

## Draft consultation paper for public feedback in summer 2018

### Introduction

This Consultation Paper serves as background information to the Public Feedback on the new actions developed by the Housing Partnership in the frame of the Urban Agenda for the EU. Stakeholder feedback will be considered by the Partnership in the further development of the Action Plan, for which now 13 in total are now foreseen. Since the last public feedback in summer 2017, the Housing Partnership has continued its work along the agreed priorities, which were assigned to different subgroups:

Subgroup	Themes covered
State Aid	State Aid, Competition Law, Definition of SGEI, VAT issues
Finance and Funding	Investments and instruments, loans, innovative funding, Golden rule, European semester
General Housing Policy	Part A: Land use, spatial planning; building ground (land), anti-speculation, renovation, energy efficiency Part B: Security of tenure, Rent stabilization, Co-management, co-design, Support for vulnerable groups

**Members** of the Partnership on Housing are:

**Cities/City Networks:** Vienna (AT, coordinator), Lisbon (PT), Poznan (PL), Riga (LV), Scottish Cities Alliance (UK), EUROCITIES

**Member States:** Slovakia (coordinator), Latvia, Luxembourg, The Netherlands, Slovenia + 2 observers (Czech Republic and Sweden)

**Stakeholders:** AEDES, Housing Europe, International Union of Tenants (IUT)

**EU- Institutions:** DG REGIO, DG ENER, DG EMPL, European Investment Bank (EIB)

**Experts:** Faculty for Urban Studies Science Po, Paris

### Focus areas and activities

Work since the last public feedback in summer 2017, from September 2017 to June 2018, has focussed on general housing policy, funding and finance conditions as well as knowledge, which results in the eight new actions presented now by the Partnership.

Activities of the Housing Partnership also saw the implementation of an action under the better regulation work strand, which was a very successful capacity building workshop on state aid and affordable housing investment on 23<sup>rd</sup> May 2018 in Brussels, hosted by the Committee of the Regions<sup>1</sup>. Findings of this workshop will be integrated in the Action Plan. The Partnership continued to elaborate on the already agreed action under the better knowledge work strand, which results in a new action on an exchange programme for urban housing responsibles, amongst others. Last,

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<sup>1</sup> <https://ec.europa.eu/futurium/en/housing/workshop-state-aid-and-affordable-housing-investments-successfully-concluded>

but not least, the Housing Partnership delivered the chapter<sup>2</sup> on “links to international commitments” under the cross-cutting issues of the upcoming Action Plan.

The affordability challenge was addressed at several occasions, which led the partnership to develop proposals around housing data, which are not only crucial for a better understanding of subnational housing realities and the fragmentation of the housing market, but can also help to enhance knowledge about the gender dimension.

The **working meetings** held in the past working period were:

- September 2017, Glasgow, with a focus on affordable housing finance in old and new Member States.
- November 2017, Geneva, back-to-back with the UNECE Committee on Housing and Land Management and with a focus on links to international commitments.
- March 2018, Lisbon, with a focus on general housing policy, housing affordability and housing cost overburden as well as harmful developments by touristic platforms.
- June 2018, Luxemburg, with a focus on finance and funding and data on housing situations on EU level.

## 1. Better funding and financing conditions

The Housing Partnership has examined in-depth the housing situation in EU Member States against the global macro-economic background and based on evidence on public investment decline and affordability limits for a broad share of the EU population. Generally, it must be highlighted that a decade after the world economy was hit by the financial crisis, global economies are showing gaps of consistent recovery, one important field being the housing sector. The overall picture shows:

- a **decline in investment in affordable housing** throughout EU Member States to half of the pre-crisis level;
- a steep and continuous **increase in house prices and market rents** in most EU cities and urban areas;
- a **growing** number of EU citizens, from low to middle class incomes faces affordability limits, **housing cost overburden**, low quality and overcrowded housing situations.

