

PRESS RELEASE

Affordable housing – a limited resource in Europe’s cities:

Vienna highlights ways out of the crisis

- § Cities demand better EU provisions for state aid legislation and adaptation of fiscal rules
- § Investment gap for affordable housing in Europe equals Euro 57 billion annually
- § City of Vienna as a role model on an international scale

Vienna, 4 December 2018: What can be done to mitigate the current housing crisis in Europe’s growing cities? How can investment in affordable housing be made to increase once more? Ways out of this tight situation are highlighted by the international conference “Housing for All – Affordable Housing in Growing Cities in Europe” held on 4 and 5 December in Vienna. The premises of Wiener Wohnen are set to host roughly 300 participants from 36 countries.

“Cities are the engine that drives Europe’s development; two thirds of the EU population live in cities. For this reason, cities assume a decisive role for the project of European integration. In particular, they are called upon to act in order to cope with global challenges, social inclusion and economic development. Therefore cities need adequate frame conditions – above all to boost investment in affordable housing”, as Michael Ludwig, Mayor of the City of Vienna, affirms. “After all, the free market will never supply broad strata of the population with affordable housing. Specific policies are therefore needed to attain this goal. The ‘Partnership on Housing’ within the scope of the EU Urban Agenda has developed concrete legislative proposals for the EU Commission, which will be presented today here in Vienna and which should be implemented without delay. Now it is the turn of the EU legislators – and of the European Commission, all EU Member States and the European Parliament. Europe must act now and take measures to combat undesirable developments in Europe’s housing markets”, Ludwig continues.

There are over 220 million households in the EU – and as many as 82 million Europeans today have problems finding access to affordable housing, as housing prices and rents in EU cities have for years been rising quickly and massively. Since the financial and economic crisis of 2008/2009, investment in affordable and social housing has decreased, today amounting to only half the volume of the pre-crisis period. The EU “High-Level Task Force for Investing in Social Infrastructure in Europe” has identified a reduction by 20 percent and estimates the investment gap regarding affordable housing at around Euro 57 billion annually. Since OECD figures show that a large part (53 percent) of public investment occurs at the sub-national level, it is evident that cities are affected to a particularly high degree.

Housing as a human right

“Housing is a human right – not a commodity”, Leilani Farha, since 2014 the UN Special Rapporteur on adequate housing, emphasises. At the conference, the Canadian lawyer and activist presented her initiative “Make the Shift”, which is to support municipalities and city administrations in responding rapidly to this negative development. “The speed and extent to which financial enterprises and funds take over housing space and real estate, causing a lack of affordability as well as crowding-out effects and homelessness in the cities, are staggering. Housing is a key issue of the 21st century”, Farha comments. “Cities are drivers of national economies. It is hence in the interests of all levels of government to co-operate in order to safeguard adequate and affordable housing, thereby protecting what makes cities great: diversity and inclusion.” Leilani Farha calls upon municipal administrations to support and sign the declaration “Cities for Adequate Housing”.

The EU Partnership on Housing demands sustainably effective measures

In 2016, the “Urban Agenda for the EU” was launched in Amsterdam by the EU Council with the objective of strengthening cities in the EU governance process. The conference “Housing for All” provides the conclusion to the EU Urban Agenda – Housing Partnership.

By forming partnerships regarding concrete focal issues (which include housing, air quality, poverty in urban areas, and the integration of migrants and refugees), cities are to be involved more closely in EU policy development. For this purpose, a novel format of co-operation at the European level will be drawn upon, thereby enabling cities, Member States, EU institutions as well as relevant stakeholder organisations to work together on an equal footing. After a three-year working period, each partnership is to present a catalogue of measures that contributes to better regulation, better financing and better knowledge management. By choosing a policy area in which the EU has no formal competence, i.e. housing, the Council acknowledges the importance of affordable housing for the EU and its citizens as well as the fact that EU rules and regulations can exert great influence on local and national housing systems.

