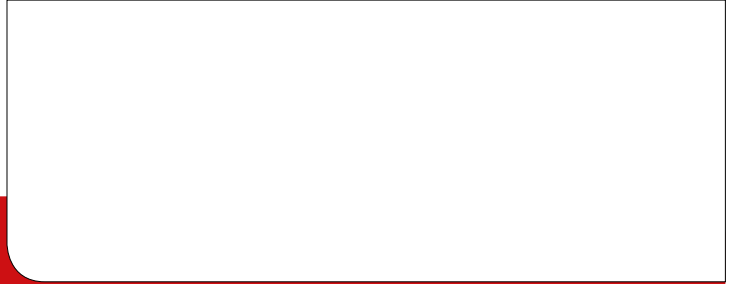


social affairs





EUROCITIES Position Paper on Affordable Housing

**Cities approaches and
recommendations**

EUROCITIES

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EXECUTIVE SUMMARY

Affordability in housing represents one of the main challenges that European cities share today in order to achieve social cohesion. Affordable housing may have different forms, depending on national and local conditions; it is, however, generally understood as “permanent accommodation for individuals and families who cannot otherwise access or afford free-market housing”. This includes specific target groups as well as wider defined target groups, as described in this paper. In general, a well-defined policy on affordable housing contributes to achieving social cohesion objectives, by helping to prevent segregation and the emergence of social or ethnic ghettos.

This paper describes the planning, quality standards and financial tools currently used in different European cities to address their housing situations.

Planning powers differ significantly from city to city but are in general characterised by a national framework and local responsibility (either via physical planning or by control of both the physical and the social infrastructure). This paper also investigates regional and strategic partnerships, especially in urban regeneration programmes and experiences with public participation. Recommendations made in the final section include increasing public control over building land, introducing the principle of subsidiarity into national planning systems, and promoting citizen participation.

Quality standards tools can be enhanced through legislation, subsidies and by stimulating owner and resident initiatives. This is especially important in the field of energy efficiency of buildings, which supports climate protection and addresses the growing issues of fuel poverty and health protection. Building quality must also be understood in relation to value retention and its contribution to the sustainability of urban neighbourhoods.

The current economic crisis reinforces the case for public sector intervention in the housing sector. Financial tools may be focused or collective, and they may be directed at the construction industry (supply-side subsidies) or at residents (demand-side subsidies). While in general a mix of tools works best, long-term financing and revolving funds¹ should be strengthened. Further privatisation of public housing stock should be assessed carefully. As an overall goal, housing financing systems should aim at contributing to social cohesion by promoting a social mix in housing areas.

Given the central role that the adequate provision of quality affordable housing can play in achieving the objectives of social cohesion, improving energy efficiency, contributing to high quality living space and improved quality of life, health and well-being, new sources of finance and innovative financing mechanisms are required. National governments and the European Union should consider a range of options for this, which could include the development of European Investment Bank (EIB) facilities for loans or loan guarantees.

1. A revolving fund is a fund or account whose income remains available to finance its continuing operations without any fiscal year limitation.

1. INTRODUCTION

Cities in Europe are places for economic, cultural and social exchanges, sharing a common aim to improve living conditions, create employment and integrate all members of the community.

Affordability of housing represents one of the main challenges that European cities share today in achieving social cohesion. Each case differs, depending on the country's national political system, the function of the city in the national/ European governance system and on the historical housing perspective.

At the same time, the different dimensions of affordability are often unclear and are frequently connected to other policy areas, such as environment, health and employment.

Whilst the path to affordable housing itself requires clear definitions, what is actually meant by "affordability" under different socio-economic conditions? Who are the target groups for affordable housing? Which financial, planning and quality tools exist to achieve these goals?

These are the issues addressed by this policy paper, which concludes with a series of recommendations to improve the understanding of the role of affordable housing and the tools that are available to facilitate adequate provision of affordable housing in our cities.²

2. This paper has been prepared by the EUROCITIES Working Group on Housing and includes contributions from experts from seven European cities. It draws on the following sources: EUROCITIES Working Group on Housing: 'Affordable Housing Case Studies', carried out in the cities of Berlin, Brno, Copenhagen, Leeds, Ljubljana, Munich, Rotterdam, Vienna, Warsaw, Wrocław, Zurich, 2008-2009; EUROCITIES, 'The EU Social Protection and Social Inclusion Process: What's in it for local practitioners', Brussels 2009 (all available at www.eurocities.eu) and UNECE, Committee on Housing and Land Management, 'Guidelines on Social Housing', Geneva, 2006.

