

Social Housing in the UNECE region

Models, Trends and Challenges



UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE

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UNITED NATIONS

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FOREWORD



In recent years economic downturn and recession have had a critical impact on the housing sector. Over 100 million people in the UNECE region have to spend more than 40 per cent of their disposable income on housing. Indeed, the crisis has resulted in shock demand for social housing as an affordable housing option. The social housing waiting lists in the United Kingdom are at 1.8 million, 1.7 million in France and 1.17 million in Ukraine. The United States of America mark a shortage of 5.3 social housing homes while the waiting period for this type of housing in the Russian Federation is estimated to be 20 years.

The housing sector needs to respond to the current housing needs, adjust to the new dynamics of the housing markets and meet new aspirations, such as energy efficiency and customer adjusted design. The majority of our member States are presently in the process of reassessing their housing policies.

The UNECE Social Housing Study examines the current trends, challenges and social housing models in the region. It provides recommendations for possible future activities based on an extensive literature review of housing issues in over 50 countries and interviews with over 30 representatives of governments, private and non-governmental organizations.

The shift in the housing sector that this work highlights is perhaps the most significant one since the 1980s when housing policies turned away from social housing tenure. This report illustrates that social housing can play a positive role in solving emerging housing needs. This publication provides a useful platform for further discussion, for continuing research in this area and to join forces to make more homes accessible to more people and families in need.

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Executive Secretary

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LIST OF ABBREVIATIONS

CEB	Council of Europe Development Bank
CECODHAS (Housing Europe)	European Federation of Public, Cooperative & Social Housing
CEE	Central and Eastern Europe
EECA	Eastern Europe and Central Asia
EIB	European Investment Bank
EU	European Union
EU 27	European Union (27 members pre 2013)
EU 28	European Union (28 members post 2013)
GDP	Gross Domestic Product
GFC	Global Financial Crisis
ILO	International Labour Organization
IMF	International Monetary Fund
IUT	International Union of Tenants
NAHRO	National Association of Housing and Redevelopment Officials (USA)
NGO	Non-Governmental Organization
OECD	Organisation for Economic Co-operation and Development
RICS	Royal Institution of Chartered Surveyors (UK)
SEE	South Eastern Europe
UK	United Kingdom
UN	United Nations
UNECE	United Nations Economic Commission for Europe
USA	United States of America
WHO	World Health Organization



EXECUTIVE SUMMARY

Access to decent and affordable housing is a fundamental human need and a human right (UN, 1948)¹. The UNECE Social Housing Study finds that housing is the least affordable human right of all. At least 100 million low- and middle-income people in the UNECE region are housing cost overburdened; they spend more than 40 per cent of their disposable income on housing. High housing costs for low-income households leave limited resources for other basic needs, such as food, health, clothing and transportation. This means that the lack of affordable housing makes other human rights increasingly unaffordable.

Housing systems are diverse and context specific. However, in the UNECE region, they share certain characteristics. In nearly all UNECE countries, there is some support for those who cannot afford housing costs. Although each country defines social housing differently, social housing is an integral part of housing systems that are designed to fulfil a housing need for those who cannot compete in the market, afford to be homeowners or rent decent housing in the private market. When the owner occupied sector and the private rental sector suffer, as was the case in the recent crisis, the demand for affordable housing options increases.

The social and affordable housing sector faces two challenges at the moment: increased need and reduced funds. This study highlights that the number of households registered on social housing lists in the UNECE member States has risen since the start of the global financial crisis. However, the crisis has made state spending cuts necessary and inevitable. These have disproportionately affected the housing sector. “Everywhere, there is great need for safe, decent, and affordable housing at the lowest income levels” (Peppercorn and Taffin, 2013, p. 11). The global financial crisis has changed the context in which housing systems operate, and the future is uncertain (Stephens and Norris, 2011).

In the past, social housing may have provided a home for the vulnerable and poor in the majority of UNECE countries. However, the recent crisis has not only increased but also diversified the social housing need. The elderly, young (first-time buyers), middle-income households as well as vulnerable and special groups are in housing need. Current challenges offer opportunities to re-examine the sector, adjust it to the new dynamic of the housing market and meet new aspirations, such as energy efficiency and customer adjusted design.

¹ United Nations Universal Declaration of Human Rights (UN, 1948).

The UNECE Social Housing Study and this summary contribute to bringing social housing to the forefront of the housing agenda of UNECE countries and to providing general guidance for policymakers whose actions can have an effect on where and how people live. The study identifies current trends and challenges and provides advice on social housing policy at the international level. The report offers information in support of further discussion, in-depth and context specific research for advancing social housing development by governments, local authorities, investors, private developers and NGOs to advance social housing as a critical housing option.

KEY TRENDS AND CHALLENGES

1. Social housing for the most disadvantaged: the residualization trend

- Today, homeownership is the dominant tenure in the UNECE region. The period preceding the global financial crisis (GFC) was characterized by almost unanimous support of homeownership across the UNECE region. In the western parts of the UNECE region², the increased share of homeownership was achieved by making access to mortgages relatively easy. In the eastern frontiers³ of the same region, the high rates of home ownership were achieved through the privatization of public housing⁴. In the countries with a mature social housing sector, there was a tendency to decrease the social housing stock through limited construction, selling off stock to sitting tenants and demolition. In countries with emerging social housing sectors, new state-supported housing initiatives are in the early stages of implementation and are limited in scale.
- Although the social housing systems vary significantly (see Chapter 1) according to CECODHAS (2012) they can be classified into one of three categories based on the social housing allocation model: universal (allocating social housing regardless of income limits); targeted (allocating social housing based on established income levels); residual (allocating housing only to defined vulnerable or special groups). The UNECE study shows that the majority of the UNECE member States gravitate toward the residual social

² 'Western parts' of the UNECE region typically relate to Northern America, Northern, Western and Southern Europe. However, it must be stressed that some successful transition economies as well as successful economies in the Middle East may share characteristics typical to those in the above listed regions.

³ 'Eastern parts' or 'Eastern frontiers' of the UNECE region typically relate to Central, Eastern and South Eastern Europe, and Countries in Central Asia. However, depending on the case some successful economies may share characteristics of those in the Western part of the UNECE region.

⁴ In this publication the term 'public housing' refers to housing provided in the countries with economies in transition in socialist period, therefore before transition period.

housing allocation model (see Chapter 2). Post-GFC the need for social and affordable housing has not been met in the majority of UNECE countries. The demand for social housing continues to grow.

- The global financial crisis has changed the context in which housing systems operate. The UNECE Social Housing Study highlights that the majority of UNECE member States are going through a significant reassessment of their social housing policies and funding mechanisms. In this context, the question about the future of social housing models is being posed anew. It remains crucial that changes benefit those with the lowest incomes while also serving new, emerging groups in need, such as the elderly, young or middle-income families. The trends and challenges identified in the UNECE Social Housing Study as well as the recommendations are aimed to support these efforts while promoting the idea of “affordable housing for all”.

2. Increased housing need



100 million people in the UNECE region spend more than 40 per cent of their disposable income on housing – this is a conservative estimate.

UNECE estimates based on primary data collected for this research and following publications: CECODHAS, 2011; JCHS - Joint Center for Housing Studies of Harvard University, 2013a; European Union, 2012; Rosstat, 2012.

- The global recession has led to increased inequality and rising poverty. The UNECE Social Housing Study highlights that over 100 million people in the UNECE region are housing cost overburdened. They spend more than 40 per cent of their disposable income on housing expenses including rent or mortgage and utility bills. High housing costs for those with a low level of income leave very limited resources for food, health, clothing, transportation and education, among other basic needs.
- The housing need has not only increased but it has also diversified. This study highlights that there is an increased need for an aging population, young adults and middle-income households, vulnerable/special groups (e.g. disabled, refugees, migrant/immigrants, homeless, veterans), as well as the low-income and no-income populations. The lack of housing affordability has raised the need for social housing.
- The number of households registered on the social housing lists of UNECE member States has risen since the start of the GFC. To illustrate

this trend, the social housing waiting lists in the United Kingdom are at 1.8 million, 1.7 million in France and 1.17 million in Ukraine. The United States is experiencing a shortage of 5.3 million social housing units. The waiting period for social housing in the Russian Federation is 20 years. The need seems to be the most critical in large metropolitan areas⁵ in the UNECE region, where housing markets are heated.

<i>London</i>	<i>Paris</i>	<i>New York</i>
<i>354,000 (Greater London)</i>	<i>550,000 (Ile-De-France)</i>	<i>347,500 (New York City)</i>
<i>2012</i>	<i>2013</i>	<i>2014</i>

Sources: NYCHA, 2014, DRIHL, 2014, Fisher, 2012.

3. Limited housing supply and choice

- The lack of housing overall, but of social housing in particular, is one of the key challenges facing UNECE member States. The housing shortage has contributed to a housing price increase. Because of this increase, the lack of housing affordability has risen, as well as the need for social housing as an affordable option.
- There is a sizable shortfall in net new housing output (all tenures) not just because of the financial crisis but also because of the longer-term lack of supply response. Since 2007, the financial crisis has led to a drop in housing starts and completions across the UNECE region. The drop in construction has varied across countries. Long-term lack of housing supply response has been noted in a number of Western and Northern European countries. Many Eastern European and Central Asian countries have not recovered even 50 per cent of the housing construction volume of the 1980s.
- An additional challenge is the lack in the supply of appropriate types of housing because of changing demographic trends (e.g. housing for an aging population). Future policies will have to respond to the diversified housing need. It is essential that such innovation is embedded in the development of sustainable multigenerational communities responding to the needs of many while taking into consideration the needs of special groups.

⁵ 'Large metropolitan areas' are large cities such as Paris, London, New York, Madrid, Moscow that have a population of several million people. In some cases these cities are also national capitals. They are also referred to as: 'global cities', 'mega cities', 'large metropolises'.

- The housing shortage is rarely absolute. Areas with high-housing demand (so called ‘pressure zones’ or ‘heated markets’) and low-housing demand (so called ‘shrinking areas’) often coexist within one country. The presence of low- and high-housing demand areas highlights the complexity of the housing need as well as the diverse nature of such need within one country. Future policies will have to consider the fragmentation of the national housing markets and develop solutions that can address the low- as well as high-housing demand areas while supporting governance structures needed to respond to local drivers of change (Rosenfeld, 2013).

4. Limited funding and finance

- The UNECE Social Housing Study finds that there is a willingness to provide more social housing in a majority of the member States. However, there is less certainty about the future of funding that supports such developments. Limited funding makes the implementation of new and existing policies challenging. Securing future funding and finance for the social housing sector is one of the key challenges in the UNECE region. While general trends can be observed, it must be stressed that the challenges to the finance and funding of the sector differ between countries.
- In the immediate aftermath of the GFC, a number of North American and European countries responded by increasing public expenditure on social housing. However, following an initial phase of significant investment, housing budgets were significantly reduced in a number of countries. The economic downturn of 2011 posed a serious challenge to national governments to further expand their intervention in social housing.
- The overall trend in the UNECE region marks increased attention to the reassessment of current social housing finance mechanisms for cost effectiveness and suitability to current market trends. In the eastern and western parts of the region, there is an interest in examining new financial solutions and products. There is increased interest in state guarantees, combining public and private funds creatively and examining new funding and financial arrangements that are more suited to the current and future housing market trends. There is a heightened interest in attracting and/or expanding collaboration with institutional investors and international banks. In countries where such practices are in the early stages, there is more work to be

done to make the collaboration with these organizations successful.

5. Rising aspirations for housing quality, health and energy efficiency

- Across the UNECE region there is rising interest in improving housing quality. Considering the limited housing supply, ensuring the quality of the existing stock and establishing energy efficiency standards for new stock are increasingly important. However, no less important are the health standards that have received limited attention until now. The physical and mental health of the residents is directly influenced by the quality of their home (WHO, 2011).
- While a number of innovative practices for improving housing quality standards exist, more work needs to be done to make them the norm and to adjust them to the social housing sector. The integration and adoption of such standards (including health and energy efficiency, among other issues) are beneficial to reducing energy poverty, ensuring healthy living and securing productivity at school and work. However, housing quality standards should be supported by the financial viability of housing schemes for housing providers and affordability for existing residents. These measures would help guarantee the successful implementation of future policies and certify that those with low incomes can afford the improved housing. The existing housing stock needs refurbishing and retrofitting, and this is a crucial challenge at the moment. The above-mentioned financial mechanisms for renewal and retrofitting should be further developed.

KEY RECOMMENDATIONS

The majority of ECE member States are presently in the process of reassessing their housing policies. Consequently, there are potentially multitudes of issues that could be rightfully addressed at this juncture. However, responding to any crisis requires rigorous prioritization and focused action in order to move things forward in a climate of resource scarcity. The advice laid out in this section concerns the most critical issues identified by the analysis of 31 interviews conducted with representatives of governments, international banks and investors, housing federations and civil society (see Acknowledgements), additional quantitative data provided by interviewees, and a literature review of over 200 publications on housing issues in more than 50 countries. The report was able to cover only a carefully selected number of issues that illustrate that social housing should play a positive role in solving emerging housing problems. This report calls all interested parties to capitalize on this renewed energy and enthusiasm for social housing and to join forces at the international, national, local and levels and across sectors and disciplines in order to make more homes accessible to more people and families in need.

The social housing sector in the UNECE member States is characterized by great diversity and different levels of policy maturity. Such diversity means that there cannot be simple solutions applicable to all. The recommendations presented in this study are not readymade solutions. Rather, they are a call for further work and the advancement of the UNECE region's capacity to make decent affordable housing accesible to as many people as possible. Different national housing systems and circumstances will have to be accommodated to make the solutions suitable to local contexts.

Policy advice

1. Tenure balanced policies for balanced housing markets

Future policies should support increased housing supply in a tenure neutral manner. Tenure mix allows economic mobility, is more responsive to the market dynamic and is more resilient to crises when they arise. Governments play an indispensable role in shaping national housing systems and use various tools to enable and boost housing markets. In order to address post-GFC housing challenges, fundamental links between the housing markets and financial markets will need to be factored into future housing policies in a context specific way. Priorities will need to be set in terms of future tenure balance and state intervention in housing finance. In particular, there is a need for well-calibrated government participation in the housing markets with less focus on the direct provision of mortgage credit and more concern about systemic effects and externalities. Better-calibrated government participation in housing markets would also rely on more targeted measures to achieve social objectives, such as affordable housing for low-income households (IMF, 2011). There remains a growing need for social housing, which is the only means of securing decent and affordable housing for those households who cannot afford to buy or rent in the market. In domain of social and affordable housing policy, priorities will have to be re-examined and targets clearly set in relation to providing housing for low-income households, supporting labour mobility and/or boosting local economies.

2. Adaptability to high- and low-housing demand areas

Locally adjusted solutions and context sensitivity are needed to ensure cost effectiveness. National housing markets are fragmented (Rosenfeld, 2013). In other words, housing prices are not the same across any particular state. For instance, housing prices in cities are higher than in other parts of their respective country. The characteristics of the housing need and the cost of satisfying this need are different between low- and high-demand areas. In low-demand areas, the housing needs of the low-income and poor may co-exist with the outmigration of other parts of the population and vacant properties. In high-demand areas, the middle class and middle income may be struggling to access affordable housing. Future social housing policies should take into consideration the fragmentation of the national housing markets and be able to respond to the housing need in low-

demand areas (shrinking areas) and high-demand areas in ways that are both suited to the dynamic of local markets and are relevant to those in need in a cost-effective and financially viable manner.

3. Integrated approach to social housing

Housing is a complex good. Access to decent, affordable housing promotes the right to food and water, the right to physical and mental health, the right to education, the right to family, the right to work and the right to participate in the cultural life of the community. Access to decent homes reduces the likelihood of energy poverty and its adverse effects. Social housing policies interact with national welfare benefit systems and their funding streams that support better health and energy efficiency. Within an articulated policy framework for social housing specifically, clear aims and objectives are required not just for individual policies but also for the mix of policies and their system-level coherence, including how they are delivered and by whom (this is especially relevant in a devolved system) (Gibb et al., 2013). For cost efficiency, system-level tests are required to ensure that subsidies are not over provided or poorly targeted. The creative combination of funds, especially in projects aimed at developing sustainable communities (including social mix), should be supported in order to ensure that these goals are achieved at the local level through the collaboration of different local actors.

4. Energy efficiency

Energy efficiency brings multiple benefits not only to the residents but also to the wider environment. There are a number of innovative practices in this area that exist across the UNECE region. However, more work is needed to make such practices the norm and ensure their large-scale implementation. Dedicated funding for energy efficiency should be creatively combined with that for social housing. In order to reach energy efficiency aspirations in the social housing sector and ensure their successful (long-term and large-scale) implementation, the financial viability of the schemes will have to be taken into consideration. Rent increases that are not proportional to energy savings (utility bills) should be avoided, as they may unintentionally lead to the forced relocation of existing residents and the ghettoization of cheaper, non-retrofitted buildings. While technologically advanced solutions are welcome, affordable and traditional building techniques proven for their energy efficiency should be promoted,

especially those that could be executed by the residents themselves.

5. Inclusive design and increased housing choice

A diverse portfolio of social and affordable housing choices and design options is necessary to respond to the increased and varied housing need that is highlighted in this study. The need among middle-income and low-income households is pressing. At the same time, there is growing awareness of the need to make housing suitable for the aging population. Young adults and first time buyers also require support. The number of vulnerable people and the poor with limited or no income are on the rise, along with the increase of poverty. Special groups, such as ethnic minorities, refugees and asylum seekers, should receive continuous attention in order to successfully integrate into their host countries. Suitable solutions should be provided for special categories of population such as: people suffering from mental illness, substance abusers, returning veterans and homeless. The diversified needs of the population require increased housing choices and options. It is essential that such innovation supports creation of multigenerational, mixed communities that respond to the requirements of many, while taking into consideration the specific needs of special groups. This approach could benefit from the involvement of housing developers and the residents of the planned premises.

6. Governance and partnership working

Governments play a vital role in shaping their housing systems in a market economy. Healthy housing markets are the result of political effort (policies, regulations) as much as economic ability. In many countries, the role of the government has changed, power has been devolved and new actors have joined the policymaking process and its implementation. The decentralization of the state is one of the key trends in contemporary governance of housing. The governance of social housing is complex. It brings together a complex network of national and increasingly international actors, multiple tiers of government, public, private and civil sectors while necessitating knowledge from many different disciplines. For this reason, clear vision and purpose of social housing policies are of vital importance along with the clear definition of actors' roles and responsibilities. Management of complex networks of actors and building effective partnerships are essential for successful social housing policy design and implementation.

The housing sector is integrative by nature. For this reason, the horizontal and vertical integration of efforts and relevant funds is of vital importance. The integration of efforts from disparate ministries (and their departments) responsible for various aspects of housing (or issues related to housing, e.g. social benefits, energy efficiency, health, infrastructure) can contribute to policy system coherence and alignment of funding streams.

Collaboration between different tiers of government (in a vertical sense) is also important. Local authorities have been given the responsibility to deliver social housing but in many instances depend on national (federal or regional) funding to do so. Moreover, as the result of decentralization many actors from public, private and civil sectors have joined the process of social housing provision, finance, management and maintenance (e.g. private sector investors, housing providers and residents). Governmental agencies in charge of social housing should seek to engage with these stakeholders during the early stages of housing policy design and implementation in order to secure long-term and viable results.

7. Integration of international efforts in social housing

The need for social housing has increased dramatically across the UNECE region. However, the number of public and private organizations, charities, NGOs interested in supporting and advancing the housing field has increased too. International organizations should support this enthusiasm and help efforts to provide housing to as many people as possible. International organizations are seen as the hubs of knowledge exchange. They should establish long-term commitments to the housing sector, not just initiatives during crises. Housing matters bring together numerous sectors and disciplines. If treated as a mere piece of other disciplines, the solutions are unlikely to bring impactful results. Instead, housing should be treated as a sovereign professional discipline that convenes disparate efforts for integrated solutions. As a result of the GFC, many organizations have seen the interest in the housing field raise. They are encouraged to unite their efforts: each has its own expertise and strength and by coming together, housing can become a common concern, affect a stronger impact overall and provide for a greater number of people. The following initiatives have been communicated by national and sectoral housing leaders interviewed for this study as being of special interest: developing think tanks for specific social housing subjects (e.g. housing finance) and for specific groups of countries; providing capacity building

for local authorities wishing to provide social housing; establishing platforms where the private and public actors can come together and exchange knowledge; most importantly, advancing long-term and coordinated commitment to housing as an integrative field.



INTRODUCTION

Access to a home is a fundamental human need that should be available to all.⁶ The global financial crisis (GFC) and the recession that followed made access to decent and affordable housing increasingly difficult to a growing share of the population in the UNECE region. At least 100 million low- and middle-income people are housing cost overburdened: they spend more than 40 per cent of their disposable income on housing. Housing costs at this income level leave limited resources for other basic needs, such as food, health, clothing and transportation.⁷

Social housing is an integral part of a national housing system that is designed to fulfil a need for those who cannot compete in the market, afford to be homeowners, or rent decent housing in the private market. When the owner-occupied and private-rental sectors suffer, as was the case in the recent crisis, the demand for affordable housing options increases. In order to make social housing affordable in the free market, this part of the housing system usually receives various forms of support from the state and is dependent on low-cost finance. However, the crisis has made state spending cuts necessary and inevitable. These have disproportionately affected the housing sector.

The global financial crisis has changed the context in which housing systems operate, and the future is uncertain (Stephens and Norris, 2011). The lack of housing affordability and increased need for safe, decent affordable housing are the key challenges facing the UNECE region. In the past, social housing may have been a home for the vulnerable and poor in the majority of the UNECE countries. However, the recent crisis has made middle-income as well as middle-class households in need for social housing. New vulnerable populations are emerging, including the aging and young. Even in the countries with a long tradition of social housing and sizable social housing funds, the demand for social housing is not met. Waiting for social housing are long. The observed challenges present real problems but also an opportunity to re-examine the sector, adjust it to the new dynamic of the housing market and meet new aspirations such as energy efficiency, increased housing quality and customer-adjusted design.

⁶ United Nations Universal Declaration of Human Rights (UN, 1948).

⁷ RICS (2011) reports that housing-related expenditure is currently the biggest component of customer spending at an aggregated European level. It totalled €1.500 billion in EU27 in 2009.



The UNECE Social Housing Study identifies current trends and challenges and provides advice on the future of social housing policy in the UNECE region. It finds that the majority of the UNECE member States are undertaking a significant reassessment of their current housing policies in an effort to adjust them to the future housing need and demand.

The UNECE Social Housing Study demonstrates the importance of social housing as a vital infrastructure that enables urban and economic growth. It brings social housing to the forefront of the housing agenda of the UNECE countries and it provides general guidance for policymakers whose actions can have an effect on where and how people live. The study is intended to stimulate further discussion and contribute in-depth and context-specific research for the advancement of social housing by governments, local authorities, investors, private developers and NGOs and other important stakeholders.

RESEARCH APPROACH

This study examines the current trends and challenges in the social housing sector in the UNECE region that are likely to impact future housing policies.⁸ Its objective is to provide recommendations for policy development and advice for specific groups of stakeholders, including policymakers and regulators, international organizations, local governments and housing providers. The research embraces the diversity of the social housing systems and definitions. In order to support such an approach, the research conceptualizes social housing as an integral part of national housing systems.

Housing is a complex good that brings together social, economic and environmental concerns. Crisis and resource scarcity require careful prioritization in order to provide an effective and time-appropriate strategy. For this reason, this research engages directly with government representatives responsible for social housing matters in their own countries, along with selected international banks, institutional investors, housing providers and social housing tenants. It asks them what key trends, challenges and directions for the future they perceive to be relevant.

The UNECE Social Housing study and its recommendations are evidence based. This study was prepared in conjunction with the UNECE workshop 'The future of Social Housing Environmental and Social Challenges

⁸ The research does not intend to provide detailed descriptions of the sector in every country, for such information the report recommends the reader to consult UNECE country profiles, available from: <http://www.unece.org/housing-and-land-management/areas-of-work/country-profiles-on-housing-and-land-management.html>

and the Way Forward'⁹ held in Geneva from 4 to 5 February 2014. This study updates and expands the material presented at the occasion and builds on the responses of the national and sectoral housing leaders across the UNECE region. The research is based on multiple sources of data and their triangulation. One key source of data comes from 31 interviews with representatives of government, public, private and third sectors who play key roles in the housing sector in their constituency (see Acknowledgements). The interviews were conducted by phone (23 out of 31), in person (4 out of 31) and in writing (4 out of 31). The telephone interviews lasted 45 to 75 minutes and were semi-structured in order to allow the respondents to explain and put forward the issues that they find the most relevant in their context without the constraints (and assumptions) imposed by a structured questionnaire. The research triangulates this data with the statistical information from the UNECE Survey and partner organizations, notably CECODHAS (Housing Europe), as well as review of over 200 international publications on the matter. It complements this data with cutting-edge academic research and national resources, where available. Finally, the research is informed by the author's engagement in the activities of other networks such as the OECD, the European Network of Housing Research, the European Commission and the World Cities Summit.

Research Limitations

The housing systems in the UNECE member States are varied and diverse. The housing data is not equally available across all the UNECE countries and is not readily comparable. For this reason, strategic decision was made at early stages of the research to engage directly with representatives or governments, social housing providers (developers, federations), professional organisations, international banks and investors as well as social housing tenants with proven long term involvement in social housing sector. The interviewees provided clarifications on their contexts, approaches, interpretations of 'social housing' terms, measurement methods and contributed overcoming the above noted limitations. Most importantly, they provided a vital insight about trends and challenges in the social housing sector in their constituencies. This necessary involvement of the representatives of government, public, private and civil sectors forms a key qualitative component of this research. The views presented by the respondents may be limited to their own opinion, but provide important assessment of the situation that is rooted in their experience and position.

⁹ Follow the link of the Workshop proceedings: <http://www.unece.org/index.php?id=33997>



PART I. SOCIAL HOUSING DEFINITIONS AND MODELS IN THE UNECE REGION



CHAPTER 1. Social housing definitions in the UNECE region

Social housing presents one of the housing tenures within a national housing system¹⁰. Housing systems are culturally specific, context dependent and take different forms across the UNECE region. They are the results of historical, cultural, political and economic circumstances. Most importantly, housing systems are subject to change and constant evolution. Consequently, the term “social housing” is interpreted in different ways. However, “each country has forms of housing that are broadly designed to satisfy the needs of households who are unable to compete in the marketplace for housing of an acceptable standard” (Oxley, 2009, p. 2). Regardless of the form it may take, social housing is supplied at prices that are lower than the general housing market and it is distributed through administrative procedures (for more details see UNECE 2002c, 2003a; 2005a, 2006a; Oxley 2009; CECODHAS, 2011; Braga and Palvarini, 2013). This means that some form of state support and subsidy are inevitably involved with this tenure. However, the definition (and use) of the term social housing, the definition of the housing need, eligibility for social housing, legal and institutional frameworks, funding and financial mechanisms, differ significantly across the UNECE region. This chapter examines the terminology used to describe housing that is referred to as “social” by national governments and international organizations. The Chapter concludes by providing the formulation of the term social housing used in this study and the manner it is used in the work of the UNECE in general.

SOCIAL HOUSING TERMINOLOGY AT THE NATIONAL LEVEL

Housing systems are culturally specific, but so are the languages used in the UNECE region. Therefore, the first question is whether and how the term social housing or the combination of the words “social” and “housing” are used by UNECE member States. And if not, the question is what part of their housing system countries refer to as social housing.

