

CECODHAS HOUSING EUROPE contribution to the consultation for **EU 2020 Strategy**

21st January 2010

Our Vision

We, not-for-profit, public and co-operatives housing providers, have a vision of a Europe which provide 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.

For that vision to become reality, in Europe in 2020:

- The energy revolution in housing will have taken place
- Everybody will live in decent homes

The answers to make it happen will:

Ensure to all decent life conditions by creating growth and jobs and a greener society



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CHALLENGES AND PRIORITIES FOR EU 2020

The priorities:

- (1) empowering people in inclusive society
- (2) unlocking the growth and jobs potential of innovative SMEs and individuals at local level
- (3) creating a low-carbon economy

WHAT EU AGENDA ?

RELAUNCH OF ECONOMIC POLICIES supporting the real economy

- A. Broad economic guidelines and Stability pact
- B. Clarification and adaptation of public procurement rules
- C. Revised state aids rules

RENEWED COHESION POLICIES

- D. Invest in local sustainable development strategies

EU ENERGY POLICIES GOING BEYOND SINGLE MARKET

- E. Investment into **refurbishment of social housing** to green the economy and boost the research and development capacities of Europe towards a sector that really increase quality of life: **could create more than 350.000 jobs every year**

BOOST RESEARCH AND SKILLS TO INCREASE SOCIAL INNOVATION

- F. Adapt the European society to demographic changes by mobilising research to new services and products for ageing population and social innovation

PRESIDENT' S FOREWORD

CECODHAS Housing Europe is the federation of social, public and cooperative housing organisation providing 25 millions homes to 12% of EU households.

For the last 10 years our members have been witnessing a constant polarisation of society with an impoverishment of social housing tenants and a rise of social housing unmet needs. Needs are not only raising in numbers but also changing in nature, for example housing related services for growing ageing population but also for young families, not only the most vulnerable.

If the European society wants to be ready to a world with scarcity of energy sources and to fight adequately the climate change, the housing stock needs to reduce drastically its carbon footprint. Applying an integrated approach to refurbish it constitute a unique opportunity to create STRONG and SUSTAINABLE GROWTH.

Since last December, **the Lisbon Treaty is in force**. Article 1 of the Treaty lists the values that should conduct our common actions: "The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail." **Article 2 lists the objectives". The Union's aim is to promote peace, its values and the well-being of its peoples"**¹.

The Treaty is clear in what we should achieve collectively, it is our 2020 vision, and the political agenda shall explain how it will contribute to all objectives. Given the poor results of the current strategy based on Growth and jobs to deliver, it is not enough to declare that it is the road to follow. Investment in the housing sector, being affordable and energy efficient, is creating much more jobs than the "greening" of the car industry, so why deciding it is an EU priority?

We, not-for-profit, public and co-operatives housing providers, are committed to provide 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. Therefore we believe we can actively contribute to THE SUSTAINABLE GROWTH OF EUROPE provided that the right EU policies are in place.



David Orr
President of CECODHAS Housing Europe
CEO of the National Housing Federation (UK)

¹ See in annexe the full text of Article 2 of the Treaty

CHALLENGES AND PRIORITIES

Ensuring to all decent life conditions will create growth and jobs in a greener society

In Laeken in December 2000, head of States and Government had committed to a social inclusion strategy, complementing the Lisbon Objectives by concrete social goals.

If you have no access to decent and affordable housing, your children will lack the basics, including being able to follow normal education career. Health problems generated by bad housing conditions are not only a cost to the society but an obstacle for people to contribute fully to the society as they are struggling to survive.

Every year, less than half a million social housing are built for the EU 27. Every year, except in 2009, housing expenditures in EU households budget have drastically increased. In addition, the current crisis is destroying employment at a level which will increase households without work's revenues and the need for social housing. To that speed, we will need 50 years to cover housing needs and offer a decent home to EU citizens !

Investing in social housing is fostering local economies, create employment, increase quality of life of citizen, decrease the carbon footprint (as the housing newly built are much more energy efficient than in the past and can even be passive) health public expenditure can be reduced. The investment can be paid back by affordable rents if social housing providers can have access to long-term loans with subsidised rates (or other forms of State aids such as preferential price for land) and is certainly producing tax revenue

above the relatively small amount of State aids that is needed to build homes at an affordable price.

In addition to the urgent need to provide more affordable and decent homes, in a society failing to reduce poverty and tackle the increase of housing prices; the contribution of the social housing sector to reduce EU carbon footprint and energy dependency should be equally supported. The opening of Structural Funds to energy efficiency investment creates economic activities as described above (when new homes are built).