### 1.1. Lack in investment

Recent EU reports address the importance of investment in affordable housing as vital to sustainable economic recovery and social cohesion. The High-Level Taskforce on Investing in Social Infrastructure in Europe clearly depicts in its 2018 report that investments in social infrastructure have decreased by 20 percent since 2009 in the EU and estimates an overall investment gap at 150 billion EUR per year for the next ten years. The lack of investment in affordable housing amounts to around 57 billion EUR per year<sup>3</sup>. In the EIB Investment Report 2017/2018<sup>4</sup>,

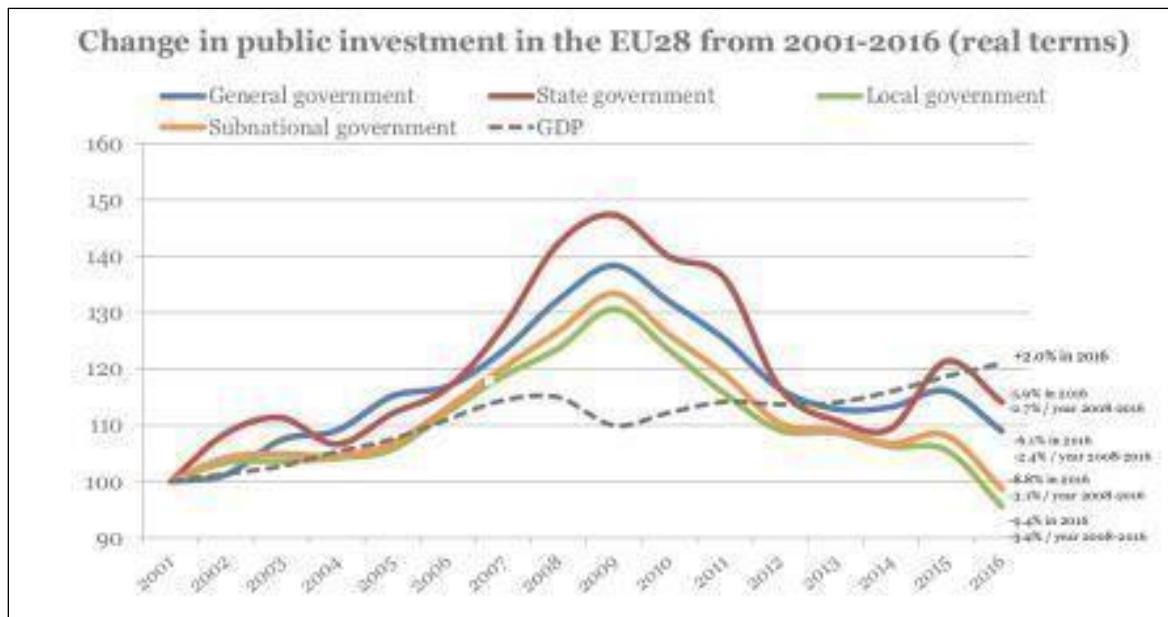
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<sup>2</sup> <https://ec.europa.eu/futurium/en/housing/links-international-commitments>

<sup>3</sup> Report of the High-Level Task Force on Investing in Social Infrastructure in Europe: “Boosting Investment in Social Infrastructure in Europe”, by Lieve Fransen, Gino del Bufalo and Edoardo Reviglio (January 2018)

<sup>4</sup> EIB Investment Report 2017/2018: [From recovery to sustainable growth](http://www.eib.org/eib-reports/2017-2018-from-recovery-to-sustainable-growth.html) (2018)

municipalities report a significant investment gap, especially in transport, ICT and social housing. The government investment rate is at its lowest level for 20 years. These numbers are validated by ongoing OECD monitoring on public investment as shown in the figure below:



Source: OECD (2018)

