



What is the European Investment Bank offering for social housing ?

Brussels, 8th March 2010 – Cecodhas

*Luciano Caffini
President Legacoop Abitanti*





National Housing Plan

Law 6 August 2008, n. 133

Six guide lines of interventions for different targets

Among the main aspects that characterize the plan there are:

- the assumption of **Social Housing** as an opportunity to overcome traditional forms of public housing after many years of disattention by the State
- the definition of social housing and urban regeneration as **strategic** for the country (according to services directive)

This presentation is related to the **first** of the Six objectives:

The Network of National and Local Funds with the goals of increasing the Social Housing Stock


There are many points of contact between the *integrated system of funds* and the increasing number of experiences and social housing projects started by foundations of banking origin (in particular Cariplo Foundation) public institutions and housing **co-operatives**

What is the *network of real estate funds system* in the National Housing Plan?

The real estate investment funds should be **dedicated** to the development of a network of Funds or of other financial instruments that help to increase the supply of Social Housing (*Decree of the Minister of Infrastructure on 22 April 2008, published in the Official Journal of 24 June 2008, n. 146*)

Features of the Fund of funds:

- a) a minimum amount of 1 billion euros tending to 3 billion euros
- b) at least 25 years lasting
- a) earning objectives in line with comparable market financial instruments
- d) adequate territorial diversification of investments
- e) to ensure adequate representation to investors by the composition of the Fund organs
- f) criteria for participation in local investment, acquiring minority shares up to max 40% by the Cash Deposit and Loans (Cassa Depositi e Prestiti, the Italian public bank based on the management of the postal savings)



Real Estate Fund Social Housing

FUND OF FUNDS

★ Cash Deposit and Loans	1 billion euro
★ Infrastructure Ministry	140 millions euro
★ Banks: Intesa San Paolo e Unicredit	500 millions euro
★ Insurance Companies: Generali e Allianz	500 millions euro
★ Provident Funds	500 millions euro
TOTAL	<hr/> 2.640 millions euro

The Fund of Funds will participate for a value not over the 40% of local building projects.



The network of real estate funds system

Objectives - Targets

Increasing the rental stock managed by the funds at an average price of 50% approximately of the market rental price

