



Overcoming Obstacles to the Funding and Delivery of Affordable Housing Supply in European States¹

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November 2017

Executive Summary

In this report we examine the current situation regarding affordable housing in Europe from various perspectives. By way of context we draw firstly on the work undertaken by Housing Europe's Housing Observatory, which regularly scans the housing environment and relevant datasets to produce valuable position statements on "the state of housing in Europe". (Unfortunately the publication of Housing Europe's latest review for 2017 was published in the same week as this report was completed so we are unable to take much account of it but we do expect the European Housing Partnership to take full account in its forthcoming Action Plan which will be a key output of the partnership's work)

¹ This project was co-ordinated by Policy Scotland at the University of Glasgow in partnership with the Scottish Cities Alliance. During the life of the project, the principal investigator, Ken Gibb, assumed the directorship of the new UK Collaborative Centre for Housing Evidence.

Context

In this section we highlight the issues identified by Housing Europe and others relating to affordable housing shortages, often manifested in access and cost overburdening difficulties for many, particularly poorer and lower income households, with homelessness becoming an increasing problem in many EU countries. Challenges relating to energy efficiency and heating costs are also noted, in relation to the twin challenges of alleviating fuel poverty and reducing carbon emissions. The existence of specific EU funds and their potential use by housing organisations in tackling the issues associated with a lack of decent affordable housing is also noted.

Rapid Evidence Review

We augment this broad contextual analysis with a rapid review of the literature associated with affordable housing. From this we identify several potentially significant barriers to the provision of affordable housing, including, but not limited to: land supply / land market failure; lack of or inadequate public funding and subsidy for affordable housing; favourable tax treatment for owner occupation; unhelpful EU interpretation of state aid rules in relation to NFP providers; low supply side responsiveness to housing shortage, including potential speculative bias from developers; risk averse lenders and providers, including on occasion the NFP sector; the impact of the financial crash in the form of tight mortgage lending criteria affecting lower income households and first time buyers; and access difficulties facing lower and middle income households more generally.

Having identified potential barriers we also perceive some broad “enablers”, with three primary categories suggested: policies that directly seek to overcome the problems or barriers identified; a series of general rules that seem to emerge from wider experience internationally; and specific national policies that may have wider currency.

We suggest that addressing these issues is likely to require a combination of long term policy readjustments (e.g. redesigning subsidy and financial policies, and promoting effective land and planning policy instruments) with a need for committed and sustained political leadership. We are clear not just that big questions regarding national and municipal financial systems, regulation and tax policy require a wider governmental approach, but also that these are often what some analysts call the ‘too difficult’ questions.

From the evidence review we discern that a set of general rules do emerge from existing international comparative work in the affordable housing domain. There is wider interest in sweating unused equity built up by providers, in making more creative set of state-backed guarantees and, in an austere climate, finding ways to generate efficiency benefits through competition or contestability, as well as collective responses initiated by the providers themselves such as surplus-sharing and recycling or mutual guarantee funds. At the same time, we note that some studies focused on the need for new finance sources, aggregators, state backed system and better designed personal housing subsidies. Many authors point to the potential for inclusionary zoning and planning obligations while recognising the challenges that often need to be overcome.

Finally, in looking at specific country or national affordability enablers found in this review, we noted the potential significance of:

- The noteworthy resilience of the German housing system and its ability to moderate house price inflation and sustain affordable supply.
- The natural experiment emerging from the UK as different devolved nations undertake increasingly divergent affordable housing within a broadly similar fiscal, monetary and social security union.
- Specific policies of interest in places like Spain, Belgium and the Netherlands.

The views of EHP Stakeholders

We complemented our literature review by undertaking a survey of EHP stakeholders seeking views on attitudes to the provision of affordable housing in their country or area of operation. Unsurprisingly, many of the issues raised are common to countries throughout Europe, and similar to the issues raised in our literature review, among them: continued problems of access to affordable housing for lower income households; the problem of income thresholds in some countries (notably the NL); lack of government action to address supply shortages through policy and fiscal measures, especially an effective subsidy regime to keep rents genuinely affordable; favourable tax and subsidy treatment for owner occupation; the challenge of addressing fuel poverty through funding energy efficiency improvements which do not further overburden poorer households; growing issues of segregation, gentrification, and displacement; land prices and the problem of speculative developers; a perceived need to review state aid rules in favour of more permissive and purposive agency for member states and municipalities; the need for effective regulation to ensure decent standards in the rented sector; and a clear desire to see the promotion of a larger robust and effective co-operative housing sector.

National Case Studies

We then move on to the crux of our research, which looks in more detail at six developed European countries; Austria, Finland, France, Republic of Ireland, the Netherlands and Spain (effectively increased to seven case studies through the authors' detailed knowledge of housing systems in the UK and its devolved nations – Scotland in particular with regard to the latter). Our aim was to better understand the current housing situation in these countries through commissioning six expert consultants with detailed knowledge of national and local housing systems, and the ability to identify current constraints to increasing affordable supply. We were also keen for our experts to identify areas of innovation in supply which we hope might be transferable to other countries throughout Europe. We set out our detailed conclusions in the report, but for the purpose of this summary it is worth noting our findings include – inter alia – that:

- Many housing systems have displayed vulnerability to wider economic and financial shocks. If our goal is sustainable increases in affordable housing we need to build robustness and resilience into our funding and delivery models.
- Evidence of how housing systems work, interact and how different elements are interdependent is critical to making good decisions about housing need, new supply, location and market segmentation.
- We should and do need to learn from other countries' experiences and models to share experience internationally and pool knowledge. But we must do so cautiously

(and take account of how embedded different national housing systems are in similar or different housing, financial and regulatory institutions).

- Long term stability is required of subsidy (funding levels), regulatory, social security and planning systems – it is in that context that one thinks about instruments and mechanisms e.g. direct subsidy, finance subsidy, guarantees, tax breaks, inclusionary zoning, benefit design.
- We should work with the grain of markets – housing market, labour markets and finance markets, and not lose sight of the difficulty in achieving effective interventions by public agencies – we should test and understand the consequences of intervention in markets before proceeding further.
- In the long term we need to address speculation and egregious tax distortions in land and housing markets; intervention must be based on sound principles, and the consideration of housing's place in macro-prudential discussions of mortgage lending stances should be a given.
- We should seek to secure a long term consensus about private renting and its place in the housing system and, implicitly, the degree of public funding it should receive.
- We must re-emphasise the Importance of prevention – 'Housing First' approaches and other homelessness reduction processes have a part to play, and help with tenancy sustainment and arrears reduction are essential.
- Affordability needs wider scrutiny and analysis, and the interconnectedness with non-housing phenomena must be identified and described e.g. problems in the emerging labour market - such as the 'gig economy' and zero hour contracts - can undermine housing-led reforms.

Potential recommendations for the EHP Action Plan

A secondary but important objective of our research was to distil our findings into potential recommendations which we hope might prove helpful to the EHP when formulating the Action Plan which is to be submitted to EU policy makers for consideration in the near future. We summarise these below :

- Countries and municipalities require transparent and effective systems for estimating housing needs and demands, and the consequential resources likely to be required for the construction of new supply and the improving of existing stock. We highlight the Scottish system as one example of a functional model.
- Affordable housing should be an essential component of any state or municipality's housing system; in addition to delivering significant health, well-being and economic benefits to citizens unable to afford market prices, significant benefits to economic growth and productivity can also be identified.
- The European Union should consider promoting the role of "Not for Profit" providers of affordable housing such as housing associations, co-operatives and publicly owned companies . not only for those unable to afford market prices, but also as a valuable mechanism for government to utilise at times when counter cyclical investment measures are required.
- Related to this point, it may be that the budget rules imposed by the stability and growth pact are limiting the capacity of public authorities to intervene in support of increasing the supply of affordable housing. That is to say, the current EU deficit rules

may be preventing member states from investing in social infrastructure. Therefore, Investment clause 2.2 (COM(2015) 12) in the Strategic Growth Pact, which allows member states to increase social investment where certain conditions are met, has potentially an important role to play.

- The need to improve domestic energy efficiency is a common issue throughout EU countries - in the context both of addressing and reducing carbon emissions and improving comfort and living conditions for citizens through well insulated homes.
- Although perhaps outwith the scope of this report, a case could be made for a common EU definition for fuel poverty: as with housing affordability, this could consist of a ratio of disposable income spent on heating. Such a definition already exists in Scotland and the UK, although the targets for eliminating fuel poverty set in relation to the definition have never yet been met.
- As the Scottish system demonstrates, political will and commitment to affordable housing at governmental level is imperative. Without such commitment at national and municipal level, effective programmes of affordable housing are unlikely to be developed and delivered.
- Affordable housing can also be provided by the private sector, but the term as broadly understood must also imply something about the costs, quality and standard of housing accommodation, and of landlord management services in rented accommodation.
- We may well require policy prescriptions which seek to redress a fiscal imbalance in favour of owner occupation, in taxation and subsidy terms.
- Each national government should be encouraged to produce a national housing strategy outlining the key housing challenges facing the nation as above. Cities in particular have a key role to play as large and growing urban centres, often absorbing the impact of migrants and refugees. Each significant city or municipality should be encouraged to set out their specific role.
- The issue of private sector tenancy reform, tenants' rights, and rent control is a significant issue for many EU cities, particularly in the newer member states.
- There seems to be clear evidence from Housing Europe that opportunities to access EU funds for housing related investment are not being fully exploited – of so we should redouble efforts to exploit EU funding opportunities such as the EFSI (European Fund For Strategic Investments - or the Juncker Fund) and ESIF structural funds.
- We should continue to develop models (such as Housing Europe's Toolkit on Affordable Housing) which encourages knowledge exchange and links to innovation and good practice in the provision of affordable housing. We can and should link this to the emerging evidence base at the newly established UK Collaborative Centre for Housing Evidence.
- There may well be a need for knowledge and technical assistance to run alongside knowledge exchange in the development and implementation of local affordable housing schemes.
- A further Action Plan recommendation might be to suggest that the European Commission should review the role and function of the "European Semester" process by which specific policy edicts ("recommendations") are issued to states, with follow up to Country Specific recommendations (CSRs) to audit progress. Housing Europe analysis suggests that the Semester and CSR process may be relatively unsophisticated with regard to the complexities of national and local housing priorities and the

characteristics of their housing systems, and over reliant on simplistic private sector/ market led solutions.

- Finally, there is still much uncertainty regarding the interpretation of EU State Aid Rules as they relate to the provision and procurement of social and affordable housing. A review of the rules may be needed to give clarity at local level for those wishing to invest in affordable housing.

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1. INTRODUCTION AND BACKGROUND TO THE RESEARCH

The Brief for the Research

The brief is rooted in the stated aim of the European Housing Partnership (EHP) whose primary goal is “to help in ensuring an adequate supply of good quality affordable housing across European Member States”. Thus, the focus of the Partnership is on the supply of affordable housing, on the characteristics of discrete national housing systems, and the ways in which housing policies coupled with related fiscal measures and models might impact on the provision of affordable housing in EU countries.

The objectives of the research are first to understand the barriers that inhibit or prevent the supply of required affordable housing across western Europe (particularly in cities) and, second, to look at possible ways of overcoming these barriers given the present economic and political contexts facing governments in western Europe. To enable comparison, a parallel study is being undertaken by colleagues at MRI Budapest for Central and East European new members of the EU.

Apart from reviewing the broader picture and opportunities across western Europe as a whole, we have also chosen to focus on seven western European countries:

- Austria
- Finland
- France
- Republic of Ireland;
- Spain,
- The Netherlands
- UK (distinguishing between England and Scotland)

There are several reasons for selecting these countries. First of all, we wanted to look a bit more closely at different kinds of national housing system capturing some of the variety of western Europe. The choices we made reflected in part the history of comparative European studies by people like McCrone and Stephens 1995, Gibb et al, 2013, and the earlier work on national welfare regimes typologies by Esping-Anderson. Second, we recognised that there is always a danger of decontextualizing and being superficial in any comparative analysis without delving a bit deeper. The project was organised so that we could draw on the knowledge of in-country experts thereby strengthening the depth of analysis. There was, third, an inevitable element of pragmatism in our choices (within the rules suggested above) but the countries chosen are representative of developed European countries with a range of housing, welfare and fiscal environments which we believe will allow us to draw some helpful conclusions as to what works in EU countries and cities with efficient and effective systems of affordable housing.

The research is underpinned by a rapid international evidence review and a survey of the membership of the EHP Board, as well as the more in-depth analysis of specific nations.

The European Housing partnership commenced in December 2015 with an inaugural meeting in Geneva. It has an intended three year timeframe, during which a key output will be the production of a *Partnership Action Plan*. This will identify perceived systemic issues or blockages to increasing the supply of affordable housing, removal or mitigation of which would enhance the prospect of this objective being achieved. Examples of innovation in the

provision of affordable housing will also be highlighted. The plan will set out recommendations to this end, which will ultimately be presented to EU politicians and policy makers. It is anticipated that the findings from both research studies will make a significant contribution to the partnership's action plan.

