

In other words, finding ways to shape and anticipate the urban dynamics (migration patterns, cultural habits, economic behaviour, skill gaps between demand and supply of labour), rather than follow them and thus help policy makers to adopt long term housing and urban planning strategies will be key to deliver better homes in a better Europe.

Also crucial is measuring the broad impact of long term investment in affordable housing on the society, and proposing new ways for public accountancy to integrate those costs and benefits (i.e. investing in affordable housing should not only count as expenditure but should also count as a gain-generating / cost-saving activity).

Eventually, at a time when there is a need to think more holistically about key societal challenges, it is important to propose new forms of land/home ownership that combine affordability, resource efficiency and sense of community (such as community-land trusts).

Social, public and cooperative housing providers are keen to be the driving force behind those reflections and to engage in strong partnerships with EU decision makers.

CECODHAS Housing Europe 'The Federation of public, cooperative and social housing', is a network of national and regional social housing federations gathering 4.500 public, voluntary housing organizations and 28.000 cooperatives housing. Together the 41 members in 19 EU Members States and 3 non-EU countries manage 25 million dwellings. CECODHAS Housing Europe members work together for a Europe that provides access to decent and affordable housing for all in communities which are socially, economically and environmentally sustainable and where all are enabled to reach their full potential.



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