The majority of the UNECE member States do not use the term social housing (or the combination of words “social” and “housing”) in their policies and legislation in their native language (UNECE, 2006a). CECODHAS shows that in Europe, terms such as “housing at moderate rent” in

¹⁰ In general terms there are three basic tenures within each national housing system these are: home ownership, private rent and social housing.

France (HLM), “common housing” or “not-for-profit housing” in Denmark, “housing promotion” in Germany, “limited-profit housing” or “people’s housing” in Austria, “publically protected housing” in Spain and “public utility” housing in Sweden are used (CECODHAS, 2011, p.22).

The interviews with selected government representatives conducted for this research confirm and reinforce this argument. In the United States of America¹¹, the term “public housing” is in use in policy and legislation. This term is also used in Canada and Israel. According to the representative of the Russian Federation, the official definition of the term social housing does not exist. The closest meaning to the concept is “housing for social use” («жилищный фонд социального использования»). Finland uses “government subsidized housing” to describe social housing and other forms of affordable housing supported by their government. In Ukraine, “housing stock for social purposes” is used (see *Table 1. National terms referring to “social housing” in selected countries in the UNECE region* for more details). It is important to mention that several countries with relatively new legislation use the translation of the term “social housing” (e.g. Serbia and Slovakia).

TABLE 1.
National terms referring to “social housing” in selected countries in the UNECE region

Country	Term used in translation to English	Term in the original Language
Austria	“limited-profit housing” or “people’s housing”	wohnungsgemeinnützigkeitsgesetz (WGG)
Canada	“social housing”	logement social/social housing
Denmark	“common housing” or “not-for-profit housing”	almene boliger
Germany	“housing promotion”	Wohnraumförderung
Finland	“government subsidised housing”	asuntorakennustuotannon valtuuskunta (ARAVA)
France	“housing at moderate rent”	habitations à loyer modéré

(Continued on next page)

¹¹ In the US, the term “public housing” is used very specifically to refer to one program that began in the 1930s when the federal government financed and regulated low-rent housing owned by local housing authorities. These are approximately 1 million of these public housing units. There are other forms of “affordable” or “assisted” rental housing options as well that are not termed “public housing”.

Country	Term used in translation to English	Term in the original Language
Israel	“public housing”	דִּיר צִיבּוּרִי
Hungary	“social housing for rent”	szociális bérlakás
Netherlands	“social housing”	woningcorporaties
Russia	“housing stock for social use”	жилищный фонд социального использования
Serbia	“social housing”	социјално становање
Slovakia	“social housing”	sociálne bývanie
Spain	“publicly protected housing”	vivienda de proteccion publica
Sweden	“public utility housing”	allmännyttiga bostäder
Ukraine	“housing stock for social purposes”	жилищный фонд социального назначения
United Kingdom	“social housing”*	social housing
United States of America	“public housing”*	public housing

*UK and US governments’ policies include programmes for affordable housing in addition to social (or public) housing.

Sources: Interviews conducted for this research and multiple publications.

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DEFINITIONS OF THE TERM “SOCIAL HOUSING” IN SELECTED UNECE MEMBER STATES

Consistent with the differences in terminology, there is no simple definition of social housing that fits every country equally well. Significantly, in the majority of the countries included in this research, there is also no definition for “social housing” at all (e.g. Estonia, Croatia, Germany, Norway), no official definition (e.g. Austria, Netherlands, Poland) or no definition that is unanimously accepted (e.g. France). However, all the government representatives interviewed for this research indicated that their governments do support housing for those who cannot access it at a market price. The EECA countries that took part in this research (Belarus, Georgia, Russian Federation, Ukraine, Tajikistan) do not provide a definition for “social housing” either because the term is not used (e.g. Ukraine, Russian Federation) or because they do not have policies for this type of housing (e.g. Georgia, Tajikistan). In the countries where the

legislation exists, definitions of social housing refer to different aspects of this tenure (see *Table 2. Selected examples of definitions of “social housing” in the UNECE region*). For example, the social housing definition in France and the United Kingdom refers to ownership of social housing; in Finland it refers to housing tenure (see also United Kingdom, France); in the USA the definition is based on level of rent (see also UK, France); in Germany on the relevant funding and/or subsidy stream (see also France). The definitions may also include reference to state support or subsidy (e.g. Finland, Serbia). However, in almost all countries where this part of the housing system is established, its purpose and beneficiaries are outlined in the definitions provided by the governments (see also Whitehead and Scanlon, 2007). Based on purpose and beneficiaries social housing is provided for those whose needs cannot be satisfied by the market for various reasons.

The examination of the definitions of 56 countries’ interpretations of the term social housing is beyond the scope of this study. For this reason, selected illustrative examples are provided instead.

TABLE 2.
Selected examples of definitions of “social housing” in the UNECE region

Country	Definition
<i>Austria</i>	<i>“In Austria, there is no official definition of social housing but there are different forms of housing provision ‘beyond’ the market” (CECODHAS, 2010).</i>
<i>Czech Republic</i>	<i>“We have no definition of social housing. We have a definition of people who are not able to accommodate themselves in the free market as a target group for subsidized rental housing construction” (*Government of Czech Republic).</i>
<i>Denmark</i>	<i>“The term social housing is a collective designation for three different types of housing, social family dwellings, social dwellings for the elderly and social dwellings for young persons. Where care and service area are attached to social dwellings for the elderly, the dwellings are termed care homes” (*Government of Denmark).</i>
<i>Germany</i>	<i>Does not define its housing for social purposes as social housing. Affordable housing is temporarily publicly subsidized (European Parliament, 2014).</i>
<i>Finland</i>	<i>Social housing refers to state-subsidised and rent-regulated social homes (*Government of Finland).</i>

(Continued on next page)

Country	Definition
France	No definition of social housing exists that is unanimously accepted (Amzallag and Taffin, 2010). Social housing generally refers to housing at reduced rent and it is often assimilated to the HLM housing providers and landlords. However, social housing is not necessarily only rental property and social rental housing is not limited to HLMs.
Netherlands	There is not a single definition of social housing in the Netherlands, although The Dutch Constitution states (Article 22) that the promotion of adequate housing is the object of the care of public authorities and the Dutch Housing Act of 1901 offers a legal framework for the way the provision of social housing is organised (CECODHAS, 2010).
Russia	An official definition does not exist. Closest in meaning to the concept, is the notion of “housing of social use” described in the Housing Code of the Russian Federation (*Government of the Russian Federation).
Serbia	Social housing is defined by Article 2 of the Social Housing Law as: ‘housing of an adequate standard which is provided with state support, accordable with the social housing strategy and strategy implementation programmes for households that cannot afford an apartment under market conditions for social, economic or other reasons (*Government of Serbia).
Tajikistan	Housing stock for social purposes is a combination of houses of governmental housing stock allocated to citizens on the basis of a social rent agreement (*Government of Tajikistan).
Ukraine	In accordance with article 1 of the Law of Ukraine, social housing is understood as housing of all forms of property (except for social dormitories) from the housing stock for social purposes, which is offered to citizens of Ukraine in need on the basis of a lease agreement for a defined period of time (*Government of Ukraine).
United Kingdom	Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency (DCLG, 2012).
United States of America	(Synonym “public housing” is used) Public housing was established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. Public housing comes in all sizes and types, from scattered single family houses to high rise apartments for elderly families (HUD, 2014b).

* definition provided by the government representatives interviewed for this research. If otherwise indicated the definitions were quoted from the following documents: European Parliament (2014), CECODHAS, 2010; DCLG, 2012; HUD, 2014b; Amzallag and Taffin, 2010.

DEFINITIONS OF THE TERM “SOCIAL HOUSING” IN SELECTED INTERNATIONAL ORGANIZATIONS

Different interpretations of the term social housing and its usage may make it difficult to compare social housing internationally. This section presents challenges in providing overarching definitions of social housing by selected international organizations. In the followings, this study shows that the majority of the “social housing” definitions were created to support a specific goal. For example, the application of specific EU rules (e.g. European Commission), a mission of specific organizations (e.g. CECODHAS), research project (eg. OECD) or rule of conduct (eg. EIB, CEB).

As shown in the previous section, each country defines social housing in different manner. Consistently, EU member states define social housing differently. According to European Commission housing policy is the responsibility of the EU member states and there is no definition of social housing at European Union level¹². Social housing is often considered as a service of general economic interest (SGEI). It is up to the EU member states to define their SGEIs¹³. In the context of the application of State aid rules to the financing of social housing, the European Commission provides a definition of SGEI whose financing is exempt from notification to the Commission. This definition refers to social housing as follows:

“Undertakings in charge of social services, including the provision of social housing for disadvantaged citizens or socially less advantaged groups who due to solvency constraints are unable to obtain housing at market conditions, should also benefit from the exemption from notification provided for in this Decision, even if the amount of compensation they receive exceeds the general compensation threshold laid down in this Decision”¹⁴ (recital 11 of Decision 2012/21/EU of 20.12.2011).

This definition caused significant controversy in Europe. Some commentators interpreted it as the attempt to impose a social housing model at the European level. However, the Commission has demonstrated that EU rules applying to social services of general interest (SGEI) do not mean imposing a particular model of public services. In the decision of 15 December 2009 on the State aid case E 2/2005 concerning social housing in the Netherlands, the Commission states that national authorities have

¹² Social housing is not exempted from competition rules. State aid rules apply to the financing of social housing and Decision 2012/21/EU exempts the social housing as defined above from notification obligation.

¹³ It should be noted that the European Commission and European Union’s Courts can check a manifest error of assessment.

¹⁴ For details see recital 11 of Decision 2012/21/EU of 20.12.2011 on the application of Article 106(2) of the Treaty of the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest.

a wide margin in defining the criteria and conditions for social housing and that social mix and social cohesion are valid public policy objectives for which the State aid may be justified. The role of the European Commission in the housing field is to ensure that the competition and internal market rules are respected. In particular, the State aid granted for social purposes has to be applied to that end and not to finance commercial activities. Therefore, the *recital 11 of Decision 2012/21/EU of 20.12.2011* supports the application of specific EU rule on SGEI.

In 1998, CECODHAS (Housing Europe) proposed the following definition to the European Commission: *“Social housing is housing where the access is controlled by the existence of allocation rules favouring households that have difficulties in finding accommodation in the market”*. However, this definition was challenged for being very general, leaving out the aspects of tenure and referring to target groups only in general terms. For instance, during UNECE workshops on social housing sector conducted in 2002 and 2003 (see UNECE, 2002c, 2003a, 2003b), discussants warned that such broad definition may lead to inconsistencies in the way the term ‘social housing’ is interpreted in different countries. This definition was proposed in line with CECODHAS mission and it’s in efforts represent all CECODHAS members in 22 countries that as noted have very different social housing systems¹⁵. To this date, CECODHAS remains loyal to this definition of social housing.

Diversity of social housing definitions on national levels as well as different interpretations at international level, present challenges in international housing research. One way to tackle these challenges is to provide a ‘working’ or research-project specific definition that enables focus for required examination. In its housing research the OECD does not have an officially accepted social housing definition. However, it proposes a ‘working’ definition that serves a specific research project. In its 2011 publication working definition for social housing was provided as follows: *‘In this study, social rental housing refers to housing that is let at below-market rents and/or allocated by nonmarket mechanisms through some administrative procedure’* (Andrews, Caldera Sánchez and Johansson, 2011, p.43). Clearly, this definition may be analysed for its relevance in different national contexts. However, it should be stressed it has been provided in line with the research goals and objectives it serves¹⁶.

¹⁵ Established in 1988, CECODHAS is a network of 42 national and regional federations which together gather about 41.400 public, social and cooperative housing providers in 22 countries. Together they manage over 25 million homes, about 12% of existing dwellings in the EU.

¹⁶ This means that the working definition in a different research project may be changed in order to serve the goals and objectives of that research project.

The challenges related to the diversity of the social housing definitions are also present in the realm of social housing finance. In order to overcome the diversity of social housing definitions (or absence of thereof) whilst responding to the demand for financial products and services in social housing sector at international level, European investment and development banks, notably European Investment Bank and Council of Europe Development Bank define themselves as “*policy takers*”. This means that they work with the definitions of social housing provided by the countries who they serve while applying their own bankability and eligibility criteria.

The Council of Europe Development Bank (CEB) was found in 1956 with the aim to support housing refugees and displaced persons. In line with its overall mission CEB responds to the needs of its Member States in matters of “housing for the less well-off parts of the population”¹⁷. The CEB’s scope of action is thus wider than the specific segment of “social housing” per se, even though the latter constitutes a priority. In regards to social housing CEB operates within national housing policies and gives priority to the relevant national legislation defining criteria for housing for low-income groups. In case these are not available (or not developed) the bank may propose its own criteria.

The European Investment Bank (EIB) follows the European Union’s subsidiary principle in relation to housing. However, housing and social housing has not been the major sector for the bank. Social housing sector has grown more recently as the result of demand for financial products to support this sector. The EIB responds to demand for loans, when and if they are communicated to the bank in the form of concrete projects. The EIB representatives stressed that EIB is a ‘*policy taker*’ (in social housing), therefore it does not make the policy but responds to it (at national level). In general terms the bank finances selected schemes of affordable and social housing as a part of local integrated and inclusive sustainable urban development plans and housing policies satisfying the EIB’s eligibility criteria for the sector.

As shown in this section, the definition of the term ‘social housing’ and the strategies to cope with the diversity of definitions (or their absence) internationally depend essentially on the mission of the organization, specific legislation, the aim of their specific research project or a specific task. Therefore, in order to explain what social

¹⁷ The CEB’s approach to “housing for low-income persons” is defined in the “Overall Policy Framework for Loan and Project Financing” (Resolution 1562 (2013)). CEB representatives stress that “Low income”, as used in the context of housing, does not refer to any classification by income of CEB member countries. In particular, it is not a reference to the World Bank’s country classification by income set each year on 1 July for operational and analytical purposes.

housing stands for in this UNECE study, the mission of the UNECE programme on housing and land management needs to be explained.

SOCIAL HOUSING IN THE UNECE HOUSING AND LAND MANAGEMENT PROGRAMME

The main objective of the UNECE programme on housing and land management is to improve housing, urban and land governance and promote sustainable housing in 56 member States of the ECE region. The UNECE Committee on Housing and Land Management (CHLM) and its subsidiary body – the Working Party on Land Administration (WPLA), supported by the Real Estate Market Advisory Group (REM), provide a platform for international knowledge exchange and policy advancement in housing and land management in 56 member States.

As a consequence of different historical pathways to housing provision in general and social housing in particular, there is no common definition of social housing in the UNECE region (see Chapter 2). Discussions about defining social housing have been at the centre of the UNECE gatherings on several occasions. UNECE reports of workshops held in 2003 in Prague (UNECE, 2003a), 2004 in Vienna (UNECE, 2005a) as well as in 2014 in Geneva (UNECE, 2014) present some of these debates. Further explanation of the term social housing is provided in the UNECE Guidelines on Social Housing (UNECE, 2006a) which points out that “the concept of social housing is difficult to define accurately”, given the variety of forms it takes as well as because its meaning varies from one country to another (Ibid., pp.10-11). Similar challenges are explored in other UN literature referring to the UNECE region, for example UN-Habitat (Oxley, 2009, Tsenkova and French, 2011). In order to open the possibilities for the inclusion of a rich variety of housing systems and to foster knowledge generation and exchange, “social housing” is used as a “key word” that brings governments and interested stakeholders together to advance the part of their housing system that caters to the housing need (rather than demand). Responding to this need and the UNECE mission, this study builds on the way the term social housing is used in the work of the UNECE and provides the interpretation of “social housing” accordingly:

“Social housing” has no one definition, it is in essence a key word used to enable governments and interested stakeholders to exchange knowledge about the part of their housing system that is aimed to satisfy the housing need, that is supported by the state and distributed through administrative process distinct to their local contexts.

KEY CHARACTERISTICS OF SOCIAL HOUSING IN THE UNECE COUNTRIES

Social housing systems vary according to a number of characteristics. This section presents a brief overview of the selected characteristics of that part of the housing system that is designed to satisfy the housing need and is referred to as “social housing” as discussed in the previous section. The comprehensive overview of the characteristics of social housing systems in the UNECE region is out of the scope of this study. The section briefly presents the types of tenure social housing takes (or is a part of), the types of beneficiaries it serves, the funding and finance it receives. It also lists the most common social housing providers and decision makers in the UNECE region. For a detailed discussion on these matters, see the Guidelines on Social Housing by the UNECE (2006a).

BOX 1.

Publication: Guidelines on Social Housing



The UNECE publication (2006a) ‘Guidelines on Social Housing: Principles and Examples’ describes the role of social housing in housing policies, institutional, legal and macroeconomic frameworks, social housing finance, the role of social housing in social cohesion, social housing design in the period preceding the GFC.

Tenure

In the majority of the UNECE member States, social housing is provided for rental purposes, although it can be available for purchase or shared ownership. The private rental sector can also cater to housing need. In some countries, one tenure option dominates while others use a combination of several forms of social housing, such as in the United Kingdom.

- **Social rented housing**, or social housing for rent, is the most common form of ‘social housing’ in the UNECE region. In the majority of UNECE countries (with the exception of Spain, Cyprus and Greece), social housing is provided for rent at a price that is lower than the market price of private rent.
- **Low-cost home ownership** has been a traditional way to meet the housing need in some Mediterranean countries (Spain, Cyprus and Greece). Here, social housing is provided only or mainly in the form of state-subsidized housing for sale.

- **Co-operatives** are a distinctive form of home ownership, which is the pooling of the members' resources so that their buying power is leveraged, thus lowering the cost per member in all the services and products associated with home ownership, maintenance and management.
- **Shared ownership** is an affordable housing option, where the tenant may purchase a percentage (from 25 to 75 percent) of their home and pay the rent on the remaining equity that remains in the ownership of their housing provider. In the UK this option exists along with others, such as social housing for rent and subsidized private rent.
- **Right of occupancy dwelling** is an alternative to renting or owning a dwelling (available in Sweden, Finland and Poland). The future resident is required to pay a right-of-occupancy fee that represents a percentage (e.g. Finland 15 per cent) of the home's value. The resident is then required to pay rent for the remaining value of the dwelling. The dwelling cannot be bought from the owner, but the right-of-occupancy fee is refundable when moving. It can also be inherited.
- **Private-rented** sector also serves as social housing, usually for a defined period of time. This can be done by licencing private landlords to rent their premises for social purposes and providing demand-side subsidies to the residents. This solution is now being advanced in Ireland and the United Kingdom. Temporary publicly-subsidized housing has been traditionally provided in Germany.

Ownership and management of social housing

A great variety of actors are involved in the provision of social housing across the UNECE region. The ownership of social housing is closely linked to the government subsidy regime and the potential to fund social housing in part or entirely through private finance (Whitehead and Scanlon, 2007, p. 12). The overarching issue, however, is that providers of social housing must operate within the rules of the national social housing system, usually on a non-profit or limited profit basis, and often receive funding, finance or other forms of support from central and/or other tiers of government.

According to CECDOHAS, the owners of social housing in the European Union are: national and local authorities, public companies, non-profit and not-for-profit, limited profit associations and companies, cooperatives, charities, private for-profit developers and investors (CECODHAS, 2011, p. 26). In SEE and EECA countries, the owners of social housing are primarily municipalities. The new legislation in a number of SEE and

EECA countries allows social housing to be owned by non-profit and profit entities. However, more work needs to be done to implement this legislation. In the United States, the owners of the social housing (public housing) are housing authorities (part of local authority) and private for-profit developers. In Canada, community organizations, non-profit and cooperative groups and the private sector work together to provide social housing. Social housing owners may perform various functions.

Social housing owners, such as housing associations in the United Kingdom, France and the Netherlands, have a wide range of responsibilities, such as raising funds for development and refurbishment, maintenance, management and provision of special services for the elderly, disabled, etc. In some cases, they are also involved in the selection of tenants (based on defined eligibility criteria and local preferences). However, the owners of the social housing can also contract out a number of these tasks to other private or public organizations.

Funding & Finance

Funding and finance for social housing is aimed at reducing the cost of construction (so called brick and mortar subsidies) that allows lower rents to be charged (or housing to be sold at a lower price) and funding aimed at helping the residents of the social housing to pay the rent and, increasingly, utility bills. For a more detailed discussion, please refer to the “UNECE Guidelines for Social Housing” (2006a) and the “UN-Habitat financing affordable social housing in Europe” (Oxley, 2009).

- **Demand-side subsidies** (or people subsidies): are available in the form of an allowance for the beneficiaries or tenants in order to help them pay the rent and, increasingly, utility bills (e.g. Hungary). These subsidies are secured by the central, federal or local governments, but generally from a public purse. They are generally based on the income level of the social housing residents.
- **Supply-side subsidies** (building subsidies): are aimed at lowering the price of construction of social housing to ensure a lower rent or purchase price (e.g. Spain). Depending on the national context, supply-side subsidies may be entirely funded by the public purse (e.g. national and local authorities) or through private finance (e.g. private investors). It needs to be stressed that whatever the case, the state plays an important role in reducing the cost of finance, rules and regulations about the levels of profit and levels of rent (or price of purchase in the Mediterranean). Commonly used supply side subsidies are: discounted land, grants, public loans, private loans, interest rate subsidies,



protected circuits of savings, revolving funds, increasingly own assets (social housing owners) and government-secured private investments.

Beneficiaries

Social housing systems vary based on the beneficiaries they are designed for or intended to serve (for more details see Chapter 2). In a number of countries, the social housing system is open to all and is commonly referred to as universal, while in others, the provision of this tenure is more targeted to a population's need, as defined in specific local contexts. These systems can be further divided into generalist and residual systems (CECODHAS, 2007; Ghekière, 2007). First, caters to a population under a certain income threshold, while the second houses the most vulnerable part of the population. The eligibility criteria for social housing are usually complex and made of a number of indicators. Income threshold is an important factor, but the eligibility may also be defined by other nationally- or locally-defined criteria in response to local circumstances and priorities.



CHAPTER 2.

Social housing allocation models in the UNECE region

“The ideal model is decent housing affordable to all”.

Vit Vanicek, former president of CECODHAS Housing Europe

Social housing in the UNECE region is characterized by great diversity. The previous section briefly illustrated that the social housing systems vary based on tenure, ownership, finance and beneficiaries, among other issues. Therefore, there are numerous ways to model social housing in line with these or other matters of interest. In this study a strategic decision was made to model social housing based on social housing allocation. The reason for this is the following. The key challenge facing the UNECE region today is lack of housing supply and increased need.

Despite country specific differences, a common element of what defines social housing across the UNECE region- its mission- is spelled out in the housing policy (national, federal or local). The mission of social housing (as conceptualized in specific national contexts) defines the beneficiaries and is the base for its allocation model. CECODHAS differentiates between two key allocation models of social housing: universal and targeted. Within the targeted model, a distinction is made between generalist and residual type (CECODHAS, 2007; Ghekière, 2007). This chapter uses the model proposed by CECODHAS for classifying social housing allocation models in the EU.¹⁸ It adopts and modifies this model to the needs of the UNECE region (see *Table 3. Social Housing Models based on Allocation*). Each section commences with the description of the model and its adjustment to the UNECE context. The following sections present the results of the analysis conducted for the purpose of this study.

¹⁸ Proposed by CECODHAS in 2007, this categorization is also used in UN-Habitat (2009) and the European Parliament (Braga and Palvarini, 2013).

TABLE 3.**Social housing models based on allocation**

Universal Model	Generalist Model	Residual Model
Allocation		
<ul style="list-style-type: none"> • Open to the whole population (subject to registration on the social housing waiting list) 	<ul style="list-style-type: none"> • Vulnerable households • Special groups • Households below defined income thresholds 	<ul style="list-style-type: none"> • Vulnerable households • Special groups (e.g. refugees, asylum seekers, disabled, mentally challenged, substance abusers, etc.)
Mission		
Enable access to decent housing for all	Respond to difficulties in accessing the housing market	Respond to the population excluded from the housing market

Source: Ghekière, 2007.

UNIVERSAL ALLOCATION MODEL

According to CECODHAS, the universal allocation model was designed to make decent and affordable housing available to the whole population regardless of the income (CECODHAS, 2007). In a “universal” model, housing is considered a public responsibility and is provided either through municipal housing companies (e.g. Sweden, Denmark) or through non-profit organizations (e.g. the Netherlands, Denmark). Overall, countries with universal allocation models have a higher share of the social housing stock in their housing systems (from 18 per cent to 32 per cent). The rents are cost based, allowances and rent guarantees are available for vulnerable groups. In their original form, housing allocations were based on timely subscription on the waiting list and without income limits. In 2007, there were three countries that used this system: Denmark, Sweden and the Netherlands (Ghekière, 2007).

Key trends in the UNECE region

The universal system provides social housing quite generously in comparison to other allocation models. However, the analysis conducted for this study highlight that the characteristics of this allocation model have undergone change in the recent decade. For instance, Elsinga and Lind (2012) point out that the universal model came under discussion due to the competition policy of the European Commission. Government

support for social housing has been challenged on the basis that it creates competition with commercial landlords (ibid.). The EU member States have chosen different ways to address this issue.¹⁹ Sweden has excluded social housing from the category of SGEI- Services of General Economic Interest (Europolitics, 2011, p. 3) and moved toward a market and subsidy-free model (Elsinga and Lind, 2012). The Netherlands has introduced new lower-income limits for social housing. According to the representative of the Dutch Ministry of the Interior and Kingdom Relations, there is increasing interest to rebalance the tenure in the housing system by promoting private rent. According to Elsinga and Lind (2012) a common trend is to sell part of the stock and move toward a business model for social housing providers (e.g. Sweden). While Denmark does not seem to have changed its approach, interviews for this research indicated that in the near future a political decision will be made about future funding for the sector.

GENERALIST ALLOCATION MODEL

This model assumes that the objectives of housing policy will be predominantly met by the market. Social housing is aimed only at those households for which the market is unable to deliver housing of decent quality at an affordable price. There is a great diversity in type and size of social housing in the models that belong to this category. The percentage of social housing as a part of the housing system spans from 0 per cent to 19 per cent in this model. According to CECODHAS, generalist social housing is allocated by housing providers on the basis of a specific set of rules and procedures, following priority criteria and income ceilings. The rents have a fixed ceiling and households benefit from income-based housing allowances covering part of their rent.