Why Housing Affordability Matters

It is often said that housing affordability is easier to define than to measure (see: Leishman and Rowley, 2012). For example, it is likely to be broadly agreed that housing is affordable when households are able to access housing of decent quality (with respect to internal and external condition, space standards and the presence of adequate internal amenities for heating, cooking, sleeping etc.) at a price which leaves sufficient income for other necessary non-housing related expenditure (a *residual income* measure of affordability). When the cost of housing is too high relative to income households can be said to be “overburdened” with housing costs and are likely to suffer deprivation in other areas of their lives, such as the ability adequately to heat their home, or to purchase food and other living essentials. The presence of a significant burden in a given housing system is also likely to imply a proportion of frustrated households unable to attain adequate housing – depending on the prevailing distribution of income and housing vacancies. Households are deemed to be “overburdened” where 40% or more of disposable housing income is spent on housing, with this definition used by both Eurostat and OECD in calculating overburden rates. Unsurprisingly, evidence confirms that overburdening affects households in poverty disproportionately. Eurostat Annual Accounts statistics suggest that housing is the largest item of expenditure for most households, rising from 21.7% in 2000 to 24.4% of household expenditure in 2015.

This report is not concerned with detailed methodologies and ratios for the measurement of affordability (all of which have elements of arbitrariness and judgment about them), but rather takes as axiomatic that the goal of providing, or facilitating the provision of, affordable housing for citizens is a legitimate – some would say essential - objective for governments and municipalities to pursue.

There are various ways of looking at the role of housing in society. At its most basic level it fulfils the basic physiological need for shelter and security experienced by all humans, and thus the provision of decent housing, even at minimum quality standards, can be seen as related to questions of social justice and equity. Hence the basic need for decent housing increasingly being expressed as a fundamental human right. As income increases, housing can serve other functions, relating to human self-expression and self-actualisation. Housing also can be a source of significant wealth accumulation, especially in developed countries, where house prices have generally risen substantially in real terms over the long term.

In recent years, the role and function of affordable housing in society has also been viewed from alternative perspectives, which emphasise the contribution it makes to the effective functioning of local and national economies. See for example the work undertaken by MacLennan and O’Sullivan for Shelter Scotland in 2015 : “The economic impact of investment in affordable housing”. The authors estimate that, among other positive multiplier effects, 19,000 jobs could be sustained for every 12,000 affordable homes built, or that £210 million in economic output is generated for every £100 million invested in building affordable homes. The authors calculate that some £2.6billion of economic output is generated for an annual

programme of 12,000 new affordable homes (which is the 'official' annual affordable needs requirement for Scotland).

This perspective often focuses on the positive and preventative impacts which may accrue from an adequate supply of affordable housing. Such impacts may include the economic growth and productivity effects arising from the construction phase, and then possessing a sufficient stock of lower or moderately priced housing to support economic development more broadly plus the ongoing perceived local and national economic benefits of having a pool of workers living in and around cities and able to access employment opportunities functional to city/ urban growth and productivity .

Additional preventative cost reduction and psychological benefits may also be derived from the potential long term savings to health and other social services which many believe emanate from removing the deleterious impacts of poor housing conditions on the health and wellbeing of occupants. This would include, for example, the cost and psychological benefits arising from those with long term health issues being able to live safely at home rather than enter some form of institutional care, which as well as being more expensive for individuals and society at large, are also likely to be less conducive to individual health and wellbeing. Similar arguments are advanced in relation to the importance of good quality affordable housing to the health and educational development of children. The importance of having safe and warm affordable housing in which to grow up is emphasised, with the acquisition of essential learning and related social skills in the process. (McCartney et al, 2017, provide an evidence review that identifies housing's potential impact on health outcomes).

Although attempts to measure accurately the preventative benefits of affordable housing are fraught with methodological difficulty, not least in establishing causative links, it would seem intuitive that the benefits of affordable housing are well understood and accepted, with affordable housing objectives reflected in the housing policies of many, if not most, national and local governments

1. The Context for Affordable Housing in Europe

Before we move to the evidence review, we start by setting the study in context, drawing on figures from the 2015 *Housing Europe* report '**The State of Housing in the European Union 2015**'. Housing Europe (HE) is the European Federation of Public, Cooperative and Social Housing, whose members manage over 25million homes throughout Europe. Its mission is to work towards a Europe "which provides access to decent and affordable housing for all". Launched in 2004, The "Observatory" is the research arm of Housing Europe, and carries out research and analysis of key trends in housing at the European level, using evidence gathered primarily from EU sources such as Eurostat. Below we summaries and discuss the main findings from the 2015 report (see: pp.14-21) as a way into the issues that make up our study. Headline conclusions from the report noted that:

- Following a sharp decrease in house prices after the financial crisis of 2008, by 2013 house prices had bottomed out in most EU member states, although repercussions are still being widely felt and will continue to do so for many years to come.
- Following from this point, housing is now seen as a key driver of macro financial conditions transmitted via mortgage lending, housing wealth effects and spending. In turn, HE note that government policies to increase regulation on mortgage lending after the deleveraging of risky borrowing following the GFC has made borrowing for a first home a much more difficult proposition. This is reflected in the case of many countries, with falling home ownership rates, and an increasing average age for first time buyers.
- Compared to 2007, the number of building permits per 1000 inhabitants for the most recent year had contracted in all EU countries except Germany.
- The total outstanding residential loans to GDP ratio had continued to increase (from 43% in 2005 to 52% in 2015). Similarly, the total outstanding residential debt to household disposable income ratio had increased significantly from 66.4% in 2004 to 81.8% in 2013, with countries having the highest levels of mortgage debt being the Netherlands, Denmark, UK and Sweden.
- SILC (European Union Statistics on Income and Living Conditions) provides data on the percentage of the population with arrears on mortgage and rents, with the highest shares of indebtedness to be found in Greece (15%) and Ireland (12%) followed by Cyprus, Hungary and Spain. Among the population on below 60% of median income, arrears are highest in Bulgaria (55%) Hungary (60%) and Greece (70%).
- The "State of Housing in the EU" report notes that while owner occupation is still the dominant tenure in the EU, recently many countries have experienced an increase in rented housing. Interestingly however, the share of owner occupiers has continued to increase in many new member states.
- In 2013 housing costs represented on average 22.2% of disposable income for the total EU population, but the average rises to about 41% for those in poverty. Those spending above 40% of disposable income on housing costs (considered to be *overburdened*). In 2013 the "overburden rate" for the 28 EU members was 11%, rising to 37.4% among the population with an income below 60% of the national median income. Greece, Denmark Germany and the Netherlands have relatively highest housing costs (source: EU SILC data 2013) When broken down by tenure, the data shows that overburden rates are highest among tenants living in the private rented

sector. Overburden rates in the PRS are almost 26% compared to tenants in subsidized rented housing at 10.6%, 7.6% of owners with a mortgage, and 6.8% of those owning outright.

- Data from Eurostat on government expenditure on “housing and communities amenities” confirm that on average government support for housing in the EU has decreased, from 1.1% of GDP in 2003 to 0.8% in 2012. Data provided by Housing Europe members suggest that new social housing construction reduced in most EU countries between 2009 and 2012. The notable exception is France, which produced 116,000 new social housing units in 2012 compared to 98,000 in 2009. Evidence suggests that waiting lists of those registered for social housing have increased across Europe, especially in France, where waiting lists for social housing increased from 1.2 million to 1.7million between 2010 and 2012.
- Although the incidence of poor quality housing has decreased since 2005, a much higher percentage of the population (15.7% on average) still declare living in a home with an element of dampness or rot.
- Energy efficiency is clearly a significant issue for households throughout most of Europe. Eurostat estimates suggest that domestic energy consumes almost 27% of Europe’s total usage, making households the second largest consumers in the EU (after transport but before industry). Estimates also suggest households are responsible for 8.5% of greenhouse gas emissions in the EU.
- Unsurprisingly fuel poverty is also a major challenge. BPIE (Building Performance Institute Europe) data from 2014 suggest that between 50 million and 125 million people are unable to achieve adequate thermal comfort at home. Housing Europe note that, in 2012, almost 11% of the EU population was unable adequately to heat their home, rising to 24.4% in relation to low income households. Noticeably, several EU countries (the Baltic States and Hungary) have been given specific recommendations from the European Commission that they should take action to improve domestic energy efficiency. It is fair to say that a clear need exists across the EU for states to implement energy saving measures. The sharing of knowledge and information on what works in the area of cost effective energy efficiency measures is likely to be a key priority in the short and medium term.
- It will come as no surprise that many EU states exhibit significant housing shortages, not only in expanding cities and main urban centers, but also in economically attractive regions. HE note that, in England, estimates suggest that some 245,000 new homes are needed each year, while only about half that amount is being built. The Netherlands estimates a shortage of some 300,000 dwellings by 2020.

Recent Developments in Housing Policies across the EU

Housing Europe’s 2015 report identifies (pp.23-27) five key policy issues which at least two or more countries have experienced in common. We summaries these here before turning to our detailed evidence review of the literature.

1. Household over- indebtedness

Some member states have established programmes of support either through specific funding support for defaulters or those in danger of default (Italy and Spain) or mortgage to let schemes (Ireland and Hungary). Moratoria on repossessions were put in place in Ireland

Portugal, Spain and Greece, while the Netherlands and Denmark encouraged renegotiation of mortgage debt.

2. Favourable taxation treatment for owner occupation

Given that tax subsidies have incentivised owner occupation in many EU states, with concomitant risks in times of market downturn, several countries have decided to adjust the tax regime which generates the subsidies, particularly through reducing mortgage interest tax deductibility albeit on a phased basis. Such measures, combined with more stringent bank lending measures, have undoubtedly reduced demand for owner occupation. Whether this will become more widespread and encourage a greater focus on market stabilization and reduced price volatility, remains to be seen.

3. Promoting Renting and Rental markets

Perhaps realising the role that an effective rental sector might play in the operation of an efficient housing system, some countries have sought to reform their rental systems, either through reforms to tenancy law (Spain and Portugal) or reforming rent setting systems (Netherlands and Germany). In the latter reforms at least to some extent are intended to separate social and private rental sectors, encouraging more investment in the latter, while in Germany the aim is to cap rent increase in high demand areas.

4. Promoting social housing and helping first time buyers

Some countries are taking the opportunity to enlarge their (hitherto usually small) social rented sectors, particularly central and eastern European countries (Bulgaria, Czech Republic, Slovakia and Lithuania). Measures include permitting municipalities to build social housing, the promotion of affordable housing initiatives for those on higher incomes and - as in the UK - supporting the construction of social housing through the creative use of planning regulations. The taxation of empty homes is also being undertaken e.g. in Portugal. Measures are being adopted to increase access to home ownership. Italy has adopted programmes to help young people and families buy their first home. In the UK the "Help to Buy" scheme provides equity loans or mortgage guarantees.

5. Addressing Homelessness

In early 2014 the European Parliament adopted a resolution urging member states to develop social and affordable housing for the most vulnerable individuals in order to prevent social exclusion and homelessness. However, according to the European Observatory on Homelessness, for the nine countries where reliable analysis was possible, homelessness, and especially youth homelessness, seems to be increasing in all countries with the exception of Finland. The increase was especially marked in France which recorded a 44-50% increase in homelessness between 2001 and 2011. An increase almost certainly generated by increasing numbers of migrants in that country. It is not apparent how robustly the EU monitors the incidence of homelessness or is committed to its reduction. There is little evidence of such concerns arising from the European Semester and Country Specific Report process discussed below, and evidence suggests that prevention is likely to be enhanced through: a mixture of more effective and sympathetic local policies governing the allocation and rationing of housing among social landlords; better regulation to prevent evictions in the private sector, and a significant increase in the supply of affordable housing.

HE concludes that access to affordable housing remains a significant issue for many Europeans. Clearly, resourcing an adequate supply of social and affordable housing for their citizens is a matter for nation state governments to consider and plan for. However, HE helpfully identify specific EU policy funding areas where, if the resources associated with the funds are effectively accessed, could have a potentially advantageous impact on housing investment (see pp.94-104). These are:

1. The European Fund for Strategic Investment (EFSI)

Announced at the end of 2014, the EFSI (also known as the Juncker Investment plan) constitutes a minimum of 315 billion euros additional investment over three years. A partnership between the Commission and the European Investment Bank (who initially committed 5 billion euros), the Plan explicitly aims to fund social housing through retrofitting energy efficiency measures. The Juncker plan has already approved some €37 billion in committed projects which are expected to lever close to €200 billion in further private investment. *Financial intermediaries* (such as the UK's Housing Finance Corporation) can be a key component of the EFSI arrangements. The European Parliament recently commenced negotiations on the future of the European EFSI, with the aim of extending the scheme until 2020, with an increased capacity from €315 billion to €500 billion. The new EFSI rules could put more emphasis on eastern EU member states – which benefited less from the fund – and on projects dedicated to fight climate change. After one year of implementation, the European Investment Bank (EIB) claimed that social infrastructure accounts for 4% of EFSI expenditure. Housing Europe strongly suggest that failure to exploit resources available under the EFSI would constitute a “missed opportunity”.

2. The European Semester (ES) and Country Specific Reports (CSRs)

The ES constitutes the first phase of the EU's annual cycle of policy guidance and monitoring whereby the fiscal and reform policies of all member states are scrutinised by the European Commission and, where deemed necessary by the Commission, recommendations issued for policy change. In the second phase (the *National Semester*) member states implement the agreed policy changes. Analysis by Housing Europe confirms that EC country reports (named country specific recommendations or CSRs) frequently include recommendations on housing policy, an area in which the Commission appears to be taking an increasing interest, including monitoring to check whether countries have actually implemented housing-related recommendations. However, Housing Europe and others are concerned that CSRs may be over simplistic, lack understanding of the complexities of national housing policy and systems, and of the potentially cost-effective, inclusive and preventative impacts of a diverse affordable housing market. Housing Europe are campaigning with others to try and obtain a more balanced approach within CSRs which specifically acknowledges the multiple benefits of affordable housing.

