

AFFORDABLE HOUSING INITIATIVE SUMMIT

“FINANCING THE ENERGY TRANSITION IN THE HOUSING SECTOR”



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Paris, France

www.shape-affordablehousing.eu



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The recordings of the event are available below in English and French.



THE FINANCE SUMMIT IN A NUTSHELL

The Finance Summit was organised in the framework of the EU Affordable Housing Initiative and through the European Affordable Housing Consortium Housing Europe is leading. Our main aim - to bridge EU policy and innovative best practices to help local actors deliver, based on available national and EU resources, more specifically, on the financing aspect of fast-tracking innovation in the renovation of social and affordable housing districts as a means to mitigate the negative social impact of rising prices.

Five EU ministers in charge of housing, social and affordable housing providers, policymakers, and financial actors travelled to Paris to debate the hurdles faced by housing providers, municipalities, and companies across the continent to access funding as they look to move the Renovation Wave and the New European Bauhaus forward.

Given the sector's reliance on sustainable, long-term finance, the spotlight was on the role of the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB). Speaking of successful practices with the major contribution of EU banks, we put forward the experience of the European Alliance for Social Housing in France, a unique partnership between EIB, CEB, the national bank Caisse des Depots, and social housing providers united by USH, that allows housing providers to receive funding for projects that would normally not qualify for such investments, given their size and capital.

Another important highlight of the Summit was the official launch of the State of Housing in Europe 2023 report, Housing Europe's flagship publication, which provided a complex (and yet as simplified as possible) overview of the situation in 17 countries, including topics such as the post pandemic situation, the consequences of a new migration wave or the changes that followed the energy crisis.

We invite you to discover many other valuable insights on achieving an integrated district renewal and a fair energy transition, on what financing mechanisms are suited for renovation, or on how to address labour shortage.





OFFICIAL OPENING OF THE AFFORDABLE HOUSING INITIATIVE SUMMIT

SPEAKER

- **Emmanuel Grégoire**, First Deputy Mayor of Paris in charge of urban planning, architecture

Emmanuel Grégoire, as representative of the City of Paris opened the conference by highlighting that one of the current priorities is to increase the stock of affordable housing in the city. Paris has 25 % of social housing thanks to a big effort. According to the recently adopted Urban Plan, the aim is to reach 30 % affordable housing out of the total stock .



SPEAKER

- **Bent Madsen**, President of Housing Europe

Bent Madsen underlined that after long 13 years, in 2022 housing ministers came together to confirm that an era of renewed public action on housing has begun, a new dynamic exemplified by our responsibility to address the social impact of the lack of affordable housing. This Declaration in Nice is indeed an important signal.

The Renovation Wave and the EU Bauhaus are a big challenge for the sector. We need to innovate in order to create new types of housing that are sustainable from the climate and social perspective.

Housing Europe is ready to join forces with policy makers and citizens to try to find solutions to this housing challenge now impinging on all parts of our society from education to health, employment, mobility and climate. To offset potentially massive social consequences, it is time to govern housing for people and the planet.



SPEAKERS

- **Nicolas Schmit**, Commissioner for Jobs and Social Affairs
- **Olivier Klein**, Minister Delegate for Urban affairs and Housing, France
- **Ivan Bartoš**, Minister of Regional Development, Czechia
- **Christophe Collignon**, Minister of Housing, Local Powers and the City, Wallonia, Belgium
- **Marina Gonçalves**, Minister of Housing, Portugal
- **Anna Athanopoulou**, Head of Unit, Proximity, Social Economy and Creative Industries', European Commission Directorate General of Internal Market, Industry, Entrepreneurship and SMEs
- **Emmanuelle Cosse**, President of l'Union Social pour l'Habitat

It was due to this urgent reality check that the Summit's focus was on the financing aspect of fast-tracking innovation in the renovation of social and affordable housing districts to mitigate the negative social impact of rising prices. The panellists addressed possible responses to the current slowdown from reinforcing public funding for renovation and new construction to assistance in the identification of support mechanisms which could help to channel funding to the sector to sustainable business models that work for the people and communities.