Key trends in the UNECE region

In 2007, a generalist model dominated the EU members' social housing sector (13 in total) (Ghekière, 2007). The UNECE Study finds that the majority of the countries with economies in transition that have introduced social housing policies since the 1990s have used the targeted allocation model. In North America, Canada's policies follow the latter model. However, a shift toward a more residual model has been observed across the board. Reasons for such change vary, but the key reasons can be clustered as follows. In Europe, the tendency to move toward a residual model has

¹⁹ It must be stressed that housing is the competence of the EU member States. It is up to member States to define their politics in this field and they can include objectives such as social mix, not only housing for the most vulnerable. The role of the European Commission in housing field is to ensure that the competition rules of the Treaty are respected. In particular, State aid granted for social purposes has to be applied to that end and not to financial and commercial activities.

been observed in Germany, Belgium, Italy, Luxembourg and Poland (Ghekière, 2007). This trend was intensified after the start of the GFC. There are two key reasons for this change:

1. **Residual provision due to significant funding cuts and institutional change:** *A number of countries has undergone significant funding cuts that hamper the future of their social housing systems. In Greece in 2012, the package of austerity measures agreed with the European Parliament on 12 February 2012, included the dissolution of the public organization delivering low-cost housing to employees and workers, which represented the only form of “social housing” in the country. Poland also previously exercised a generalist allocation system and has changed its approach, the National Housing Fund (established in 1995) was liquidated in 2009.*
2. **Residual provision due to high demand for social housing:** *In number of countries where the demand for social housing is high, the social housing policies remained ‘generalist’ in writing, but are in practice ‘residual’. This is because the need for this tenure is higher than supply. As the result of the lack of social housing the available premises allocated to those in greatest need. For example, the social housing policy in France has not been changed (in other words it remains ‘generalist’ in writing). However, Driant and Li (2012), point out that in practice, social housing is usually allocated to those applicants who are in most urgent need. The income levels of new tenants are often well below the stipulated income ceiling (ibid.). Similar residualization of the stock can be seen in the rest of Western Europe (Houard, 2012) and Canada.*
3. **Residual provision due to early stages of implementation of new social housing policies and limited funding:** *In the countries with economies in transition, the social housing policies that have been introduced since the 1990s are in line with the generalist model. In the new legislation, the allocation models are defined as broadly generalist (e.g. Serbia: Social Housing Law, Article 2; Russian Federation: Housing Code of the Russian Federation, new federal law dated July 2014). In a number of countries such legislation is being developed (e.g. Albania, Belarus). However, with some notable exceptions, these systems have not been able to provide a sufficient number of homes for the targeted population. There are two key reasons for this. First, the social housing policies in this region rely on very limited state funding. Second, the social housing policies are in the early*

stages of development and/or implementation (especially in SEE and EECA). Therefore, even though these systems are intended to serve the generalist model in the future, for the moment, they provide a limited amount of social housing to the most vulnerable population.

RESIDUAL ALLOCATION MODEL

Residual allocation model aims to allocate housing to a restricted category of beneficiaries, usually very vulnerable households that are heavily dependent on state benefits (e.g. unemployed, disabled, elderly, single parents). In the European Union, “the social housing for the most vulnerable usually relies on the direct allocation of this type of housing by the local authorities on the basis of need” (CECODHAS, 2007, p. 15). According to CECODHAS, in the European Union rents are cost based or set on the basis of income. Housing allowances (or other forms of general social benefits) are available. However, this is not the case in the rest of the UNECE region. The cost-based system is not used in the UK, Ireland or the USA. In the USA, for instance, rents are calculated as 30 per cent of the household’s income and not based on the cost of the development. It should be emphasised that in SEE and EECA countries, rents are rarely cost based, as this form of housing is not always affordable to those in need.²⁰

Key trends in the UNECE region

At the moment, the majority of countries in the UNECE region apply the residual social housing model by policy design (see *Table 4. Classification of the selected UNECE countries by models and current trends*). The residual model is used in North America, Europe, EECA, SEE and the Middle East. One key trend from this model is the concentration of the poor in social housing, especially in weak housing market areas. In countries where the residual model is prevalent, the social housing tenure presents a very low percentage of the total housing stock (e.g. USA, Israel, Turkey, Hungary, Estonia) or caters to increasingly poor and vulnerable populations (e.g. the UK).

Attention should be paid to those countries where the social housing legislation is either very new (e.g. Serbia, Romania) or not established (e.g. Georgia). The allocation of social housing is greatly influenced by the availability of international donations and aid. This means that

²⁰ The cost of the finance in SEE and CIS countries is high. The typical mortgage interest rate is 7 per cent - 22 per cent (in Europe and North America, it average at 3-4 per cent). In a number of countries, the new national housing agencies have been able to lower the cost of finance but for a limited amount of dwellings. The supported developers such as housing associations provide a limited amount of social housing. While the value of real estate reaches around 60-75 per cent of its equivalent in Western Europe, incomes are much lower. Therefore, social housing rent based on cost-rent principle is not affordable to those in need.

certain groups receive housing aid (e.g. refugees, Roma population) as they are of international concern, while the need of the so-called “local” population is not catered to because of the lack (or non-establishment) of funds. The next section examines the broader implications of the residualization trend in social housing.

TABLE 4.

Classification of the selected UNECE countries by models and current trends

% of social housing	Region	Universal	Targeted	
		Universal	Generalist	Residual
>20%	Europe	The Netherlands 	Austria	
	Europe	Denmark  Sweden 	Czech Republic (New) France* Finland*	
11%-19%	SEE & EECA		Russia (New)	
	Europe		Belgium* Germany*  Poland  Slovenia Italy 	Belgium Germany Estonia Ireland Malta
5%-10%	North America		Canada*	Canada United States of America
	Europe		Luxemburg Greece  Spain  Slovakia*	Hungary Cyprus Portugal Slovakia Bulgaria Lithuania Latvia Romania Estonia
0%-4%	SEE & EECA		Belarus (New) Serbia (New) Ukraine (New)	
	Middle East			Israel Turkey

Multiple sources: interviews conducted for this research and following publications: CECODHAS (2011) and Ghekière (2007).

 Trend in the policy development.

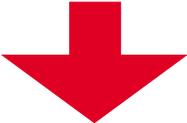
(New) New policy in the first phases of implementation (allocation is very residual at the moment)

(*) Countries are listed twice as they have two lines of policy: one serving the general population and the other serving special groups.

THE RESIDUALIZATION TREND

FIGURE 1.

Models of social housing allocation and current trends

Universal	Generalist	Residual
		
Households with a wide range of income levels	Households below a defined income threshold	Vulnerable households and special groups

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Although social housing definitions and models are diverse, the social housing stock in the UNECE region is nonetheless being increasingly moving towards ‘residual’ social housing provision. This trend began before the recent economic crisis. The period preceding the global financial crisis (GFC) was characterized by almost unanimous support for homeownership across the UNECE region. In the western frontiers of the region, the increased share of homeownership was achieved by making access to mortgages relatively easy. In the eastern parts, the high rates of home ownership were achieved through the privatization of public housing. In the countries with a mature social housing sector, there was a tendency to decrease the social housing stock through limited construction, selling off stock to sitting tenants and demolition. In countries with emerging social housing sectors, new state-supported housing initiatives are in the early stage of implementation and are limited in scale. In general terms, investment in this tenure has been gradually reduced since the 1980s. *Table 5. Key reasons for the transition towards residual social housing model in the UNECE countries* summarizes some of the key reasons for transition towards limited or decreasing supply of social housing and ‘residualisation’ of this tenure in the UNECE member States.

TABLE 5.

Key reasons for the transition towards residual social housing model in the UNECE countries

Historical development (before 2007)	Recent developments (after 2007)
Countries with a mature social housing sector	
<ul style="list-style-type: none"> • With some notable exceptions, social housing is increasingly housing the poor • Home ownership preference • Gradual selling and privatization of the social housing stock • Demolition of the social housing and replacement by mixed income neighbourhoods (often less social housing) • Lack of construction 	<ul style="list-style-type: none"> • Definition of social housing as a service of general interest at the EU level that brought into question the universal model • Lack of funding and limited access to finance • Limited new construction
Countries in with an emerging social housing sector	
<ul style="list-style-type: none"> • Fast privatization and selling off socialist housing stock; keeping very small reserves in the public sector • Social housing, where available, for the very poor and very vulnerable • Lack of maintenance and deterioration of the housing stock • Home ownership preference • Lack of construction 	<ul style="list-style-type: none"> • New policies and legislation that are at the beginning of implementation process, therefore they are not yet showing results • Lack of funding and severely limited access to finance (halts implementation of the new policies and legislation) • Limited new construction

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The ‘residualisation’ of social housing has been known to bring negative externalities. Lack of social housing and increased need result in higher concentration of the most vulnerable population in the available stock. It increases the risk of segregation and ghettoization and leads to the formation clusters with high concentration of poverty and unemployment. This trend may present a major challenge in achieving sustainability of neighbourhoods and social cohesion. Furthermore, where expenses are being cut, vital repairs are not being completed and essential renovations are being put off. The deteriorating quality of the housing stock leads to health problems among other issues. The challenges resulting from ‘residualisation of social housing’ such as: deterioration of the stock, perpetual unemployment, segregation, as well as crime in some countries, require further state investment. Such investment may

in turn increase unplanned spending or induce expenses from other state budgets that are not directly linked to housing, for instance, requiring higher spending on policing and crime fighting, emergency repairs (often more expensive than regular maintenance) and demolition programmes (often requiring specialized policies), and health. In fact, the World Health Organization (WHO, 2014) points to severe health distress that may result from inadequate housing. Furthermore, it stresses that poor and deteriorating housing conditions lead to increased spending on health, as the population experiences more physical and mental health problems in bad housing. In the UK the annual cost of inadequate housing conditions to the health sector is estimated over £600 million (WHO, 2011). This cost is just a fraction to the actual cost to society, as it does not include the risks associated with the correlation between inadequate housing and educational underachievement (through days off school) and time away from work (see Chapter 6 for more details).

In the 2000s, in the United States and Western Europe, the social housing estates with high concentration of poor and vulnerable were subject to neighbourhood restructuring through demolition and the relocation of residents (Kleinhans and Kearns, 2013; Rosenfeld, 2013). The aim in a majority of countries (e.g. UK, USA, the Netherlands, Canada, France) was the renewal of the housing stock and the introduction of mixed communities with the intention of fighting segregation, contributing to social cohesion and sustainable community development.²¹ Significantly, the neighbourhood restructuring programmes required significant investment (e.g. £2.2 billion in the UK) but have brought only mixed results in terms of social cohesion and value for public money. This means that reduced spending in one period may lead to significant and much increased demands on the public budget later on. These programmes often depend on special programmes and funding, and in many countries, they have been discontinued or reduced following to the GFC.

As noted previously, the economic crisis and recession have increased the need for social housing. In the immediate aftermath of the GFC, between 2008 and 2009, a number of European countries increased their investment in social housing in response to the increased housing need (Braga and Palvarini, 2013, p. 14). Several countries have developed a two lines of social housing allocation, placing them within both, generalist and residual social housing models (e.g. France, Belgium, Germany). This means that part of the system is dedicated to regular

²¹ However, in the majority of programmes, the number of demolished social housing units has not been replaced in the new developments.

social housing and the other focuses on the vulnerable or those with special needs. This double system is employed in Canada, Finland, and France. In 2005, Finland started to provide state support to so-called “special groups”. These groups include: the homeless, disabled, aging, students, youth with special needs, people with mental problems. The country has designed two lines of policy: one for the regular rented (social) housing and the second for people with special needs (requiring special services). In France, this specialization was linked to income (see *Box 2. France: Generalist Allocation System based on subgroups*).

BOX 2.

France: Generalist allocation system based on subgroups

“There are three types of social rented housing named after three types of loans issued by the specialized financial institution, the CDC (Caisse des Dépôts). Each type of housing corresponds to a different population group with housing difficulties:

- *PLA-I (Prêt locatif aide d’intégration) is the product of the households with the lowest income. The income ceiling covers 30 per cent of households in France.*
- *PLUS (Prêt locatif à usage social) is the main product for social housing for households with low and medium incomes. About two-thirds of the country’s households are eligible for a PLUS housing.*
- *PLS (Prêt locatif social) aims at constituting an intermediate product for households that have a higher income than the ceiling of PLUS but are unable to afford a decent home on the housing market in some big cities where housing prices are high. The target group is the upper-middle class who falls in the seventh or eighth income distribution decile”*

Source: Driant and Li, 2012, p. 93

In summary, this study finds the reader at the crossroads between the policies inherited from before the GFC and a new era of policymaking. The past focus on homeownership and attaining it through mortgage finance or mass privatization meant that social housing received less attention and was in many cases made a residual tenure. However, the global financial crisis has changed the context in which the housing systems operate. Now that home ownership is less attainable, the need for social housing is only growing and the future of social housing models is being re-examined. This chapter showed that social housing policy is remarkably fluid in the majority of the UNECE member States. Countries with a mature social housing sector are currently reviewing their policies, especially in regard to target groups and future demographic changes. In countries with economies in transition, new policies are being designed.

The need to re-examine the future of the social housing sector has been communicated by the majority of the respondents interviewed for this research. Clearly, the lack of social housing stock presents a challenge. It remains crucial that the future policy changes benefit those with the lowest incomes while also serving emerging groups in need, such as the elderly, young or middle-income families. This UNECE Social Housing Study contributes to bringing social housing to the forefront of the housing policy agenda in the UNECE countries.



Chapter 3. Benefits of social housing

The benefits of social and affordable housing have been known for at least a century. The first forms of social housing were designed for workers during the industrial revolution in Western Europe. This was the preferred tenure for workers throughout the 1950s and 1960s. In the east of the UNECE region, large-scale housing projects were developed for workers in the 1960s and 1970s. The developments built in this period of the construction boom still serve the present population, but their tenure has changed and the quality has degraded.

“The basic goal of housing policy is to provide the whole population with adequately equipped dwellings of suitable size in a well-functioning environment of decent quality at reasonable cost” (Lujanen quoted in UNECE, 2006a, p. 9). Housing is an integrative good. It has social, environmental and economic dimensions that are closely interrelated. Housing provides people with much more than a place to live. It has a significant impact on the quality of residents’ lives. More profoundly, housing affects people’s physical and psychological health, their economic and energy security, access to transportation, education and employment, social cohesion and neighbourhood quality (see *Box 3. Housing as an integrative good*).

BOX 3.

Housing as an integrative good

Housing is an integrative good, it is linked to many other sectors such as: health, economic security, energy security, transportation, education, employment. Housing also influences issues such as social cohesion and neighbourhood security. As an aggregate part of development efforts, housing is a key element in delivering sustainable urban development. The integrative nature of housing requires the social, cultural, environmental and economic facets of housing to be addressed in an integrated way.

Source: Rosenfeld O., 2014

The global financial crisis exposed large-scale market failure in housing and in the financial sector. It exposed the weaknesses of the systems that are based entirely on home ownership. However, as a result of the global financial crisis, the discussion of where people live and how people pay for their housing has undergone a significant shift. There is increasing interest in social housing and the expectation that this tenure can play a positive role in easing post-GFC challenges.

As the world economy struggles to return to growth, employment creation and economic growth are at the forefront of national policy agendas (The World Bank, 2012). Housing investment contributes directly and indirectly to national economic growth. Housing is a tool to create employment and improve human capital among other benefits. Expanding access to affordable housing does not only have social or equity benefits but also economic ones, as the housing market can contribute to the overall economic development of nations, cities and households (UNCHS/ILO, 1995). *Table 6. Benefits of social and affordable housing* lists the multi-dimensional benefits of decent, affordable housing.

TABLE 6.
Benefits of social and affordable housing

Boost for local and national economies	Improved Health
<p>Housing construction in general and social housing construction in particular are key challenges in the UNECE countries. Increased social and affordable housing supply is important not only in order to secure housing for those in need, but also as a method to stabilize and boost national economies. For instance, in the United Kingdom, housing activity accounts for 17 per cent of construction activity and 3 per cent of gross domestic product (Williams et al., 2012, p. 19). For every pound invested in social housing there is a return of £2.83 pounds to the wider economy.</p>	<p>Lack of housing quality (including lack of maintenance and repair), housing instability and homelessness have direct negative impact on human health. It brings economic loss to households and societies. Namely, lack of housing quality perpetuates low performance at work/school and requires investment from the health budget to ease health problems. Access to decent, affordable housing improves health of the residents. This, in turn, contributes to better school performance and labour efficiency by reducing days missed at school or work.</p>
Household Economic Security	Access to Employment
<p>High housing costs leave low-income families with little left over for other important expenses such as food, health, energy, clothing, education, etc. Access to affordable and decent homes increases the amount that families can put toward other important household needs and savings for the future.</p>	<p>Affordable housing helps access to employment and can secure employment. Large metropolitan areas that do not have affordable housing for middle-income may find it challenging to keep their economic competitiveness in the long run. This is an issue raised increasingly by the business community. On the other hand, employment of the social housing users in construction, maintenance and management of social housing may help their economic standing.</p>

(Continued on next page)

Energy Efficiency	Education
<p>Energy efficiency improvements reduce long-term operating costs of subsidised housing. This helps stabilize the portfolios of affordable housing providers, preserve the affordable rental housing stock and protect tenants from energy poverty. Introducing good standards of energy efficiency can provide an example for the rest of the industry and show what is possible.</p>	<p>Housing instability and indebtedness can seriously jeopardize children’s performance and success in school and contribute to long-lasting achievement gaps. Decent affordable housing helps create a stable environment for children, contributing to improved educational outcomes.</p>
Transportation Access	Neighbourhood quality and social cohesion
<p>Affordable housing is a challenge for key workers in city centres. Lack of access to transport jeopardises their livelihoods, reduces chances for access to employment and is more likely to leave workers unemployed because of restricted access to jobs. In the case when a job is secured, time and money are invested in transportation, which a) increases gas emissions, b) reduces effective time spent at work c) reduces labour efficiency.</p>	<p>Affordable housing, if well designed and properly managed, has been shown to have a neutral or positive effect on surrounding property values. Social housing also contributes to resolving wider concerns such as social cohesion especially when their residents are involved in the development, maintenance and management of the housing.</p>

Multiple sources: Cambridge Centre for Housing and Planning Research (Williams et al., 2012); CECODHAS, 2011; Enterprise, 2014; IMF, 2011, JCHS - Joint Center for Housing Studies of Harvard University, 2013a, UNECE, 2006a.

HOUSING AS A HUMAN RIGHT

“The human right to adequate housing is the right of every woman, man, youth and child to gain and sustain a safe and secure home and community in which to live in peace and dignity”.

Miloon Kothari, first Special Rapporteur on adequate housing, United Nations Office of the High Commissioner for Human Rights

Because of its multidimensional impact on human life, housing is recognised as a human right. More specifically,

The International Covenant on Economic Social and Cultural Rights recognises the right to adequate housing as an integral part of a decent standard of living. In its General Comment 4, the Committee on Economic Social and Cultural Rights defined the elements of adequate housing. They identified security of tenure, affordability, habitability, accessibility, location, cultural adequacy, and availability of services, materials, facilities and infrastructure. Analysis of these elements shows how the right to housing is related to other human rights. (Schachter quoted in UNECE (2014) see also UN-Habitat (2014a)).

Table 7. Housing as human right recognized by international organisations provides a comprehensive list of international documents recognizing housing as a human right. It indicates that the provision of adequate housing is an important tool to satisfy other human rights obligations. Housing as a human right does not mean that governments should provide housing for free. It means instead that governments have an important role to play in designing and adjusting their housing systems so they provide decent, affordable housing for a majority of the populations while additionally supporting the vulnerable.

The GFC has increased the share of the population that requires help to accessing decent and affordable housing across the UNECE region. As a result of the crisis and following austerity measures, the resources needed to subsidize social housing have gone through significant cuts and the future is uncertain.

The Special Rapporteur on the right to adequate housing has observed a general decline in the availability and quality of social housing, while affordability of market-supplies housing is also decreasing. These trends pose a threat to the right to housing and demand a response that includes

enhanced legal enforcement of the right to adequate housing, promotion of multiple forms of security of tenure, and protection of housing rights for disadvantaged groups. (Schachter quoted in UNECE, 2014)

TABLE 7.
Housing as human right recognized by international organisations

<p>1948 Universal Declaration of the Rights of Man</p>	<p>Article 25.1: “Everyone has the right to a standard of living adequate for the health and well-being of himself and his family, including food, clothing, housing and medical care and necessary social services.”</p>
<p>1966 International Covenant on Economic, Social and Cultural Rights</p>	<p>Article 11.1: “The States Parties to the present Covenant recognize the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions. The States Parties will take appropriate steps to ensure the realization of this right, recognizing to this effect the essential importance of international cooperation based on free consent.”</p>
<p>Declaration on Progress and Development in the Social Domain (United Nations, 1969)</p>	<p>Article 10: f part II defines as one of the main objectives of development policies: “To provide for all, and in particular for people with a low income and large families, satisfactory housing and collective services.”</p>
<p>Workers (ILO, 1962), refugees (ILO, 1961), children (UN, 1959; 1989), women (UN, 1979), elderly workers (ILO, 1980), immigrant workers (ILO, 1990), minorities (UN, 1991), indigenous peoples (UN, 1993)</p>	<p>Target groups that are protected by explicit references to housing conditions.</p>

Sources: CECODHAS, 2005b, UN-Habitat, 2014a.



PART II. TRENDS AND CHALLENGES IN SOCIAL HOUSING SECTOR IN THE UNECE REGION



Chapter 4. The housing need²²

Housing systems in the UNECE region are culturally specific and diverse. However, the period before the global financial crisis was characterised by nearly unanimous support of homeownership²³ and a shift toward ‘enabling the market’. In the late 1990s and early 2000s, North America and Europe enjoyed the longest uninterrupted period of general economic and housing market growth. Easy access to loans made home ownership a realizable dream and fuelled a housing market boom. In the same period, countries with economies in transition enjoyed sustained growth (EBRD, 2010). EU accession countries, countries in Eastern and South Eastern Europe as well as Central Asia, achieved record levels of home ownership through mass privatization of public housing. *Table 8. Tenure breakdown in the UNECE countries*, presents the tenure breakdown in the UNECE member States.

Home ownership unarguably brought benefits to those who could access and sustain it whether through privatization or mortgage finance. However, the global financial crisis exposed the challenges related to policies supporting home ownership for all (Peppercorn and Taffin, 2013, p. 11). It proved to be unsustainable in the long term, sensitive to local housing market volatility and exposed to national and international financial market shifts. The housing systems with limited choice of tenures seem to have suffered the most. It is worth mentioning that the extent to which UNECE countries have been affected by the economic crisis and how the socio-economic downturn has influenced their housing sectors differs significantly.²⁴ While the crisis had an almost immediate effect in the countries that had a large share of sub-prime assets and relatively liberal regulations of the mortgage markets, other countries were affected later through general recession and/or austerity measures.

²² At the outset, it has to be stressed that there is no commonly accepted definition of housing need. The concept is open to interpretation in each national context and may vary within one country (e.g. the perception of housing need in capital cities may not be the same as in the low market areas). In conceptual terms, each country has an understanding of housing need that translates loosely into eligibility criteria for and allocation of social housing. In accordance with the approach taken in this report, households are in housing need when they cannot afford a decent home because of their creditworthiness or their special conditions (e.g. disabled, elderly). As the markets work on the basis on effective demand (ability to pay), households are in housing need when they cannot exercise effective demand. “Decent housing” is conceptualized as adequate shelter that imposes no external costs on the community in terms of adverse effects on health and community wellbeing (e.g. crime) (Oxley, 2009, p.5). The concept of housing need is closely related to an understanding of affordability and housing cost overburden.

²³ Many countries in Western Europe have achieved high homeownership rates without extensive government participation. Some countries have lower rates of homeownership partly because of strong public support for rental housing, for example, Germany provides incentives for rental investment but not for homeownership.

²⁴ For instance, France, Finland, Norway were not hit as hard because their systems have relatively high levels of regulation, among other advantages. Nonetheless, they did not avoid the general trend of housing price increases, making housing less affordable especially for first-time buyers and middle-income households in capital cities.

TABLE 8.

Tenure breakdown in the UNECE countries

Country	Owner occupied %	Private rental %	Social rental %	Other %
Albania	100			
Armenia	96	1	4	
Austria	56	17	23	4
Azerbaijan	88		12	
Belarus*	76.8	2.2	21	
Belgium	68	25	7	
Bulgaria	95.6	0	3.1	1.3
Canada**	69	25	6	
Croatia	89.4	6.9	1.9	1.7w
Cyprus	68	14	0	18
Czech Republic*	56	22	3	1 Other; 9 Coop.
Denmark	46	20	19	1 Other; 7 Coop.
Estonia*	82	8	2	7
Finland*	65	17	14	4
France	57	22	17	4
Georgia	95			5
Germany	42	53	5	
Greece	74	20	0	6
Hungary	92	3.3	3.7	
Ireland	79	12.3	8.7	
Italy	68.5	13.6	5.3	12.6
Kazakhstan	97			3
Kyrgyzstan	97			3
Latvia	84.9	14.7	0.4	
Lithuania*	97	11	2.4	
Luxembourg	70	27	2	1
FYR of Macedonia	95			5
Malta	75	16	6	3
Moldova*	97.5		2.4	
Montenegro*	94.5	5.5		

(Continued on next page)

Country	Owner occupied %	Private rental %	Social rental %	Other %
Poland*	64.1		11	18.3
Portugal	75	18	3	4
Romania	96	0.7	2.3	1
Russia	86	11	14	
Serbia*	87	11	2	
Slovakia*	91	3	3	3
Slovenia	83	3	4	10
Spain	85	11	2	2
Sweden*	44	35		21 Coop.
Switzerland	37	49	14	
Tajikistan	93			7
The Netherlands	58	10	32	
Turkey	68			
Ukraine	93	2	3	2
United Kingdom	66.4	15.6	18	
USA**	65	32	3	
Uzbekistan	98			

Coop. – Cooperatives

** country data based on interviews conducted for this UNECE study;*

*** country data based on information provided by IUT (Hammar, 2014).*

Rest of the country data is based on the following publications: (Amann 2013) for SEE, EECA; (CECODHAS, 2011) for EU28.

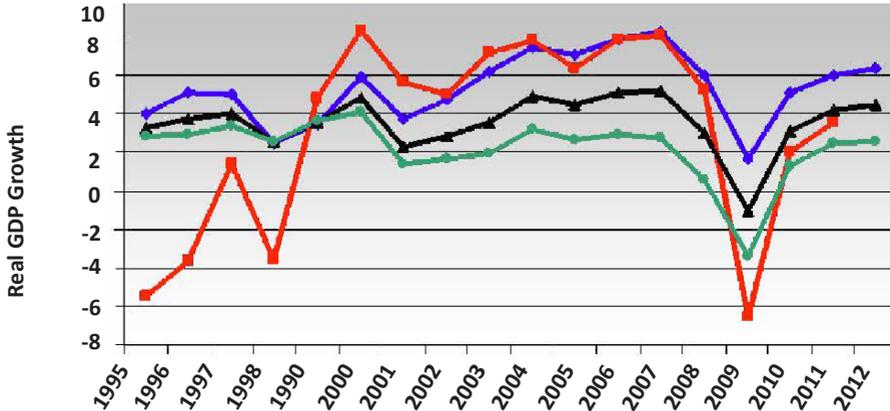
Since 2007, North America and Europe experienced four distinct, though linked, crises: the sub-prime crisis, the global financial crisis, the sovereign debt crisis and the Eurozone crisis (Stephens and Norris, 2011). The crisis that triggered a wave of financial contagion through the advanced countries owning most of the sub-prime assets did not leave the transition economies unscathed (Shelburne, 2009; Shostya, 2012). According to the EBRD and the World Bank's joint research, "the transition region was among the hardest hit by the global economic crisis" (EBRD, 2010, p.7).

Even though these countries did not own significant amounts of the sub-prime assets that were at the centre of the crisis, they traded heavily with Europe and North America. Their evolving private financial sectors were heavily dependent on foreign capital inflows and on external capital to finance development. When the financial markets froze, their economies experienced a 'sudden stop' (Shelburne, 2009:2, also see Figure 2).

FIGURE 2.

Real GDP growth between 1995 - 2012

Transition Economies Tracked Growth in Emerging Markets 2000-2008, but not during the crisis. During boom vulnerabilities increased; ca deficits, debt, FX loans, fixed & misaligned exchanges rates, asset bubbles.



- Emerging market/developing countries
- Transition Economies-18
- World
- Advanced economies

Source: Shelburne, 2009, p.3.