Over the past three years, the Partnership on Housing has engaged very intensively with the challenges of affordable housing. The catalogue of measures that is now presented comprises a number of already implemented outcomes – e.g. studies on the housing situation in old and new EU Member States, a database on effective housing projects, an extensive analysis of state aid provisions and a brochure on urban solutions for housing policies. Moreover, the catalogue includes recommendations addressed to the EU legislator, in particular with regard to the desideratum of greater scope for investment to be granted to cities.

Greater investment scope for cities: reform EU state aid provisions, adapt the European Semester

But why do many of Europe’s cities find it so difficult to raise investments in affordable housing? The major share of funding for social, public and affordable housing stems from grants at the national and local levels – and from users. But European legislation exerts a massive impact – specifically, via EU state aid provisions and the European fiscal rules.

At the Vienna conference, the long-standing demands of many countries, cities, limited-profit housing developers and tenants’ associations for changes to be introduced in EU state aid law are voiced once more: the definition of the target groups for subsidised housing should no longer be exclusively restricted to “disadvantaged citizens or socially less advantaged groups”. In the future, cities and countries should be enabled, based on the principle of subsidiarity, to decide on their own how to organise affordable housing for their citizens. The current provision has for years fostered enormous legal uncertainty and time and again entailed actions and complaints brought before courts of law. In its ultimate consequence, it has caused entire housing subsidy systems to come under attack, as has happened in the Netherlands, Sweden or France. Moreover, this provision prevents investments in urgently needed rehabilitation measures, e.g. in the new Member States.

The existing rules of the European Semester, too, could significantly facilitate long-term public investments in affordable housing construction. The Partnership on Housing has shown that the investment clause which could make this development possible is, due to the complexity of the procedures involved, definitely not used to its full extent above all by cities; this state of affairs calls for simplifications. In the long term, it is the goal of cities to ensure that the fiscal and deficit rules of the EU will no longer consider future investments in necessary urban infrastructure as debts, but rather as investments of intrinsic value. An increase in public housing investments can inter alia counteract the wholesale purchase of entire neighbourhoods or speculative ventures of globally active institutional real-estate investors.

Furthermore, Europe's cities demand greater awareness at the EU level for the housing crisis besetting them. The current developments entail dramatic social and economic effects that so far are not given sufficient attention in EU policy design. Above all low-income groups – but also middle-class citizens – are driven away from urban areas. Many of them live in dwellings that are too small or in need of rehabilitation; the number of evictions is rising. Many people are forced to travel hours to and from work because they cannot find affordable dwellings closer to their workplace. The Partnership on Housing demands that the indicator of the portion of a household's income which is spent on housing should be drastically reduced. At present, the share of housing costs is estimated to equal 40% of a household's disposable income, while the goal should be 25%, as the cost of living in general has increased, without incomes growing to a comparable extent.

Decreasing housing costs

Laia Ortiz, Deputy Mayor of Barcelona, a founding member of EUROCITIES, the network of major European cities that for years has been campaigning for better frame conditions, draws attention to the exclusion of many persons from the housing market, *"The EU must give priority to the right to housing and ensure that cities are prepared for coping with the housing crisis. The cities cannot do all of this on their own. We need the EU to provide all resources and mechanisms for cities in order to attain this goal. Otherwise, homelessness and marginalisation will further increase in Europe's cities."*

A comprehensive support and rehabilitation programme for socially disadvantaged neighbourhoods is underway in Lisbon. **Rui Neves Bochmann Franco**, Deputy City Councillor for Housing of the Portuguese capital and a member of the Partnership on Housing, comments, *"Lisbon is faced with big challenges caused by tourism platforms and global real-estate investors. At the same time, we are trying to create new perspectives by e.g. promoting neighbourhood developments."* He, too, believes that action at the EU level is required and identifies a great demand for exchange tools and platforms for cities. *"We also call for a new definition of what constitutes housing cost overburden"*, Rui Neves Bochmann Franco adds.