In his opening address, the European Commissioner for Jobs and Social Affairs **Nicolas Schmit** pointed out: "The right to social housing and housing assistance is at the heart of the social Europe that we want to strengthen. The EU can play a pivotal role through financial support and policy initiatives. Our action is based on a triple-A approach – Available; Affordable; Adequate housing. These are essential elements that should drive investment in social housing and build more inclusive neighbourhoods."

Ivan Bartoš, Minister of Regional Development, Czechia said that Czechia is working on a housing reform including the establishment of local housing offices, the introduction of public guarantees. Non-governmental organisations can help the provision of affordable and social housing.

Marina Gonçalves, Minister of Housing, Portugal : "We need to promote two solutions: on mid-long-term solutions to promote new investments and to achieve a sustainable housing policy, but also on short-term to answer the people in need".





HIGH LEVEL ROUND TABLE

Emmanuelle Cosse, President of USH said that we are facing a housing crisis and therefore “the transition of social housing in France and in Europe requires massive investment in thermal renovation of the social housing stock, while maintaining a sustained rate of construction of new social housing to tackle the affordable housing crisis. This is not a cost, it is an investment in people, in families, in neighbourhoods.” She stressed that “the French alliance of USH-CDC-IEB-CEB should help us to meet this new challenge of the transition to affordable housing in France. It must be developed on European level.”

Christophe Collignon, Minister of Housing, Local Powers and the City, Wallonia, Belgium, said that the necessary ecological transition (renovation works) is under way in Wallonia and they decided not to increase rents for tenants. PPP are used to reduce the cost of the construction.

Anna Athanasopoulou, Head of Unit, Proximity, Social Economy and Creative Industries, European Commission Directorate General of Internal Market, Industry, Entrepreneurship and SMEs:

“Affordable and sustainable housing for all is present at the EC agenda and in its different policy areas. Enabling the roll-out of affordable housing is a concrete way to improve citizens wellbeing and achieve climate neutrality and to create jobs and support local industries. This is why affordable housing lies in the heart of the EU industrial strategy”.

The Affordable Housing Initiative (AHI) relates to not only to the construction ecosystem but also digital industry, electronics, energy, retail, culture and creative industries. The AHI is mobilizing partnerships between public and private partners.



The investment gap clearly exists in the affordable and social housing sector and the gentrification is also increasing, which puts pressure on the housing market. This gives a clear indication on the need. The 26 Member States earmarked under their Recovery and Resilience Fund (RRF) to renovate buildings and renovate buildings and 18 Member States earmarked measures in, social housing.

The EU countries should of course do more, and the AHI is helping with that is the initiative is going beyond the energy standards, focusing on neighbourhoods and liveability.





INTERVIEW ON THE ROLE OF DEVELOPMENT BANKS

SPEAKERS

- **Sandrine Gaudin**, Vice-Governor of CEB
- **Ambroise Fayolle**, Vice-President of EIB

The CEB Vice-Governor **Sandrine Gaudin** emphasised the importance of focusing the efforts on those most in need. In line with its social mandate, the CEB finances social and affordable housing, responding to the gaps in the market when it comes to the most vulnerable groups – the homeless persons, elderly in need of social care, persons with disabilities, students, or young workers. CEB’s approach to housing also recognises its vast potential for positive climate action, which must go hand in hand with social inclusion.



In his address, the EIB Vice-President, **Ambroise Fayolle** affirmed the role of European funding to complement national and regional support schemes in the social and affordable housing sector: “For over 25 years, the EIB Group has been providing substantial support to the Social and Affordable Housing Sector across the EU. Considering the challenge ahead of us, the EIB stands ready to step up its financial and advisory support to housing providers delivering affordable homes and the renovation rates that would enable the energy transition.”