Investing in affordable and energy efficient homes creates employment, foster local economic development, decrease energy bills and GHG emissions and improves life of citizen. These investments have a high rate of repayment by tax generated by the new economic activities and by the saving of unemployment benefit and health expenses.

So why public policies are failing to answer the basic housing needs and how EU policies could help to overcome obstacles to answer these needs ?

Of course, housing policies remain designed at local and national level, and rightly so. But a number of legal initiatives are directly designed at EU level shaping housing policies and some are fostering the economic efficiency of the whole sector, some are clearly an obstacle to the development of an adequate answer to the needs.

If the European Union is serious in its objective for 2020 to empower people in

an inclusive society, people's basic needs have to be answered.

If the European Union is serious about its objective to reduce by 20% GHG emissions, increase 20% of energy efficiency and of use of renewable energy; housing energy consumption must be drastically reduced, thus implying an important decrease of housing costs for households.

CHALLENGES AND PRIORITIES FOR EU 2020

- 1) empowering people in inclusive society
- 2) unlocking the growth and jobs potential of innovative SMEs and individuals at local level
- 3) creating a low-carbon economy

Therefore we need all EU policies to be mobilised:

A. Broad economic guidelines and Stability pact: the way local authorities' debt capacities is constrained by the stability pact is an obstacle to green investments which will have a positive impact on public finance in medium term. New rules shall be designed to foster environmental investment; especially when it decreases future public expenditures ! it is also a constraint to social investment !

B. Clarification and adaptation of public procurement rules to increase flexibility of local providers in answer to the needs (Public-public partnerships, redefinition of the border line between services and works contracts to include and foster the development of energy efficiency refurbishment (provide legal

certainty to ESCOs) ,decrease the administrative costs linked to it (revised thresholds) and better consider the use of social clauses to foster the economic development

C. Revised state aids rules applying to SIEG to foster the best cost effective solution (currently focussing State aids to market failures limits the use of a much more integrated approach to neighbourhood development policies) and to allow regional higher amounts if State aids is directed to reduce the carbon footprint

D. Mobilise the cohesion policies to ensure its contribution to local sustainable development strategies to create communities which are socially, economically and environmentally sustainable and where all are enabled to reach their full potential.

E. Investment into refurbishment of social housing to green the economy and boost the research and development capacities of Europe towards a sector that really increase quality of life. One sector can deliver economic development, social cohesion, jobs and make the EU climate package a reality and it is not, so far on the EU agenda: the housing sector. EIB constitute an under-used instrument.

F. Adapt the European society to demographic changes by mobilising research to new services and products for social innovation

A. Broad economic guidelines and Stability pact

Public investment should be equally considered, what ever the investment is about, as a debt and thus being limited by Stability pact rules. Of course, local and regional authorities have to make sure they are using their scarce resources as efficiently as possible and can not spent tax payer money that they don't have. Obviously, it is also crucial than we don't leave to our children not only a poor environment but also financial debts.

Proposal 1: This is the reason why, investing in energy efficiency in public buildings should be considered as a good spending with a return on investment by reducing energy costs for local authorities. It is a **necessity to reassess rules of stability pact to adapt the cost/benefit analysis to the need to develop low-carbon society.**

Proposal 2: In general, **investing in infrastructures that answer the basic needs of citizens need to be prioritised and new financial rules developed** (revolving Funds versus grants for example) . Social housing is repaid by rents in the long term, thus representing a no-risk investment for public authorities, at the contrary in a very long term perspective it increase its capacity of investment and of generating income, meanwhile answering the needs of local economy. Limiting the debts capacity of local authorities reduces such investments and in some cases, oblige them to sale their current stock as a way to get budget equilibrium. Long term needs to become a criteria in public debt assessment and investment which can be repaid considered differently in public debts rules.

B. Clarification and adaptation of public procurement rules

The 4.500 local social and public housing enterprises members of CECODHAS Housing Europe have an extensive experience of EU Public procurement rules. Applying the current directives for few years, their assessment is that in our sector (building half a million new homes every year), the public procurement rules have:- Reduced drastically the competition Exclude local enterprise from local markets; - Increase prices, due to bureaucracy, but also to the lack of competition; -Increased delay and legal uncertainty

In short, if public procurement is an adapted method to buy chairs, the advantages to produce urban development and housing are difficult to find. However, social and public housing enterprises have identified clear amendments needed into the current rules:

Proposal 3: redefine the **border between services contracts and public work contracts** ? the consequence of the Aurox case is a too large definition of when works contract shall apply and oblige operators to included services into a procedure clearly not adapted to the nature of the service. Then, practically, contracts are divided, even if intrinsically linked, it prevents economy of scale and integrated approach to be applied. **Clarification of the rules applying to Concessions** is more needed than ever to implement the **ESCOs directive** (energy services company getting paid by the energy cost reductions over a period of time).

