



SABO SVERIGES ALLMÄNNYTIGA BOSTADSFÖRETAG

# State aid and public housing companies – an example

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# SABO – The Swedish Association of Public Housing companies

- Industry and interest organisation
- Founded 1950
- 45 employees
- Located in Stockholm



# SABO's members



- 306 public housing companies
- 807,000 apartments
- 13,000 employees
- Total turnover: SEK 63 billion
- Total value of properties: SEK 709 billion

# SABO's role

## Assignment

SABO supports the member companies to be long-term and competitive actors in the housing market.

## All-embracing goal

SABO – a professional and strong industry and interest organisation focussing on the members.



# Universal principle for social mix

*“In the opinion of the Swedish Government, it is of particular importance to protect the Swedish model of public housing companies, which targets all households in the housing market, not only people with low incomes or who otherwise need help to get a home.”*

- Rental, public housing must be open to and attractive for EVERYONE
- Promote integration and social cohesion



# Competition in the housing market – or how it all started

- In 2002 and 2005 The Organisation of Property Owners reported that the public housing companies operated in a manner that led to anti-competitive effects (to the Commission)
- Is the Swedish housing policy compatible with EU-rules? (to state aid)
- The Tenants Association meant that tenants should not be responsible for costs which there is a collective responsibility for
- Was there a real threat against the swedish public housing model?

# Governmental investigation

- Was appointed in 2007
- There were no particular laws or regulations regarding public housing companies, should there be?
- In march 2008 proposals where submitted:
  1. business-like principles
  2. prime cost
- The referral round was divided....



# What to do now?

- Was there a threat against the swedish public housing model?
- A new proposal!
- SABO and the Swedish organisation of tenants and the organisation of property owners – together!
- The government said yes and:

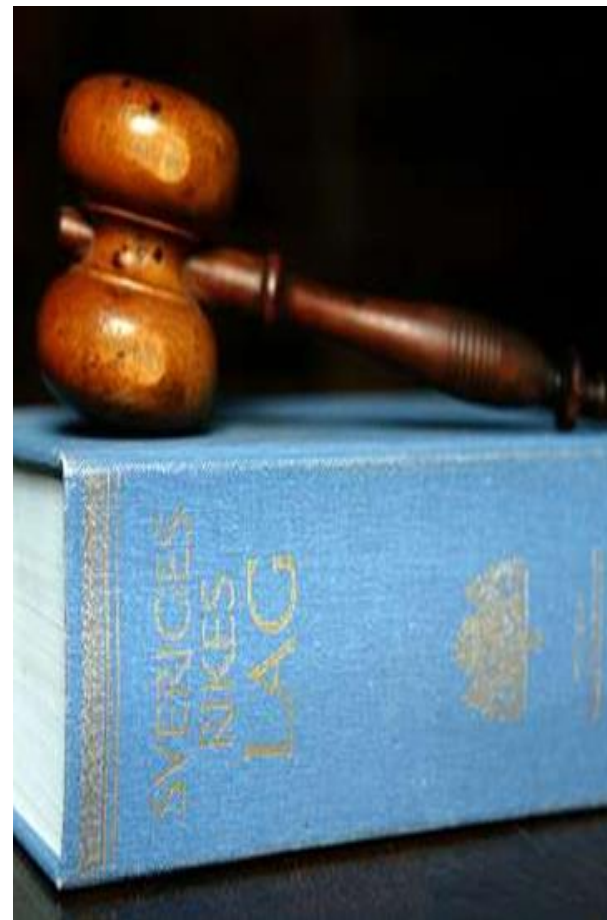




# The Communal Housing Act

- 1 § The portalparagraph – what a public company is
- 2 § Operate according to business-like principles
- 3 § Limitation of value transfer
- 4 § Exemption for value transfer – property sale
- 5 § Exemption for value transfer – group contribution/housing
- 6 § Report dividend to the responsible authority

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# Which companies will apply the law?

A public housing company is a limited company owned by a municipality. A public housing company must (1 §):

- work for the purpose of promoting public benefit
- mainly manage rental dwellings
- promote the supply of housing in the municipality
- offer tenants the opportunity of having a degree of influence, and to influence the company
- operate according to 'business-like principles'
- limit dividends for the shareholder



# Business-like principles?

- No direct support – either from Government or local authorities
- No favourable loans
- No special advantages as regards taxation, the company should run on their own merits
- There should be a market price for municipal guarantees for loans
- *Not* operate on a non-profit basis (not cost-price principle)
- Local authorities cannot order the company to make investments that are not economically sound

# Limitation of dividend/value transfer

1. The yearly dividend is limited to the government bond plus one percent – on the contributed capital (3 §)
2. If the company has sold a property – possibility to a higher sum – thus some limitations ( 4 §)
3. The shareholder (municipality) will use the dividend to actions that (5 §) :
  - has to do with housing for groups with special needs which the municipality has a special responsibility for, or
  - promotes integration and social cohesion.



# Conclusions – a follow up

- Flexible legislation that suites more than 300 companies of varying sizes and conditions
- Difficult to isolate effects
- Differences between content and perceptions of content
- No conflict between business-like principels and social responsibility – you can do both
- The value transfers has fallen
- But - It has led to difficulties regarding the yearly rent negotiations





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# Thank you for your attention!

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