In the period prior to the GFC, in Europe and North America, governments had largely retreated from providing social housing in favour of enabling the market (Tsenkova and French, 2011, p. 8). Over 30 years of deregulation and the privatization of social housing stock in Western Europe and North America greatly reduced the number of social housing units. In the first period of transition SEE, EECA and new EU accession countries saw an almost complete retraction of government involvement in the housing sector. Public housing was privatized. While recent trends suggest that governments are now taking a more active role in addressing the housing sector,²⁵ “efficient market relations (especially in the housing-finance system) have developed very slowly, and this has made any attempt to introduce major social housing programs unfeasible” (Hegedüs and Struyk, 2005, p. vii) even prior to the crisis.

²⁵ Recent trends suggest that governments are taking a more active role in addressing the housing sector, in particular in supporting the production of social housing. For example, Poland launched a social housing programme alongside supporting non-profit organizations to provide housing for middle-income households. Likewise, in the Czech Republic, a programme was launched in 2003 to provide subsidies for the construction of new flats that are produced and supported by local municipalities. (Tsenkova and French, 2011, p. 8)



Investment in social housing was an important part of recovery programmes in a number of countries in Europe and North America in the immediate aftermath of the crisis (2008-2009). According to the European Parliament, “social housing expenditure as a percentage of the EU States’ GDP experienced a sharp increase between 2007 and 2008, followed by a less rapid, but still positive, growth in 2008 and 2009” (Braga and Palvarini, 2013, p. 15). However, this growth was not sufficient to make up for the decrease in social housing provision and reduction of social housing stock since the 1980s. The increase in the funding and increase in provision could not satisfy the increased social housing need. Even in countries with substantial state funds for social housing (e.g. France and the United Kingdom), the waiting lists are long. The GFC worsened socio-economic conditions for a large section of the population in the UNECE region and resulted in what Braga and Palvarini (2013, p. 15) call “unexpected exogenous demand shock” (in the European context). After the initial investment, the funds for social housing sector have decreased. Indeed, lack of funding and limited access to finance present one of the key challenges for the future of social housing in the UNECE region.

Social housing waiting lists: selected examples

According to the Government of the United Kingdom (2014), there are more than 1.8 million households waiting for social housing in England. This is an estimated increase of 81 per cent since 1997. L’Union Social D’Habitat reports there were 1.7 million applications for social housing in France in 2014²⁶. According to the Joint Center for Housing Studies of Harvard University (JCHS, 2013a) the United States is experiencing a shortage of 5.3 million affordable housing units. According to the European Parliament (Braga and Palvarini, 2013), the need for social housing²⁷ in Ireland has increased by 75 per cent since 2008 (passing from 56,000 applicants to 98,000). The need for social housing in the countries with economies in transition remains pressing. For example, the average waiting period for receiving social housing in the Russian Federation is 20 years. In 2010, the housing waiting list reached 1.17 million requests in Ukraine. While quantifiable estimates are not available, government representatives interviewed for this research stressed unmet housing need in Croatia and Poland and confirm an increasing housing need in Albania, Georgia, Serbia and Slovakia.

The need seems to be the most critical in large metropolitan areas in

²⁶ Data provided by the representative of the L’Union Social D’Habitat interviewed for this research.

²⁷ Referred to as ‘local authority housing’ in the Ireland.

the UNECE region where the housing markets are heated. According to DRIHL²⁸ and *le Préfet de la région d'Île-de-France* (DRIHL, 2014) there were close to 550,000 people registered on the waiting lists in greater Paris (Île-de-France) in 2013. In 2012, there were 354,000 households (885,963 people) on the waiting lists in the greater London (Fisher, 2012). According to the New York City Housing Authority (NYCHA, 2014), there were over 347,500 household on social housing waiting lists²⁹. In Canada, Toronto's affordable housing waiting list grew to 90,060 households as of the end of August 2013, according to Housing Connections, agency that manages the centralized waiting list for subsidized housing in Toronto (Wellesley Institute, 2013). The key concern in these heated housing markets is decreasing housing affordability not only for the low-income but also for middle-income and middle-class households.

BOX 4.

Social housing waiting lists in large metropolitan areas (households)

London	Paris	New York
354,000 (Greater London)	550,000 (Ile-De-France)	347,500 (New York City)
2012	2013	2014

Sources: NYCHA, 2014, DRIHL, 2014, Fisher, 2012

HOUSING AFFORDABILITY BENCHMARKS IN THE UNECE REGION

BOX 5.

Number of people experiencing housing cost overburden in the UNECE region



100 million people in the UNECE region spend more than 40 per cent of their disposable income on housing – this is a conservative estimate³⁰.

UNECE estimates based on primary data collected for this research and following publications: CECODHAS, 2011; JCHS - Joint Center for Housing Studies of Harvard University, 2013a; European Union, 2012; Rosstat, 2012.

²⁸ DRIHL- Direction Régionale et Interdépartementale de l'Hébergement et du Logement en Ile-de-France

²⁹ This number comprises 247,262 families (over half a million people) waiting for what is known as 'conventional public housing' and an additional 121,999 families waiting for 'Section 8 Housing' (21,663 applicants are on both waiting lists). For more details on the local definitions of social housing (ei. Conventional public housing and Section 8 housing, see NYCHA (2014).

³⁰ The UNECE has adopted the European Commission's definition of housing cost overburden: "housing cost overburden rate is the percentage of the population living in households where the total housing costs ('net' of housing allowances) represent more than 40 per cent of disposable income ('net' of housing allowances)," (Eurostat, 2014a).

Housing price increases prior to the GFC and widening income inequality (post GFC) are important factors contributing to the increased need for social housing. However, social housing waiting lists present only a portion of the housing need. This study refers to the social housing waiting lists as a form of “communicated housing need”. It has to be taken into account that many middle-income households, young adults living with their parents or elderly households do not communicate housing need by registering on a social housing list. In many instances people in housing need default on mortgages and utility bills, decrease spending on food, health, housing maintenance and clothing before communicating their housing need by registering on a social housing waiting list. (It should be also stressed that in number of countries waiting lists are not administered and for this reason the need for social housing cannot be assessed). Therefore, in order to understand the scale of the need for affordable and social housing, it is useful to look at the housing affordability indicators and levels of housing cost overburden.

The conventional indicator of housing affordability is the percentage of household income that is spent on housing. In Europe (EU28) and North America, housing is considered affordable when families do not need to spend more than 30 per cent of their disposable income to access decent and appropriate housing. This includes mortgages (for owners) or rent (for tenants) and may (but not always) include utility bills (in housing terminology this is so called ‘30 per cent rule’).

“According to the most recent American Community Survey, 42.3 million households (37 per cent) in the USA paid more than 30 per cent³¹ of pre-tax income for housing in 2011, while 20.6 million households paid more than 50 per cent” (see *Figure 3. United States of America: housing-cost-overburden*) (JCHS, 2013a, p. 27). In the United States, households paying more than 50 per cent of their combined income for housing are considered housing cost overburdened, according to the Joint Center for Housing Studies of Harvard University (JCHS, 2013a, p. 27). In the 2011 Canadian National Household Survey, it was reported that 25.2 per cent of households paid more than 30 per cent³² of their

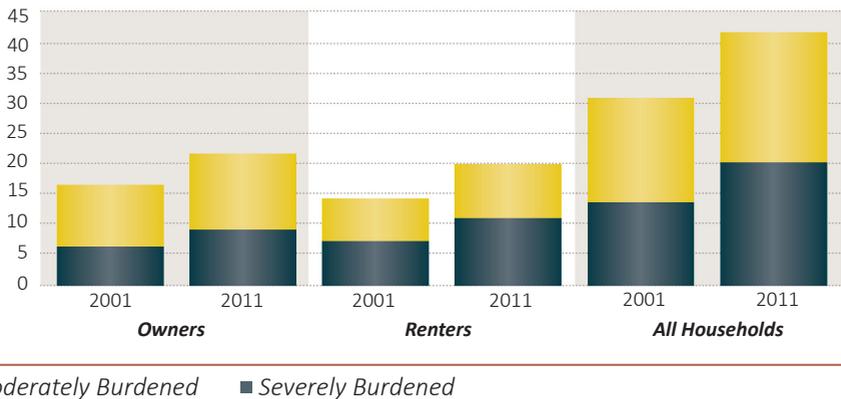
³¹ According to the US Census Bureau, the conventional 30 per cent of household income that a household can devote to housing costs before the household is considered burdened evolved from the United States National Housing Act of 1937. The act created the public housing programme that was designed to serve those “families in the lowest income group”. While there are many underwriting standards, none of them made their way into the public policy lexicon like the 30 per cent of income indicator of housing affordability (Schwartz and Wilson, 2006).

³² The Canada Mortgage and Housing Corporation (CMHC) considers a household to be in “core housing need if its housing: falls below at least one of the adequacy, affordability or suitability standards and would have to spend 30% or more of its total before-tax income to pay the median rent of alternative local housing that is acceptable (meets all three housing standards)” (CMHC, 2011b).

disposable income on housing (Buchanan, 2013). However, this survey shows that 49.7 per cent of households (ages 24 and under) spent over the affordability threshold on shelter costs including rent or mortgage payments, property taxes, condo fees and utilities (Government of Canada, 2011), stressing the lack of housing accessibility among the young.

FIGURE 3.
United States of America: housing-cost-overburden

The Number of Households with Housing Cost Burdens Has Hit Record Highs [Households (Millions)]



Note; Moderately (severely) burdened households pay 30-60% (more than 50%) of income for housing.

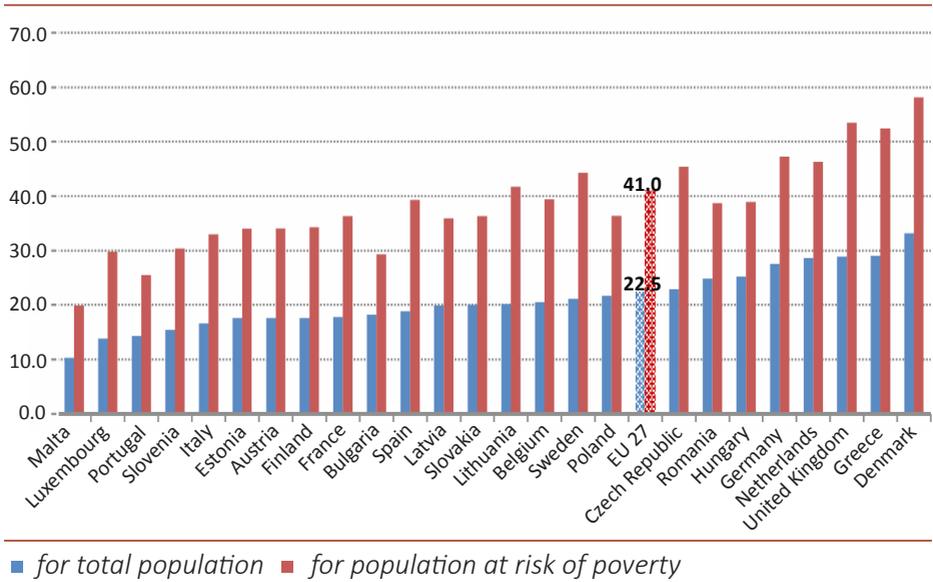
Source: JCHS, 2013a, p. 28.

In Europe, “the housing cost overburden rate is the percentage of the population living in households where the total housing costs (‘net’ of housing allowances) represent more than 40% of disposable income (‘net’ of housing allowances),” according to Eurostat (2014a). Overall, in 2010, 10.1 per cent of European households (around 50 million) and 36.9 per cent of those with an income below 60 per cent of equivalised median income³³, spent more than 40 per cent of disposable income on housing (Eurostat, 2014b, 2014c). Rather than showing signs of recovery the housing cost overburden in Europe increased. In 2012, 11.2 per cent of European households were housing cost overburdened with negative implications to those with the lowest incomes. It should be taken into consideration that differences between the countries are significant.

³³ Equivalised median income is defined as the household’s total disposable income divided by its “equivalent size”, to take account of the size and composition of the household, and is attributed to each household member. Equalization is made on the basis of the OECD modified scale.

FIGURE 4.

Housing cost overburden rate in the EU as a percentage of population, by poverty status (2010)

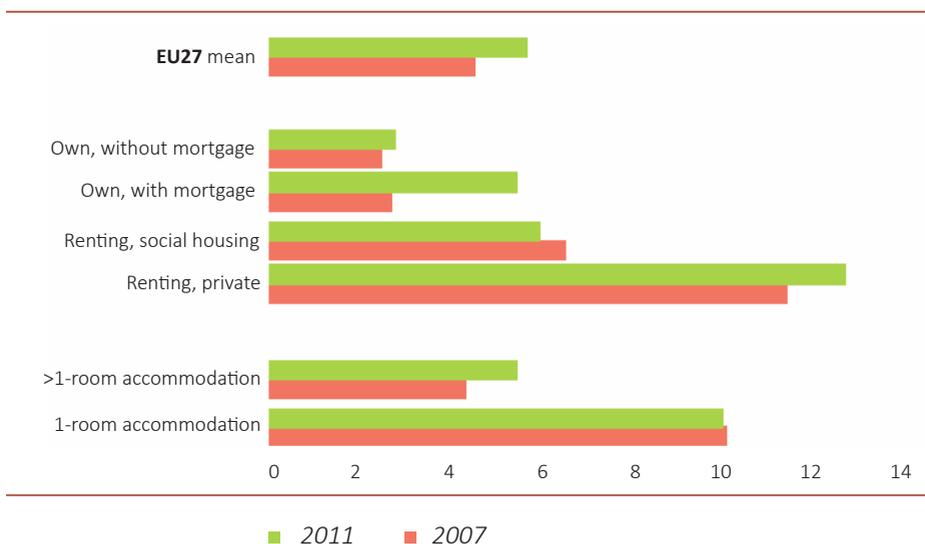


Source: SILC [ilc_mdcd01]. Data not available for Ireland.

Households that are severely cost burdened have much less to spend on other necessities such as food, health, transport and clothing. In extreme circumstances, households are forced to leave their accommodation because of the inability to pay for it (for an illustration see *Figure 5. EU27 Likelihood of need to leave accommodation due to unaffordability (%)*)

FIGURE 5.

EU27 Likelihood of need to leave accommodation due to unaffordability (%)



Note: Q20: How likely or unlikely do you think it is that you will need to leave your accommodation within the next six months because you can no longer afford it?

Is/It... 1) Very likely; 2) Quite likely; 3) Quite unlikely; 4) Very unlikely.

Source: European Union, 2012, p. 110.

In the United States of America, low-income families in particular families with children and the elderly are the most affected by housing cost overburden, according to the Joint Center of Housing Studies of Harvard University (JCHS, 2013a, p. 29). In Europe, the situation is slightly different. According to the European Commission, children and active age people are more at risk of poverty or social exclusion than the elderly (Eurostat, 2014c). Lack of housing affordability and the manner in which this affects different groups of population should be taken into account as an important indicator of housing need in revision of housing policies by governments.

Utility bills as a housing cost overburden

In EU accession countries, SEE and EECA, the high percentage of home ownership was achieved without mortgage finance but through privatization. Because of the high interest rates as well as limited availability of mortgages, the take-up of this financial product is relatively low. Therefore, the housing affordability estimates (the 30 per cent

rule³⁴) that are based on the assumption that households pay rent or, more significantly, pay a mortgage as part of their housing cost are not readily applicable (Struyk quoted in Hegedüs and Struyk, 2005). Instead, in the new EU accession States, SEE and EECA, housing affordability concerns have derived largely from increased utility costs (Hegedüs, 2009).

According to the EBRD study which analysed utility services affordability, “affordability (or the affordability ratio) is defined as the share of monthly household income that is spent on utility services, such as electricity, district heating and water” (Fankhauser and Tepic, 2005, p. 4). However, the thresholds used for determining when utility affordability becomes a problem vary among institutions. The range is usually 10 per cent to 30 per cent (Fankhauser and Tepic, 2005) (see *Table 9. Utility bills affordability benchmarks (percentage of household income/expenditure)*).

TABLE 9.

Utility bills affordability benchmarks (percentage of household income/expenditure)

Source	Electricity	Heating	Water	Total
The World Bank (2002)	10-15		3-5	
WHO (2004)	10			
IPA Energy (2003)	10	30		
EBRD (2005)				25
UK Government		10	3	
USA Government		6	2.5	

Source: Fankhauser and Tepic, 2005.

Average expenditure on utilities has increased significantly since the start of the transition in EECA, CEE and SEE. In the 1990s, the utility bills accounted for 3 per cent of the total household expenditure, while in the late 2000s they surpassed 12 per cent (average). For instance, in 2007 USAID study highlighted that utility affordability ratios were pronounced in Hungary, Bulgaria and Slovakia, followed by Poland, Serbia and Moldova. In these countries, the study stressed “average income households spend at least 12 per cent, and the lowest income groups spend 14 to 20 per cent of total expenditures on energy and water”

³⁴ ‘The 30 per cent rule’: The conventional indicator of housing affordability is the percentage of household income that is spent on housing. In Europe (EU28) and North America, housing is considered affordable when families do not need to spend more than 30 per cent of their disposable income to access decent and appropriate housing. This includes mortgages (for owners) or rent (for tenants) and may (but not always) include utility bills.

(USAID, 2007, pp. ix-x). The increasing prices were closely linked to tariff reforms that have been carried out with little or no attention to potential housing expenditure related to rents or mortgage payments. Hegedüs (2009) reports that in Hungary, where such reforms have been carried out, in extreme cases families are forced to sell their homes in order to pay the utility bills they owe to the utility suppliers.

The EBRD study (2005) concludes that the poorest 10 per cent of the region's³⁵ population struggled to pay for energy and water. The study also carefully acknowledges that the problem of affordability is very specific to each country and even city. As a point of reference, the number of people with incomes below the survival minimum in the Russian Federation was 15.8 million (11.2 per cent) in 2012, according to Rosstat, Russia's Statistics Agency. The groups that are considered to be economically vulnerable and therefore not able to pay the utility bills are pensioners and the recipients of social benefits (Fankhauser and Tepic, 2005, p. 3). Many households with middle incomes may also experience affordability constraints with rising energy prices. Although the severity of their constraints is presumed to be less than for poorer households, middle income groups often share buildings with the most vulnerable households and thus shoulder the burden for heating, ventilating, plumbing and maintaining common areas.

Devoting a large proportion of the households' income to utility bills combined with high mortgage interest rates will seriously hamper the ability of first-time buyers to afford and sustain housing once the privatization of public housing is over. Future housing policies should consider the limits between the utility tariff reforms and housing affordability.

The cost of utility bills is a concern not only in countries with economies in transition. The utility bill cost overburden and energy poverty are a worldwide concern (IUT, 2012). Utility bills costs have become an increasingly significant part of households' expenditures over the past decades in Europe and North America. There are three factors accounting for this trend: increase in energy consumption for domestic use, increase in energy prices and growing inequality. "The notion of affordability [utility services] is closely related to poverty" (Fankhauser and Tepic, 2005, p. 4). Low-income groups pay a higher percentage of household income for utilities than other groups. Although available data are limited, a recent

³⁵ The EBRD study (2005) "the region" refer to the 27 countries of Central Eastern Europe and the Baltics (CEB – the new EU member states), South-Eastern Europe (SEE – the three EU candidates and Western Balkans countries) and the Commonwealth of Independent States (CIS)" (EBRD, 2005:2).



review of the evidence of this phenomenon estimates that 52.08 million people in the EU cannot keep their homes adequately warm and 41.74 million face arrears on their utility bills (Bouzarovski, 2011). The recent study from the Joint Center for Housing Studies of Harvard University (JCHS, 2013a, p. 29) shows that rising inequalities in the USA also took a toll on utility spending. The study notes that low-income household utilities accounted for a substantial share of overall housing costs. In 2011, utility costs were nearly a fifth (18 per cent) of housing costs for renters earning less than \$15,000 annually. Even for those residents earning \$15,000–29,999, utility costs made up 16 per cent of housing costs.

In order to cope with high utility costs, many tenants reduce consumption by turning down heating, trying to use less hot water (IUT, 2012) and cutting food or health spending. These measures lead to energy poverty.³⁶ Improving the energy efficiency of homes would clearly slow the spread of housing cost burdens. Energy efficient improvements would also go a long way toward reducing the residential sector's large carbon footprint (see UNECE publication *Green Homes: Towards energy-efficient housing in the UNECE region* (Golubchikov, 2012)).

DIVERSIFICATION OF THE HOUSING NEED

Lack of housing affordability is increasingly affecting large sections of the population in the UNECE region, with widening income inequality an important factor in this increase. Growing underemployment and unemployment have contributed to this trend, as well as escalating housing prices and utility bills. The concept of housing need is open to interpretation in each national context and may vary within a country (e.g. the perception of housing need in capital cities may not be the same as in low-market areas). Estimates for different countries are not equally available (and in some cases hard to compare). For this reason, this section presents selected types of population that are in housing need and will require future policy attention, according to the assessments of the national and sectoral housing leaders interviewed for this research. Although there are considerable differences between the types of populations deemed to be in need across the UNECE region, there are also similar points of concern. Some of these groups will require new or adjusted social housing policy lines that are explored further in this document.

³⁶ Energy poverty is the situation in which people are unable to keep warm in their homes as a result of insufficient income and/or poor housing conditions (Pittini, 2012, p. 8).

Middle-income households

The middle income households (and in some cases middle class) in the UNECE region find it increasingly difficult to access and sustain decent housing because of three key reasons: a) a housing price increase over the last decade, b) lack of accessibility to mortgage finance c) lack of tenure alternatives³⁷. There is concern both in the eastern and western parts of the UNECE region, as housing affordability for middle-income and in some cases middle-class households is decreasing. The affordability issue for this section of the population is the highest in heated markets (such as large metropolitan areas). There is also growing concern for the businesses operating in these areas because limited access to affordable housing limits labour mobility. The middle income in North America and Western Europe have an additional challenge: they usually earn too little to be able to afford a mortgage (especially because mortgage rules have been toughened in most of the countries) but earn too much to be considered for social housing. In the east of the UNECE region (notably, SEE, EECA), the combined costs of utility bills and high mortgage interest rates (from 7 per cent in Serbia to over 22 per cent in Belarus) raise serious questions about the way first-time buyers (after privatization is over) will access homes.

Special groups

In the majority of the UNECE member States, there is an increasing discussion about the need for affordable housing, particularly for the vulnerable. The commitment to provide social housing increasingly focuses on so called “special groups” that need additional services apart from housing itself. This trend may be attributed either to reduced funds for social housing or the recognition that standard social housing is not sufficient to tackle the challenges these population groups are facing (and therefore traditional services are needed). These groups differ from country to country. For instance, in Finland, the term “special groups” refers to people with disabilities and the homeless. In Norway, the housing needs of substance abusers attract political attention. On the European Union level, there has been increased attention on the Roma population. In a number of EECA and SEE countries, the focus is on refugees and internally displaced people, as is the case in Georgia and in Bosnia and Herzegovina, Croatia, Montenegro and Serbia. In Western Europe and increasingly Southern Europe, there are concerns about the housing needs of migrant population (see Ponzo 2010, Allen and Rosenfeld, 2010).

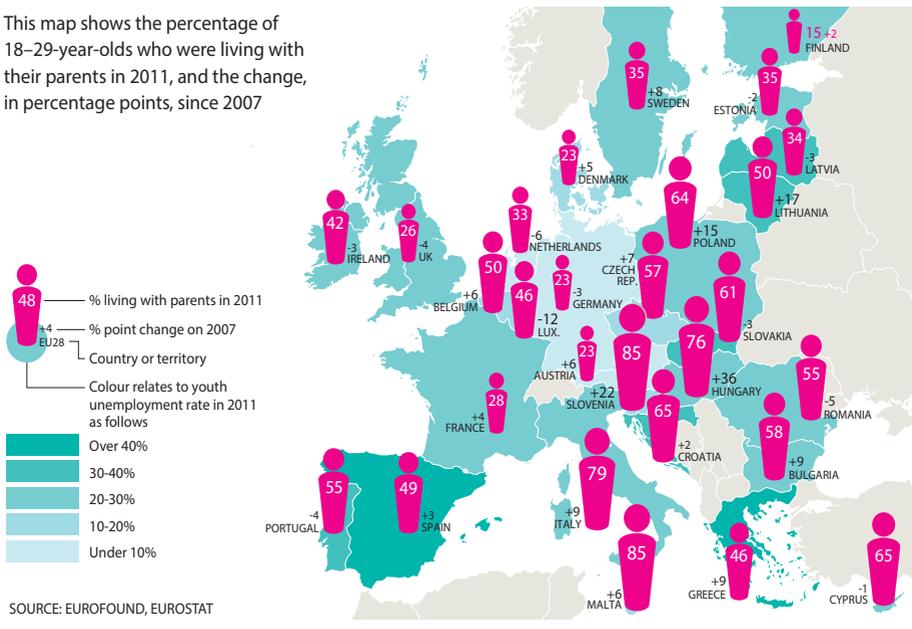
³⁷ It must be stressed that the extent of the listed issues differ on national, regional and local scale. The presence of the listed challenges also depends on the state of the local housing markets – low and high market areas.

Young and first-time buyers

The lack of housing affordability for the young is a concern across the board, according to the respondents. Stricter mortgage criteria and rising rents coupled with higher unemployment resulted in more young adults living with their parents. In Western and Northern Europe and North America, there are major concerns about increasing housing prices and limited access to mortgages. In SEE and EECA, the cost of housing is high relative to income levels, but most importantly, the cost of finance is high. According to Eurofund, 48 per cent of the EU's 18-29 year olds are still living with their parents. According to the Canadian National Household Survey 2011, 49.7 per cent of households aged 24 and under, spent over the affordability threshold on shelter costs, including rent or mortgage payments, property taxes, condo fees and utilities (Government of Canada, 2011).

FIGURE 6.
Percentage of young adults living with their parents

This map shows the percentage of 18–29-year-olds who were living with their parents in 2011, and the change, in percentage points, since 2007



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Aging population

In a number of the UNECE countries, the population is no longer growing but aging. Concerns about the aging population were especially emphasized by the respondents from Croatia, Denmark, Finland, the Netherlands and the United States. The concerns about the aging population are primarily, but not exclusively, linked to aging homeowners. In Western and Northern Europe, the main preoccupation concerns the right type of housing: the housing that is adjusted to the needs of elderly population is lacking. In Germany, for instance, GdW³⁸ the federal association of German housing and real estate enterprise registered associations, estimates that 3 million age-appropriate dwellings will be needed: a demand that cannot be realized without subsidies. In SEE and the United States, poverty related to aging is coupled with concerns about the lack of housing suited for the elderly. According to the study conducted by the Center for Housing Policy, “in the United States, more poor older households will face severe housing cost burdens. The incomes of older adults (85+) tend to decline with age. But property taxes, maintenance and utility costs all tend to rise over time for both older homeowners and renters (as reflected in higher rents). One in four households 85+ pay at least half their income for housing, as compared with about one in five households aged 65–74 and about one in six households younger than 65” (Lipman et al., 2012, p. 1). Concerns about the poverty of the aging population and challenge in covering utility bills and maintaining homes were also stressed by respondents from Croatia and France.

Populations in need of improved living conditions

A concern stressed by a number of new EU member States (e.g. Romania, Bulgaria) as well as SEE and EEC countries are the so called “poor homeowners”: people who acquired homes during the privatization of public housing and face decreasing living conditions because of the lack of maintenance, energy inefficiency and health hazards, among other issues. There is increasing concern about maintenance, management and the renewal of the condominium housing that are deteriorating because of lack of maintenance.