SPEAKERS

- **Alice Pittini**, Research Director, Housing Europe
- **Laurent Ghékière**, Chair of Housing Europe Observatory, Head of EU Affairs, l'Union Social pour l'Habitat, France
- **Christian Krainer**, Vice-Chair of Housing Europe Observatory, Representative of GbV, Austria

The SoH Report focuses on the fair energy transition and how the sector is helping local communities to face the cost-of-living crisis emerging since last year.

The Report shows us that the current context is marked by increasingly unsustainable costs for construction and renovation, to which lately the increasing cost of financing has been added. These backlogs are likely to exacerbate shortages in available social and affordable housing which will show two-three years down the road.

The shortages will come at a time when European citizens are already struggling to cope with increasing inflation which is resulting in a real 'cost-of-living crisis'. In the current context additional measures have been taken by public, cooperative and social housing providers to support their residents.

The Report shows that the Renovation Wave needs to be contextualised in the broader challenges facing the housing sector. Bent Madsen, President of Housing Europe stressed that: "Meeting climate targets and addressing the urgent need for affordable housing is simply not achievable without a major renewal of the financial support to the sector."



In the long term what will make the biggest difference will be the capacity of the sector to provide enough affordable and good quality homes, through both new supply and renovation. Especially in the current uncertain geopolitical and economic context, this will require a concerted effort with local national and European institutions to increase investment, and implement different approaches reflecting the different starting points.

Housing Europe Observatory Chair, Laurent Ghékière, added that the analyses and latest figures in the new Report are at the backbone of our argumentation and policy requests on which the affordable housing sector will build its position ahead of the upcoming EU Parliament elections in 2024.



WHAT ROLE CAN FINANCE AND EU FUNDING PLAY TO ADVANCE INTEGRATED DISTRICT RENEWAL & THE FAIR ENERGY TRANSITION IN HOUSING?

SPEAKERS

1st panel – the perspective of the European Union and investors:

- **Jonathan Denness**, Head of Unit, Financial instruments Unit, Directorate-general Regional and Urban Policy
- **Edouard Perard**, Head of Urban development Division, EIB
- **Carlos Sanchez Rivero**, Team Leader Financing for Energy Efficiency, DG ENER, European Commission
- **Laurent Zylberberg**, European Long-Term Investors Association (ELTI)

2nd panel – The perspective of the housing providers and cities:

- **Donal McManus**, CEO of Irish Council for Social Housing
- **María Montes Miguel**, Director General, AVS, Spain
- **André Sobczak**, Secretary General of EUROCITES