2. AFFORDABLE HOUSING - A CHALLENGE FOR EUROPE'S CITIES

Provision of, or facilitating the provision of, affordable housing is one of the main functions of cities besides their role as economic, cultural and political centres. Metropolises and cities in Europe all face the challenge of dealing with housing requirements, and housing policies must also be seen in relation to the important role they play in social policies and employment.

The following are examples of trends and realities that emphasise the important role of affordable housing in our cities:

- the creation of affordable housing opportunities can help to counteract segregation and to sustain social cohesion;
- in European cities space is scarce, creating competition for what little is available in the inner city, resulting in people not being able to afford to live in certain neighbourhoods. This creates polarisation and leads to separation between richer and poorer neighbourhoods;
- the emergence of deprived neighbourhoods is often due to deeply rooted socio-economic and situational contexts. In this case, programs and measures often only achieve limited impacts or need higher resources to succeed;
- for cities it is important to promote mixed communities in order to achieve social cohesion. Suburbanisation is often a reaction of middle income households to a lack of adequate housing possibilities in the city centre;
- the economic situation in many countries has deteriorated due to the global financial crisis. In European cities this has clearly had a negative impact on the creation of new housing opportunities. which in turn has led to increased pressure on affordable housing provision across Europe;
- the impact of increased migration and significant growth in the numbers of older people presents European cities with new challenges. By providing additional flexible affordable housing, European cities can take advantage of opportunities arising from economic migration and deal with demographic change.

There are three important factors that impact on how cities can address affordable housing:

- firstly, housing policy steers and regulates the market with regulatory policy instruments. The legal framework however is often predetermined by the conditions and regulations implemented at national, rather than the local level. These are defined above all by rent laws, building regulations, building planning and general contract law. Cities often can only implement regulations;
- secondly, financing arrangements can hinder the resolution of problems concerning affordable housing. Cities or city regions need financial aid to ensure the availability of affordable housing;
- the third dimension for resolution is the sub-national/regional framework, and how regional policies can influence affordable housing provision.

3. DEFINITION OF AFFORDABLE HOUSING

The concept of “affordable housing” is applicable to all forms of housing provided via the private market or otherwise for rent or for sale. It also refers to housing that is affordable and available to all individuals and families who require it, including low-income groups, without this causing a disproportionate burden on their disposable income. It includes rented and intermediate social housing for those who are unable to meet their housing needs through the market. Affordable housing should:

- be available at an affordable cost for low income groups and allocated on the basis of a calculation that takes local incomes and house prices into account. The costs involved in running the household should also be affordable.
- remain affordable in the future. This includes an adequate relationship between housing costs and income or financial opportunities of households.

Apart from policies to regulate local housing markets, there are primarily two types of affordable housing: rented social housing and intermediate affordable housing for sale or rent.

Social Housing: these are rented homes owned by local authorities and managed directly (or through specified agents) by Non-Governmental Organisations (NGOs), registered social landlords, housing associations or housing co-operatives. The aim is to provide affordable housing. The organisation sets guidelines for rents, which are subsidised through governmental funding and which may be determined through a national rent programme. It also includes rented accommodation owned or managed by other organisations or individuals, such as private housing companies, as well as funds which may be provided under rental arrangements.

Intermediate affordable housing: This is housing which meets the criteria described above for social housing but which is for rent at rates higher than social rents but below market rates. It also includes housing available for low cost home ownership through “shared equity products”, “shared ownership” or other means to purchase low-cost homes. Intermediate affordable housing provisions still require some form of public intervention.

The provision of affordable housing varies between countries and cities. In some cities it makes up a substantial share of the available housing stock, whilst others have relatively limited levels of provision. In all cases, however, there are pressures on the available affordable housing as a growing number of households are unable to meet their housing needs through the market without assistance. In addition, there is growing competition amongst eligible groups for affordable housing. From the perspective of city administrations, there are three groups of instruments that can be utilised to achieve affordable housing: financial tools, planning tools and quality standards tools. On the basis of recent experience in seven European cities, this study explores and presents good practice for each of these instruments.