In conclusion, the interviews with the government representatives conducted for this research show concern for many different groups of the population. This shows the importance of tackling fundamental

³⁸ GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen e.V.

failures of the housing market post GFC, the importance of responding to demographic changes, and the need to increase the supply of social and other forms of affordable and subsidized housing (depending on the definition in each country). The prevalence of the population groups that are considered of current policy concern differ depending on the country as well as the region within each country. However, the variety of these groups indicates the increased diversification of the housing need, the importance of responding to new demographic trends, and the need to adjust social housing policies. It is with this new and diversified need in mind that this study looks at trends and challenges in social housing while also providing recommendations for the future.



CHAPTER 5. Housing finance and social housing

The previous chapter showed that the housing need is not met in the majority of the UNECE member states. This chapter examines the financial aspects of social housing in the UNECE region in order to identify key trends and challenges. According to the respondents interviewed for this research, in general terms, there is a willingness to provide more social housing, however, there is less certainty about the future of funding that supports such developments. In countries with a mature social housing sector, the future of state funding and finance is being reassessed (e.g. France, United Kingdom and Canada). In a number of countries in Europe, the funding for this sector has been significantly cut (e.g. Poland, Greece) following austerity measures in the Eurozone. In selected countries with economies in transition (primarily SEE and EECA), social housing policies are in the early stages of development and implementation. The lack of funds and state budget for such development has been emphasized in Albania, Belarus, Georgia, Ukraine, the Russian Federation, Serbia and Tajikistan, among others.

HOUSING FINANCE AND HOUSING SYSTEMS

Social housing is an integral part of national housing systems that consist of several tenures, most commonly: home ownership, private rent and social housing. Governments play a significant role in shaping their housing systems through policymaking, finance and other forms of support. Government or state participation in the housing markets takes many forms. It has been argued that “the aim of government participation is generally to provide affordable housing and promote homeownership” (IMF, 2011, p. 125). However, governments also use a range of other mechanisms that include: “social housing policies to benefit low-income and first-time homebuyers; tax incentives; state-owned financial institutions that originate mortgage loans; and, state-sponsored or state-owned housing finance agencies that (mostly) provide liquidity facilities³⁹ for the mortgage market” (IMF, 2011, p. 124). As it was pointed out by Tony Mulhall from the Royal Institute of Chartered Surveyors in his interview for this research: “National economies are shaped in a certain way, and it should

³⁹ Liquidity facilities are defined as any committed, undrawn back-up facility put in place expressly to refinance the debt of a customer in situations where the customer is unable to obtain its ordinary course of business funding requirements (e.g., commercial paper program). On national level these may be a specialized financial institution offering medium to long term refinancing against a pool of mortgages/assets as security.

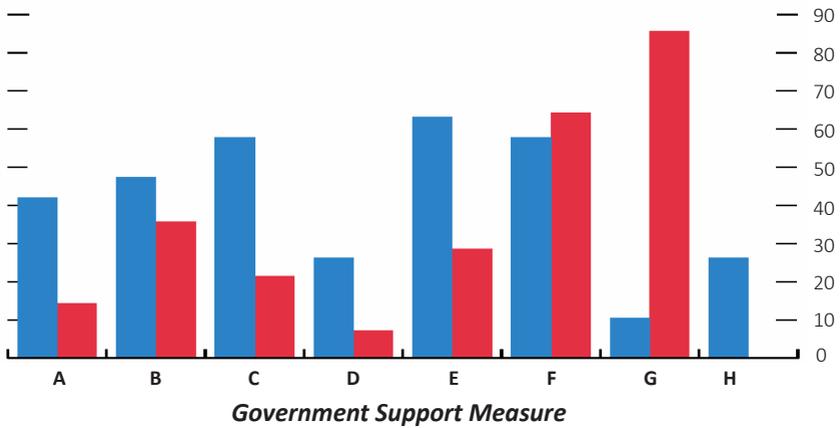
be taken into account that these ‘free market’ economies are shaped by political decision making. These decisions influence the availability of finance for housing. Creating housing policy without a closer look at the financial market context is bound to provide very limited results”.

Housing finance systems differ considerably across countries along a number of dimensions, including product diversity type of lender, mortgage funding and the degree of government participation (IMF, 2011, p. 15). The analysis conducted by the IMF in 2011 illustrates that both advanced and emerging economies participate differently but significantly in housing finance for home ownership as well as in different forms of affordable housing (see *Figure 7. Government participation in housing finance (IMF)*). The IMF analysis suggests that government participation is especially pronounced in the United States, the Netherlands, Russia, Canada and Spain (among the UNECE members), but it is less prominent in the United Kingdom, Slovenia and Hungary.

“Housing finance plays a critically important role at the intersection of the broader economy and the financial sector. This theme also brings together many aspects of a country’s legal, cultural, financial, economic, and regulatory policies and does so to improve people’s lives” (Peppercorn and Taffin 2013, p. ix). Clearly, “a fundamental question is whether social housing finance should be merely a part of the housing finance system or needs a fully separate treatment. This issue is embedded in a broader one: should the housing finance system itself be a part of the financial system? Most Western European countries have been striving to integrate housing finance more and more into their financial markets, social housing is sometimes the only sector remaining off-market” (UNECE, 2006a, p. 45). In a number of countries, the funding for housing (mortgages) comes from international capital markets and this caused problems during the GFC. It destabilized not only the housing systems but also national banking systems.

FIGURE 7.

Government participation in housing finance (IMF)



Source: IMF staff estimates.

Note: See Table 3.5 for details. The government support measures in the x-axis are as follows:

- A) subsidies to first-time or other buyer up front;
- B) subsidies to buyers through savings account contributions or through preferential fees;
- C) subsidies to selected groups, low income;
- D) provident funds early withdrawal for house purchase;
- E) housing finance funds or government agency that provides guarantees/loans;
- F) tax deductibility of mortgage interest;
- G) capital gains tax deductibility; and
- H) state-owned institution majority market player >50 percent.

Source: IMF, 2011, p.125.

33 countries from emerging economies, and advanced economies included in IMF estimates.

Countries in Europe (excluding new member States) and North America have actively supported home ownership (see *Figure 7. Government Participation in Housing Finance (IMF)*). Because of the effects of the GFC, the intervention of the states in the housing markets, notably home ownership, has been a subject of debate. The IMF points out that “government participation in the mortgage market is also costly from a public finance point of view, even as it has not proven particularly effective in raising homeownership rates” (IMF, 2011, p. 143). It argues that state intervention in the mortgage sector is aimed to finance home ownership and has contributed to financial instability and a rise in housing prices. The

fundamental links between the financial markets and the housing market dynamic have received very limited attention. As a result of the previous financial policies and the GFC, the housing crisis not only led to increased housing need but also destabilized national banks in selected developed economies. One of the respondents interviewed for this research stressed that “that is a problem because mortgages are partly financed on the international capital markets. Due to falling housing prices, mortgages are high compared to underlying housing values. Lots of people at the moment have negative equity, especially those who entered the market after 2007”. In number of Western European and North American countries, the rules for accessing a mortgage have become stricter and eligibility rules have been toughened. “For a lot of people, buying a house is no longer possible. If they also don’t qualify for social housing, they are dependent upon the small private rental sector, with (very) high rents” he concluded.

While issues related to mortgage finance seem far from the realm of social housing, they have a significant impact on the sector in terms of increased housing need. Even when social housing is kept off the market, it is affected by the dynamic in other tenures. In simplest terms: when the affordability in other tenures and access to mortgages fall, as was the case in the recent crisis, the need for social housing (as a cheaper option) increases. The change in the rules of the financial sector that followed the GFC has had a significant impact on the availability of the loans for home ownership in a number of advanced economies where home ownership is the preferred tenure and dependent on this type of finance. Many middle-income households no longer qualify for loans but earn too much to be considered for social housing.⁴⁰ This has led to increasing the need for affordable housing options – either social housing or private rental housing more generally – depending on the country.

The concern in SEE and EECA countries is different.⁴¹ According to Hegedüs and Struyk (200, p. vii), “the creation of efficient, market-oriented housing finance systems in the countries of Eastern Europe and the Commonwealth of Independent States remains a work in progress”. In the economies in transition, the high levels of home ownership were achieved through mass

⁴⁰ In the systems where the income levels are part of the eligibility criteria.

⁴¹ In the early stages of transition, the EECA and SEE countries have seen almost a complete retraction of government involvement in the housing sector (Tsenkova and French, 2011, p. 8). However, recent trends suggest that governments are taking a more active role in social housing (e.g. Poland, Slovakia, Czech Republic). Countries are also developing support for mortgage access in Serbia, Belarus and Estonia, among others. In Russia, reduced cost mortgages are provided to the Agency for Housing Mortgage Lending. Belarus leads the discussion about the creation of a national agency for mortgage crediting.

privatization. When privatization is completed, the first time buyers⁴² in the market will have little choice but to take a mortgage. At high interest rates (from 7 per cent in Serbia to 22 per cent in Belarus), mortgages are not affordable to most of the population. If housing is not affordable to the majority of households, the influence of fiscally constrained social housing programs is correspondingly limited (Hegedüs and Struyk, 2005, p. vii).

The GFC unarguably revealed underlying weaknesses of the home-ownership system as well as the fundamental link between the financial markets (and banking) and housing systems that have received limited attention in housing policy design. In order to address the general lack of housing affordability, fundamental links between the housing markets and financial markets will need to be examined and factored into future housing policy in a context-specific way. State intervention in the housing markets will have to go through significant reassessment in a number of countries. According to the IMF, better-calibrated government participation in the housing markets would also rely on more targeted measures to achieve social objectives, such as affordable housing for low-income households (IMF, 2011, p. 143). In addition, priorities will need to be set in terms of the future tenure balance and state intervention in housing finance. Considering the social and affordable housing, priorities will have to be re-examined and targets clearly set in relation to the provision of housing for low-income households, enabling labour mobility, boosting housing supply and/or local economies.

Response to the crisis 2008-2009

According to the research conducted by the European Parliament (Braga and Palvarini, 2013), in the immediate aftermath of the crisis, most of the EU member States responded with increasing public expenditure on housing. The aim was to house populations in need and foster the construction sector. Social housing expenditure as a percentage of the EU States' GDP experienced a sharp increase between 2007 and 2008, followed by a less rapid, but still positive, growth in 2008 and 2009. On average, social housing expenditure represented 0.1 per cent of GDP in the EU-27 area. A different trend emerges for rent benefits as a percentage

⁴² In 2014, the interest rates on mortgages were between 7 per cent (in Serbia) and 22 per cent in Belarus (SEE and EECA countries), while in comparison, in France mortgage rates were around 3 per cent, the United Kingdom they averaged 4 per cent, and in the USA they were between 3-4 per cent. Commercial mortgages in SEE and EECA were therefore affordable to a very limited percentage of the total population (e.g. the top 28 per cent in Russia and 10 per cent in Serbia). Therefore, because mortgage subsidies in the countries with economies in transition (especially SEE and EECA) have a limited reach both in the number of the customers they serve (for instance Serbia provided around 12,000 subsidized mortgages before the program was closed), they have limited economies of scale (the number of housing units financed in this way is relatively small). The support provided for discounted mortgages in these countries is affordable to the relatively well-off population.

of GDP, which decreased between 2006 and 2007, before experiencing positive growth both in 2008 and 2009. The funds for housing were also increased in the United States and Canada. However, following an initial phase of significant investment in social housing in 2008 and 2009, the social housing sector was not immune to cuts in public expenditure and the budget reserved for housing was significantly reduced in a number of countries. According to the research carried out by the European Parliament (Braga and Palvarini, 2013, p. 15), “public funds for social housing have recently been reduced in England, Portugal, Poland and Austria. However, there are exceptions to this trend in the EU: in the Belgian regions of Flanders, Wallonia and Brussels-Capital, for example, the social housing sector had a stable, if not increased, allocation of the public budget for 2012”. In Denmark, significant funds were set aside for social housing for the period 2010-2016 in order to increase social housing and boost the economy (IUT, 2014). However, the economic downturn of 2011 posed a serious challenge for a number of national governments in Europe to further expand their intervention in social housing. The next section looks at the provision of social housing finance in more detail.

FUNDING SOCIAL HOUSING: BUILDING LIFE-CYCLE APPROACH

Housing is a good that has a long life-cycle. Depending on the quality of a building and its use, housing can last anywhere from twenty to hundreds of years. There are four life-cycle stages of building, each demanding specific financial arrangements, some of which may overlap. For instance, the loans for social housing may have a maturity of 20 to 40 years. In this period regeneration (or energy retrofitting) may be required as well.

In the UNECE region, the issues surrounding housing supply span from the lack of new construction, lack of maintenance, refurbishment (and regeneration) to the need for demolition of obsolete or run-down housing. When these buildings are in the social housing sector and/or used by tenants with limited incomes, subsidies are required in each stage of the housing life-cycle to support the needed interventions. These are reviewed below in *Table 10. Funding needed for social housing in the housing life-cycle.*

TABLE 10.

Funding needed for social housing in the housing life-cycle

Building Life-Cycle	New Housing	Existing Housing		
	New construction	Maintenance of existing housing	Regeneration and retrofitting	Demolition of existing housing
Most common sources of funding	<p>Examples: Grants, public loans, housing providers own assets, tax credits, private loans, etc.</p> <p>(for more details see Table 11 for details)</p>	<p>Part of collected rents</p> <p>Housing allowances or other social allowances</p>	<p>Special regeneration programmes with state secured funding</p> <p>Own assets (housing provider)</p> <p>Special international funds</p> <p>Funds for energy retrofitting.</p>	<p>Special regeneration programmes with state secured funding</p> <p>Own assets (housing provider).</p>
Most common reasons for intervention	<p>Needed to fund new housing development (construction).</p>	<p>Needed for maintenance work such as painting, plumbing, cleaning, and upgrading of communications.</p>	<p>Needed to carry out required large-scale repairs, for increasing energy efficiency, and to achieve new aspirations (new standards).</p>	<p>Needed when the buildings are beyond repair and/or vacant for long period of time.</p>

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Funding and finance for new social housing construction and maintenance of existing premises is most commonly supported by annually planned supply and demand side subsidies. However, the funding for refurbishment (including energy retrofitting) and demolition is usually provided on a temporary basis. In general terms, large-scale regeneration and refurbishment has traditionally been a task

of specialized policies aimed at regenerating or re-building social and other housing and more recently, energy efficiency initiatives. The next section examines the financial mechanisms for 1) social housing (new construction, maintenance) 2) retrofitting (energy).

SOCIAL HOUSING: SUPPLY AND DEMAND SUBSIDIES

The housing systems in the UNECE countries are market based or in transition to a market-based system. This means that accessibility to housing depends on the ability to afford housing expenses (including utility bills), whether in owner occupied or private rent accommodations. From a commercial property development perspective, social housing is housing with reduced development costs (i.e. a discounted product). The cost reduction is achieved by limiting the developer's profit, securing cheaper land, obtaining grants to reduce construction costs, offering tax benefits and access to finance that is cheaper than the market rate. In order to ensure that this discounted product reaches those in need, administrative processes for allocation (based on eligibility criteria) are established. The rent (or purchase) is subsidized to help those with limited income.

Financial mechanisms for social housing can be divided into supply-side and demand-side subsidies. Supply-side subsidies are aimed at reducing the construction cost of the new building, while demand-side subsidies are aimed at helping tenants to pay their rent. Various strategies and financial mechanisms have been developed in countries with a mature social housing sector (e.g. France, Denmark, Finland, the Netherlands and the United Kingdom). Their comprehensive overview is out of the scope of this publication. Recent UNECE (2006a) and UN-Habitat (Oxley, 2009) publications offer a detailed overview of these mechanisms. This section examines the provision of the most commonly used financial mechanisms in UNECE countries in order to identify key trends and challenges.

Countries with mature social housing sectors

Countries with a mature social housing sector have sophisticated and complex housing finance mechanisms for supporting this tenure. Since the 1980s, the state funding for social housing has been shifted from supply to demand-side subsidies (Priemus and Boelhouwer, 1999; Oxley, 2009). In the process of decentralization, state funding has been replaced by various sources of public, private and third sector finance that are now combined creatively.

The provision of demand-side subsidies remains one of the key areas of investment in the social housing in the countries with mature social housing sector. However, high cost of the demand-side subsidies to the public purse have led to a re-examination of this benefit in number of countries (e.g. the United Kingdom).

In addition to demand-side subsidies, supply-side subsidies are provided. These reduce the cost of the housing development. For more details see *Table 11. Development cost discount mechanisms (financial and non financial) and their current trends in UNECE countries with a mature social housing sector after 2007.*

TABLE 11.
Development cost discount mechanisms (financial and non financial) and their current trends in UNECE countries with a mature social housing sector after 2007

Discount Mechanism	Trend	Provided by	Trend Description	Discount points
Development cost reduction				
Supported housing providers		Government (different tiers)**	The standard developers' profit is discounted by employing supported housing providers (e.g. local authorities, housing associations, cooperatives, even private developers). The level of their financial support from the government is now being reduced.	Developers' profit
Discounted land price		Government (different tiers)***	This option is not readily available in densely populated areas where the S&A housing is needed the most.	Land
Grants		Government (different tiers)	Grants are limited in supply because of austerity measures; governments are cutting funds for S&A housing supply and renewal.	Construction cost and cost of finance

(Continued on next page)

Discount Mechanism	Trend	Provided by	Trend Description	Discount points
Tax reductions				
Tax privileged private investment		Government (different tiers)	Increasing number of governments are now taxing social and affordable housing development.	Tax reduction different categories
Tax privileges for providers of affordable housing		Government (different tiers)	In the current austerity climate, a number of governments have also resorted to taxation of S&A housing providers.	
Sweating excising assets				
Use of own reserves and surpluses		Supported housing providers	Instead of using government funds, the supported housing providers (i.e. HAs) are increasingly being asked to use their own assets. This option is possible only for mature well established S&A providers.	Construction cost and cost of finance
Investment from selling off equity or selling properties		Supported housing providers	Supported housing providers are resorting to the sale of their properties in order to fund new ones or renew and maintain existing ones (from 2 per cent to 75 per cent of dwelling equity).	Construction cost and cost of finance
Provision of commercial properties (cross subsidy)		Supported housing providers	Commercial property development and sale is a rising method of providing affordable housing. The profits are used to fund S&A.	Construction cost and cost of finance

(Continued on next page)

Discount Mechanism	Trend	Provided by	Trend Description	Discount points
Financial mechanisms				
Public loans		Government (different tiers)	Traditionally the primary financial strategy for S&A housing programmes. Currently being cut by public sector borrowing limits.	Cost of finance
Private loans		Private banks, Private investors	Increasingly play a role in financing S&A housing, either partially or entirely. Problematic because of the perceived risk in S&A investment and high interest rates.	Cost of finance
Government-secured private investment or state guarantee		Government (different tiers)	There is a desire to use more state-backed guarantees. Used to reduce perceived risks of private investment in S&A housing and access to reasonably priced and/or cheap finance.	Cost of finance
Interest rate subsidies		Government (different tiers)	These are being cut. They contain the cost to the government over time, especially in a time of rising interest rates, change in housing prices, declining wages.	Cost of finance
Protected circuits of savings for specified investments		Government (different tiers)	Sustained in some countries, while others have dismantled them to improve competitiveness of local banks on the international market.	Cost of finance

** supported housing providers differ

*** depending on the country in question, discount options and funds are made available by different tiers of government (e.g. central, local). S&A Housing – Social and Affordable Housing. Disclaimer: the trends described here are aggregates of trends observed in countries with mature social housing sector using literature review and secondary data analysis. In some cases the trends in specific country may differ from the presented average.

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One of the most common ways to reduce housing development cost is to reduce developers' profit. Supported social housing providers play an important role in this regard as they operate on limited profit and non-profit basis⁴³. Supported social housing providers vary greatly from country to country (e.g. local authorities, co-operatives, housing associations, etc.). However, they share following characteristics, they receive different forms of government support, operate under certain regulations and are therefore able to provide housing at price lower than that of the free market. In the past, free or discounted land was one of the most significant supply side subsidies used to reduce social housing development costs. Access to land for social housing has been stressed as being increasingly challenging, especially according to the respondents from Finland and the United States of America. The access to land for affordable housing is especially pressing in the heated markets where it is needed the most (e.g. Helsinki, Paris, London). The social housing sector has also seen a slow withdrawal of state grants and public loans starting from the 1980s. These have been replaced (depending on the country) by various other financial mechanisms such as: government secured private investment or state guarantees (e.g. Switzerland, Austria, and Netherlands), borrowing from the private sector (private loans), use existing/own assets (e.g. Denmark and United Kingdom), provision of commercial properties (cross subsidy) (e.g. United Kingdom). Alternative sources of funding have also been introduced, for example: tax credits in the United States. Tax benefits have been increased in some countries while others have lifted the exemptions for the sector. While these are the overarching trends, the availability and combination of these financial mechanisms vary in each country.

Countries use a range of strategies to secure cheap finance in the private market. For instance, Austria uses construction convertible bonds: a protected housing finance circuit with tax incentivized bonds for affordable housing (Williams et al., 2007). France is known for its Livret A savings scheme: This system transforms short-term individual deposits into cheap, long-term loans for social housing (Williams et al., 2012; Gibb et al., 2013; Driant and Li, 2012). Both countries have seen a steady and nearly non-interrupted delivery of social housing despite the crisis. Dutch social housing organizations (Woningcorporaties) have access to a triple-layer security scheme to guarantee the loans they contract with banks to finance their housing activities (Hammar quoted in IUT, 2014, p. 14). The United Kingdom has a comprehensive list of social housing initiatives (see Williams et al., 2012). It has recently launched the THFC syndicated

⁴³ Depending on the country, the supported social housing providers (eg. housing associations) operate at non-profit, not-for-profit and/or limited profit basis. Different options exist depending on the available legislation and regulation in each specific country.

bond model that enables small housing associations to collectively raise finance. The United States of America funds social housing mainly through low-income housing tax credits that are used as an incentive for the private sector to fund affordable housing (Lawson et al., 2013).

The financial schemes for social housing development are characterized by complexity and a financial sophistication that is rarely needed in commercial development. CECODHAS (2013) presents an in-depth examination of the financing schemes in six European countries. It shows that typical schemes for financing new developments in France consist of 76.5 per cent from loans (CDC (Livret A)), 10 per cent from housing provider's assets, 8 per cent from local authority grants, 3 per cent from state grants and 2.5 per cent from employers' grants. In Denmark, common financial schemes consist of 2 per cent of tenant's lease premium, municipal grant of 14 per cent and a guaranteed loan of 84 per cent (guaranteed by the municipality). In the United Kingdom, cross-subsidy schemes are increasingly used. This means that the profits from selling commercial property are used to fund (cross-subsidy) the social housing development.

Social housing policy is going through a re-examination in the majority of the countries with a mature social housing sector. The overall concern is that the current supply of homes is not sufficient to meet the housing need. There is political uncertainty about the future funding of social housing in many countries. There is an increasing interest in searching for innovative sources of funding and finance, reviewing existing systems for cost efficiency, increasing interest in state-backed guarantees, combining funds creatively, developing collaboration with private developers and securing investment from institutional investors.

Subsidies for energy efficiency

The rising cost of utilities necessitates looking at potential subsidies in this area and determining how or whether these relate to social housing. Since the mid-2000s, the reduction of energy consumption has emerged as a key policy concern, with the overall reduction of CO2 emissions as a primary goal. Countries with a mature social housing sector (e.g. Austria, Canada, France, Germany, Denmark, the Netherlands, the United Kingdom, Sweden, Switzerland) all have national energy programmes. There are various regional and local subsidies funded by the national governments. In Canada, there is a Green municipal fund. In Austria, there are regional refurbishment subsidies. In several countries, government subsidies are

limited due to the economic crisis. However, there are still many others available. In Germany, France, and the Netherlands, low-interest loans are available to finance thermal renovation. Denmark, the Netherlands, Switzerland and France influence energy improvement of existing stock by indirect regulation. In these countries legislation is modified to encourage energy efficient renovations (Nieboer et al, 2012, p. 234). The challenge for the social housing sector is that housing providers can increase rents after retrofitting, making homes less affordable for the existing tenants. Despite evident progress, there is still a great need for initiatives that are better adapted to the social housing sectors to secure affordable energy efficiency for low-income families (for more details see Chapter 6).

Countries with emerging social housing sectors

The social housing sector in countries with economies in transition (new EU member States, SEE and EECA) is progressing at different rates. While some countries started to develop the systems in the late 1990s (e.g. Poland, Slovakia, Czech Republic), others established new policies in the 2000s (e.g. Serbia, Belarus, Ukraine, Russia). However, there is still a number of UNECE countries where such policies have not been developed (e.g. Georgia, Tajikistan). This section focuses on countries that have established social housing practice and policy (even if it is at the beginning of the implementation process).

As noted previously, a mortgage is unaffordable for the majority of the population (it is not widely used) and affordability issues in the countries with economies in transition are highly related to affordability of utility bills. While the demand-side subsidies are limited in availability, most countries in the region respond to consumer affordability concerns by continuing to subsidize energy prices, either through price subsidies for the general population or more targeted subsidies only for households that apply for them and meet criteria for social welfare aid (eg. family poverty benefits). Most countries bundle all typical household expenses for energy, rent or mortgage, food, medicine, etc., into one targeted social assistance benefit. These vary widely among countries.

In countries with emerging social housing sectors, social housing providers are usually local authorities (except in the Czech Republic) and, to a limited extent, housing associations (e.g. Poland, Serbia). Several countries now have legislation that allows other stakeholders, such as non-profit and for-profit developers, to provide social housing (e.g. Albania, the Russian

Federation), however, these policies remain to be implemented. Therefore, the practice of using housing providers' own assets in the development of social housing is very limited and the privatization of the municipal stock is not used for funding new social housing units. Involvement of the private sector is of interest in the Russian Federation and Albania, for instance. However, these practices are yet to be developed. The tax systems are being developed or refined in a majority of these countries. As social housing is rather a new area of housing policy, it is hard to talk about any significant trends related to tax reductions or tax credits trade. These remain options to develop in the future.

Social housing policies in countries with economies in transition are largely based on the availability of cheap and free land. The loans, where available, are provided by the public sector. Grants are usually limited for specific projects and programmes. Long-term funding for the state as well as local budgets is a challenge in a majority of countries in this region, for instance, Poland, Serbia, Albania, Ukraine, Georgia and Tajikistan. Fiscally constrained social housing programs seriously hamper efforts to implement the policies that have been developed.

The funding for social housing for special groups (i.e. Roma, refugees and internally displaced people) in SEE and EECA region comes from international agencies in the form of grants while the finance (i.e. loans) is mainly secured by international banks. The Council of Europe Development Bank (CEB) has been a key international supplier of the loans for social housing in this region. This is the case in Bosnia and Herzegovina, Croatia, Montenegro and Serbia within the framework of a donor funded Regional Housing Programme (RHP) managed by the Council of Europe Development Bank (CEB).

According to the representatives of national governments interviewed for this research, the majority of the countries with emerging social housing sector are seeking new and innovative sources of funding and finance. In a number of these countries there is an increased interest in private finance for social housing in the form of investment.