Increasing the supply of ownership (also deferred to 4-8 years) at low price

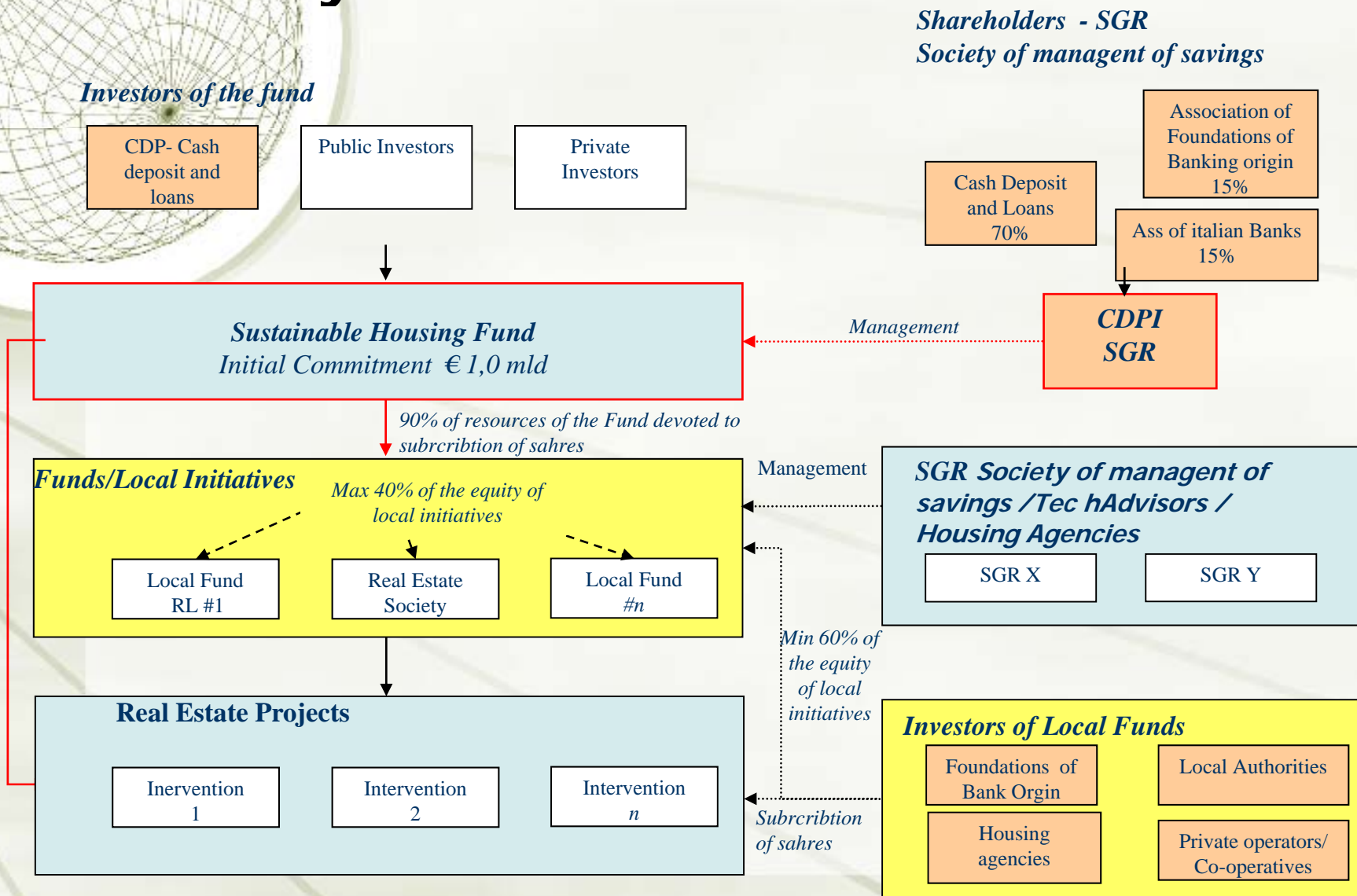
We talk about people or families:

Not having the requirements to obtain a public house

Not able to face the market price

Network of real estate funds system

How the System Works





Network of real estate funds system

Initiatives under way/1

Abitare Sociale 1

Promoted by Cariplo foundation before the Housing Plan. Cariplo Foundation, City of Milan, Cash Deposits and Loans, Generali Insurance, Intesa Bank, Popular Bank of Milan, Cash Geometri, R.E. Pirelli, Telecom
S.G.R. (Society of management of savings): Polaris Italy Funding: 85 millions

Fund Veneto House

Veneto Region, CARIPARO Foundation. S.G.R. (Society of Management of savings): Beni Stabili. Funding: about 14 millions (50 millions goal)

Co-operative Housing Fund Rome

Promoted by Cariplo foundation before the Housing Plan. Seven Legacoop co-operatives in Rome. S.G.R. (Society of Management of savings): Polaris Italy. Contribution to the fund: 71 millions contribution to gross value (GAV)



Network of real estate funds system

Initiatives under way/2: the ethical housing fund by Cooperhousing Foundation

Florence - Prato

Promoted by inhabitants co-operatives, private company, Consortium Etruria. S.G.R. (Society of management of savings): Polaris Italy Funding

Parma

Promoted by inhabitants co-operatives, private company, working co-ops.

Milan

Promoted by inhabitants co-operatives, private company, working co-ops.

Pesaro (Marche Region)

Promoted by inhabitants co-operatives, private company, working co-ops.

Torino

Promoted by inhabitants co-operatives, lands underway of evaluation.