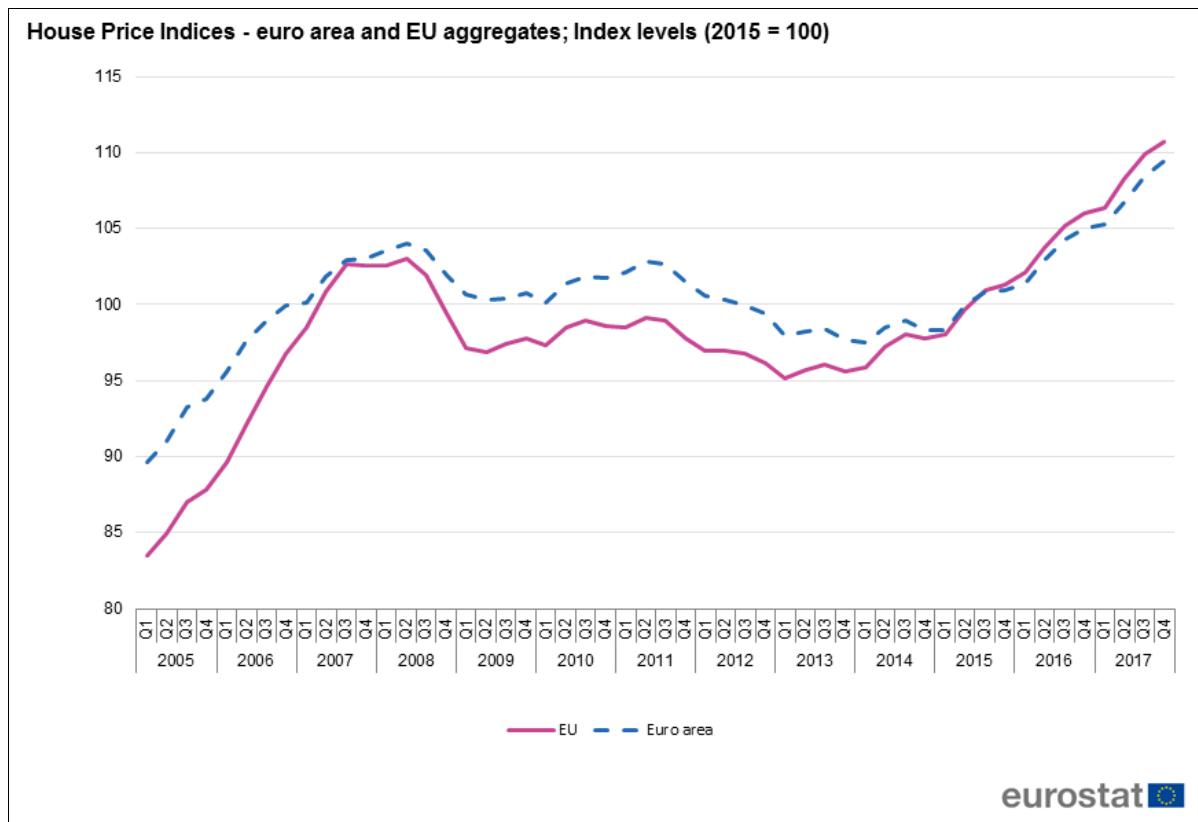
## 1.2. Overheated housing prices

The dramatic decline in investment in affordable housing on the one side and the overheated housing prices on the other side result in individual misery as a growing number of EU citizens can no longer find affordable housing. It also constitutes a missed chance to invest in the real economy of our cities, regions and Member States.

The spatially fragmented nature<sup>5</sup> of the housing market and the difficulty of applying universal policy prescriptions to affordable housing solutions<sup>6</sup> also affect financing conditions and ability to fund affordable housing in cities and throughout the EU. Housing prices continue to rise steeply in many cities and there is a substantial share of the population that cannot find affordable housing in their areas of residence and work, which causes additional commuting from the peripheries with all the negative environmental impact, but also results in a loss of quality of life for families and individuals.

<sup>5</sup> UNECE (2015) Social Housing in the UNECE region: models, trends and challenges', Available at: <https://www.unece.org/index.php?id=41388>

<sup>6</sup> Presentation by Orna Rosenfeld 'Fragmentation of the housing markets and the state intervention' given at the Capacity Building Workshop on 'State Aid and Affordable Housing Investment', at the Committee of Regions, May 23<sup>rd</sup> 2018, Brussels.



Source: EUROSTAT (2018)

On a broader level, it is necessary to consider the relationship between affordable housing and labour market dynamics and its importance for the economy. Long-term stability for investment levels as well as regulatory and policy frameworks are key for medium and long-term results.