An important trend is the increased development of national housing agencies that set up revolving funds, provide housing loans and interest rate subsidies. An especially successful model that has been supplying affordable housing since 1996 is the Slovakian State Housing Development Fund. Its key financial products are low-interest loans, though it also

provides non-repayable grants or loans subject to availability. The agency has been providing between 1,400 and 2,200 social housing units annually since its foundation in the late 1990s and has now established a functioning revolving fund. In 1997 in Croatia, the Agency for Transactions and Mediation in Real Estate was established to assist access to affordable housing and reconstruction through state budget and finance secured in the financial markets and other sources. The Albania National Housing Agency was founded with the same goal, but its practice is yet to be developed. In the Republic of Moldova, as a result of the UNECE Country Profile study, a regulation for the establishment of the National Housing Agency was developed and then adopted in 2003. This National Housing Service has initiated the construction of 65 multi-storey housing blocks. In a number of countries there is an increasing interest in securing private loans, especially institutional investment (e.g. Albania, the Russian Federation, Ukraine). Considering the financial environment in the countries with economies in transition, the establishment of state agencies to support housing finance in general and social housing finance in particular presents an important trend that has the capacity to advance the sector in the future. The states' increasing interest in social housing and their commitment to the housing sector is also important.

Subsidies for energy efficiency

As noted previously, affordability issues in the countries with economies in transition are highly related to the affordability of utility bills. A few countries offer some form of general (e.g. Romania, Lithuania) or targeted (e.g. Bulgaria) energy-specific aid to pay for residential heating costs. The energy-specific portion of such dwelling allowances or family poverty benefits vary greatly among countries depending on the tariffs and fuels used. From a regional point of view, this makes it difficult to determine the cost of subsidizing energy for the poor that could be compared with the cost of improving energy efficiency in households. The finance for regeneration in general and retrofitting in particular is generally scarce. It may be available through international bank programmes, such as those of the EBRD and CEB for national retrofitting initiatives. However, these programmes are not related to social housing specifically. Few new EU member States have advanced energy efficiency initiatives. In the Czech Republic, there are state subsidies for renewable sources, mainly solar power, and passive house standards are supported. In addition, the combination of several energy-efficient measures in an apartment building and family houses lead to state subsidy bonuses (Nieboer et al., 2012, p. 234). For more details see Chapter 6.



Chapter 6. Housing provision

Lack of housing supply in general and social housing in particular is one of the key challenges in the UNECE region. In the majority of the UNECE member States, there is a lack of housing for purchase or rent in the market. In addition, there is a shortage of affordable and social housing (see Chapter 4). However, the lack of housing is almost never absolute. In many countries, demand for housing in one part of the country coexists with an oversupply of housing (empty homes) in another. An additional challenge is a lack of supply of appropriate types of housing because of changing demographic trends (e.g. housing for the aging population). Closely related to the issue of the appropriate and user-adjusted design is the quality of new and existing housing that does not always meet aspirations for health and energy efficiency, among other issues. This section presents the key trends and challenges in housing provision in the UNECE region. Housing provision relates to the supply of decent, affordable homes. Therefore, the focus is on the supply and quality of new homes and the refurbishment of existing ones.

TRENDS IN HOUSING SUPPLY IN THE UNECE REGION

Housing shortages in general and lack of social housing in particular are major challenges the UNECE region is facing. As it was noted by Ms. Elena Szolgayová, Chair of the Committee for Housing and Land Management “The challenge is not only to increase the housing supply but to increase it in the affordable housing segment”. Namely, there is a sizable shortfall in net new housing supply not just because of the financial crisis but also because of the longer-term lack of supply response. The lack of housing in general has been reported in France, Finland, Ireland, the United Kingdom and Sweden, among others. There is a shortage in new EU States, such as Slovakia and Poland. Many Eastern European and EECA countries have not recovered even 50 per cent of the housing construction volume of the 1980s. According to government representatives interviewed for this study, there is a housing shortage in Belarus, the Russian Federation and Ukraine. The shortage is equally reported in Turkey and Israel. The access to decent and affordable housing seems to be most acute in the heated markets such as large metropolitan areas, for instance, Paris, London, Moscow, New York, Helsinki, Stockholm and Tel Aviv, among others (for more details see

Chapter 4). This section reviews housing completions regardless of tenure. The reason is the following: the shortage of housing influences the housing price dynamic. When the supply of housing does not match its demand, housing prices rise, therefore contributing to affordability problems.

EconStats (2014) show that the global financial crisis had a significant impact on the housing construction output in the United States of America (see *Box 6. USA: housing completions 2006-2012*). The level of housing completions fell 24 per cent between 2006 and 2007 when the GFC started. The USA saw an additional 25 per cent and 29 per cent fall in 2008 and 2009 respectively. While the data shows that confidence in the sector is recovering (there was a rise of 10 per cent in construction between 2011 and 2012), the levels of construction in the private sector are only 32 per cent of what they were in 2006.

BOX 6.

USA: housing completions 2006-2012

Number of homes completed (privately owned)							
	2006	2007	2008	2009	2010	2011	2012
Number of homes completed (in thousands)	1,979.4	1,502.8	1,119.7	794.4	651.7	584.9	649.2
Change (y-o-y)	+2.5%	-24.0%	-25.4%	-29.0%	-17.9%	-10.2%	+10.9%

Source: EconStats, 2014.

The Eurostat (2011) research on construction output over the period 2000-2011⁴⁴ shows that the financial and economic crisis had a deep negative impact in most European member States as well. *Table 12. Index of total construction in EU-27 (2000-2010) percentage (%) of growth in comparison to the previous year* shows that nearly all European member States experienced a decline in housing construction in 2010. For instance, construction activity more than halved in Latvia, Lithuania and Ireland (Eurostat, 2011). While this source indicates that the construction has been positive in Poland, Sweden and United Kingdom, this data should be considered vis-à-vis the accumulated housing shortage in the past decade(s). In the United Kingdom, around 100,000 homes are being built annually (between 2009 and 2010 a total of 113,670 new homes were built), but according to government estimates, around 250,000

⁴⁴ The EU-27's construction activity accounted for 6.0 per cent of GDP in 2010 and generated EUR 655,388 million of added value (Eurostat, 2011).

are needed. The unmet housing demand seems to be the highest in South England. In London, where house prices are rising rapidly, 16,000 homes are being built when demand is three times higher, according to the Town and Country Planning Association (TCPA). According to the respondent from Union Sociale pour l’Habitat interviewed for this research, in France, the supply of social housing has doubled since 2005. It reaches around 100,000 new units annually. In addition to new construction, the Government of France boosted social housing supply by enabling housing associations to purchase unsold housing from private developers in the peak of the housing crisis. This move brought an additional 30,000 residential units to the social housing sector in France, demonstrating the importance of the role of the state in shaping the housing system across tenures. While France is by far the most successful in meeting its own targets for social housing in the UNECE region (out of a planned 120,000, around 110,000 social housing units are built annually). In 2010, France had over 300,000 housing starts (all tenures) out of a required 500,000. The shortage seems to be the most acute in “pressure zones”: the Parisian region (Île-de-France), the French-Swiss border, the Alpine region and the Mediterranean coast.

TABLE 12.

Index of total construction in EU-27 (2000-2010) percentage (%) of growth in comparison to the previous year

	Weight in 2005 (% of EU-27)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EU-27	100.0	4.0	0.5	1.1	1.8	0.8	1.9	3.6	2.0	-3.8	-8.5	-4.1
EA-17	71.3	4.1	0.6	0.4	0.9	0.0	2.2	3.7	1.3	-5.5	-7.9	-7.7
Belgium	2.0		-2.4	-2.6	-0.2	2.9	0.6	3.3	1.5	-0.4	-3.3	-2.1
Bulgaria	0.1		13.4	3.8	4.6	35.3	31.7	24.8	26.8	12.6	-14.2	-17.9
Czech Republic	0.8	0.8	10.3	2.9	9.5	8.6	5.2	6.4	6.8	-0.3	-0.6	-7.3
Denmark	1.7	1.7	-6.7	-1.2	2.1	-0.2	3.1	3.8	-4.2	-5.7	-10.8	-8.4
Germany	11.1	-3.5	-7.6	-4.3	-4.2	-5.3	-5.3	6.3	2.9	-0.7	0.1	0.2
Estonia	0.1	18.6	4.2	22.6	6.1	12.5	22.4	26.9	13.5	-13.3	-29.8	-12.4
Ireland	2.8		3.4	2.0	5.7	25.3	10.0	3.8	-13.5	-29.2	-36.9	-30.1

(Continued on next page)

	Weight in 2005 (% of EU-27)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Greece	1.1		6.6	39.1	-5.7	-15.9	-38.7	3.6	14.3	7.7	-17.5	-31.6
Spain	18.8	10.7	3.0	0.6	7.2	2.3	10.9	2.2	-4.3	-16.3	-11.3	-20.2
France	12.5	6.0	1.2	-2.3	-0.8	-1.2	2.7	4.2	2.3	-3.7	-5.9	-3.4
Italy	11.5	6.2	6.2	5.1	2.8	1.6	1.3	3.9	6.4	-1.1	-11.5	-3.4
Cyprus	0.3		3.7	3.2	6.5	4.4	2.9	4.1	6.8	2.3	-10.6	-8.0
Latvia	0.1	7.2	6.2	12.1	13.1	13.1	15.5	13.3	13.6	-3.1	-34.9	-23.4
Lithuania	0.2	-18.1	7.4	21.7	27.8	6.8	9.9	21.7	22.2	4.0	-48.5	-7.7
Luxembourg	0.3		4.2	1.9	0.9	-1.1	-0.9	2.6	2.6	-1.8	0.8	0.1
Hungary	0.5	7.7	9.3	18.0	2.7	4.3	15.7	-0.7	-14.0	-5.2	-4.4	-10.4
Malta	0.0		-4.0	23.4	-5.7	8.0	18.5	4.4	7.2	6.6	-7.9	0.2
Netherlands	4.9		1.9	-3.1	-4.9	-2.6	3.2	2.3	5.6	3.2	-3.0	-11.0
Austria	2.2	-0.6	-0.6	0.5	12.3	5.0	4.9	5.9	3.9	-0.9	-1.6	-4.3
Poland	1.7	1.2	-10.9	-10.1	-7.2	-1.9	9.2	15.6	16.3	10.2	4.5	3.7
Portugal	1.8		4.7	-1.1	-8.6	-4.4	-4.5	-6.3	-4.0	-1.2	-6.6	-8.5
Romania	0.4		11.5	4.5	3.2	1.4	6.6	15.6	33.1	26.7	-15.2	-13.4
Slovenia	0.2	2.9	-10.5	7.5	9.6	0.7	2.0	15.7	18.5	15.5	-20.9	-16.9
Slovakia	0.2	0.2	0.7	4.1	5.7	5.9	14.5	15.4	5.5	11.5	-11.2	-4.3
Finland	1.3	8.0	-0.1	1.4	4.2	4.4	5.2	7.8	10.2	4.1	-13.2	11.9
Sweden	2.1	4.4	5.4	0.3	0.0	0.1	3.0	8.0	6.2	4.2	-3.5	5.9
United Kingdom	21.2	4.2	1.1	4.6	5.6	3.5	-0.5	1.4	2.3	-1.3	-11.6	7.3
Norway		-2.1	1.2	-0.1	2.1	7.4	8.9	6.0	5.8	1.1	-8.3	-0.1
Switzerland		2.7	-2.7	0.9	0.1	3.1	2.6	2.0	1.2	2.4	1.4	1.9
Montenegro			5.3	0.3	-8.5	-5.8	7.6	46.1	-1.7	20.7	-19.3	-0.6
Croatia		-8.9	3.7	13.0	22.3	1.6	-0.2	9.3	2.6	11.8	-6.9	-15.9
FYR of Macedonia								-12.3	7.5	25.5	13.7	15.2
Turkey								18.4	5.5	-7.6	-16.3	17.5

(1) Estimates; working day adjusted series.

Source: Eurostat, 2011, p.3

A construction lag of over 20 years has been reported in Sweden. The shortage seems to be the most pressing in Stockholm. In a region with a population of 2 million that is expected to increase by over half a million by 2030, there is already a shortage of around 110,000 homes, according to the Swedish Chamber of Commerce. In Poland, a shortage of 600,000 homes has been reported, much like in a number of other transition economies. In Eastern, Central and Southern Europe, building has not restored to the pre-transition period and construction level of the 1980s and early 1990s. A housing shortage and fall in construction output has been reported in Slovakia. While the building output has been stable in the past decade (12,000-18,000 housing units per year), it is still far from the 40,000-unit output in the pre-transition period. Similarly, in Ukraine, housing completions reach only half of the levels of output in the late 1980s. Other significant shortfalls can be found in unfinished buildings. In 2010, for instance, there were 18,977 unfinished housing units in Belarus. In 2009, a total of 701,300 (59.8 million m²) residential units were completed in the Russian Federation. This represents a 6.7 per cent decline from the 64 million m² completed the previous year (see *Box 7. The Russian Federation: housing completions 2006-2010*).

BOX 7.

The Russian Federation: housing completions 2006-2010

Number of homes completed (privately owned)				
	2006	2007	2008	2009
Number of homes completed (in thousands)	605	714	766	701.3
Change (y-o-y)	17.4%	18.0%	7.2%	-8.4%
Total floor space of homes completed (million square meters).	50.6	60.4	63.8	59.8
Change (y-o-y)	16.1%	19.4%	4.5%	-6.7%

Source: Rosstat 2012, PMR 2011.

It is important to consider the overall housing situation, even if it is not directly linked to social housing. The increase in housing demand contributes to the rise of housing prices. Housing price increase, in turn, raises the need for housing and affordable housing. For instance, Europe witnessed a cumulative growth in real house prices of over 40 per cent during the last decade. The increase in household income in the same region did not follow or re-adjust sufficiently after 2007.

According to CECODHAS (2011, p.13),

...until recently, growing demand for housing was accompanied by increased housing investment in several countries. As investment increased, the stock of housing per inhabitant consequently grew. But recently residential investment has collapsed in some countries at the same time as, or immediately before, the onset of the financial and economic crisis. Today there are signs of recovery in almost all countries that experienced a housing market crash, but unlike previous housing market upswings, price increases are leading other market indicators (i.e. prices have started to rise again but this is not matched by the recovery in house building and transactions). In general, house building is down all across Europe and is severely lagging the recovery in most places. This might mean that in two to three years' time there could be severe housing shortages.

Clearly, challenges vary considerably between countries. However, the key trends show there is insufficient housing output across tenures. There are also concerns about the responsiveness of the planning systems. In several countries the complexity of the planning system coupled with complex finance schemes have been noted as factors slowing the housing supply, including in Finland, the United States, the United Kingdom and Sweden. In other countries, the lack of institutional capacity, and lack (or early stage) of legislation and policy are contributing the lack of supply (e.g. SEE and EECA countries). According to Tony Mulhall the representative of Royal Institute of Chartered Surveyors (RICS) interviewed for this research “getting the balance right for each country is the challenge”. Both underdeveloped planning systems and those that are highly complex add to the perceived risk of the sector and contribute to decrease in the housing supply.

It should be stressed, however, that in a number of countries, the investment in social housing has risen in the immediate aftermath of the GFC, for instance in the United Kingdom, Denmark, Canada and the United States. Several governments have set new housing supply goals as well as social housing construction goals. In France, this quota has been set to 120,000 for new social housing units. Equally, ways to provide 250,000 housing units (all tenures, annually for 25 years) in the United Kingdom are being explored. At the initiative of the President of the Russian Federation, the programme Housing for Russian Family, has been launched. The programme envisages the construction of affordable homes for over 460,000 families between 2014 and 2017. However, the impact of the credit crunch and the post-2007 housing

market downturn on house building raises questions about whether the recent upward trend in the delivery of social housing can continue and to what extent the systems will be able to deliver on the aspired goals without a significant shift in housing policy and housing provision.

LOCATION OF HOUSING NEED

Future policies should consider ways to increase housing provision. However, the key target should be provision of the right type of housing in the right location. A housing shortage, while significant, is absolute in very few countries (e.g. Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan (Tsenkova and French, 2011)). Rather, the majority of the UNECE member States report a deficiency of housing in specific locations (e.g. global and capital cities) or a shortage of certain types of housing (e.g. housing for an aging population).

The level and nature of housing shortages differ at the national, regional and local levels. The housing shortages in one part of the country often coexist with empty properties⁴⁵ in another. For example, in the United Kingdom, there are 1.8 million people registered on the social housing waiting lists, but there are also over 700,000 empty homes. In France, social housing waiting lists have 1.7 million applicants, while the number of empty homes in the country is 2.4 million. The number of empty properties in Ireland is 400,000 and 3.4 million in Spain. Coexistence of a housing need with a significant number of empty properties has been also confirmed in Albania, Serbia, Romania, Montenegro and Croatia. Even countries that show a relative balance between housing supply and demand at the national level (e.g. Czech Republic, Finland, Greece) are facing shortages in regions with strong economic activity.

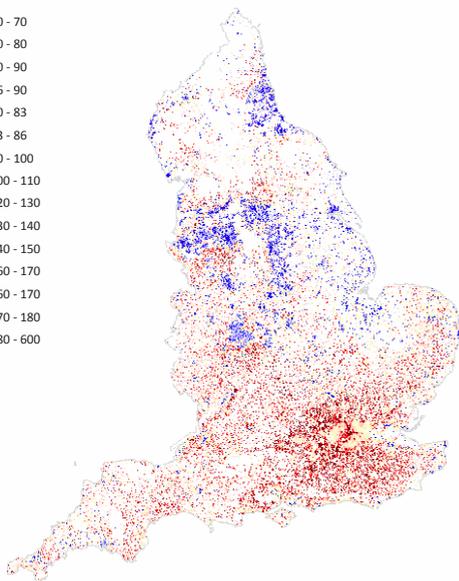
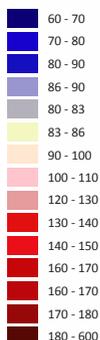
These data highlight the complexity of the housing need as well as the difference in the nature of this need within one country. In the areas with underperforming housing markets, the need for housing may be related to high levels of unemployment and low-income levels. In heated market areas, the middle-income households with full employment find it difficult to afford housing and thus may require social housing as an affordable option. In the 2000s, a number of countries in Western Europe and North America (i.e. the Netherlands, France, the United Kingdom,

⁴⁵ The reasons for empty properties vary depending on the country. Properties might be empty because of a demographic change, emigration (local, regional or international) or a change in the distribution of employment (e.g. closing of factories). In countries with developed summer tourism (e.g. Croatia, France, Greece, Spain), the empty properties may be partially related to summer homes. In global cities (e.g. Paris, London, New York, Moscow, Jerusalem), the existence of empty properties may be related to speculative investment, second homes or luxury homes (second homes).

Denmark, Canada and the United States) launched neighbourhood restructuring programmes with the aim of demolishing the empty and decaying properties in the low-demand areas while supporting development in high-growth ones. However, these interventions provided mixed results (Rosenfeld, 2012; 2013; Kleinhans and Kearns, 2013). Future policies will have to consider the fragmentation of the national housing markets and develop solutions that can address the low as well as high housing demand areas while supporting governance structures needed to respond to local drivers of change (Rosenfeld, 2013).

BOX 8.

Fragmentation of the national housing markets (England)



National housing markets are fragmented. The demand for housing differs depending on a location. While some parts of the country (e.g. South East England (Greater London) may experience high housing demand and high housing prices, others may experience low housing demand and vacant properties. The demand for social and affordable housing may exist in both areas. However, the nature of such demand is different. While in the low demand areas the need for social housing may be related to low income, unemployment and vulnerability; in high demand areas, middle-income (and in some cases even middle-class) households may need affordable housing options. These differences require the development of locally adjusted housing policy responses, appropriate governance structures (as well as governance support), adjusted funding and a combination of funds.

Map: The price and land and its correlates Chart: housing prices in thousands of pounds (£). Blue lowest price (60.000-70.000 – local average), highest (180.00-600.000 – local average).

Source: Bibby and Brindley, 2006, p.135.

Source: Rosenfeld, 2012; 2013.

HOUSING TYPE AND CHOICE

The Chapter 4 showed that the population in need of housing has diversified. A wide range of population groups, such as the elderly and aging, young, middle income as well as special groups, find it challenging to access decent, affordable housing. These groups will need housing policy attention. Several respondents interviewed for this research stressed that it is not necessarily the housing shortage that is most acute but rather, the shortage of the right homes in the right places.

The increasing concern about meeting the housing need of the aging population has been stressed in France, Denmark, Norway, the Netherlands and the United States, among others. In the United States, there is mounting evidence that the aging population will present a major policy concern in the future (American Planning Association, 2010). The aging population in many countries will find it challenging to use their current homes without adjustments. For instance, in many countries with economies in transition, apartment buildings were built without elevators (lifts) – a hindrance to certain residents. This lack of the right type of housing (social housing) has also been emphasized in relation to special groups. There is increasing awareness that the commonly provided social housing stock is not sufficiently adjusted to the needs of different populations (e.g. young, elderly, people with disabilities, refugees, migrants, immigrants). This may cause difficulty in the everyday use of space, necessitate additional medical services or incur overspending (in case high standards to address all needs are instated). According to David Gigineishvili from the Ministry of Economy and Sustainable Development (Georgia) there is also a need to adjust housing designs to reflect the requirements of internally displaced people. Indeed, dwelling location and size, among other issues, can impact integration. The benefits of adjusting the design and size of social housing units for different vulnerable populations, including migrants and immigrants, has been discussed on several occasions (see Ponzio, 2010; Allen and Rosenfeld, 2010). These studies conclude that user-adjusted designs reduce building costs and maintenance, help everyday use and encourage social cohesion. While the establishment of key building standards is vital to ensuring quality (e.g. height of the ceiling, size of the room, width of corridors, number of windows per room), policies should support flexibility at the local level and responsiveness to users' needs. The involvement of residents is crucial in this process as they are able to directly inform housing providers of their needs (as well as elements they do not need, thus reducing the cost).

It should be taken into consideration that discussions about the adaptation of housing provision often focus on a single group (e.g. aging population, immigrants, large families and young professionals). Policies focusing on a sole group should be critically assessed. One shortcoming of such an approach is that it may unintentionally segregate that group while focusing on responding to its needs. It should be stressed that the elderly, families with young children and young adults, share many common needs, interests and concerns. The key neighbourhood components that help residents age successfully in their communities are the same as those needed by young adults and families with children: safe, walkable neighbourhoods, a range of accessible services (child care, senior centres, parks, health care), an opportunity for civic engagement, affordable housing and adequate transportation (American Planning Association, 2010). Future policies will have to respond to a diversified housing need. It is essential that innovation be embedded within the development of sustainable multigenerational communities that responds to the needs of many while considering the specific needs of special groups.

HOUSING QUALITY

Quality of the housing stock has a direct impact on the residents. It influences their health, productivity at work or at school and energy consumption, among other important issues. There are two challenges that the UNECE countries face at the moment, to a greater or lesser extent. The first is ensuring the quality of the existing stock, including aspirations about cost-efficient maintenance and energy retrofitting. The second is ensuring of a level of quality in new housing construction (especially in regard to energy efficiency). In general, the quality of the housing stock in the UNECE region is higher than in other regions in the world (Tsenkova and French, 2011). However, the lack of housing quality in terms of size of the dwelling or its physical condition disproportionately affects those who are housing cost overburdened (those who spend more than 40 per cent of their income on mortgage or rent and utility bills). These people are forced to make hard choices (see Chapter 4). Investment in housing maintenance usually comes after considerations about paying utilities, food, health and transport (see EBRD, 2010).

Given the low rate of new construction in the UNECE region, the question of quality of the existing housing stock is vital. “Living for extended periods of time in low-quality housing can affect physical health. Problems such as ‘damp or leaks in walls or roof’ and ‘rot in windows, doors or floors’ are

particularly associated with low health satisfaction, even after taking into account other problems and income levels” (European Union, 2012, p. 108). “Overall, indicators related to maintenance show a less favourable trend. The proportion of Europeans who cannot afford to replace any worn out furniture or keep their home warm if they wish to both increased from 29% to 35% and from 9% to 12% respectively” (European Union, 2012, p. 109).

TABLE 13.
Problems with dwelling by country (%) EU28

	Shortage of space	Rot in windows	Damp	Lack of indoor toilet	Lack of bath	Lack of place outside	Mean number of problems
AT	10	3	5	2	1	18	0.4
BE	17	9	15	1	2	14	0.6
BG	18	16	22	18	8	4	0.9
CY	21	8	26	1	0	4	0.6
CZ	17	5	11	0	1	22	0.6
DE	12	4	7	1	1	15	0.4
DK	13	6	10	0	0	6	0.4
EE	15	18	22	13	15	22	1.1
EL	21	25	19	1	2	9	0.8
ES	9	4	10	1	1	19	0.4
FI	15	6	10	1	2	8	0.4
FR	18	10	14	1	1	20	0.6
HU	14	16	14	4	5	12	0.7
IE	13	5	10	1	1	6	0.4
IT	13	11	10	1	1	11	0.5
LT	17	16	12	16	13	10	0.8
LU	12	7	9	3	2	13	0.5
LV	25	26	34	18	20	21	1.4
MT	11	17	18	2	2	8	0.6

(Continued on next page)

	Shortage of space	Rot in windows	Damp	Lack of indoor toilet	Lack of bath	Lack of place outside	Mean number of problems
NL	13	8	12	0	0	5	0.4
PL	23	12	15	5	6	15	0.8
PT	15	6	19	3	2	16	0.6
RO	14	10	14	25	24	13	1.0
SE	18	4	5	3	4	10	0.4
SI	11	8	12	1	0	5	0.4
SK	10	6	7	3	3	11	0.4
UK	19	9	15	1	2	10	0.6
EU27	15	9	12	3	3	14	0.6

Note: Ordered according to the mean number of problems. Q19: Do you have any of the following problems with your accommodation? a) Shortage of space: b) Rot in windows, doors or floors: c) Damp or leaks in walls or roof: d) Lack of indoor flushing toilet e) Lack of bath or shower: f) Lack of place to sit outside (e.g. garden, balcony, terrace).

Source: European Union, 2012, p. 107.

According to the research conducted by the European Union (2012): “overall, Europeans are satisfied with their accommodation, giving it an average score of 7.7 out of 10. Satisfaction is lowest on average in Latvia (6.6), Bulgaria and Poland (both 6.9), and highest in Cyprus (8.6), Denmark (8.4) and Finland (8.3)” (European Union, 2012, p. 106). Differences between member States are presented in *Table 13. Problems with dwelling by country (%) EU28*.

Shortage of space is a common problem in Latvia and Poland. Rot in windows is most common in Latvia and Greece. Damp is prevalent in Latvia and Cyprus. Indoor toilets are least common in Romania, Bulgaria and Latvia. Lack of a place to sit outside is most often an issue in Estonia and the Czech Republic. Overall, according to these measures, dwelling quality is worst in Latvia, Estonia and Romania, while it is best in Denmark, Ireland and Slovenia⁴⁶ (European Union, 2012, p. 106).

The United States Department of Housing and Urban Development (HUD) 2007 American Housing Survey determined that 6 million households live with moderate or severe physical housing problems. “Severe” house problems include: homes lacking toilets, having faulty or unreliable heating systems, or have exposed electrical wiring. In other words, houses that do not protect inhabitants from disease and or injury and can cause serious

⁴⁶ Nevertheless, there is great heterogeneity among households within the [EU] member States (European Union, 2012, p. 106).



psychological stress. “Moderate” housing problems include unvented gas, oil, or kerosene as the primary heating source or and lacking a kitchen sink. Again, the lack of commonplace appliances like a furnace or sink can expose inhabitants to diseases and injury. Housing quality and health outcomes in the United States are inextricably linked. As a matter of U.S. public health, substandard housing is associated with injury, respiratory infections, heavy metal (e.g. lead) poisoning and asthma. It may also be associated with mental disability and with obesity and its related morbidities.