3. European Structural and Investment Funds (ESIF)

Housing Europe identify potential housing investment opportunities through the European Regional Development Fund and European Social Fund in the areas of: energy efficiency in housing, housing as social infrastructure (including addressing health inequalities and promoting social inclusion), and, urban regeneration (physical, social and economic).

While noting progress relative to increased allocation of ESIF Funds for housing related investment, particularly energy efficiency schemes in central and eastern European countries, Housing Europe suggest there is a continuing need to monitor the extent to which ESIF funds are being allocated to housing, and to monitor the impact and outcomes of such investment. This should also ensure housing providers are fully aware of the existence of potential EU funding sources for housing investment, and the allocation and loan criteria which accompany them.

4. The Pressing Issue of Energy Efficiency

The ability to heat one's home to a comfortable level at a reasonable cost in relation to household income is a significant challenge for citizens and housing policy alike. Housing Europe sees significant opportunities to be exploited for EU investment in domestic energy efficiency measures, and proposes that ERDF, ESF, ERASMUS and H2020 programmes should be utilized to support local communities with energy efficiency initiatives. It is also seen as essential that subsidy is available to landlords to cover the gap between the cost of energy efficiency measures in pursuit of climate change goals, and costs to the landlord, thereby also keeping costs affordable to residents. While acknowledging the consensus that the rate of change in improving domestic energy efficiency needs to be accelerated, Housing Europe also advocate flexibility for member states to learn from others "what works", especially in the long term, and is affordable to tenants. The "State of Housing in the EU Report lists several sources of knowledge and information exchange likely to be beneficial to countries and housing agencies grappling with domestic energy efficiency programmes, and assessing which are likely to be most cost effective.

5. State Aid Rules

Finally, the question of state aid continues to affect the provision of affordable housing by providers in many European countries. Most affordable housing providers are likely to be defined as "undertakings entrusted with the operation of services of general economic interest" (SGEI) providing housing for "socially disadvantaged citizens who due to solvency constraints are unable to obtain housing at social market conditions", and, consequently, able to access the public service compensation granted to such undertakings. In recent years, however, private sector operators have challenged the EU definition, as a consequence of which the European Commission famously challenged the Dutch government on its definition of the definition and scope of social housing. This resulted in the introduction of an income ceiling of 33,000 euros above which social housing cannot be accessed. This in turn results in the classic case of the "squeezed middle" also found in the UK and elsewhere, where citizens are deemed too wealthy to access social housing, yet not wealthy enough to afford market prices.

At present, the state aid issue rumbles on, with the need to resolve the lack of clarity and clear guidance becoming ever more pressing. Recently, the European Commission (through Commissioner Vestager) responded to a Dutch question on the issue by providing reassurance

that state aid “can still be granted in the interests of furthering social mix and cohesion”. Housing Europe views this as a “step in the right direction” but President Cedric van Styvandael goes further in stating that the SGEI framework must “allow the promotion of universal access to housing and effective implementation of the right to decent and affordable housing” and not left to market forces alone. (Housing Europe Statement July 2017).

Most if not all affordable housing providers in states and municipalities adversely affected by the current state aid definition would agree that the current criterion is too restrictive and can inhibit their ability to meet the often pressing needs of citizens. A redefinition which empowers nation states to conduct their own analyses of housing needs and demands and to specify the degree of public subsidy required to address needs specific circumstances would appear to be overdue

Conclusion from Housing Europe Analysis

One obvious conclusion which may be drawn from HE’s contextual analysis is the apparent pressing need for a coherent and over-arching EU vision and strategy to tackle housing and social inequalities throughout the continent. This is a long way from the EU’s traditional (and perhaps unduly restrictive) subsidiarity-based approach to housing, as is evidenced by the range of policies and funding routes discussed above which find ways to channel significant funds to support housing in different ways. Such a strategy would clearly need to be developed in consultation with, and delivered by, individual member states. However the development of a comprehensive and robust framework to enable monitoring of key social economic and environmental indicators would be a necessary and valuable first step towards such a goal.

With this introductory context in mind, we now move on to look at the main findings from our evidence review in the next section of this report.

2. Evidence Review

Introduction

This short evidence review looks at academic and grey literature, both international and nationally-based material, pertaining to the period since the onset of the Global Financial Crisis (GFC) and the lengthy though uneven recessionary period that followed. In particular, the review concentrates on outputs since 2010 from four leading international housing journals (*Housing Studies*; *Housing Theory and Society*; *International Journal of Housing Policy*; and, *Housing and Built Environment*). We also ‘snowballed’ from the references of work we reviewed. The review is concerned with:

- Understanding obstacles to affordable housing supply delivery
- Identifying the types of funding and delivery approaches for affordable housing supply that have been used in western urban Europe (since broadly 2010), as well as wider high level review of other OECD nations.

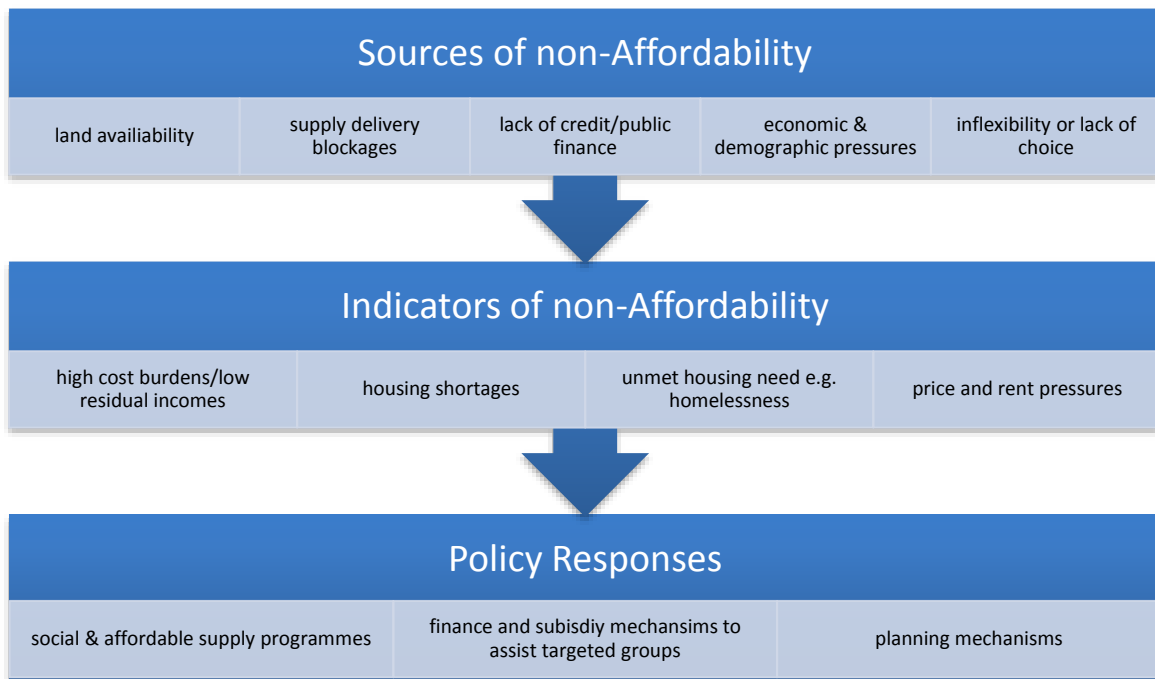
The review is necessarily somewhat high-level and impressionistic. One caveat is to be clear what we mean by affordable housing supply (also see the introductory discussion above). Affordability is a notoriously slippery concept. To cut through the extensive debates on the term’s meaning, we here refer to affordability as synonymous with any efforts to produce housing at a cost available to lower or moderate income, often younger working age households, which involves a degree of price or cost suppression below the market or enables housing of a minimum standard to be available to key groups without there being an excessive cost burden as defined in the relevant jurisdiction. This is an open and relativist approach but as in many comparative studies the point is to understand the local approach and if it is of interest to consider how it might be tailored or translated to other places and contexts.

A second concern in doing this kind of work is to take a robust approach to the challenges of comparative research and the limits to policy transfer arising from significant institutional and other differences across nations (including across Western Europe). The challenges of comparative housing research are well-known (e.g. Stephens, 2011; Gibb, et al, 2013) but involve basic and more nuanced differences in national housing systems, legal arrangements, historical trajectories, policy settings and broader approaches to social policy. Some authors seek to locate countries within broad welfare regimes as a starting point; others look for evidence of convergence towards common policy stances and system outcomes; still others look for evidence that there are broad embedded key similarities across housing systems that allow for comparative research (see: Blessing, 2016 for a recent analysis). Ballantyne (2016) notes that history, national economic cycles and systems of governance produce different national responses to universal affordable finance problems. The point is not to dogmatically say that comparative research and exploration of possible lesson-learning or idea transfer is impossible – rather that the discussion is conducted with care and recognises institutional and national specificity if it is at the heart of a given housing policy or programme.

Figure 2.1 is a simple schematic illustration of the housing affordability challenge facing nations. It sets out (non-comprehensive) illustrative examples of the sources of non-affordability (on the supply side, wider external economic and demographic pressures, insufficient available public and private finance (broadly defined) and a housing system with a lack of choices for different housing demand segments or age groups). Second, non-standard indicators of non-affordability are illustrated – measures of unmet housing need, excess cost burdens or low income (after housing costs) as well as absolute or relative

shortages of housing. We might also have included other dimensions like poor quality existing housing stock, which also contribute to a dysfunctional housing system at different spatial scales. Finally, we suggest examples of the broad policy responses or categories of policy instruments that might be used to address the identified causes or drivers of non-affordability (and hopefully does so in a precise way that maps on to specific sources of the problems found).

Figure 3.1 Affordability Processes – Illustrative sources, indicators and responses



Review of Obstacles to Affordable Housing Supply

We start with existing recent international studies of affordable housing and what they consider to be the barriers to the delivery of more such housing. Looking at financial matters, Gibb, et al (2013) identify public austerity and scarce mortgage credit stretching shallow subsidy further and seeking more private finance participation as symptomatic of declining public resources for affordable housing (see also Kennett et al, 2013; and in terms of commodification of low income housing, DeWilde and De Decker, 2016), something made worse by increasing reliance on pro-cyclical mechanisms to cross subsidise affordable housing, which of course was materially reduced by the GFC and recession that followed 2008. Rather than tackles crises as they arise, they also argue that there is incrementalism which gets in the way of a strategic vision for affordable housing, one that identifies an appropriate mix of policies and is clear about by whom and how they are delivered (p.3). The credit crisis after 2008 is clearly an important driver of more recent affordability problems (see special issue of Housing and Built Environment, 2011).

In an earlier study, Berry, et al. (2004) in looking at lessons from the UK (i.e. England) for Australia, noted that multiple policy objectives for affordable housing can conflict – in this case the prospects of rent control of housing associations in the 2000s limiting the future appetite of private finance while at the same time possible changes to the role and powers of the regulator may also impact on lender risk and willingness to invest. The authors also identified barriers to the greater use of private finance including: the social sector is highly regulated, the private financial sector is not that well equipped in its understanding of affordable housing, the risks attached to lending on low demand or other inner city areas, the fragmentation of property ownership and wider political risks. Only in the USA has a private equity finance market been established at scale for affordable housing – it appears to be intrinsically difficult (note the failure of social or affordable REITs to take hold).

Beyond finance, the Berry et al study also indicated that the UK intervenes extensively in the planning system to try to overcome externalities, other market failures and inequalities associated with market housing. This also sometimes leads to conflicting and non-consistent objectives, for instance constraining supply and actually worsening affordability. UK evidence also suggests (Gibb, 2017) that failure to take sufficient account of the private developer's business model and how it interacts with spatial planning controls may further exacerbate supply because, as in the UK case, it incentivises developers to drip feed new supply to maintain price and profit margins at the expense of volume.

Andrews, et al. (2011) is an international review for the OECD. They find that badly-designed policies can exacerbate house price volatility and reduce labour market mobility. Low housing supply responsiveness (elasticity) is associated with some continental European and British economies with disruptive volatile real house prices and slow market adjustment (also, see: Caldera and Johansson, 2013). This is associated with less flexible land use planning policies in countries and some cities. Excessive rental market regulation can also reduce the quantity and quality of housing available. High transactions costs including specific taxes can reduce mobility. The wider economic and financial analysis suggests that policy frameworks need to take sufficient account of the interdependencies across tenures between the drivers of demand, constraints on supply and credit, taxation and macroeconomic considerations – unaffordability and barriers to reversing the situation can readily result.

National studies also provide a sense of more specific barriers to affordable supply. Several papers have stressed the importance of the global financial crisis, recession and subsequent austerity and budget cuts as being specifically problematic for national housing markets and in turn affordable housing (Priemus, 2010; MacLennan and Priemus, 2011; van der Heijden, 2011; Kennett, et al, 2013; Boelhouwer and Priemus, 2014; Holmqvist and Turner, 2014; Scally and Gibb, 2015; Shlay, 2015; Bramley, 2016). This also reminds us that many of the models that support affordable housing supply are procyclical and to an extent dependent on the wellbeing of private housing development and to cross subsidy. If the private market does not work, affordable supply also suffers.

