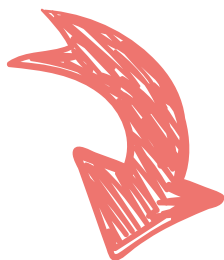


UNLOCKING POTENTIAL



A Comparative Analysis of Approved Housing Body Models in the European Union



RESEARCH PREPARED BY:



ON BEHALF OF:



An Ghníomhaireacht
Tithíochta
The Housing Agency

WITH THE SUPPORT AND COOPERATION OF:



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Picture: Social housing with PVs by EU's ELENA programme, Essen, Belgium.

THIS REPORT WAS PREPARED BY:

→ **Dara Turnbull**, Research Coordinator at Housing Europe

WITH THE PARTICIPATION OF:

→ **Alice Pittini**, Research Director at Housing Europe

→ **Diana Yordanova**, Communications Director at Housing Europe

On behalf of the **Housing Agency** (Ireland).

Front cover photo credit: Social housing in Copenhagen
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1. INTRODUCTION



1.1 BACKGROUND TO THE RESEARCH

This research has been commissioned by the Housing Agency (Ireland). The Housing Agency is an agency of the Irish government, working with the Department of Housing, Local Government and Heritage, Local Authorities, and Approved Housing Bodies (AHBs) in the delivery of housing and housing services. One of its key objectives is: “Supporting stakeholders with evidence-informed insights and data to develop a sustainable Irish housing system”. This research is in support of that objective. The Housing Agency issued a call for tender on the 22nd of April, 2024 for the provision of research services on the topic of “Approved Housing Bodies in EU Countries”. After a competitive process, Housing Europe was chosen as the successful bidder, and signed a contract for the provision of research in early June, 2024. The final version of this document was submitted by Housing Europe, and accepted by the Housing Agency in October, 2024.

The motivation for the research comes in the context of the broader strategic review of the Approved Housing Body (AHB) sector, which aims to enable the sector to reach both its potential and the required national housing delivery objectives.

This particular report is one part of the much larger strategic review of the AHB sector, with the overall purpose of this research being to inform the Irish Department of Housing, Local Government and Heritage (DHLGH) review by providing a European perspective on how housing providers that are similar to Irish AHBs function in other countries in Europe.

This research was conducted in a neutral manner, with the understanding by the authors that no policy direction for the Irish AHB sector has been earmarked by the DHLGH. Therefore, the brief for the authors was to provide a clear and concise overview of the functioning of AHB-type social housing delivery bodies in a number of peer countries in the European Union, with the hope of identifying approaches that the Irish AHB sector could adapt.

The peer countries chosen for this study were:

- I. **Belgium (Flanders);**
- II. **Denmark;**
- III. **Finland;**
- IV. **The Netherlands.**

The reasoning for selecting these countries is outlined in [Section 1.2](#).

In order to develop a clear and useful understanding of the organisations that provide social housing in these peer countries, four country profiles have been developed; working in close collaboration with national or regional housing experts.

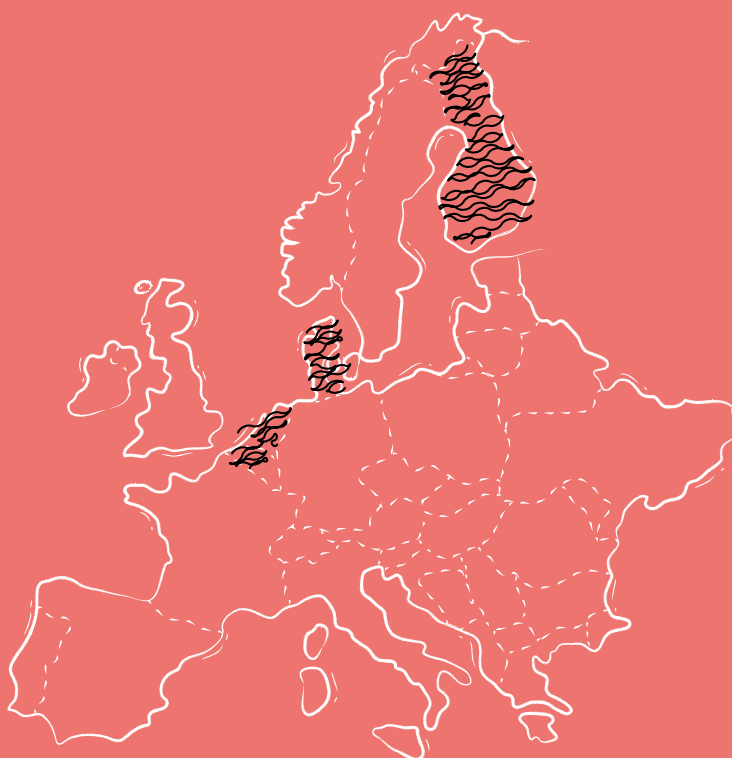
The agreed structure of the four country profiles was:

- I. **Governance**
- II. **Strategic role**
- III. **Approach to asset and tenant management**
- IV. **Delivery methods**
- V. **Financing**

In terms of the writing process, Housing Europe has been the main coordinator of this research report. However, most of the content of Chapters 2-5 is structured around replies to a questionnaire sent by Housing Europe to national and regional experts in the peer countries, and subsequent interviews with them.

➔ **TABLE 1: Overview of national and regional experts**

Country or Region	Expert Organisation	Respondents and Interviewees
➔ Belgium (Flanders)	Initia.Vlaanderen <i>The umbrella organisation that works on behalf of the Social Housing Companies in Flanders</i>	<ul style="list-style-type: none"> • Gert Eyckmans, <i>Director</i> • Wim Boone, <i>Policy Officer</i> • Cil Cuypers, <i>Policy Officer</i> • Laurenz Van Landeghem, <i>Policy Officer</i>
➔ Denmark	BL - Danmarks Almene Boliger <i>The representative organisation for Denmark's roughly 500 non-profit housing associations</i>	<ul style="list-style-type: none"> • Kristine Vasiljeva, <i>Chief Analyst</i> • Mette Nørgaard Larsen, <i>Legal Consultant</i> • Solveig Råberg Tingey, <i>Deputy CEO</i>
➔ Finland	KOVA - The Finnish Affordable Housing Companies' Federation <i>KOVA represents the vast majority of social housing in Finland, working with both Municipal Housing Companies and foundations</i>	<ul style="list-style-type: none"> • Eetu Kauria, <i>Economist</i> • Jouni Parkkonen, <i>CEO</i>
➔ The Netherlands	Aedes <i>The national organisation promoting the interests of practically every social housing association in the Netherlands</i>	<ul style="list-style-type: none"> • Robin van Leijen, <i>European Public Affairs</i> • Dorris Derksen, <i>Policy Advisor</i> • Bob Witjes, <i>Policy Advisor</i> • Niels van der Poel, <i>Policy Advisor</i> • Jessica van Eijs, <i>Policy Advisor</i> • Jeff van As, <i>Policy Advisor</i>





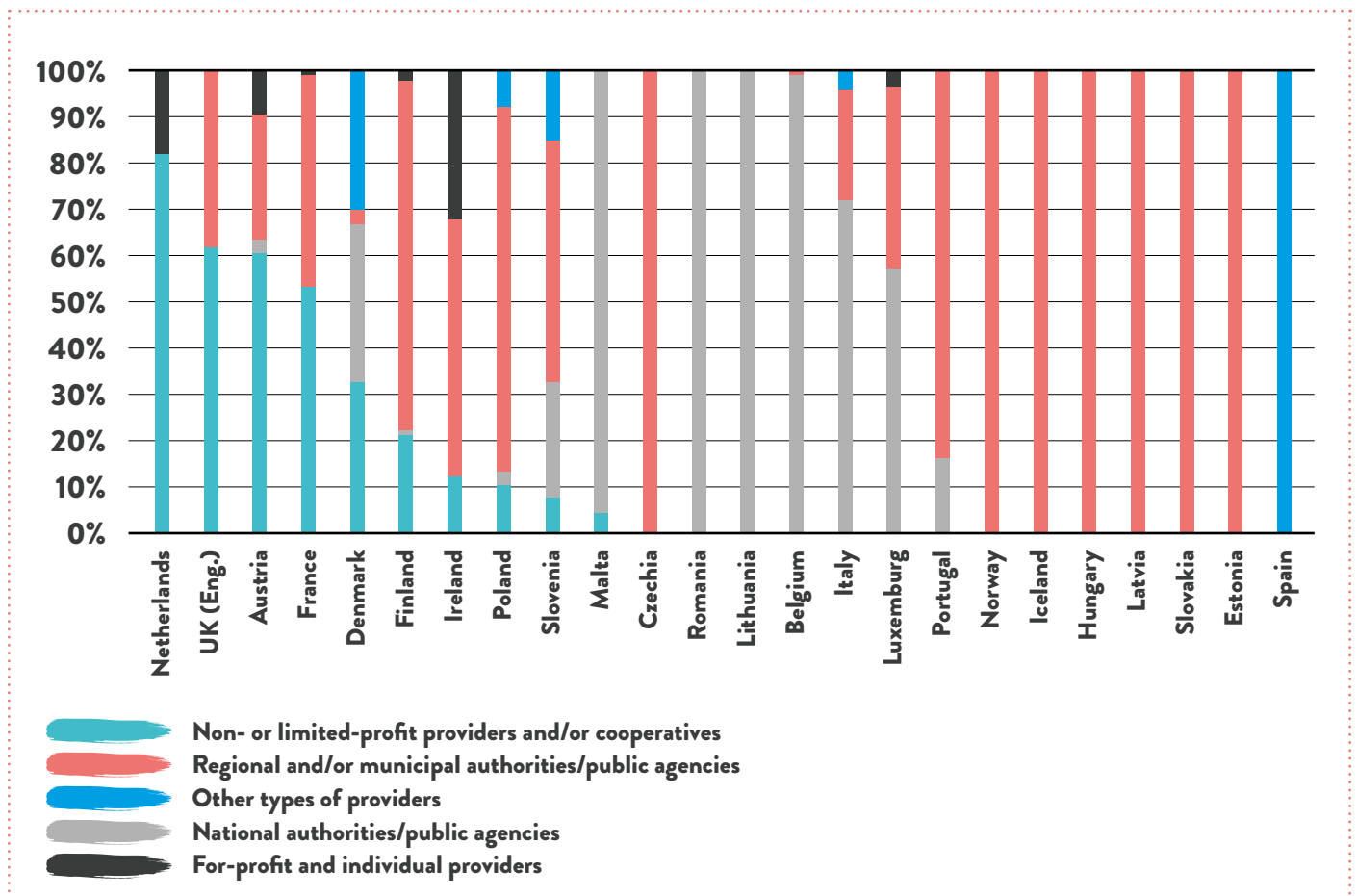
1.2

OVERVIEW OF THE ENTITIES THAT DELIVER AHB-TYPE HOUSING IN EUROPE

A particular challenge of this research has been around defining what is meant by “AHB-type” housing providers. This reflects a number of semantic issues around definitions or key concepts, as well as certain differences in cultural norms and expectations around the provision of social housing in different countries.

To provide one example of this, while it is universally understood in Ireland that Approved Housing Bodies provide social housing (and more recently cost-rental housing), in many countries in Europe the use of the term “social” housing is rejected, with terms like ‘affordable’, ‘public’, ‘municipal’, or ‘non-profit’ being preferred. In some cases, this preference is just that, a preference. However, in other countries, including some that are reviewed in this report, the rejection of the term “social” reflects a desire by policymakers and practitioners to communicate the universality of a need for housing, with the term “social” seen as being in some sense exclusionary or otherwise alluding to a form of housing that is residualised; catering only for the most vulnerable in society.

FIGURE 1: Breakdown of social housing, by type of provider



Source: OECD Affordable Housing Database.

As Figure 1 shows, based on analysis by the Organisation for Economic Cooperation and Development (OECD), the types of entities that provide social housing in Europe vary quite a lot between countries. In some cases, a single type of entity has a monopoly on supply, while in other countries supply is spread out over a number of different types of entities or branches of the state.

→ TABLE 2: Breakdown of social housing, by type of provider

	Non- or limited-profit providers and/or cooperatives	National authorities/public agencies	Regional and/or municipal authorities/public agencies	For-profit and individual providers	Other types of providers
→ Belgium	0%	99%	1%	0%	0%
→ Denmark	33%	35%	2%	0%	31%
→ Finland	21%	1%	76%	2%	0%
→ Netherlands	82%	0%	0%	18%	0%
→ Ireland	12%	0%	56%	32%	0%

Source: OECD Affordable Housing Database.

Those familiar with social housing in the various jurisdictions may query how the data collected by the OECD are classified. For example, in the case of Ireland, the OECD notes that one-third of social housing is provided by “for-profit” providers. Given that neither AHBs or their counterparts in Ireland’s local authorities are “for-profit”, this may pose questions for some. The answer is that schemes like the ‘Housing Assistance Payment’ (HAP) – a form of rental subsidy paid by the state to private landlords – are also included in the OECD’s figures. Thus, it is asserted that a private landlord who is part of the HAP scheme is a provider of social housing. This seems to be a perversion of the term; though there are undoubtedly those who would make the argument.

If we dig into the figures presented in both *Figure 1* and *Table 1*, we can find many other seemingly unusual classifications. For example, in the case of the Netherlands, the OECD has included homes rented on the private market from for-profit landlords, but where the rent is below a certain threshold. Aware that there is some confusion on this point, the Dutch government will soon bring forward legislation to effectively make “social housing” a legally protected term, applicable only to the country’s Housing Associations (see: [Section 5](#)).







The broader point here is that the concept of “social” housing does not necessarily cross international borders well, which presents a challenge when conducting comparative analysis. This is also the case when attempting to compare the types of entities charged with providing such housing.

Indeed, one must be understanding of what the OECD is trying to do, and the inherent difficulties it faces in attempting to develop generally applicable definitions and concepts about social housing in order to gather comparative data from national governments. The information received by the OECD is somewhat beyond their control, as it is the national governments who interpret the criteria, and apply their own idea of the concept of social housing provision. Thus, we may have a case in which two countries with virtually identical social housing systems provide very different replies, based on different interpretations of the underlying concepts or terminology.

The authors of this report, which represent tens of thousands of housing providers from across Europe, commonly discourage trying to develop generally applicable concepts or definitions of social housing. There are so many nuances and unique characteristics in national, or even sub-national, provision structures as to mean that there is a strong risk that the figures or information will be misinterpreted, or that they otherwise become in some way redundant in terms of their capacity to really provide the basis for sound comparative analysis. Thus, trying to construct conceptual frameworks around social housing provision is a significant challenge, and one that is perhaps best shied away from.

That being said, some parameters were required to be set in the case of this research, in order to identify what an “AHB-type” entity could be in the context of the four peer countries to be reviewed.

After review of the setup of Approved Housing Bodies in Ireland, some commonalities were found with other entities that provide housing in the four peer countries:

-  **Not for profit**
-  **Not directly part of the state, at any level; this is in contrast with, for example, local authority/municipal housing, which is directly provided by a branch of government**
-  **Established as private entities; e.g. as limited companies or non-profit foundations**
-  **Subject to oversight by a publicly-established watchdog or agency**
-  **Subject to approval by the state, i.e., that their ability to continue to provide social housing is contingent on the say-so of some branch of government**
-  **The employees of the housing providers are not considered to be civil servants, but rather private employees**

Using these criteria, the proceeding chapters (2-5) review the provision of social housing by various entities that we can, for the purposes of this research at least, consider to be “AHB-type” entities. Having said that, at times in the following chapters we will briefly discuss providers of social housing who do not meet all of these criteria. However, this will only be in furtherance of outlining the overall spectrum of affordable housing provision in the peer countries, and in any case the primary focus will always be on those entities that do meet the criteria.

Having set out what kinds of entities we are interested in, it is also important to establish why the four peer countries have been selected. The short answer is that they have some relevant similarities to Ireland, especially in terms of being located in similarly prosperous and developed nations. In population terms, Ireland is comparable to at least three of the four peer countries, with the Netherlands being the only outlier¹. The peer countries are also EU member states, meaning that they must respect the same directives and regulations established at the European level, e.g., on matters of public procurement, classification of public debt, state aid rules, or building performance standards.

However, the most important consideration was that the four peers should offer different approaches to the existing one in Ireland. Thus, should the Irish state decide that changes to existing AHB structures or approaches are required, the authors believe that the four case studies offer four different options; with varying degrees of deviation from the baseline Irish case. One particularly important factor is that in two of the cases discussed – Denmark and the Netherlands – the AHB-type entities are structured in such a way as to be considered to be ‘off-book’ from the point of view the calculation of the European Union’s public debt and budget deficit rules. This has been a point of particular interest for Ireland’s AHB sector in recent years, as a result of the 2018 decision by Eurostat that they should be “classified in the government sector”².





At the same time, in the cases of Denmark, Finland, and the Netherlands, the review outlines a pathway towards on-boarding private sources of finance to increase the available pool of funding for the development of new social housing, or the renovation of the existing stock. At present, the Irish AHBs are heavily reliant on Exchequer financing. This has the potential to become constrained by adherence to the aforementioned EU fiscal rules, while also having the issue of being highly pro-cyclical (*i.e., that investment happens in moments of relative economic strength, but declines in moments of difficulty*).

¹ There was a strong preference for the inclusion of the Netherlands, due to the major reforms that the sector underwent in the 1990s, which stakeholders in Ireland thought would make for an interesting comparison for the Irish case; most particularly the push towards housing providers to become more independent financially from the state.

² See: <https://www.cso.ie/en/methods/governmentaccounts/classificationdecisions/classificationofapprovedhousingbodies/>

Finally, in all four case studies, the housing providers that are analysed are responsible for the provision of the overwhelming majority of social housing. Thus, they also show a path towards a model where AHB-type entities are the most significant actors in the area of provision. This is in line with one of the main recommendations of the recent ‘*Irish Housing Commission*’, which recommended the establishment of new municipal housing companies (“*Local Authority Housing Organisations*”) to deliver in the place of the existing local authority structures³. This is indeed the basis for some of the AHB-type entities reviewed in this report; most notably Finland, and to a slightly lesser degree in Flanders. This issue is considered in detail in the Annex at the end of this report.

 **TABLE 3: Points of interest for the Irish government**

Country or Region	Possible points of interest for Ireland
 Belgium (Flanders)	<ul style="list-style-type: none"> • The region has just completed a series of major reforms of the bodies who provide social housing, offering a clear and timely case study for the Irish authorities. • The system remains exchequer financed, and overall offers a less ‘radical’ shift in direction versus the status quo in Ireland. • The system uses income-based rents for social tenants (like Irish differential rents), but has structured them in a way that means the system is overall more self-sufficient than in Ireland.
 Denmark	<ul style="list-style-type: none"> • Has seen solid growth in the relative size of the social housing stock in recent decades. • Shows how a fully cost-rental based model can be effective. • Highly financially self-sufficient; i.e., generates annual surpluses for reinvestment in the sector. • Shows that strong links to the state, in terms of financing and oversight, are possible, whilst also being independent enough to be ‘off-book’. • Allows for counter-cyclical investment patterns. • Provides a strong voice for social tenants in decision making, which contributes to de-stigmatisation of the sector.
 Finland	<ul style="list-style-type: none"> • Based on an innovative ‘private’ financing model, that is actually state directed. • Shows the benefits of developing a system with relatively large social housing providers, which helps to reinforce autonomy, drive innovation, and ensure that housing remains affordable even if construction prices increase. • Shows how a strong public housing agency can be used to guide social providers towards the achievement of broader public policy goals. • Provides an example of the benefits of relying on municipally controlled ‘housing companies’, rather than directly state-operated local housing departments in terms of developing greater sectoral specialisation • Shows the benefits of having specialised housing providers to meet the needs of specific target groups, e.g., those experiencing homelessness.
 The Netherlands	<ul style="list-style-type: none"> • An example of how the state can transition from having a strong role to play in financing social providers, to a far less exchequer-intensive system, without sacrificing either the providers or their tenants. • A system based on very strong dialogue between independent social housing providers, government, and social tenants, which manages to achieve strong complementarity with other public policy objectives. • A strong system of mutual insurance and cooperation by all social housing providers, spreading risks out over the entire sector. • Providers can build up reserves to reinvest in the sector, and ensure that meeting renovation targets is possible without significant state support.

Notes: The points in the table are the subjective judgement of the authors, and do not necessarily reflect the views or priorities of the Housing Agency or the DHLGH.

³ Housing Commission (2024). Report of the Housing Commission. Available at: <https://www.gov.ie/pdf/?file=https://assets.gov.ie/294018/e1aae1ed-07c4-473d-811e-3426756321ee.pdf?page=null>



1.3

REVIEW OF AVAILABLE LITERATURE AND SOURCES

Comparative analysis of systems of provision of social or affordable housing in Europe is not new. Indeed, there is significant available content for the completion of a literature review. However, if we are specifically interested only in literature that pertains to AHB-type entities, then we face a problem. This is because, as far as the authors of this report are aware, the criteria for defining these entities, as was set out in the previous section, have not been used before in comparative analysis.

However, if we are interested in a more general review of the entities that provide 'social' housing, there are a number of reports that do try to provide 'nuts-and-bolts' type overviews of housing providers more generally, even whilst recognising that there are many differences between them, or national specificities to be understood and respected.

We outline a non-exhaustive list of useful sources below:

TITLE → Arrigoitia, M. F., Whitehead, C., & Scanlon, K. (Eds.). (2014). *Social Housing in Europe*. John Wiley & Sons.

SUMMARY → *Social Housing in Europe* combines a comparative overview of European social housing written by scholars with in-depth chapters written by international housing experts. The countries covered include Austria, Denmark, England, France, Germany, Hungary, Ireland, The Netherlands and Sweden, with a further chapter devoted to CEE countries other than Hungary.

AVAILABLE AT → <https://onlinelibrary.wiley.com/doi/book/10.1002/9781118412367>

TITLE → Braga, M. & Palvarini, P. (2012). *Social Housing in the EU*. Brussels: European Directorate General for Internal Policies.

SUMMARY → This briefing paper provides an overview of the social housing sector in the EU area. After presenting how Member States define social housing, it details the response of the sector to the 2007–2008 financial crisis. In addition, it sheds light on the most recent developments at the EU level on the conflicting interests that are necessary to reconcile within the sector: ensuring adequate and affordable housing for all citizens, yet guaranteeing open competition among market players. Finally, innovative social housing projects are presented.

AVAILABLE AT → [https://www.europarl.europa.eu/RegData/etudes/note/join/2013/492469/IPOL-EMPL_NT\(2013\)492469_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/note/join/2013/492469/IPOL-EMPL_NT(2013)492469_EN.pdf)

TITLE → Krapp M-C, and Vaché, D. (2022). *Housing Policies in the EU*. Bonn: German Federal Institute for Research on Building, Urban Affairs and Spatial Development

SUMMARY → The research gives a systematic overview of housing supply and housing policy structures in the member states of the European Union. The structure of the respective national housing policy is defined by the historical developmental path, present socio-political tasks, national structures on the housing market and the statutory framework conditions. The results illustrate that solutions for the respective housing policy related challenges need to be developed in the member states.

AVAILABLE AT → <https://www.bbsr.bund.de/BBSR/EN/publications/SpecialPublication/2022/housing-policies-in-the-eu-dl-neu.pdf? blob=publicationFile&v=3>

TITLE → Czischke, D., Gruis, V., & Mullins, D. (2016). Conceptualising social enterprise in housing organisations. In *Hybridising Housing Organisations* (pp. 14-33). Routledge.

SUMMARY → Changes in the provision, funding and management of social housing in Europe have led to the emergence of new types of providers. While some of them can be portrayed with traditional 'state', 'market' or 'civil society' labels, many correspond to hybrid organisational forms, encompassing characteristics of all three in varying combinations. Nonetheless, evidence suggests that there is a 'common thread' linking these organisations together, namely their core missions and values, which can be classified using the term 'social enterprise'. This paper addresses a research gap through a critical literature review encompassing Europe. Existing models of social enterprise are reviewed and a classification system for social enterprise is developed to reflect the specific features of the social housing association sector and as framework for future research.

AVAILABLE AT → <https://www.taylorfrancis.com/chapters/edit/10.1201/9781315541037-2/conceptualising-social-enterprise-housing-organisations-darinka-czischke-vincent-gruis-david-mullins>

TITLE → Dubois, H. & Nivakoski, S. (2023). Unaffordable and inadequate housing in Europe. Dublin: Eurofound – The European Foundation for the Improvement of Living and Working Conditions.

SUMMARY → Social housing and rent subsidies support many, but capacity differs across and within countries, and these measures exclude certain groups in vulnerable situations and fail to reach everyone who is entitled to them. Three quarters of Member States have Housing First initiatives – providing housing for homeless people – but these mostly operate on a small scale. This report maps housing problems in the EU and the policies that address them, drawing on Eurofound's Living, working and COVID-19 e-survey, European Union Statistics on Income and Living Conditions and input from the Network of Eurofound Correspondents.

AVAILABLE AT → <https://www.eurofound.europa.eu/en/publications/2023/unaffordable-and-inadequate-housing-europe>

TITLE → Housing Europe (2012). *The Housing Europe Review 2012: The nuts and bolts of European social housing system*. Brussels: The European Federation of Public, Cooperative, and Social Housing.

SUMMARY → This Review provides an update of the 2007 report *Housing Europe 2007- Review of social, co-operative and public housing in the 27 EU member states*. While the previous review aimed at providing an overview of the main developments in housing policies and housing markets affecting the social, cooperative and public housing sector, this study focuses on social housing and aims at providing a clearer picture of the way social housing systems are structured across the EU, while identifying the main recent trends in the sector.

AVAILABLE AT → <https://www.housingeurope.eu/resource-105/the-housing-europe-review-2012>

TITLE → **OECD (2024). PH4.3. Key Characteristics of Social Rental Housing. Paris: The Organisation for Economic Cooperation and Development.**

SUMMARY → **Presents information from the OECD Questionnaire on Affordable and Social Housing (QuASH) on the definition and characteristics of social rental housing, and provides details on the different methods used to define rent levels and rent increases, the eligibility of beneficiaries, and the allocation of dwellings. For the purpose of this indicator, social rental housing is defined as: residential rental accommodation provided at sub-market prices and allocated according to specific rules.**

AVAILABLE AT → **https://webfs.oecd.org/Els-com/Affordable_Housing_Database/PH4-3-Characteristics-of-social-rental-housing.pdf**

At the same time, it is also important to gain some additional knowledge and specific insight into the functioning of the housing systems in the four peer countries assessed in this report. In the following four chapters, a number of useful sources are cited, and links provided whenever possible. However, it should be noted that in many cases, these sources are in the national language of the country being assessed. This is due to the relative lack of up-to-date sources available in English.



Picture: SPACE-S social housing in Eindhoven, the Netherlands
Photo Credit: Housing Europe

2. BELGIUM (FLANDERS)



Picture: 'Nieuw Zuid' redevelopment neighbourhood, Antwerp
Photo Credit: Housing Europe

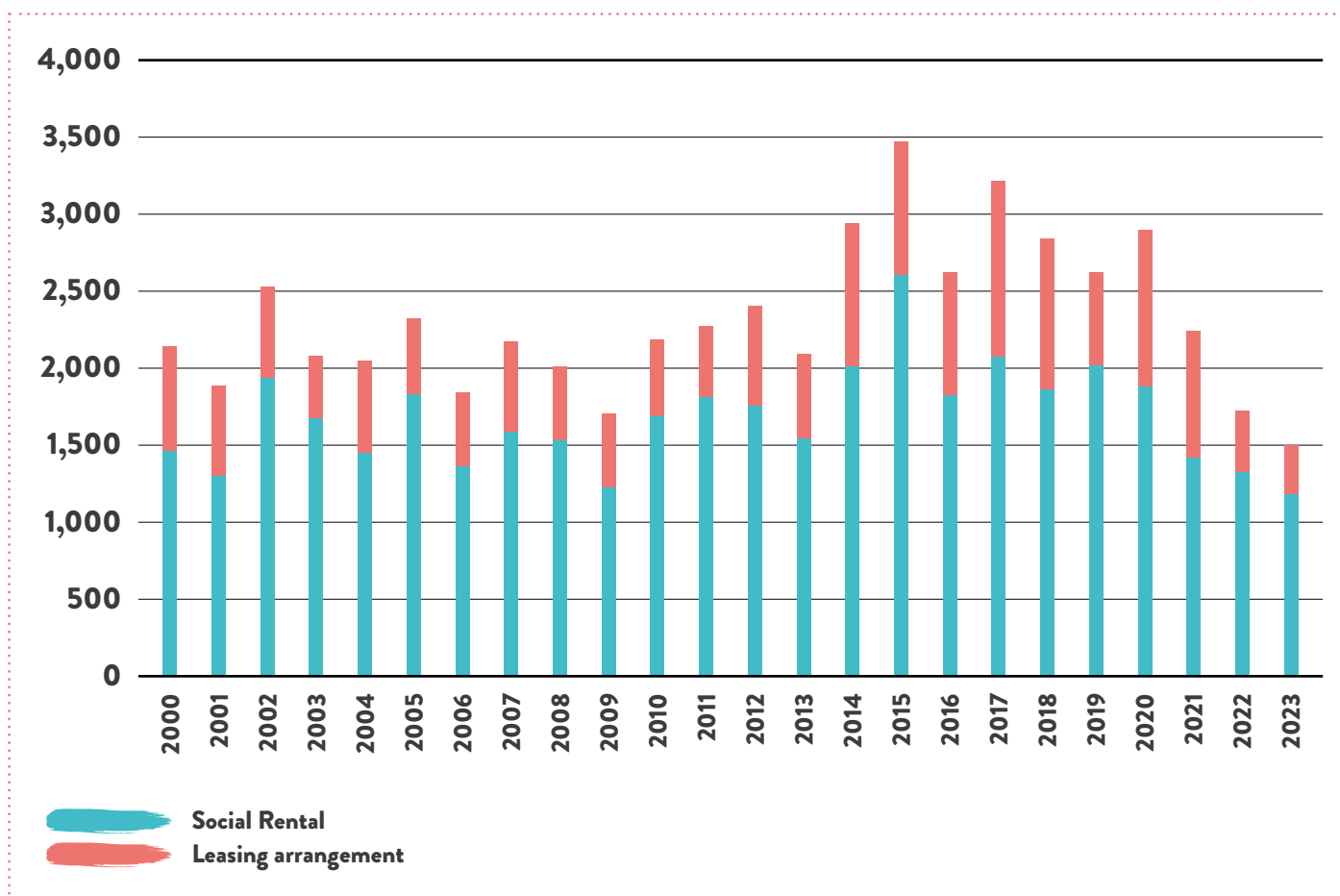
➔ **TABLE 4: Housing Tenure in Flanders (Number of Dwellings; 2021)**

	Flanders		Antwerp	
➔ TOTAL	2,839,780	%	228,657	%
➔ Social rental	172,870	6.1	22,613	9.9
of which: owned by social housing companies	159,885	5.6	21,847	9.6
of which: leased by social housing companies	12,985	0.5	766	0.3
➔ Private rental	684,341	24.1	85,984	37.6
➔ Owner occupier	1,982,569	69.8	120,060	52.5

Source: Housing Europe estimates, based on Statbel and Flemish Government 'Sociaal woonbeleid – Cijfers'.

Notes: Refers only to occupied primary dwellings. 'Antwerp' refers to the city of Antwerp, not the Flemish province with the same name. It is important to note that while Antwerp is the largest city in the Federal Region of Flanders, it is not the capital of the Flemish community. Percentages do not equal 100 per cent, due to rounding.

➔ **FIGURE 2: Gross addition of new social dwellings in Flanders, by type**



Source: Flemish Government 'Sociaal woonbeleid – Cijfers'.

Note: "Social Rental" includes both homes directly built by social housing companies and acquisitions from the private sector (e.g. turnkey developments). "Leasing arrangements" refers to new leasing contracts for the use of private dwellings for social housing. The figures are "gross" additions, as each year a certain number of homes are sold or demolished, while a number of 'leasing' agreements with private landlords come to an end.



2.1

GOVERNANCE

Dutch-speaking Flanders (*Vlaams Gewest*) is one of the three federal regions that make up the country of Belgium; along with the French-speaking region of Wallonia (*Région Wallonne*), and the bi-lingual Brussels-Capital Region (Brussels Hoofdstedelijk Gewest/Région de Bruxelles-Capitale). These federal regions are distinct from the historical or linguistic regions of Flanders or Wallonia⁴, and exist primarily to develop and implement regional-specific legislation and policy in areas of devolved competence, such as health and education. The national government of Belgium retains responsibility for areas like foreign affairs or defence, where a ‘unified’ national approach is required. Housing in Belgium is a fully devolved competence of the three⁵ federal regions, meaning that Flanders effectively acts autonomously from the other two regions, including having a completely separate legislative and governance framework. Naturally, public policy around the provision of various forms of ‘affordable’ housing is also regionally specific to Flanders.

At the time of the writing of this report, mid-2024, the Flemish social housing sector is in the process of finding a new ‘equilibrium’. This is because of a series of major reforms that have been implemented by the Flemish government in recent years. Thus, this review is particularly timely, and also pertinent for the Irish government in the context of its own review of the bodies that deliver social and affordable housing.

The provision of social housing in Flanders is strictly legally codified and regulated, with the ‘Flemish Housing Code’ of 2021 (*Vlaamse Codex Wonen*) and the accompanying ‘Flemish Housing Code Decree’ (*Besluit Vlaamse Codex Wonen*) being the core legal texts⁶. These acts have brought together and simplified what had previously been a complex arrangement of legal texts and ministerial decrees, which had become somewhat difficult to ‘navigate’. Thus, the unification and simplification of texts is one important part of the aforementioned recent reforms.