The Legacoop approach

Cooperhousing Foundation (involving different sectors)

(defined 13-2-2008 before the National Plan)

An idea of "**normalization of the market**", that means:

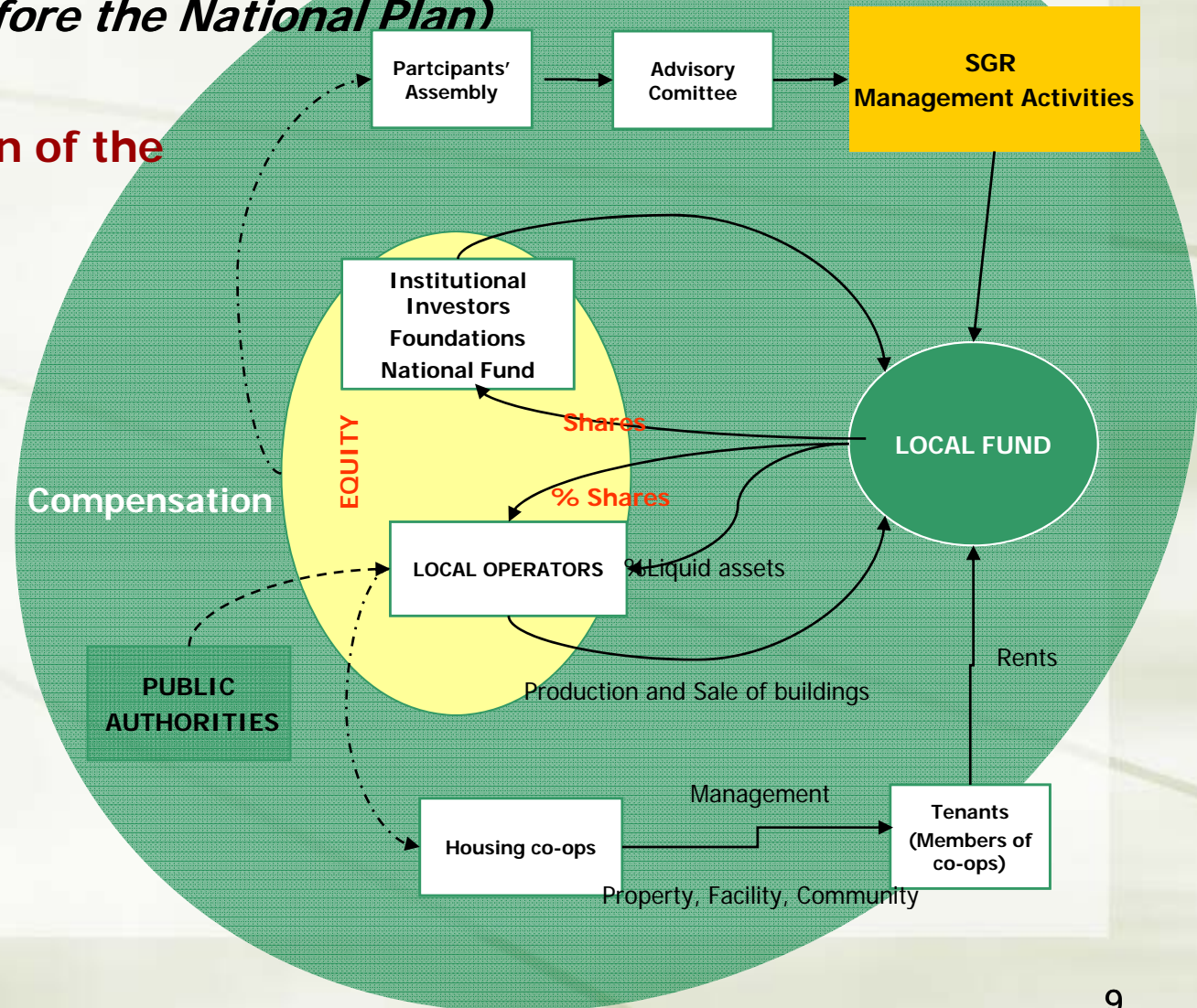
A production of houses for different segments of the market and not only for high profit level

A mix of supply:

Ownership

Rent

Deferred sale





Network of real estate funds system

Ways of compensation: *how to get the goal of an average rent correpondent to approximately 50% of the market rent*

Urbanistic

Cost of the land, **near zero**, related to urbanistic legislation promoting a stock of lands in the availability of the councils, with possibility to assign them to co-ops or other providers