Elsinga and Linde (2013) and Altes (2015) discuss the consequences of EU competition policy for Swedish municipal and Dutch social housing in the light of state aid rules that seek to level the playing field between the private and non-market sectors and which inevitably have put downward pressure on affordable supply played out in different ways in each country.

Gurran and Phibbs (2015) argue that policy capture problems may help explain lack of progress with new affordable supply. Essentially, they argue from evidence in Australia that despite impetus for action on affordable housing supply, the policy space was repeatedly captured by vested interests that supported the status quo.

An underlying indicator of supply problems is the responsiveness or elasticity of supply. Low supply responses to house price increases have been attributed to a range of factors broadly associated with the land market, planning systems and regulation, lack of finance and construction sector blockages (or combinations thereof). Leishman (2015, p.583, drawing on evidence from Caldera and Johansson, 2013) summarises the elasticity literature² internationally thus:

'[T]he UK [belongs] to a group of OECD countries that are characterised by low responsiveness of housing supply to housing market pressure. They found evidence to suggest that OECD countries belong to three groups characterised as "highly responsive" (including the U.S., Canada, Sweden and Denmark), "responsive" (New Zealand, Australia, Ireland, Norway and Spain) and "unresponsive" (including the UK, Netherlands, Switzerland, Austria, Italy, Belgium, France).''

In the crudest sense, we might expect greater pressure on national housing systems where supply is less elastic where as a result problems of affordability may be more likely to arise in high demand areas and affordable supply responses will be harder to come by.

Evidence on Enablers and Recent Initiatives

In research for the Joseph Rowntree Foundation, Gibb et al (2013) found examples of interesting innovations in affordable models in countries like Australia and the USA, as well as creative ways of using loan guarantees, social housing surpluses and designing benefit systems in different parts of Europe. Five wider themes were:

- An appetite for state-backed guarantees but these need to fit carefully and consistently with existing policies
- Encouragement for contestable supply & partnership between for profit and non-profit providers, often operating with blended subsidies from different tiers of government. Partnership might involve management and/or leasing roles for non-profit providers but sometimes they shared development risk. Questions remained about the governance of charitable entities in such models.
- Yet, European examples stressed 'collaborative solidarity' with non-profit providers operating as clubs to bail members out when required (the Dutch model (but also seeking to pool, manage and creatively use surpluses (e.g. in Denmark).
- The essential policy choice is the growth of affordable housing implied by shallow subsidy— for a given programme of funds to deliver more housing at lower subsidy or fewer units at a deeper subsidy.

² A supply elasticity greater than 1 implies that the relative change in supply is greater than the given change in house price; whereas inelastic supply suggests a relatively small increase in supply following from a given change in prices. Diagrammatically, the flatter the supply curve, the more elastic is supply.

- The key will remain in ‘sweating’ existing assets which will skew development to larger providers with the right balance sheet mix.

Ballantyne (2016) argues that while it was unlikely that genuinely new financial innovations could unlock affordable housing supply, he does note the country-specific but perhaps not very transferable examples of models deployed in the USA (low income housing tax credits) and long term savings policies tied to affordable housing in France (discussed further below). Ballantyne concludes that major change to promote affordable housing supply, subject to national housing systems and their institutions, typically requires political support for larger funding programmes.

Czischke (2013) writing for the Chartered Institute of Housing provides a scoping report of how social innovation might be used to improve housing in Europe. This is about meeting unmet (housing) needs through novel products or services that often operate through new collaborations and partnerships. Policy innovations included new ways to keep older people in their family homes, promoting European networks that foster housing innovation, new ways to help the young and vulnerable and mediation programmes for those in mortgage debt (Spain). Parallel to this study, the report asks what are the barriers and enablers to social innovation. Barriers include: resistance to change, excessive regulation, lack of a long term view, lack of government commitment, political counter-pressures, lack of knowledge and information. However, the enablers also take several forms: an openness to experimentation, opportunities for exchange and cross-learning, cultural factors, resident participation and innovative leaders. Interestingly, resources (cash) was seen as not necessarily one thing or the other. One interesting example of such innovation is using “payment by result” social impact funding to underpin homelessness reduction in the UK – investors are paid a return on their investment as and when the delivery agency can provide evidence of achieving agreed targets relating to their homelessness reduction objectives.

There is wide interest internationally (and not uncritically) in various forms of inclusionary zoning, affordable housing quotas as other forms of planning-led affordable supply mechanisms (Ryan and Enderle, 2012; Austin, et al, 2014; De Kam, et al, 2014; Nordhal, 2014; Morrison and Burgess, 2014; Scally and Tighe, 2015; Kontokosta, 2015; Korsu, 2016). Bryant (2016) looking at Australia argues that often related infrastructure charges can actually reduce affordability by bidding up house prices depending on how the charges are designed. The efficacy of these sorts of policies are an empirical matter – as Austin et al note, specific policies depend on local property rights, culture, attitudes to social mix and the incentives facing the different players. Below Box 1 discusses the UK experience in more detail.

In an international review of what works in approaches to affordable rental housing, Rowley et al, 2016, draw several relevant conclusions (pp.4-5):

- Institutional finance and funding can be supported by a government guaranteed finance intermediary (including low income housing tax credits), a specialised housing finance aggregator to help smaller providers access long term finance, and supporting the maturing of the market in order to create an environment where tax credits and other targeted concessions can support institutional investment in affordable housing.

- Diversity of product delivery – there are different ways to expand affordable supply, not just adding new units via development but through conversion of existing stock, re-using empty homes and developing a range of affordable housing at different price points below market levels.
- Defining affordable rent and incorporating housing assistance – further forms of demand-side assistance are required to help lower income households access affordable housing in high demand areas. How these are designed, their incentive structures and wider consequences are all important to how affordable housing supply evolves.

Rowley et al note: *'The spatial delivery of dwellings under any subsidised rental housing scheme is important in terms of access to education and employment opportunities, as well as services.'* They point out that in the 1990s and especially in the early 2000s in England, affordable planning obligations changed the spatial distribution of new social housing cumulatively because of where new private housing was being built.

Box 1 Planning Agreements to Boost Affordable Supply in the UK

Section 106 agreements (part of English town planning law) are hypothecated, discretionary, locally negotiated agreements for infrastructure needs including affordable housing. Local planning authorities provide evidence of unmet housing need and then presume that private housing developments beyond a certain size should make a contribution to that unmet need by supporting affordable housing supply. Generally, these agreements are in kind (land) but also may be a 'commuted sum' in cash to the affordable provider. In either case, receiving planning permission generates a social 'return' to the community (Gurran and Bramley, 2016). Planning agreements for affordable housing supply in England are legally binding (i.e. enforceable) property rights (Crook, et al, 2016, p.68). The ground rules for local negotiations were built over time through case law. Housing associations were the main beneficiaries (Crook, et al, 2016, p.75). The programme reduced the overall public sector cost of delivering new housing association units though it did not remove the need for subsidy; and, it also significantly changed the geography of affordable supply to mixed housing projects.

Significant changes occurred after 2010. Whitehall allowed developers to make viability cases against such contributions if they could demonstrate that they would undermine overall financial viability. Government also sought to shift the direction of planning agreements to promote private renting and then discounted starter homes (both displacing affordable or supply). Third, the UK government introduced community infrastructure levies (CILs) which inadvertently reduced affordable housing supply agreements (Crook, et al, 2016, p.95). Collectively, these changes led to a significant reduction in affordable supply agreements (Brownhill, et al, 2015; Gurran and Bramley, 2016; Crook, et al, 2016).

Burgess and Monk (2016) summarise the scale and nature of affordable housing planning agreements under Section 106 negotiated deals across England and over time³: S106 Affordable supply grew from just under 20,000 units in 2001-02 to a peak of just under 50,000 units in 2007-08. Numbers sharply contracted thereafter. The proportion of affordable homes built on S106 sites as a proportion of all affordable housing completions also grew from around a fifth at the beginning of the decade to a peak of more than three-fifths on 2006-07. The tenure mix of S106 completions also altered significantly: in 2001-02 77% were socially rented, 13% were in shared ownership and 10% in other tenures, compared to, in 2008-09, 59% social rented, 35% in shared ownership and 7% in other tenures.

Gurran and Bramley (2016) identify essential conditions for effective agreements, including: a degree of consensual fundamental legitimization; an operational definition of affordable housing; robust evidence of need; and, setting target levels for local areas (quotas).

Thinking about the wider lessons this discussion has for other jurisdictions, we can summarise in terms of the following points: (1) It does not happen overnight - there was a relatively long bedding-in period of S106 and the social construction of the legitimization of the policy for all stakeholders. (2) The evidence from England is that genuine scale in completions of affordable housing through this mechanism is perfectly possible. (3) The importance of the evidence infrastructure (detailed needs and land supply numbers) within which the site-specific planning agreements have to nest within. (4) Note also the vulnerability of the policy to top down short term reform pressures (e.g. since 2010 in England) which can change the composition, tenure and affordable share of the completions achieved.

Source: Gibb, K (2017) *Mechanisms, practice, and outcomes in the United Kingdom*. Working paper for Australian Housing and Urban Research Institute Inquiry into Increasing affordable housing supply: evidence-based principles and strategies for Australian policy and practice, led by Prof Nicole Gurran, University of Sydney.

Salvi del Pero, et al (2016) found that 18 out of 26 OECD countries surveyed viewed affordability as a priority housing policy. Common reported policies include extensive subsidies to home owners, often less effectively targeted and possibility distorting the housing market. Most countries also support social rented housing through direct provision and a range of non-profit alternate providers. Financial support while significant has been in decline in recent years. The authors argue that a greater concentration of low income households in social renting and declining resources makes it all the more urgent that incentive compatible and well-designed affordable housing models will be required. At the same time housing allowances have become more important for low income renting households but also face important design questions that need to be thought through and monitored. The decline in funding for traditional social renting models means also that private renting becomes a more important source of affordable supply. This raises questions about the effectiveness of key policy interventions such as rent regulation, tenancy rights and supply subsidies.

³ Note that concerns have been raised about the wider adequacy of the data collected on S106 completions and their correct assignment between affordable and non-affordable housing supply statistics – see IPPW, 2017.

In a paper critically evaluating affordable housing policy responses in London and New York, Maron and Carmon (2015) worry that new affordable developments may gentrify areas and displace existing low income residents and hence that policies to promote social mix should actively protect existing residents. They support proposals for social housing within this mix and also densification, remodelling and rehabilitation of existing low income housing units. In a recent study undertaking a structured evidence review of the health impacts of regeneration, McCartney et al (2017) found that while evidence was relatively weak, it was stronger for housing investment impacts though this was mitigated by the risks of displacement and gentrification. Andersen et al (2013; 2016) looking at four Nordic capital cities found that sensitively designed tenure mix developments could reduce ethnic segregation. At the same time Lazerovicz et al (2016) focus on affordable housing solutions for urban key workers in affordable housing settings and argue for more shared equity, intermediate tenure and partnership funded affordable housing.

Several national studies also produced a number of context-specific affordable housing policy enablers:

- In the Netherlands and against a setting where traditional social housing is viewed by many to be under threat (e.g. Huisman, 2016), new policies to make home ownership more affordable (in a context of significant existing tax breaks to mortgagors) are emerging (Elsinga et al, 2015). These involve special forms of loans, shared equity products and intermediate tenure arrangements but not as the authors note moves into different long term models like community land trusts.
- In Germany, apparently resilient to both financial crisis and market speculation (Kofner, 2014; Voigtlander, 2015), Deschermeir, et al (2016) critically assess new rental regulation legislation and conclude that the impacts could be large and spatially varied.
- In the UK, Scally and Gibb (2015) contrast English policies under the Coalition Government (2010-15) to promote affordable housing as a replacement for new social housing through lower grant and 'affordable' higher rents than social rents, also cross subsidised by new lets from the existing stock also at the higher rent; as opposed to programmes in Wales and Scotland by their current governments that seek to deliver targeted levels of social housing as well as a range of affordable programmes such as mid-market rents. One of these, the national housing partnership, involved public private partnerships with losses backed by contingent state guarantee.
- UK evidence is also instructive about the challenges and possibilities of shifting local authorities from provision to enabling roles (or indeed to both). Clearly they continue to play a key role in land planning, in partnership working and in making deals around planning obligations (Shelter, 2008; Outer London Commission, 2015) and this is especially true in London (Holman et al, 2015).
- In Spain, Gentile (2016) reports how the Spanish government has made the rental offer more suitable and better subsidised to help insecurely employed young people leave the parental home.
- In Norway, Nordvik and Sorvoll (2014) makes a case for supporting the positive long run social investment impacts of the housing allowance to help secure and maintain affordable housing for low income households. The authors can be interpreted as taking more of a life time or actuarial approach to benefits and costs associated with

subsidy rather than just immediate cash costs and neo-liberal views concerning incentives.

- In Belgium, Haffner and Winters (2016) examine the redesign of home ownership tax instruments in Flanders and argues that the country had now moved towards a more optimal form of taxation (and this contrasts with the previous regime set out in Heylen, 2013). For a wider discussion of Belgian affordable housing policy see Winters, 2013).