In principle, there is only one type of organisation that can offer social housing in Flanders; the social housing companies (*Woonmaatschappij*), or SHCs. These companies are private, and are incorporated as ‘private limited companies’ (PLCs) under Flemish law. However, the legislation on social housing sets out the model articles of association of these companies, which the SHCs are obliged to adopt. The articles of association contain a series of deviations from the ‘standard’ model of the private limited company. These derogations are inspired by the rules that apply to cooperative societies. For example, the articles of association provide that a social housing company has a social purpose, and there are voting rights restrictions for private shareholders⁷.


⁴ For a concise overview, see: https://en.wikipedia.org/wiki/Communities,_regions,_and_language_areas_of_Belgium

⁵ Since 2021, the small German-speaking community of Belgium, which is located inside the Federal Region of Wallonia, has also gained some autonomy on the issue of housing. However, both the population and number of social housing units concerned are quite small. Although, it does in effect mean that there are now four distinct and autonomous devolved public housing systems in Belgium, with the national government having no direct say in public housing policy.

⁶ See (in Dutch): <http://cdn.vlaanderen.be/lokaal-woonbeleid/regelgeving>

⁷ It should be noted that these “private shareholders” are primarily the organisations that were responsible for founding the Social Housing Associations (SHAs) that were the precursors to the new Social Housing Companies; usually many decades ago. No dividends are ever paid to these shareholders, and the ‘purchase’ or ‘sale’ of shares has not been a way to raise capital, as financing social housing has always been the responsibility of the government (of Belgium prior to devolution, and of Flanders subsequently). In other words, the issuing of ‘shares’ is just a legal mechanism that has been used historically to allow for situations in which a number of actors came together to set up a social housing association, and with the requirement to operate as a PLC. While Flemish municipalities or regions have always been amongst the shareholders of the old SHAs, since the mergers and transition towards the establishment of the new SHCs, municipal authorities have now become the majority shareholders.

CASE STUDY 1: MAJOR RESTRUCTURING OF FLEMISH SOCIAL HOUSING BODIES



One of the main elements of the recent reforms to the social housing system in Flanders has been the merging of the historical ‘Social Housing Associations’ (SHAs, or *sociale huisvestingsmaatschappijen*) with the previously separate ‘Social Rental Agencies’ (SRAs, or *sociale verhuurkantoren*), the latter of which have, since the 1970s, concentrated on utilising private dwellings to house low-income and vulnerable tenants (i.e., through leasing agreements). The Woonmaatschappij, or ‘Social Housing Companies’, are these new merged entities. We will refer to them as such in this chapter; though in other literature on the topic, they are often simply called ‘Housing Companies’ (HCs)⁸.

The new merged housing providers (i.e., the SHCs) have restructured boards of management, and the local municipalities now have a majority of the votes at the annual general meeting. The board is elected after each municipal election, to reflect the current political make-up of the municipal government. The municipalities also delegate administrators to run the SHCs.

As a background to the reforms, it was felt that there were too many providers of social housing in Flanders, with many providers having only very small stocks, and similarly small workforces. There

were also perceived inefficiencies in the system, with both ‘traditional’ social providers and social rental agencies operating in parallel⁹.

One of the main issues with the mergers was the requirement to effectively reduce the number of housing providers, from 134 to 41. This was complicated, as it also meant that many existing roles in the sector became redundant, with some workers losing hierarchical status¹⁰, or even employment. This created a degree of resentment from some actors in the sector. However, Initia (the regional federation that represents the sector) was very clear that it did not want to see any involuntary redundancies as a result of mergers. This means that the staff of some new SHCs may be too large in the short-term. Although, it is assumed that as people leave naturally or retire, they may not necessarily be replaced, meaning the workforce should find a more appropriate size over time.

At the same time, tens of thousands of homes were transferred from one housing provider to another, meaning some providers lost size or influence, as well as links to communities that they had spent many decades building up¹¹. This was also a major sticking point for social housing providers. However, the Flemish Government felt that it was an unavoidable part of the reforms.

Historically speaking, Flemish municipalities have also been able to rent out social housing to those in need, i.e., from a directly-owned municipal housing stock. The Flemish local authorities were required to rent out homes according to the same rules as the SHCs (previously the SHAs). At the same time, Flemish municipalities have, for many years now, been encouraged to transfer their housing stock to the social housing companies, and in practice there have been very few municipal authorities still renting out social housing in recent times.

⁸ For example: Winters, S. (2023). Turbulent times for Flemish social housing. *Journal of Housing and the Built Environment*, 38(4), 2659-2668. <https://doi.org/10.1007/s10901-023-10063-9>

⁹ For a concise background, see (in Dutch): Neyt, S. (2022, December 22). Het sociale huisvestingslandschap is in transitie. Dit brengt heel wat uitdagingen met zich mee voor organisaties [The social housing landscape is in transition. This brings many challenges for organisations]. Ernst & Young – Belgium. Available at: https://www.ey.com/nl_be/government-public-sector/drie-succesfactoren-bij-de-vorming-van-woonmaatschappijen

¹⁰ For example, the number of ‘director’ type roles fell from over a hundred to less than half of that. This meant that some people who would have previously occupied such roles were effectively demoted.

¹¹ Initia (2023). Operatie woonmaatschappij: de cijfers achter het transitieprogramma [*Housing company operation: the figures behind the transition program*]. Brussels: Initia. Available at: <https://www.vvh.be/nl/nieuws/item/operatie-woonmaatschappij-de-cijfers-achter-het-transitieprogramma>

Furthermore, since the reforms of the overall social housing sector in 2021-2023, most local authorities have transferred their remaining homes to the SHCs in their area, or are in the process of doing so. The overall municipal housing stock in question is less than 2,000 units, and in theory these last few municipal homes will be transferred to SHCs in the near-term, bringing to an end the direct provision of housing by local government in Flanders.

In addition to offering social housing, Flemish SHCs are only allowed to carry out activities that are part of their core objective; providing affordable homes for those who need them. Certain activities that are adjacent to the core objective are permitted, such as developing projects for social property acquisition (e.g., supporting turn-key developments of social housing), acting as an intermediary for social housing loans (see [Section 2.5](#)), and the provision of the newly established “affordable” rental housing segment of the market; which will be explained later in this chapter. If a SHC feels that it has some legitimate reason for engaging in activities outside of its normal remit, then it must seek the permission of the Flemish Minister of Housing.

CASE STUDY 2: ASTER – THE SOCIAL HOUSING RENEWABLE ENERGY COOPERATIVE



One very interesting case where the Minister has granted special permission in recent years has been the establishment of the new Flemish social housing renewable energy company, called Aster¹². Collectively owned by the SHCs as a cooperative, Aster is in the process of installing close to 400,000 solar panels on the roofs of the social housing stock in Flanders.

This solar capacity of 158 MWp produces around 130 GWh of solar power annually. In this way, the social housing companies reduce CO₂ emissions by 35,000 tons. This is comparable to the CO₂ storage capacity of 3.25 million trees, a forest the size of 10,000 football fields.

The solar panels will be used to provide cheaper electricity for the many energy poor and vulnerable households who live in Flemish social housing, as well as to raise additional revenues for the SHCs, to be used for reinvestment in the sector, e.g., by selling surplus energy to the national grid. As Aster was a completely new departure for the

Flemish social housing providers, they initially lacked much of the necessary knowledge and skills to realise the project. In order to overcome this, they successfully applied for EU funding under the ELENA ‘Project Development Assistance’ programme.

ELENA is a tool of the European Investment Bank, which offers technical assistance, covering up to 90% of project development costs¹³. It is designed specifically for projects aimed at enhancing energy efficiency in both residential and non-residential buildings. This grant can support various aspects, including technical studies, energy audits, business planning, financial and legal advice, assisting with tendering processes, project bundling, and project management. It serves regional, local, and municipal authorities, as well as public companies. Thus, as a result of the ELENA funding, the Flemish housing companies were able to develop a concrete business plan and ultimately develop the new renewable energy cooperative.

Unlike in some other countries, the Flemish SHCs must limit their activities to a well-defined geographic area of operations. This ensures that there is one housing company in each of the region’s 300 municipalities. Prior to the recent reforms, it was possible to have more than one SHC (formerly known as a SHA) operating in the same area, but as a result of the recent slew of forced mergers, each

¹² <https://aster.vlaanderen.nl>

¹³ For a brief overview of ELENA, and its possible utility for housing providers, see: <https://www.housingeurope.eu/section-177/elena>

municipality now only has one social housing provider¹⁴. The areas of operation were proposed by the municipalities, and then determined by the Flemish government and included in regulations. Each SHC has a ministerial accreditation to provide social housing in its unique area of operations.

In terms of the oversight of the Flemish social housing companies. They are legally supervised by an independent body that forms part of *Wonen in Vlaanderen* (Living in Flanders). *Wonen in Vlaanderen* is the public housing agency of Flanders, overseeing the social housing sector, and providing resources and expert advice to government on housing issues. As will be outlined later, it also plays a key role in the financing of the social housing sector, as an intermediary for the Flemish government.

In its supervisory role, it checks whether the housing company complies with the legal regulations, uses its financial resources efficiently, or is contributing to the implementation of the regional housing policy. The supervisory body carries out inspections at the housing companies and reports its findings to the Flemish government. The housing company must correct its procedures and respond to the findings within a certain period of time. If the housing company does not respond adequately, the supervisory body may impose an administrative fine. The supervisory body may also suspend or annul decisions of the management body of the housing company if they are contrary to regulations, proper financial management, or some aspect of the policy of the regional government. The housing company may appeal against these decisions to the Minister.

The general performance of the housing companies, or at least the previous Social Housing Associations (SHAs), is assessed by the 'Visitation Council' (*Visitatieraad*). This committee assesses the functioning of the housing companies on the basis of objectives that are included in a performance manual¹⁵. After assessing the performance, the review committee draws up a report with recommendations for improvements. The social housing company may give a response. The report and the response are submitted to the Minister. The Minister can oblige the SHC to take action to improve their performance on a given topic, after which a new inspection will take place.

One interesting point of the work of the Visitation Council is that it also seeks out "good practices" in the sector, and then turns these into a searchable database for the social housing providers in order to promote their wider uptake¹⁶. Thus, its role is to uphold standards, and take action when they are not met, but also to champion those social providers who perform well. However, following the recent reforms, it is not clear yet if and how the Council will continue, as it is has not yet been officially assigned to oversee standards in the new SHCs.

When it comes to the development of new social housing projects, this is decided on by the boards of management of each SHC. However, in addition to the fact that the majority of the seats on the board are now appointed by local policymakers, each Flemish municipality is obliged to organise a local housing consultation at least twice a year. This housing consultation is a meeting with representatives of the municipality, the social housing company, and other actors who are active in the municipality in the field of housing. These other actors are not clearly legally defined, and are thus assembled in an ad hoc way depending on the housing needs in each municipality. They could include private housing developers, representatives from charities who provide temporary housing solutions, those working in the public healthcare system who need to find housing for patients, or other similar stakeholders. A new social housing project can only start once the local housing consultation has formulated advice to the municipality about the project. The housing consultation must assess whether the project (number of homes, type, and location) fits within the local housing plan. This advice goes to the municipal executive (i.e., the Mayor and their aldermen¹⁷), which takes the final decision on the project. If the municipal executive agrees, the housing company may move ahead with the development of the project.

¹⁴ There are now 41 social housing companies in Flanders. Each of these is 'assigned' to at least one municipality. Some companies are assigned to quite large geographic areas, which include many municipalities. The number of municipalities generally relates to the population size and the level of need. Thus, in highly urbanised parts of Flanders, a social housing company may cover as few as one municipality (e.g., Woonhaven Antwerpen, which is based around the city of Antwerp), while in rural areas they may cover more than 20 or 30 municipalities (e.g., Wonen in Limburg) – for a map of the areas of each housing company, see: https://assets.vlaanderen.be/image/upload/v1719825127/Woonmaatschappijen-in-kaart-def_ytXnPM.pdf

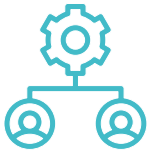
¹⁵ See (in Dutch): <https://www.vlaanderen.be/social-woonbeleid/werking-woonmaatschappij/visitatieraad>

¹⁶ This database is available online, in Dutch only: <https://visitatieraad.prod.woonapps.vlaanderen.be/zoek/goede-praktijken>

¹⁷ In the Flemish context, an 'Alderman' here is equivalent to a 'minister', though at the municipal level. Thus, of the locally elected councillors, there is a Mayor (not yet directly elected) and those who are delegate responsibility for a particular area of local policy (e.g., sports and recreation, schools, public infrastructure). Together, they form the municipal executive.

It is also the municipality that decides on the building permit in the next phase. This is another opportunity for the municipality to make changes or even prevent a project from proceeding. In the event of either changes or a refusal, the SHC must resume the procedure from the beginning via the local housing consultation process. This can, of course, be a time-consuming way to develop new social housing. Indeed, a recent report has shown that the average time it takes to go from project inception to getting the final green light to proceed is three years, which is longer than in previous decades¹⁸.

Local elections can have a major impact on the development of social housing projects. For example, there are cases where resistance to a particular project has become a topic for debate in the election campaign. At the same time, as a new board of management is elected after each municipal election, their support, or not, for a project is crucial, and they can even cancel a project that the previous board had approved.



2.2 STRATEGIC ROLE

Unlike in some of the other countries reviewed in this report, Flemish SHCs are not required by law to develop a comprehensive strategic plan. However, they must have short- and medium-term financial plans. The Flemish government uses this planning as an important input for the independent supervisor to assess the financial stability of the SHCs.

Having said that, most social housing companies do independently develop longer-term strategic plans, though given that it is not required, there is no fixed terms of reference or ‘template’ to be applied in this regard. One of the reasons that these voluntary plans have become common is the amount of coordination required between the housing companies, their boards of management, and the political situation of the municipality in which they operate. The latter of these is especially important, as a social housing company will be expected to play a synergistic role in the delivery of other public policies within their municipality or region. Anticipating all of these factors ahead of time helps to speed up delivery of homes, and better align the work of the housing provider with other stakeholders.

In addition, the Flemish government imposes targets on the minimum number of social rental homes in a municipality, as well as their energy performance. This is known as the ‘Bindend social objectief’ (BSO), the ‘*Binding social objective*’. The BSO is another reason why it has become so important to develop strategic plans, as otherwise the risk of not meeting legally defined targets would likely increase. Thus, as well as the importance of being in tune with local policymakers, the SHCs are also required to find the necessary balance with the targets set by the Flemish regional parliament.

The implementation of Flemish regional housing policy is a statutory task of each SHC (e.g., decarbonisation of the housing stock, tackling homelessness). This means that if a housing provider were to develop a strategy that is incompatible with Flemish housing policy, the regional government can block its implementation.

With regard to the BSO, this is based on a detailed review of each of Flanders’ 300 municipalities, with each one being set a unique locally specific target for the provision of additional social housing in the 2009-2025 period¹⁹. *Wonen in Vlaanderen* collects detailed information on the social housing stock in each municipality at the end of each year. It also publishes a biennial progress report to show how each municipality is performing versus target²⁰.

¹⁸ Dockx, E., Van den Broeck, K., & Winters, S. (2023). Investeren in sociaal wonen: hoe het investeringsritme versnellen en verhogen? [Investing in social housing: how to accelerate and increase the pace of investment?]. Brussels: Steunpunt Wonen. Available at : <https://steunpuntwonen.be/onderzoek/ad-hoc-opdrachten/ad-hoc-opdracht-werkings-en-onderhoudskosten-woonmaatschappijen/investeren-in-sociaal-wonen-hoe-het-investeringsritme-versnellen-en-verhogen/>

¹⁹ For an overview, see (in Dutch): <https://www.vlaanderen.be/lokaal-woonbeleid/vlaamse-beleidsprioriteiten/betaalbaar-woonaanbod/bindend-sociaal-objectief-bso/bindend-sociaal-objectief-welke-opdracht-heeft-uw-gemeente>

²⁰ See: <https://www.vlaanderen.be/lokaal-woonbeleid/vlaamse-beleidsprioriteiten/betaalbaar-woonaanbod/bindend-sociaal-objectief-bso/hoe-vordert-uw-gemeente-met-het-bso-de-jaarlijkse-meting-en-tweejaarlijkse-voortgangstoets>

In the most recent report, only eight municipalities (3%) were in the worst performing category; those which are not meeting targets and not making sufficient efforts to rectify the situation. These municipalities are legally obliged to conclude an agreement with local social housing providers to quickly ramp up delivery of additional homes over the medium-term. If this is not sufficient to improve the situation, then the Flemish regional government can impose sanctions on the municipality, and/or conclude its own agreement with the local social housing providers²¹; in effect going over the head of the municipality. The most recent report did show, though, that 165 municipalities are on course to meet their social housing supply objectives (55%), and 127 municipalities (42%) were not on course to achieve the objective, but we making good efforts to achieve them.

Flemish social housing companies can develop housing for specific target groups (e.g., the elderly, students, or those experiencing homelessness). However, there are not currently any specific objectives for the development of this kind of housing at the regional level. At the same time, the development of projects for specific target groups follows the same procedure as for 'regular' social housing projects. In other words, the board of management – and the municipal government that nominated most of its members – will be a strong driver of any decision to develop housing for these groups.



Picture: Flemish social housing
Photo Credit: Els Matthyssen, Initia

Accessing social housing is based on a queue-based waiting list system. In addition to the general waiting list for access to social housing, the statutory system for housing allocation provides for a separate waiting procedure for people in 'urgent' need of housing, such as those experiencing homelessness. In addition, a separate waiting list for target groups such as the elderly, people with various disabilities (in specially designed homes reserved for them), or young people is also permitted. For young people specifically, a so-called "target group plan" must be drawn up, where the SHC can show that there is a specific need for them to provide housing that is reserved for this group. The development of housing specifically for students or young adults is a relatively new opportunity for Flemish SHCs, though given quite acute affordability and access issues for this population cohort, it will likely develop further in the coming years.

²¹ Article 2.23, §2, third paragraph, of the Flemish Housing Code of 2021. Available at: <https://codex.vlaanderen.be/PrintDocument.ashx?id=1033810&datum=&geannoteerd=false&print=false#H1099919>



2.3

APPROACH TO ASSET AND TENANT MANAGEMENT

Eligibility for access to social housing in Flanders is primarily based on income thresholds. Any household that meets the main income-based eligibility criterion can be added to the social housing waiting list. When allocating housing, a social provider must also ensure that a dwelling is suitable in terms of size and amenities for the applicant. While allocations are theoretically based on a queueing system, there are also so-called “priority groups”, which can be allocated a home more quickly. Thus, each applicant is sorted into one of four categories.

1

GENERAL CATEGORY

Those who meet the criteria to access social housing, but who do not have any ‘special’ or ‘urgent’ need;

2

EXPEDITED ALLOCATION

Those with a high housing need, such as those experiencing homelessness, or people from two specific target groups: (i) people with “psychological vulnerabilities” who are going to live independently, and (ii) young people coming from the youth care system.

20% of the allocations come from this category. These groups have been given a special priority by the Flemish parliament;

3

TARGET GROUPS

The target groups are determined in consultation between the housing company and the municipality. This primarily concerns the elderly, and people with various disabilities, as well as others in need of specialised affordable housing options. The target groups from the “expedited” category can also be included here as a specific target group. The planned homes will then be in addition to the 20% of category 2. For each target group in this category, a target group plan must be drawn up to demonstrate the need for a priority allocation. **No more than 30%** of the homes of the housing company may be a home for a target group from this category;

4


PRIORITY ALLOCATIONS

Is intended for priorities other than category 2 and 3. For example, this concerns existing social tenants who have to move because their home is being renovated or whose home has become too small due to family expansion.

Some of the applicants from this category have “absolute priority” in applications, and thus they immediately move to the top of the local social housing waiting list.

Some other points to note on allocations are that within categories 1 and 3, there is an extra priority for candidates with “local ties”. For example, households who have lived continuously in the municipality for which they are candidates for five consecutive years in the last 10 years have priority over other candidates within these categories.

Based on the waiting list, the social housing companies draw up allocation lists for each available home, which take into account all priorities and categories. The household that is at the top of this allocation list will be the one offered the property first. A household may refuse an offer of accommodation a maximum of two times without a clear reason, i.e., based on intangible factors such as personal



preference, rather than because the home is in some way inadequate for their needs. In the event of the second refusal, they will be removed from the waiting list. They can then re-apply, provided they still meet the eligibility requirements. They will then end up back at the bottom of the waiting list. At present, the average time spent waiting for a social housing allocation in Flanders is four years. However, for some types of housing the waiting time can be up to 10 years or more in some parts of the region.

As in other parts of Europe, the renovation of the social housing stock in Flanders has become an ever more pressing issue in recent years, as Belgium works towards meeting its climate targets, and its obligations under the (recently revised) Energy Performance of Buildings Directive [EU 2024/1275]. There is no uniform procedure for deciding which building will be renovated at a given moment, with the SHCs retaining a high degree of autonomy. However, the housing providers are obliged to upload information on their buildings into a regional database. This requirement effectively forces the SHCs to gather important information on their housing stock, which then helps them to better identify the homes that need to be renovated most urgently. While there are no fixed criteria for selecting renovation projects, each SHC is legally obliged to draw up a renovation “schedule” and submit it to the Flemish government for review.

In the cases of a deep renovation (i.e., where it is not safe or practical for a tenant to remain in their home), the tenants are required to move to a different dwelling. They will be classed as ‘priority’ candidates for re-housing in social housing in this case (i.e., allocation category 4), meaning they end up at the top of the waiting list. This is in contrast to the system in the private sector, where a landlord who wants to renovate can ‘break’ a rental contract, and no alternative accommodation need be found by them for their tenant. In addition, the rent to be paid by the social tenant in their new home should in principle be equal to or less than the rent in their original home.

Following the completion of the renovations, the tenants can return to their original home, provided that it still exists (i.e., has not been demolished or fundamentally altered) and corresponds to their needs (e.g., number of bedrooms, facilities for people with disabilities). In practice, given that many renovation works in recent years have included modifications to the type of dwellings in a building, it is often not possible for a tenant to return to their original home. If this is the case, it will already be made clear to the tenant at the start of the renovation process. This means that the new home must be allocated with great care, as it will become the new permanent home of the tenants. More generally, the procedures and good practices to be adopted when dealing with tenants is included in the aforementioned “performance manual” for the sector.

At present, there is no general provision for the integration or recognition of a tenants’ board or union within the legislation governing Flemish social housing. This is in contrast to a country like Denmark, where so-called “tenant democracy” is a key pillar of the sector. However, there are regional tenants’ unions, which work on behalf of both social and private tenants. However, at present, there is no formal legal procedure for dealing with tenants’ unions in Flanders. Some housing companies do have internal procedures for tenant participation in renovation projects, though this is not a general practice across the sector in Flanders, and it therefore depends on the individual social housing company. The general rule is that if a building is to be renovated, including deep renovations, this is a decision for the board of the housing company; and the degree to which tenants are involved varies.

One issue with the current building renovation framework in Flanders is that the rent paid by tenants does not fully take into account the impact of improvement works, e.g., greater comfort, or lower energy bills. Indeed, it is not even always the case that the rents, which are primarily based on the income of tenants, will change after the renovations. Although, thanks to government provided loans and subsidies (Section 2.5), combined with the rent-setting mechanism, financing these renovations is typically not a problem. The sector is further supported by the existence of the *Vlaams Klimaatfonds* (VKF, or ‘Flemish Climate Fund’), which provides subsidies for upgrading the energy performance of social dwellings²². In 2023, it made available €70 million to support renovations of SHC homes.

²² See: <https://www.vlaanderen.be/sociaal-woonbeleid/financiering/projectfinanciering/mogelijkheden-op-jaarbudget/energiepremies-voor-sociale-woonactoren-vkf-subsidies>

THE RENT CALCULATION FORMULA USED TO SET RENTS IN FLEMISH SOCIAL HOUSING

BASIC RENT FORMULA

$$\text{HOUSEHOLD INCOME} / 54 - \left(\text{FAMILY DISCOUNT} + \text{PATRIMONIAL DISCOUNT} \right) + \text{ENERGY CORRECTION} = \text{SOCIAL RENT OF THE DWELLING}^{23}$$

➔ **Income:** The SHC looks at all adult family members who have an income. This includes parents, children for whom no child benefit is still being received, live-in grandparents, etc. The income (incl. part-time or 'student work') of adult children who are no longer entitled to child benefit on the 1st of January of the calendar year also counts towards the aggregate income of their household. A broad definition of income is used, including earned income from labour (i.e., wages), a pension, an income benefit, an income replacement allowance, etc.

➔ **Solidarity contribution:** While the income of a household cannot be above a certain threshold when they enter social housing, it may naturally rise to above this threshold after signing the rental contract. A "solidarity contribution" will be asked, in the form of a rent payment 'top-up' .

➔ **Family discount:** The rent is reduced based on the number of dependents. At present, this is €22 per month. If the dependent is a child with disabilities, then the discount is doubled. If the

dependent is not a full-time resident (e.g., shared custody of a child) the rate is halved. Dependent adults with certain disabilities or care needs can also be allocated a family discount.

➔ **Patrimonial discount:** A discount is applied based on the assessed market rent of the home. In other words, homes that are in less desirable areas, or which are smaller in size will receive a discount, in order to take some account of the 'utility value' of the home. If the market rent of the home is less than or equal to €314 per month, then the discount is €168. For market rents of €314-816, a formula is applied. For rents of €816 or above, no discount is applied.

➔ **Energy correction:** Since 2021, Flemish social providers have been able to take account of the energy performance of a home. If a home has been built or renovated since 2006, then the "energy correction" must be paid. This is a surcharge of between €1 and €40 per month. In this way, renovations can at least partly be compensated for through higher rents.

Notes: There is a "minimum" social rent, and all rents must be at least as high as this. There is also the "basic rent", which is in effect the market rent for the home, and this cap cannot be exceeded.

²³ If both the rent and the income of the household do not change in a year, and a one fifty-fourth contribution is made each month (≈1.85% of annual income), then the social rent should in practice not exceed 22.22% of the annual aggregate income of the household (i.e., 1.85*12=22.22).

Minimum rent, based on the market rent that could be charged on the home

- ➔ Market value less than or equal to €330 per month: €149
- ➔ Greater than or equal to €857 per month: €298
- ➔ €330-€857 per month : minimum rent according to a formula:
[149 + ((MARKET RENT – 330)/(857-330)*149)]

A WORKED EXAMPLE

1. Market rent – €636 per month = minimum social rent of **€235.50**
2. Household income: **€23,925**
3. €23,925 / 54 = **€443**
4. Family discount: two dependent children (€22x2) = **€44**
5. Patrimonial discount: **€60**
6. Energy correction: **€0**
7. Rent = **€339**

$$\begin{array}{r} \mathbf{€443} \quad - \quad \left(\mathbf{€40} \quad + \quad \mathbf{€60} \right) \quad + \quad \mathbf{€0} \quad = \quad \mathbf{€339} \\ \text{HOUSEHOLD} \quad / \quad 54 \quad - \quad \left(\text{FAMILY} \quad + \quad \text{PATRIMONIAL} \right) \quad + \quad \text{ENERGY} \quad = \quad \text{SOCIAL RENT OF} \\ \text{INCOME} \quad \text{DISCOUNT} \quad \text{DISCOUNT} \quad \text{CORRECTION} \quad \text{THE DWELLING}^{23} \end{array}$$

Source: Initia.

²⁴ For those whose income is between 100-124% of the limit, the rent payment will be one fifty-third (22.64%); for 125-149% it will be one fifty-second (23.08%); and for 150% or more, it is one fifty-first (23.53%). One issue, though, is the minimum and maximum rents. A hypothetical household with a very low income may be required to only pay the minimum rent. In the example above, this is €235.50 per month, or €2,826 per year. For the most economically vulnerable households in Flanders, this could amount to more than 22.2% of annual income. Conversely, a hypothetical higher income household effectively sees their rent capped at the upper end of the scale.

The rent setting procedure in the social housing sector in Flanders appears somewhat complex; at least side by side with the other case studies in this report. However, this is based on the fact that it is essentially an income-based rent setting model. This is also the case in a country like Ireland, with its system of differential rents. Given that income-based social rent setting models struggle to account for key factors like the cost of provision or the utility/quality of a home, the Flemish model has essentially taken the household income as its starting point, and attempts to correct for the deficiencies inherent in this approach by grafting on extra components in the form of various semi-arbitrary discounts and top-ups. However, as noted by the OECD, income-based rents are by far the most common approached currently used across the different social housing systems in the European Union²⁵.

The rent in Flemish social dwellings are recalculated each year. There is always an indexation of the elements that determine the rent (patrimonial discount, family discount, energy correction, minimum and maximum rent) based on inflation, while the income of the tenant may also have changed. This means that rents might either increase or decrease from one year to the next.²⁶



Picture: Flemish social housing
Photo Credit: Els Matthyssen, Initia

Of course, personal circumstances could mean that a social tenant is unable to pay their rent. In this case, the housing company contacts the tenant, and sends a number of reminder letters. One option is to develop a “repayment plan”, based on discussions with the tenant. If the tenant does not respond or does not comply with the repayment plan, the housing company will officially declare the tenant in default. The local Public Welfare Office (*Openbaar Centrum voor Maatschappelijk Welzijn, OCMW*) will be informed. The OCMW contacts the tenant and can support the tenant financially to pay the overdue rent²⁷. If the tenant still remains in default, the housing company’s last resort will be to begin court proceedings. The court can decide to terminate the lease. According to Initia, such measures are rare, as some form of agreement between the tenant and the housing company can usually be found, or the support from OCMW can help to rectify the situation.

²⁵ OECD (2021), PH4.3. Key Characteristics of Social Rental Housing. Paris: The Organisation for Economic Cooperation and Development - https://webfs.oecd.org/Els-com/Affordable_Housing_Database/PH4-2-Social-rental-housing-stock.pdf

²⁶ As mentioned earlier, the SHCs also now include a number of leased properties that were previously provided by Social Rental Agencies in Flanders. The rent setting procedure here is different, as it is simply equal to the monthly rent agreed with the private landlord. The tenant receives a housing benefit to make up the difference between what they can afford to pay and this agreed rent. Rents of dwellings leased from private landlords are adjusted each year, depending on general price inflation.

²⁷ There exists in Flanders a ‘Fund to Combat Evictions’ (Fonds ter Bestrijding van Uithuiszettingen), which helps social tenants in arrears.

Unlike their neighbours in the Netherlands, SHCs in Flanders cannot sell the homes they own to their tenants. It was possible to sell homes under certain condition prior to 2021, under a trial ‘tenant purchase’ scheme. However, the uptake by tenants was very low, in part due to the large number of restrictions on the types of homes that could be sold, and the sales conditions; especially the requirement for homes to be sold at full market price. However, SHCs do still sell a small number of homes each year. However, sales are limited to cases where the homes are no longer fit for habitation, and where the cost of renovations is deemed to not be economically viable for the SHC. Revenue from any sales must be fully reinvested into the remaining social housing stock.

Flemish social housing companies cannot go bankrupt. This is legally prohibited by law. If a social provider gets into financial difficulties, it is obliged to be placed under financial supervision. Any decision with a financial impact must then be approved by the supervisory committee. This committee can also oblige the housing company to sell land and buildings in order to raise capital. A forced merger with another housing company is also a possible measure. In the event of dissolution and liquidation, the assets and liabilities of the housing company are transferred to another housing company, thus the social tenants will not be evicted or otherwise lose their homes.

As already mentioned, the social housing sector in Flanders is just emerging from a significant period of transition, the key pillar of which was the forced mergers of housing associations, to form new social housing companies. Historically speaking, mergers were also possible, on a voluntary basis, but this very rarely happened.

With regard to the recent forced mergers²⁹, the government mandated that these take place in one of two ways. Firstly, in the period 2014-2019, it became compulsory for social providers to manage a minimum of 1,000 homes. This led to a first wave of mergers, with a reduction in the number of housing associations from about 100 to just over 80.

In 2020, the government decided that:

1

Social housing associations (SHAs) and social rental agencies (SRAs) had to merge into new social housing companies (SHCs);

2

There was to be only one SHC per municipality;

3

The areas in which the SHCs were allowed to operate had to be determined by the municipalities.

This reform had to be fully implemented by the 30th of June 2023. This has led to a further reduction in the number of providers of social housing. There are now just 41 SHCs to manage the roughly 170,000 social dwellings in Flanders.

²⁸ See: Housing Europe (2020). The Sale of Social and Public Housing in Europe.

²⁹ While most of the activities of binding the SHAs to the SRAs involved forced mergers, in a small number of cases, the reforms actually led to a ‘split’, where the stock of an existing social provider was divided amongst a number of new SHCs. Indeed, an estimated 50,000 homes changed owner as a result of the mergers. See: Eyckmans, G. (2022). Waar een wil is, is (g)een weg naar de woonmaatschappij? [Where there is a will, there is (no) way to the social housing company?] Fundamenten, 34(3), 19–21. Available at: https://www.vvh.be/src/Frontend/Files/Fundaments/language_files/fundamenten-2022-3_nl.pdf

GOVERNMENT OBJECTIVES FOR THE RECENT FORCED MERGERS OF FLEMISH SOCIAL HOUSING COMPANIES

➔ **To make it easier for prospective social tenants to register** – Before the reform, several social housing providers could have been active in one municipality, including both SHAs and SRAs. A candidate would have had to register with different organisations, and go through the administrative process multiple times;

➔ **Ensuring that the municipalities have only one social housing company** – Having multiple social providers was adjudged by the Government to have made it more difficult and less efficient for municipalities to coordinate various social policies, like tackling homelessness.

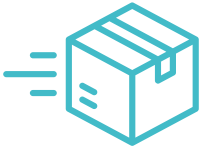
– To reinforce the new dynamic, the new Flemish legislation also changed the composition of the boards of management of the new SHCs, so that the municipalities had more power in decision making.

➔ **Achieving economies of scale and further professionalising the social housing sector** – This objective has not been fully achieved, because the municipalities which have determined the area in which the new social housing companies may operate have not taken those objectives into account. The scale of housing companies has not increased drastically. In some areas, the size and resources of the housing companies are even less than what the equivalent SHAs had prior to the reforms.