The question about the quality of the existing housing stock is especially critical in SEE and EECA countries. The key concern are multi-story apartment buildings built in the 1970s and 1980s. These apartment blocks, originally a part of public housing, have been privatized. Now, the countries in these regions face two primary challenges. The first is related to legislation and organization of maintenance or refurbishment. In many countries, the pace of public housing privatization was not followed by the design of new legislation and housing policy (for more details see Amann 2013; UN-Habitat, 2013a). The second is related to the income levels of the new owners who are often not able to afford maintenance or refurbishment of their newly acquired home. Their low-income levels combined with growing utility bills and other expenses leave little extra money to set aside for maintenance.⁴⁷ These two factors combined mean that the buildings are deprived not only of basic maintenance such as cleaning, painting and minor repairs, but also that their structural elements (e.g. roofs) do not get the necessary attention and repairs (this endangers the structural soundness of buildings). Many multi-family buildings are rapidly deteriorating in the absence of legal provisions regulating the upkeep and maintenance of shared facilities that were previously managed by the public sector. UN-Habitat (2013a, p. 8) stresses: “there is significant incidence of vertical slums in the form of deteriorating, poorly serviced high rise housing estates”. Indeed, one of the respondents interviewed for this research stressed that “since a substantial part of the population is facing the necessity to improve their living conditions, housing problems became one of the most severe social and economic problems”. A number of countries are in the process of addressing the issue of the lack of condominium housing maintenance and refurbishment. According to the respondents interviewed for this study Ukraine, Belarus and the Russian Federation, have developed methods to identify people who are in need of “improvement of living conditions”. For instance, in The Russian

⁴⁷ It should be noted that in many countries the pace of privatization was not followed by the culture change. The new owners did not see it as their responsibility to contribute to the building maintenance that was previously managed by public companies.

Federation, 60 per cent of the entire population is reported to wish to “improve living conditions”. In Belarus, 250,000 people have reported the need for the improvement of living conditions. However, the funding and finance needed for these interventions are lacking. Apart from the challenges related to institutional matters, there are also challenges related to the establishment and implementation of the relevant legislation. Furthermore, there seems to be a shortage of bespoke financial products for repairs of condominiums, their maintenance and energy retrofitting.

Health Concerns

The quality of existing and future housing is a critical issue. As mentioned earlier, it has a direct impact on the residents’ health and wellbeing – elements that influence their performance at school or at work, among other issues. The lack of housing quality in social housing leads to and perpetuates health problems in vulnerable populations (especially if they are unable to afford health services). Where there are high concentrations of no-income and low-income households, it further reinforces the concentration of unemployment in social housing (as it would in any sort of housing with problems causing health concerns). For this reason, the quality of housing has not only direct health impacts, but also brings economic loss and perpetuates dependence on social housing and health services. The World Health Organization’s latest research on Environmental burden of disease associated with inadequate housing (2011) provides assessments of selected housing risks related to health impacts in number of deaths, and/or number of people suffering from an associated health outcome (see *Table 14. Selected health risks related to selected elements of housing quality*).

TABLE 14.**Selected health risks related to selected elements of housing quality**

Housing condition	Primary Cause	Health conditions
In door dampness and mould asthma onset in children	<ul style="list-style-type: none"> - Low quality of maintenance - May be caused by characteristics of construction - Poor ventilation 	<ul style="list-style-type: none"> - Chronic asthma in children - Death from asthma
Housing conditions and home injury	<ul style="list-style-type: none"> - Low quality of maintenance - May be caused by characteristics of construction. 	<ul style="list-style-type: none"> - Diverse: minor cuts, bruises, broken bones, paralysis, long-term physical constraints, burns, drowning, near drowning and death
Indoor radon and lung cancer	<ul style="list-style-type: none"> - Penetration of radon in indoor space 	<ul style="list-style-type: none"> - Lung cancer - Death related to lung cancer
Health effects of lead in housing	<ul style="list-style-type: none"> - Lead containing paint - Lead contaminated soil and dust 	<ul style="list-style-type: none"> - Cognitive, developmental, neurological, behavioural, cardiovascular effects - High exposure may lead to acute poisoning
Housing condition	Primary Cause	Health conditions
Formaldehyde and respiratory symptoms in children	<ul style="list-style-type: none"> - Formaldehyde is used in adhesives, pressed wood products and other building materials - Poor ventilation 	<ul style="list-style-type: none"> - Inadequate supply of fresh air - Increased prevalence of lower respiratory tract symptoms in children
Indoor cold and mortality	<ul style="list-style-type: none"> - Energy inefficiency in buildings (poor thermal insulation and/or inefficient provision of heating) - Lack of ability to afford heating 	<ul style="list-style-type: none"> - Cardiovascular diseases - Death caused by cold
Housing and carbon monoxide poisoning	<ul style="list-style-type: none"> - Lack of maintenance of appliances burning gas, oil and solid fuel - Poor ventilation 	<ul style="list-style-type: none"> - Carbon monoxide related delayed or persistent neurological sequelae - Death from carbon monoxide poisoning
Indoor smoke from solid fuel use	<ul style="list-style-type: none"> - Use of solid fuel for cooking, heating in open fires in non adequate or poorly maintained stoves and fire places - Poor ventilation 	<ul style="list-style-type: none"> - Chronic obstructive pulmonary disease - Lung cancer - Pneumonia - Death

Source: World Health Organization, WHO, 2011.

Investing in the maintenance and refurbishment of existing housing and setting standards for new construction are key to reducing the health problems associated with low-quality housing. However, it is not sufficient to address the issues of health and housing quality separately. Increasing spending on health issues without examining their causes may have limited results. Medicating children suffering from asthma without removing them from deficient housing may ease the effects of asthma but not solve its cause. When possible, tackling the causes of the health problems rather than focusing on easing their symptoms should be considered. Therefore, addressing the maintenance of the existing housing stock as well as setting standards for new construction is of key importance (see *Box 8. Housing conditions and health budget loss below*).

BOX 9.

Housing conditions and health budget loss

The World Health Organization points to severe health distress that may come as a result of inadequate housing. For instance:

- Indoor cold and indoor cold caused mortality
- Household crowding and tuberculosis
- Indoor radon and lung cancer
- Household carbon monoxide poisoning
- Indoor dampness and mould and asthma onset in children
- Housing quality and mental health

Nicol, Roys, Davidson, Ormandy and Ambrose report on the development of a methodology to quantify the annual cost of inadequate housing conditions to the health sector compared with the one-off (single) cost of regeneration action. In England alone, this cost is estimated to be at least £600 million (approximately €717 million) per year. This cost to the health sector is estimated to be around 10 per cent of the total cost to society, as it does not include costs associated with educational under achievement (through days off school) and time away from work.

Source: World Health Organization, WHO 2011.

Energy Efficiency

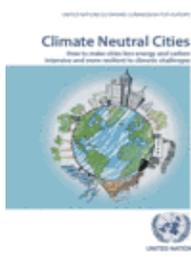
Energy efficiency in buildings has been widely discussed by the UNECE Committee on Housing and Land Management. The two UNECE publications, *Climate Neutral Cities* (Golubchikov, 2011) and *Green Homes* (Golubchikov, 2012), provide an in-depth analysis of the issues around energy efficiency in urban areas in general and housing in particular. These publications provide comprehensive guidance for achieving aspirations related to reducing CO₂ gas emissions and increasing energy efficiency in the built environment. For this reason, this section focuses on selected issues related to the affordability of energy (mainly for heating), retrofitting initiatives in existing housing and increasing standards in new construction.

BOX 10.

Publication: Green Homes and Climate Neutral Cities



UNECE (2012) publication 'Green Homes' illustrates the multiple environmental, economic and social benefits arising from a transition towards energy efficient housing. It outlines the required institutional changes and provides some basic principles for successful policies.



UNECE (2011) report outlines a range of systemic interrelated measures for a progressive transformation towards low-energy, low-carbon, highly-resilient and ultimately climate-neutral cities. Its recommendations fall under four main headings, with coordination through a well-managed city level framework being perhaps the most essential ingredient for success.

In recent years, the UNECE region has seen an increase in energy poverty. Energy poverty is defined as an “inability to secure a socially and materially-necessitated level of energy services in the home” (Bouzarovski, 2014, Herreo and Bouzarovski, 2014)⁴⁸. According to UNECE publication *Green Homes*, “those [people] who cannot afford adequate levels of energy consumption (usually for heat and hot water) either go into energy

⁴⁸ It should be mentioned that energy poverty is an evolving field of research, therefore the definitions may vary. For instance, “recent years have seen a conceptual shift in the mainstream theorization of domestic energy deprivation, onto more complex and nuanced issues of household needs, built environment flexibility, and social resilience” (Bouzarovski, 2014).

indebtedness or face the threat of disconnection by the utility provider or the prospect of reducing their consumption. Either choice entails hardship, exposure to health risks and feelings of social alienation – which only deepen the vicious circle of social exclusion” (Golubchikov, 2011, p. 11). It is generally accepted that energy poverty arises out of a combination of low incomes and inefficient homes. Alongside decreasing quality of life and influencing social attainment, energy poverty has a particularly strong detrimental effect on health (Harrington et al., 2005), often resulting in an increase in seasonal morbidity and mortality (Bouzarovski, 2011).

As the previous sections have shown, the phenomenon of energy poverty is increasingly widespread. Although available data are limited, a recent review of the evidence on this phenomenon estimates that 52.08 million people in the EU cannot keep their home adequately warm and 41.74 million face arrears on their utility bills (Pittini, 2012, p. 9). Both house prices and energy costs have a significant impact on housing affordability. The cost of utility bills, especially heating, is the key factor leading to housing cost overburden in countries in transition. In some countries, 25 per cent of the household income is dedicated to covering utility bills (e.g. Croatia).

In Western Europe and North America, higher utility bills are due to the increase in energy consumption for domestic use and the increase in energy prices. However, in the SEE and EECA countries, tariff reforms (often unrelated to housing policy development) have played an additional role in increasing housing cost overburden. In the countries with economies in transition where the utility bills make up a significant (if not entire) part of housing costs, utility bill tariff setting and energy consumption should be linked more explicitly to housing policy design and development, especially relating to subsidies.

Energy retrofitting of the housing stock and renewal of the related energy supply systems are crucial and necessary. Energy poverty and inefficiency are also clearly linked to housing quality and energy efficiency, with 87.46 million people in the EU living in poor quality housing (Bouzarovski quoted in Pittini, 2012, p. 7). The energy efficiency of the housing stock has improved substantially over the last few decades. New homebuilding techniques have taken advantage of technological advances to greatly reduce energy use, while retrofitting of existing homes have also helped to cut demand (JCHS, 2013a, p. 29). However, since the majority of the housing stock in the UNECE region was built before 1990, there is substantial need for further interventions. As it was noted in the Chapter 5, energy efficiency retrofitting is funded in a number of

countries. A significant progress has been made in increasing energy efficiency in housing in general. However, more work needs to be done in order to ensure that the interventions are within the context of the social housing sector. There are three key challenges to be addressed.

1. Limited availability of bespoke financial instruments for retrofitting (social housing).
2. Passing cost of retrofitting onto rent and making rents unaffordable (for residents).
3. Increasing the cost of housing construction and price of housing (for housing providers)

Bespoke funding and finance for retrofitting (especially condominium buildings) are still limited. While progress has been made, the access to and offer of financial mechanisms for retrofitting needs to be further developed in the future if the challenges related to energy efficiency of the existing housing stock are to be met. The European banks, such as the European Investment Bank and the Council of Europe Development Bank have been developing innovative financial mechanisms to address these issues. However, more work needs to be done to make the financial assistance packages for retrofitting widely applied and available. As it was pointed out by several government representatives interviewed for this research, the access to bespoke financial mechanisms for energy retrofitting remains a key area requiring further development.

BOX 11

Innovative financial mechanism for energy efficiency retrofitting in Estonia: blending of EU funds with Council of Europe Development Bank (CEB) loans

In order to help reduce greenhouse gas emissions in Estonia's residential sector, the CEB provided a € 28.8 million loan to KredEx, Credit and Export Guarantee Fund, for the retrofitting of 17,700 dwellings in residential buildings built before 1993. This programme was implemented between 2008 and 2012, with technical assistance provided by KfW Bankengruppe.

KredEx on-lent the CEB loan (covering 50 per cent of the cost), together with the EU Structural Funds (€ 17 million or 29.5 per cent of the cost), to two local commercial banks, SEB and Swedbank, which provided long maturity sub-loans at preferential interest rates to Estonian housing associations, co-operatives and communities of apartment owners. The remaining share came from KredEx (5.5 per cent) and final beneficiaries (15 per cent).

In terms of environmental effects, the project enabled at least 20 per cent savings in energy consumption, especially in smaller (up to 3,000 sq. m living area) multi-apartment buildings that usually have less access to financing.

Source: Lucia Athenosy and Dorota Blazejewicz, representatives of Council of Europe Development Bank (CEB) interviewed for this research.

In the social housing sector the cost of the retrofitting efforts is a special concern. Retrofitting increases housing standards as well as costs. These costs are, in many instances, passed onto rent. The reduction of utility bills as the result of the energy retrofitting is usually lower than the increase in rent. Often transferred to tenants after refurbishment, housing improvements may force the existing tenants to move. Barbara Steenbergen from International Union of Tenants stressed that passing costs of refurbishment onto tenants' rent is a fundamental problem especially for vulnerable households. She pointed out that "people are sometimes forced to move out of their homes because they cannot pay the rent after the energy retrofitting". This leads to the segregation and ghettoization of non-refurbished (cheaper) estates – the places the lowest-income earners can afford. An innovative practice that has been pointed out by several respondents is the Dutch Energy Covenant that ensures that the costs related to energy retrofitting do not lead to rent increase (see *Box 12. The Dutch energy saving covenant for social dwellings*).

BOX 12.

The Dutch energy saving covenant for social dwellings

"The Dutch energy saving covenant for social dwellings became effective in 2008 and has led to the introduction of the energy labels as one of the parameters of the regulated rents in social housing. So after energy measures, landlords have some room to raise rents to repay the investment. At the same time, to get the needed approval of their tenants, housing associations are required to prove that total housing costs (energy + rent) will not increase after the investment. This so-called "housing costs guarantee" has been an important feature to overcome the split-incentive dilemma between social landlords and tenants. The update of the Energy Saving Covenant for the rental sector has introduced a clearer objective for saving energy in social dwellings owned by Dutch social housing organizations. Also, it improves the measurability of the objective. The Dutch Minister of the Interior together with Aedes (Dutch association of housing organizations), Woonbond (Dutch tenants' union) and Vastgoed Belang (Dutch association of real estate investors) signed this updated covenant last June. The efforts of the signatories will lead to a better environment, better housing quality for tenants and value development of dwellings. A monitoring in 2011 showed that only in the first six months more than 110,000 housing organizations' dwellings had undergone energy saving measures. This resulted in a 2% saving on total gas consumption in the 2.4 million housing stock".

Source: Build UP EU, 2014.



Apart from retrofitting the existing housing stock, ensuring that the standards for new housing meet the energy efficiency aspirations is equally important. Some of the key measures are presented in the UNECE publication (Golubchikov, 2011, 2012). However, an issue stressed by representatives of professional organizations interviewed for this research (RICS and L'Union Sociale pour Habitat) is the increased cost of construction (new development) due to the new standards for energy efficiency. New construction standards have the ability to reduce energy costs. However, these also increase the price of development. More work needs to be done to ensure that the required standards are affordable in terms of capital cost. If these issues are not taken into account the extent to which policies are implemented will be limited. A number of initiatives are now being developed to tackle the energy efficiency cost issue, including white certificate trading (see *Box 13. White certificate trading*), which is used in France to raise in part finance for social housing development. However, more work needs to be done in order to make sure the increased standards are financially viable for housing providers.

BOX 13.

White certificate trading

“Among the many policy instruments aimed at improving energy efficiency, energy supplier obligations schemes are in use in different European Union countries and states in the United States. Depending on the specific design or implementation conditions, certificates used within these schemes are usually called Energy Saving Certificates or White Certificates in Europe and Energy Efficiency Portfolio Standards or White Tags in the United States. Bertoldi and al. (2010) recently reported the experiences of the United Kingdom (UK), Italy, France, Denmark and the Flemish region of Belgium, which are the European countries that implemented energy supplier obligations. While all these schemes share a basic design, many operating conditions are specific to each country, depending on the local context. The French law n°2005-781 set the trend for Energy Policy and was issued on 13 July 2005, establishing Energy Saving. In France these certificates are used to raise finance for social housing development.”

Source: International Energy Agency, 2014.

INCREASING HOUSING SUPPLY AND HOUSING QUALITY

The lack of housing supply in general, but social housing in particular, is one of the key challenges facing the UNECE member States. Because of the industry's large-scale investment requirements, as well as a relatively long time needed for designing, licencing and building structures, the housing and real estate sectors were the first to suffer in the wake of the crisis and last to recover. That said, the need for affordable housing has also increased during the crisis. Because housing is an integrative good, its lack may also negatively affect other areas of people's lives, such as health, education and employment. The prolonged periods of crisis and depression accumulated the housing deficit, making the crisis more profound. Governments should boost housing supply in general and social housing in particular, while enforcing the standards that meet health benchmarks and energy efficiency goals. In order to achieve this, policy should rely on large, medium and small housing developers as well as on individual building (where culturally acceptable). For profit, limited profit and non-profit housing providers should be incentivized to build new developments. In countries where it is traditionally acceptable for residents to build their own homes, these practices should be encouraged and used to provide affordable housing. There are two groups of actors that remain to be better engaged in the social housing provision. First are the residents of social housing and the second are housing providers (especially private).

“Complex challenges require housing providers and their stakeholders to work closely together to support and further develop responsible housing: a form of fair and ethical housing production and management which improves the economic and social conditions of local communities.” (ERHIN, 2014).



Social housing residents' interests should be taken into account in new policies on energy efficiency. Moreover, residents' engagement in the maintenance, retrofitting, and delivery of new social housing construction is vital for three reasons. First, it can ensure that the residents are informed about how to reduce energy spending. Second, it can provide residents with an opportunity to influence the design. Third, it might provide employment to the residents in social housing, thus strengthening their economic standing.

Social housing providers have a special responsibility towards society. Their work directly influences the quality of new housing. Social housing is usually provided by supported housing providers who work on the basis of limited or no profit. However, the general housing supply depends on private sector developers. Setting standards and establishing benchmarks for best practices is crucial. The European Responsible Housing Initiative (ERHIN) is one recent innovative practice that introduces the concept of corporate social responsibility to supported (social) housing providers (see *Box 14. Responsible housing providers*). The UNECE recommendation is to require corporate social responsibility for all housing providers – social and private. In this way, housing quality as well as the output of social housing as part of a corporate social responsibility project could be increased.

BOX 14.

Responsible housing providers



The European Responsible Housing Initiative (ERHIN) is a project implemented by DELPHIS, CECODHAS Housing Europe and the International Union of Tenants, co-funded by the European Commission (DG Enterprise). It aims to lead the way towards embedding CSR in the housing sector as a means of supporting the transition of the housing sector in Europe and helping social, public and cooperative housing providers address those challenges together with stakeholders. Responsible housing is a form of fair and ethical housing production and management that:

- provides quality, affordable housing;
- provides energy-efficient and low environmental impact housing;
- contributes to vulnerable households' social inclusion, social mix, local development and attractiveness;
- relies on long-term relations with concerned stakeholders, based on mutual respect and accountability;
- takes an active part in collective local development dynamics to maximize the creation of long-term shared value for communities, inhabitants and local actors.

Source: ERHIN, 2014.



Chapter 7. Decentralization and governance

There are two key trends that characterize the contemporary governance of social housing. First is the decentralization and delegation of the responsibilities for social housing to lower tiers of government. Second is an increasing acceptance that housing is an integrative good. In this section, the key actors involved in social policy making and its implementation are reviewed. Three themes are covered:

1. *Governance and housing as an “integrative” good*
2. *Responsibility and decision making in social housing policy*
3. *Networks of social housing policy implementation*

HOUSING AS AN “INTEGRATIVE” GOOD

Social housing is an integral part of the national housing systems. As other forms of housing, it is an integrative good. This means that it is connected to many other sectors, for instance employment, health, transportation and education. Social housing also influences issues such as energy efficiency and neighbourhood security. Housing plays a crucial role in achieving sustainable development. As an aggregate part of development efforts, housing is a key element in delivering sustainable urban development. This aspiration requires the social, cultural, environmental and economic facets of housing to be addressed in an integrated way.

The recent survey conducted by UNECE examined which actors in central governments are involved in the aspects of urban development related to housing in general and social housing in particular. The results show that in number of countries the housing policy is managed by a number of departments within one ministry. However, in others the same tasks are carried out by several ministries. Clearly, a combination between two approaches exists as well. For instance, in the Netherlands and Poland, the issues related to social housing, energy efficiency, buildings standards are the responsibility of one ministry but managed by several departments within that ministry. In Finland and the Czech Republic, four and five ministries respectively are involved in managing different issues related to social housing, building standards, energy efficiency, etc.

BOX 15.

Housing tasks delegation related to housing in the European Commission

According to Ms. Barbara Steenbergen (International Union of Tenants), the work on housing requires collaboration with disparate departments on EU level:

“You have to deal with at least seven DGs (directorate generals). Housing is handled by DG Competition, when it comes to state aid questions. DG Energy for energy renovation. It is handled by DG Employment, Social Affairs and Inclusion, and there we talk about cohesion funds and fighting energy poverty. It is handled by DG Regional Policy (Regio), there you have European fund for regional development with direct funding for housing. It is handled by DG Enterprise and Industry. They are interested in promoting corporate social responsibility rules for housing providers and social innovation investment in housing. DG ECFIN (economic and financial affairs) is taking a close look at national housing markets in the framework of the European Semester. And last but not least, it is handled by DG Health and Consumers, for unfair evictions and energy cuts. There is quite a lot of work to monitor because all these DGs dealing with housing on the European level.”

Depending on the nature of development and its attendant policy, it is expected that other ministries may intercede in social housing, such as the departments or ministries funding and financing the housing supply- and demand-side subsidies, or departments or ministries involved in the infrastructure development and utility tariff setting (and their subsidies, if needed). The complexity of housing as a good and as an element of sustainable development requires collaboration between several departments (or ministries). The links between these entities are developed to different extents, depending on the country.

Synchronization of policies and funding streams can be integrative and cost-effective. However, places where synchronization has not yet been addressed may lead to oversight of issues such as health (WHO, 2011), employment, oversupply or undersupply of social benefits, and challenges in the implementation stage. Elisabeth Morris the former chair of the international committee of The National Association of Housing and Redevelopment Officials (NAHRO) in United States of America, stressed the importance of aligning not only disparate policies but also funding streams drawing on her experience in the United States of America:

“And I don’t think that we are unique in that... the money comes down in silos ... this is the money for health care, this is the money for education, this is the money for housing... And to do effective programs, you need to be able to combine a little of all of that. Especially if you want to

house people with mental illness or other issues. If you are dealing with the homeless, you want to have a rich service environment. It is very difficult, you have to apply to different places, for different pieces of the money. Each comes with different restrictions, different time frames. It is hard to put together an integrated program when you are going beyond just housing to some kind of supportive housing... . Therefore, it is very hard to make sustainable inclusive communities It takes a lot of patience and a lot of skill to navigate. And one of the skills that is really helpful is collaboration... Each bureaucracy can stand in your way but if you find the right people in the other agencies, you can make things happen....”

DECENTRALIZATION AND DECISION MAKING IN SOCIAL HOUSING

Decentralization has an important impact on social housing policies. As a result of a general housing policy shift that has transferred responsibility from central to local authorities, in most of the UNECE countries local authorities are involved in the financing, management and distribution of housing assets.⁴⁹ However, it must be stressed that the nature of this decentralisation is different in each UNECE member State. This makes the question of “who makes decisions about what aspects of social housing” an important one. Whitehead and Scanlon (2007) examine where decisions are made about the amount and location of new construction, rent levels and subsidies in selected countries with mature social housing sectors, notably, Austria, Denmark, England, France, Germany, Ireland, the Netherlands and Sweden (see *Table 15. Who makes decisions regarding social housing*). They show that “the system by which rents are determined is nearly always national (except in Hungary, some other countries with economies in transition, and in Ireland until the early 1980s); other matters are usually decided by local authorities, or in negotiation with providers” (Whitehead and Scanlon, 2007, p. 14). These issues relate to implementation of policies, number and location of the new social housing.

⁴⁹ “Over the last 20 years, several countries have seen formal shifts from national to more local decision-making. These are usually the result of specific legislation – including Austria in 1987-1988; the Netherlands in 1989; Denmark in 1994; Hungary in the 1990s; France in 1982; 1991; 2000 and 2004 and Germany in 2006. In other countries there is a shift from municipal to independent and partnership providers, which may reduce local democratic input” (Whitehead and Scanlon, 2007, p. 14).

TABLE 15.**Who makes decisions regarding social housing**

	Central/ federal	↔	Local/ provincial	↔
Austria	R		ANC, LNC, €	
Denmark	R, €			ANC, LNC
England	R, ANC, LNC, €			ANC, LNC
France	R, LNC, €	ANC		LNC
Germany	R		€	ANC, LNC
Hungary				R, ANC, LNC, €
Ireland	R, €	ANC, LNC		ANC, LNC
Netherlands	R, €			ANC, LNC
Sweden	R, €			ANC, LNC

↔ = in negotiation with

ANC = amount of new construction R = system for rent determination

LNC = location of new construction € = definition of financing/subsidy system

Source: Whitehead and Scanlon 2007, p. 14⁵⁰.

In the countries with economies in transition, notably, new EU member States, SEE and EECA, decentralization had an impact on social housing policies as well. Here, too, the responsibility for social housing policy implementation (including the building, supervision, and management and policy including social housing) was transferred to local authorities. However, in a number of countries this institutional change is in the early stages. This means that many local authorities do not have the full capacity to deliver social housing. “Local government in many of the countries has no means of meeting housing needs: they cannot entirely rely on their own revenues and depend on central government” (Dandolnova quoted in The World Bank and CEB, 2003, p. 36). The Chair of the Committee of the State Duma of the Russian Federation Ms. Galina Khovanskaya pointed out for this study that “all planned measures in housing policy ... imply formation of new institutions in the Russian Federation. These institutional changes require time and resources”. According to her, the solution is to “consistently implement plans by developing not only legislative framework but also methods to monitor and analyze emerging issues and address them in a timely manner”.

⁵⁰ Since the publication by Whitehead and Scanlon (2007) quoted here there has been a change in the Swedish system. Since January 2011, rents in Sweden are negotiated and agreed on locally by three housing parties: Swedish Union of Tenants (local branches); Swedish Property Fed (local branches); local/municipal public housing companies.