4. TARGET GROUPS FOR AFFORDABLE HOUSING

Affordable housing is for people or families who cannot access or afford to buy or to rent a home on the open market. These households can be found in a range of different groups in search of housing or living in cities and city-regions. These include:

Basic target groups (groups with particular difficulties in securing affordable housing):

- **homeless persons or families** who are in need of rented housing (social or intermediate) or who are seeking low cost home ownership;
- **households with specific and acute social needs** due to home loss, special housing needs or overcrowded housing;
- **older people in need of special housing** who are unable to afford special housing or support their needs themselves;
- **people with physical or mental health problems** who need assistance in meeting their specific housing needs;
- **young people** unable to afford housing at the market price or who require a mixture of housing provision and support;
- **low income individuals or families** who are unable to buy or rent in the open market or who do not qualify as a priority for rented social housing;
- **workless households** and other groups dependent on welfare benefits (including people in public employment schemes and recipients of incapacity benefits).

Wider defined target groups:

- **middle income workers** who are unable to buy or rent in the open market, or who do not qualify as a priority for rented social housing;
- **first time buyers (including 'starter households' and those re-entering the housing market)** who are unable to afford the cheapest housing available, or housing in areas where they need to live for work or family reasons;
- **students' families** for whom purpose-built student housing is not provided, who cannot afford market rented housing, and for whom shared housing would be inappropriate;
- **refugees and asylum seekers** eligible to reside and with a housing need.

Given the overall limited availability of affordable housing in all the cities studied, targeting the provision of affordable housing to the groups identified will inevitably result in tension between the competing priorities and needs, and lead to restricted access to those groups whose needs do not fall under the most urgent priorities.

In order to meet the needs of target groups, a range of affordable housing for rent, shared ownership and low cost sale needs to be established to enable households to move between different house sizes and housing tenures as their socio-economic profiles and needs change. In this respect, the concept of a 'housing ladder' has been developed, combining 'supply' measures, to increase the supply of affordable housing, with 'demand' measures, to improve access to existing housing in the market.

5. PLANNING TOOLS

Various planning tools are available in European cities. It is not intended here to give a comprehensive overview of all possible instruments, but rather to present some tools that have produced good results and to identify areas where there is room for improvement. The goal is not to portray cities as good or bad planners, but to reflect on the purpose of different planning tools and arrangements.

Planning powers: national frameworks and local discretionary power

Across Europe, planning tools are primarily defined by national planning systems and laws. This is not to say there is no room for manoeuvre at the local level but power is limited. The powers cities do have include physical planning, such as land use, architecture and standards for healthy living. They can also play a more strategic role and put restrictions on private developers in terms of the affordability of the housing being built, or the form of ownership. In the latter case, city administrations have a significant influence on both the physical and the social development of their territories. Two types of intervention can be described as follows:

- ***strict physical planning***: through national planning laws, cities are allowed to shape the development of the physical environment, such as the height and colour of the buildings, the size of apartments and the width of the roads. At the same time, cities cannot pass social or economic planning legislation concerning the ownership of the housing being built (except perhaps for social and intermediate housing), or, for example, regulate the future prices of new developments;
- ***control of both the physical and the social infrastructure***: this may happen through general urban development plans and a number of more detailed related plans (land use plans, master plans, etc), and through related budget provisions available at municipal level.

Regional planning and strategic partnerships

Over recent years, strategic partnerships have become popular in Europe. The aim is to create private and public partnerships for delivering housing and infrastructure. These partnerships often take place at regional level.

Strategic partnerships are used, amongst other things, to direct private investment to areas which are of strategic planning interest for the public sector. To this end, public funds are also made available to cities with otherwise modest financial capacities.

Densification: reducing infrastructure and travel costs

In most cities there is an ongoing debate on densification, as part of local strategies for re-urbanisation and making inner cities attractive for housing. Densification can be used as a tool for achieving more sustainable development by providing residential accommodation in close proximity to the workplace.

It can be a way of providing affordable housing as the cities can save costs in terms of infrastructure, which in most cases exists already. Construction is limited in comparison to green or brown field construction, and once in use, travel and other related costs for the inhabitants will be comparatively low. On the other hand, high density housing provision without appropriate infrastructure and green spaces can produce unhealthy and unattractive living environments.