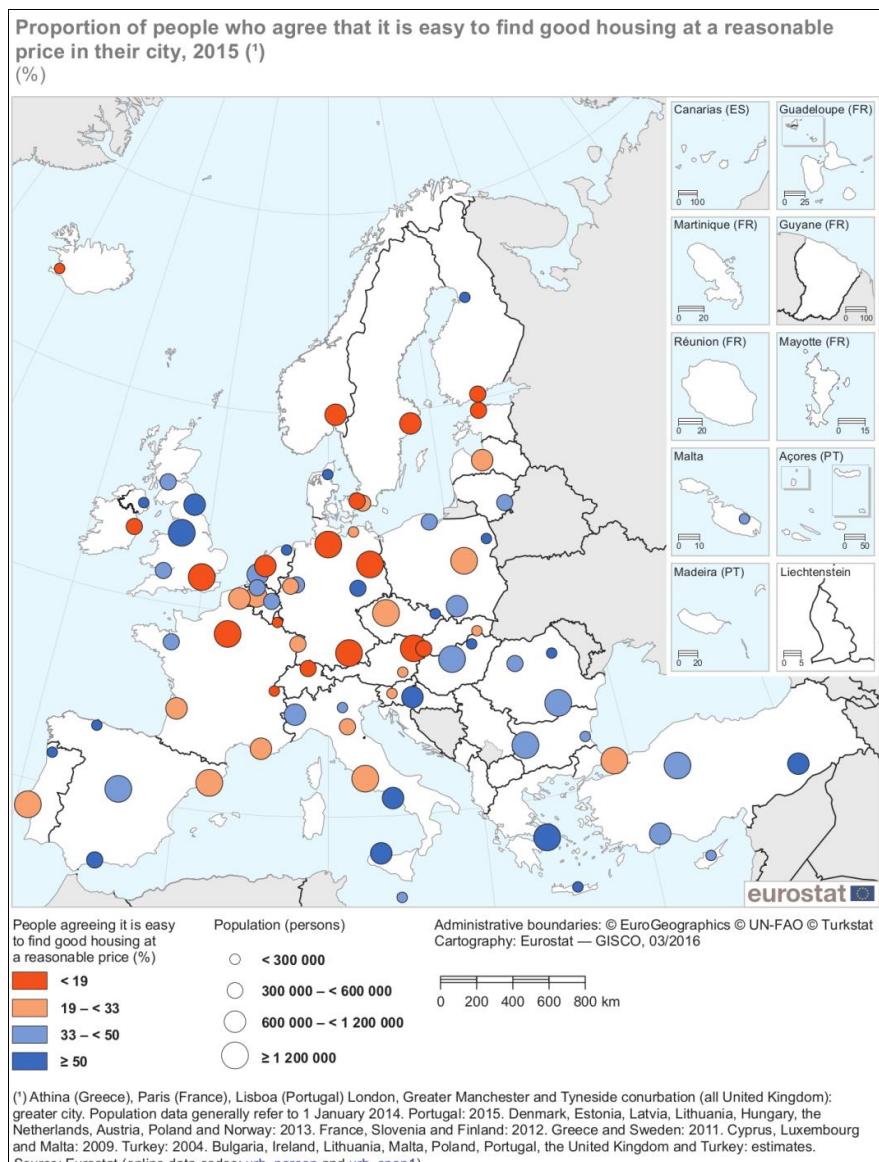
### 1.3. Affordability challenge and housing cost overburden

An increased supply of affordable rental housing is a most urgent demand in every country<sup>7</sup>. The term “affordable housing” came into vogue in the 1980s as part of the retreat from public responsibility for the plight of the poor and as affordability challenges moved up the income distribution. Although it still lacks a precise and consistent definition, the term has since achieved international stature, and it typically encompasses not only social housing and low-income housing, but also financially assisted housing for middle-income households that find it difficult to purchase houses in the private speculative market.

Affordability is based on a relationship between housing and people/households. The Eurostat indicator of housing cost overburden rate<sup>8</sup> is defined as the percentage of the population living in a household where the total housing costs represent more than 40% of the total disposable household income. This definition of the housing costs overburden rate is misleading. A wealthy household will have much more left than essential non-housing expenditure, even if it pays more than 40% of the disposable income for housing. However a poor household might not have enough money to meet essential non-housing expenditure after the housing costs are paid even if these costs only take 30% or even less of the disposable income.