Proposal 4: increase legal certainty for Partnerships : Applying transparency principle is in conflict with reality. In one hand, we have been asked to become more efficient, which is a necessity to make sure public budgets are well spent and not over spent. To do so, the mutualisation of some services between different social and public housing enterprises is a cost efficient solution. However, it is not possible today to share informatics services, or human resources department for two enterprises operating on the same territory, it would be against open competition. Public Public partnerships are difficult to implement, thus limiting the capacity to really become efficient. The future concession communication needs to address the new energy services that should be developed. In addition private partners in PPP can not always be put in competition with others as they may own the land. PPP rules have to be adapted to the reality.

Proposal 5: Improve flexibility of public procurement and apply it only if proved added-value Today, Urban planning requirements such as imposing on new developments in an area that 20% of housing should be social are considered by the European Commission as contracts, and thus Public procurement rules should apply and rules are not adapted for that. In general, the application of the non-discrimination principle should be better balanced with social cohesion goals. In addition the use of **Social criteria** should be encouraged as a way to develop skills in construction sector for the population with lower education level (not everybody will find a high-tech job in the future !).

C. Revised state aids rules

Today, in an integrated economy, housing market stability is of crucial importance for sustainable growth as the recent sub-prime crisis has shown. Our members, being not-for profit providers, contribute to economic and social stability through their long term perspective on the services they deliver.

As described in the EU 2020 Strategy consultation paper of the European Commission, giving equal opportunities for all is a necessity so that every European can participate fully in the democratic process and in society. We understand that living in deprived neighbourhoods significantly reduces employment and education opportunities, therefore we commit to deliver economically, socially and environmentally sustainable communities to optimise the life chances of residents.

For us to deliver sustainable neighbourhoods, a long-term perspective and local development strategies designed together with residents are needed. To be compatible with EU competition and internal market rules, we then require recognition of our wide role. To provide a suitable response to the most vulnerable, giving them the same opportunities, we need, and want, to do more than provide a roof for those in need.

In that context, imposing very low income ceilings as an eligibility criteria for accessing social housing, constitute a counterproductive approach and will only help to create the ghettos of tomorrow.

For example, with a given budget it is possible to finance 20 affordable homes, but another solution with the same budget would be to built 60 homes: 20 at market price for home-ownership, 10 at market price for rent and 20 social housing. The remain 10 houses will be financed by the saling and renting at market price and offered to low income increasing by 50% the production of social housing. We believe this flexibility is offering more to the citizen, increase social cohesion by creating mixed neighbourhood and is a more efficient way to spent public budgets.

Proposal 6: ensure the continuation of the State aids notification exemption but to increase flexibility and clarify the application of subsidiarity principle within the new Lisbon Treaty by adapting the Altmark package

Proposal 7: revise regional State aids ceilings/rules to encourage green investments and conversation of regions into green excellency

D. Mobilise the cohesion policies for sustainable places to live

It is impossible to separate individuals from the places and communities they live in. Improving people life chances can only be realised through actions on their living conditions and their communities. This means not only actions on the physical environment but also on the services that are provided. This idea is at the core of the integrated approach to sustainable urban development; but it is also true for rural areas.

Although EU policies have promoted this approach, they often disregard the importance of combining actions on socio-economic infrastructure (such as housing) and actions on services provided to the persons (such as housing-related services). While housing is a crucial element for the attractiveness of an area, it is also an instrument which limits territorial imbalances, and therefore should be better integrated into the EU cohesion policies.

Proposal 8: The future cohesion policy should **develop a “Neighbourhood” fund** merging the different Structural Funds with the aim of developing economically, socially and environmentally deprived areas expanding the JESSICA pilot scheme (Urban revolving Fund with Structural Funds) for the investment that can be financed by loans combined with grants for the community regeneration.