Participation: reducing costs through meeting local demands with precision

Participatory approaches to housing and urban regeneration have long been a tradition in some European cities. In cities like Vienna and Berlin, residents have well established channels to communicate their needs and voice their concerns. In many other cities, however, despite some efforts, a rather centralistic approach still prevails. There are many ethical and economic cases to be made for resident participation. For example, with regard to affordability, it is evident that knowing precisely what dwellers need will lead to better, and ultimately, cheaper products and services, avoiding unnecessary or unwanted investments.

Recommendations

- Social, economic and environmental aspects of sustainability are closely interlinked. Intelligent planning, investment and regeneration will build on these connections, reducing housing and maintenance costs.
- To optimise the planning processes in cities, the principle of subsidiarity should be implemented in the national planning systems. To fully work, this should be followed by budgetary reforms, shifting both planning responsibilities and related budgets to the regional and local level.
- Promoting citizen participation in local planning and housing issues should be encouraged, as it will lead to better housing conditions, services, housing environments and will eventually improve social cohesion.
- The importance of public control over building land should not be seen in opposition to market mechanisms, but as a stabilising factor. Nevertheless, there is still a lack of competition in the housing sectors of some European countries. In these cases, competition should be encouraged to enhance the quality of both new developments and the existing housing stock.
- Strategic housing market research should be undertaken to collect accurate information to meet local housing needs and requirements. This would allow comparative analysis to be undertaken at a European level.
- Strategic plans at a city level as well as a clear and transparent planning process are effective tools that put cities in a better position when negotiating standards with developers in relation to type, size, quality and tenure of housing as well as their carbon emissions, energy efficiency and expected housing costs.

6. QUALITY TOOLS

The quality of housing is not only a key to ensuring individual living standards. It can also have a positive impact on the cost of living and on the socio-structural development of housing areas. The issue of quality in affordable housing is crucial:

- costs of housing are linked directly to good quality housing, not only by lowering or avoiding additional running and energy costs, but also through long-term saving effects;
- in a negative scenario, housing with sub-standard quality can result in, or foster, social segregation and polarisation, higher carbon emissions and social and economic stress.

The quality of housing is mainly defined by the structural and physical condition of a building. This applies to existing stock as well as to new buildings. In addition, it includes equipment and appliances. Furthermore, the improved quality of buildings has economic impacts such as lower maintenance costs, higher sustainability and value retention. An important dimension, linked to affordability, is the social quality of a neighbourhood. If the housing market in a neighbourhood provides access to a range of opportunities for people with low income or other target groups, it contributes to their social inclusion. This is especially the case for areas where the provision of affordable housing creates a social mix. Another dimension is the environmental quality of a neighbourhood: low energy consumption decreases pollution and increases the affordability of the housing.

Three mechanisms for achieving quality standards are:

- ***owner or residents initiatives as well as market competition.*** Cities may promote certain standards or conclude agreements with private owners;
- ***subsidies*** can help to raise quality standards and encourage improvements and activities that would otherwise not take place. This mechanism is relatively easy to implement but needs stable financing. Flexible subsidies are important to facilitate creative solutions;
- ***quality standards defined by law.*** Through national laws and EU regulations, a specific level of quality standards becomes obligatory. Although the introduction of a legal definition of new standards is often a very slow process, it is a powerful mechanism to enhance housing quality.

Measures for improving quality

The following are areas in which the quality of housing can be improved and measured.

Energy efficiency

Across Europe, there is a growing recognition of the need to improve the energy efficiency of existing housing stocks. Reducing primary energy consumption in order to guarantee uninterrupted supply and protect the climate are fundamental goals of the European Union (EU) and its Member States, this promotes competitiveness and the implementation of the Kyoto Protocol.

Europe has agreed to a forward-looking political agenda to achieve its core energy objectives of sustainability, competitiveness and security of supply through reducing greenhouse gas emissions by 20%, increasing the share of renewable energy to 20% and attaining 20% improvement in energy efficiency by 2020.

As a result of rising energy supply costs, improving the energy performance of buildings and creating transparency concerning the additional costs of heating and cooling are crucial goals for housing associations, private property owners and tenants. Saving energy is vital given the predicted long-term increase in the price of energy, as it ensures the continued affordability of residential heating/cooling and warm water and reduces living costs.