Volume premiums related to private urbanistic plan in the **Private Public Partnership (PPP)**

Discounts in urbanization costs

Financial

Equities with expectations of non-speculative (**ethical**) return (2-5 %)

Reduction in costs of debt and agreement with financial institutions



Network of real estate funds system

Ways of compensations: how to get the objective of an average rent correspondent to approximately 50% of the market rent

Fiscal

ICI (Local Property Tax)

Assimilate local Funds to undivided housing co-operatives and public housing that are free of cost

Public Contributions

Even as a subscription of shares

Bonus to people or families in order to reduce furtherly the rental price



Network of real estate funds system

Success factors of Local Funds

Local partnership in PPP

Capability in organizing

Social objectives, creation of the conditions for urban feasibility

Operators (co-operatives in particular)

Co-investors

To promote the Funds in agreement with local authorities and private foundations

To encourage agreement with the “**society of management of savings**” (SGR) in order to obtain the commitment for facility, property, community building



Network of real estate funds system

Success factors of Local Funds

Banking foundations

To participate in defining the effects on community

To subscribe the shares of the local fund

Ways of institutional partnership, Region and local authorities:

To indicate and share the objectives, state fees and sales prices

To develop synergies in order to ensure procedural simplifications for the feasibility of interventions

To identify compensatory measures and forms of security in order to increase the social efficiency of the Local Fund



Network of real estate funds system

Success factors of Local Funds

Expected profitability

Limited, but reliable, revaluation of real estate over time

Certainty of collection of fees and realization of the scheduled plans for sale

Central management

To promote a culture of participative and responsible neighbourhood (community building)

To ensure the durability and efficiency of rented property

Recover the management tradition of housing undivided co-operatives

Default tending toward zero

Dwellings maintained in good quality and efficiency over time

A sense of belonging of the members-tenants



Network of real estate funds system

Why the housing co-ops for the Fund System?

In a changing context , optimization of the production and extent of investments, in order to take advantage of the opportunity of the National Housing Plan

Basel 2 (credit crunch)

New tools and methods of financial sustainability

Better fiscalty: the fund approach

Social transformations expected:

new social mix

new social contradictions

new governance for social large base housing co-operatives



Network of real estate funds system

Scheme of the Fund: the steps of the model

Promotion and development (local authorities and operators)

Location

Project

Building

Identification and agreements with the “society of management of saving” (SGR) and other potential shareholders

Fund Regulations

Business plan

Authorization (Bank of Italy)

Evaluation of assets by independent experts



Network of real estate funds system

Scheme of the Fund: the steps of the model

Agreement with the National Fund

Validation of the project

Agreement on timing and way of participation

Fund creation: subscription of shares

Supply of housing (operators of Social Housing)

Payments (Institutional investors: National Fund, Local authorities, Regions, Pension Funds, Foundations, co-ops ...)

Management (Facility, Property, Community building)

By co-ops on behalf of the "Society of management of savings" (SGR)



Duration and liquidation of the Fund

The maximum duration of the fund is **25** years

The liquidation of the Fund can be made
by assignment of dwellings to tenants
or to undivided property housing co-ops



Potential production of Social Housing (our goal)

General Objective: 100,000 dwellings

Sustainable production of **10,000 dwellings** per year of social housing:

medium and long term lease (15-20 years)

fixed-term lease (8-10 years)

supply of housing of low-price ownership

Today, it is possible to begin projects with high feasibility, on which Local Authorities and Regions have already expressed their evaluation.

Legacoop goal: 3,000 dwellings per year

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Focus on Experimentation in progress

Promoter: Legacoop Abitanti together with other operators



Comune
di Parma



Fondazione
Housing Sociale



Parma Social Housing Fund

Promoters

Promoted by Legacoop Abitanti, Confcooperative, AGCI, Private Enterprises, Cooperatives of Production and Work of Legacoop, SGR Polaris

Dimension

1050 dwellings

Investment

140 millions euro

A decorative graphic in the top-left corner consisting of a sphere made of intersecting lines, resembling a geodesic dome or a complex network, set against a light green background with faint diagonal lines.