While it is too early to assess the full impact or ‘gains’ that might be derived from the mergers, some early views from those involved in the SHCs are that the perceived usefulness of a merger seems to depend mainly on the way in which it has been organised. There are noted opportunities for building a more professional social housing sector, because larger housing companies are likely to be able to develop more projects, and manage more assets. This will allow for a better build-up of expertise, and it also allows for the recruitment of more specialised in-house personnel. A larger housing company can also expand its support services for tenants, by having the scale to hire more full-time staff dedicated to this role. Likewise, it is also assumed that having larger providers will help to support better engagement with tenants, and the space to develop improved tenant engagement platforms.

However, according to Initia, these opportunities seem to be more related to increasing the “effectiveness” of Flemish SHCs, rather than leading to gains in “efficiency”. It further notes that “economies of scale due to size are rather difficult to achieve in small and medium-sized organisations. The smallest company now manages 1,400 homes, the largest 23,000. It seems that it is only from the latter level that really significant economies of scale can be achieved”³⁰.

³⁰ Interview with a representative from Initia, July 2024.



2.4 DELIVERY METHODS

Flemish social housing companies are subject to public procurement rules. Unlike in some other jurisdictions, this has always been the case. As a result, it is hard to objectively judge the impact that this has on the development of new housing or renovation projects. Having said that, as Flemish policymakers set ‘caps’ on the maximum cost of social housing projects, it is considered by experts that the application, or not, of public procurement rules is unlikely to lead to higher costs. In addition, Flemish providers are used to applying these rules, and they have developed their project planning and coordination processes to fit around them. This includes the aforementioned requirement to submit proposed new social housing projects to regional policymakers for their approval. All of this means that most SHCs are adept at the application of procurement procedures. Initia considers, and this is also supported by independent research³², that more costly delays come during other procedural steps in the development process, such as the acquisition of building permits, and the procedure for seeking approval from the Flemish government.

The Flemish SHCs usually develop new social housing projects themselves. Although, there are ways to acquire homes from private developers. This can be a purchase of new homes (i.e., turn-key) or of existing older homes. Private developers can also submit projects to the Flemish government. After approval, they can develop these projects on behalf of a housing company. Since the start of 2023, private developers also have the possibility to develop projects that are called ‘social’ or ‘affordable’ housing, based on a new system of government subsidies (Section 2.5), though interest in the scheme seems very low.

Long-term leasing of land is not so common. Usually it concerns government land that is leased to the housing company. The terms and conditions of the ground lease are freely determined by the parties to the agreement. The leasing of dwellings, working within the SRA model, is more common, and is now managed by the SHCs.

What a housing company can do “in-house” typically depends on its size. Most housing companies employ project managers (architects or engineers), social workers, and administrative staff. For the development of new homes, all housing companies use external architects; which is a legal requirement. Depending on the size of the housing company, the external architect may be in charge of the entire development, or just the actual design of the homes. Private contractors are used to build the new homes, as even the largest Flemish housing companies do not have the resources to handle this themselves. For maintenance and any relatively modest renovations, some housing companies employ their own staff.

When developing social housing, other infrastructure will also typically be required. This could include new roads, as well as public amenities (e.g., shared spaces, playgrounds, sports facilities). In Flanders, the regional government will provide subsidies to the value of the full amount of the cost of providing such infrastructure. The infrastructure will be provided as part of the overall new social housing development, but then be legally transferred to the municipality after the construction is completed. In case a new housing development includes some commercial spaces, typically on the ground floor of apartment buildings, the social housing company must recoup the investment cost through the rent paid by the eventual lease holder. There is no financial contribution from the tenants to support this.

³¹ In other words, the existing process already puts such a strong emphasis on cost control, that there is very little margin in either direction for different prices for new delivery. Thus, whether public procurement is applied or not, the final cost of new construction is unlikely to be much impacted.

³² Dockx, E., Van den Broeck, K., & Winters, S. (2023). Investeren in sociaal wonen: hoe het investeringsritme versnellen en verhogen?. Brussels: Steunpunt Wonen. Available at : <https://steunpuntwonen.be/onderzoek/ad-hoc-opdrachten/ad-hoc-opdracht-werkings-en-onderhoudskosten-woonmaatschappijen/investeren-in-sociaal-wonen-hoe-het-investeringsritme-versnellen-of-verhogen/>



2.5 FINANCING

➔ **TABLE 5: Breakdown of the funding sources of a typical new social housing development in Belgium (Flanders)**

Type of financing instrument	Approximate percentage of the total (%)	Repayment conditions or other important information
➔ Public loan	100	➔ Mortgage loan of 33 years, provided by the Flemish government ➔ The state provides an interest rate subsidy

The financing of a typical new social housing project in Flanders is somewhat complex, though it is built on the relatively simple foundation of a 100 per cent public development loan. However, due to the complexity of the rent-setting procedure, as outlined earlier, and the fact that Flemish SHCs cannot go bankrupt, extra elements have been bolted onto the public loan, in order to help balance these different constraints and obligations.

As outlined earlier, the rent that can be charged for a given social dwelling is fixed by law, and has more to do with the income of the social tenants, than the dwelling itself (i.e., provision costs or utility value). In addition, the statutory determination of the rent provides for a large social discount. The average social rent in Flanders is estimated by Initia to be around half of the market rent that could be charged. Not surprisingly, the revenues received from these rents are typically not sufficient for SHCs to build up meaningful sinking funds (e.g., surpluses for future investment) or to source financing for new construction or major renovations on private markets.

THE FINANCING SYSTEM FOR THE TYPICAL NEW SOCIAL HOUSING PROJECT IS BASED ON THE FOLLOWING KEY ELEMENTS AND CONSIDERATIONS:

➔ **Rent calculation:** This is based on the formula and the various discounts and top-ups outlined earlier.

➔ **100% public loan:** The Flemish government, working through its housing agency (*Wonen in Vlaanderen*), provides a 100 per cent loan to finance the development of new social housing. This loan must always be repaid over 33 years. In practice, the SHC will only have to pay back 99% of the value of the loan, meaning there is a very small (1%) grant-type element built into the financing. At the same time, while interest is charged on the lending, this is returned to the social provider in the form of an annual subsidy equal to the value of the interest payment. The interest rate of the loans is fixed over the full 33 years. The SHC makes the loan agreement with the Flemish government, and the government in turn raises debt on capital markets to finance the loans. The public loan will be awarded from the moment the works start. The preparatory phases for the development of a project can also be financed,

or housing companies can finance this preparatory phase themselves. The costs are then included in the public project financing³³.

➔ **The interest subsidy:** Paid by the Flemish government, is intended to ensure that the investment is cost-effective. Due to the aforementioned social discount, rental income is typically insufficient to cover the costs of the new investment. In the current context of higher interest rates, the annual saving for a housing company as a result of the interest rate subsidy can be significant. For example, at the time of writing, the recorded interest rate being charged to Flemish SHCs on their new 33 public loans is around 4%; which is a fixed interest rate. If the sum of €10 million was borrowed at these terms, the annual repayment would be around €546,000 per annum. With the 4% interest being returned to the SHC by the government, it means the interest rate is effectively 0%, and the 'net' annual cost of the hypothetical €10 million loan is €303,000 per annum; a difference of almost €245,000. This helps to keep rents for social tenants more affordable.

➔ **Regional Social Correction (RSC):** The RSC (or *Gewestelijke sociale correctie*) is a mechanism to compensate housing companies that run deficits, i.e., where their income is less than their expenditure³⁴. If in a given year, a SHC records a loss, then their performance over the previous five years is assessed, and in some cases, they may be eligible for a subsidy. A common reason why a company may have a loss is that they have made investments in new homes or renovations of the existing stock, but the income of their tenants is lower than average. This would mean that the rents must also be lower, which could mean that the SHC is making a loss. Thus, deficits usually reflect the particular socio-economic realities of the social tenants, more so than the management of the social housing provider. One criticism of the RSC is that it is based on a five year review of profits or losses, and an SHC may have to wait several years before becoming eligible for the support.

➔ **Hiring subsidy:** Given the business model of the historical Social Rent Agencies (SRAs), which are now part of the SHCs, the Flemish government was obliged to provide funding to cover the staff costs, office fees, and other costs of these agencies. While there is officially now only the SHCs, within them are still two separate kinds of activities, reflecting the previous separate work of the SRAs and the SHAs. The SHCs still receive a subsidy to cover staff and other costs to support the SRA-type activities.

Since the reform of the social housing providers, the new SHCs have also carried out the activities of the social rental agencies. These activities have their own financing, in the form of a direct government subsidy for the operating costs, and to cover the difference between the rent received by the private landlord and the rent paid by the social tenants. As the housing company has to pay the full rent to the private landlord, the rental of the homes does not generate any income for the housing company, and in any case it has been shown to be a more expensive way of providing housing to low-income households in Flanders³⁵.

Other than the direct financial support received from the Flemish government in the form of loans and subsidies, there are other financial supports for the social housing sector too. For example, the SHCs only pay VAT at a rate of 6% on their projects, rather than the 21% that is paid for private construction. The SHCs also pay a lower rate of local property tax on their properties. Although, they are liable for corporation tax. There are no special supports for accessing land for new construction. Indeed,

³³ As outlined earlier, a change of government can mean that projects that had previously been approved end up being cancelled. This could mean, in theory, that a SHC will dedicate time and resources to a project that is never realised. If this happens, the present system would mean that any related losses simply have to be absorbed by the housing company.

³⁴ See (in Dutch): <https://www.vlaanderen.be/sociaal-woonbeleid/financiering/organisatiefinanciering/gewestelijke-sociale-correctie-gsc>

³⁵ Winters, S., & Van den Broeck, K. (2020). Social housing in Flanders: best value for society from Social Housing Associations or Social Rental Agencies? *Housing Studies*. 37 (7), 1–19. Yates, J. (2012). Housing subsidies. In D.F. Clapham, W.A.V. Clark & K. Gibb K (Eds.), *The SAGE Handbook of Housing Studies* (pp. 397–418), Sage.

when a new social housing project is to be developed, the SHC must bid for the land on the open market, provided it does not already own the land, potentially competing with private for-profit housing developers. The financing required comes from the same 33-year public loan model as is used for the actual ‘bricks-and-mortar’ construction of new social housing. One major obstacle, though, is that the Flemish government outlines maximum prices that SHCs can pay for land³⁶. As a result, the price of developable land in some parts of Flanders is effectively out of reach for social housing companies.

The SHCs primary source of income is the rent they receive from their tenants. However, some housing companies generate limited additional income by renting out garages or small retail spaces. Housing companies can also obtain additional income by selling social housing. However, in principle a ban on the sale of social housing has been imposed until 2028, and it may be extended thereafter. If housing companies have activities other than social housing, there may be a limited income stream in return. These activities might include social property acquisition, credit mediation for social loans (only 11 of the 41 housing companies are recognised for this)³⁷ and rental of affordable housing. Only a minority of housing companies carry out these activities.

The ‘affordable’ housing category is a new offer in Flanders, which has existed since the start of 2023. It is part of an attempt to get private housing developers to also build social and affordable housing based on a public subsidy mechanism. The idea is that private developers will build ‘mixed’ developments, with at least one-third social housing (which is to be leased using the SRA model to a SHC), and one-third so-called “affordable” housing (where the landlord could be either the private developer, or a SHC).

For ‘social dwellings’, the developer receives a subsidy equivalent to 40% of the market rent and must, in return, give the SHC with whom they sign a rental contract a discount of at least 25% versus the market rent. For ‘affordable housing’, the developer receives a subsidy of 30%, with a mandatory discount to the tenant of at least 15%. Maximum rents for affordable housing (after the mandatory discount) are typically around €900 per month, though in more expensive parts of the region, they can be a bit higher (around €1,000). Income limits for access to affordable housing are higher than for social housing.

However, SHCs are also eligible for subsidies on the same terms as the private developers, meaning they too can provide subsidy-based social and affordable housing, though without the 33-year state provided loans. However, if a SHC was to build a multi-family building, with a mix of ‘traditional’ social dwellings (i.e., not based on subsidies) and ‘affordable’ dwellings, they could receive a state loan in proportion to the number of social dwellings included. As of mid-2024, the uptake for this new subsidy-based model to develop social and affordable housing has been very low, with fewer than 10 projects in all of Flanders³⁸, including both SHCs and private housing providers.

Overall, most Flemish social housing companies have a small ‘profit’ (which must be reinvested) or a slight loss each year. Housing companies that are structurally loss-making can, under certain conditions, receive operating subsidies to absorb the loss. Housing companies with a poor or sharply deteriorating financial situation come under financial guidance from the Flemish government. As already mentioned, SHCs cannot legally go bankrupt. In the event of a virtual bankruptcy, the Flemish government can dissolve the housing company and all assets, rights and obligations will be transferred to other housing companies or the Flemish government.

As already mentioned, a financing ceiling has been set for the financing and construction costs of projects. This ceiling is calculated based on a cost per square meter and a number of other factors that determine the construction cost. This is based on observed construction costs in a given base year (currently 2022), which is then updated based on a price index each year³⁹.

³⁶ See (in Dutch): <https://www.vlaanderen.be/sociaal-woonbeleid/sociale-woningen/verwerven-en-vervreemden/verwervingen/rekenvoorbeeld-aankoop-gronden>

³⁷ Certain low-income households are eligible for a state-provided mortgage loan. This is provided by a specialist Flemish public institution called ‘Vlaams Woningfonds’ (Flemish Housing Fund). Some SHCs can act as ‘intermediaries’ between Vlaams Woningfonds and households who wish to borrow from them, for which they are paid a small commission.

³⁸ Based on an interview with a housing expert from Initia, July 2024.

³⁹ A detailed explanation of the calculation of maximum construction prices is available (in Dutch only) at: https://assets.vlaanderen.be/image/upload/v1669098611/SW - SW - Simulatietabel 2022_s9gszv.pdf

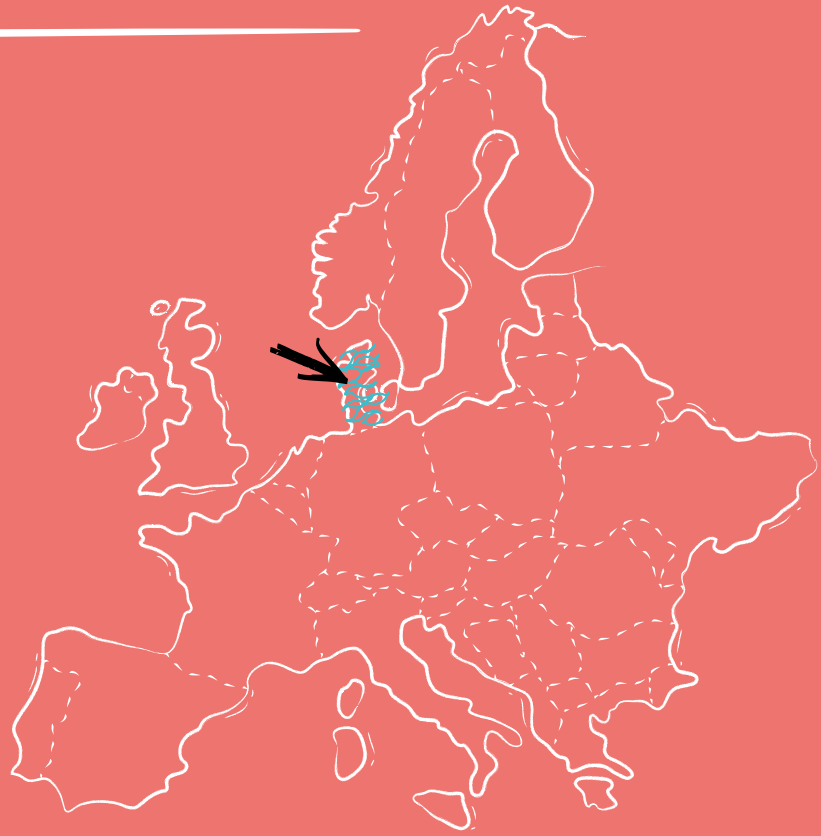
Housing companies can build projects that are more expensive than this ceiling, but will only receive public financing up to the ceiling. They then have to finance the part above the ceiling with their own resources or with market-based loans. However, given the low rents paid by tenants, this is logistically difficult to manage. There is also a financing ceiling for the purchase of land, based on the average cost of building land in the region where the site is located.

Finally, the debts of the housing companies are included in the calculation of the debt ratio of Flanders, and Belgium more broadly. In other words, they are considered to be on-balance sheet for the purposes of the calculation of the European Union's public debt and budget deficit rules. This means that, when it comes to discussing the budget and the allocation of public funds, there is always a political assessment and a choice has to be made between the various policy areas. In other words, there is competition between social housing and other areas that need public financial support. In view of the current poor budgetary situation and the high debt ratio of Flanders (and Belgium), Initia expects a reduction in resources for social housing in the coming years, despite a growing need for investment in housing for low-income households in the region.



Picture: Flemish social housing
Photo Credit: Els Matthyssen, Initia

3. DENMARK



Picture: Social housing in Copenhagen
Photo Credit: BL

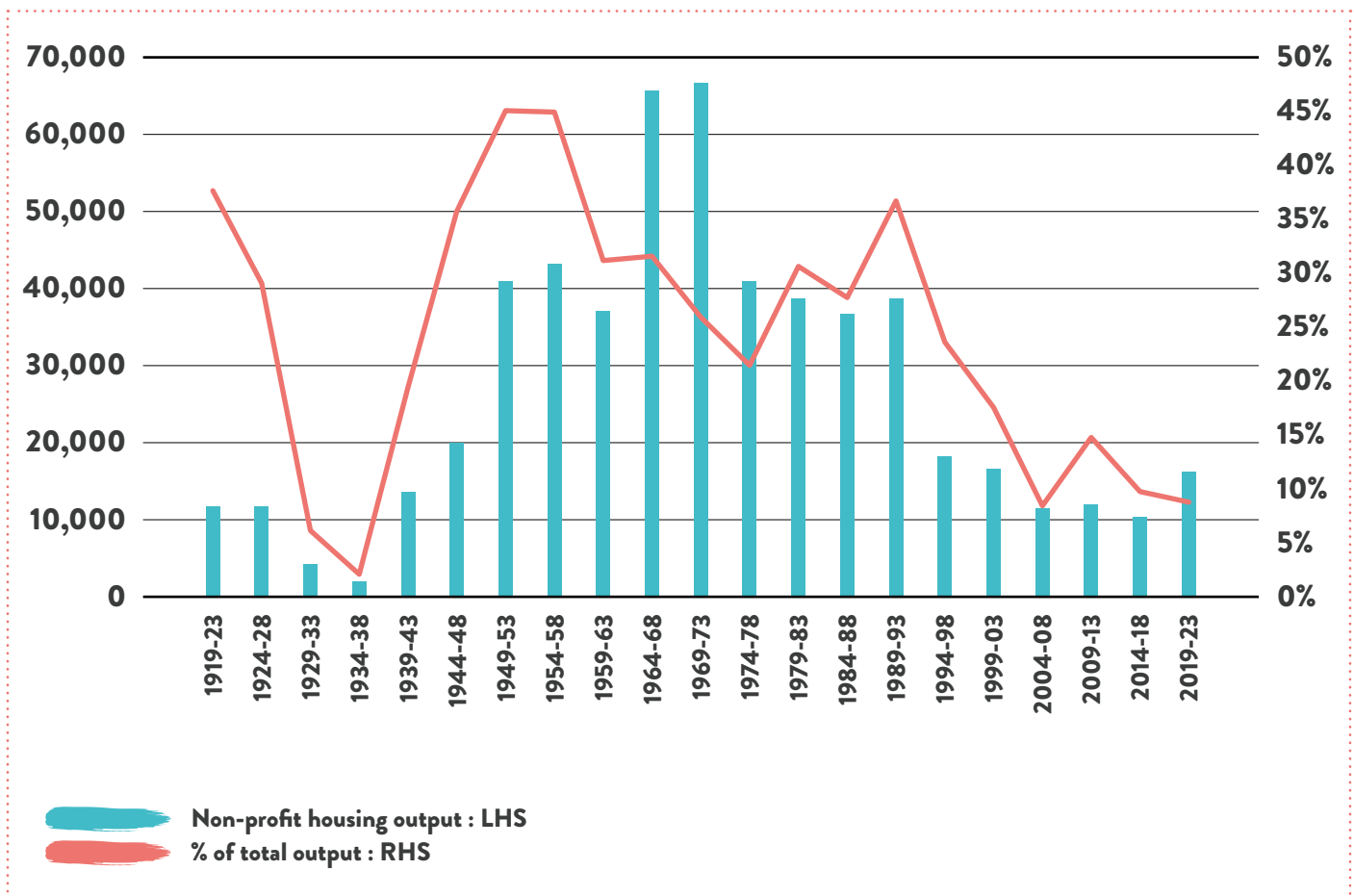
➔ **TABLE 6: Housing Tenure in Denmark (Number of Dwellings; 2024)**

	Denmark		Copenhagen	
➔ TOTAL	2,800,289	%	322,604	%
➔ Non-profit housing	561,969	20.1	62,391	19.3
➔ Private rental	574,829	20.5	82,287	25.5
➔ Cooperative	197,407	7.0	94,234	29.2
➔ Owner occupier	1,342,874	48.0	62,148	19.3
➔ Other	123,210	4.4	21,544	6.7

Source: BL estimates, based on Statistics Denmark.

Notes: Housing stock on the 1st of January, 2024. Excludes vacant dwellings. "Other" includes some specially adapted state/municipal owned housing, such as age adapted and student accommodation. 'Cooperative' (andelsboliger) is a form of collective ownership with shared building costs.

➔ **FIGURE 3: New construction of non-profit housing in Denmark (5 year totals)**



Source: Housing Europe calculations, based on Statistics Denmark.



3.1

GOVERNANCE

In the Danish context, we do not talk about ‘social’ housing, but rather ‘non-profit’ housing. This reflects the fact that, in theory at least, affordable housing in Denmark should be open to everyone. Thus, the sector is seen as a general good, governed by a strict non-profit ethos, more so than a social ‘safety net’ meant only for the most marginalised in society⁴⁰. The reality of the sector is, of course, much more nuanced and complex, but the insistence of Danish authorities on the use of the term ‘non-profit’, rather than ‘social’, can still help to provide a window into the mind of policymakers and other stakeholders in the country.

Semantics aside, the non-profit housing sector (*almene boliger*) in Denmark is underpinned by strict legislation⁴¹, with accompanying public oversight. This establishes the “three pillars” of the non-profit sector, which is made concrete via the country’s roughly 500 non-profit housing associations. The three pillars are:

1

Being non-profit - which keeps rents low;

2

Tenant democracy - where the residents influence their own housing;

3

A financial model primarily based on self-financing, but where the state and municipalities support the construction of non-profit housing. The state does not contribute to operating costs.

The legislation also sets out that to be recognised as a non-profit housing association, a housing provider must seek and be granted approval from at least one of Denmark’s 98 municipal councils. Thus, the housing associations who provide non-profit housing are independent entities, though tied to the municipalities who have ‘approved’ their request to provide housing in that local area⁴². The relevant municipality is known as the “supervising” municipality. The municipalities themselves can also be housing providers, but they are not considered to be non-profit housing associations, and their activities are confined only to the provision of specialist housing for certain target groups; particularly the elderly.

The core activities of non-profit housing associations are to construct, rent out, manage, maintain, and renovate non-profit housing, while providing associated amenities and common facilities for their tenants. In addition, the housing associations can build commercial premises within their developments. However, this is within limited parameters. For example, the commercial premises should constitute only a modest part of the overall development, the rent on the premises should be in line with the cost-recovery principle, and the letting agreement should be made with a socially necessary third-party, e.g., a small supermarket, a creche, or another “social enterprise”⁴³.

⁴⁰ Danish legislation specifically states that: A non-profit housing association “must, when renting out housing, cater to groups who have difficulties in obtaining suitable housing under normal market conditions. In addition, a varied composition of residents must be promoted”. Article 6d of the ‘Promulgation of the Act on non-profit housing’: <https://www.retsinformation.dk/eli/ita/2023/1343>

⁴¹ Primarily, the ‘Promulgation of the Act on non-profit housing’ (as above).

⁴² In practice, a non-profit housing association can be active (i.e., ‘approved’) in multiple municipalities at the same time. While this approach, of housing providers approaching municipalities, could theoretically lead to a situation in which a municipality has no active housing association, this is currently not the case; i.e., each Danish municipality has at least one ‘approved’ non-profit housing provider.

⁴³ A full overview of the development and leasing of commercial premises by housing associations can be found in the ‘Order on side activities in non-profit housing organisations’: <https://www.retsinformation.dk/eli/ita/2015/451>



It should also be noted that there are three distinct 'categories' of non-profit housing in Denmark.

1 FAMILY HOUSING

Everyone can be considered for 'family' housing, regardless of their income, whether they are young or old, or whether they are single or have a family. In this way, the title 'family' is somewhat misleading, and this category is essentially 'general' non-profit housing.

2 HOUSING FOR THE ELDERLY

Housing for the elderly must be rented out to the elderly, or to people with disabilities who have clear need for adapted housing. Unlike for family housing, allocations are handled directly by the Municipalities. However, it can be agreed between the municipality and the housing association that the latter can assign homes to the tenants, provided of course that they meet the eligibility criteria.

3 YOUTH HOUSING

Youth housing must be rented out to young people pursuing further education or young people with a particular need for it. In practice, the allocation criteria are set by each municipality, which are jointly agreed with the housing associations.

While they are legally independent of the Danish state, the housing associations must still seek the approval of the municipality when they want to build new non-profit housing. The municipality must first verify if the additional homes are required (i.e., that there is an unmet need for affordable housing). If this is the case, then they must inform the national ministry with responsibility for housing that the project should be supported, which then helps to unlock public loans for the project (see [Section 3.5](#)). Therefore, if the local council does not support a new non-profit housing project, they have the power to stop its development. At the same time, the Danish planning legislation⁴⁴ also allows the municipalities to mandate that at least 25 per cent of the housing in a given area must be non-profit, which helps to ensure the supply of new affordable homes. This applies to the development of new communities, or regeneration districts⁴⁵. Thus, despite not owning or having direct control over a housing provider (e.g., via a Municipal Housing Company), local politicians in Denmark do have a strong hand in the provision of non-profit housing in their area.

In terms of the oversight of the non-profit housing sector, this is primarily the responsibility of the individual municipalities. The supervising municipal council and the housing association must engage in continuous dialogue regarding the association's activities. The municipal council must also organise an annual review meeting ("dialogue"). The invitation to the dialogue must be made in writing, and with appropriate notice⁴⁶.

⁴⁴ See (in Danish): <https://www.retsinformation.dk/eli/ta/2024/57>

⁴⁵ See (in Danish): <https://jurainfo.dk/artikel/aendring-af-planloven-op-til-25-almene-boliger-i-nye-lokalplanomraader>

⁴⁶ According to the Executive Order on the Operation of Public Housing (Bekendtgørelse om drift af almene boliger): <https://www.retsinformation.dk/eli/ta/2020/14>

In case of issues arising with the governance or finances of a housing association, the municipal council can appoint a manager to temporarily take over administration. In special cases, the municipal council can appoint a manager to temporarily perform some of the functions in the housing association or in one of its “departments”. A “department”, as it is commonly referred to by those discussing Danish non-profit housing in English (*afdeling*’ in Danish), perhaps most closely translates to “housing estate” or “building cluster” in conceptual terms; of which there are roughly 7,000 in Denmark. Thus, most housing associations contain within them multiple housing departments⁴⁷. In addition to appointing administrators to housing associations or their departments, municipalities must approve rent increases of over 5% in a year, and make decisions in disputes between a housing association and one of its departments regarding the annual budget of the latter.



Picture: A Danish non-profit housing “department” (i.e., housing estate)
Photo Credit: BL

Having mentioned the concept of a housing department, it is also important to understand that there are two distinct kinds of actor who run the non-profit sector in Denmark. These are the non-profit housing associations (which own housing departments), and non-profit housing administration companies (which provide management and basic maintenance services)⁴⁸. It is a common practice for housing associations to contract with the administration companies to provide services.

The administrators are particularly useful for the much smaller housing associations or even the ‘independent’ (e.g., one-off) non-profit housing developments dotted around the country, as handling such tasks in-house would be costly, time-consuming, and logistically challenging. While some administrators can grow to be very large (overseeing more than 50,000 dwellings across multiple housing associations and departments) they typically do not own any stock themselves. In 2018, 42% of non-profit homes in Denmark belong to housing associations that are administered by non-profit administration companies.

Finally, in terms of financial oversight of the non-profit sector, a housing association must, upon request, provide the Minister for Social Affairs and Housing, the relevant municipal council, and the National Building Fund (see: [Section 3.5](#)) with all necessary information to clarify the financial conditions of the organisation and its departments.

⁴⁷ While the non-profit dwellings that make up a department tend to be in close proximity to each other, perhaps even within one single building, it is not legally required, and there are cases of departments being spread out across a municipality.

⁴⁸ For a more detailed explanation of this ‘split’ in duties, see: Noring, L; Struthers, D.; and Grydehøj, A. (2020). Governing and financing affordable housing at the intersection of the market and the state: Denmark’s private non-profit housing system, *Urban Research & Practice*, DOI: [10.1080/17535069.2020.1798495](https://doi.org/10.1080/17535069.2020.1798495)

CASE STUDY 3: THE DANISH NATIONAL BUILDING FUND



Despite what its name might suggest, the National Building Fund (Landsbyggefonden) is collectively owned by the Danish non-profit housing providers, and is therefore not a public entity. However, the Danish government determines limits for multi-annual funding programmes that will be supported by the Fund, meaning that despite not being a public entity, the NBF is not completely free to decide how much of its reserves it will allocate in a given year⁴⁹.

The National Building Fund was founded in 1967 through a broad political agreement. Its main purpose was – and still is – to function as a solidarity fund for the non-profit housing sector. The fund is a good example of ‘circular’ finance, or a revolving fund, and acts as a savings account for the entire non-profit sector.

The NBF is used to balance surpluses with deficits across all the housing estates using the fund as an equalisation mechanism, by taking a portion of the rents paid by tenants in debt-free parts of the

non-profit housing stock. This ensures a fiscally solid sector, which can self-finance many of its investments. This is explained in greater detail in [Section 3.5](#).

In the coming years, an increasing part of the mortgages used to build Danish non-profit housing in the past will be fully paid off. This will enhance access to capital in the fund and allow it to play a larger role, and reinforce the financial independence of the sector. This will be especially crucial in terms of the need to renovate existing homes.

Historically speaking, the NBF has also played an important counter-cyclical role, by allowing non-profit providers to increase investment during moments of economic decline in Denmark. This has helped to, for example, buffer employment in the construction sector, and avoid an exodus of skilled workers. It was, therefore, important in supporting jobs during the recent COVID pandemic.



3.2 STRATEGIC ROLE

The board of each housing association is responsible for deciding the framework and direction for the organisation’s development and work – both over the short and longer term horizons. A clear ‘vision’, with accompanying objectives and milestones, must be formulated. This should also include the resources and other inputs and ‘efforts’ that will be required for the non-profit provider to realise the vision.

Given the strong focus on tenant democracy within the sector, at least half of the board members must be tenants of the housing association, including either the Chair or the Vice-Chair. Employees of the housing association, or representatives from the municipalities can also be present, depending on the statutes of the particular housing provider⁵⁰.

The starting point for developing the vision of the housing association is most often outlining current and future challenges. These can be societal trends (e.g., ageing), conditions in the broad non-profit

⁴⁹ For more information, see the Annex of: Housing Europe (2021). Cost-based social rental housing in Europe. <https://www.housingeurope.eu/resource-1651/cost-based-social-rental-housing-in-europe>

⁵⁰ See (in Danish): <https://www.retsinformation.dk/eli/ta/2016/718>

sector, conditions in the local community or municipality, or challenges specific to the individual housing association.

At the same time, the vision must always be anchored to the effective delivery of the core objectives of every non-profit housing association; efficient operation and administration, renovation and new construction, social responsibility and community, and tenant democracy. The aforementioned continuous dialogue between the housing associations and the municipalities in which they operate is an important reference for these activities, and thus for the development of the vision for the individual non-profit providers.

In general, there is a strong collaboration with both policymakers and municipalities in tackling important societal challenges in Denmark. For example, in recent years, there has been a focus on strengthening efforts to tackle homelessness. This started with the national government creating additional obligations for municipalities to develop concrete strategies for combatting homelessness⁵¹. As part of this national initiative, the Danish state is also supporting non-profit providers to develop a Housing First model, including with additional funding⁵².

To provide one concrete example, in the city of Odense the development and roll-out of Housing First is based on a strong collaboration between the municipality and non-profit housing associations. Together they work to ensure housing for those experiencing homelessness, and the municipality is responsible for providing households with social support once they have a home. The efforts have helped to significantly reduced the number of homeless people in the city⁵³, with social services recording a 40% decline in recent years.

As well as cooperating with municipalities, Danish housing associations also cooperate with each other. This is a natural consequence of the fact that in virtually all municipalities, there is more than one housing association present. Given that the non-profit housing providers have a mission that goes beyond just providing housing, with the well-being of their tenants also a priority, it is common for housing associations to form local partnerships on social measures, such as promoting education, crime prevention, or ensuring that there are activities for young people.

Proactive Danish housing associations have seen some real successes in recent times when it comes to pioneering community engagement and 'renewal' programmes. Perhaps the most internationally well-known example is that of the Aalborg Øst neighbourhood. By bringing together a broad coalition of actors at all levels, especially local residents, the local housing association saw remarkable results, including a 37% increase in local employment, a 20% increase in household incomes, improved educational attainment, and a sharp fall in crime rates⁵⁴.