<sup>7</sup> Briefing Paper on Affordability by Sven Bergenstråhlé, President of IUT (June 2018)

<sup>8</sup> <http://ec.europa.eu/eurostat/web/products-datasets/product?code=tespm140>



Source: EUROSTAT (2018)

Eurostat also defines severe housing deprivation as the coincidence of overcrowding together with at least one of the following housing deprivation measures: leaking roof, no bath/shower and no indoor toilet, or a dwelling considered too dark (Eurostat, 2016).

The Housing Partnership has focused on four areas of work in the area of better funding and financing conditions:

- Analysis of the situation;
- Development of recommendations on existing EU-funding and financing instruments (cohesion policy, EIB);
- Development of recommendations on framework conditions for national, regional and local public investments in affordable housing (European Semester, Country Specific Recommendations, Social Scoreboard);
- Final assessment of possibilities to create better access conditions for cities and local / regional affordable housing providers.

The Housing Partnership bases its proposed actions amongst others on:

- Evidence and findings of UNECE<sup>9</sup>, OECD<sup>10</sup>, Eurostat<sup>11</sup> and other institutions on housing affordability and housing cost overburden, investment decline and financing obstacles.
- A member survey in March 2017 led by the subgroup on finances that looked at obstacles to affordable housing and solutions already in place.
- Two research reports – Glasgow<sup>12</sup> & MRI Budapest<sup>13</sup> - that looked more specifically at the situation in old and new Member States.
- Expertise of Housing Partnership members, i.e. analyses<sup>14</sup>, research, briefing papers<sup>15</sup> and positions.

The actions proposed are in line with the recommendations of the “High-Level Task Force on Investing in Social Infrastructure in Europe” which set out following conditions to create a stable framework for better financing conditions in social infrastructure, including affordable housing:

- set-up geographic and/or thematic investment platforms for social sector investments to help bundle projects;
- create new financial instruments, suitable to the specificities of the sectors (social outcome contracts, social bonds, etc);
- develop far-reaching systems of technical assistance to build capacity at local, national and EU level;
- improve data collection for Social Infrastructure;
- facilitate and simplify the blending of resources in the EU 28 (public, private, local, national EU)<sup>16</sup>.

The work of the Subgroup Finances and Funding was reported at several occasions to the whole partnership for feedback and final recommendations were presented at the meeting in June 2018 in Luxembourg for discussion and decision. As a result, the Housing Partnership proposes two new actions under the work strand “better funding:

- Action 1: Recommendations on EU-Funding of Affordable Housing  
*This action addresses the capacity of cities and affordable housing providers to access the different funding instruments of EU cohesion policy and EIB and has a link to better knowledge and better governance.*

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<sup>9</sup> UNECE (2015) Social Housing in the UNECE region: models, trends and challenges', Available at: <https://www.unece.org/index.php?id=41388>

<sup>10</sup> <http://www.oecd.org/social/affordable-housing-database.htm>

<sup>11</sup> [http://ec.europa.eu/eurostat/statistics-explained/index.php?title=Housing\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php?title=Housing_statistics)

<sup>12</sup> [https://ec.europa.eu/futurium/en/system/files/ged/ehp\\_research\\_report\\_final\\_6\\_nov\\_2017\\_.pdf](https://ec.europa.eu/futurium/en/system/files/ged/ehp_research_report_final_6_nov_2017_.pdf)

<sup>13</sup> [https://ec.europa.eu/futurium/en/system/files/ged/housing\\_partnership\\_mri\\_final\\_0.pdf](https://ec.europa.eu/futurium/en/system/files/ged/housing_partnership_mri_final_0.pdf)

<sup>14</sup> E.g. „A Mid-Term Analysis of the Impact of Structural Funds on Public, Cooperative and Social Housing in 2014-2020“ by Housing Europe (2018)

<sup>15</sup> E.g. Briefing Paper „Housing in the European Semester“ by Susanne Bauer, City of Vienna (2018)

<sup>16</sup> [https://ec.europa.eu/info/sites/info/files/economy-finance/dp074\\_en.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/dp074_en.pdf)

- Action 2: Recommendations on the European Semester and Affordable Housing  
*This action analyses the impact of EU budgetary rules on local, regional and national investment capacity in affordable housing and proposes, amongst others, the introduction of housing in the social scoreboard and a more active use of the investment clause for affordable housing projects.*

Links to the work of the Housing Partnership on EU state aid regulation, knowledge and governance have been identified in these actions and will be elaborated in the final Action Plan to set out the overall policy context that is vital for housing financing.