SOCIAL QUALITY THE COMMUNITY PROJECT

A decorative graphic in the top-left corner consisting of a sphere made of intersecting lines, resembling a globe or a complex geometric structure.

SOCIAL INCLUSION

1. Social Inclusion
2. Social Mix
3. Special Needs

RENT AND TARGET PRICES

Rent categories	Rent per month per dwelling	N° dwellings	%
sustainable fee (ARRANGED FEE special law - 30%)	300 euro	105	50
arranged fee	429 euro	210	
controlled fee with buy back at 8° year	570 euro	210	
Sale			50
Controlled sale	1.850 euro/mq surface	525	
Total dwellings		1050	100

Rent fees and controlled sale prices

With regard to rent and sale prices of dwellings, the following objectives have been undertaken:

- Rent with a **sustainable fee (arranged fee – 30%)** with 25 years bond
- Location with **controlled fee with buy back by the dweller at 8°year**
- **Controlled sale**

	Rent Fees	Sale prices		
<i>(1 apt=60mq SUL 78 mq SV)</i>	<i>€/month/mq SV*</i>	<i>€/mese/apt*</i>	<i>€/mq SV</i>	<i>€/apt</i>
<i>Sustainable Fee (arranged -30%)</i>	<i>3,9</i>	<i>300,3</i>		
<i>Controlled fee</i>	<i>5,5</i>	<i>429,0</i>		
<i>Sale formulas with arranged prices **</i>	<i>6,9</i>	<i>541,1</i>	<i>1.750</i>	<i>136.500</i>
<i>Market sale and rent</i>	<i>9,0</i>	<i>720,0</i>	<i>2.800</i>	<i>218.400</i>

SUL: useable floor area
SV: commercial surface



The structure for financing the Fund could be the following:

	percentage	investments
Gross value of the Fund estate	= 100%	140 millions
Debt:	50%	70 millions
National Fund of Funds:	20%	28 millions
Joint-venture - Investors (Among operators)	10%	14 millions
Institutional and Parma Municipality: (local Foundation)	20%	28 millions

At the end of the fund, **option of** purchase for *tenants* or for *coops* or municipalities to maintain the rental destination.



Economic Figures

Certified target earnings

Share A – Private Investments	6/7%
Share B – National Fund	3%+ inflation
Share C – Municipality	1%

Quality

- Social Accompaniment: Community building
- Services to housing
- Sustainability and energy saving
- Flexibility and accesibility

Fund Cascina Merlata Milano

Promoted by Legacoop Abitanti Housing Coops, EuroMilano, Confcooperative, AGCI, Private Eyeprise, Legacoop Production and Work coops, SGR -society of management of savings - Polaris

Rent categories	Rent per month per dwelling	N° dwellings	%
arranged fee rent 8 years	437 euro	170	40
arranged fee rent 16 years	437 euro	170	
sustainable fee	350 euro	100	
Sale			60
ownership	1.950 euro/mq surface	660	
Total dwellings		1100	100



Financial Sustainability of the Fund

Financial Leverage

Reduction of urban taxes

Investment sources

National Fund(SIF)	20%
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Institutional Investors (Cariplo Foundation, Coopfond, welfare institutions)	15%
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Private Investors (Promoters and others)	15%
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Debt (fixed rate bullet)	50%
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Earnings

SIF e Institutional	3% + INFLATION
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Private	6-7%
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Fund Structure

	V.A	%	EARNINGS
INVESTMENT VALUE	127.501.065,00	100	
EQUITY SIF (national fund)	25.500.213,00	20	3%+INFL
INSTITUTIONAL EQUITY (local foundation, region, others)	19.125.159,75	15	3%+INFL
MARKET EQUITY (promoters, others)	19.125.159,75	15	6/7%
DEBT	63.750.532,50	50	FIXED RATE BULLETT TO TRANSFORM AT THE SALE MOMENT

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REPLICABILITY

❖ EUROPEAN NETWORK OF PROVIDERS

❖ COMMON FUNDING



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