Evidence Review Conclusions

We find that affordability is a loosely defined concept but one that encompasses a wider range of housing provision than just traditional social renting. It includes low cost home ownership (and support to assist first time buyers) as well as subsidised rented housing nearer to market levels but yet still below commercial rent levels (consistent with smaller public spending and programmes and lower per unit subsidies more associated with social housing programmes).

Affordability can be thought of as symptomatic of wider problems in different parts of the housing system. This means in turn that the barriers to more affordable supply cut across a range of critical housing dimensions in different parts of Europe. Major barriers to increasing supply would include:

- Land market failure.
- Lack of or inadequate public funding available to drive programmes to meet unmet housing need (while housing taxation benefits to existing owners often remain)
- Limits to or constraints on (e.g. NIMBY forces) planning-led solutions.
- In EU countries, state aid rules have impacted on the status and nature of non-profit providers and this has constrained the affordable supply offer in different ways as individual countries seek to find solutions to having to level the playing field.
- Low supply responsiveness as a result of a combination of the above, general supply delivery problems (e.g. planning delays) and the industrial or business logic of private housing developers (and how it interacts with the wider planning system for new housing).
- Specific finance failures e.g. an unwillingness to invest in or lend to affordable housing provision perhaps due to a lack of credible provision alternatives (at least as perceived by finance) or risks associated with changing provision of personal subsidy.
- The understandable unwillingness of many social and affordable providers to develop in what is perceived to be a high risk environment.
- The capacity of special interests who benefit from the status quo impeding or resisting change.
- The consequence of tighter mortgage regulation creating a more conservative loan market for first time buyers.
- Wider market constraints caused by previous or current attitudes that may promote gentrification or commercial market development (only) across wide swathes of city housing markets, which serves to build inflationary pressures and lock lower income households out of these housing markets.

When we think about enablers for more affordable housing supply, we can imagine three primary routes: policies that directly seek to overcome the problems or barriers identified, a series of general rules that seem to emerge from wider experience internationally, and, also specific national policies that may have wider currency.

Addressing these issues requires a combination of long term policy readjustments (e.g. redesigning subsidy and financial policies, land and planning policy instruments, political change to address the resources available and challenging the insider-outsider problems that beset housing systems to different degrees around Europe). Of course, each national system has specific institutional features and well-established paths that are difficult to alter, hence the need for committed, sustained political leadership. Bigger questions regarding the financial system, regulation and tax policy also require a wider governmental approach. These are often what some analysts call the ‘too difficult’ questions.

A set of general rules do emerge from existing international comparative work in the affordable housing domain. There is wider interest in sweating unused equity built up by providers, in making more creative set of state-backed guarantees and in an austere climate, finding ways to generate efficiency benefits through competition or contestability, as well as collective responses initiated by the providers themselves such as surplus-sharing and recycling or mutual guarantee funds. At the same time, other studies focused on the need for new finance sources, aggregators, state backed system and better designed personal housing subsidies. Many authors point to the potential for inclusionary zoning and planning obligations but recognise the many challenges that need to be overcome.

Finally, looking at specific country affordability enablers found in this review, we note the potential significance of:

- The noteworthy resilience of the German housing system and its ability to moderate house price inflation and sustain affordable supply.
- The natural experiment emerging from the UK as different devolved nations undertake increasingly divergent affordable housing within a broadly similar fiscal, monetary and social security union.
- Specific policies of interest in places like Spain, Belgium and the Netherlands.

3. The Views of EHP Stakeholders

To support the research, and to provide a sense check against our and our consultants’ views, we designed and implemented a short survey for EHP stakeholders to complete. The survey was undertaken in May 2017 and preliminary analysis delivered in a presentation to the EHP Meeting in Amsterdam on June 2017. Respondent views are summarised in the table below. While the response rate was low, we felt that these findings from national experts are a useful qualitative counterpart and an important additional voice.

Respondents were asked to identify the three largest contemporary housing challenges.. Energy efficiency featured as did the lack of incentives for people to move out of social housing into more intermediate tenures when their incomes rose (perhaps allied to the comment about too much regulation in social housing). Others commented on inequality issues to do with widening gaps in income, displacement (including away from jobs) caused by gentrification and lack of provision for those on low income. One respondent focused on market failure claiming that governments either did not understand, see it when it was happening or were willing to intervene.

They were also asked if affordability was a challenge in their country or city. Many said it was, particularly at a national level and increasingly so since the financial crisis. Others pointed to the problem of affordable land shortages. One respondent said the issue tended to be more about the affordability of *current* housing as opposed to *new* housing. It was also suggested that some politicians want less low cost housing to inhibit the influx of low earner households.

Respondents were asked what success would look like in terms of responding to the affordability crisis. This was generally seen in terms of lower cost housing, more supply, lower shortages and connecting housing cost to quality.

What were perceived to be the main barriers to expanding affordable supply? Different views were expressed – some wanted rent regulation, others thought land prices were too high or that energy efficiency measures were too expensive. Some thought that there was insufficient capacity in the construction sector or indeed that government was simply unwilling to prioritise social housing investment.

Respondents were then asked which policies and programmes might increase affordable supply. Subsidy, target funding of for instance home loans, anti-speculation measures, policies to improve supply efficiency and competition and measures to tighten markets e.g. supporting demolition in areas of demand weakness,

Respondents were also asked which policies might be usefully transferable, which can often be another way of asking what is currently wrong. One case was made for improving housing regulation; another was proposed to develop models of not for profit housing on the UK model, especially for community-based housing providers. Others focused on better understanding and use of financial subsidy as evidenced elsewhere. One more urgent concern was that the seriousness of the problem nationally did not lend itself to the luxury of contemplating policy transfer across the EU.

Finally, respondents were asked to identify the three most useful policy changes that would promote affordable housing supply. Longer tenancy or lease lengths were proposed, as was stressing (and evidencing) the preventative benefits for health, education, work, etc. of better and more affordable housing. Other respondents sought better targeting of social and affordable housing and financial incentives to maintain the quality of owner-occupied homes. We summarise the views of respondents in the table below:

Table 4.1: Summary Results of EHP Stakeholder Survey

Question	Summary Responses
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<p>1. What are the three biggest housing challenges you face at the moment?</p>	<ul style="list-style-type: none"> • Some wealthier households don't need social housing, but are reluctant to leave...so need to incentivise people in such situations with e.g. more mid-market rent housing of good quality, or low cost home ownership offer. • Housing stock which is not energy efficient • (Too) heavily regulated social housing • No provision for those on low incomes • Governments either don't recognise and understand market failure or are afraid to intervene when it occurs • Government fails to appreciate the beneficial and preventative effects which good quality housing can deliver for other sectors e.g. education, health and economic growth • Growing segregation between the poor and others (are more <i>banlieus</i> emerging ?) • Gentrification leading to higher rents and pricing out the poor, especially to fund energy efficiency improvements (leading to the concept of "<i>renovictions</i>") • Tenants & low income residents forced out of city centres face higher costs (e.g. travel to work and city centre facilities) • The costs of energy efficiency measures can be disproportionately - even wholly - passed to tenants
<p>2. Is housing affordability a policy challenge in your country or city?</p>	<ul style="list-style-type: none"> • Housing affordability is a political topic at national level, especially regarding the specification of affordable rent levels • Some politicians want <i>less</i> social housing to discourage influx of low earning households

	<ul style="list-style-type: none"> • Often talk and rhetoric but no action to implement • Often <i>affordability</i> of (current) housing more talked about than <i>affordable housing</i> • Some believe that in some EU states support for affordable housing ceased completely following the 2008 financial crash • Availability of affordable <i>land</i> also a policy challenge – raises questions as to whether a land tax could (or should) be used to incentivise social housing
<p>3. What would success look like in resolving your affordability issues?</p>	<ul style="list-style-type: none"> • A shortage of social housing of less than 2% • Rents no greater than 30% of incomes • Setting and meeting construction targets for social housing • A housing system where affordability is also co-related with housing quality (so good <i>standards</i> are also vital)
<p>4. What are the main barriers to increasing the supply of affordable housing in your country or city?</p>	<ul style="list-style-type: none"> • The price of land is too high • Government unwillingness to build social housing • Capacity of the building sector to deliver • Lack of rent control / regulation • The cost of energy efficiency measures
<p>5. What policies & programmes might deliver more affordable housing in your country or city?</p>	<ul style="list-style-type: none"> • Subsidies in support of specific actions e.g. to promote demolition of poor houses in areas of population decline • Annual programmes agreed between housing associations and government • A more <i>competitive</i> construction industry • Regulation to discourage land and price speculation

	<ul style="list-style-type: none"> • An effective system of low cost loans for newly forming households • Grants for social housing should be available to community based/ co-operative sector and municipal landlords • Subsidy for agreed energy efficiency measures
<p>Q6. Do you have successful affordable housing policies which may be transferable to other countries?</p>	<ul style="list-style-type: none"> • The promotion of housing associations and similar co-operative NFP models similar to the UK and NL • Understanding the importance of financial subsidy to keep the collaborative / NFP sector thriving and affordable • Development and implementation of an effective regulatory regime to support a thriving collaborative NFP sector in delivering affordable housing • Define target groups for affordable housing (e.g. in UK those in housing need- in NL those with an annual income less than 40,000 euro) • View that in some EU states little prospect at moment of policy transfer as the national situation “too serious” at the moment
<p>Q7. What are the three main policy changes you might recommend to increase affordable housing supply?</p>	<ul style="list-style-type: none"> • Longer contracts (leases) for rented housing • Ensure that affordable housing investment is focused in areas where jobs and educational opportunities are concentrated

5. National Case Studies – Affordable Supply Innovations

Introduction

In this chapter we draw on six contributions from experts⁴ across Western Europe to better understand in depth the nature of the affordability problem in different nations and how individual nations are responding with new thinking. The authors identified affordable supply innovations to draw on from the UK and these are discussed in this chapter as well. The countries we look at are:

- Austria⁵
- Finland
- France
- Republic of Ireland
- Netherlands
- Spain

Below we provide a little background on each of the six nations examined including a sense of the need for and extent of affordability problems identified. We then spend most of the chapter looking at initiated or proposed policy innovations. While each country produced an analysis, we have taken these and attempted to construct a synthesis and in so doing have highlighted what we took to be the most important messages in the form of several boxed case study summaries.⁶

A reasonable question to consider before we go further is why these six countries (seven including the UK)? Pragmatically, the research team took the view that there were only a finite number of nations that could be studied in this way given time and financial resources. Also, this is an approach that has been undertaken successfully in the past by the authors (Gibb, MacLennan and Stephens, 2013). At the same time, conceptually, we recognise that Western Europe, while within a relatively narrow band of economic development, nonetheless contains a number of distinctive polities and political systems operating under well-defined assumptions and norms. Esping-Andersen (1990) described these as *welfare regimes*.

While this categorisation has not been without its difficulties and contestation, it remains in principle a useful way of categorising national housing systems as well as other social policy fields of study. Thus, our choice allows us to include a Scandinavian/Nordic country (Finland), a middle European corporatist economy with a distinctive social housing offer (Austria), a core EU nation (Netherlands), the distinctive solidaristic French model, a southern European country (Spain) and Ireland, a country with both a relatively conservative welfare state and like Spain, a country closely associated with exposure to the profound effects of the aftermath of the global financial crisis. The UK does not sit well within the welfare regime model combining as it does a significant welfare state with a strongly neo-liberal policy stance. These

⁴ We are very grateful for the contributions made by Julie Lawson (Austria), Declan Redmond (Ireland), Paloma Taltavull (Spain), Hannu Ruonavara (Finland), Delphine Sangodeyi (France) plus Ada Van Dorp and Nadine Knoopf from the Netherlands Government and further independent Dutch contribution from Sebastian Garnier from Aedes.

⁵ Julie Lawson who drafted the analysis of Austria asked that the work of Wolfgang Amann, Alexis Mundt and Edwin Deutsch be acknowledged for their contribution to understanding the Austrian housing system.

choices are not perfect but we think they provide both a reasonable variety and sense of innovation in response to problems delivering needed affordable housing supply.

National Contexts and Affordable Supply Problems

Reading across the different national analyses and reflecting on the UK situation, we see the following problems and issues emerging, some unique and others shared.

- Large inflows of migrants such as refugees
- Strong urban population growth in some cities e.g. Vienna
- Weak construction markets (e.g. France), some due to the legacy of previous over-supply (e.g. Ireland)
- Public spending constraints in a context of austerity and economic restructuring impacting on both capital supply housing programmes and welfare benefits, an, in some cases perhaps, slowing economic recovery.
- At the same time, a much more conservative macro prudential banking regime has created more difficult borrowing environments for developers and made access to home ownership more difficult for aspiring purchasers, e.g. Spain
- The wider spectre of the 2008 crash on housing markets and subsequent recession, bail-outs and other internationally required interventions also cast a continuing shadow over parts of housing systems in Ireland, the UK and Spain. One manifestation is increased levels of poverty in the forms of destitution, rough sleeping and homelessness.
- Wider international constraints: EU state aid rules and climate change commitments.
- Declining stock of social/affordable housing e.g. UK and Finland while income inequality grows and earnings, etc. are often stagnant (and declining social/public construction e.g. in parts of Spain).

How do issues manifest in affordable housing supply problems?