## 2. Better knowledge and governance

Knowledge and governance issues have been identified as key to implementing successful affordable housing policies in cities and urban areas in the European Union territory. The successful workshop of the Housing Partnership on State Aid and Affordable Housing Investment showed a need for a better understanding on a city level in terms of how to apply EU competition rules. This need to exchange is also supported by evidence collected by EUROCITIES and URBACT as well as requests to funding institutions. In many cases, knowledge is not only about the technical procedures to address funding and overcoming legal constraints posed by state aid and other legal issues, but also about how to create the right structures, as they are a necessary precondition with regard to the ability to plan, steer and manage as well as to design affordable housing projects, programmes and policies. However, competences in cities in the EU vary to a great extent and governance issues reflect the diverse regional patterns of the Union. The Housing Partnership focusses on three core themes in the field of better knowledge and governance: practical **good housing policy principles** to secure the right to affordable housing; actions to **improve knowledge and exchange** on several levels; and plans to **secure future monitoring of housing situations in the EU** with a clear commitment to a multilevel governance approach.

### 2.1. Right to decent, adequate, affordable, accessible and healthy housing

Specific recommendations on priority areas decided by the Partnership, elaborated by the Subgroup General Housing Policy, have led to the development of an action on "Good Housing Policy". These priority areas are in line with a range of important documents developed earlier, amongst them

- the "**Geneva UN Charter on Sustainable Housing**"<sup>17</sup>, which sets out four – interlinked - principles to ensure access to decent, adequate, affordable and healthy housing for all:
  - environmental protection;
  - economic effectiveness;
  - social inclusion and participation;
  - cultural adequacy.

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<sup>17</sup> <http://www.unece.org/housing/charter.html>



- The “**Charter of Fundamental Rights of the European Union**”<sup>18</sup>, which states in Article 34 (3) - Social security and social assistance, that “in order to combat social exclusion and poverty, the Union recognises and respects the right to social and housing assistance so as to ensure a decent existence for all those who lack sufficient resources, in accordance with the rules laid down by Union law and national laws and practices.” Article 7 states that “everyone has the right to respect for his or her private and family life, home and communications” and Article 36 refers more generally to SGEI’s with: “the Union recognises and respects access to services of general economic interest as provided for in national laws and practices, in accordance with the Treaty establishing the European Community, in order to promote the social and territorial cohesion of the Union”.
- The “**European Pillar of Social Rights**”<sup>19</sup> proclaimed 17<sup>th</sup> November 2017, stating in principle 19 “**Housing and assistance for the homeless**”:
  - a. Access to social housing or housing assistance of good quality shall be provided for those in need.
  - b. Vulnerable people have the right to appropriate assistance and protection against forced eviction.
  - c. Adequate shelter and services shall be provided to the homeless in order to promote their social inclusion.
- The “**European Declaration on Responsible Housing**”<sup>20</sup> by the European Responsible Housing Initiative, which promotes Corporate Social Responsibility (CSR) in the social/ affordable housing sector for the purpose of maximizing benefits to society. It covers five dimensions relevant to the principles of CSR which are closely linked to the three pillars of sustainable development:

<sup>18</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:12012P/TXT&from=EN>

<sup>19</sup> <http://ec.europa.eu/social/main.jsp?catId=1310&langId=en>

<sup>20</sup>

[http://www.responsiblehousing.eu/en/upload/ERHIN\\_Outputs/ResponsibleHousingDeclaration\\_EN.pdf](http://www.responsiblehousing.eu/en/upload/ERHIN_Outputs/ResponsibleHousingDeclaration_EN.pdf)

- economic responsibility and sustainability,
  - local social sustainability, with a particular emphasis on tenants and residents,
  - environmental sustainability,
  - good governance and fair relations with stakeholders,
  - responsible human resources management (as an employer).
- **Sustainable Development Goals - SDG 11: Sustainable Cities and Communities:**