3.3 APPROACH TO ASSET AND TENANT MANAGEMENT

As outlined earlier, there are three distinct forms of non-profit housing in Denmark; family (i.e., general), youth, and elderly. The way in which these homes are allocated is therefore slightly different in each case, with youth and elderly housing having more specific entry criteria (e.g., age or healthcare needs) than the far more 'generalist' family housing.

⁵¹ See (in Danish): <https://www.sm.dk/arbejdsomraader/udsatte-voksne/hjemloeshed/initiativer-og-indsatser-til-personer-i-hjemloeshed>

⁵² In the years 2022-2027, the Minister of Social Affairs and Housing has earmarked 900 million DKK (c.€120m), for the establishment of non-profit housing that is assigned to people with an urgent need and a low ability to pay, especially people experiencing homelessness. This can see the state provide a grant of DKK 400,000 (nearly €55k) per housing unit. Furthermore, in the years 2022-2023, the Minister has earmarked 150 million DKK (around €20 million) to provide support for a temporary reduction of the rent in non-profit family housing, which is assigned to people with an urgent housing need and a low ability to pay, including those experiencing homelessness or at risk of housing exclusion. All of this comes back to a 2021 political agreement to provide additional resources to tackle homelessness in Denmark. See: https://www.sm.dk/Media/638460971131720760/Aftale_om_etablering_af_fonden_for_blandede_byer_2021_UA.pdf

⁵³ See (in Danish): <https://bl.dk/politik-og-analyser/temaer/hjemloeshed/case-saadan-loeses-hjemloeshed-i-odense/>

⁵⁴ See : Housing Europe (2023). Tools to Deal with Vacant Housing'. Vol. 7 of the 'Housing in the post-2020 EU series. Section 4.4.

For family housing, there is typically a waiting list where anyone who is at least 15 years old can sign up⁵⁵. Indeed, it is important to re-emphasise that there are no income criteria for accessing non-profit housing in Denmark, so a queue-based system is used. A small “enrolment fee” and an annual “administration fee” are paid to maintain a household’s place on the waiting list. Waiting lists can be managed by each individual housing association, meaning that if there are multiple non-profit providers in a given area, a prospective tenant may need to submit multiple applications. However, in some cases the housing associations can choose to develop a common waiting list. For example, this is the case in the city of Aarhus, and it means that one application is sufficient to access housing from any of the providers present in the city.

In return for support with financing, the local municipalities have what is known as a the ‘*anvisningsret*’ (allocation right). This means that they have the right to directly allocate tenants to up to 25% of the vacant non-profit housing⁵⁶. In certain circumstances, the municipality’s allocation right can be even higher; usually when they are trying to promote greater “social mix”⁵⁷. These direct allocations by municipalities usually go to those experiencing urgent need for housing who cannot wait in the queue-based system administered directly by the individual housing associations. This includes those experiencing homelessness, or the victims of domestic abuse. However, each municipality can develop its own allocation criteria when making use of its allocation right⁵⁸.

There is also an option for what BL, the national federation that represents the housing associations, calls “internal advancement”. This means that a housing association can give preference in allocations to their existing tenants. This might see, for example, a growing household be allocated a larger non-profit home, or a shrinking household downsize within the same housing association.

In some cases, something called “flexible letting” is used. This means that a housing association and a municipality can agree on special allocation criteria to promote a more “mixed” neighbourhood composition. This is particularly relevant in areas designated by the government as prevention areas or vulnerable areas (primarily based on an assessment of employment or educational attainment levels). The criteria for flexible renting are set out by the individual municipality, and may include requirements related to such things as the employment status of a prospective non-profit tenant⁵⁹.

With regard to the more targeted ‘youth’ and ‘elderly’ non-profit housing segments, slightly different allocation procedures apply, which are set out in the Public Housing Act⁶⁰. For youth housing, it should be dedicated to those in education, with a need for access to affordable housing. It can also be for those aged 18-24, who struggle to meet their housing needs on the private market. According to Eurostat, the average age at which the typical Dane leaves the family home was 21.8 years in 2023, well below the EU average of 26.3 years⁶¹. The availability of youth housing helps to contribute to this outcome.

In terms of elderly housing, this can also be provided to those with disabilities or reduced mobility, and should be built to specifically cater for these groups. In any case, the legislation specifies that it is for “people with significant and permanently reduced physical or mental capacity”. If a tenant who meets this criteria cannot be found, then it can also be offered as general non-profit housing, though when the home becomes vacant in the future it should again be offered to those meeting the core criteria for access to elderly housing.

⁵⁵ An online portal (available in both Danish and English) allows prospective non-profit tenants to see currently available social properties, as well as to add themselves to housing waiting lists in the area of their choosing: <https://www.danmarkbolig.dk/en/>

⁵⁶ The housing association must legally make available one in four vacant dwellings to the municipality. This means that in a given department the number of households who have been allocated housing based on the municipal allocation right could be above or below 25%, depending on the degree of ‘churn’ or turnover of the different allocation cohorts. At the same time, it can also happen that in some areas the waiting lists for non-profit housing are not so long, and as a result, the municipality does not avail of its full 25% allocation right, as those in urgent need can be housed quickly through the usual queue-based allocation system. Even if they do not use the full 25% allocation, the financial contribution (i.e., the municipal loan) of the municipality is not impacted.

⁵⁷ See: Article 51b and Article 59 of the ‘Public Housing Act’ for a more detailed explanation - <https://danskellove.dk/almenboligloven>

⁵⁸ Given that municipalities must provide rental allowances to the tenants they allocate to the non-profit homes in their area, assuming that they have difficulty paying the rent on their own, there is a temptation for them to try to allocate within the older and less expensive parts of the stock. This has, in some cases, led to an overconcentration of lower-income and more vulnerable households in the older, typically suburban, parts of the non-profit housing stock. At the same time, municipalities are required to pay for any repairs in the homes to which they assign tenants, particularly between tenancies, as well as the rent on vacant properties where the last tenant was assigned by them.

⁵⁹ Article 60 of the ‘Public Housing Act’. Available at: <https://danskellove.dk/almenboligloven>

⁶⁰ Youth housing is described in Article 52, with elderly housing set out in Article 54.

⁶¹ Eurostat [yth_demo_030] - https://doi.org/10.2908/YTH_DEMO_030

Rents in the non-profit sector in Denmark are set based on the cost-rental approach, where rents must cover the costs of provision⁶². As in any system, tenants may periodically be unable to meet their rent payment obligations. In such a scenario, three days after the due date, a payment reminder is sent, with a 14-day deadline. If the payment is not made, a notice of termination of the lease may be sent. However, the local municipality is also notified during this process, and it can step in to offer assistance to the tenant household. If no remedial action can be found to rectify the situation, the ultimate solution will be to terminate the rental contract.



Picture: Non-profit housing in Langeland
Photo Credit: BL

However, this is the ‘strict’ procedure to be followed. In reality, non-profit providers tend to be more ‘lenient’ with tenants. For example, they may send several notices to tenants, and allow a lot more time to find a solution than is formally prescribed in the guidelines. As in some other countries, many Danish housing associations have also established “counselling” services for tenants, which can help with applying for social welfare, as well as developing modified rent plans for tenants in case of delayed rent payments. They also act as a liaison with the municipality to help them to support tenants in financial difficulty.

It is important to note that municipalities are required to provide rental allowances to the tenants they allocate to the non-profit homes in their area (i.e., the 25%), assuming that they have difficulty paying the rent on their own. For the rest of the non-profit housing sector, the Danish state can provide rental allowances if there is an issue with affording the rents. Housing benefits (*boligstøtte*) are managed by the Public Benefits Administration (*Udbetaling Danmark*). The benefit is a monthly payment for rental households, which can cover a part of the rent payment. The payment each household receives is related to their household income and the cost of their rent. The Danish state has developed an online calculator that allows households to estimate their monthly benefit⁶³.

In terms of the management of the existing stock of non-profit dwellings, housing associations must develop 30-year maintenance plans, which map out their need for renovations across their housing stock. These plans must be reviewed each year, taking account of issues like possible changes in national or EU objectives on the energy performance of residential buildings. In the case where there are unexpected or urgent renovation or modifications required to a building, the housing association can access support from the National Building Fund (*Landsbyggefonden*) ([Section 3.5](#))⁶⁴. This could arise in cases of damage to a building, or if it is necessary to merge homes in a given building (e.g., to provide

⁶² For a detailed and practical overview of this, see: Housing Europe (2021). Cost-based social rental housing in Europe. <https://www.housingeurope.eu/resource-1651/cost-based-social-rental-housing-in-europe>

⁶³ See (in Danish): <https://www.borger.dk/bolig-og-flytning/Boligstoette-oversigt>

⁶⁴ Despite being owned by the housing associations, the National Building Fund’s financial support for renovations or stock management are decided on via a negotiation with the national government. The most recent agreement, which was struck in 2020, allows for the dispersal of 30 billion DKK (c.€4 billion) in the 2021-2026 period. The agreement is available (in Danish) at: <https://www.regeringen.dk/media/9847/groen-boligaftale-2020.pdf>

more homes suitable for families), or to make homes more accessible in the context of an ageing Danish population. For more ‘foreseeable’ renovations, each housing association has its own pool of reserve financing, known as the ‘Local Disposition Fund’ (LDF).

As in the context of other countries, the wave of deep renovations that will be required in the non-profit housing sector in the coming years will require housing associations to carefully manage their tenants. The current approach is that in cases where renovations do not necessitate meaningful disruptions for tenants (e.g., they would not have access to quiet spaces or adequate bathroom facilities) tenants must be provided with alternative housing. If renovations last for less than 12 months, the relocation is only temporary. The rent paid by the tenant in the temporary dwelling cannot exceed that of their usual home; and if the cost-based rent is higher, then the housing association simply has to absorb the loss.

If a renovation will last for more than 12 months, or if the dwelling is being changed substantially (e.g., a change in the number of rooms, or one dwelling is being merged with another/demolished), the tenant has the right to be offered a permanent alternative that is appropriate for their needs and equivalent to their former home (e.g., in terms of size, quality, and amenities). The new dwelling also has to be in the same municipality, unless the tenant household is willing to accept a home elsewhere. The housing association also has to cover any costs related to relocation, within reasonable limits. Tenants have the right to reject an offer if they can argue that it is not suitable for them. This means that in practice, a tenant being relocated may be given a number of options, and they can then choose the option that works best for them. Tenants can also choose to move of their own volition, and they also have the option to return to the original housing (if it still exists), even in cases where renovation works last for more than 12 months.

In terms of the more ‘mundane’ day-to-day engagement and management of tenants, the ‘Public Housing Rental Act’ (*Almenlejeloven*) regulates the relationship between the housing association, as the landlord, and the individual tenant household⁶⁵. Tenant democracy is a key pillar of the non-profit housing sector in Denmark⁶⁶. Indeed, tenants exert considerable influence, and since 1984 they have had a right to the majority of the seats on the board of management of their housing associations and its departments⁶⁷. These boards must approve the annual budget and accounts, and must also approve all works and activities to be carried out, and the resulting rent increases, which must respect the cost-based rent setting approach⁶⁸. If the board of a housing department does not approve a renovation project, the board of the housing association can still decide to carry out major renovation works, larger energy-saving measures, and futureproofing of the buildings without the department’s consent. Thus, while a department can be overruled, the decision is still taken by a board that is majority made up of tenants, and in any case it is only possible in cases where renovations are deemed to be urgent⁶⁹.

Tenant democracy also extends into the board room of the housing associations. The overall size and composition of the boards of housing associations is variable. In the case of *Københavns Almindelige Boligselskab* (KAB) – which is the largest housing administration company in Denmark, managing a stock of around 60,000 non-profit homes – the board has 21 members; including 15 tenant representatives, two non-tenant representatives elected by the tenant associations, one representative selected by the guarantors, and three employee representatives⁷⁰. In other boards, representatives of the local mayors or other policymakers can also be present.

Given the required 30-year building management plan that every association must set out, costs of future renovations are, or at least should be, already taken into consideration ahead of time. As a result, part of the rent paid by tenants should be set aside each month, to hopefully reduce the possibility for rent increases in the future (i.e., following renovations). This ‘reserve’ to help cover the costs of

⁶⁵ <https://www.retsinformation.dk/eli/ita/2019/928>

⁶⁶ This helps to promote a strong dialogue between tenants and non-profit housing associations. The tenants unions are also very strong at the national level in Denmark, and they can provide additional support to tenants. The LLO (Lejernes Landsorganisation), which translates to the “National Association of Tenants” is a tenant advocacy organisation that provides support and advice to tenants regarding their rights and obligations. The organisation provides support to all tenants, both those living in non-profit housing and those renting in a private market. See: <https://llo.dk/om-llo>

⁶⁷ Harloe (1995, p. 495) argues that “tenants’ involvement in Danish social housing, plus its generally high quality and ability to retain a social and economically mixed occupancy, has made it much more difficult for the sector as a whole to be stigmatized and politically marginalized.”. DOI:10.1002/9780470712825

⁶⁸ The process of building a stable system of tenant democracy, and the responsibilities of each party are codified in the ‘Proclamation on standard articles of association for a non-profit housing association with public housing departments’ - <https://www.retsinformation.dk/eli/ita/2016/718>

⁶⁹ See : Section 37 of the ‘Law of Public Housing’ - <https://danskelove.dk/almenboligloven>

⁷⁰ Noring, L; Struthers, D.; and Grydehøj, A. (2020). Governing and financing affordable housing at the intersection of the market and the state: Denmark’s private non- profit housing system, Urban Research & Practice, DOI: 10.1080/17535069.2020.1798495

renovations is related to the local disposition fund (LDF) and National Building Fund, which will be described in greater detail later.

However, it is important to understand the local disposition fund should cover 'foreseeable' renovations, with the National Building Fund there in the event of urgent or unforeseeable needs to renovate or upgrade a building⁷¹. The Fund can also help to subsidise rents, if it is seen that the cost-based rents being offered are higher than what the location, quality, and average incomes of residents could reasonably justify⁷², especially after renovations. Finally, there is also a possibility for a special operational financial support (*særlig driftsstøtte*) if the housing association experiences financial difficulties after renovations to such an extent that their future is in jeopardy⁷³.

Looking at the management of the broader community, as many Danish housing associations develop whole neighbourhoods, at least historically, the question of who must provide facilities for the local community is crucial. As outlined already, the construction of non-profit housing requires approval from the local municipal council, and it is often a part of a larger municipal urban strategy and a local area development plan; within which other public actors are responsible for common amenities. For example, in Denmark schools, transport, and healthcare facilities are the remit of local policymakers only.

A non-profit housing association can, though, build small community centres for its residents, while most buildings have common rooms or shared spaces. It is also common for the non-profit providers to develop commercial units within their housing developments; though, as noted earlier, these commercial spaces must be used for limited purposes, such as small supermarkets, creches, or other socially necessary enterprises. Non-profit providers typically own parking facilities as well as green/public spaces, and they are responsible for their upkeep and management⁷⁴.

In the eventuality that a Danish non-profit housing association encounters financial difficulties, the local disposition fund should help to cover some or all of the cost. An example of this could be in an area with a declining population, where a housing association could find itself with a number of vacant properties⁷⁵. If the disposition fund is not sufficient (i.e., the losses are of a more significant magnitude), the National Building Fund can also provide support; either in the form of loans or grants. The main condition for access to these funds is that the housing association puts together a detailed and credible plan for rectifying the situation, and returning to financial self-sufficiency. This plan should be developed in cooperation with the local municipality.

One possible avenue to improving the financial situation of a struggling non-profit provider is to merge with another provider. During the 2008-2018 period, the non-profit sector has focused on having fewer housing associations, and with a larger scale⁷⁶. There were 750 housing associations in 2008, but this had declined to 561 by 2018. Given that the overall size of the non-profit housing stock continued to grow over the period, the average number of homes owned by each association rose. According to BL, their internal analysis shows that since 2018, the decline in the overall number of housing associations has continued, as mergers continue to take place. It means that there are now fewer than 500 housing associations in Denmark. As in other contexts, the main motivation for the mergers is to build up economies of scale. Approval of mergers is subject to the validation of the tenants of the housing associations involved, who must vote to support the project.

⁷¹ A separate 'Building Defects Fund' (*Byggeskadebogen*) also exists, to cover costs related to building defects in the first 20 years after construction. It is in effect a form of building insurance for the non-profit housing sector.

⁷² The National Building Fund has developed a detailed modelling exercise that takes in a significant quantity of information on buildings and tenants to help identify cases in which a rent subsidy should be paid. This can be especially relevant in cases where rents increase substantially as a result of recent renovations. However, this rent support is intended as a temporary measure, and the housing associations who avail of it must set out a strategy to do without it over the longer term (e.g., cost saving measures, attracting higher income residents). See (in Danish): <https://lbf.dk/stoette/boligsocial-indsats-huslejestoette/>

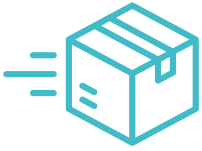
⁷³ See: <https://lbf.dk/regler-og-satser/regulativer-og-vejledninger/regulativ-om-saerlig-driftsstoette-fra-landsbyggefonden-landsdispositionsfond/>

⁷⁴ See: 'Order on the operation of public housing' – available at: <https://www.retsinformation.dk/eli/ta/2023/1642>

⁷⁵ The average expenses due to losses related to vacant properties was 5.4 DKK (about €0.70) per m² in 2021.

⁷⁶ A detailed overview of mergers is available at (in Danish): <https://lbf.dk/analyser/statistikker-og-analyser/temastatistikker/tema-20186-organisatoriske-enheder-i-den-almene-boligsektor-2008-2018/>





3.4 DELIVERY METHODS

At present, Danish non-profit housing associations are required to adhere to national and EU rules on public procurement, as they are defined as public bodies under law. This is despite the fact that they are not owned or controlled by the state. According to BL, the non-profit housing providers often complain that public procurement adds significant time and costs to the development of their projects. This reflects both the additional staff costs involved in procurement, but also the delays it can add to projects. In the current context of rising construction costs, and an obligation to control the cost per square metre in new construction, this can undermine efforts to develop non-profit housing⁷⁷.

In terms of the construction projects that can proceed, some housing associations use the so-called “delegated developer” model, which is a cooperation with private developers to plan and build new housing. If they do not wish to build new housing themselves, housing associations can buy both private residential property or commercial properties (particularly hotels, hostels, office buildings and public buildings), with the purpose of converting them into non-profit housing. However, such acquisitions of existing properties are noted by BL to not always be quicker or more affordable than simply developing projects directly.

Within the confines of the aforementioned 2021 political agreement (which included the public commitment to Housing First) the Danish state also committed to the “Fund for Mixed Cities” (*Fonden for blandede byer*). This will provide 675 million DKK (around €90 million) for the conversion of existing and suitable commercial properties into new non-profit housing. The subsidy goes to cover the conversion costs in order to make sure that the construction costs do not exceed the legal ‘cap’.

In addition, the fund will provide 870 million DKK (c.€115m) in the period 2022-2031 to support the purchase of existing and suitable rental properties for use as non-profit housing. The support is given as a 50-year interest- and instalment-free loan⁷⁸, to cover up to 20 per cent of the value of the property⁷⁹.



⁷⁷ All works receiving support from the National Building Fund must be put out to tender. Additionally, work must be tendered if the municipality requires it. Other works can be carried out by the housing association’s own in-house trades people, though this usually only covers day-to-day maintenance, and replacing common building components, i.e., dealing with wear and tear.

⁷⁸ The housing association must repay the loan after 50 years, paying nothing in the meantime. Therefore, it is in fact only interest- and instalment-free for the first 50 years.

⁷⁹ A detailed overview of the Fund can be found (in Danish) at: <https://www.regeringen.dk/media/10834/aftaletekst-aftale-om-etablering-af-fonden-for-blandede-byer.pdf>



3.5 FINANCING

➔ TABLE 7: Breakdown of the funding sources of a typical new social housing development in Denmark

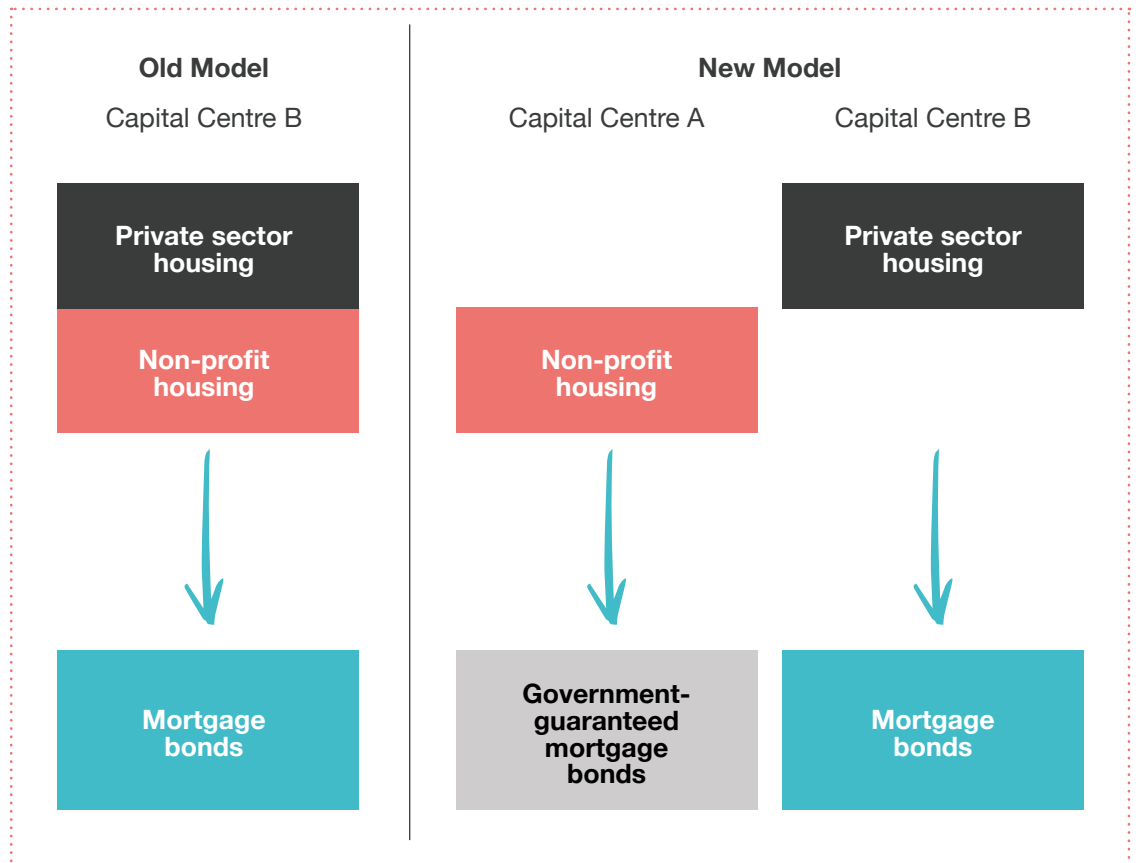
Type of financing instrument	Approximate percentage of the total (%)	Repayment conditions or other important information
➔ Public loan	8-12	<ul style="list-style-type: none"> ➔ The municipality pays a portion of the cost up front in the form of an interest-free and instalment-free, 50-year loan; though it will be repaid after 50 years. ➔ The exact percentage of costs paid by the municipality depends on the size of the individual social housing unit being constructed⁸⁰.
➔ Private loan	86-90	<ul style="list-style-type: none"> ➔ Loan from a mortgage institution. Lending is currently primarily based on a 30-year adjustable-rate mortgage loan ➔ State subsidies can be given to aid with the payment of these loans, ➔ Although, the National Building Fund and tenants refund these state subsidies ➔ The state also guarantees the bonds behind the mortgage loans used to finance social housing. This reduces the costs for both providers (repayments) and tenants (rents).
➔ Tenant contribution	2	<ul style="list-style-type: none"> ➔ They are paid by tenants upon taking up residence ➔ Repaid to the tenants at the end of their tenancy, minus expenses for normal repairs and any violation of their rental agreement.

The funding model for Danish non-profit housing is both diverse and complex, with many actors involved, providing different types of support, i.e., loans, grants, guarantees, equity contributions. As outlined below, the Danish state is also heavily involved, via a complex procedure for the repayment of outstanding debts of the non-profit sector.

The “public loan” (i.e., municipal loan) and “tenant contribution” financing components are quite straightforward. However, one point to take note of is that the current system for municipal loans was only established in 1975, with the first loans provided in the same year. Given that these loans are both interest- and instalment-free during the first 50 years, it means that no servicing of this debt has yet taken place, with the first loans only due to come to term in 2025. The National Building Fund is currently looking at how repayment should be managed, and what role it will have to play in this. It is possible that housing associations will have to negotiate with municipalities to set up a repayment plan; meaning this could be either a one-off payment (similar to a bullet loan), or spread out over time.

⁸⁰ Municipal governments provide 8% loans for units under 90m², 10% loans for units between 90m² and 105m², and 12% loans for units over 105m².

FIGURE 4: Old and New Models of Bond Issuances for Supporting Non-Profit Housing in Denmark



Source: Reproduced from Bindslev Agerholm (2018).

In terms of the far more consequential “private loan” financing segment. Mortgage loans provided by commercial financial institutions represent the vast majority of the capital required to develop new non-profit housing in Denmark (86-90 per cent). Interest rates used to be variable, rather than fixed, with a typical 30-year repayment time. Since 2018, the Danish state has decided to support the financing of non-profit housing via government-guaranteed mortgage bonds issued by third-party private financial actors⁸¹. With this change, the loans to be taken must be an adjustable-rate mortgage loan with full refinancing (i.e., renegotiation) for every 10th year during the 30-year period. The state guarantee applied to this lending has successfully “lowered the cost of loans..., highlighting the role of the state in setting the framework and providing guarantees for otherwise independent actors”⁸².

Prior to the start of 2018, specialist mortgage banks in Denmark would issue debt, in the form of covered bonds, and then the resulting funds would be distributed in the form of mortgage loans to non-profit housing associations, as well as the private sector (primarily to future owner-occupiers) . In other words, non-profit housing was financed on the same terms as private housing, from a common pool of private finance (i.e., Capital Centre B in the old model, as shown in Figure 4).

⁸¹ Bindslev Agerholm, J. (2018). New financing of social housing strengthens the market for Danish government securities. Copenhagen: Danmarks Nationalbanks. Available at: <https://www.nationalbanken.dk/en/news-and-knowledge/publications-and-speeches/archive-publications/2018/new-financing-of-social-housing-strengthens-the-market-for-danish-government-securities>

⁸² OECD (2023). Strengthening Latvia's Housing Affordability Fund. Available at: https://www.oecd.org/en/publications/strengthening-latvia-s-housing-affordability-fund_84736a67-en.html

⁸³ By far the largest single issuer of mortgage bonds in Denmark is Nykredit, which has existed since 1851. See: <https://www.nykredit.com/en-gb/om-os/#our-history>. Its main competitor is Realkredit Danmark: <https://rd.dk/realkredit-danmark/om-os>

Since 2018, bonds intended to raise debt to finance the non-profit housing sector have been issued separately to other mortgage bonds (i.e., Capital Centre A). These new 'non-profit housing bonds' are granted a guarantee by the Danish government, which vastly increases their creditworthiness, and results in lower yields. This in turn translates into lower borrowing costs for non-profit housing providers, and lower rents for their tenants.

While lower borrowing costs for the non-profit sector is, of course, a positive for the Danish state, helping to increase the level of output from non-profit housing providers, the reason for the new guarantee-based mortgage finance model is not completely altruistic on the part of the Danish government. This is because rather than servicing the private loans themselves (i.e., making repayments to creditors), the Danish housing associations transfer money to the state, which then makes the mortgage payment on their behalf. This payment from the housing associations is fixed at 2.8% of the initial development cost of a given non-profit housing development annually, with no account is taken of changes in interest rates or the actual cost of servicing the debt over the 30-year repayment period. This means the Danish state is effectively assuming the interest rate risk.

In the pre-COVID period, when interest rates were stuck at historic lows for many years, the annual cost of servicing the typical loan related to the development of non-profit housing was actually below 2.8% of the development cost. This meant that the Danish state was in some cases making a profit off of the servicing of the debt of the housing associations. In the current climate of much higher interest rates, the 2.8% annual payment is maintained. This means that the Danish state is conversely now making a 'loss' on the servicing of many outstanding debt obligations, and is thus effectively subsidising the loans of the housing associations⁸⁴.

However, the situation is in fact more complex. In reality, when new mortgage finance is being granted to develop a new project, the state will estimate how much of a subsidy it will need to provide. When the present value of the remaining estimated public subsidy is equal to 75 per cent of the total forecast subsidy, the National Building Fund will start to reimburse the state for its subsidy contribution. To explain this in slightly more straightforward terms, if we imagine that a subsidy of 1 million DKK will have to be provided over the 30 year repayment period of the loan, in order to keep the 2.8% repayment cap, once the state has allocated 750,000 DKK (in present value terms), the final 250,000 DKK will be reimbursed to the state by the NBF. Thus, as indicated in Figure 3, the state will pay 75% of the total subsidy over 30 years, with the final 25% effectively paid by the NBF⁸⁵. Furthermore, the state's 75% subsidy will also be effectively repaid during years 30-40 (Figure 3), when the rent paid by tenants is transferred to the state.

This somewhat abstract approach will likely mean that there is a mismatch between what the state pays in subsidies and what it receives in reimbursement from the NBF and the housing associations, i.e., the repayments will almost certainly be either more or less than the present value adjusted state subsidy. The idea is that over time and the entire non-profit housing stock of the country, the Danish state subsidy-reimbursement model will be broadly balanced.

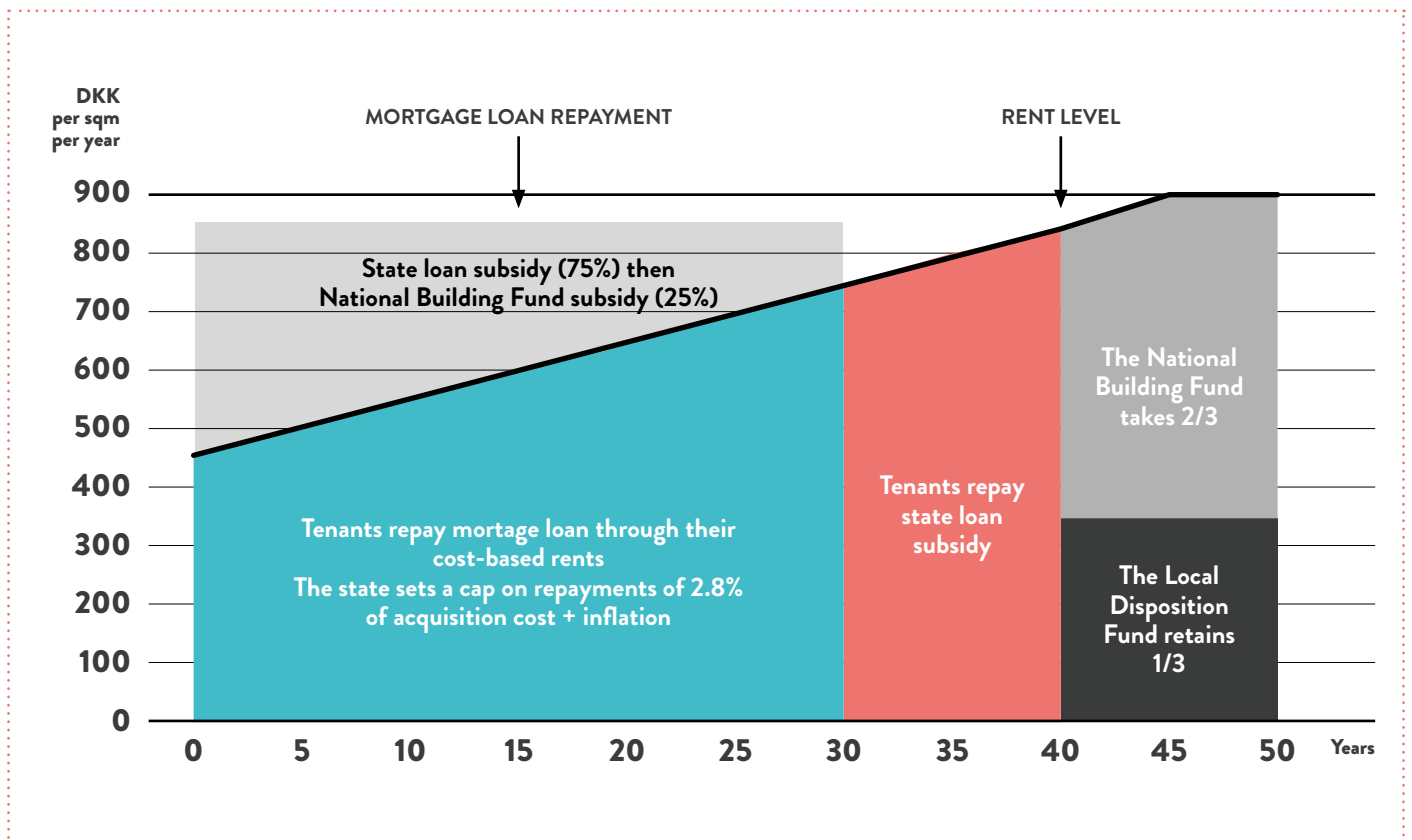
Figures provided for 2022 show that the Danish state had received 646 million DKK (c.€85 million) more in the year in terms of reimbursements related to subsidised mortgage loans from the non-profit sector than it had paid out in new subsidies. Indeed, all things considered, the Danish state had a negative 581 million DKK (nearly €80 million) spend on affordable housing and all related programmes in 2022⁸⁶. Unfortunately, a long-term data series on the annual surplus/deficit for the Danish state related to its role in servicing the mortgage debt of the housing associations is not available.

⁸⁴ For example, in the hypothetical scenario that the annual cost of repaying the underlying loans is equivalent to 3.2% of the initial development cost of a project, given the 2.8% cap on annual repayments, the Danish state is effectively paying the 0.4 percentage point difference itself.