Several of the seven countries examined in more detail exhibit constraints and barriers to delivering the affordable supply they wish to achieve. Why is this? Despite significant volume and price contractions following the GFC and great recession, land and house prices as well as private rents have increased strongly, particularly in major cities (e.g. Dublin, Helsinki and London) but also as a reflection of strong regional economic growth putting pressure on bigger metropolitan housing system, manifested in sprawl, high commuting costs and house price diffusion to local suburbs. This is story evident in the case of France where such problems are associated with Paris, Lille, Lyon, Nantes, Rennes, and Bordeaux.

Several case studies reported unmet need associated with austerity programmes (Spain, Ireland, UK) and reductions or reforms (often a tightening of eligibility or personal financial support) to existing social and affordable programmes that led to downward numbers of new affordable supply or curtailed entire programmes (UK, Finland, Spain, Netherlands). Below, we look at two specific examples (in Box 2 and Box 3) of two countries wrestling with the long term aftermath of the global financial crisis and in the latter case considering how best to respond with long term policy proposal. Ireland – while the new programme proposals (see Box 3) mark a step change in the importance of and coherence of approaches to housing in Ireland, think tanks and commentators such as NESC have argued for further policies,

drawing, for example, on Austria and explicitly arguing for cost rental social housing and a state housing credit institution.

Spanish housing policy operated effectively pre-GFC (e.g. the VPO scheme) but can no longer do so in terms of new investment because the funds are simply not there. However, there is evidence that helping low income households become owners has reduce the proportion of people moving into poverty rather than would have been the case in the absence of policies like VPO. New models like REITs for affordable housing may now be required (see Box 2).

Box 2 The Housing Challenges facing Spain

One reaction of the Spanish central government to the housing problems arising post 2008 has been '*no reaction*'. The period of 2011-2015 were those with historically high numbers of evictions and policy only contained incentives to build rented housing with a small public budget. As the National government has to create centrally the environment or contextual background for housing policy, the Spanish regions could not change the general rules. The outcome has been the loss of any previous incentive for the market to increase public housing supply. The lack of reaction at national level, however, has been significantly offset by a strong reaction at regional, municipal and community level, well reported in the Human Rights Watch (2014) report impeding the growth of further poverty.

One of the innovative measures in the new plan is to regulate the use of the empty houses in SAREB (the Spanish name for its 'bad bank' with assets coming from restructuring the financial system) and other financial institutions for social use. The regulation (included in the Housing Plan 2018-2021) establishes coordination between municipalities and SAREB to agree the conditions to devote those houses for specifically social uses. However, there are presently no new initiatives started at national level.

At regional level, since late 2000, Vasque Country has introduced some changes in housing policy which are explained in (*Hoekstra et al, 2010*). These are mainly oriented to increase public housing and alleviate the strong demand pressure in that region. Three are of interest. This includes *Permanent subsidized housing, given to public houses on* a permanent or nearly permanent qualification period, so that they are always subject to a price limit. Second, the Basque government has a first right to buy on all VPO sales (this is also common under the national Spanish regulations) on the free market, paying the public price, so that they are recovering the public houses and subsequently reallocating the housing. Third, the sale of subsidized owner-occupied social housing with a limited leasehold is another recent feature of housing policy in the Basque region. The provision is through a 75-year leasehold arrangement.

The market failure resulting from the GFC should not hide the success of the longer established system of public housing development for transmission to ownership. It is estimated that 15% of low income Spanish households have been protected from extreme poverty thanks to owning their home as a consequence of pre-crisis housing policies. This experience can be of use to other countries.

According to the IMF's (2011:124) recommendations, home ownership would continuously benefit low-income and first-time buyers in the housing market also using social housing policies; tax incentives could also be implemented and state-owned financial institutions that originate mortgage loans, state-sponsored or state-owned housing finance agencies could also be able to provide liquidity facilities for mortgages or guarantees for homeowners. As the weakness in public finance continues into the foreseeable future and the reduced-budget context remains, to continue with the 'Spanish system' (although cheap) will be difficult, due to its being cash-limited and based on available public and private finances. The solution may be to develop some kind of public-private partnership for new construction that can get around or overcome these financial constraints. REITs specialised on public housing finance (as in Uruguay and Colombia) could be a good way to start.

Source: edited from the consultancy report on Spain by Paloma Taltavull

The next box describes the Action Plan emerging for Ireland following its general election in 2016 – 5 pillars will address homelessness, new build private supply, augmenting social and affordable housing supply, improving rental market housing and making better use of the existing housing stock.

Box 3 Rebuilding Ireland: An Action Plan for Housing and Homelessness

The key recent development in housing policy was in the summer of 2016 when *Rebuilding Ireland* was published by the new government and was declared a national policy priority ([http://rebuildingireland.ie/Rebuilding%20Ireland Action%20Plan.pdf](http://rebuildingireland.ie/Rebuilding%20Ireland%20Action%20Plan.pdf)). This document is a recognition that the housing system was in crisis. Housing had become a key issue in the general election campaign in the spring of 2016 and following the formation of the a new government in May 2016 a cross-party parliamentary committee issued a report on housing calling for concerted policy action (<http://www.oireachtas.ie/parliament/media/committees/32housingandhomelessness/Final-Report-.pdf>). Following this report, the Government issued *Rebuilding Ireland* in July 2016 and for the first time in the history of the state a Cabinet position of Minister for Housing was formed and an associated Government Department. The core objectives of the plan are:

Addressing the unacceptable level of households, particularly families, in emergency accommodation;

Moderating rental and purchase price inflation, particularly in urban areas;

Addressing a growing affordability gap for many households wishing to purchase their own homes;

Maturing the rental sector so that tenants see it as one that offers security, quality and choice of tenure in the right locations and providers see it as one they can invest in with certainty;

Ensuring housing's contribution to the national economy is steady and supportive of sustainable economic growth; and

Delivering housing in a way that meets current needs while contributing to wider objectives such as the need to support sustainable urban and rural development and communities and maximise the contribution of the built environment to addressing climate change. (p9)

Rebuilding Ireland is based on five so-called policy pillars and these are summarized below. In terms of investment, the plan envisages an investment of €5.25bn over the next five years.

Pillar 1: Address Homelessness

The main target regarding homelessness was to end homeless families living in hotels by July of 2017. In order to achieve this specific target, and the more general aim of reducing homelessness, the plan seeks to: deliver 1500 units of rapid build social housing. Rapid build refers to a combination of systems built housing and a reduction in procurement and construction times; and acquire 1600 vacant houses on the market.

Pillar 2: Accelerate Social housing

The second pillar of the plan is to deliver 47,000 social housing units. It is important to point out that this is comprised of 26,000 new build units, the acquisition of 11,000 units from the private market and the leasing of 10,000 units from owners.

Pillar 3: Build More Homes (private sector)

The key target is to raise output of private sector housing to 25,000 units per annum. The plan estimated an existing supply deficit of 50,000 dwellings in Dublin alone so that target of 25,000 units is likely an underestimate. One core policy instrument is a €200m infrastructure activation fund. This fund seeks to remove infrastructure blockages on major urban sites. Developers in receipt of such funding must agree to provide some 'affordable' homes in return. However, what affordability means in this context is unclear and must be negotiated between the local authority and the developer. The second approach has been aimed at making the planning system more responsive to developer requirements and some of these measures have been controversial, with critics referring to the reduction of planning standards and obligations. The main measures have been: *Reduction in minimum apartment size; Reduction of development levies; and, Fast track housing permissions.*

Pillar 4: Improve the rental sector

Given the significant shift to private rental, especially in urban areas like Dublin, there has been significant policy attention to this sector. The demand for rental property has led to rapid and large increases in rent. The most recent policy measures have been the introduction of rent predictability measures via what are termed 'rental pressure zones' and the aim is to 'moderate the rate of rent increases in those areas of the country where rents are highest and rising quickly'. All of Dublin is designated as a rent pressure zone. Once designated, rent increases are capped at a maximum 4% per annum for up to three years.

Pillar 5: Utilise Existing Stock

The government are to issue a detailed vacant housing strategy in the autumn and it remains to be seen what specific measures will be utilised to bring vacant stock into use.

Source: This is an edited version of the Ireland report produced by Declan Redmond.

What do the case studies tell about routes to deliver more affordable housing supply?

The case studies all have something valuable to contribute. We summarise the main points below but also point to three in more detail presented in further box format. In looking at and reflecting on these ideas and innovations, we should be mindful of the path dependency dimensions of long term successful policies and remember to be properly cautious about the ability to tweak these and make them work in a particular different national context - it does not follow that these are transferable ideas but nonetheless they may have something different to offer which might be worth closer investigation or scrutiny.

Box 4 The ARA & Affordable Housing in Finland

State support is channeled primarily through interest-subsidy loans for “new construction, renovation and purchase of housing”. The government organization responsible for such housing finance is the Housing Finance and Development Centre of Finland (ARA). The housing loans themselves are provided by private banks or other financial institutions. ARA grants these loans state guarantees and interest subsidies. The loans can cover 90-95 per cent of the production costs of new housing. Legitimate applicants for this kind housing finance are municipalities and municipal companies as well as various kinds of non-profit housing developers (from student housing foundations to larger developer companies specialized in social rental housing). In the past, public housing finance was granted also to owner-occupied housing thus creating a special category of “social” owner-occupation. However, since 2007 public support has been granted only to rental housing.

In Finland, social rental housing is located in the interface between the public and the third sector. The essential principles of this system are twofold: such housing should be non-profit and the public support involved should ultimately benefit tenants in the form of affordable housing. The government controls the location of such housing in cities and population centers, state authorities control costs and quality of the production and the municipal officials control the selection of tenants and the determination of rents. The beneficiary of the public support, that is, housing developer or acquirer, then gives up some of the rights of the owner to the controlling agencies, agrees to comply with the regulations and submit to regulatory control. Tenant selection is based of assessment of the housing need and financial situation, while rents are determined on the basis of historic costs. The dweller must keep to the tenant's responsibilities, and she/he has the right to participate to the co-management of his/her residential house (resident democracy). Dwellings are under regulation for the period that the developer has not paid back the state housing loans, that is, for several decades. They are then released from regulation after the state housing loan is paid back; although in special cases they can be released from regulation due to a well-justified application of the owner. After the state controls are removed, the landlord may choose a tenant and charge market rents, but by virtue of legislation in some cases the dwellings must still be available as rental dwellings.

The main providers and owners of such housing are municipal corporations and foundations, as well as non-profit organizations. Among the latter there are large developer organizations like SATO and VVO that apart from non-profit operations also produce housing for the private market. Though municipalities and municipal organizations are the largest single category of owners and providers, municipalities do not have a statutory obligation to produce and provide housing. Becoming a developer and landlord is a political choice and reflects the political values and social attitudes of the decision-makers. In some cities, however, the political mood has led some politicians to give up producing social rental, and some councils have abolished their own rental housing organizations.

According to previous legislation, ARA housing finance was available only to owners and developer organizations that conformed to the principles of the operation of non-profit housing organizations legally consolidated in the late 00s. In the new legislation this regulation is removed, and housing loans for new production can be granted also to non-profit developers. This is thought to have raised developers' interest in partnering with social housing producers. Some restrictions for use and disposition of ARA-financed housing were also relaxed. However, the deregulation was partial. Regulations are now project-based – and at the same time, they are also tightened “to emphasize the long-term and social nature of state-supported housing production” (as the government’s legislative proposal indicates). For example, the permitted “reasonable return” to the owner for the investment was cut, and the control powers of ARA were expanded.

A further policy change concerns income-testing of tenants in social rental housing. In 2008 the incomes testing in the allocation of social rental housing was abolished, thereafter only housing need was assessed. It was recognised some people who had acquired social housing because of housing need and low income had later become better-off but had kept on living in affordable social rental housing. Income testing was re-introduced to social rental housing in the Helsinki Region. The incomes of new applicants as well as residents changing dwellings in the social rental stock have consequently been assessed since 2017.

Source: edited from the Finland’s report by Hannu Ruonavaara

Boxes 4 to 6 provide some such examples at different scales.

- Finland has its own well-established ARA model of affordable housing supply, now likely to have greater access to loans going forward (see box 4 on Finland).
- Austria – limited profit cost rent social housing model and financing; new special credit institution (see Box 5 below).
- Netherlands – while there is an understandable tendency to look at the Dutch social housing system as a whole, we should not forget more micro innovations that can contribute to making a major difference to the housing opportunities and sustainability within homes by specific policies. The Netherlands case study identifies two such examples - reducing evictions and transforming empty buildings for affordable housing (see Box 6).

Box 5 Social Housing in Austria – Finance and Institutional Innovation

Austria provides two potentially valuable affordable housing elements, one established and one emerging. These elements are: limited profit corporations (generally housing associations) based on a cost rental model, and an ongoing specialist credit institution being developed to support the long term funding of new social housing in Austria. We summarise these developments below and then draw some wider lessons.

Limited Profit Cost Rental Model

The legal definition of 'limited profit' can be found in the federal Limited-Profit Housing Act (WGG / Wohnungsgemeinnützigkeitsgesetz). Basic principles include serving the common good, limits on the scope of their activities, limits on the distribution of profit shares, application of the cost-covering principle and obligatory supervision (Ludl, 2004). They must apply a cost rent model of provision and are subject to detailed annual compulsory audit with reporting to state governments, to enforce compliance. Owners of LPHA include municipalities, tenant organisations, public bodies, charities, political parties, unions as well as professional associations and companies (Mundt and Springler, 2016 in SGS and Lawson, 2010). There are around 900,000 limited profit cost rent housing in Austria.