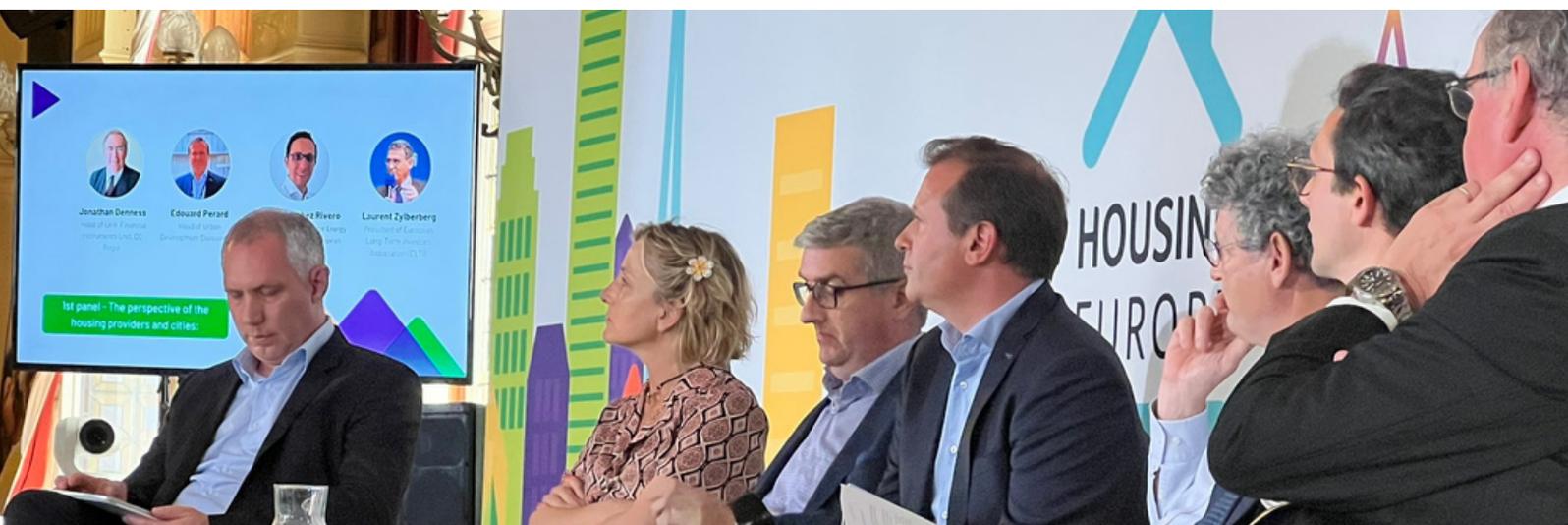
EU is increasing its support for affordable and social housing. Around €6 billion from Cohesion Policy will go to energy efficient renovation or construction in 2021-27. Energy poverty is one of the priorities of the European Commission as also stipulated in the Energy Efficiency Directive (EED).

The EIB is providing financing and advisory to the sector.

All public banks are enabling the just transition in local level by investing in long-term housing solutions. Labelling, bundling and blending are the key:

- Local actors are the key to identify projects to be financed
- Blending meaning that you need to rely on different financing solutions
- Bounding because the large projects are economically more viable

Social housing providers are renovating and building at the highest standards. However, the sector faces different challenges in relation to the EIB and CEB finance.





WHAT ROLE CAN FINANCE AND EU FUNDING PLAY TO ADVANCE INTEGRATED DISTRICT RENEWAL & THE FAIR ENERGY TRANSITION IN HOUSING?

Social housing providers face different challenges in relation to the EIB and CEB finance.

1. Firstly, it is the lack of cash-flow (indebtedness) and capacity issues. A solution needs to be found, that could include the establishment of one-stop-shops for renovation or new constructions.
2. Secondly, the bureaucracy of the landing process of EIB and CEB is heavy and long.
3. Thirdly, the conditions and interest rate of the EIB, CEB financing are not clear upfront for the providers, hence they are unable to compare it with the loans of private banks.

In terms of the cities perspective, and according to the recent Eurocities survey, housing is the key priority for cities. The regulatory framework is not stable enough for cities to plan their investments in long-term. Investment in social housing should be an exception under the Stability and Growth Pact.

The Spanish Social Housing Association President, **Maria Montes** acknowledged the good cooperation with banking institutions but also highlights the need to adapt instruments to the size and variety of housing providers, decrease bureaucracy, differentiate grants from funds, and create one-stop-shops for finance.

Donal McManus from the Irish Council for Social Housing highlighted that the focus in Ireland is roughly 90% on new built social housing, and the rest on retrofit. The dilemma faced by the housing sector is that the quality is very high, compared to the available financing. Due to affordable rents, there is much of cash flow investment potential. There is a lot of potential in schemes such as InvestEU, with various grants and guarantees.



WHERE FINANCE AND GOOD GOVERNANCE MEET: WHAT WORKS TO ATTRACT FUNDING?