The following are examples of instruments that can be used to improve energy efficiency:

- **regulation:** The most important tool in achieving this goal is EU directive [2002/91/EC](#) on the energy performance of buildings (Energy Performance Building Directive: EPBD). The EPBD creates guidelines for EU Member States for co-funding of national, regional or local authority energy-efficiency and renewable energy schemes in housing;
- **political targets and commitments:** These agreements vary greatly and are difficult to standardise. For example, policy statements can specify the climate protection goals which cities must pursue. Cities can commit to specific energy saving goals as part of a joint agreement with mayors from other European cities (see for instance the EUROCITIES Climate Change Declaration and the European Commission's Covenant of Mayors);
- **agreement with interest groups and associations:** National governments can also conclude agreements with interest groups and associations. Today, a wide range of different climate protection agreements exist between housing companies and energy suppliers;
- **voluntary partnerships:** As the implementation of extensive (and cost-intensive) energy efficiency measures on housing depends on the voluntary participation of owners, it has become good practice for municipalities, building proprietors and supply companies to conclude agreements (climate protection and energy saving agreements) to achieve concrete climate protection and energy-saving goals.

Barrier-free living

Many European cities are experiencing a far-reaching social transformation as a result of demographic change. One of the main issues is population ageing, with the number of elderly increasingly exceeding the number of young residents. There is also a higher recognition of the special needs of persons with disabilities. Another trend is the increasing diversity of urban populations in terms of ethnicity, lifestyles, and cultures. Meeting the respective challenges for urban design presents an opportunity to re-establish the overall quality of urban environments and urban living. It is possible to upgrade living spaces in qualitative terms for both young and old, for singles and families, to enable different forms of households and age groups to live together in mixed neighbourhoods. This practice is now commonly known as “design for all”. As outlined above, quality standards here can be implemented through laws and regulations, through the use of subsidies and through voluntary agreements.

Quality of neighbourhoods

Aside from the house or apartment itself, the surrounding area plays a crucial role in determining the quality of life for the inhabitants of a city. It is here where they go to school or work, do a good part of their shopping, spend their leisure time and meet friends. It is primarily the residents themselves who determine the specific qualities of their social habitat by deciding for or against a particular area. The danger of particular tenant groups moving away is a concern for property owners and city administrations alike, in particular young families who are moving to suburban areas to avoid noise and pollution. This issue, which contributes to sprawl and segregation, is seen as a threat to European cities and to their model of urban development based on proximity and social mix. To keep inner city areas attractive for these groups, cities ally with private house owners who are also interested in sustaining income from rent and from the value of their properties in the long term.

The quality of a housing area, or neighbourhood, is based on numerous factors, including:

- the quality of housing in the area;
- the quality of the physical infrastructure;
- the quality and availability of social infrastructure, including education for children and adults, sports and leisure activities, etc;
- the quality of the built environment, public spaces and green areas;
- the quality of available services and retail facilities;
- connectivity and quality of local public transport;
- the existence of participation opportunities for local residents;
- good formal and informal co-operation arrangements between local government and other actors, including housing organisations and residents organisations.

Conclusions

The link between quality and affordability is important. High-quality housing should be cost effective. However, given that quality standards are dependent upon national legislation and available instruments depend upon the different situations in each country, there are considerable differences in terms of how quality is defined. Nevertheless, all cities face similar problems and some European wide principles and standards can be identified, in particular as regards environmental standards and energy efficiency. A high quality housing stock also prevents exclusion and segregation, helping to develop liveable and sustainable neighbourhoods.

Recommendations

- Building quality should be clearly understood in relation to affordability, and should include running costs (including costs for repairs), long-term savings effects, value retention, energy costs. It should also include consideration of contribution to the quality and sustainability of urban neighbourhoods.
- A combination of laws (national or local), regulations and incentives through subsidies, as well as public-private agreements is useful in order to achieve good housing quality both in new construction and in the existing stock.
- Housing quality, including the architecture of housing estates, should not reflect the type of tenure (for example to avoid stigmatisation and social inclusion social housing should not be of lower quality).
- A “design for all” planning approach should be implemented and regularly evaluated as a way to re-establish the quality of urban and housing environments for all parts of the population, especially concerning changing demographic structures and the ageing of the society.

7. FINANCIAL TOOLS

A range of financial tools govern the housing policies of cities, relating to the basic differences of the systems in which they function.

The evidence from the different city case studies points towards two generalised types of financial tools related to housing policies. In both cases most of these tools are governed by both national and European laws. These two types will be referred to as:

- focused financial tools;
- collective financial tools.