More than half of the world's population now live in urban areas. By 2050, that figure will have risen to 6.5 billion people – two-thirds of all humanity. Sustainable development cannot be achieved without significantly transforming the way we build and manage our urban spaces. The rapid growth of cities in the developing world, coupled with increasing rural to urban migration, has led to a boom in mega-cities. In 1990, there were ten mega-cities with 10 million inhabitants or more. In 2014, there are 28 mega-cities, home to a total 453 million people. Extreme poverty is often concentrated in urban spaces, and national and city governments struggle to accommodate the rising population in these areas. Making cities safe and sustainable means ensuring access to safe and affordable housing, and upgrading slum settlements. It also involves investment in public transport, creating green public spaces, and improving urban planning and management in a way that is both participatory and inclusive.

The EU has more than **220 million households**. **82 million Europeans** are **overburdened by housing costs**. Housing costs are a much heavier burden for low income households and has become increasingly difficult for those who enter the housing market (this is also a generational issue: 48% of young adults live with their parents) to find affordable accommodation. It is against this background, amongst others, that Housing Partnership developed recommendations on good housing policy. They focus on areas of major concern for European cities under heavy pressure to secure affordable housing for their populations and address:

- security of tenancy;
- rent regulation and stabilisation;
- land use and building ground;
- spatial planning;
- co-Management and co-design;
- renovation and energy efficiency;
- anti-speculation;
- protection of vulnerable groups.

These cover all levels of government for implementation, EU, national, regional and local. The new action sums up discussions prepared by the Partnership's sub-group "General Housing Policy" and its members on the above mentioned topics relevant to good housing policy for different levels of government. Recommendations are formulated in a very open way, as a "one size fits all" approach is inappropriate given the differences in housing traditions and needs throughout the EU, its cities and regions.

In general, this action can be seen as a "toolbox" with different options which can be useful in some circumstances, but maybe not in others. In this, Housing Partnership

reflects the variety of housing realities and systems and aligns this clearly with the principle of subsidiarity.

The Finances and Funding Subgroup of the Housing Partnership has also delivered a set of more general recommendations, focusing on the conditions public and other affordable housing providers need which can sometimes only be secured by initiatives in the national, regional or local governance of housing, including strategic outlines for housing provision. For example it recommends that “Member States should feel encouraged to develop and update national and sub-national housing strategies to identify housing needs at national and local levels and the means by which these are to be addressed, including the role of affordable housing.” The background is that a clear political commitment will help to achieve objectives. Research has shown that a national housing strategy can influence capacity building for a better access to funding for affordable housing, including EU financial instruments and EIB loans, to a great extent. It has proven to be useful to have robust reliable systems that are able to identify affordable housing needs at national, regional and local level. A national commitment can enable regions and cities to develop transparent and effective housing planning and delivery systems on their level.

More proposals in this field have been elaborated by the Subgroup Finances and Funding and will be integrated in the Action Plan in the assigned chapter.

## **2.2. Improve knowledge and exchange**

In their quest for affordable housing solutions, cities have developed strategies to **learn from each other** over many years. Mutual exchange happens on bilateral level through study visits and field research, in the frame of city networks like EUROCITIES who have set up specific working groups on housing or on a more specialised level as EURHONET, the European Organisation of Municipal Housing Providers. Limitations to thorough exchange are mostly resources (financial and available working time), language barriers and the lack of structured programmes. In order to fulfil the needs of urban housing responsible in this area, Housing Partnership proposes an action in the public feedback to set up an Exchange Programme for Urban Housing Responsible and an Action Planning Network for Affordable Housing.