⁸⁵ For more information, see (in Danish): <https://lbf.dk/stoette/refusion-stat/>

⁸⁶ See (in Danish): <https://www.ft.dk/samling/20222/almindel/bou/spm/105/svar/1980042/2753296.pdf>

➔ **FIGURE 5: Illustration of loan repayments and transfers to the NBF and LDF**



Source: BL.

Bringing things back to the aforementioned issuing of non-profit housing specific mortgage bonds, which benefit from a state guarantee. The reason for moving to this new model now becomes clearer. By offering the guarantee, the yield on the associated mortgage bonds will be lower, and the housing associations can borrow more cheaply. This in turn means that in times of low interest rates, the possible ‘profit’ to be made by the state from servicing the debt of the housing associations increases. At the same time, in periods of higher interest rates, the level of indirect public subsidy will be lower, as the interest rates offered to the housing associations will be lower than those offered to the private housing sector.

The Danish state has even gone one step further in this process, by purchasing the government-guaranteed bonds being issued by mortgage institutions. These purchases are financed by issuing government bonds, which benefit from even lower yields than the state guaranteed mortgage bonds. As the Danish Central Bank summarises it: “Effectively, this corresponds to issuance of mortgage bonds in the market being substituted by increased sales of government bonds”⁸⁷.

As of May 2024, the Danish state has an outstanding non-profit housing mortgage bond portfolio of 153 billion DKK (a little over €20bn), which is also guaranteed by the state itself⁸⁸. In a number of calendar years since the bond buying programme began in February 2018, the Danish state has purchased close to 100 per cent of government guaranteed mortgage bonds that have been issued⁸⁹.

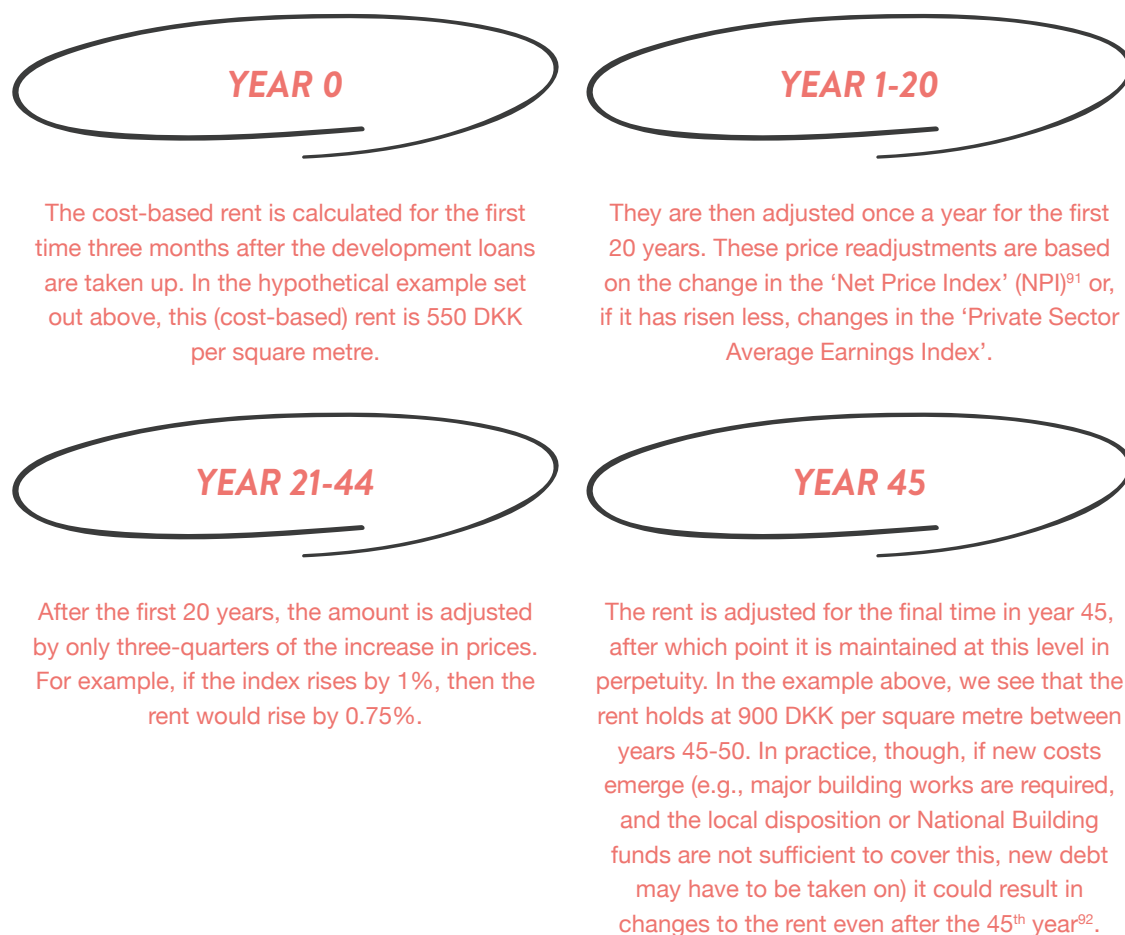
⁸⁷ indslev Agerholm, J. (2018). New financing of social housing strengthens the market for Danish government securities. Copenhagen: Danmarks Nationalbanks. Available at: <https://www.nationalbanken.dk/en/news-and-knowledge/publications-and-speeches/archive-publications/2018/new-financing-of-social-housing-strengthens-the-market-for-danish-government-securities>

⁸⁸ This is according to the Danish Central Bank (Danmarks Nationalbank) ‘Table - DNSOSB: Central Government Finance and Debt by Item’.

⁸⁹ It should also be noted that since the government guarantees not only the bonds, but also the subsequent loans made to the non-profit housing providers, the mortgage credit institutions obtain a saving because they are exempted from capital requirements for government guaranteed lending. Consequently, the institutions pay commission to the government for this guarantee. The guarantee commission has been set at 0.12 per cent of the original principal. As the mortgage loans are amortised on a continuous basis, this corresponds to a saving of around 0.20 per cent of the outstanding debt over the maturity of the loan.

Despite this very close relationship between the Danish state and the housing associations (i.e., from a funding point of view), the non-profit sector remains off-balance sheet for the purposes of the calculation of the European Union's public debt and budget deficit rules⁹⁰.

Given the somewhat complex guarantee- and subsidy-based arrangement that the Danish government has set up, it begs the question of what the impact of this is on the final rent that tenants must pay. Figure 3 (above) goes some way to explaining this.



As shown in Figure 3, from year 40, the rent paid by tenants is transferred to one of two funds. One-third of the rent is retained locally by the housing associations, in the local disposition fund (LDF). This should cover the costs of basic up-keep and renovations, as well as other foreseeable investments in the existing stock of non-profit housing. It can also help to bolster the associations should it encounter any financial difficulties.

The other two-thirds is transferred to the National Building Fund (*Landsbyggefonden*). As already alluded to, this is used for diverse purposes. In the current context its main function is helping to cover the cost of renovations or building modifications that are urgent or which were not reasonably foreseen in the past, such as the requirement to update homes for a population that is ageing more rapidly, and building up the reserves required to cover its 25 per cent share of the subsidy paid on 30-year mortgage loans

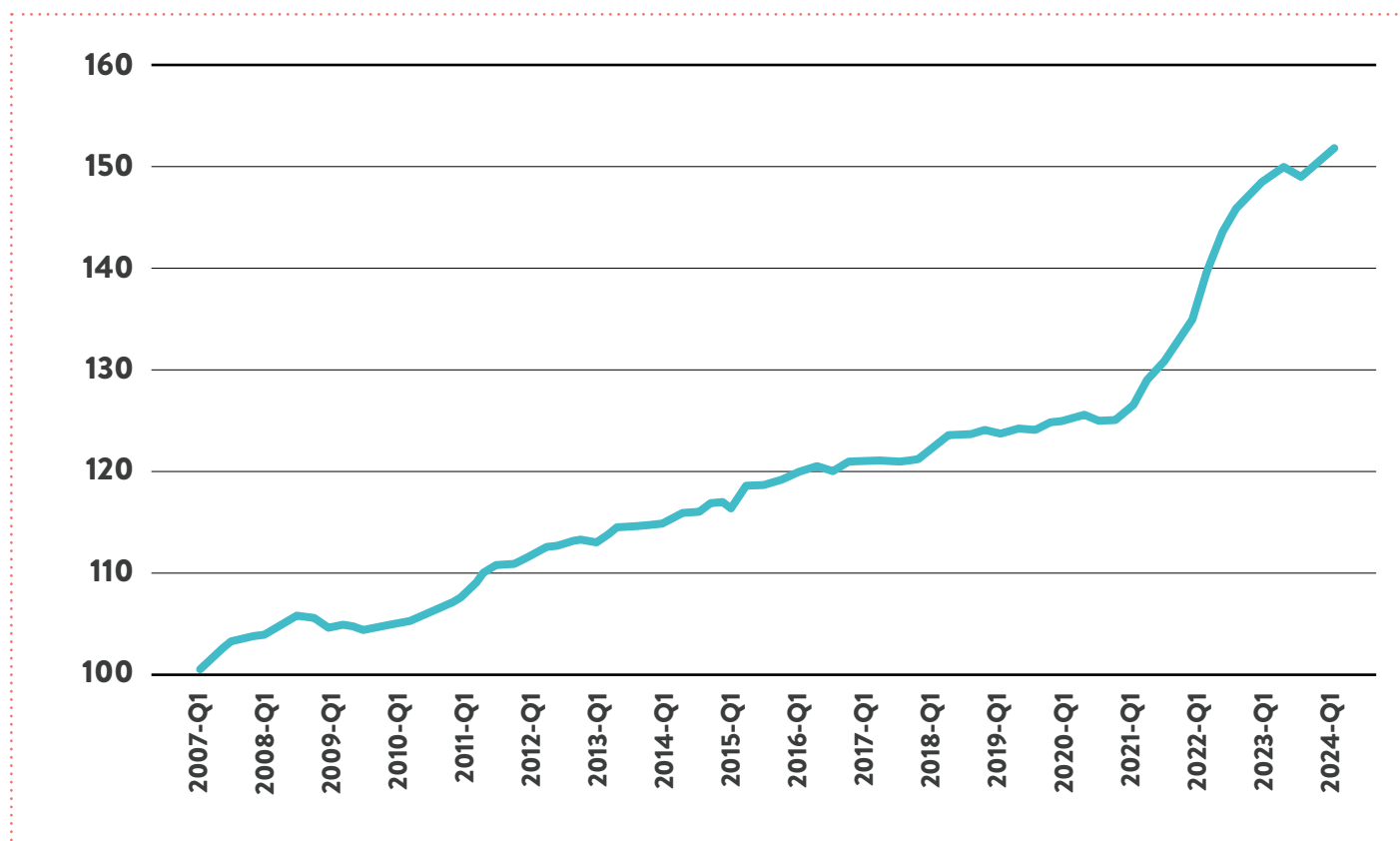
⁹⁰ One place where the EU is impacting on finance, though, is via its rules on sustainability reporting; such as the Corporate Sustainability Reporting Directive [EU 2022/2464]. This is leading to a push by the housing associations to develop new tools to openly and transparently report on the sustainability of their activities. They have established a new digital tool called 'AlmenKompas' for this purpose: <https://almenkompas.dk/>

⁹¹ The NPI is a Danish price index, similar to Consumer Price Index (CPI), which measures changes in prices less indirect taxes and duties, and including price subsidies. The NPI is important in Denmark for regulating (indexation) contracts, pensions, wages and salaries, rents, etc.

⁹² In the case that new borrowing is required for major renovations, this is 98 per cent financed through a mortgage loan, and 2 per cent by tenant contributions, with support from municipalities to guarantee the loans. The annual repayment rate of the loan is capped, and is determined each January, so as that with the resident payment percentage is, with the applicable interest and inflation assumptions, no positive or negative support is provided for the additional investment over a period of 40 years after the loan was taken out. See (in Danish): <https://www.sbst.dk/bolig/almene-boliger/etablering-og-renovering/etablering-af-almene-boliger/totaloekonomiske-investeringer-i-lavenergibygninger>

for new construction⁹³. The Fund can also help to subsidise rents for tenants on a temporary basis, or cover some of the losses of a housing association that is experiencing financial difficulties. In recent times, the Fund has also helped to prepare brownfield sites for future use as non-profit housing.

FIGURE 6: Danish Residential Construction Cost Index (Q1 2007 = 100)



Source: Housing Europe calculations, based on Eurostat [sts_copi_q].
 Notes: Index is for all residential construction projects, not just those of non-profit providers.

Despite the ample access to financing for new non-profit housing, as we see in Figure 3, the overall level of new construction has declined in recent years. This partly reflects COVID-related delays. However, it also reflects one major complicating factor for Danish non-profit housing associations, namely that the construction price for their new developments is legally ‘capped’. This is done in an effort to ensure that the resulting cost-based rents will be low and affordable for those who need this type of housing.

While this is admirable on the part of the state, in the context of a spike in construction costs, especially materials and land, it can effectively prevent housing associations in some parts of the country from building new homes. The average cost of building a new residential building in Denmark jumped by 21.5 per cent between Q3 2020 and Q1 2024. The construction price cap is reviewed each year. For 2024, it is fixed at 18,720-23,760 DKK per square metre (roughly €2,500-€3,185) depending on the region, plus an additional allowance of 408,130 DKK (around €54,715) per unit⁹⁴. While this represents an increase from 2023, it does not fully compensate for the higher construction costs of non-profit housing providers⁹⁵.

⁹³ In reality, half of the money transferred to the National Building Fund goes into a pool of financing to repay state subsidies (the ‘New Construction Fund’) and the rest goes towards the other activities described earlier in this chapter (e.g., deep renovations, rent supports). However, all of this money is still managed under the umbrella of the National Building Fund, and depending on future needs or priorities, money currently earmarked for one purpose may end up being used for another.

⁹⁴ Information on the construction cost cap can be found at (in Danish): <https://www.sbst.dk/bolig/almene-boliger/etablering-og-renovering/etablering-af-almene-boliger/maksimumsbeloeb-for-stoettet-boligbyggeri>

⁹⁵ Some small remedial measures have been taken to try and overcome this issue, though. For example, special authorisation has been granted for approximately 1,400 non-profit housing units, which we approved before the 1st of January 2022, but which have stalled since then as a result of the higher construction costs and the construction price cap. However, in order to avoid the outcome of unaffordable rents, 90 per cent of the ‘excess’ construction cost will be directly paid by the National Building Fund, and 10 per cent by the relevant municipality on the same basis as the public loan for new constructions.

As well as the aforementioned repayment subsidies in times of higher interest rates, the Danish housing associations also benefit from a number of indirect subsidies in the form of tax breaks and exemptions. This includes an exemption on their cashflow, including corporation tax. They are also exempt from VAT. However, there are some exceptions to this. For example, in the case of the administrative organisations, VAT must be paid on construction project management fees and payroll tax on services performed by them. Certain ancillary activities are also subject to tax.

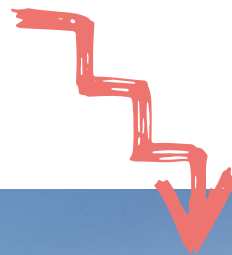
Finally, one quite unique feature of the Danish housing associations is that they are permitted to engage in activities that some people may consider to be 'speculative' or 'risky'. For example, they can use their savings (e.g., working capital) to invest in listed shares or corporate bonds, as well as financial instruments. This is done for hedging purposes in order to mitigate potential currency risks. The National Building Fund and the municipalities have an oversight role to play to help ensure that this complies with legislation and official guidelines⁹⁶. In principle, the investments should be in low risk assets, and indeed new stricter rules for such investments were adopted in 2023, and we accompanied by reinforced oversight⁹⁷. Overall, this investment approach is designed to help to avoid a decline in the value of the savings of the housing associations in real terms (i.e., as a result of inflation), and can help to safeguard future investment, especially from the local disposition funds.



Picture: Danish non-profit housing association DAB helps to bring together communities
Photo Credit: BBC StoryWorks, Building Communities Series

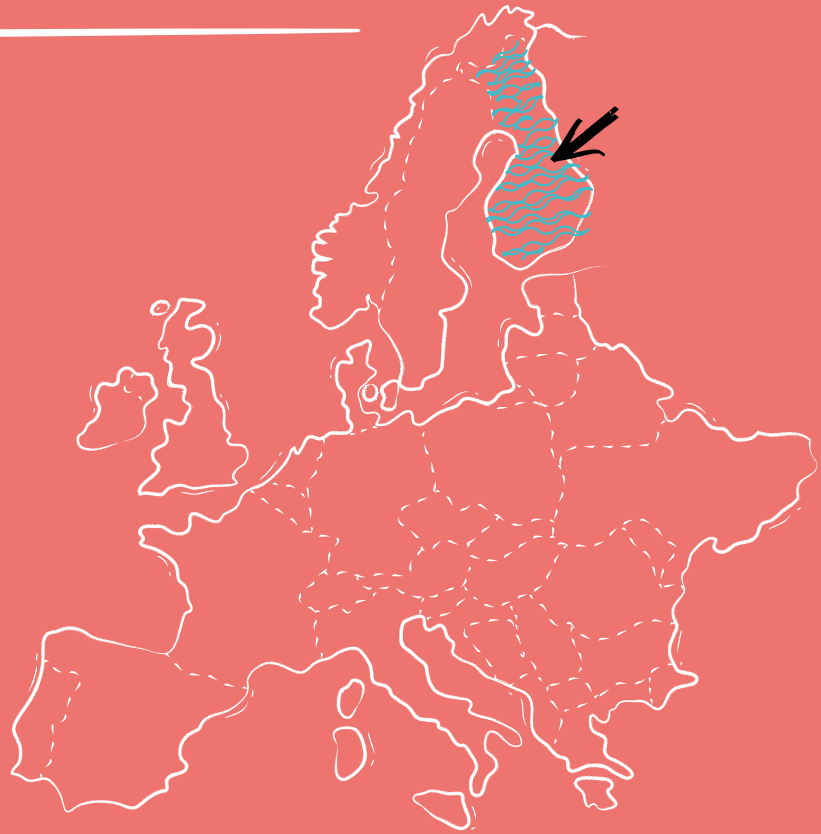
⁹⁶ The investment of savings is outlined in Chapter 12 of the 'Order on the operation of non-profit housing'. See: <https://www.retsinformation.dk/eli/ta/2023/1642>

⁹⁷ Available (in Danish) at : <https://bl.dk/media/19141/skrivelse-om-aendrede-regler-for-kapitalforvaltning-i-almene-boligorganisationer.pdf>



Picture: Social housing and exemplary regeneration in Aalborg East, Denmark
Photo Credit: European Responsible Housing Awards

4. FINLAND



Picture: View from the social tenants' roof garden – Jätkäsaari District (Helsinki)
Photo Credit: Housing Europe

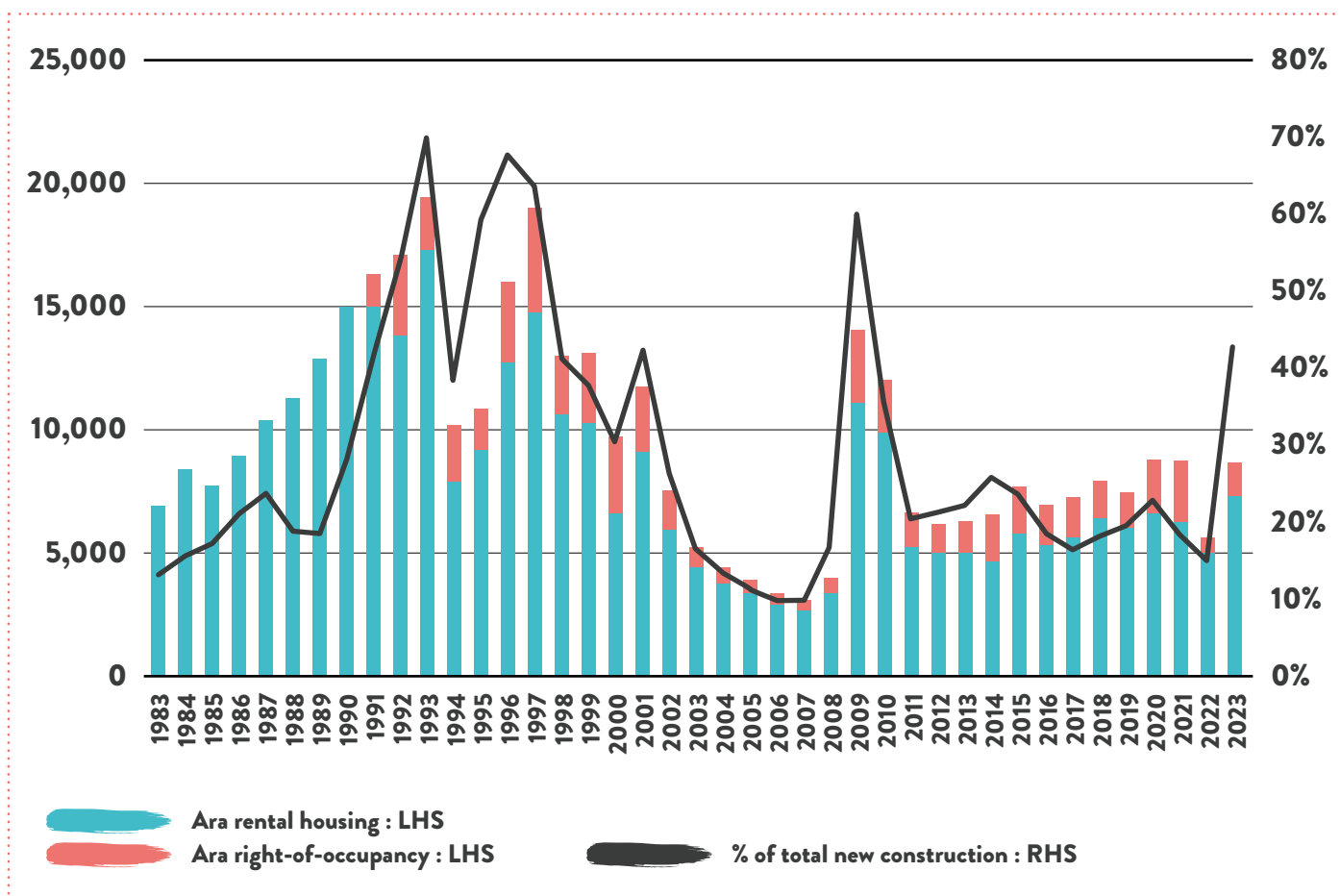
➔ **TABLE 8: Housing Tenure in Finland (Number of Dwellings; 2022)**

	Finland		Helsinki	
➔ TOTAL	3,316,000	%	396,000	%
➔ Social rental	497,000	15.0	68,000	17.2
➔ Right of occupancy housing	53,000	1.6	13,000	3.3
➔ Other rental	722,000	21.8	129,000	32.6
➔ Owner occupiers	2,044,000	61.6	186,000	47.0

Source: KOVA estimates, based on [Statistics Finland](#) and the [Finnish Environment Institute](#).

Note: 'Right of occupancy' housing is a hybrid of typical cost-based social rental and shared equity schemes. A tenant purchases a portion of their home (usually at least 15%), and then pays a cost-based social rent on the balance. Thus, it is a form of social housing. All figures presented in the table above include also vacant dwellings. However, 'summer cottages' and other homes not intended for permanent long-term residence are excluded.

➔ **FIGURE 7: Annual production of new dwellings in Finland**



Source: Ara.

Note: Up until 2012, Ara also provided subsidies for certain owner-occupier or private housing schemes. These schemes had been particularly strong in the 1970s. However, the chart only includes Ara rental or right-of-occupancy housing.



4.1

GOVERNANCE

In Finland, ‘social’ housing can be referred to as *valtion tukema kohtuuhintainen vuokra-asunto* – which translates as ‘state-supported affordable rental housing’. However, in daily discourse and the popular consciousness of Finns, social housing is usually simply known as “Ara housing”. Ara is short for *Asumisen rahoitus- ja kehittämiskeskus*, or the ‘Housing Finance and Development Centre of Finland’; a public agency⁹⁸. Amongst its many roles, it is charged with the distribution of public financing to support the construction of social and affordable housing, as well as the regulation and oversight of the sector. Thus, Ara has become synonymous with social housing in Finland.

There is no strict legal definition of social housing in Finland. Rather, national legislation sets out a number of restrictions and obligations for those who wish to receive state support for the provision of housing. Chief among these is adherence to the *‘omakustannusperiaate’*, or *‘cost recovery principle’* of rent setting. This refers to the requirement for rents to be set at a level equal to the cost of provision. However, unlike in other cost-based social rental models – like Austria or Denmark – the costs can be “equalised” across the entire housing stock of a social provider.

Social housing in Finland can be provided by a couple of different types of legal entities. However, by far the most common type of provider (75-80% of the social housing stock) are the so-called ‘Municipal Housing Companies’ (MHCs). They are typically legally established as ‘Limited Companies’ (LCs), or *‘osakeyhtiö-Oy’*. In practice, the MHCs are ‘arms-length’ public entities, which are charged with the provision and management of social housing, usually within a specific geographic area. Typically 100% of the shares are owned by the municipalities, and the boards of management are nominated by the elected members of the municipal governments. By sitting just outside of the municipal authorities, the MHCs are not bound to the same extent by public sector practices in Finland – such as practices around hiring – and can therefore more easily build up silos of expertise on housing, pioneer new methods of housing delivery, and generally behave in a more ‘business’ type manner than the main public sector.

The other main type of social housing provider is the limited-profit housing companies, which are in effect established as charitable foundations; and will be referred to as such in the rest of this chapter. The purpose of these foundations is providing homes to specific target groups; such as those experiencing homelessness (i.e., Housing First), students, or the elderly. Thus, the foundations play a complimentary role to the much larger and more ‘generalist’ MHC sector.



⁹⁸ To learn more about Ara : <https://www.ara.fi/en/tietoa-meista/ara>

CASE STUDY 4: HOUSING FIRST IN FINLAND BY THE Y-FOUNDATION



While Finland has become synonymous with pioneering of the Housing First model of tackling homelessness⁹⁹, within Finland the most well-known body is the 'Y-Säätiö', sometimes called the 'Y-Foundation' in English. It has grown substantially in recent years, and now provides close to 20,000 homes for the most vulnerable Finnish households. This makes it the fourth largest housing provider in all of Finland. It also has a staff of nearly 200, providing both housing and related social services. The Y-Foundation is set up as a housing foundation. As such, it receives support from Ara and the Finnish state to develop new social housing, with the specific target group of those experiencing or at severe risk of homelessness.

The Y-Foundation was created as far back as 1985. At the time, there were nearly 20,000 people without a home in Finland. "More than 95% of them were single-person households. Nine out of ten were

men"¹⁰⁰. The problem was particularly acute in larger cities.

Not all of the homes provided by the foundation are directly owned by them. A number of homes are provided through partnerships with municipalities and others. The homes are primarily studios or smaller units, suitable for single people, which are disproportionately represented amongst the homeless population in Finland.

In order to maximise the impact, social services are folded into the provision of homes under the Housing First programme. This means that healthcare, social services, and assistance with accessing employment are delivered alongside housing. However, having a home of one's own, and the stability and predictability that comes with it are at all times the foundational element.

The core mission of the social housing providers (both MHCs and foundations) is simple – to build and maintain affordable housing. Additionally, they provide so-called "counselling" services. The goal of housing counselling is to reduce rent arrears, housing disturbances, and evictions, as well as to ensure the continuity of housing. A housing counsellor can help, for example, in situations where there is a risk of eviction, resolving rent arrears, or applying for social housing. Housing counselling services are managed by social housing companies directly, while Kela (the Finnish social insurance agency¹⁰¹) provides social security for social tenants, and the state provides social and healthcare services. In addition, some of the social housing foundations may offer jobs for people who have some difficulty in accessing the labour market, e.g., as a result of issues with their health.

Regarding the geographical scope of Finnish social housing providers. Usually, MHCs operate only in one municipality. However, there are some MHCs operating across several areas at once. This can reflect rare cases where MHCs operate outside the area of the municipality that owns them. More commonly, though, smaller municipalities might come together to establish one large MHC, as they otherwise would struggle to develop sufficient scale to be viable by themselves¹⁰².

In terms of the 'oversight' of the social housing sector in Finland, as mentioned briefly above, this is the responsibility of Ara. The public housing agency also conducts regular checks regarding the rent levels in social housing, i.e., to verify that they do not violate the cost recovery principle. Social housing providers must also report on their finances, governance, and other issues to Ara at least once a year. In

⁹⁹ See: Leni, E. (2024). Finnish Homelessness Deinstitutionalization Policy: Housing First and Frontline Perspectives. *European Journal of Homelessness*, Volume 18(1). Available at: https://www.feantsa.org/public/user/Observatory/2024/EJH_18-1_A07.pdf

¹⁰⁰ <https://yasaatio.fi/en/about-us/history/>

¹⁰¹ <https://www.kela.fi/main-page>

¹⁰² For example, the MHC known as KAS (<https://kas.fi>) is owned by multiple municipalities. Likewise, TVT (<https://www.tvt.fi/en/>) is a regional player in the Turku region.

case of any breaches, Ara first gives an order to rectify behaviour. As a last resort, Ara can terminate the loans it has provided to a social housing company¹⁰³.

When it comes to the level of development activity by a given social housing provider in Finland, this is at the discretion of the individual boards of management¹⁰⁴. New construction projects are also managed through all phases – from initial conception to completion – by the social housing providers themselves. However, local municipalities may provide some assistance with projects, such as helping to secure more favourable lending conditions, by providing a public guarantee (see [Section 4.5](#)), or by offering publicly owned developable land, often on a long-term lease.

On this latter point, while the social housing providers will develop targets for new homes, the local municipalities (which in many cases have ultimate control over the social housing companies, particularly the MHCs) retain all responsibility for land use and planning within their jurisdiction. Therefore, social housing providers do have to coordinate closely with local municipalities when trying to develop new projects. It should be noted, though, that while municipalities can steer social housing production through the management of public lands, social providers can also acquire plots from private landowners.



4.2 STRATEGIC ROLE

As outlined in the previous section, MHCs are publicly controlled entities, linked to Finnish municipalities¹⁰⁵. While they maintain a degree of independence, strategic linkages with other local policy objectives are of course common. This might include, for example, a strong degree of cooperation between MHCs and municipalities in relation to urban or district regeneration strategies. Such linkages are not, however, pre-defined or obliged by legislation. Therefore, the degree to which MHCs may find strong synergies with other aspects of local public policymaking varies from one municipality to the next.

At the same time, the foundations that supply social housing, which tend to be more specialised, targeting specific population cohorts, play a vital role in public policy around elder care, education and training for students, preventing homelessness, and finding suitable accommodation for people with disabilities. Developments for specialised groups typically rely on investment aid from the government, which comes in the form of a grant covering 15-50 per cent of the total development costs. This reflects the fact that rents for these groups typically need to be even lower than those offered to the ‘average’ social housing tenant, and that the need for special on-site facilities (e.g., for people with disabilities) can drastically push up the cost of construction¹⁰⁶ when compared to a more ‘typical’ social housing project.

As it is possible for Finnish social housing providers to operate in more than one geographic area – though this is more often the case for the ‘specialist’ foundations, than for the MHCs – in some cases there is a degree of ‘competition’ between different providers of social housing. In practice,

¹⁰³ Such issues are virtually unheard of, though. Indeed, the only example of such serious disputes is Nuorisosäätiö sr (a charitable foundation specialised in housing young people), which got its loans terminated in the early 2020s. After a hypothetical loan termination, the social provider would need to reorganise its financing via private market loans. For more information on the oversight role of ARA, please see: <https://www.ara.fi/fi/yhteisot-ja-yhtiot/ara-asuntokannan-hallinnointi/valvonta>

¹⁰⁴ Given that the ultimate control of the boards of management of the Municipal Housing Companies rests with individual municipalities, local politicians and civil servants have a lot of control to set these targets for new construction. Therefore, by vesting the delivery of new social housing with MHCs, local policymakers do not give up control over delivery.

¹⁰⁵ It is important to note the long history of the MHCs in Finland. They have always existed to serve the function of providing social housing. In other words, unlike in some other European countries, Finnish municipalities did not ‘transition’ from directly building and managing social housing to devolving this activity to MHCs. The MHCs have existed for essentially as long as the Finnish state has been supporting the development of social housing. However, a very small number of apartments (mostly for specialised groups) are directly owned by the municipalities even today.

¹⁰⁶ The investment aid (<https://www.ara.fi/fi/yhteisot-ja-yhtiot/avustukset-yhteisolle-ja-yhtiolle/erityisryhmien-investointiavustus>) decreases the need for debt, which originally sits at 95 per cent of development costs (see Section 4.5). The largest aid (50 per cent) is targeted towards projects with very specialised needs. These projects are typically small in size. Essentially, the more costly it is to provide housing that is adequate for the needs of the specialised group in question, the greater the aid provided by the state. See (in Finnish): <https://www.finlex.fi/fi/laki/ajantasa/2004/20041281>

such competition tends to be confined to areas with strong population growth, such as the Helsinki Metropolitan Area. However, given that in these areas the annual growth in demand for social housing tends to outpace new delivery, having multiple social housing providers is considered to generally be a positive feature of the system, by helping to boost supply over and above what could feasibly be delivered by one provider alone.



4.3

APPROACH TO ASSET AND TENANT MANAGEMENT

When someone needs social housing, they must directly apply for it. Today this process is most commonly handled online, via a digital application form. Social housing providers then allocate the housing based on the assessed degree of need or urgency (divided into three categories: *extremely urgent*; *urgent*; and *in need of housing*), as outlined below. It is important to note that applications are company-specific. This means, for example, if there are two social housing providers active in a given area, then potential social tenants would have to apply for social housing twice. Those who are already living in social housing can also apply for a transfer, using the same application form.