Proposal 9: Invest in energy efficiency in housing to boost innovation

Either through a grant model (for specific estates (historical, in very bad conditions...)) where the economic viability

of repayment is not ensured) or via a revolving fund, the leverage effect of Structural Funds in the field of energy efficiency in housing is significant. In many cases, this help refurbishment efforts to reach the higher possible standard. This is also clearly an example of a win-win situation where GHG emissions are reduced and energy poverty alleviated. Priority criteria to select projects should therefore maximise the social impact of structural Funds by targeting investment which reduce energy poverty

Proposal 10: Develop low-carbon urban development strategies

Innovation for a low-carbon economy will reduce the environmental impact of all activities but shall also ensure that this “green society” is affordable and accessible for all. It is crucial to have much more eco-neighbourhoods and develop smart cities, making sure different housing tenures are available so that cities of the future are including all citizens. The ***Covenant of Mayors*** is an important initiative that both could help and will require, in order to be successful, the full mobilization of Structural Funds for energy efficiency. It is indeed crucial to combine it with mainstream programmes (such as Structural Funds and technical assistance ELENA) to trigger the necessary large scale effect.

Proposal 11: Develop skills. Structural Funds (both ESF and ERDF) could support a European wide initiative of community leaders

In a time of economic and community recession, it is crucial that the EU support local authorities and community leaders in their efforts to maintain and strengthen social cohesion. Many housing associations have acted as community organisers investing in social infrastructure, building community centres, providing residents with educational, cultural, employment and entrepreneurship support. This has been done in some cases with the support of the EU Structural Funds. But much more needs to be done also by the EU. Giving community enablers, such as non-for-profit housing providers, access to global grants in order to support community-related activities, would be instrumental to achieve this.

Proposal 12: Improve housing conditions of marginalised groups In the EU, around 80 millions of people are living at risk of poverty. Everywhere, some marginalised groups are experienced severe exclusion and discrimination. Improving the housing conditions through a holistic and integrated approach (tackling also education, financial inclusion, and employment) is an important contribution of the EU cohesion policy in all Member States. At the same time, it is crucial not to differentiate between nationalities of the marginalised groups, in order to avoid potential conflict.

EU ENERGY POLICIES GOING BEYOND SINGLE MARKET

E. Energy efficiency to become a major EU policy and ensure that energy is accessible and affordable for all

CECODHAS Housing Europe has made an offer that with the appropriate funding and legislation in place, an average of 4% of the housing stock could be refurbished every year across Europe, over the period 2010-2020. This would represent:

→ for the social and cooperative stock this would amount to 800,000 dwellings upgraded to the highest standards each year;

→ In our sector alone, it could create **200,000 jobs per year** (full time equivalent) with a 0.7 multiplier effect of indirect jobs creation at local level meaning an additional 140,000 jobs.

→ total annual investment of **€16 billion**, boosting the renewable and energy efficiency market development;

→ users, professionals and institutional behaviour changes will make a decisive contribution to the maximisation of the potential.

To deliver, we have identified the need to have a coordinated EU policy providing the investment, legal and fiscal tools and the right regulatory framework. When striving to accomplish European climate goals, we must not forget that the energy refurbishment of housing is often not affordable for low-income tenants and their families. Therefore, it is urgently required to find a solution for this social issue.

We provide housing for the poorest households. The social dimension of energy refurbishment strategy has to be an integral part of EU-Strategy. The energy refurbishment reduces costs for the heating of flats and water, thus contributing to avoid energy poverty. But unlike in owner-occupied real estate property, investments in rental flats cannot be refinanced with the saved energy costs, but only by an increase of the net rent. Even if such an increase of housing costs were permitted in the social housing sector, it would definitely be much higher, during the first years after the modernization, than the tenants' potential savings of the heating costs of their flat. This cost increase must in no case make housing unaffordable. But the European social housing stock needs to be refurbished.

We have identified a number of EU policy opportunities to reach this goal:

INVEST

Beside Structural Funds and EIB financial tools, a EU Energy efficiency initiative would be based on national EE funds linking ETS revenues, White certificate and research budgets.

Proposal 13: GHG emissions auctions revenue, carbon trading can provide a reliable source of financial support for retrofitting.

Proposal 14: White certificates, under the right conditions more social housing organizations could become key players in

the white certificate markets

IMPROVE LEGAL AND TAX FRAMEWORK

Proposal 15: Promote tax incentives to green investment in the housing sector and make sure these incentives are not available only to middle class households but to tenants and poor homeowners

Proposal 16: Ensure Sustainable Development emissions produced during construction, energy needed for use of the building due to location must be reduced. The promotion of the approach of whole life cycle in construction is needed.

Proposal 17: Rethink housing costs .The promotion to a shift to “living expenses” (for living allocation for examples) is necessary to integrate energy services into housing costs and would provide refurbishment incentives to landlords.