NETWORKS OF SOCIAL HOUSING POLICY IMPLEMENTATION

The previous section indicated that the responsibilities for social housing implementation have been shifted to local authorities in many of the UNECE member States. However, because of the structure of the housing provision and funding as well as tasks related to the management and maintenance of the social housing, local authorities often work with and depend on a number of actors from public, private and non-profit sectors. In countries with economies in transition (new EU, SEE and EECA), social housing is usually owned and provided by local authorities and to lesser extent by co-operatives and housing associations (non-profit providers). However, in countries with a mature social housing sector, social housing is usually offered by a variety of housing providers. Similarly, the financial mechanisms used in countries with mature social housing sectors require involvement of different actors. The involvement of various actors has resulted in new institutional forms, such as public-private partnerships. *Table 16. Three lines of decentralization in social housing implementation in countries with mature social housing sectors*, lists the actors that are most commonly involved in the social housing policy implementation, funding, finance and housing provision.

TABLE 16.

Three lines of decentralization in social housing implementation in countries with mature social housing sectors

Task		Delivery (new actors)	Description
Co-Design and/or implementation of social housing policy		➤ Local Authorities	The central governments in most countries still play a significant role in formulating the key policy lines. In some countries this task is delegated to federal governments (e.g. Germany, Canada). However, local policy elaboration and adjustment, implementation and management are entrusted to the LAs.

(Continued on next page)

Task		Delivery (new actors)	Description
Social housing funding and finance		<ul style="list-style-type: none"> ➤ Local Authorities ➤ Housing Providers ➤ Private Banks ➤ Institutional Investors ➤ International Banks ➤ International Donors ➤ Charities ➤ Aggregator Bond Services ➤ Tax credits trade organizations 	<p>In most cases, central governments fund demand-side (people) subsidies. However, they have also withdrawn significantly or entirely from funding/ financing social housing construction. The funding is now provided by combination of a number of actors (see Table 11).</p>
Social housing provision		<ul style="list-style-type: none"> ➤ Local Authorities ➤ Private Developers ➤ Limited profit ➤ Non-profit providers 	<p>In most UNECE countries, the central governments were directly involved in social housing provision in the past. However, they have since withdrawn from this function in the attempt to enabling the markets. Therefore, a number of actors have joined the social housing provision.</p>

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Countries with emerging social housing sectors can be divided into two groups: those where there is no interest in further involvement of additional actors (apart from the local authorities) and, those that aspire to involve private sector developers, develop more housing associations and engage in private-public partnerships. However, the current focus of both groups remains primarily with the local authorities.

CITIES, LOCAL AUTHORITIES AND SOCIAL HOUSING

City governments and local authorities are now in a position to play a crucial role in shaping social housing policy and overseeing its implementation, also by adapting national policies to local circumstances. Local authorities can execute their authority in regulatory and planning

functions, respond to the local market dynamics and manage social housing. They are in a position to translate national policy into an “on the ground” implementation strategy, but they also present themselves as an important vehicle for innovation in social housing policy and practice. However, the response to social and affordable housing needs varies greatly not only between local authorities in different countries, but also at the national level, between different regions and metropolitan areas. *Box 16. New homes for social rent in London boroughs* shows that there can be different responses to the social housing targets between local authorities (boroughs) in one metropolitan area, in this case greater London.

Three different types of local authorities can be identified in the UNECE region:

- Local authorities that do not have the capacity, skills or funding to deliver social housing policies.
- Local authorities that refuse to deliver social housing.
- Local authorities that provide social housing as planned and/or take a leading position in delivering social housing (often setting targets higher than their governments and leading international campaigns).

All three types of local authorities may exist in each given country. In the countries where the policies and legislation are relatively new (SEE and EECA countries primarily), the challenge is that the institutional change needed takes time. A number of representatives from SEE and EECA countries pointed out that the decentralization led to shift of responsibility for social housing to the local authorities but that these seldom have the skills or funds to implement the policies they are entrusted with. Therefore, during the process of decentralization, capacity building is vital. The more complex the network structure is at the local level, the more extensive this training should be.

The second group of local authorities are those who do not wish to deliver social housing. They can be found in the eastern and western frontiers of the UNECE region. In several countries, France and Finland for example, it was stressed that the local authorities and their mayors have a lot of power and may refuse to release land or grant permission for social housing development. Moreover, the social housing sector typically generates other real and perceived social and political problems. The residents fear that the influx of social tenants may have a negative effect on their community and therefore refuse such development.

This in turn influences the local elections in the given locality. Similar concerns have been communicated in the United States. In the countries with an emerging social housing sector, “the municipalities generally have little incentive to expand social housing, as the fiscal burden of new units competes with other sectors, such as education, health and infrastructure. The rents collected are often not sufficient to cover management and maintenance costs. The subsidies are not sufficient to bridge the gap. This negative cash flow makes it almost impossible to secure capital financing for new construction” (Hegedüs quoted in Whitehead and Scanlon, 2007).

BOX 16.

New homes for social rent in London boroughs

Borough	Social /aff rent target	SR delivered	AR delivered	Total SR &AR delivered
Barking & Dagenahm	276	370	201	571
Barnet	554	223	8	231
Bexley	82	99	20	119
Brent	262	151	0	151
Bromley	123	62	0	62
Camden	164	159	13	172
City of London	27	24	0	24
Croydon	327	57	63	120
Ealing	219	98	7	105
Enfield	138	123	0	123
Greenwich	638	450	12	462
Hackney	285	305	0	305
H & Fulham	151	-11	0	-11
Haringey	202	68	0	68
Harrow	86	10	0	10
Havering	239	51	5	56
Hillingdon	105	22	0	22
Hounslow	116	20	0	20
Islington	288	160	0	160

(Continued on next page)

Borough	Social /aff rent target	SR delivered	AR delivered	Total SR &AR delivered
K & Chelsea	144	143	0	143
Kingston Upon Thames	92	48	13	61
Lambeth	294	334	13	347
Lewisham	272	103	0	103
Merton	79	50	14	64
Newham	615	334	0	334
Redbridge	187	1	0	1
Richmond upon Thames	60	81	0	81
Southwark	493	239	34	273
Sutton	52	17	27	44
Tower Hamlets	709	73	0	73
Waltham Forest	187	-234	90	-144
Wandsworth	282	62	0	571
Westminster	189	9	0	9
Total	7920	3701	520	4221

Source: London Tenants Federation, 2014

Several countries have designed strategies to overcome this challenge. In France, the State has established 'the 25 per cent rule' which dictates that each local authority must set aside 25 per cent of every residential development for social housing.

BOX 17.

France: ensuring social housing provision at the local authority level

The 25 per cent rule

The French government has developed a system whereby local authorities (those that hold the power to grant building permissions) are required to achieve 25 per cent of social housing dwellings within their constituencies by 2025. This obligation is defined by article 55 of the law “Solidarité et renouvellement urbain” (updated in 2013). This does not apply to each local authority but simply to those cities defined by article 55 (in short, cities where housing shortage is stringent). If this obligation is not fulfilled by the end of the required period, local authorities which failed to provide the necessary housing are obliged to pay penalties to the government. The money collected from the penalties is collected in a separate purse that funds future social housing development in other areas.

Source: Martin de Bettignies, L'Union Sociale Pour Habitat interviewed for this research

Lastly, on the other end of the spectrum are selected city governments which are more proactive in supporting social housing than their national governments. Some large metropolitan areas, such as New York, London, Vienna, Vancouver, have their own social and affordable housing task forces and have set higher benchmarks than those required by their national governments. For instance, the Mayor of London is increasing affordable housing supply, both to rent and to buy. He is committed to delivering 55,000 new affordable homes between 2011 and 2015 and is investing £1.8 billion in the initiative. In Vancouver, the Mayor's Task Force on Housing Affordability co-chaired by a former provincial cabinet minister aims to make the city more affordable. The New York Mayor aspires to build over 200,000 affordable housing units on vacant land over the next decade. Mayors from European cities are calling for more social housing. In large metropolitan areas the housing prices are higher than in the rest of their countries. But these cities are also the hubs of economic growth and make significant contributions to the national GDP. Increasing support for social and affordable housing development comes from an understanding that access to affordable housing allows middle and low income households to find accommodation, by doing so it enables labour mobility and contributes to the continuous competitiveness of these cities, while also reducing homelessness.

BOX 18.

European mayors' initiative for social housing

AMSTERDAM, BERLIN, BRATISLAVA, BRUSSELS, BUCHAREST,
FRANKFURT, HAMBURG, COPENHAGEN, LEIPZIG, LISBON,
LUXEMBOURG, MILAN, MUNICH, NANTES, PARIS,
ROTTERDAM, VIENNA AND ZURICH

“Social housing plays a major role in our cities”

Vienna's governor and mayor Michael Häupl launched a Europe-wide initiative “to preserve and further develop social and sustainable housing in Europe”. To date, this resolution has been signed by 30 European mayors belonging to different parties and representing more than 33 million people. In their decree the mayors stressed that guaranteeing affordable housing is one of the basic requirements for the development of opportunities and talent, preservation of the diversity of European cities and success of the European social model.

Source: Wien International, 2014.



**PART III. RECOMMENDATIONS FOR SOCIAL
HOUSING POLICY DEVELOPMENT IN THE
UNECE REGION**

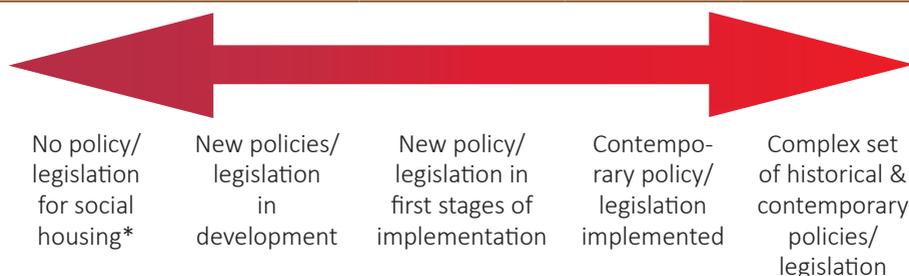


RECOMMENDATIONS

This chapter provides policy advice for consideration by governments and interested stakeholders in the UNECE region. The UNECE study showed that housing sector in the UNECE member States is characterized by great diversity and different levels of maturity. It illustrated that UNECE countries are at different stages of social housing policy development (see *Figure 8. Variation of social housing* policy maturity in the UNECE region*) and pointed out that the decentralization of the responsibilities for social housing policy among central, federal, regional and local levels of governments shape trends and challenges differently at a national level. High-diversity implies that there cannot be simple solutions applicable to all.

FIGURE 8.

Variation of 'social housing' policy maturity in the UNECE region



**The term social housing is conceptualized broadly and according to the national definition (see Chapter 1) Copyright@UNECE, 2015*

Housing is a complex good. It brings social, economic and environmental concerns under one roof. Therefore, national policies must respond to multidimensional and multidisciplinary challenges that interplay differently in each specific context. At the same time, housing is a sector undergoing constant change in response to local, national and increasingly international economic dynamic. It requires a sturdy commitment to long-term goals while constantly adjusting actions at hand to respond to social, economic and environmental changes. This requires multi-sectoral collaboration between different tiers of government, stakeholders and areas of expertise. Progress is being made over coordination and good practices exist. However, a much greater level of political commitment at the international, national

and local levels as well as strategic integration will need to emerge in order to improve the access to decent affordable housing for all.

This study finds the reader at the crossroad between the old ways that resulted in a housing crisis and experimentation with new and innovative housing solutions in a majority of UNECE countries. Responding to any crisis requires rigorous prioritization and focused action in order to move things forward in a climate of resource scarcity. This research brought together numerous parties from different sectors, bearing witness to increased interest in housing and social housing on the international level. In its planned format, the study was able to cover only a number of carefully selected issues that illustrate how social housing could play a positive role in solving emerging problems. This study calls all interested parties to tap into this enthusiasm and join forces at the international, national, local levels, across sectors and disciplines in order to make more homes accessible to more people and families in need.

The advice laid out in this section concerns issues that were identified as the most critical by the 31 representatives of governments, public, private and civil sectors interviewed for this research (see Acknowledgements), exchanges with partner organizations and a literature review of over 200 publications on housing issues in more than 50 countries in the UNECE region. Because of the framework of this study, a strategic decision was made to address only the issues that were relevant to as many stakeholders as possible at this time. Recommendations presented are not ready made solutions. Rather, they are a call for work and the advancement of capacity to do things better in areas identified as vital for making decent housing affordable to as many people as possible.

The chapter opens with a brief review of the changes that have taken place in the social housing sector in the UNECE region. The first section provides general recommendations for effective social housing policies that are based on the review of good practices with proven benefits in selected countries in the UNECE region and are deemed beneficial for future policy development. The following sections address the recommendations related to social housing policy, notably, issues related to tenure balance in national housing markets, housing market fragmentation, the necessity for policies to respond to both high- and low-housing demand areas, the need for increased housing provision. The importance of an integrated approach to social housing is stressed before addressing issues related to energy efficiency, housing



quality and health the need for inclusive design and increased housing choice. These are followed by recommendations for governance in social housing. The chapter concludes with recommendations for international organizations, and it urges them for a long-term commitment to housing, consolidating of efforts and increased collaboration.

POLICY IMPLICATIONS

The global financial crisis has changed the context in which the housing systems operate. The UNECE Social Housing Study highlights that the majority of UNECE member States are going through a significant reassessment of their social housing policies and funding mechanisms.

The period preceding the global financial crisis (GFC) was characterized by almost unanimous support of homeownership across the UNECE region. In the same period, social housing sector has been reduced across the UNECE region. While home ownership has brought benefits to those who can attain and sustain it, the recent crisis revealed the weakness of a system that rests primarily on one tenure. The UNECE study shows that the need for decent and affordable housing has reached unprecedented levels across the UNECE region. Even the countries less affected by the financial crisis mark increased need for social housing as an affordable housing option. At the same time, the financial crisis and recession have made state funding cuts in this sector necessary. However, the housing need has not only increased it has also diversified. This study has shown that the housing need has increased among a cross-section of the population: middle-income, aging, young (adults), vulnerable groups (different groups depending on the country, but most significantly, low- and no-income groups, refugees and homeless) (see Chapter 4). Given this context, the question about the future of social housing models is being posed anew. It remains crucial that changes benefit those with the lowest incomes while also serving new emerging groups in need. The recommendations in this chapter are aimed at supporting the policy development while promoting “affordable housing for all”.

BOX 19.

Key principles for effective social housing policies based on good practices in the UNECE region

- Provision of social/affordable housing is considered an important part of public policy with added social, environmental and economic benefits.
 - Long-term political commitment to housing in general and social housing in particular exist.
 - Comprehensive social housing policies with a clearly defined vision for social housing, related legislation and institutions governing competencies for financing, housing supply and allocation are in place.
 - Clear evaluation system of housing needs as a base for policy reassessment and/or design is operational.
 - There is an institutional capacity and professional expertise in housing policy design, implementation, maintenance and management.
 - Clear standards regarding construction quality, dimensions of space (minimal ceiling height, minimal number of windows per room, minimal size of rooms), basic amenities (toilets/bathrooms, cooking facilities), access to public space are available.
 - Fair and transparent allocation systems of available social housing stock is in place.
-

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TENURE BALANCED POLICIES FOR BALANCED HOUSING MARKETS

Future policies should support increased housing supply in a tenure neutral manner. In the UNECE region, the housing need has not only increased it has also diversified. In order to respond to this need, different forms of housing tenures should be supported. Tenure mix allows economic mobility, is more responsive to the market dynamic and is more resilient to crises when they arise. Governments play an indispensable role in shaping national housing systems and use various tools to enable and boost housing markets. In order to address the post-GFC housing challenges, fundamental links between the housing and financial markets will need to be factored into future housing policies in a context specific way. Priorities will need to be set in terms of future tenure balance and state intervention in housing finance. In particular, there is a need for well-calibrated government participation in the housing finance with less focus on the direct provision of mortgage credit and more concern about systemic effects and externalities. Such government participation would also rely on more targeted measures to achieve social objectives, such as affordable housing for low-income households (IMF, 2011). In order to help satisfy the growing need for this essential form of decent,



affordable housing, governments will have to re-examine priorities and set clear targets in relation to provision of housing for low-income households, supporting labour mobility and/or boosting local economies.

Adaptability to high- and low-housing demand areas

Locally adjusted solutions and context sensitivity are needed to ensure cost effectiveness. Housing price differentials and the varied housing demand within individual member states demonstrate that national housing markets are fragmented (Rosenfeld, 2013). In other words, housing prices are not the same across any particular state. Often, housing prices in cities are higher than in other parts of the country. The specific housing need and the cost of satisfying it are different between low- and high-demand areas. In low-demand areas, the housing needs of the low income and poor may co-exist with the outmigration of other parts of the population and vacant properties. In high-demand areas, the middle class and middle income may be struggling to access affordable housing. Future social housing policies should take into consideration the fragmentation of national housing markets and be able to respond to the housing need in low demand areas (shrinking areas) and high-demand areas in a manner that is both responsive to the dynamic of local markets and relevant to those in need.

Increased housing provision

The lack of housing supply is one of the key challenges that the UNECE region faces. This shortage is manifested both by the lack of construction and by the limited renewal of the existing stock (see Chapter 6). The prolonged periods of crisis and depression have accumulated the housing deficit and have contributed to the deterioration of existing housing stock. Housing construction and renewal have been proven to boost local economies and increase employment. Governments should boost housing supply in general and social housing in particular, while enforcing the standards that meet health benchmarks and energy efficiency goals. Such measures will require comprehensive strategies that encourage all housing developers, individuals, investors as well as local authorities to increase the supply of new-builds, repurpose empty homes and increase the renewal of existing premises. Depending on the national context, these strategies are likely to require: reassessment of planning systems (either to reduce complexity or establish needed regulations); innovative strategies for housing finance; enabling increased social housing provision and renewal; the advancement of housing governance and partnership working (see Chapter 7).

INTEGRATED APPROACH TO SOCIAL HOUSING

Housing is a complex good. Access to decent, affordable housing supports the right to food and water, the right to physical and mental health, the right to education, the right to family, the right to work and the right to participate in the cultural life of the community. Access to decent homes reduces the likelihood of energy poverty and its adverse effects. Social housing policies interact with national welfare benefit systems and their funding streams that support better health and energy efficiency among other goals. Within a policy framework for social housing, clear aims and objectives must be articulated not just for individual policies but also for a mix of policies and their system-level coherence, including how they are delivered and by whom (this is especially relevant in a devolved system) (Gibb et al., 2013). For cost efficiency, tests are required to ensure that subsidies are not over provided or poorly targeted not only in social housing but across different policy sectors that directly or indirectly relate to housing (e.g. health, employment, social cohesion). The creative combination of funds, especially in projects aimed at developing sustainable communities (including social mix), should be supported in order to ensure that these goals are achieved at the local level through the collaboration of different local actors.

Energy efficiency

Energy efficiency brings multiple benefits not only to the residents but also to the wider environment. It reduces energy costs, increases the quality of buildings and reduces CO2 emissions. The integration and adoption of energy efficiency standards for social housing developments are beneficial to reduce the energy poverty and housing cost overburden arising from utility bills (of which heating is often the most expensive item). There are a rich variety of innovative practices that increase energy efficiency of the built environment in a number of UNECE countries. However, more work is required to make these practices the norm and to render them financially viable for providers and users, whilst adapting them to the social housing sector and implementing them on a large scale. While advanced technological solutions are welcome, affordable and traditional building techniques proven for their energy efficiency should be promoted as well as those that can be executed by the residents themselves. Attention should be paid to improvements that are economically viable and affordable to the users. Rent increases that are not proportional to energy savings (utility bills) should be avoided as they may unintentionally lead to the



forced relocation of existing residents and the ghettoization of cheaper, non-retrofitted estates. For best results, funding dedicated to energy efficiency should be creatively combined with that for social housing.

Housing quality and health

People's physical and mental health are directly influenced by the quality of their home. Until recently, health standards for housing have received limited attention. The lack of housing quality and the deterioration of housing stock lead to increased spending on health – a cost that is unaccounted for in housing spending (WHO, 2011). In other words, decreased investment in housing may lead to increased spending on health with limited results for both sectors. Across the UNECE region there is growing interest in increasing the quality of housing. Considering the limited housing supply, ensuring the quality of existing and new stock are increasingly important. The integration and adoption of housing quality standards are beneficial to ensuring healthy living and securing productivity at school and work. However, housing quality standards should be developed in an integrated manner, ensuring the financial viability of schemes for housing providers and affordability for existing residents. These measures would help guarantee the successful implementation of future policies and ensure that those with low incomes can afford increased housing quality.

Inclusive design and increased housing choice

A diverse portfolio of social and affordable housing choices and design options is necessary to respond to the increased and diversified housing need. This Study shows that the housing need has not only increased but it has also diversified. The need among middle-income and low-income households is pressing. At the same time, there is growing awareness for the need to make housing suitable for the aging population. Young adults and first time buyers also require support. The number of vulnerable people and the poor with limited or no income are on the rise, along with the increase of poverty. Special groups, such as ethnic minorities, refugees, and asylum seekers, should receive continuous attention in order to be successfully integrated into their host countries. People suffering from mental diseases and substance abusers should have suitable solutions and special services. The homeless should have suitable solutions for their housing requirements. In short, the diversified needs of the population require increased housing choices and options. It is essential

that such innovation be embedded within the development of sustainable multigenerational communities that respond to the requirements of many while accounting for the specific needs of special groups. This approach could benefit from the involvement of housing developers of various sizes and the engagement of residents of the planned premises.

GOVERNANCE AND PARTNERSHIP WORKING

Governments play a vital role in shaping their housing systems in a market economy. Healthy housing markets are the result of political effort (policies, regulations) as much as economic ability. In many countries, the role of the government has changed: power has been devolved and new actors have joined the policymaking and implementation process. The decentralization of the state is one of the key trends in contemporary governance of housing. The governance of social housing is complex. It brings together a network of actors from different sectors and multiple tiers of government; representatives from many disciplines; national and increasingly international actors. For this reason, a clear vision and purpose of social housing policies are of vital importance along with the clear definition of actors' roles and responsibilities. The key message for the governance of social housing at the national level is for both the horizontal and vertical integration of efforts and relevant funds. The housing sector is integrative by nature. It requires integrated efforts from different disciplines, tiers of government and sectors in order to show viable results. The integration of efforts from disparate government ministries and departments responsible for various aspects of housing (or issues related to housing, e.g. social benefits, energy efficiency, health, infrastructure (utility tariffs)), are of great value and can contribute to policy system coherence and alignment of funding streams. Collaboration between different tiers of government (in a vertical sense) is also important. Local authorities have been given the responsibility to deliver social housing but in many instances they also depend on national (or federal or regional) funding. In the process of decentralization, many actors joined the process of social housing policy design and delivery. Governmental agencies in charge of social housing should seek to engage with the stakeholders involved in social housing provision, finance, management and maintenance (e.g. private sector investors, housing providers and residents) during the early stages of housing policy design and implementation in order to secure long-term and viable results.



Local authorities and cities

In the UNECE region, local authorities have an important role in designing, co-designing and/or implementing social housing policies. Through direct contact with the population, local authorities are in the best position to identify the scale and characteristics of the housing need and to respond to it. However, the ability as well as the willingness to provide social housing differs greatly within a country or even region and district. Many large metropolitan areas have already recognized the importance of affordable and social housing provision for boosting their economic competitiveness, supporting social mix and diversity (eg. Brussels, Copenhagen, London, New York, Paris, Vancouver, Vienna etc.). A number of large cities have set higher social and affordable housing benchmarks than those recommended by their governments. While contexts may differ, learning from these cities could be beneficial for others who are just embarking on this path. Many local authorities may be required to resume their involvement in social housing after years of privatisation, others may find involvement in social housing issues completely new. Both groups of local authorities should seek to increase their skills in this area, by working with other cities, their governments (e.g. central, federal, regional depending on the country) with international and other relevant organizations. The collaboration between neighbouring local authorities is important as well. For instance, characteristics of local housing markets might cross the borders of individual administrative jurisdictions (e.g. cities that have neighbourhoods with similar characteristics may become linked regardless of the administrative borders between them), particularly in larger metropolitan areas (e.g. London, Paris). The collaboration between municipalities in the development and delivery of social housing may bring positive outcomes, avoid fragmentation of local efforts and ensure cost effectiveness (or even the combination of funds). Apart from cooperation between cities, local governments should seek broader participation from stakeholders and the involvement of the future residents in the design and provision of social housing. The inclusion of future residents in the construction, maintenance and management of social housing can provide jobs, thereby easing the need for subsidies and lowering the cost level while building a community that is committed to its living environment.

Engagement with the residents

Social housing tenants should be actively engaged in the design, construction, regeneration and maintenance of social housing. Willing and

skilled residents should also be involved in providing special services for the elderly, children or other vulnerable groups living in social housing. They should be included in raising and maintaining the energy efficiency of their homes for their own benefit first but also for reducing CO2 emissions. This is especially important in large estates or condominiums. Engaging residents is the best way to learn about their specific needs rather than proposing top-down standards that may be more expensive or unsuitable and therefore requiring further investment. The engagement of residents does not only secure jobs, it also helps designers provide housing that is adapted to its users, it reduces development or retrofitting costs while fostering sustainable and cohesive communities.

Engagement with investors and banks

Constructive and cost-effective engagement with banks and investors in the social housing requires a government's long-term commitment to this sector, including a clear vision for social housing policy and regulations. Swift changes in political decision making at all levels of government (e.i. national, regional, local) are bound to increase the perception of the risk of the sector while raising the cost of investment and finance. Such changes may induce losses, especially in cases of large-scale projects that may be left unfinished. State guarantees for investment and/or housing allowance (assuring that rents are paid) are important to reducing the sector's perceived risk and making it of long-term interest to the investment industry. In countries where there is interest in engaging more with international banks, investment banks and institutional investors, an information barrier between the investment sector and the social housing sector should be addressed and overcome. A constructive dialogue between the sectors is required. International organizations may wish to provide a neutral platform for this exchange.

Housing providers (non-profit, limited profit and private developers)

The housing sector is currently undergoing significant changes across the UNECE region. Housing providers are essential players in this change. Governments should boost housing supply in general and social housing in particular, while enforcing the standards that meet health benchmarks and energy efficiency goals. In order to achieve this, policy should support all: large, medium and small housing providers as well as individual builders (where culturally acceptable). Housing developers should be incentivized to build new housing. In countries where it is traditionally



acceptable for residents to build their own homes, these practices should be encouraged and used to provide affordable housing. Corporate social responsibility should be required from all housing providers – public and private. In this way, housing quality as well as the output of social housing as part of a corporate social responsibility project could be increased.

INTEGRATION OF INTERNATIONAL EFFORTS IN SOCIAL HOUSING

The need for decent affordable housing has increased dramatically after the global financial crisis (GFC). However, the crisis has also changed the international dialogue about housing. There is an increased interest in re-balancing the housing tenures and searching for new innovative solutions. As a result of the GFC, many organizations have seen an interest in the housing field raise. In the UNECE region, large number of agencies and banks, public and private companies, charities and NGOs intensified their involvement in the housing sector. International organizations should support this enthusiasm and help unite efforts to provide housing to as many people as possible. International organizations are seen as the hubs of knowledge and best practice. They should establish long-term commitment to the housing sector, not initiatives limited to crises. Moreover, international organizations are encouraged to unite their efforts. Each has its own expertise and strength and by coming together, housing can become an integrating concern, hone a stronger impact and provide for a greater number of people. The following initiatives have been communicated by national and sectoral housing leaders as being of special interest: developing think tanks for specific housing subjects (e.g. housing finance) and for specific groups of countries; providing capacity building programmes for local authorities wishing to provide more social housing; establishing platforms where the private and public actors can come together and exchange knowledge; and most importantly, advancing long-term and coordinated commitment to housing as an integrative field.



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Models, Trends and Challenges

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