Austrian limited profit housing comprises mainly medium density multi-family apartments, managed on the basis of a cost rent, limited profit business model and are financed in part by conditional public loans, tenant and association equity and private loans (often financed by (until recently) tax privileged housing bonds). Associations operate under Limited Profit Legislation and Rent Laws and are generally financially stable, well-regulated providers. Limited profit housing providers tend to be the primary deliverers of subsidised housing. They also play a trendsetting role in real estate development and planning standards, promoting innovations in socially and environmentally progressive standards, designs, materials and construction and in some cases social inclusion (Reinprecht, 2014:63).

The founding financial arrangements, based on subsidy conditions or a cost capped cost rent system and national rent setting and indexing laws, are critical (Deutsch and Lawson, 2013:21). Increasingly, the cost of land is a major impediment to affordability of cost rent projects, driven by urban growth and also land speculation. Further, LPHA dwellings tend to be newer and, under the cost rent system, can be more expensive. As the share of public finance declines, new tenancies increasingly require equity from the tenant.

A New Housing Credit Institution

Traditionally in Austria, commercial loans for social housing were sourced from Housing Construction Convertible Bonds, issued by six specialist financial intermediaries ([Lawson et al, 2012](#)). Since the GFC and consequent Basel III regulations governing financial institutions, it has become more costly for banks to hold such long term bonds and more recently the tax incentive for retail investors receiving income from these bonds has been withdrawn. Yet long term, stable and low cost financing is essential to affordable cost rent housing. Consequently, a new private, not for profit credit institution called the Federal Housing Construction Investment Bank (Wohnbauinvestitionsbank, WBIB) is being established in Austria to channel long term lower cost EIB (European Investment Bank) investment towards affordable rental housing.

The WBIB will provide fixed interest long term (30 year) loans to any company complying with the cost capped cost rent system and will complement funding via a Federal housing programme. While the funds are available to any investor who agrees to provide housing on a cost capped cost rent basis, The cost of establishing the new Housing Investment Bank, will be met by 6 retail banks currently involved in the business of lending to LPHAs. The WBIB will be stand-alone not for profit special purpose bank (as defined in Austrian laws) that will pass through EIB funds to providers of affordable cost rental housing. The receipts from repayment of these loans and any profits or surpluses must be continuously revolved to expand the WBIBs loan program in perpetuity. The government guarantee is provided by the Ministry of Finance to the EIB, in the event that the WBIB cannot repay the funds provided by the EIB. The Guarantee will be paid for) by borrowers, in addition to the loan interest rate. This premium was required in order to confirm with market practices and European Commission policies on state aid and competition.

This initiative is part of a package to foster employment and economic growth via stimulating housing supply (Wohnbauoffensive). It aims to create 30,000 additional affordable housing units over the next 5 to 7 years and the total investment should amount to almost €6 billion: the government expects an economic impulse of 0.4% additional GDP growth per year ([BMWFW, 2015](#)). However, implementation has been delayed. The Ministry of Finance has insisted on EC approval, of which the Austrian government has been waiting for since 2016. The government hopes the WBIB will begin operations in Autumn 2017.

Wider Implications

There is international interest in both the cost rental limited profit model of well-regulated providers (e.g. in Ireland, key stakeholders such as think-tanks and other respected commentators see this model as the corner stone of future systematic approaches to delivering affordable supply). At the same time, the new Austrian housing credit institution is an indication of a possible future for specialist institutions that are a modern complement to other established long term models such as the French Livret A accounts which are pooled by the public corporation, Caisse des Depots et Consignations, for long term below market interest loans. In countries like the UK there is a growing interest in the development of specialist housing credit institutions that can raise funds from across different credit channels (Ryan-Collins, et al, 2017).

Source: This box draws on and is an edited summary of parts of the report compiled by Julie Lawson (2017) 'Austria' – Consultant Report commissioned for this project.

Box 6 Micro-Policies that Address Non-Affordability in the Netherlands

Case 1. affordability & debt prevention: fewer evictions

Social housing organisations respond to address rent arrears when they occur and the earlier they apprise this problem, the more able they are to take measures to prevent evictions. This approach pays off – the number of evictions in 2014 decreased by 15 percent in comparison with 2013. Eviction are both a traumatic event for tenants and also very costly for social

housing organisations. When it receives early signals, social housing organisation Domijn approaches tenants with payment arrears personally in order to arrange a payment scheme. A community manager makes contact after one week. If maintenance has to visit the dwelling for any reason a check to see if the tenant has paid the rent is made. Domijn uses customer profiles as guidelines as well as more intensive communication. Every tenant's story is different. Social housing organisation Woonpunt also visits tenants with rent arrears in their homes. The fast and personal approach produces results. In addition, the social housing organisation works with the Kredietbank (a special social credit and debt assistance bank) because rent arrears are not the only debts that tenants are struggling with in many cases. Social housing organisation Rochdale in Amsterdam has conducted a successful experiment in which the rent or the sum of a payment scheme is deducted directly from the social security benefit of the tenant. The tenant also receives support from a budget coach.

Case 2. transformation of unoccupied buildings - from empty office to social housing

There are tens of thousands of unoccupied buildings such as offices, residential and care complexes throughout the Netherlands. Social housing organisations devise creative solutions in order to give these buildings a new affordable or otherwise creative housing future. A former office building in Amsterdam – with twelve floors and floor space of approximately 12,000 square metres – has been given a new purpose. It now houses 285 students. Student housing organisation DUWO and social housing corporation Rochdale had the property, which dates from the sixties, converted into student residences and business units. A double wall was installed in order to decrease the noise from the nearby highway. The ground floor is reserved for businesses, restaurants and catering. The office building was unoccupied for a long time. The new use has a positive effect on the neighbourhood. Another example comes from social housing organisation Jutphaas Wonen which has transformed a former office building into 25 loft residences with gardens for young people. House hunters were involved from the start and literally sat around the table with the contractor. The effect of this is that the residences fulfil the expectations of the new tenants. As many materials as possible were re-used in the transformation of the office building and the residences were extremely energy-efficient, this project won an innovation prize and a sustainability prize. Judges were impressed by the approach from empty offices to affordable and sustainable homes for starter households, with tenant participation.

Source: Edited from the Netherlands case study and originally sourced from Aedes, Dutch social housing in a nutshell - examples of social innovation for people and communities,

There was considerable comment made about the supply-side in terms of both land market problems and the construction industry (commentators from both the UK and Finland would express concern about insufficient competition in the building industry, and in the UK's case, worries also about the demise of the SME (small and medium enterprise) sector which had been a critical source of developing smaller sites. Commentators identified barriers to land supply (France and Finland) and recent studies of land markets in the UK express similar concerns - see Box 7 below.

Box 7 Reforming Land for Housing in the UK – New Economic Foundation

In a recent influential book, Ryan-Collins et al (2017) provide a coherent and sober diagnosis of the economic and wider problems with housing land in the UK, linked to financialisation of real estate and the pivotal role of housing debt in the banking sector. They point out that a better functioning land market is a necessary condition for increasing the supply of social and affordable housing. While all too aware of the political constraints around meaningful reform that would damage the short term interests of many stakeholders, they argue that the long term costs simply cannot be allowed to continue. In the final chapter of the book they propose a number of interlocking reforms, which are summarised below:

First, shift land more into public ownership, as is done in many other places where sale and leasing of land for development can generate revenues for the state.

Second, different models can be used to capture land value uplift to fund new infrastructure but where a public body acquires land at predevelopment/planning permission prices. The authors suggest that the UK could emulate Hong Kong or South Korea in doing this and should consider establishing a national land bank that would purchase and develop land for purchasing vacant and derelict land and supporting larger new communities. Similar calls have been made by the Royal Institution of Chartered Surveyors.

Third, deploy more bottom up measures (which might include community land trusts where the land element is kept in trust sustaining permanently affordable housing costs). This compulsory purchase (and auctions for compulsory sales) can play a critical role but CPO is not cheap and is better used to encourage the necessity of sale rather than the sale itself.

Fourth, Incentivising land owners to pool land into investment partnerships (as is done in the Netherlands) is a way of capturing public benefit by pooling a long term interest rather than a competitive interest in capital gains only.

Fifth, a shift towards a land valuation tax and wider reforms to the banking system with central banks taking a closer look at asset prices including monitoring housing prices and mortgage lending. They also make a case for more stakeholder or relationship banking along the lines of established regional banking in Germany, Switzerland and Austria. The author also encourage a greater matching of long term finance (e.g. pension funds) to housing debt, rather than bank debt based on various shorter term liabilities. The authors also want to establish European style state investment banks and arrangements like the French model of transforming individual savings accounts into long term affordable housing finance.

All of this goes to show the challenges facing housing reformers and the need to be both strategic and tactical to advance long term housing policy reforms linking to fiscal and banking dimensions as well as establishing new institutions. Of course, some of the European nations covered by this report have some or several of these features already but others are further removed. But long term consistent approaches to a viable affordable housing supply system require a stable and durable environment within which to work, which is precisely what Ryan-Collins and his colleagues are contemplating.

Source: Ryan-Collins, et al, 2017.

In the face of rising levels of housing need, the French case study outlines how the property-led urban renewal model has evolved into a long term neighbourhood renewal programme seeking to generate through housing investment employment and social mix (but delivering targeted large scale affordable housing at the same time – see box 8).

Box 8 The French NPNRU: social housing investment in an urban renewal context - favoring social mix with the return of employees

The New National Programme of Renewal Urban (NPNRU for the period 2015-2031) plans 5.4 billion additional euros of funding (60 % of subsidies and 40 % of subsidized loans) by Action Logement that will impact 160,000 social housing units by financing: 110 000 social housing units rehabilitated, 55 000 units renovated, and 50 000 new housing construction. The New Programme of Urban Renewal is based on a renewed political ambition: bringing back employees to targeted neighborhoods, to break the circle of ghettoization. The programme will aim to adapt and modernize existing social housing units. Specific strategies will be designed in relation to local contexts in relation to the housing needs of employees, as well as the city's economic and demographic characteristics. The projects have to make the neighborhood more attractive, by reducing drastically the rate of social housing and increasing private housing (both rental and home ownership).

In the context of territories characterized with high demand for housing in relation to employment needs, it will be obligatory to rebuild majority of the social housing outside the neighborhood, at the scale of the agglomeration. Some metropolitan areas like Lyon and Rennes have been organized in this way for years and are already experienced, having multi-year plans to build affordable housing already in place, but other agglomerations, especially in the Paris Region are just beginning, which is quite challenging.

In the weaker markets often subject to deindustrialization and where housing vacancy is high, particularly for social housing, it is recommended to plan urban contraction. It means that social housing buildings will be demolished but not all will be rebuilt in those same agglomerations. The requirements of the success of Urban Renewal projects are also to have better accessibility to public transportation, better security, improved quality of public schools, and to actively consider the specific needs of employees (e.g. chld care nurseries).

Corresponding to the 5 billion euros financing of Action Logement, 20,000 social housing units should be reserved for 30 years for Action Logement, which will entitled to designate the employees benefiting from the social housing. Also, free land will be given to Action Logement to build high quality rental housing, targeting middle level managers. A specific company, the Association Foncière Logement, will be in charge to build the rental housing. It has already built 20,000 units for ANRU projects for the PNRU and its experience has shown to be successful.

Another aspect of the Urban Renewal programme is seeking to encourage home ownership. Reduced transaction fees/taxes were successful interventions during the first programme. Now, real estate developers are more inclined to invest in these neighborhoods to build

affordable housing. Between 2003 and 2013, 40,000 privately owned housing units were built. For the New programme, transactions taxes will be levied at at 5.5% instead of 20% until 31st December 2024 for all housing construction located in a perimeter of 500 meters around the 1500 priority neighborhoods (Quartiers prioritaires de la Ville)⁷. This represents 137 million euros of tax exemption. It represents a reduced price for home acquisition of low and medium income households. Its objective is to help residents to buy their home and to thereby develop social mix in the targeted neighborhoods.

Source: Edited from the case study report prepared by Delphine Sangodey

The importance of effective strategic housing planning and delivery systems at national and local level

This report is concerned with the provision of social housing in Europe, and specifically with ways in which obstacles to the provision of affordable housing might be addressed. In common with the European Housing Partnership, we take as axiomatic the benefits, to society and citizens alike, which can arise from establishing an adequate supply of affordable housing in efficient and effective housing systems. In pursuing this objective we believe it to be essential that national and local government can demonstrate the presence and use of effective instruments for strategic housing planning. That is to say, unless policy makers in national and municipal government understand the nature and scale of housing needs and demands in their geographic areas of governance, it is difficult to see how priorities can be set for different categories of affordable housing related expenditure (such as the need for new supply, renovation and improvements, demolitions etc.) and the resources necessary to implement priorities calculated and (where available) allocated to these investment categories.

It is also of importance that the processes and methodologies involved in strategic housing planning are both ***inclusive and transparent***, in order that key stakeholders, including ordinary citizens and pressure groups, can engage with the process and contribute from their particular perspective. That is not to say that consensus will always be reached on national and local estimates of housing need and demand, or on the priority attached to different categories of need, or the relative support afforded by government to for particular tenures . The box below looks at one variant of this approach – the evidenced, housing planning and strategic basis of the approach evolved over time in Scotland (Box 9).