DECENTRALISE EU ENERGY MARKET

Proposal 18: regulate decentralised production and consumption of energy to better promote it. The production of energy, or cogeneration should be promoted as a solution to decrease energy budget of households reach our 20% renewable target. It constitutes a unique opportunity to involve every EU citizen into the fight against climate change by changing the consumption and energy production behaviour and it will **tackle fuel poverty**.

Proposal 19: include a public service obligation to contribute to energy efficiency in the liberalisation of energy markets by promoting systems such as white certificates and to tackle fuel poverty by addressing the social tariffs and price policies of EU energy companies.

BOOST RESEARCH AND SKILLS TO INCREASE SOCIAL INNOVATION

Proposal 20: research to new services and products for ageing population

It goes far beyond adapting the pension and social protection systems, all services needs to be rethought and the organisation of working and family life. In the housing sector, the demand will change and grow, but not of the same product and it requires a completely new stock management.

In 2020, EU society must be prepared for an ageing population and therefore the

next decade should concentrate to adapt to the demographic change.

CECODHAS Housing Europe represents 4.500 local enterprises committed to fair society and sustainable development and ready to contribute actively to make European a place where all are able to reach their full potential.

Proposal 21: mobilise Research budgets to the develop a smart cities and positive housing as a follow-up to the recovery proposals of the European Commission

21 proposals for an EU 2020 strategy

RELAUNCH OF ECONOMIC POLICIES supporting the real economy

Broad economic guidelines and Stability pact

1. Reassess rules of stability pact to adapt the cost/benefit analysis to the need to develop low-carbon society.
2. Invest in infrastructures that answer the basic needs of citizens need to be prioritised and new financial rules developed

Clarification and adaptation of public procurement rules

3. Redefine the border between services contracts and public work
4. Increase legal certainty for Partnerships
5. Improve flexibility of public procurement and apply it only if proved added-value

Revised state aids rules

6. Revise the Altmark package
7. Revise regional State aids ceilings/rules to encourage green investments

RENEWED COHESION POLICIES

Invest in local sustainable development strategies

8. Develop a “Neighbourhood” fund
9. Invest in energy efficiency in housing to boost innovation
10. Develop low-carbon urban development strategies
11. Develop skills for cohesion and local green economy
12. Improve housing conditions of marginalised groups

EU ENERGY POLICIES GOING BEYOND SINGLE MARKET

Investment into refurbishment of social housing to green the economy




13. GHG emissions auctions revenue financial support for retrofitting.
14. White certificate development
15. Promote tax incentives to green investment in the housing sector
16. Promote the approach of whole life cycle in construction
17. Rethink housing costs
18. Promote smart grids for decentralised production of energy
19. Include a public service obligation to contribute to energy efficiency and fight fuel poverty

BOOST RESEARCH AND SKILLS TO INCREASE SOCIAL INNOVATION

Adapt the European society to demographic changes by mobilising research to new services and products for ageing population and social innovation

20. Research to new services and products for ageing population
21. Mobilise Research budgets to the develop a smart cities and positive housing

CECODHAS is the European Committee for social and cooperatives housing, a network of national and regional social housing federations gathering public, voluntary and cooperatives housing organisations. Together the 45 members in 19 EU members States **manage 25 millions dwellings**. CECODHAS 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**, TheEuropean Union should in the future:

-  Invest in social innovation; local social capital and social infrastructure by promoting all forms of enterprises and local initiatives
-  Lead the green industrial revolution by promoting energy efficiency and renewable energy in housing
-  Commit to ensuring all citizens have access to a decent and affordable home and a life in dignity by actively promoting policies to implement it.

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Annexe:

Article 2 of the Lisbon Treaty

1. The Union's aim is to promote peace, its values and the well-being of its peoples.
 2. The Union shall offer its citizens an area of freedom, security and justice without internal frontiers, in which the free movement of persons is ensured in conjunction with appropriate measures with respect to external border controls, asylum, immigration and the prevention and combating of crime.
 3. The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance.
It shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child.
It shall promote economic, social and territorial cohesion, and solidarity among Member States.
It shall respect its rich cultural and linguistic diversity, and shall ensure that Europe's cultural heritage is safeguarded and enhanced.
 4. The Union shall establish an economic and monetary union whose currency is the euro.
 5. In its relations with the wider world, the Union shall uphold and promote its values and interests and contribute to the protection of its citizens. It shall contribute to peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and the protection of human rights, in particular the rights of the child, as well as to the strict observance and the development of international law,
including respect for the principles of the United Nations Charter.
 6. The Union shall pursue its objectives by appropriate means commensurate with the competences which are conferred upon it in the Treaties
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