→ **Urgency of need** (priority given to homeless people and others in desperate situations). Urgency of need is defined by three categories:

→ **Extremely urgent (Category 1)**¹⁰⁸:

- Homeless individuals or people still living with relatives or friends
- Renters with a fixed-term or terminated lease agreement
- Adults still living with their parents
- People subletting a home
- Workers moving to a new region who have a job, but are unable to find a home can also be defined as extremely urgent

→ **Urgent (Category 2):**

- Current apartment is too small (more than 1 person per room)
- Excessive housing costs (more than 40 per cent of a household's income is currently being spent on housing, as defined in EU statistics on income and living conditions)

→ **In need of housing (Category 3):**

- Desire to move is due to the current apartment's equipment level, location, etc.

→ **Income** is taken into consideration in order to allocate social dwellings, but there are no fixed income limits for applicants.

→ **Wealth** is taken into consideration, but no legally defined limit exists. However, the Housing Finance and Development Centre of Finland (Ara) recommends that municipalities define wealth limits for tenant selection. In practice, most of the areas with strong population growth have now defined local wealth limits.

In terms of the day-to-day interaction between tenants and their social housing landlords, housing providers are obliged to follow the *'Joint administration in state-subsidised rental houses act, 2022'*¹⁰⁹, which means their tenants have a legal right to participate in the decision-making regarding their building. The tenants have the right to receive information on the building's maintenance and general management, oversee renovations, comment on the budget of the social housing company, decide on

¹⁰⁷ Each applicant's situation is assessed, and based on that, it is determined how quickly they can get an apartment. However, as the social housing providers do not have waiting lists or use a queueing system, it can be the case that a household might have to apply for social housing a number of times before eventually being allocated a home. Due to high levels of demand in some areas, it also means that those in Category 3 are quite unlikely to be allocated housing in certain parts of Finland.

¹⁰⁸ In practice, in a strong population growth area – like Helsinki – if the applicant is not in the category of "extremely urgent", their chances of being allocated a social dwelling are currently low, because there is a high volume of applicants. Helsinki has also introduced 'wealth' limits for applicants. In 2024, the wealth limit in Helsinki was from €93k-€226k, depending on the household size and composition. See: <https://www.hel.fi/en/housing/rental-housing/heka-rental-apartments/selection-criteria-in-heka-rental-apartments>

¹⁰⁹ See: <https://www.finlex.fi/fi/laki/alkup/2022/20221169>

the code of conduct for shared spaces, and elect representatives to the board of directors of their social housing provider. There is also a residents' committee in each building (or a small cluster of buildings). If tenants are not happy with any decisions, they need to discuss with the responsible personnel at the housing provider to find a suitable solution. For more mundane matters, like small repairs, social tenants can directly contact their social housing provider.

One of the major challenges that social housing providers face is managing tenants during major renovations. This is because, at least using the most common renovation methods¹¹⁰, 'deep' renovations can lead to such disruption that it is not feasible for people to remain in their homes during works. In Finland, the most common approach is to find temporary accommodation for tenants in other social housing buildings. Once the works are completed, tenants have the option to stay in their 'temporary' home on a permanent basis, or to move back to their former building¹¹¹. This, of course, can be difficult for social housing providers to manage, and requires additional time and cost.



Picture: Communal playground and view of social housing – Jätkäsaari District (Helsinki)
Photo Credit: Housing Europe

Other than the 'personal' impact on tenants, building renovations can also have a 'financial' impact, which needs to be carefully managed. This is because, based on the cost recovery principle, renovation costs should be factored into rents. However, the aforementioned cost equalisation mechanism that exists in Finnish social housing means that providers can spread the cost of renovations across all of their tenants, which Finnish social providers refer to as the "solidarity principle". That being said, buildings that have not been renovated tend to have lower rents than renovated buildings with otherwise similar characteristics. Although, lower energy bills in renovated homes can help to compensate tenants for higher rents.

If it happens that a household is unable to afford their rent, then there are a number of different rental allowances and financial supports available. These are administered by Kela. The main support is the "general" housing allowance, or "*Yleinen Asumistuki*"¹¹². The allowance is based on the income, composition, and area of residence of the recipient household, and can cover up to 70% of the

¹¹⁰ New renovation methods based on installation of 'plug-and-play' off-site prefabrication elements are increasing in popularity, and can help to drastically speed up renovations and minimise the impact on residents.

¹¹¹ This is 'standard practice' in the social housing sector, rather than the legal right of the tenant. It should also be noted that as each social dwelling has its own rent, the rent paid while in the 'temporary' apartment could be different than that which was paid in the 'original' dwelling.

¹¹² See (in Finnish): <https://www.kela.fi/yleinen-asumistuki>

associated eligible housing costs (e.g., rent, heating and electricity, water). However, there are also fixed upper limits, or so-called 'maximum housing expenses'. Thus, even if the real cost of housing is more, only expenses up to the fixed limit will be considered when calculating the allowance¹¹³. There are also additional rental allowances targeted at pensioners and students.

In Finland, local governments have significant budgets and devolved powers. One of the ways that these resources are used is to provide local amenities and infrastructure. This includes sports facilities, community centres, transport infrastructure, and cultural spaces. Therefore, when a new social housing development is being planned, it is the responsibility of the municipality to ensure that sufficient amenities for the community are also provided. Such municipal investments are largely financed through municipal taxes and charges, including property taxes and rents on leased parcels of public land. These charges are also paid by social housing providers, meaning that they also finance community facilities for their tenants, albeit in an indirect way.

At the same time, many Finnish social housing buildings include shared spaces for gathering with neighbours and friends, and it is possible that even amenities that would be considered 'luxurious' for many people in Europe, like communal saunas, can be included within buildings. The costs of providing these spaces for tenants to socialise is part of the overall construction cost, and is simply factored into the rent that they pay.

In terms of how rents are decided, as already stated, they are based on the cost recovery principle, though equalised out over the entire stock of a given social housing provider. This is one major difference between the Finnish and Danish cases, which both base rents on the cost of provision. When rents need to be changed, an initial proposal is sent by the social housing provider to the resident committee for comments. However, the companies ultimately decide the rents. They need to inform the residents no less than two months before the changes come into effect.

In case of non-payment of rents, social providers follow a standard set of steps. First, they send a letter and contact the tenant, and try to resolve the underlying causes through their team of housing counsellors. Second, a "warning" letter may be sent. Finally, if no other solution is found, they will need to instigate legal action to try and recover unpaid rents. In very extreme cases, a court may approve an eviction. However, the primary focus is at all times to work with tenants via the housing councillors to find a solution. For example, if non-payment reflects a sudden decline in income, then the councillors can help tenants in applying for social welfare or other state supports.

Stepping back from the specific focus on tenant engagement, how do Finnish social housing providers manage their assets over the long term? The first thing to note is that while it is technically possible for social providers to sell part of their stock, this is quite rare and mostly confined to parts of the country with excess supply of cost-based social rental housing.

For example, in parts of Finland where the population is shrinking, demand for housing might be low. As a result, a potential renter household might be in a strong negotiating position when it comes to their rent. As social providers must always follow the cost-recovery principle, it is possible that a private landlord could offer a cheaper rent. This might lead to difficulty for the social provider to find tenants¹¹⁴. In such cases, a sale of the social dwelling may be justified.

At the same time, social tenants do not have a right to buy their home. This is important, as retaining homes over the long term is essential to maintaining the effectiveness of the cost equalisation and 'solidarity' principles in the Finnish social housing sector. If older debt-free parts of the stock were to be privatised, then the effective subsidisation that exists between different social tenants would no longer be possible, and average rents in the sector would have to rise.

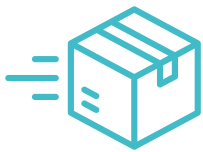
In the hypothetical case that a social housing provider encounters financial difficulties, they will engage with their lenders to try and find a solution. If no solution is forthcoming, then MHCs can ask the local

¹¹³ See (in Finnish): <https://www.kela.fi/yleinen-asumistuki-kuka-voi-saada>

¹¹⁴ Ara has developed a metric to measure the level of 'tightness' or 'slack' in each local social housing market in Finland: <https://www.ara.fi/fi/mika-ara-indeksi#ara-indeksi-0%E2%80%9399-alueella-yllarjontaa>. Ara's metric shows that in 2024, there appears to be some oversupply of social housing in some parts of the country, though this is largely confined to smaller municipalities with shrinking populations: <https://www.ara.fi/fi/document/iiite-asuntomarkkinakatsaus-12024-kuntien-ara-indeksit-2024>

municipality to inject some capital. A final step might be to cut costs, sell properties, or attempt to merge¹¹⁵ with another social housing provider. Financial difficulties tend to be confined to the social housing foundations, which often deal with more vulnerable households¹¹⁶. The strong oversight role played by Ara, and to a lesser extent the social tenants themselves, helps to ensure good governance in the sector.

On the topic of mergers, in the 1990s and early 2000s some social housing providers did merge into larger entities, to cut costs and better develop economies of scale. However, there have been no large mergers in the last 20 years. In the Finnish case at least, mergers of smaller housing providers were seen as being positive, in order to increase the general resilience and capacity of the affordable housing sector. In all cases, mergers were ‘consensual’, and the Finnish state has never obliged social housing providers to merge with each other.



4.4 DELIVERY METHODS

Despite being either arms-length from the state (i.e., MHCs) or independent charitable foundations, Finnish social housing providers are required to apply EU and national rules on public procurement. A criticism of this requirement is that the legislation on public procurement is not well aligned with the way in which social housing providers receive funding and develop new housing projects under the auspices of Ara¹¹⁷. In Finland, social providers always develop their own housing projects, and thus do not lease properties or acquire homes (e.g., turnkey developments) from the private sector. In some countries, such as Ireland, social providers can use leasing or acquisition as a way to somewhat circumvent public procurement and speed up the process of delivering additional homes for use as social housing. This is not the Finnish approach.



Picture: Right of occupancy housing development and communal playground – Jätkäsaari District (Helsinki)
Photo Credit: Housing Europe

¹¹⁵ KOVA is not aware of any historical cases where social housing companies have had to merge as a result of one of them suffering financial difficulties.

¹¹⁶ However, one MHC bankruptcy did occur in 2020, in the small municipality of Siikalatva (<https://www.siikajokilaakso.fi/siikalatvan-vuokratalot-konkurssiin-kunnan-tytaryh/2859010>).

¹¹⁷ For example, if Ara decides that the price is too high, re-tendering or re-opening the procurement process might not be possible. This reflects the fact that Ara has a duty to review all projects to monitor costs and help to ensure that the final cost-based rents that will be charged on the completed units are truly affordable for those in need of social housing. Thus, Ara can reject a project after the tendering process has already been completed.

When it comes to the actual labour required to develop new stock or renovate the existing stock, the degree to which this can be handled in-house depends to a great extent on the size of the social housing provider involved. For smaller providers, directly employed staff will likely only handle small renovations and maintenance, with bigger projects being contracted out to private companies. Larger social housing providers would typically have their own staff for the direct management and control of projects. However, they might not necessarily have the capability for actual development projects, meaning they mainly handle conventional construction management tasks¹¹⁸ or at most minor development. These companies purchase services from outside to support their own staff. The absolute largest few housing providers may have some resources for development as well, employing architects, engineers and other high-skilled professionals directly¹¹⁹.



4.5 FINANCING

➔ **TABLE 9: Breakdown of the funding sources of a typical new social housing development in Finland**

Type of financing instrument	Approximate percentage of the total (%)	Repayment conditions or other important information
➔ Private loan	95	➔ The state provides an interest rate subsidy; A public guarantee can also be applied
➔ Own equity	5	
➔ Other	0	➔ Small start-up grants may be available.

Note: The above figures are for 'standard' social housing projects. As outlined in [Section 4.2](#), grants are available for the development of homes for people with specialised needs, such as those with disabilities or other on-site care needs.

➔ **Private loan:** This equates to 95% of the typical development cost of a new social housing project. Money is lent by commercial banks or financial institutions to Finnish social providers. Loans are guaranteed by the state (see below) in order to reduce the potential risk for lenders, and thus secure more favourable lending terms for social providers.

In practice, though, there is only one financial institution in Finland that provides loans for new social housing; a private bank¹²⁰ called MuniFin. The bank is majority owned by the Finnish municipalities, with minority stakes for central government and the national pension fund. MuniFin raises capital for investment in social housing and other municipal projects by issuing bonds on financial markets. These bonds are given a guarantee by another organisation called the 'Municipal Guarantee Board' (Kuntien takauskeskus, KT), which means that MuniFin can borrow at very low rates¹²¹.

¹¹⁸ For example, renewal or repair of building parts (balconies, windows, bathrooms, kitchens, plumbing), i.e., repairs due to wear and tear or aging.

¹¹⁹ One interesting case is Helsinki, which has its own public developer organisation Asuntotuotantotoimisto (ATT), or the 'Housing Production Office'. However, it is a project planner, developer, and tender management organisation, rather than a construction company. ATT develops right-of-occupancy apartments for HASO (a social provider specialised in right-of-occupancy housing) and rental apartments for HEKA (the Helsinki MHC). In addition, ATT implements the city's public construction projects and carries out renovation projects for HASO and HEKA. See: <https://asuntotuotanto.hel.fi/laadukkaita-koteja-kasvavaan-kaupunkiin>.

¹²⁰ Note: MuniFin does not accept deposits, and thus is not technically a bank.

¹²¹ OECD. (2022). Fiscal Federalism 2022 – Making Decentralisation Work. Paris: The Organisation for Economic Cooperation and Development. <https://www.oecd.org/publications/fiscal-federalism-2022-201c75b6-en.htm>

To obtain a **public guarantee** from the KT, a municipality or joint municipal authority must submit an application along with a description of the investment project or financing instrument for which the guarantee is being sought. The KT uses the loans from MuniFin as collateral and can only guarantee loans issued by MuniFin¹²². It has as a backstop the ability of local municipalities to raise taxes, meaning the KT has an AA+ credit rating¹²³. In recent years, MuniFin has also been putting an increased emphasis on the ‘greening’ of its lending, leading to requirements for higher efficiency and environmental performance of social housing buildings¹²⁴.

As both MuniFin and the KT are strictly non-profit institutions, Finnish municipalities and their subsidiaries can access financing at very favourable rates, with around 80% of all outstanding Finnish municipal debt issued through MuniFin. As all Finnish municipalities benefit from MuniFin’s low interest rates, there is a mutual benefit to behaving in a ‘prudent’ manner. Indeed, if certain excessive deficits or other benchmarks/thresholds are breached, then municipalities can lose access to MuniFin’s affordable loans.

As well as financing social housing (about half of their lending portfolio), they also provide lending for schools, hospitals, roads and other public infrastructure and services. MuniFin provided €4.8bn in new lending in 2020, including €827m in lending for new social and affordable housing, plus €195m in financing for new housing for people with special needs. MuniFin recorded a net operating profit of €197m in 2020.

➡ **Interest rate subsidy:** In the event that the interest rate on borrowing exceeds 2.3%¹²⁵, then Ara will also provide a subsidy in order to reduce repayment costs¹²⁶. Ara manages the dispersal of funds, though they in fact originate from a separate state institution – *Valtion asuntorahasto* (VAR) – which was established in the 1990s to ensure that social providers could borrow at affordable rates of interest.

The interest subsidy decreases over time. For example, if the 2.3% threshold is breached in the first year of the loan, the interest subsidy is 90 per cent of the interest repayment in excess of the 2.3% threshold. This subsidy reduces by 2.25 percentage points each year. For example, in year five the subsidy is paid at 81 per cent of the excess, at 47.25 per cent in the twentieth year, and just 2.25 per cent in the fortieth year; at the end of which the loan tends to be fully repaid.

➡ **Own equity:** The loans provided to social housing providers usually cover up to 95 per cent of the capital needed to develop a project. Thus, the social providers themselves must provide 5 per cent. This money comes from their own savings, or else the provider can take a separate loan from a bank. Social housing providers are allowed to charge interest of up to 4% per annum on their own equity. Thus, we can consider it as a sort of loan from the housing provider to its tenants. Any small ‘profits’ made must be retained within the system and used to finance future projects or renovation activities.

➡ **Start-up grant:** In many urban areas, so-called MAL (land use, housing, and transport) agreements¹²⁷ have been concluded between the state and the relevant urban authorities in a given area. These MAL areas constitute the majority of population growth in Finland, and thus the demand for new social housing. Areas covered by a MAL agreement can apply for a so-called ‘start-up grant’, which

¹²² In the planning phase, when it is still uncertain whether a project will receive a public guaranteed loan, the costs must be financed with the company’s own funds. If the guarantee is approved, previous costs will also be covered by the loan. This complicates projects for small companies if they do not have much capital.

¹²³ Under the Finnish *Bankruptcy Act 120/2004*, Finnish municipalities cannot go bankrupt. This means that there is guaranteed to be a municipality behind each loan to carry the risk of default. According to MuniFin: “The municipalities have an unlimited right to increase local income tax rates and due to this, together with other elements of autonomy, the Finnish municipal sector has, similar to sovereigns, a zero credit risk weighting” – see: https://www.kuntarahoitus.fi/wp-content/uploads/2022/03/MuniFin_Annual-Report_2021_SECURE-1.pdf

¹²⁴ See (in Finnish): <https://www.kuntarahoitus.fi/vastuullisuus/kestava-rahoitus/vihrea-rahoitus>

¹²⁵ MuniFin lending rates are tied to 12 or 6 month Euribor rates, plus the company-specific margin set by MuniFin. On aggregate, their margin is around 0.8%. In 2023, the aggregate interest rate offered by MuniFin to MHCs was around 3.8%. In other words, 2.3 percentage points was paid by the social housing provider, and 1.5 percentage points was covered by the Finnish state in the form of its interest rate subsidy, the dispersal of which was managed by Ara.

¹²⁶ Until the 1st January, 2024 the threshold above which the subsidy was paid was 1.7%. However, the increase in rates as a result of the ECB meant that the threshold also had to increase. As a practical example, if the interest rate on a loan was 3%, then from the point of view of the social housing provider the interest rate is only 2.3%, with the excess 0.7 percentage points of the interest being covered by Ara, via the VAR fund.

¹²⁷ First instituted in 2011, the MAL agreements aim to support city-regional cooperation regarding land use, housing and transportation. The agreements see central government and the municipalities within a city region commit to support city-regional cooperation: “the municipalities through joint strategic spatial development and the state by providing funding for infrastructure. MAL agreements can thus be understood as a primarily remunerative tool explicitly focused on city regions and planning-related issues”. To date, MAL agreements have only been established between the state and the four biggest city regions (Helsinki, Tampere, Turku & Oulu), as well as recent agreements with Jyväskylä, Kuopio and Lahti. “The MAL agreements are generally well received by participating municipalities due to the associated financial incentives” – Purkarthofer, E. and Humer, A. (2019). [City-regional policies in the planning systems of Finland and Austria: National initiatives and European opportunities](#), Belgeo, 2, 2019.

provides €3,000–€10,000 per new social dwelling built. Bonus grants are also available for meeting certain extra criteria, such as using more sustainable forms of construction¹²⁸.

One very important thing to note is that, since a recent ruling by Eurostat in 2022, the existence of the public guarantee means that the guaranteed loans of the social housing providers are now treated as being part of the overall Finnish public debt (i.e., on balance sheet)¹²⁹. It is not clear yet what the long-term implications may be for social housing providers, e.g., that they might have to ‘compete’ with other parts of the public sector for financial support, for example during times when the Finnish state might be subject to debt or deficit reduction procedures as part of the EU’s fiscal rules¹³⁰.

Unlike in some European countries, Finnish social housing providers are liable for corporate and property taxes, as well as full Value Added Tax (VAT) on goods and services, including new construction or renovation projects. Thus, they do not receive additional indirect funding through favourable treatment by the tax system.

Having said that, there are some small ‘advantages’ on offer to Finnish social providers. For example, they may get a special derogation from local planning regulations. A common example of this would be a derogation to reduce the number of provided car parking spaces, and thus reduce the overall cost of a new housing project. In addition, a municipality may lease land for the development of housing. Depending on zoning, the municipality can give priority to its own MHC for specific plots.

Looking at the revenues of social housing companies, it is important to note that from a legal standpoint, housing in Finland is only considered to be “social” for as long as the publicly supported loans are being repaid. Once a building is debt-free – usually after 40 years – the homes leave a so-called “restriction period” and the social providers can technically charge market rents. The period during which rents are restricted is known as the ‘*rajoitusajat*’.

However, given that the homes are still owned by the same MHCs or foundations at the end of the restriction period, the same social ethos around housing provision remains in place¹³¹. As a result, most of the dwellings remain as affordable homes, even if they are not legally required to do so. A recent study showed that rents remained in line with the previous cost-rents in 80% of post-restriction period dwellings; rising to 91% for MHC owned dwellings¹³².

For example, while 105,000 homes exited the restriction period in the 2010–2020 period, most of these homes have continued to be offered at rents in line with the previous cost-based system. KOVA estimates that the ‘broad’ social housing stock (defined as homes in the restriction period plus those outside it, but still offering below market rents) is around 550,000 dwellings (based on both social rental and right of occupancy dwellings).

Like in many other European countries, the cost of new social housing developments is highly scrutinised. Given the adherence to the cost-recovery principle, this is especially the case in Finland. Although, the fact that costs can be balanced, or equalised, across the entire stock of a given social provider does help to mean that in the event of an increase in construction prices, projects can still go ahead, with older debt-free parts of the stock helping to keep rents affordable in the new buildings. In any case, projects must be submitted to Ara for approval, which will review the proposed construction costs in a given project.

¹²⁸ Due to the COVID-19 pandemic and the government’s recovery measures for the economy, the grant was available for social housing providers no matter the location of the dwellings in 2020 and 2021 in order to help stimulate economic activity in the construction sector.

¹²⁹ See: <https://stat.fi/en/revisionrelease/c19fkqyudbcpr0bw0cfny7eqj>

¹³⁰ In its June 2024 assessment of EU Member State compliance with the fiscal rules, the European Commission warned Finland about its fiscal discipline, as the country noted that it planned for public spending to exceed income by more than 3% in 2024. It also noted that debt-to-GDP was above 60% and expected to rise in the next few years, in part due to higher levels of public investment. The EC noted “high risks” related to public debt. See: European Commission (2024, June 19). [Report prepared in accordance with Article 126\(3\) of the Treaty on the Functioning of the European Union](#).

¹³¹ This has been demonstrated in two long-term studies of social homes which have left the restriction period. See: Mäki-Fräänti, P., and Laukkanen, T. (2010). [ARA-vuokratalokanta murroksessa. Rajoituksia vapautuneiden talojen käyttö ja omistajien suunnitelmat vapautuville taloille](#). Helsinki: Finnish Ministry of the Environment, and: Hietala, M., Kaleva, H., Kumpula, S., and Lahtinen, R. (2021). [Rajoituksista vapautuneet ARA-kohteet 2010–2020](#). Reports of the Housing Finance and Development Centre, 1|2021.

¹³² Hietala, M., Kaleva, H., Kumpula, S., and Lahtinen, R. (2021). [Rajoituksista vapautuneet ARA-kohteet 2010–2020](#). Reports of the Housing Finance and Development Centre, 1|2021.

5. THE NETHERLANDS



Picture: Social housing in the garden city of Hilversum
Photo Credit: Housing Europe

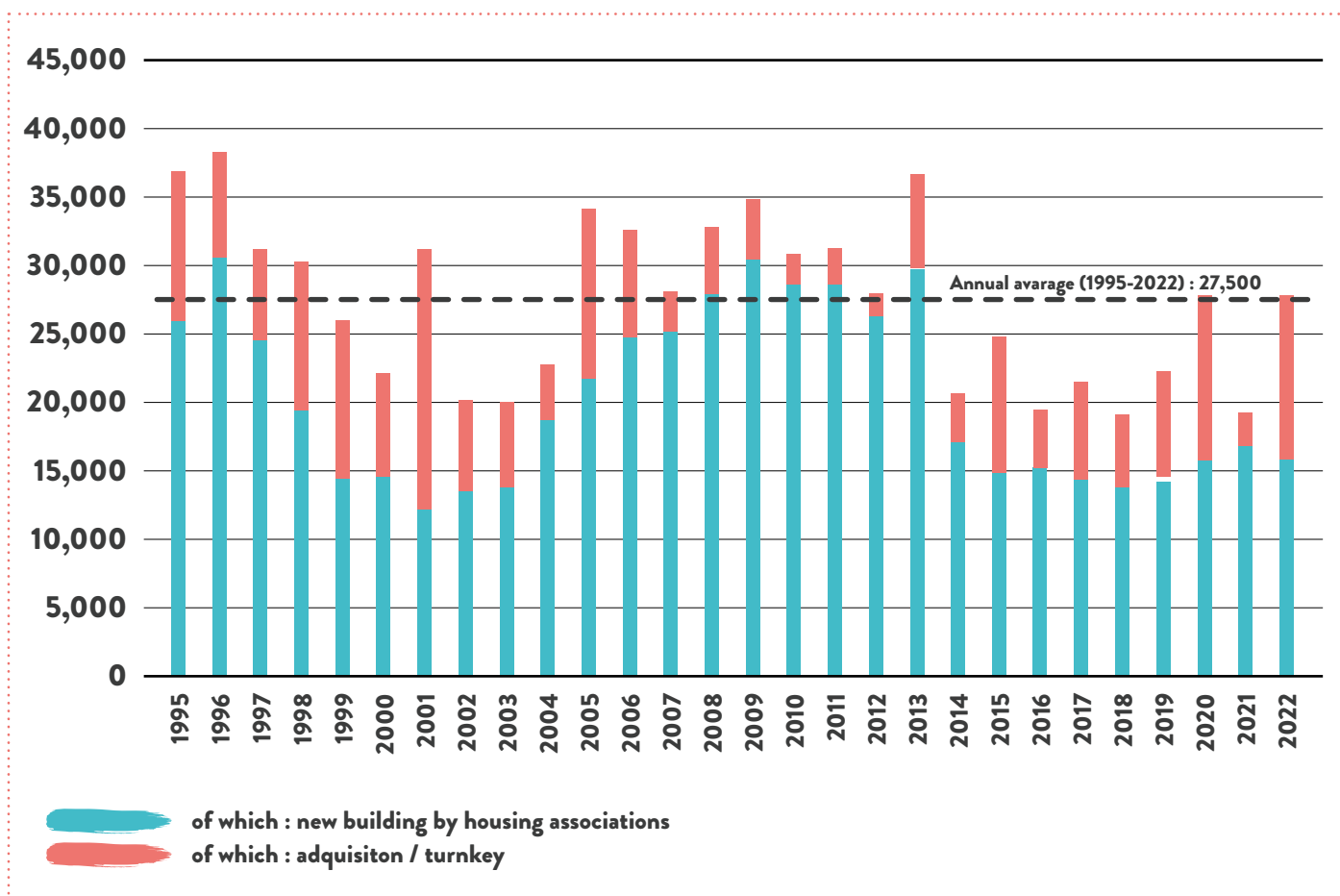
➔ **TABLE 10: Housing Tenure in the Netherlands (Number of Dwellings; 2023)**

	Netherlands		Amsterdam	
➔ TOTAL	8,125,229	%	474,866	%
➔ Social rental	2,315,690	28.5	189,946	40.0
➔ Other rental	1,170,033	14.4	143,884	30.3
➔ Owner occupiers	4,631,381	57.0	140,085	29.5
➔ Other / Unknown	8,125	0.1	950	0.2

Source: Housing Europe estimates, based on CBS Statline.

Note: Housing stock on the 1st of January, 2023. Includes vacant dwellings.

➔ **FIGURE 8: Annual additions to the Dutch social housing stock, by source**



Source: Housing Europe estimates, based on CBS Statline, Dutch Housing Review (various years), Aedes Datacentrum.



5.1

GOVERNANCE

In the Netherlands, defining social housing – in a legal sense at least – is somewhat cumbersome. This reflects the fact that rental housing offered at below market rents is not confined to the types of non-profit entities that we would typically associate with the provision of social housing. Indeed, some Dutch policymakers have a broad interpretation of the term “social housing”. This can include homes provided by for-profit developers, provided they adhere to certain principles around rent setting¹³³. This was already discussed in [Section 1.1](#) (Table 2).

In order to differentiate these for-profit housing providers from the entities that provide housing that conforms to a more ‘traditional’ conceptualisation of social housing – what we will refer to in this chapter as housing associations (*woningcorporatie*) – upcoming Dutch legislation will set out additional criteria that will effectively restrict the use of the term “social housing” only to the housing associations in the Netherlands¹³⁴. Legally speaking, the housing associations are primarily established as not-for-profit ‘foundations’, though a small number are set up as ‘associations’.

The scope of activities of the housing associations is relatively ‘broad’ by the standards of peer countries in Europe, though the legislation states that at all times the housing associations activities are anchored around “the field of social housing”¹³⁵. Thus, even when they engage in activities that are not strictly based on the provision of social housing, such activities must still be linked to the primary objective.

According to legislation, Dutch housing associations can engage in the following kinds of activities, either directly, or via a third-party which they control in some way¹³⁶.

- to construct and acquire residential units intended for permanent residence, as well as to equip, allocate, rent out, or demolish such residential units
- maintaining and providing facilities for tenants, and for the immediately adjacent environment;
- providing services to:
 - social tenants and to members of housing cooperatives to whom it has sold residential units, insofar as those services are directly related to the occupancy or relate to overheads for the purpose of making these residential units more sustainable or maintaining them in a sustainable manner;
 - persons who indicate that they wish to occupy social housing, insofar as such services are directly related to their housing;
- contribute to the quality of life in the immediate vicinity of residential units or the other immovable property of the housing association
- construct and acquire buildings that have a small-scale commercial purpose, and to establish a right of long lease, building right or usufruct¹³⁷ thereon, and providing for their maintenance and upkeep
- providing services related to the allocation of social housing, either of the housing association or its affiliated companies
- facilitating tenants’ organisations or residents’ committees in the tasks assigned to them by or pursuant to the Housing Act and the Tenants-Landlords Consultation Act¹³⁸ and providing services for the administration of tenants’ organisations or residents’ committees;

¹³³ See: <https://aedes.nl/huurbeleid-en-betaalbaarheid/sociale-huurwoningen-gaan-om-meer-dan-de-huurprijs>

¹³⁴ As will be outlined in greater detail later in this chapter, private housing providers can provide housing in the so-called ‘regulated’ segment of the housing market. However, as they do not have to meet the same standards as the housing associations – in terms of income requirements for tenants or the amount of time that a dwelling must remain as social housing – it is not considered within the Dutch context as being “social housing”. Indeed, these below market rent homes of for-profit providers are often referred to in the Netherlands, including by the Government and its Ministers, as “nep sociale huur”, or “fake social rentals”.

¹³⁵ Quote is translated to Dutch by the author. Based on Article 45 of the Dutch Housing Act (‘Woningwet’): <https://wetten.overheid.nl/BWBR0005181/2024-07-01>

¹³⁶ The below list is derived from the contents of Article 45 of the Dutch Housing Act.

¹³⁷ Usufruct refers to the legal right for someone to use and enjoy the benefits of someone else’s property, without owning it. In this case, housing associations can grant this right to others, while still maintaining control over the property.

¹³⁸ See (in Dutch): <https://wetten.overheid.nl/BWBR0009810/2022-01-01>

- improvement of the energy performance, including the generation of renewable energy, of its permanent residences or those of another housing association;
- carrying out activities that necessarily result from their other activities, which include the acquisition or demolition of immovable property, if this is done with a view to carrying out activities on the land on which such property is located in accordance with the other activities listed above.

In addition, a number of restrictions are placed on Dutch social housing providers (i.e., housing associations). When renting out a dwelling, the rent cannot exceed what is known as the “liberalisation limit”. As of July 2024, this limit is €879.66 per dwelling¹³⁹. Furthermore, at least 92.5% of the homes allocated by a housing association in a given year must be allocated to households in the legally defined “target group”¹⁴⁰, with the remaining 7.5% designated as “free allocation”¹⁴¹. At present, this means a household whose income is no more than €47,699 for a single person household, or €52,671 for other households. These income limits are of course problematic, as they take virtually no account of households size, with a two person household having the same income limit as much larger households, where there may be a number of dependents.

In terms of the geographic area of activity of the Dutch housing associations, the country is divided into 19 so-called “housing market regions”¹⁴². These regions form the core areas of activity of the housing associations; with each association having a core geographic focus in one of the 19 regions. They can in turn be active in any municipality within their core region, even if in reality a housing association may in fact only be active in a part of their core region.

One important thing to note is that the 19 housing regions in the Netherlands do not map onto the political or administrative provinces of the country; of which there are 12. In fact, a housing region may only cover part of a province. This can lead to certain complications in terms of coordination between provincial governments and the housing associations. As a result, it is intended that in the near future if the core region of a housing association covers part of a province, then they will also be able to develop housing in the rest of the province, even if it technically falls outside of their particular housing region. For some housing associations, this reform will extend the geographic scope of their activities in the coming years.

In the meantime, housing associations from different housing regions can choose to cooperate on ‘cross-border’ projects, by entering into a “partnership” agreement. This could, for example, allow a small association to benefit from assistance with project management, tendering, and other tasks required to develop larger projects than they might otherwise not be capable to achieve using their own existing resources. Housing associations can also seek a special exemption from the government if they wish to develop a social housing project outside of their “core” area, though they would have to show just cause to do so.

Dutch social housing providers are subject to strong levels of oversight; primarily from the *Autoriteit woningcorporaties* (the Housing Association Authority), which is commonly referred to as simply the Aw¹⁴³. It is an independent government agency, which falls ultimately under the control of the Ministry of Infrastructure. The Aw is charged with ensuring that the housing associations keep to their core mission, which Aedes defines as being “to ensure that people with a low income can live well and affordably”. It also monitors the behaviour and internal governance of housing associations and their financial management. The Aw can impose sanctions on housing associations, such as fines or the appointment of a ‘supervisor’. It also reports on the financial situation of the sector as a whole, and helps to identify any possible challenges ahead of time.