SPEAKERS

- The European Alliance for Social Housing in France (Representative of Caisse des Depots, **Tanguy Desrousseaux**, Head of Division, Public Sector and Infrastructure) Western Europe Department, EIB & **Christophe Mróz**, Principal Country Manager, CEB
- The Estonian housing governance system, **Andres Jaadla**, CEO, EKYL
- The European Housing Finance Working Group: Representative of EIB, **Peter Surek**, Head of Social finance, Erste Group, **Sorcha Edwards**, Secretary General of Housing Europe

Christophe Mróz, Principal Country Manager, CEB stated that: “The key success factor of the French Alliance is the favourable and stable regulatory and institutional environment”. The French Alliance started from a bilateral initiative a few years ago between Caisse des Depots and CEB, focusing on a particular type of social housing, destined for young people entering the workforce, who cannot access adequate housing. When the objectives were too targeted, the resources put together not used in an optimal way. One of the biggest risks for the banks is to mobilise resources that then cannot be used. The European Alliance for Social Housing in France was established in 2020 between Social Union for Housing- USH, Caisse des Depots, EIB and CEB. The way it works is that social housing providers have priority for applying for loans from Caisse des Depots, and then there are several criteria that can establish what extra resources can they receive from EIB and CEB.

Tanguy Desrousseaux, Head of Division, EIB said: “The Alliance provides a single financing access to social housing providers”. He added that this was a necessary mechanism as the projects put forward by the social housing providers are too small for receiving financing from institutions like EIB or CEB, but also for ensuring a better outreach at local level.

Peter Surek, Head of Social finance, Erste Group believes that: “The main challenge in CEE countries is the policy vacuum (the lack of affordable housing)”. The difficult question, especially in Eastern Europe is how to actually start the initiative, for cooperative or social housing, making available enough capital to start building.





WHERE FINANCE AND GOOD GOVERNANCE MEET: WHAT WORKS TO ATTRACT FUNDING?

Andres Jaadla, the CEO of EKYL, presented a short overview of the Estonian context. One of the first planned steps ahead includes the renovation of 14.000 buildings by 2050, through the Renovation Marathon, a national scheme.

Sorcha Edwards underlined that what was heard from Estonia and France is based on sustainable, long-term systems in place (financial aggregators in place in France and the obligation to have a legal entity for home-owners associations in Estonia). “We need to break down the components of the successful systems and have a platform to share that so the funding can be channelled in a sustainable and revolving way”. The European Housing Finance Working Group was established to support building sustainable systems. To achieve this goal, capacity building initiatives will be organised to help facilitating access to European funding. Additionally, the exchange of good practices and policy tools will be supported, leveraging existing initiatives such as the Housing Evolutions Hub, the Housing Solutions Platform, and the #Housing2030 initiative. Erste Group will assist to build capacity to facilitate access to financing for long-term investments in affordable, public, and cooperative housing infrastructure in CEE countries.





INVENTING THE WHEEL: FINANCING MECHANISMS THAT SUIT INTEGRATED APPROACHES TO RENOVATION

SPEAKERS

Funding mapping: guiding developers to potential sources of financing

- **Juan Alario**, Senior Consultant at GNE Finance, Former EIB Associate Director, Scientific Coordinator SUPER-i and SUPERSHINE projects, Associate Professor, Economics Department, University of York, UK

What needs to be changed? Discussion with practitioners about barriers to access funding:

- **Pierfrancesco Maran**, Deputy Mayor for Housing and Neighbourhoods, City of Milan
- **Paola Zerilli**, Scientific Coordinator SUPER-i and SUPERSHINE projects, Associate Professor, Economics Department, University of York, UK
- **Sven Buch**, Development manager, Himmerland Boligforening; External censor, Aalborg University, Denmark

Juan Alario, Senior Consultant at GNE Finance: “The renovation rate in Europe has not increased from 1% in the last decade. The reason behind this is the difficulty to renovate the private housing stock. Therefore, we need policies that make mandatory renovation objectives”.

Once the market develops, the finance becomes an issue. The cost of renovation is representing 70% of the cost. A massive amount of grants is needed to motivate private households. All the findings are summarized in the Funding Handbook of the Shape-EU project.