A trend reversal makes sense – socially and economically

Better financing conditions, more efficient regulations, an ongoing exchange of knowledge and a package of solutions for good practices in housing policy – according to the Partnership on Housing, these are key prerequisites for a trend reversal. Further demands and recommendations are for instruments that facilitate the exchange of municipal experience in the field of housing policies. The Partnership on Housing calls for better data stocks on housing and the housing sector in the cities, since national comparisons are not sufficiently meaningful or even distort the real-life situation. Particular desiderata concern the creation of a systematic monitoring system of the European Commission in order to be able to better observe and counteract developments as well as greater structural attention to be paid at the level of the EU Member States by reviving the Housing Focal Points and the regular meetings of the EU ministers in charge of housing.

In the opinion of the cities, the biggest challenges lie in the creation of new as well as in the refurbishment of existing housing, in the provision of inexpensive building land, in the improvement of neighbourhoods together with residents and in the creation of housing systems wherever these do not yet exist. For this purpose, the Partnership on Housing has already formulated a number of recommendations concerning best practices of housing policy that range from measures to combat speculation or interesting models of building land reservation and the prevention of energy poverty to the protection of tenants and concepts of codetermination. Last but not least, the Partnership on Housing calls attention to ERHIN, the exemplary "European Responsible Housing Initiative", which embeds the principles of corporate social responsibility in the housing sector. In October 2018, Wiener Wohnen was the first Austrian housing enterprise to accede to this initiative.

The Vienna Model as a best practice for Europe

With its housing system, the Austrian capital plays a pioneering role on an international scale: 62 percent of Vienna's inhabitants live in subsidised dwellings, i.e. in 220,000 municipal flats or over 200,000 subsidised flats located all over Vienna. Contrary to most other European metropolises, Vienna has not privatised its stock of municipally-owned dwellings. Today, the value of this strategy is becoming increasingly evident. In fact, this approach is decisive if high and affordable quality of housing and living for broad strata of the population, a good social mix, peace, safety and security are the goals.

"Many concerns that we advocate at the European level in a leading position have already been successfully implemented by Vienna. We in Vienna view housing as a fundamental right and regard it as a public task to create a sufficient volume of affordable housing. The great number of subsidised dwellings as well as the comprehensive investments undertaken in the field of housing rehabilitation have a price-damping effect on the housing market as a whole", Vienna's City Councillor Housing Kathrin Gaál comments. "In the areas of subsidised housing construction and municipal flats, there are no real-estate agent's commissions, no location premiums and no re-rental effects causing rents to skyrocket. There are only unlimited tenancy contracts and capped rents – this is a situation that exists nowhere else to this extent. Since income thresholds for these flats were deliberately set relatively high, broad middle-class strata, too, have access to these flats, with net rents of 4 to 5 Euros per square metre. This is the biggest subsidy extended to the middle classes", Gaál explains.

Vienna will remain true to this path. Thus the housing construction campaign will be continued. By 2020, another 14,000 subsidised dwellings will have been created. Every year, approx. 7,000 subsidised flats are constructed in Vienna on an average; in the medium term, this volume is to be stepped up to 9,000 subsidised dwellings, which reflects the current population growth of the city.

However, due to the continued real-estate investment boom, Vienna, too, is faced with major challenges linked to massive price hikes in the private housing market and rising land prices. For this reason, Vienna's city government recently set a legal two-thirds quota by introducing a new land zoning category in the latest amendment to the Vienna Building Code. In the future, large-scale real-estate projects will have to comprise more subsidised dwellings than privately financed flats. *"In this way, we prevent land speculation and reassure the citizens of Vienna that housing in their city will remain affordable", Gaál adds.*

"Together with our partner cities, Vienna advocates the fundamental right to housing as well as better frame conditions for investments in affordable housing. The 'Partnership on Housing' has done a great job and set a milestone for the benefit of affordable housing in Europe's cities. I am confident that the outcome of this co-operation will be acknowledged – and that the governments of the Member States, first and foremost the Austrian federal government, will campaign for the implementation of the recommendations", Mayor Ludwig concludes.

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