¹³⁹ However, as the housing companies can demand a rental ‘top-up’ from certain higher income households, it is theoretically possible for some tenants to pay more than the current €879.66 liberalisation limit.

¹⁴⁰ In some cases, housing associations can agree with municipalities to set a lower allocation target of 85%. In any case, the homes that are assigned to those outside the target group are typically reserved for those with urgent housing needs, such as woman who have been the victims of domestic abuse.

¹⁴¹ “Free allocation” refers to households in urgent need of housing, where their degree of urgency is the main eligibility criteria, rather than the normal income-based criteria used for the other 92.5% of homes.

¹⁴² For a brief overview of the “housing regions”, please see (in Dutch): <https://www.ilent.nl/onderwerpen/governance-en-integriteit/woningmarktregio#:~:text=Nederland%20is%20ingedeeld%20in%2019,dat%20nu%20nog%20niet%20is>

¹⁴³ See: <https://www.ilent.nl/onderwerpen/themas/autoriteit-woningcorporaties>

Moreover, to be able to access finance from the Social Housing Guarantee Fund (Section 5.5), certain financial ratios have to be met by the housing associations. Additionally, the Guarantee Fund conducts its own yearly risk assessment of the housing associations, and it can impose restrictions if it considers that there is a risk to the financial position of the social provider¹⁴⁴. Finally, the members of Aedes have to comply with an internal governance code¹⁴⁵.

Dutch housing associations have a degree more of autonomy than some of their peers in neighbouring countries when it comes to decisions on the number, type, and location of homes to be developed. The typical approach is that an association will develop provisional plans for a new project. However, the aforementioned Housing Act then mandates a tri-party negotiation between the associations, local municipalities (or regions), and tenants' unions. The latter group is particularly strong in the Netherlands, and plays an important role in housing matters. Thus, while the housing associations might instigate the plans for a new project, the final outcome is the result of negotiation between different actors¹⁴⁶.

In this way, while the housing associations are independent from local government to a degree that is not the case in a country like Finland, local policymakers do still have a say in social housing matters, and they play an important role in defining the social housing plans in their area. Indeed, the local environmental plan that all Dutch municipalities are required to develop plays a key role, as through it a municipality "can ensure the construction of sufficient social rental and owner-occupied homes, mid-range rental homes and homes on vacant plots by including rules on categories of homes to be realised"¹⁴⁷. Thus, local government can effectively set land use regulations to accommodate more or less social and affordable housing, through inclusive zoning measures¹⁴⁸.

One other important housing 'lever' of note that can be pulled by the municipalities is setting out a local 'housing vision' ('*woonvisie*'). Historically speaking, if this was the case, then the local housing associations had to try to fit achievement of this vision into their medium-term (roughly four years) development plan; though within reason and taking account of available resources. This *woonvisie* was, thus, another way that even if the housing associations in the Netherlands are independent of the state, policymakers could still exercise some degree of influence over housing policy in their region. Since an amendment to the Housing Act in 2022, local municipal housing 'visions' are now mandatory, bringing local policymakers and housing associations even closer together.



5.2 STRATEGIC ROLE

As set out briefly above, the Dutch housing associations are obliged to develop tri-party 'performance agreements' at the local level. Aside from these, Aedes – as the national federation representing the housing associations – has also agreed a 'National Performance Agreement' (NPA) with the Dutch government, the national federation of municipalities, and the national tenants' union. This agreement has set out clear targets for rent levels, new construction, building renovations, and investments in the liveability of neighbourhoods.

¹⁴⁴ See: <https://www.wsw.nl/corporaties/over-deelnemerschap/reglement-van-deelneming/>

¹⁴⁵ See: <https://aedes.nl/governance-en-integriteit>

¹⁴⁶ The final outcome of discussions between the housing associations, policymakers, and tenants' unions are codified into a so-called 'Performance Agreement' ('prestatieafspraken')

¹⁴⁷ See: <https://iplo.nl/regelgeving/instrumenten/omgevingsplan/nieuwe-regels-opstellen-omgevingsplan/instructieregels-evenwichtige-toedeling-functies/categorieen-woningbouw/>

¹⁴⁸ An overview of the different ways planning and environmental legislation can be used to promote the construction of more social housing can be found at: <https://www.omgevingsweb.nl/nieuws/tools-voor-gemeente-regie-te-voeren-op-volkshuisvesting/>

THE MOST RECENT NATIONAL PERFORMANCE AGREEMENT, WHICH RUNS UP TO THE END OF 2030, INCLUDED THE FOLLOWING (NON-EXHAUSTIVE) LIST OF OBJECTIVES AND REFORMS¹⁴⁹:

- ➔ Build at least **250,000 additional social rental dwellings** and grow the size of the national social housing stock¹⁵⁰ to ensure that waiting lists are dealt with more quickly;
- ➔ To build **50,000 “mid-rent” affordable housing rental homes**;
- ➔ A commitment by the government to **negotiate** with the Dutch provinces on the **distribution of the new construction**, based on established local needs. These will in turn link to local tri-party agreements, so it is clear how many new homes are to be built in each municipality;
- ➔ Reinforces the obligation for municipalities **to set out a local housing vision** (*woningvisie*), including the possibility for forced compliance;
- ➔ There will be demolition of housing that is no longer of a satisfactory quality and which often has a poor energy rating. Demolition of such houses will in almost all cases see a one for one **replacement with a new dwelling**. Where possible, new dwellings should be a mix of social rental and mid-rent housing. This approach will help to increase the overall size and quality of the stock, and promote more “mixed” neighbourhoods;
- ➔ A **multi-party review** of the process by which social housing dwellings can be sold, including which types of units, to whom, and at what conditions;
- ➔ To avoid definitional issues surrounding housing previously referred to as “fake social rent”, a **new legal definition of social rent** will be adopted;
- ➔ Municipalities must work to ensure the **availability of public land** to develop new social and affordable housing. Where public land is limited, it should consider zoning measures to help ensure that even private lands must be used for the delivery of such housing;
- ➔ **Speed up the time it takes to service developable land** (i.e., connection to water and electricity networks);
- ➔ Get all social housing off of natural gas and onto sustainable options for heating and cooling as soon as possible, with an additional **450,000 gas-free social homes** by 2030. Given their scale in many neighbourhoods, the housing associations can help to instigate district-wide decarbonisation plans;
- ➔ “Future-proof” **675,000 social dwellings** by 2030¹⁵¹;
 - the task of future-proofing 675,000 homes is likely to be taken up together with the pre-existing agreement to accelerate the phasing out of all E, F and G-labelled social housing by 2028 – with the exception of listed buildings and other homes that cannot undergo major renovations¹⁵²;

¹⁴⁹ The national performance agreement can be read (in Dutch) at: <https://open.overheid.nl/documenten/ronl-5876ce9d61deab2b6cf83e37649fd936548d6843/pdf>

¹⁵⁰ It should be noted that the size of the national social housing stock has broadly stagnated at around 2.3 million homes during the last decade, due to lower levels of new delivery, and the impact from sales, demolitions, and voids.

¹⁵¹ A “future-proof” home is one that is sufficiently insulated so that - as far as post-war houses are concerned - it can be heated to a temperature of 50 degrees without having to redo the house. This concerns insulation, crack sealing as well as ventilation. However, in order to avoid economically inefficient renovations, if the same 50 degree result can be achieved via other measures, such as adapting the heating system, then this approach is also acceptable. In practice, some of the 450,000 natural gas-free homes will also be future-proofed immediately. This will be the case if homes are made fully electric, or if homes are already prepared for a low-temperature heat network before 2030.

¹⁵² In fact, it has been agreed that from the start of 2029, it will no longer be possible to rent out E-, F-, or G-rated homes.

- ➔ Reforming the process by which tenants must give their **consent to renovations**, to speed up the process and better define the obligations of all parties involved;
- ➔ **Decouple rent increases from the national consumer price inflation index** over the medium-term, in order to shield social tenants during a period of unusually strong price pressures;
- ➔ **Rent decreases for particularly strained social rental households**, based on their income and current social rent. It is estimated that this would involve 510,000 households, and that they would see an average rent reduction of €57;
- ➔ Housing associations should **receive information** on the income of their tenants from the national “Inland Revenue” responsible for tax collection in the state;
- ➔ Housing associations will **not increase rents to help cover the cost of insulating social housing**, partly to maximise the benefit for low-income households and partly to help ‘entice’ them to participate in the renovations, by giving their timely consent¹⁵³;
- ➔ To further improve the quality, health and safety of the social housing stock, housing associations will invest an additional **€200 million annually in housing improvements** up to and including 2030, with a focus on tackling moisture and mould, lead pipes, asbestos, and fire safety issues;
- ➔ Efforts will be made to achieve more **“balance” in the housing stock**, with an aim to move towards a housing stock with 30 per cent social rented housing in municipalities where this is not yet the case. This means that in new construction of social rented housing, municipalities with less than 30 per cent social rent in the existing housing stock should contribute more strongly to this aim. Municipalities should in extreme cases be able to be held to working towards the goal of more balance, and provinces are given a legal intervention option to this end;
- ➔ Municipalities will be obliged from 2024 to draw up **plans to meet the specific housing needs of groups** like those experiencing homelessness, people in various forms of institutional care, or those with disabilities or specific medical requirements;
- ➔ Housing associations will **accelerate the development of homes to specifically meet the needs of a growing population of elderly people**;
- ➔ They will also invest an additional **€40 million per year in converting existing social dwellings to promote de-institutionalisation and ‘ageing in place’**;

The success of the national performance agreement process shows the importance of strong institutions who can speak with authority on behalf of the state, social housing providers, and tenants, respectively.

In addition, some Dutch housing associations can play a particularly strategic role in terms of the development of housing for particular population cohorts. This might include the elderly, people with disabilities, students, or those with large families. While all housing associations will accommodate some people from these cohorts within their housing stock, there are also a small number of specialist housing associations, who really concentrate on these groups.

¹⁵³ It should be noted that an agreement between Aedes and the Dutch Government just prior to the national performance agreement saw the state agree to abolish the so-called ‘Landlord levy’, which was a form of corporation tax charged to housing associations, and which was costing them around €1.7 billion per year. Housing Europe (2022, July 15). The abolition of the tax for Dutch social housing landlords results in immediate commitments to better housing. Accessed at: <https://www.housingeurope.eu/resource-1714/the-abolition-of-the-tax-for-Dutch-social-housing-landlords-results-in-immediate-commitments-to-better-housing>

CASE STUDY 5: SPECIALIST HOUSING ASSOCIATION, FOR THE ELDERLY



One well known example of such a specialist housing association – at least in the world of social housing experts – is Habion. It has pioneered approaches to providing housing for older people, with a strong focus on engagement and co-creation with its tenants¹⁵⁴. It currently has a stock of around 11,000 homes, and the average age of one of its tenants is 73 years old. It provides housing in 150 different locations throughout the Netherlands.

Habion gives special allocation priority to older people who, due to physical, psycho-geriatric or social circumstances, “no longer want to or can continue to live independently in their current home”. Tenants can move into a home in which they can live independently, but where care is available, if desired. Furthermore, there is an emphasis on

creating a local social network in which residents can participate in society for as long as possible.

Flexibility is also a key aim of the Habion approach. This reflects the fact that the needs of people change over time (e.g., the need for medical care), so homes should adapt as necessary. The ethos of Habion is to ensure, “through teamwork and communication with healthcare local providers (i.e., domestic care, nursing home care, care for people with a mental disability), a continuum of housing and health/home care can be met and delivered to the residents”, supporting an ‘aging in place’ ethos that works towards the deinstitutionalisation of older people (i.e., keeping them out of nursing homes and other similar institutions)¹⁵⁵.

On the other end of the age spectrum is a housing association like Lieven de Key, which offers about 7,000 rental properties in the below market rental space, aimed primarily at young adults in the Amsterdam area. It has also pioneered “short-term” social rental solutions for international students, interns, and young workers in a period of personal transition. In 2023, 77% of Lieven de Key tenants were under the age of 28¹⁵⁶. In parts of the Netherlands where a lack of access to affordable housing can create a clear ‘opportunity divide’ between those already living in major employment or education hubs and those who don’t, having housing associations who specifically cater to young adults at risk of suffering from ‘arrested development’ is clearly a significant social and economic asset to the Dutch state.

In terms of finding strong complementarity between municipal or regional governments and the housing associations in other areas of housing or social policy, in theory policymakers cannot ‘force’ housing associations to take a particular course of action; respecting the fact that they are legally separate entities. However, the housing associations are expected to work to realise at least the basic housing needs in their area of activity, based largely on the aforementioned tri-party negotiations. If municipalities feel that a housing association is not fulfilling its role in delivering social housing, then the local “dispute committee” must review the situation¹⁵⁷. In the end, the national minister with responsibility for housing matters will make a legally binding decision, which could see the housing associations obliged to change their activities.

As it is possible for more than one housing association to be active in one of the Netherlands’ 19 housing regions, there are many cases of local competition between social providers; especially in the

¹⁵⁴ See (in Dutch): <https://www.habion.nl/over-habion/>

¹⁵⁵ van Hoof, J., Boerenfijn, P., Kolmer, D. B. G., Marston, H. R., Kazak, J. K., & Verbeek, H. (2020). Environmental design for an ageing population. In *Changing Horizons in the 21st Century: Perspectives on Ageing* (pp. 268-290). Cambridge Scholars Publishing.

¹⁵⁶ See: <https://jaarverslag.lievendekey.nl/>

¹⁵⁷ For an overview of the dispute committee, see: <https://www.volkshuisvestingnederland.nl/onderwerpen/lokale-driehoek/regelgeving-prestatieafspraken/indienen-van-geschillen>

larger cities. However, it is the view of Aedes that this does not lead to an “adversarial” situation. Rather, the housing associations often cooperate at a local level. At the same time, in some cases municipalities are so large (in population terms) that if there were only one housing association, there is a risk that in order for it to effectively meet local demand for social housing, it would have to grow too large. This could then lead to a situation in which the hypothetical housing association would become systemically integral to local housing policy, and become effectively ‘too big to fail’. It might also be the case that it could grow so large as to become overly bureaucratic, to both the detriment of supporting innovation in the sector, but also in terms of being able to effectively manage its stock of housing and adequately engage with its tenants.



5.3

APPROACH TO ASSET AND TENANT MANAGEMENT

In general, social housing in the Netherlands should be allocated to the income-based “target group”. At least 92.5% of the dwellings (or 85%, if a special agreement is made with the municipality) that are allocated every year must be allocated to people in this group. As of July 2024, this includes one-person households with an income up to €47,699, or €52,671 for other households. Furthermore, households with a very low income (€27,725 for one-person households, or €37,625 for others) should be allocated to the cheaper part of the social housing stock (where the rent must be lower than €650.43 for one- or two-person households, or below €697.07 for families) in at least 95% of such allocations.

In addition, some households can get what is called an “urgency status”. This might include cases where they are experiencing homelessness, because they are experiencing a break up of their existing family unit (e.g., in cases of divorce), or cases where people may have specific medical or care needs. These households can be allocated social housing more quickly. For those households without an urgent need, a queue-based allocation system is used. This is typically centrally managed at the level of the housing region.

As already alluded to, the setting of rents in Dutch social housing is somewhat complex; at least when compared to the Danish and Finnish (cost-based), and Flemish (income-based) cases. In general, the aforementioned “points system” is used to decide on the rent. In the Dutch system, every dwelling receives a number of ‘points’. This is primarily based on the size (in square metres), energy performance, and location, as well as the facilities within the building. Thus, it is a ‘utility-based’ rent setting model¹⁵⁸. However, while the points system helps to define a maximum allowable rent, the reality is that in most cases the actual rent charged to tenants is below this ceiling. Aedes estimates that the average rent is around 70% of the maximum allowable rent.

At the same time, in homes that have had the same tenants for many years, rents might be even lower again, as in the past the maximum allowable rent was even lower. As mentioned earlier, households with very low incomes must be allocated to the parts of the social housing stock with the lowest rents. However, to prevent a situation in which all of the lowest income tenants are clustered together, or that they end up only in lower quality homes, a fixed amount of social dwellings with a better quality (e.g. a good energy performance) or in more sought-after neighbourhoods will be assigned an artificially low rent and will be allocated to lower income households. In 2023, all people with a low income got an automatic rent-decrease to €575. About 30% of the tenants got this rent-decrease. This negotiated lowering of the rent came at a significant cost to the housing association sector, but was agreed as a measure to support the most vulnerable households.

The rent paid by tenants is indexed, and is modified each year. However, to avoid situations where social tenants see sharp increases in their rent during periods of high inflation, there is also a maximum allowable annual rent increase. In the past few years, for example, the average rent increase per housing association could not exceed the average income increase in the Netherlands in the previous year, minus 0.5 percentage points. In 2023, the average income increase was 5.8%, meaning the maximum

¹⁵⁸ A social tenant can check online if the rent they are being charged is allowable - <https://www.huurcommissie.nl/huurders/sociale-huurwoning/maximale-huurprijs-berekenen>

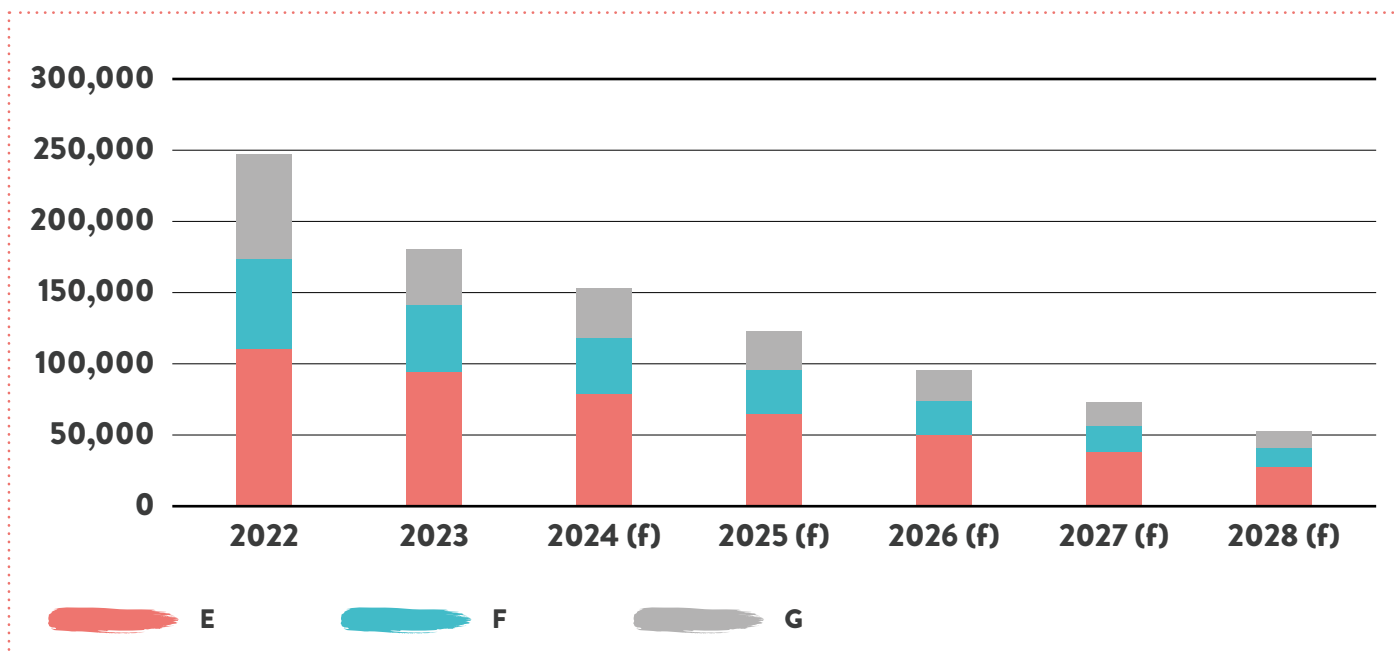
rent increase was 5.3% on average across an entire housing association. This means that some dwellings could see a higher than 5.3% increase, and others a lower one. At the same time, a housing association may simply choose not to apply the maximum average increase. In the past, the maximum increase was based on the consumer price inflation. For people with a higher income, there is the possibility for an income-dependent rent increase of €50 (middle incomes) or €100 (high incomes)¹⁵⁹.

If at any time a household cannot pay their rent, the first step from the housing association is always direct engagement to try to work out the source of the problem. In some cases, the housing association offers a payment arrangement, such as a temporary deferral. In a small number of cases, the rent may even be waived. If the tenant builds up a high level of arrears and is not willing to engage with the housing association, then eviction is a final option. However, intermediate steps are usually sufficient to avoid this outcome, and evictions remain rare.

Social tenants in the Netherlands can access rent allowances (*huurtoeslag*). However, this is a somewhat complex arrangement. Each year the state sets out the so-called “capping limit” (*Aftoppingsgrens*). This is based on the Dutch principle that all tenants should cover at least a part of their own rent. The part of the rent that they pay is called the “basic rent” (*basishuur*). Rental allowances can then be offered on the part of the rent that falls between the basic rent and the capping limit. If the rent exceeds the capping limit, then the household will have to cover the cost themselves. The capping limit is set equal to the aforementioned maximum price allowed for social housing (i.e., €650.43 for one- or two-person households, or €697.07 for families)¹⁶⁰.

When it comes to the maintenance of the existing social housing stock, the tri-party agreements play a crucial role in terms of defining medium-term renovation plans. In any case, as already mentioned the national framework agreement mandates that the housing associations renovate all remaining E-, F-, or G-rated homes by the end of 2028¹⁶¹. Given that 4 out of every 10 housing association homes were built in the 1945-1974 period, such upgrades present a challenge for Aedes members. Despite this, the pace and scale of renovations in recent years has been very impressive. 31,800 homes were lifted out of the EFG category in 2022, followed by a further 66,700 homes in 2023.

FIGURE 9: EFG Rates Homes of Dutch Housing Associations – outlook to 2028



Source: Aedes.

¹⁵⁹ For further information on this, please see (in Dutch): <https://www.volkshuisvestingnederland.nl/onderwerpen/passende-huur/inkomensafhankelijke-hogere-huurverhoging-en-huursprongen-voor-zeer-lage-huren-in-2022>

¹⁶⁰ For more on the capping limit and the basic rent, see (in Dutch): <https://www.woonbond.nl/thema/huren-en-geld/aftoppingsgrens/>

¹⁶¹ As shown in Figure 9, there will still be some remaining EFG rated homes in 2029. This reflects the fact that there are some exemptions from the renovation target, such as historical/heritage dwellings or homes in some mixed-tenure buildings. At the same time, the legislation that will be in effect from 2029 is not yet available. It will most likely not really require an outright ban on the renting of low-performance homes, but rather result in a fine for the housing association or a lower rent for the tenant. This reflects the acute need for affordable homes in the Netherlands, meaning that leaving parts of the stock vacant is not an option.

In terms of managing tenants during the renovation process, efforts are made to do this in such a way as to not require tenants to have to leave their home. This is a pragmatic approach, as finding temporary alternative accommodation can be time consuming and difficult to manage. It could also slow down the pace of the renovations, and put in jeopardy the achievement of the very ambitious renovation targets of Aedes members. In order to facilitate tenants to remain in their homes, temporary facilities can be provided, such as a “quiet room” to relax, work, or study. Alternative bathroom facilities may also be provided, if necessary. However, despite best efforts, in some cases temporary accommodation will need to be found, as the disruption from renovations will be too great.

It is worth mentioning, though, that the Dutch housing associations have been at the forefront in Europe in term of developing and testing modular ‘plug and play’ renovation techniques. This involves achieving deep renovations, primarily based on using made-to-measure components developed off-site, such as new building facades or roofs. The result can be a significant decline in the amount of time spent in homes, and much less hassle or disruption for social tenants. One well known example of the modular renovation approach is the *energiesprong* model, which was pioneered in Dutch social housing and is now being rolled out across a number of European countries¹⁶².

Dutch legislation on tenants’ rights includes provisions on dealing with renovations¹⁶³. Tenants must be informed well in advance of planned works; though in certain cases where urgent interventions are required, then a special expedited process can apply¹⁶⁴. As part of the process, the housing association must provide a detailed plan to tenants, which should include information on what works are to be carried out, the expected inconvenience or disruptions for tenants, and any possible increase in rents. Although, as outlined earlier, under the current national performance agreement most renovations in the coming few years will not result in changes to the rent. In any case, event prior to the entering into force of the current agreement, Dutch housing associations tried to apply a “cost neutrality” principle. This meant that – from the tenant’s perspective at least – the increase in the rent should not exceed the decline in utility bills resulting from the renovations.

The ‘reasonableness’ of a proposed renovation project can be determined by an individual tenant agreement, a court review, or (in complex cases) approval by 70% of the households in a building. If a tenant disagrees with a proposal, they can file an objection within 8 weeks. A new piece of legislation is currently under review in the Netherlands, which would give a stronger hand to tenants’ representatives with regard to renovations¹⁶⁵.

As mentioned earlier, Dutch housing associations add additional homes to their stock each year via both newbuild and acquisitions. However, on the other side of the ledger there are also a certain number of sales of social housing, as well as demolitions or voids of existing stock. This means that the ‘net’ change in the housing stock each year is lower than Figure 8 might suggest. For example, in 2022, while 27,700 units were added to the social housing stock through new construction and acquisition, between sales and demolitions/voids, the net total was only between six and seven thousand.

While sales of social housing can be either obliged by the state, or used as a way of raising much needed capital in some European nations, this is not the case in the Netherlands¹⁶⁶. Indeed, the primary objectives for sales in the Netherlands are social in nature. This includes promoting a better social mix within a neighbourhood or promoting family reunification. The number of sales in a given area are decided on via the tri-party negotiations. Sales of social housing units by the associations must be to social tenants or to other providers of social housing. In terms of social tenants, while most sales are to sitting tenants (i.e., those already in situ in a property to be sold), social tenants can also buy a property in a building they do not already live in, provided they still meet the criteria to be a social tenant (e.g., household income limits).

Overall, sales of social housing in the Netherlands are ‘allowed’, rather than ‘required’¹⁶⁷. At the same

¹⁶² See: <https://energiesprong.org/>

¹⁶³ Primarily through the ‘Tenant-landlord consultation act’ (‘Wet op het overleg huurders verhuurder’). Available at: <https://wetten.overheid.nl/BWBR0009810/2022-01-01>

¹⁶⁴ See (in Dutch): <https://wetboekplus.nl/burgerlijk-wetboek-boek-7-artikel-220-dringende-werkzaamheden/>

¹⁶⁵ For more information on this, see: <https://www.internetconsultatie.nl/instemmingsrecht/b1>

¹⁶⁶ For a detailed discussion of this topic, see: Housing Europe (2021). The sale of social and public housing in Europe. Brussels: Housing Europe.

¹⁶⁷ *Ibid.*

time, sales come with strong conditionality around things like re-sale of a property, with housing associations usually retaining a right of first refusal to re-purchase the dwelling, or profit sharing if the property is sold on the open market.

On the topic of mergers, as independent legal entities, housing associations cannot be ‘forced’ to merge. However, in the past 20 years there have been a significant number of voluntary mergers. As in other countries, the most common reasons for mergers were to increase efficiency and build up economies of scale, financial issues (e.g., one of the associations lacking the resources to meet local housing targets), or the fact that they were both already concentrated in the same local area. To date, there have been no clear negative consequences of these mergers. This is not surprising given that the negotiations over mergers can be quite protracted and will likely only proceed if there is a clear strategic reason to do so.



Picture: The Space-S social housing development, Eindhoven
Photo Credit: International Responsible Housing Awards

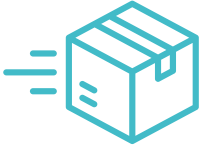
As noted earlier, Dutch housing associations are legally responsible not just for their residential buildings, but also the area around these buildings. However, when it comes to the provision of local ‘amenities’ and community facilities, there are a couple of different types of scenario.

If a community facility would mean a common space within a building, this can in principle be funded through higher rents. As outlined, the rent for social housing is based on a so-called “points system”. The presence of common spaces increases the number of points, which means that a higher rent can be asked. However, Aedes notes that in many buildings, the higher rents related to on-site facilities for tenants do not cover the additional costs of construction and maintenance of these areas¹⁶⁸.

If a community facility refers to a larger off-site facility, such as sports facilities, a community centre, or necessary transport or social infrastructure, this remains the responsibility of the local municipality. Therefore, when planning new housing projects, the existing tri-party negotiations can help to also ensure that community infrastructure is part of the planning. The housing associations do not have to make a direct financial contribution to the provision or upkeep of the municipally-provided facilities¹⁶⁹. However, they do indirectly contribute through local taxes.

¹⁶⁸ This is particularly problematic in social housing buildings specifically meant for the elderly, where the types of on-site facilities are likely to be more important and costly to provide. Currently there is a subsidy arrangement for newly constructed ‘clustered’ homes for the elderly, but this additional subsidy does not actually fully cover the costs of additional facilities.

¹⁶⁹ However, many municipalities do try to put pressure on the social housing providers to include roads, footpaths, and similar infrastructure in their construction projects, even if the long-term responsibility for such ‘public’ spaces rests with the municipality.



5.4 DELIVERY METHODS

At present, Dutch housing associations are independent from the state, and are thus not required to apply EU or national rules on public procurement. However, the European Commission has instigated an infringement procedure against the Dutch state arguing that by not applying public procurement to the housing associations it has breached EU law¹⁷⁰. However, the Dutch state disputes this interpretation.



Picture: Conversion of an old gasworks into social housing, Hilversum
Photo Credit: Housing Europe

Aedes estimates that if its members are obliged to apply public procurement in the future, then it would make its projects much more time consuming, and add additional costs. At the same time, Aedes notes that more than 70% of its members have a staff of less than 100, and managing tenders could be challenging for many of them from a staffing point of view. Furthermore, it considers that meeting its very ambitious renovation targets would become very difficult if public procurement was to be applied. The way in which housing associations have shaped the tendering process – by means of long-term and cross-project collaborations with contractors, whereby new concepts are created jointly, tested and refined – does not fit well within the procurement directive. Indeed, as mentioned earlier, the Dutch housing associations have been frontrunners in pioneering new innovative approaches to renovation, in part due to tendering procedures that promote scale and cross project collaboration¹⁷¹.

When developing new social housing, as already mentioned, the housing associations use a mix of newbuild and turnkey/acquisition. In the cases where the housing associations builds homes itself, the works are completed and managed by private firms on their behalf, rather than in house¹⁷². The leasing of buildings to provide social housing is another way in which homes can be delivered. However, this is typically only a short-term solution, which is used in special circumstances. Something that is more common, though, is the long-term leasing of land for the development of social housing. This applies particularly to the leasing of public land, especially in Amsterdam, but also in some of the other major cities where developable land is expensive and not in plentiful supply.

¹⁷⁰ The Commission considers that the Netherlands breached the transparency obligation in [Directive 2014/23/EU](#) and [Directive 2014/24/EU](#).

¹⁷¹ For example, a so-called “truck and trailer” approach is used, where a new renovation approach is tested in one building. The process is then refined in an adjacent second building, and so on. This means that over time the process can be sped up substantially, and costs brought down. This also relies on retaining a large number of workers as the renovation model is tested and refined. However, under public procurement rules, this truck and trailer model would not be allowed, as each renovation project would have to be tendered for separately, losing time and offering no guarantee to the private sector partner of their services being retained.

¹⁷² Most housing association only have staff to handle basic maintenance and dealing with ordinary wear and tear of building components.



5.5 FINANCING

➔ **TABLE 11: Breakdown of the funding sources of a typical new social housing development in the Netherlands**

Type of financing instrument	Approximate percentage of the total (%)	Repayment conditions or other important information
➔ Private loan	~ 60	➔ Loans from private financial institutions, and guaranteed by the WSW
➔ Own equity	~ 40	➔ Equity invested from the 'profits'/savings of the housing associations; or the sale of assets

Notes: Aedes estimates, based on investment in 2021/22.

Dutch social housing providers are somewhat unique in terms of how they finance new developments. Rather than working on a project-to-project basis, they prefer to build up a “portfolio” of investment capital (i.e., balance sheet financing), which is then allocated to individual projects as and when it is needed. In other words, the housing associations will take on debt, and then distribute it in various smaller tranches to its projects. This ‘portfolio’ is based on two primary sources. Firstly, the “own equity” of the individual housing associations, derived from their ‘profits’ or savings. This can include revenues from the sale of assets. Secondly, “private loans”, which are collectively guaranteed by the social housing sector. While the ‘mix’ between these two sources of financing can vary from year to year, or from housing association to housing association, in the past few years the mix has been approximately 40 per cent own equity, 60 per cent private equity breakdown for new projects at the national level. However, as a result of ambitious renovation and new development targets, this mix is expected to change in the period 2024-2028, with a jump in private loan financing¹⁷³ relative to own equity.

➔ **Private loan:** As in the case of Finland, Dutch housing associations benefit from the presence of a nominally ‘private’, but effectively ‘public’ banking system (i.e., similar to the Finnish MuniFin). There are two such nominally private providers of finance for Dutch housing associations – *Bank Nederlandse Gemeenten* (BNG Bank)¹⁷⁴ and *Nederlandse Waterschapsbank* (NWB Bank)¹⁷⁵. Together, they provide around 90 per cent of the private loans used to develop new social housing projects¹⁷⁶. The remaining 10 per cent overwhelmingly comes from “institutional investors” (mostly pension funds), with a very small amount of loan financing provided by central government¹⁷⁷ or ‘peer’ financing¹⁷⁸.

A crucial element of the Dutch financing model is the existence of the ‘Guarantee Fund for Social Housing’ (*Waarborgfonds Sociale Woningbouw* – WSW), which helps to keep the private financing used

¹⁷³ See: Section 4.4 of WSW (2023). [Portefeuilleraffortage Per 31 december 2023](#) [Portfolio Reporting, as of December 31 2023]. Hilversum: Waarborgfonds Sociale Woningbouw.