Pierfrancesco Maran, Deputy Mayor for Housing and Neighbourhoods, City of Milan: “The Superbonus package (110% public contribution to the refurbishment) invested more than €1 billion in Italy. This is the manifestation that public money can create the condition to investments”.

Paola Zerilli, Scientific Coordinator SUPER-i and SUPERSHINE projects, Associate Professor, Economics Department, University of York, UK: “The Super-I project is exploring the Public-Private Partnership for Investment in Smart Energy Efficiency Projects in Social Housing. The project SUPERSHINE provides tools to support local SMEs in redefining their products process and systems from the point of view of design, production, logistic and business models by adopting technologies to address essential needs of social housing residents”.



Affordable Housing Initiative Summit

Financing the Transition in Housing

Paris, 20 June 2023



Sven Buch, Development manager, Himmerland Boligforening; External censor, Aalborg University, Denmark: “The deep renovation in Aalborg was supported by the National Building Fund. The neighbourhood approach allowed the reduction of 50 % energy consumption in Aalborg. In the longer-term Aalborg will install solar panels with the aim to complement district heating”.



BEYOND FINANCE: THE LABOUR SHORTAGE IN CONSTRUCTION AND RENOVATION

SPEAKERS

- **Öner Özgür**, Head of EU Affairs, Federal Association of German Housing and Real Estate Companies
- **Kristina Hultgren**, City of Stockholm, Labour Market Department
- **Jean-François Gore**, Director General of the French Building Federation
- **Roman Horvath**, Policy Officer, Directorate General for Internal Market, Industry, Entrepreneurship and SMEs, Pact for Skills

Öner Özgür, Head of EU Affairs, Federal Association of German Housing and Real Estate Companies: “The biggest challenge the sector is facing is the regulatory standards which are becoming highly demanding for the housing sector”. Flexibility is needed in the EU policy that leaves the opportunity to the local level to decide the way they can achieve the objective.

Kristina Hultgren, City of Stockholm, Labour Market Department: “The success factor of the project Sverige Bygger Nytt (supported by ESF) was the cooperation by the different actors of the value chain. The project helped 700 people to be trained and find jobs”.

Jean-François Gore, Director General of the French Building Federation: “The construction industry needs more workers (100 thousand people per year). The Federation has a new project called HOPE that is training and recruiting young people (from 16yo). They developed an online training system in cooperation with Education Nationale. The issue is decarbonisation and we need to make a choice of the right construction materials”.

Roman Horvath, Policy Officer, Directorate General for Internal Market, Industry, Entrepreneurship and SMEs, Pact for Skills: “In March 2023, the EC published its paper on the Transition pathway for construction that looks at the possible activities of companies. The year for Skills was launched this year to draw attention to this issue as well as the Pact for Skills was published”.



CLOSING SPEECHES

SPEAKERS

- **Jacques Baudrier**, Maire adjoint de Paris en charge de la construction publique, du suivi des chantiers, de la coordination des travaux sur l'espace public et de la transition écologique du bâti.
- **Bent Madsen**, President of Housing Europe

From **Jacques Baudrier** we heard that creating new housing and renovating existing stock are two main priorities for the city of Paris. The Summit coincided with a very important milestone for the City: since 2001 the proportion of social housing went from 13% to 25%. This was also possible thanks to discussions with other European cities and countries, which shared their experience. Vienna or Amsterdam are just a couple of great examples. There are currently about 20.000 homes being renovated, but financing is of course an important issue. "We need more discussions to share best practices in renovation".



Bent Madsen highlighted that all that was heard today shows the ambitions of the sector are achievable. There was a lot on the commitment to support social housing. However a common denominator throughout the day was the need for better access to funding. Getting access to EU funding may sometimes seem very difficult. This is why Housing Europe is currently working on this matter and it will soon launch the European Finance Working Group, with the primary aim of capacity building.



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