This distinction is not always clear, but it creates a framework for understanding a whole spectrum of arrangements ranging from almost no market intervention, to that of a completely regulated market.

In principle, subsidies can be given either directly to the construction of new housing and to housing refurbishment (“bricks and mortar” or supply-side subsidies) to reduce financial costs of construction, or to individual households to reduce housing expenditure (housing allowances or demand-side subsidies). The clear advantage of individual allowances is that they allow a target group approach. Alternatively, subsidies are less socially orientated but guarantee a direct public influence on the quantity and quality of housing. A variety and mix of housing provision is critical in city neighbourhoods to create sustainable communities.

Both focused and collective financial tools can be adapted to a supply- or demand-side approach.

Focused financial tools

Focused financial tools only deal with a segment of the housing market. They are primarily focused on providing affordable housing for lower income or vulnerable groups. Three financial tools stand out as being common: these are grants, loans and private public partnerships.

- Funds providing grants

Funds for the construction of affordable housing are common to most European cities and are often used as the only, or one of the main, financial tools for this purpose. They can be governed by national governments, the municipality or by independent NGOs or firms. Their advantage is that money is earmarked for housing construction or subsidies for dwellings. The fund provides a secure source of finance that will normally be stable and reliable both in the short and the long run. A disadvantage of the fund system can be that the terms linked to the funds are often inflexible. This can mean that projects that do not meet the specific requirements of the funds will not be eligible for support from the fund, or may have to change their aims to fit with the funding requirements. Further fund

regulations should consider that land prices and the costs of housing construction are often higher in city regions. In addition to social and economical reasons, there are ecological reasons to fund housing in the inner city areas.

Another disadvantage of funds that provide non-repayable grants is that they need continued filling-up from national budgets. Therefore revolving funds, based on a system of low-interest loans are often the better and more sustainable solution.

- Loans

Many European cities can provide loans on reduced, special terms and conditions for a segment of the housing market. The advantage of giving out loans on special terms is that it is quite easy for the national government or municipality to target specific groups or a segment of the local housing stock. It is also an instrument which can be used for temporary or small scale housing programmes. On the other hand, there is no guarantee of the success of this tool. The private sector might not be interested in taking the loans under the conditions set, and the impacts of the loans might not be as large or as specific as the state or municipality would like. The great advantage of public loans is the option to set up revolving funds which can provide strong and stable financing over longer periods.

- Public private partnerships (PPPs)

Public private partnerships (PPS) have been used as a financial tool in cases where the municipality has established a clear affordable housing strategy, using its ownership of land to stimulate both public and private investment in affordable housing. For example, a city can give land/loans or funds for private investors with special conditions. The investors are then obliged to rent out or sell housing opportunities to specific target groups. A disadvantage of this approach is that it implies financial risks for the public sector without strong guarantees and means to secure the success of the strategy. This approach can be an alternative for municipalities without other options or solutions for specific housing issues, and a way of stimulating private capital for public projects where public funds are lacking.

Collective financial tools

In addition to the focused financial tools, there are collective financial tools that influence a significant share of the overall housing stock and new housing projects.³

As part of their strategy for affordable housing, some cities give out substantial subsidies for housing projects and tax incentives, creating a situation where competition in housing markets cannot be described as free and investing in low-cost housing is made particularly attractive for developers. These incentives lead to wider access to decent housing and contribute to strengthening social cohesion.

3. In some cases, the tools listed here could also fall under the heading of focused financial tools.

Below, we briefly present a range of examples, including taxation instruments and subsidies, as well as an interesting model that is used in the Netherlands based on ground rent.

1. Taxes and tax deductions

In European cities, landlords and house owners have to pay some form of tax on their property. The taxes take many forms but are generally based on the size of the house, the built or liveable areas or similar variants. In some cases, the tax differs for different kinds of ownership, the age or the status of the buildings. Furthermore, housing loans can often be deducted from other forms of taxes. In the city of Vienna, a certain percentage of income and corporate taxes are earmarked for providing housing subsidies.

Another characteristic of the taxation systems is that they are almost always created and governed by the national government and not by the municipalities. This does not mean that the municipalities are not sometimes the beneficiaries.