¹⁷⁴ One of the two public sector banks in the Netherlands, provides funding to the public sector, including municipal authorities, housing associations and healthcare and educational institutions, with the aim to maximise social impact. As of the end of 2023, BNG Bank had €46.9 billion in outstanding long-term loans to Dutch social housing providers. It issued €6.9 billion in new WSW-guaranteed loans to housing associations in 2023. See: <https://www.bngbank.nl/-/media/Project/CBB/BNG-Bank-Shared/Documents/Annual-Report-2023/BNG-Bank-Annual-Report-2023.pdf?rev=10366a6ba31345faa937fd4c6aef1d9c>

¹⁷⁵ Originally founded in 1954, the NWB was set up to finance the modernisation of the Netherlands’ local water infrastructure, by providing loans to local or regional water providers. It has since diversified to also provide cheap loans to housing associations. At the end of 2023, the NWB Bank had €32.6 billion in outstanding loans to housing associations. It made €5.3 billion in new loans to the sector in 2023, down from €6.3 billion in 2022. See: https://nwbbank.com/application/files/3217/1214/7891/NWB_Bank_Annual_Report_2023.pdf

¹⁷⁶ Many are issued as bullet loans, which do not require intermediate repayments but are to be repaid all at once at the end of the loan term.

¹⁷⁷ The loans from central government are a legacy issue, based on social housing built before such direct public funding was cut off at the start of the 1990s. The few outstanding loans that remain will be repaid in the coming years.

¹⁷⁸ “Peer financing” refers to lending between social housing associations. Source: WSW (2023). [Portefeuilleraffortage Per 31 december 2023](#) [Portfolio Reporting, as of December 31 2023]. Hilversum: Waarborgfonds Sociale Woningbouw.

relatively 'affordable'. The WSW reflects the fact that since 1995, the housing associations have been financially autonomous from the state. At that time, the outstanding debts of the housing providers were written off, and in return the previous system of state subsidies was ended¹⁷⁹.

The purpose of WSW is to guarantee the loans taken out by the housing associations. In order to ensure the solidity of the system, WSW carries out rigorous assessments of loans. This helps to inspire confidence in the WSW, which in turn legitimises its role as a guarantor, helping to justify lending to social housing providers on favourable terms. Indeed, at present the WSW has a AAA rating from both Moody's and S&P, showing the confidence in the Fund to act as an effective 'backstop' for the sector. 268 housing associations participate in the WSW, or 98% of the total.

The most recent available figures from WSW show that it provides a guarantee on about €88.6 billion of outstanding loans, of which only €40 million was considered to have a high risk of becoming impaired¹⁸⁰. The average interest rate across the whole portfolio of guaranteed loans was 2.79% in 2023, with the average rate for new lending 3.15% in the year. In 2023, 89 per cent of loans guaranteed were fixed-rate, with just 11 per cent variable-rate.

In return for providing the guarantee, the social housing providers pay a fee to WSW; which we can think of as being like a form of insurance. As well as WSW, social providers in the Netherlands also have a national independent regulator, which oversees and monitors their activities. This helps to provide further transparency and oversight of the sector, and avoid risky borrowing practices that could otherwise serve to undermine the WSW and the housing association sector more broadly.

In fact, the Dutch system benefits from three tiers (or 'buffers') of guarantee on private loans made to the housing association sector. If one tier is 'breached', then the distressed loan cascades to the next tier, which should be able to absorb it¹⁸¹.

Tier 1: The risk capital of the WSW is the first buffer to absorb claims on the deposit. The fund can supplement this reserve, if necessary, by realising the collateral of the distressed participant (i.e., selling assets).

Tier 2: The second buffer is the mutual guarantee of participants (the so-called "obligo"). This means that if, for some exceptional reason, the WSW cannot absorb the bad debt of a social provider – for example if many providers were to encounter financial difficulties at the same moment – then the excess bad debt is cascaded to the 'healthy' housing associations, who must collectively come together to 'bail out' their sector

Tier 3: Finally, WSW has an agreement with the State and municipalities that, if necessary, housing associations have access to interest-free loans to help to tide over the sector in the case that bad debts grow to a degree that Tier 1 and Tier 2 cannot collectively handle. Thus, the state is effectively a guarantor of last resort; though one that has so far never been called upon.

➔ **Own equity:** Housing associations are legally obliged to reinvest profits/reserves in social housing. Indeed, the associations had a combined operating cash flow (OCF) of €3.5 billion in 2023¹⁸², based on income from rent and other sources of €18 billion, with expenses (including maintenance of its stock) of €14.6 billion. At the same time, equity for investment can also come from the aforementioned sale of assets. Combined, OCF and revenue generated from sales provide the overwhelming amount of the approximately 40% of investment that Dutch housing associations have had to contribute from their own resources in recent years.

¹⁷⁹ In the event that a housing association finds itself in financial difficulty, and is unable to service all or part of its loans, it will have to draw up a "recovery plan", which may include selling some of its assets (usually to tenants or another housing association). The WSW will also take over the payment of loans, if needed, effectively guaranteeing repayment for the BNG or NWB Banks, or the private investor.

¹⁸⁰ The forecast is for the guaranteed lending to increase to €145 billion by 2028, in order to meet the commitments made by Aedes members as part of the national agreement with the government. See: WSW (2023). [Portefeuillerapportage Per 31 december 2023](#) [Portfolio Reporting, as of December 31 2023]. Hilversum: Waarborgfonds Sociale Woningbouw.

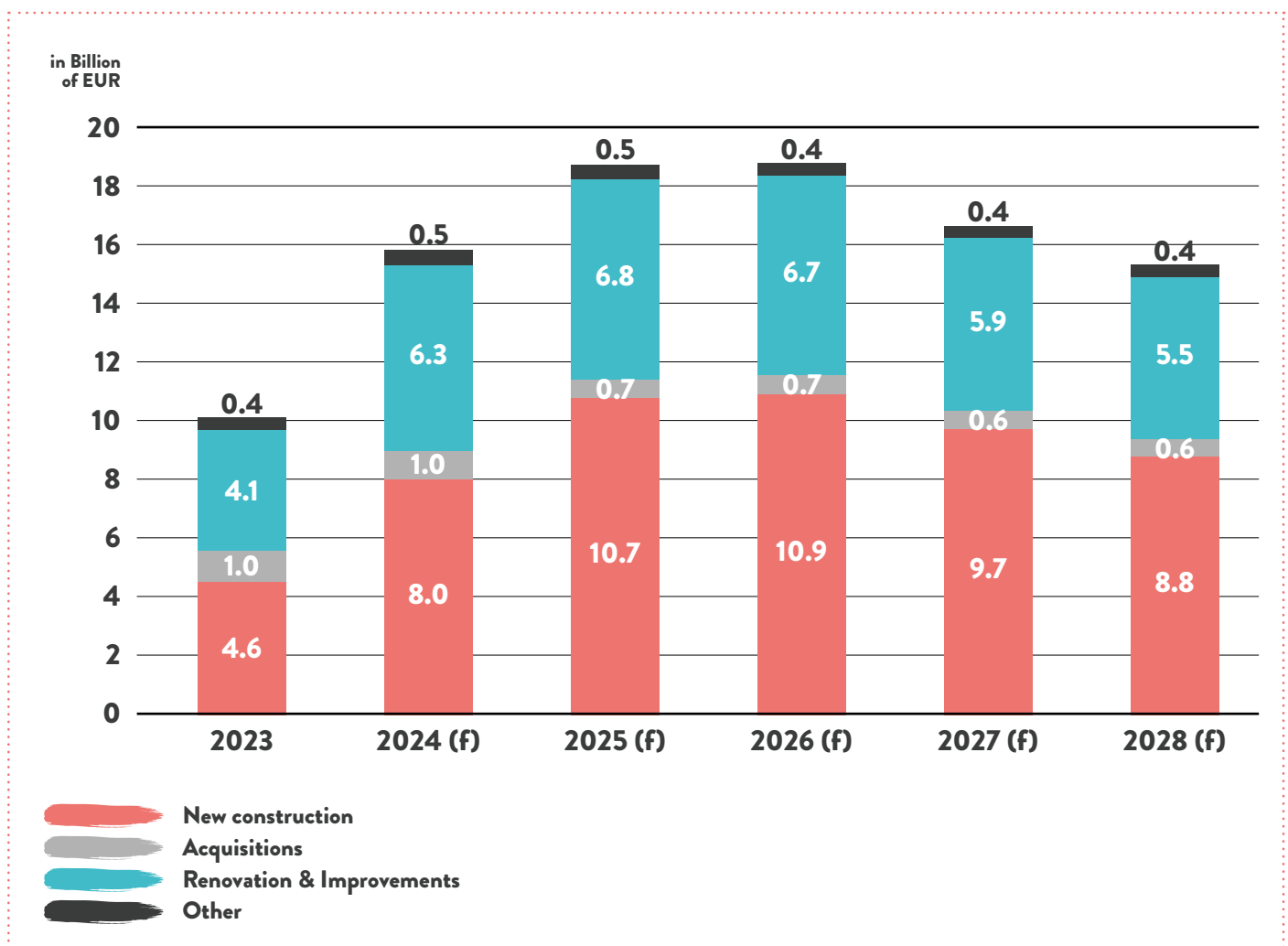
¹⁸¹ Due to the multi-layered setup of the guarantee system, guarantees are not part of the EU Government debt ratio, i.e., they are not considered to be 'on-book'. This is due to the fact that while the Dutch state does in theory have quite larger liability, the probability of it actually being called upon to make good on its guarantee is considered to be so low that the guarantees are not considered as contingent liabilities

¹⁸² WSW (2023). [Portefeuillerapportage Per 31 december 2023](#) [Portfolio Reporting, as of December 31 2023]. Hilversum: Waarborgfonds Sociale Woningbouw.

Other than a completely negligible quantity of loan financing, the Dutch state is effectively absent from the direct financing of the social housing sector. At the same time, unlike in some other nations in Europe, the housing associations do not benefit from any sort of favourable tax treatment; meaning they do not receive indirect state financial support. Despite being a non-profit sector that contributes a vital social good, the associations are liable for corporation tax. As mentioned above, the level of debt that the WSW will have to secure is expected to increase sharply in the coming years, as a result of the commitments made in terms of renovations and new supply. The impact of this is, perversely, to be an even higher corporation tax liability¹⁸³. On average, almost one month's rent now goes to the Dutch treasury in corporation tax for each social housing unit.

Unlike in other countries, there are no official caps on the cost of construction in the Dutch social housing sector. As already mentioned, there are maximum-rents (i.e., based on the 'points'), but given long waiting lists in many areas, and the fact that housing associations are willing to make loss-making investments (in terms of being not fully recouping costs through rents), their impact as a way of 'tethering' construction costs is only moderate at present. However, higher construction costs do mean that the amount available for future projects will become more constrained, especially given the importance of the own equity of housing associations.

FIGURE 10: Planned investment of Dutch housing associations



Source: WSW.

Notes: "Acquisitions" refers primarily to the purchase of social housing by one housing association from another. Turnkey acquisitions should be captured under "New construction".

¹⁸³ According to Aedes: "In order to determine the fiscal 'profit', all costs (such as maintenance and personnel) must be deducted from the (rental) income; this does not apply to investments. Despite the fact that almost all investments by corporations are unprofitable. For example, all expenses (which therefore count as investments for fiscal purposes) on sustainability, home improvement, new construction and flexible housing are therefore not deducted from the paper 'profit'. Corporate income tax must then be paid on them". See: <https://aedes.nl/financieel-stelsel/aedes-winstbelasting-corporaties-loopt-op-naar-eu-15-miljard-jaar>

As a result, Aedes notes that while their members seem to largely have the means to deliver on the ambitious national performance agreement, it could be such a drain on their resources and require such large amounts of new debt financing, that over the longer-term, housing associations effectively hit a metaphorical brick wall in terms of their finances, and will struggle to make significant new investments thereafter. In other words, in the coming years, they will have to use up almost all of their savings, meaning that after a certain point investment can be expected to decline until such a time as they have managed to replenish them. This could see a sort of boom in investment, followed by a noticeable decline.

At the same time, even the national Minister for Housing has noted that: “Rising interest rates are a risk to operating cash flows”. Meanwhile, “lower rental income directly affects the feasibility of” investments in the sector. Overall, the Minister concedes that the “fact that [housing associations] will have to borrow in the coming years to make improvements and sustainability of their existing assets possible, without any additional income, puts pressure on the sustainable business model of [housing associations] in the longer term”¹⁸⁴.



Picture: Social housing, Hilversum
Photo Credit: Housing Europe

¹⁸⁴ See: Dutch Government (2023, June 16). [Letter to Parliament on the financial feasibility of investments by corporations and local performance agreements 2023](#) [Kamerbrief over financiële haalbaarheid investeringen corporaties en lokale prestatieafspraken 2023].

6. CONCLUSIONS



6.1

COMPARATIVE OVERVIEW OF THE PEER COUNTRIES

In the previous four chapters of this report, we have outlined the key mechanisms that underly the functioning of the AHB-type housing providers in Belgium (Flanders), Denmark, Finland, and the Netherlands. In order to better facilitate a comparative analysis of these providers, it is important to briefly summarise some of the main characteristics of the systems of provision in the four peer countries.

I. GOVERNANCE				
	BELGIUM (FLANDERS)	DENMARK	FINLAND	NETHERLANDS
Legal setup	Private Limited Companies	Non-profit organisations	Limited Companies	Primarily not-for-profit foundations
Area of operations	Strictly limited	In municipalities that have approved their request to provide housing	MHCs are largely anchored to fixed areas; foundations are more mobile	Within one of the country's 19 "housing market regions"
Oversight	Independent supervisory body	By municipal authorities	Independent supervisory body	Independent supervisory body; and the Social Housing Guarantee Fund
Board of management	Majority of seats nominated by local policymakers	Majority of seats reserved for tenants; with local policymakers and staff of social providers also often present	Nominees of local policymakers	Independent boards of management

II. STRATEGIC ROLE				
	BELGIUM (FLANDERS)	DENMARK	FINLAND	NETHERLANDS
Legally mandated strategic plan	Not compulsory; but still common	Yes	Not compulsory	Indirectly; via mandatory tri-party negotiations
Requirement to meet housing delivery targets	Yes	No strict requirement; but work closely with municipalities to deliver on locally specific needs assessments	No strict requirement; but work closely with municipalities to deliver on locally specific needs assessments	Yes; via tri-party negotiations
Develop housing for specific target groups	Yes	Yes	Yes; mostly via foundations	Yes; often via specialist providers

III. APPROACH TO ASSET AND TENANT MANAGEMENT

	BELGIUM (FLANDERS)	DENMARK	FINLAND	NETHERLANDS
Directly manage allocations	Yes; but with guidelines set by the government	Usually allocate 75% directly; 25% via municipal nominations	Yes; but with guidelines set by the government	Yes; but with guidelines set by the government
Rent setting mechanism	Primarily income-based	Cost-based	Cost-based	Primarily utility-based
Legally required role for tenants in decision making	No	Yes	Yes	Yes; via tri-party negotiations and tenants' unions
Rents can increase to finance cost of renovations	Not clearly defined	Yes	Yes	Not under current national framework agreement; but theoretically possible
Sale of dwellings	In rare circumstances; if not economically viable to renovate	In rare circumstances; usually to promote social 'mix'	Yes; in certain circumstances, and with approval	Yes
Mergers of housing providers	Yes; recent forced mergers	Yes; typically voluntary	Yes; on a voluntary basis	Yes; typically voluntary

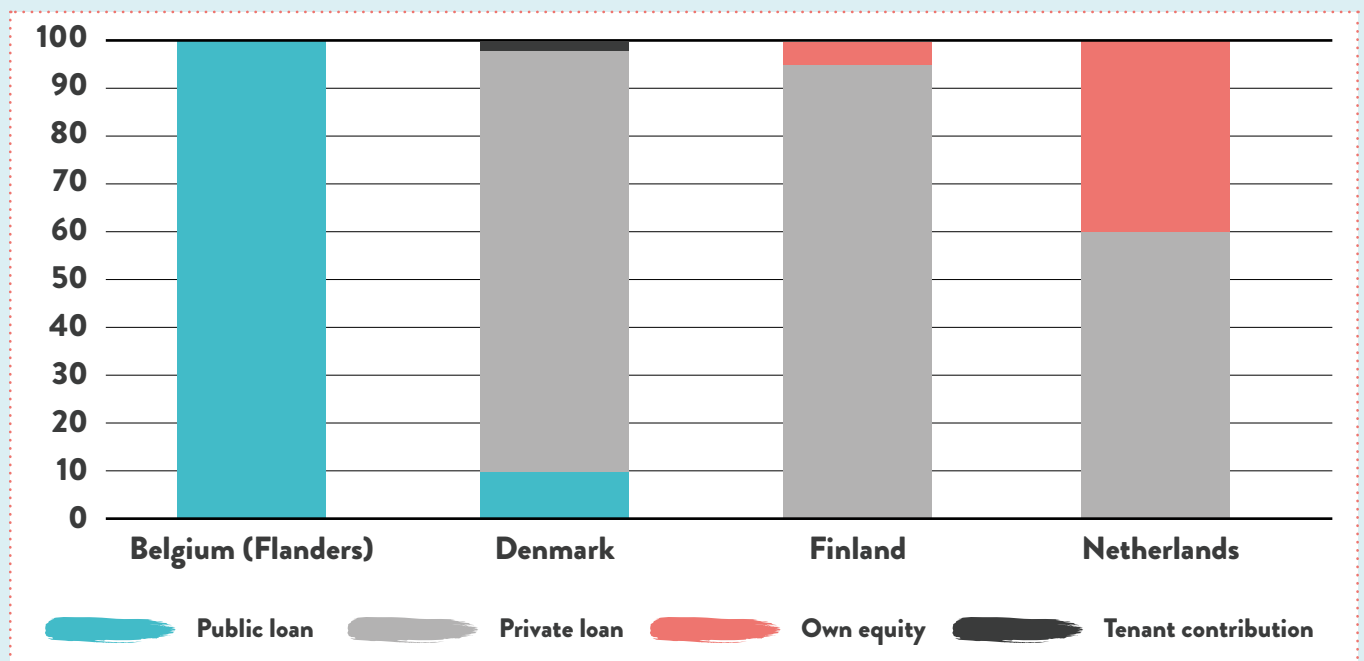
IV. DELIVERY METHODS

	BELGIUM (FLANDERS)	DENMARK	FINLAND	NETHERLANDS
Subject to public procurement	Yes	Yes	Yes	No; but this is currently being challenged by the EU
Can acquire existing builds / turn-key developments	Yes	Yes	Not currently used	Yes
Long-term leasing of homes	Yes	Not currently used	Not currently used	Yes; though only as a short-term emergency measure
Responsible for development of community amenities	Indirectly; though no long-term management of such facilities	No; this is for municipalities	No; this is for municipalities	No; this is for municipalities



V. FINANCING

FIGURE 11: Simplified overview of funding breakdown for typical new social housing development, by country



Notes: The figures for the Netherlands are indicative only of sectoral investment estimates for 2021/22. Dutch housing associations use portfolio financing, rather than individual project financing. Thus, there is a wide margin for variability in terms of the 40% / 60% split of 'own equity' to 'private loans' in the above graphic, from both a housing association to housing association basis and a year to year sectoral basis.

	BELGIUM (FLANDERS)	DENMARK	FINLAND	NETHERLANDS
General notes on financing / clarifications	<ul style="list-style-type: none"> • Interest rate subsidy paid by the government (full value of interest) 	<ul style="list-style-type: none"> • 50-year interest and instalment-free public loans • State pays interest rate subsidy • Subsidy is later repaid 	<ul style="list-style-type: none"> • If building housing for specific target groups, a public grant may be made available • Public interest rate subsidy can be paid • Public guarantee provided 	<ul style="list-style-type: none"> • Private loan is guaranteed by mutually owned WSW; with an implicit state guarantee too
Subject to general taxation	<ul style="list-style-type: none"> • Pays reduced VAT (6%) • Lower rate of property tax • Liable for corporation tax 	<ul style="list-style-type: none"> • Not liable for corporation tax • Largely VAT exempt 	<ul style="list-style-type: none"> • Liable for corporation and property taxes • Pay full VAT 	<ul style="list-style-type: none"> • Liable for corporation tax, and other commons taxes on property and VAT

As outlined in the above summary tables, while working towards the same core objective – developing social housing – the structures and approaches of the different housing entities involved can be quite different. Were the current research expanded to include other countries with housing providers that meet the criteria set out in [Section 1](#), it would be possible to appreciate just how many approaches exist for meeting the need for affordable housing in Europe today.



6.2 CONCLUDING REFLECTIONS

As outlined in [Section 1](#), this report was written in the context of the review of the Approved Housing Body sector in Ireland, though its authors are independent of it. In other words, the authors of this report have not been privy to the discussions happening between the DHLGH, the Housing Agency, representatives from the Approved Housing Bodies, and other stakeholders. As a result, there are no clear benchmarks or major policy considerations against which this section of the report can form a clear set of conclusions.

With that being said, it is still important to draw out some general points of similarity or agreement between the systems of social housing provision reviewed in the previous chapters of this report, and provide some conclusions.

The first point to emphasise is that, as ought to be clear from the tables presented in [Section 6.1](#), there is no one-size-fits-all approach to the delivery of social housing by ‘independent’ non-profit housing providers; with independence referring to the fact that the providers are not directly part of the state, in contrast to, for example, local authority housing departments in Ireland. On all of the key headings that formed the basis of the case studies (e.g., governance, strategic role, etc.) unanimity was hard to find. While this may be frustrating to those who want a clear blueprint to follow, it goes a long way to reinforcing the message that social goods like social housing must reflect a multitude of influences (e.g., history, economics, politics, and demographics) that are unique to each jurisdiction. Thus, what is ‘right’ or what appears to ‘work’ in one country may not be appropriate in another. At the same time, it also means that for countries interested in adapting their existing system of social housing provision there is a broader menu of options to choose from.

The second point to mention is that there are some subjective advantages of the housing providers looked at in this review. One that perhaps might stand out to those more familiar with countries without AHB-type housing providers, or where such entities are not especially significant, is the degree to which such housing providers can become specialist bodies. What is meant here is that in the case that housing is being provided directly by the state, for example via local or municipal governments, as is common in many parts of Europe, practices around civil service employment practices or other constraints may make it hard to hire housing specialists to run housing providers. Building up silos of knowledge on housing provision may also be an issue, as more generalist civil servants may be moved into the area of housing, spend several years gaining a decent understanding, before being moved on to a different role in the public sector on an unrelated topic. Interestingly, this aligns with Recommendation #51 of the recent report of the Irish Housing Commission¹⁸⁵.

Another subjective advantage of some of the AHB-type entities has been their capacity to remain “off-book” from a public debt and budget deficit point of view. The 2018 decision of Eurostat to declare the liabilities of Irish AHBs to be on-balance sheet has been consistently cited by the Irish Council for Social Housing (ICSH), the federation that represents the overwhelming majority of Irish AHBs, as being a challenge to their members’ capacity to grow as quickly as would be required to more adequately address the current shortfall in social housing provision in the country. As noted in Chapter 2, this is also a concern of the on-balance sheet Flemish social housing sector.

One of the ways that the Danish and Dutch housing providers have managed to remain off-book has been through their relative financial independence from the state. This is largely possible as a result of the current large stock of unencumbered assets of the housing providers there, which in turn reflects the post-war jump in new social housing construction. Thus, these AHB-type entities are at a more ‘mature’ stage of their development than the typical Irish AHB, the majority of the stock of which has only been developed since the 1990s. This is an important point of difference that should not be overlooked in the context of chapters 2-5, and their relevance for policymaking in Ireland.

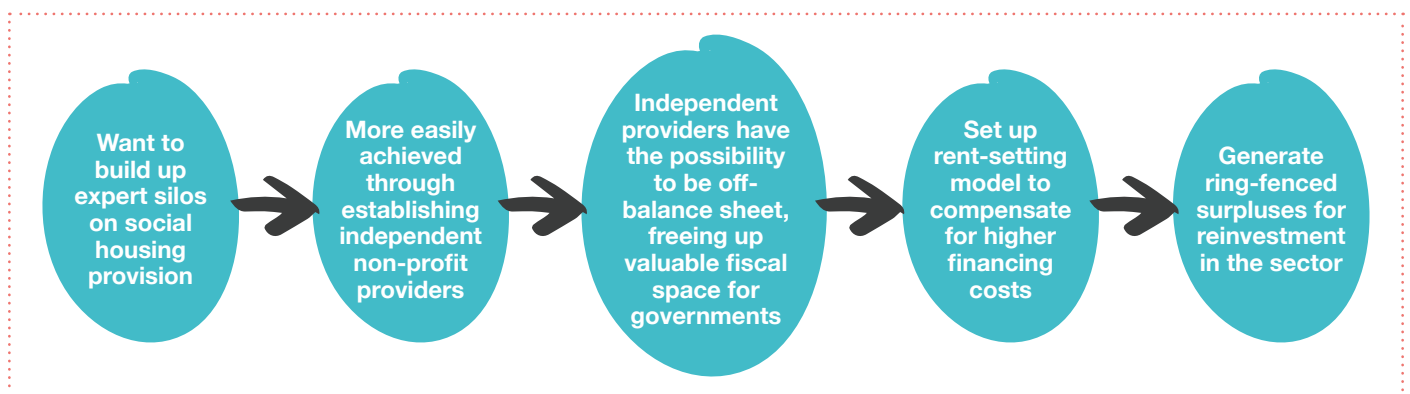
¹⁸⁵ Housing Commission (2024). Report of the Housing Commission. Available at: <https://www.gov.ie/pdf/?file=https://assets.gov.ie/294018/e1aae1ed-07c4-473d-811e-3426756321ee.pdf#page=null>

One reason that governments may prefer to keep social housing provision wholly or partly under the auspices of the state is the belief that leaving this important task to independent (e.g., not directly state operated) non-profit housing providers would require them to give up control over an important lever of public policy. However, the four case studies in this report show us that this is not the case. There are various ways that such housing providers can be structured, with the Flemish social housing companies and the Finnish municipal housing companies showing how the state can support the establishment of independent or arms-length housing bodies, while still retaining ultimate control. In the case of both Denmark and the Netherlands, the state exerts less direct control, but still manages to use legislation and other requirements placed on housing providers to ensure a strong degree of complementarity with other areas of public policy. Indeed, in both of these cases there exist national agreements setting out many of the medium-term activities of the social housing providers in areas like new construction or renovations.

Finally, there are many subjectively good practices included in Chapters 2-5 of this report. However, we should note that in many cases where the housing providers responsible for them were not structured as AHB-type entities, the practices in question would still be possible. In other words, non-AHB-type providers could also incorporate some of the good practices that have been outlined into their operations. However, even when this is the case, in many instances the overall benefits of certain approaches may be less for non-AHB-type entities.

To provide a compelling illustration of this, it is sufficient to consider the key area of ‘financing’. While a local authority could choose to use private financing rather than public financing, as a branch of the state such borrowing would have to be by definition on-balance sheet. As the cases of Denmark and the Netherlands show us, when well structured, independent non-profit providers can borrow without impacting on the fiscal position of the state.

FIGURE 12: Example of a virtuous cascade of housing policies



However, there is also the possibility for a significant ‘virtuous cascade’ of subjectively good policy making off the back of the desire to establish independent social housing providers. For example, once wholly or partly cut off from direct public funding for new projects, providers will need to find private sources of finance. Given that these may be offered at less competitive terms than the public funding they replace, other aspects of the system of social provision will also have to be reconsidered. For example, in Denmark, the financing system leads naturally to the adoption of a cost-rental model. This in turn leads to the generation of ‘surpluses’ over the long-term on debt-free parts of the non-profit housing stock, which in turn reinforces the long-term financial independence and sustainability of the sector. This is what is meant by a virtuous cascade, where one good policy leads to another good policy, and so on. The structure of the housing providers involved helps to make this possible.

Overall, if we look at the core ambition of this report – to provide an overview of AHB-type entities in Belgium (Flanders), Denmark, Finland, and the Netherlands – the case studies provide a number of interesting insights, which should hopefully help to inform and enrich the review of the Approved Housing Bodies in Ireland. At the same time, the existing cross-border links and partnerships that already exist between Irish AHBs and their counterparts in Belgium, Denmark, Finland, and the Netherlands – through bodies like Housing Europe – mean that there is already a solid basis for further discussion, and collaboratively working to better understand, adapt, and implement in the Irish case some of the approaches outlined in this report.

ANNEX – LOCAL AUTHORITY HOUSING ORGANISATIONS (LAHOS)

In Ireland, the **2024 Housing Commission report**¹⁸⁶ sets out the following recommendation:

“Reform the current management structure in local government to strengthen housing delivery, management and maintenance capacity. This should be done by establishing separate arrangements for governing and delivering housing services. This could be achieved by establishing Local Authority Housing Organisations (LAHOs) on a local authority or regional basis”.

One of the motivating factors for this report was an awareness on the part of various stakeholders in Ireland of the fact that the construction, upkeep, and management of social housing by local authorities is somewhat anomalous in the context of peer countries in Europe; where such housing is currently provided by various non-profit housing associations, charities/foundations, and/or arms-length special purpose vehicles established or supported by the state (e.g., municipal housing companies).

In the context of this report, both Finland and Flanders have decided that housing company-type entities, which are analogous to the idea of a LAHO, as introduced in the report of the Housing Commission, are the primary vehicles through which social housing should be provided.

However, in both cases these housing companies are not recent aberrations, but have existed for effectively as long as there has been a publicly regulated system of social housing provision. Thus, there was no recent ‘big bang’ moment where social housing provision was divested from the direct control of municipalities¹⁸⁷. Thus, they do not provide a clear roadmap for a country like Ireland, should the latter choose to follow the recommendation of the Housing Commission.

Having said that, both Finland and Flanders show that a LAHO-type model can be successful.

➔ TABLE 12: Brief overview of Finnish and Flemish housing companies

	Finland	Flanders
➔ Legal status	➔ Limited Companies	➔ Private Limited Companies
➔ Ownership	➔ Shares in the limited company are owned by the local municipality or municipalities in the areas where they operate	➔ Various shareholders (no dividends paid), but with a majority of shares owned by the local municipalities
➔ Board of Management	➔ Nominated by the elected members of the municipal governments	➔ Elected after each municipal election, to reflect the current political make-up of the local government
➔ Oversight	➔ Municipalities themselves, and the national Housing Agency (<i>Asumisen rahoitus- ja kehittämiskeskus</i>)	➔ Municipalities themselves, and the regional Housing Agency (<i>Wonen in Vlaanderen</i>)

¹⁸⁶ Housing Commission (2024). Report of the Housing Commission. Available at: <https://www.gov.ie/pdf/?file=https://assets.gov.ie/294018/e1aae1ed-07c4-473d-811e-3426756321ee.pdf#page=null>

¹⁸⁷ In the specific case of Flanders, it is true that prior to the recent reforms, some municipalities did directly own some housing, operating a parallel system to the Social Housing Associations. However, this stock of homes was always quite small, with the SHAs being the main vehicle through which municipalities directed the delivery of affordable rental housing.

One of the main arguments against the establishment of LAHOs in Ireland would likely be that it could see local authorities lose direct control over the provision of social housing, which may risk creating a disconnect between the ambitions of local policymakers and outcomes on housing. However, we can see from both Finland and Flanders that this is not the case; provided the housing companies are well structured, and local municipalities retain sufficient control and influence.

At the same time, there are also many possible benefits of divesting housing provision into an arms-length vehicle, as the LAHO proposal suggests. Such housing providers could operate outside of many of the constraints of the civil service, especially in the area of the hiring. This would potentially allow for greater specialisation in the sector, and the development of silos of knowledge and expertise. A well-structured LAHO could also become more financially independent, freeing up local budgets for investment in other services and infrastructure.

Looking, therefore, at the cases of Finland and Flanders, what are some possible key take-aways for the Irish state, in the context of the recommendation of the Housing Commission.

1

Ensure that local authorities retain ultimate control – if there are concerns about a loss of influence over local housing policy, then structuring the LAHOs in such a way as to ensure that local authorities remain the primary shareholders can avoid this possibility;

2

Require agreement on targets – LAHOs should be required to work with the respective local authorities to find agreement on the targets for their main activities (i.e., new construction, renovations, social impact);

3

Mandate sufficient oversight – In order to ease concerns about possible poor governance or a lack of monitoring of more independent delivery of housing, the state should ensure that there are independent monitoring agencies that are sufficiently strong and well-resourced to oversee the possible LAHOs. The existing Approved Housing Bodies Regulatory Authority, which oversees Ireland's AHBs, provides a template for this.

4

Require the development of credible plans – New LAHOs could be required to set out clear plans for their future activities (e.g., new build and renovations), as well as their good financial governance. These could then be scrutinised by local authorities and by an independent watchdog. Such plans would also offer a clear benchmark to track the performance of the housing organisations.

5

Ensure that LAHOs become expert-driven – One criticism of the existing local authority-based housing providers in Ireland is that they are bound by civil service employment practices. This means that many of the roles within the various housing departments are filled with 'generalists', many of whom have no prior experience or specific expertise in the area of housing. At the same time, there can be a strong internal mobility/churn within the civil service, meaning that staff who spend several years working in housing departments move to new unrelated roles. They may then be replaced with new staff unfamiliar with housing, meaning valuable experience is lost. This approach is inefficient. As shown in the cases of Finland and Flanders, LAHOs perhaps offer an opportunity for building greater specialisation and silos of knowledge.

6

Ring-fencing of funds and protection of strategic assets – In the present Irish context, rents paid by local authority tenants are not being ring-fenced. This means that revenues are being used by local authorities for non-housing related activities. In the cases of Finland and Flanders, revenues must legally be retained. They then help to support financial independence, including the development of local sinking-funds to support activities like renovations; especially in the Finnish cost-rental system. At the same time, housing is rarely ever sold. This means that rents from debt-free parts of the stock help to finance new development, and further reinforce financial resilience.

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