Box 9: The Scottish model of strategic housing planning

Although not perfect, the Scottish model of strategic housing planning exhibits many characteristics of a rational and transparent housing planning system, which we describe

⁷ Bulletin officiel des Finances publiques du 1^{er} février 2017.
www.sig.ville.gouv.fr

below. Scotland's 32 local authorities (municipalities) are required by law (The Housing Scotland Act 2001) to prepare a Local Housing Strategy (LHS). The LHS must be supported by an assessment of housing need and demand (HNDA) covering the Housing Market Area(s) of which the local authority forms part. Scottish Planning guidance defines HMAs thus:

A housing market area (HMA) is a geographical area where the demand for housing is relatively self-contained, i.e. where a large percentage of the people moving house or settling within the area have sought a dwelling only within that area.

Consequently, HMAs are likely to straddle several local authority administrative boundaries, and municipalities may be part of more than one HMA. HNDAs are expected to reflect that reality by giving explicit consideration to cross boundary issues. Only when the relevant HNDA has been scrutinised by Scottish Government and deemed to be "robust and credible" can local municipal authorities proceed to prepare their detailed location specific plans for new housing construction.

The most recent LHS guidance for local authorities was issued in August 2014 by the Scottish Government (in agreement with the Convention of Scottish Local Authorities and the Association of Local Authority Chief Housing Officers). This superseded the previous guidance issued in 2008, and re-affirmed the role of Local Housing Strategies as being at the heart of the arrangements for housing and planning through its links with development plans and its strategic role in directing investment in housing and housing related services locally. The guidance makes clear that the LHS should be seen as a key corporate planning activity for municipal authorities.

Local Housing Strategies are effectively the sole strategic document on housing and housing related services across the local authority area and are expected to provide information and analysis and performance progress on housing related issues including: homelessness; housing support; housing quality and condition; energy efficiency, and fuel poverty. The LHS provides an opportunity to integrate a large number of important areas into one overarching document and to support the mainstreaming of strategic planning for housing. The Local Housing Strategy guidance is subject to a full Equality Impact Assessment to ensure that the guidance takes account of, and does not discriminate against, minority or disadvantaged groups.

The Scottish Government currently plans to spend a minimum of £3 billion on Scotland's affordable housing supply programme (AHSP) over the five years of the current Parliamentary term (May 2016-May 2021). This represents an increase of around 67% on the previous five years and is expected to deliver a minimum of 50, 000 affordable homes over the five year period, of which 35,000 are to be new social housing owned and managed by local authorities and "registered social landlords " – mainly housing associations. The AHSP also contains provision for mid-market rent and low cost home ownership. Resources, mainly in the form of grant funding, are allocated to local authorities and housing associations on the basis of agreed housing supply targets identified in the LHS. Grant funding (around £70k per unit for RSLs and £57k for local authorities) is then augmented through borrowing by those landlords to meet the average land and construction combined cost of £120k. As a means of establishing a degree of scrutiny and accountability, the Scottish Government has since

2008/2009 published annual reports (AHSP outturn reports) setting out information on completions and spend against targets on the AHSP.

There has been much debate in Scotland over the years on the level of housing need in Scotland and the extent to which the country's affordable housing supply programme is meeting that need. Debate continues but it is probably fair to say that general agreement exists that the Government's decision to increase the AHSP by 67% to a target figure of 50,000 over five years has been generally welcomed by the key players in Scotland's housing landscape, including landlord representatives, pressure groups representing the homeless, and indeed the private construction sector. The bottom line is that the current 'official' estimate of affordable housing need is 12,000 units per annum. Delivering 5/6 of that amount for 5 years in a difficult austerity context is an important contribution but one that requires the policy and practice infrastructure to deliver it and that is what these procedures try to do.

Further details on the Scottish affordable housing budgetary and delivery mechanisms can be found here :http://www.parliament.scot/ResearchBriefingsAndFactsheets/S5/SB_16-49_Housing_Supply_Budget.pdf

A copy of the national guidance covering the preparation of Local Housing Strategies can be found here :<http://www.gov.scot/Publications/2014/08/3070>

What broader lessons can we draw from our case studies?

- Many housing systems have displayed vulnerability to wider economic and financial shocks. If our goal is sustainable increases in affordable housing we need to build robustness and resilience into our funding and delivery models.
- Evidence of how housing systems work, interact and how different elements are interdependent is critical to making good decisions about housing need, new supply, location and market segmentation.
- We do need to learn from other countries' experiences and models to share experience internationally and pool knowledge. But we must do so cautiously (and take account of how embedded different national housing systems are in similar or different housing, financial and regulatory institutions).
- Long term stability is required of subsidy (funding levels), regulatory, social security and planning systems – it is in that context that one thinks about instruments and mechanisms e.g. direct subsidy, finance subsidy, guarantees, tax breaks, inclusionary zoning, benefit design.
- We should work with the grain of markets – housing market, labour markets, finance markets, and not lose sight of the difficulty in achieving effective interventions by public agencies – we should test and understand the consequences of intervention in markets before proceeding further.
- In the long term we need to address speculation and egregious tax distortions in land and housing markets ; intervention must be based on sound principles, and the consideration of housing's place in macro-prudential discussions of mortgage lending stances should be a given.

- We should seek to secure a long term consensus about private renting and its place in the housing system and, implicitly, the degree of public funding it should receive.
- We must re-emphasise the Importance of prevention – ‘Housing First’ approaches and other homelessness reduction processes have a part to play, and help with tenancy sustainment and arrears reduction are essential.
- Affordability needs wider scrutiny and analysis, and the interconnectedness with non-housing phenomena must be identified and described e.g. problems in the emerging labour market - such as the ‘gig economy’ and zero hour contracts - can undermine housing-led reforms.

Research Links to EHP Action Plan

This report has undertaken the following four tasks to fully engage with the sense of what constitutes barriers, and what might overcome such barriers, to increased supply of affordable housing:

- Setting the context for affordable housing in western Europe
- Undertaking a rapid evidence review
- Surveying EHP stakeholders with a short qualitative questionnaire
- Deploying in-country experts from a range of western European housing systems in order to drill down into the affordability question in more depth.

The production of an Action plan with recommendations to policymakers on how the supply of affordable housing might be improved throughout the EU is intended to be a key output of the European Housing Partnership. In this final section, we use our earlier analysis and conclusions as a basis from which to draw up a series of possible policy recommendations.

6. Potential EHP Action Plan Policy Recommendations arising from the research

- Every country and city is different, and each will exhibit characteristics of housing systems at various stages of maturity and development. That said, any efficient and effective housing system is likely to exhibit certain generic characteristics relating to the adequacy (and transparency) of housing needs and demands analysis, and the consequent estimation of resources required to remedy perceived deficiencies, both in relation to the condition of existing stock, and the need for new supply. Some consideration and specification of subsidy requirements relative to incomes and market prices will also be a key factor.

- Evidence from Housing Europe and other commentators suggest that common problems exist regarding affordable housing supply shortages and housing quality deficiency, (including energy efficiency shortcomings) to a greater or lesser extent throughout the EU.
- Affordable housing should be an essential component of any state or municipality's housing system; in addition to delivering significant health, well-being and economic benefits to citizens unable to afford market prices, significant societal benefits to economic growth and productivity can also be identified.
- The European Union should consider promoting the role of “Not for Profit” providers of affordable housing such as housing associations and co-operatives. A strong case can be made for a strong co-operative/ housing association sector, not only as a high standard well-regulated tenure of choice for those unable to afford market prices, but also as a valuable mechanism for government to utilise at times when counter cyclical investment measures are required.
- The important role of *publicly owned companies* is also worthy of mention. Indeed we would propose that The European Union should consider promoting long term responsible housing enterprises of all kinds (public, cooperative, and not for profit).
- Related to this point, it may be that the budget rules imposed by the stability and growth pact are limiting the capacity of public authorities to intervene in support of increasing the supply of affordable housing. That is to say, the current EU deficit rules may be preventing member states from investing in social infrastructure. The added value arising from promoting more social investment is well understood, especially in those member states facing the greatest social challenges. Therefore, Investment clause 2.2 (COM(2015) 12) in the Stability and Growth Pact (SGP), which allows member states to increase social investment where certain conditions are met, has potentially an important role to play.
- The need to improve domestic energy efficiency is a common issue throughout EU countries - in the context both of addressing and reducing carbon emissions and improving comfort and living conditions for citizens through well insulated homes. Although perhaps outwith the scope of this study, a case could possibly be made for a common EU definition of fuel poverty : as with housing affordability this might consist of the proportion of disposable household income spent on heating. Such a definition already exists in Scotland and the UK, although the targets for eliminating fuel poverty set in relation to the definition have never yet been met.
- It is also vital however that improved energy efficiency measures must be *affordable to tenants and residents on low incomes* such that they are able to remain in their homes following renovation and not be forced to leave as rents become unaffordable, thereby leading to the phenomenon of “*renovictions*”. With this in mind, we welcome the European Commission initiative to set up a European Energy Poverty Observatory in early 2017.

- As the Scottish system demonstrates, political will and commitment to affordable housing at governmental level is imperative. Without such commitment at national and municipal level, effective programmes of affordable housing are unlikely to be developed and delivered.
- Affordable housing is not just to found in, or provided by, the municipal, social or co-operative housing sector. It can also be provided by the private sector, but the term as broadly understood must also convey something about the quality and standard of accommodation, of landlord management services in rented accommodation, plus the costs (rents) and rights associated with the accommodation and any regulation to which it is subject.
- There may well be an over-emphasis on owner occupation in many national housing and fiscal systems, including favourable tax treatment for that sector relative to others; if so this may suggest a policy prescription which seeks to redress that imbalance, addressing in the process the deleterious impacts of market downturns on citizens and economies both national and local.
- The importance of effective and transparent housing planning processes, with clear evidence of system understanding and analysis of key issues such as supply deficiencies, housing quality issues, energy efficiency improvements, homelessness prevention etc. cannot be overestimated – it is vital that housing system problems are conceptualised and accurately defined in terms of the potential consequences of inaction, including numbers and groups affected, with proposed improvement actions specified together with a framework to measure impact and outcomes. We suggest that the Scottish model provides a good basis for such a system.
- National and municipal housing planning frameworks need also explicitly to consider the estimated resources necessary to implement policy proposals, even if not currently available and ultimately dependent on political actions. The existence of rational systems of housing planning, including transparent (i.e. subject to public consultation and scrutiny) robust and credible housing needs and demand analysis, should underlie investment decisions on the location amount and type of housing development; such systems are also essential for estimation of the resource investment requirement for both new construction and refurbishment of existing stock.
- Each national government should be encouraged to produce a national housing strategy outlining the key housing challenges facing the nation as above. Each significant city or municipality should be encouraged to set out their specific role.
- The issues of private sector tenancy reform, tenants' rights, and rent control seems to be a significant issue for many EU countries and cities, particularly in the newer member states; as with housing planning and monitoring systems, there may be good recent practice from Scotland in particular which can be shared with others.

- There seems to be clear evidence from Housing Europe and others that opportunities to access EU funds for housing related investment are not being fully exploited – if so we should redouble our efforts to ensure that opportunities to access EU funds for housing related investment – both EFSI/ Juncker Fund and ESIF structural funds are maintained and strengthened in future.
- We should also continue to develop models such as Housing Europe’s Toolkit on Affordable Housing, which encourages knowledge exchange and links to innovation and good practice in the provision of affordable housing. This could also be linked to the emerging evidence base at the newly established UK Collaborative Centre for Housing Evidence (CACHE). Indeed, it is intended that some examples of innovation and good practice highlighted in this report will themselves be included in the HE Toolkit.
- The provision of information on funding opportunities is a vital prerequisite to accessing available resources. However it is also vital that member states have the knowledge and capacity to develop and implement projects at a local level. This suggests a clear need for the promotion of effective knowledge transfer mechanisms, technical assistance and peer to peer learning, capable of taking into account the reality that often differing national policy contexts can hinder or obstruct the replication of innovation.
- An important Action Plan recommendation might be to suggest that the European Commission should review the role and function of the “*European Semester*” process by which specific policy edicts (“recommendations”) are issued to states, with follow up to Country Specific Recommendations (CSRs) to audit progress. Housing Europe analysis suggests that the Semester and CSR process may be relatively unsophisticated with regard to the complexities of national and local housing priorities and the characteristics of their housing systems, and over reliant on simplistic private sector/ market led solutions.
- There is still much uncertainty regarding the interpretation of EU State Aid rules on social and affordable housing. Despite recent reassurance by the European Commission that social mix in housing is a legitimate policy objective, local, regional and national authorities are too often concerned about the potential interpretation and application of state aid rules, which may inhibit their willingness to invest in broad housing programmes. A review of the rules might be needed to give clarity at the local level for those wishing to invest in affordable housing.
- Finally, although not highlighted as a major issue in this research, there is some evidence that the impact of Airbnb and short term letting on local affordable housing markets is becoming a significant issue in many European cities. It is likely that the European Housing Partnership will wish to highlight the issue in its forthcoming

Action Plan by providing some description of the problem with potential recommendations to address the emerging issues.

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