2. Individual Subsidies (allowances)

Most subsidies are created and governed at the level of the national governments. Subsidies which are not given in the form of tax deductions can both be a collective and a focused financial tool. One of the main disadvantages of the subsidies is their inflexibility, changes or withdrawal may be difficult once they are in operation.

3. Ground rent

This tool is specific to Dutch cities, but similar provisions are in place in other countries such as Austria. Municipal land is allocated under ground leases which constitute the right to hold and to use someone else's property. For this right, the leaseholder must pay a regular ground rent to the owner. In some cases the leaseholder pays yearly, in other cases the ground rent can be bought off for 50 years or longer. If the ground rent is not permanently fixed, the price will be determined each year. This is done in such a manner that a significant rise in the price of the dwellings will be reflected in the ground rent for the land. Thus, the municipality also profits from a rise in the price of building land. Ground leases encourage the city to invest into the built environment, resulting in value retention of the property.

Conclusions

Across Europe, a broad range of financial tools are used to intervene in local housing markets so that affordable housing can be secured. Some of the most successful financial tools however, are deeply rooted in local and national traditions. These are the most difficult to be transferred from one country to another.

In Austria the housing tax on private and corporate income provides an exceptional opportunity for the municipality of Vienna to provide both affordable and high-standard housing. Combined with the fact that the municipality owns large areas of land, this tool has led to a situation where prices on housing for the general public are reasonable and almost all of the citizens are eligible for some form of subsidised housing.

The ground rent system used in the Netherlands creates an incentive for municipalities to invest in improving the built environment, as they can expect a return from increasing ground rents. This benefits the cities economically and provides better living conditions for the citizens.

Both situations are dependent on the fact that the municipalities own most of or a large part of the land, or have specific funds to purchase and develop such land. This is not a situation that can be easily copied in other European cities. Nevertheless, municipal ownership and discretionary power seem to be the most effective way to provide affordable housing and promote social cohesion.

Some of the other cities case studies provide examples of systems that might be more easily transferable. However, two basic problems remain common to most:

- most of the financial tools are created and managed at national level. This can limit the opportunities cities have to tackle current problems at the local level. It can also hinder the municipalities in providing a varied supply of housing, thereby involuntarily reinforcing residential segregation and social polarisation;
- the financial systems in place are very complex. In some cases almost all parts of the housing market are subsidised and taxed. This seriously limits the ability of the individual to make a fully informed choice on the form of ownership/rent that is best for them. This complexity is a particular problem for newcomers. The legal and administrative systems require simplification and greater flexibility and mobility on the housing market should be promoted.

Recommendations

- The current economic crisis shows that public sector intervention is necessary for the stable development of the housing sector and for providing affordable housing. That is not to say that all of the housing market should function on the basis of public funds. However there is a clear public responsibility to provide affordable housing. Public spending (public ownership of building land, subsidies etc) is a necessary means to achieving this.
- Stable and reliable financing mechanisms are one of the main prerequisites for providing affordable housing, both within the public and private sector. One way of guaranteeing this is the creation of revolving funds (by using loan repayments for giving out new loans) as a long-term financing tool.
- The choice between focused and collective financial tools depends on the specific local conditions. A mix of object and subject subsidies is recommended in order to guarantee public influence on housing quantity and quality while at the same time supporting specific groups of home seekers.
- As an overall goal, housing financing mechanisms should contribute to social cohesion by promoting a social mix in housing areas and estates. This can only be reached by a pro-active state (municipal) intervention, preventing or at least reducing the threat of market distortion through real estate speculation.
- Housing subsidy and allowance systems should be as clear and simple as possible. They should be operated on a local (municipal) rather than on a national level to enable cities to respond quickly and effectively to acute needs and developments.
- Further privatisation of the public housing stock should be carefully considered. It may provide municipalities and housing associations with means to introduce improvements in the housing stock or to finance new housing in the short term. However, it also means reducing the quantity of available affordable housing and could increase social segregation.
- Given the central role that the adequate provision of quality affordable housing can play in achieving the objectives of social cohesion, improving energy efficiency, contributing to high quality places and improved quality of life, health and well-being, new sources of finance and innovative financing mechanisms are required. This is particularly the case with expensive up-front investments that will only pay off in the longer term and go beyond the financial capabilities of individual municipalities. National governments and the European Union should consider a range of options for this, which could include the development of EIB facilities for loans or loan guarantees.

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