Housing is a basic issue not only for citizens, but also an important factor in our economies. Therefore, monitoring of housing expenditures by the public sphere has already a long tradition in the EU, Eurostat and OECD, as well as more recently with JRC. The “Census hub<sup>21</sup>” is a useful tool to **explore subnational housing realities** as housing prices developments and real estate sector behaviour. On the individual side, most attention in statistical evidence is on housing cost overburden, overcrowding and deprived housing. The Housing Partnership assesses that the housing market data availability at the national level can effectively inform macroeconomic analysis, however, it may be limited when considering issues at regional and city levels that are at the heart of the EU Urban Agenda. For this reason, access to the housing market (housing prices data across tenures) is vital to improve the evidence base for policy development. Therefore, partnership proposes an action

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<sup>21</sup> <http://ec.europa.eu/eurostat/web/population-and-housing-census/census-data/2011-census>

to establish an EU database mapping housing prices (rent and purchase) on the sub-national levels.

A detailed proposal has also been elaborated on the **gender dimension of affordability** in housing as the gender pay gap as well as the gender pension gap has a clear impact on the relationship between disposable income and housing (including energy) costs. In this action, Housing Partnership acknowledges the fact that lacking the gender perspective can be harmful to the development of good housing policies. Special attention is given to the gender dimension in energy poverty which is a major issue of deep concern in many European cities, be it single-parents households or single women with very low incomes. The issue has been addressed in a study on of the European Parliament on behalf of its FEMM committee<sup>22</sup> and in an earlier report of the European Commission in context of the implementation of the Beijing Platform for Action<sup>23</sup>.

### **3. Future monitoring of national and subnational housing situations in the EU**

The provision and securing of affordable housing is a promising path for our populations and the European economy. Housing situations can have substantial effects on the chances for a good life for individuals and families, for young and old. All cities in the EU face challenges in their housing policies be they induced through global real estate investors or local tourism platforms, be they due to budgetary constraints or lack of affordable building ground.

Investment in affordable housing is highly needed, and cities have developed a range of models and approaches to meet this challenge. Monitoring of the development on EU level can help create better conditions for cities and urban areas, regions and national governments to secure affordable housing by legislative or financial instruments. As a house is not built in one day, housing policy development is a long-term process that needs structural attention in the EU institutional framework. The Housing Partnership therefore proposes to secure the necessary monitoring by a revival of the existing formats of the Housing Focal Points and Informal Meetings of Housing Ministers as well as the implementation of a Monitoring System for Affordable Housing in the European Union. In both actions, Housing Partnership proposes to take a multi-level governance approach to secure the injection of expertise from the subnational and urban level.

The proposed new actions of the Housing Partnership in the field of knowledge and governance can help contribute to better housing conditions for all European citizens.

- Action 1: Recommendations on Good Housing Policy on local, regional, national and EU level  
*This action focusses on 8 priority areas for policy development in the housing sector and takes into the different levels of government involved against the background of highly difficult, often speculative housing situations in cities and urban areas. It has to be seen in clear alignment with the principle of subsidiarity and the variety of housing systems on national and subnational level.*

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<sup>22</sup> Gender access on energy in the EU, EP (2016)

[http://www.europarl.europa.eu/RegData/etudes/STUD/2017/596816/IPOL\\_STU\(2017\)596816\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/596816/IPOL_STU(2017)596816_EN.pdf)

<sup>23</sup> EIGE (2012)

- Action 2: Exchange Programme for Urban Housing Responsibles  
*This actions aim at the creation of an exchange programme for urban housing responsibles in a first step. At a later stage, such exchanges can be scaled up from a city-to-city activity to exchanges between different stakeholders, including secondment of city employees to EU-institutions.*
- Action 3: Recommendations on Improvement of EU Urban Housing Data  
*This action aims at establishing a subnational database on affordable housing that will contribute to more locally and regionally targetted evidence for future EU policy development in areas that affect affordable housing.*
- Action 4: Gender Dimension in Affordability/Energy Poverty  
*This action aims at showcasing that housing policies, like all other urban policies, have a gender dimension. Affordability is depending on income, which is structurally different when examined with a gender-sensitive approach. The case of energy poverty is taken as a starting point to develop the action.*
- Action 5: Monitoring System for Affordable Housing in the European Union  
*This action aims at securing regular and structural observation of housing realities on national and subnational level in the EU with regard to investment in affordable housing as well as the social development.*
- Action 6: Exchange on Affordable Housing on Member State level  
*This action aims at reviving the existing formats of the Housing Focal Points and the Informal Ministerial Meetings on Housing to allow for structural and continuous exchange on housing.*