

SOCIAL AND AFFORDABLE HOUSING WITH THE EIB

ADVANCED FINANCE FOR A BASIC NEED



European
Investment
Bank

The EU bank

OUR AIMS

COMMITTEE OF THE REGIONS

WHO'S ELIGIBLE?

FINANCIAL PRODUCTS

SOCIAL HOUSING

AFFORDABLE HOUSING

FOUNDATIONS FOR A NEW HOUSING REALITY

Housing is a basic human need. The European Investment Bank creates advanced financial tools to meet that need for citizens. Social and affordable housing loans are a major element of the EU bank's €150 billion in urban lending over the last seven years and of its support for EU urban policy.

The European Investment Bank works closely with the Committee of the Regions as well as with a wide array of local and regional governments and federations of housing associations to promote investment in social and affordable housing as part of our wider collaboration on the Urban Agenda for the EU.

Below you'll read about Johnny Lyster, whose health was ruined by poor accommodation until he and his wife found social housing. "This home has brought back the feeling that life is worth living," he says. And you'll meet Karolina and Sebastian, new parents in Poznan who couldn't afford their own home until the European Investment Bank financed a local housing company. Now their one-year-old, Szymon, has a room of his own and Karolina is "over the moon."

"This home has brought back the feeling that life is worth living."

Behind Johnny's happiness and Karolina's joy is a lot of policy and financial work from the EU bank. The European Investment Bank turns EU policy into (literally) concrete projects on the ground. This brochure will explain what that means for you if you have a project you'd like to finance.

These are the stories that inspire our engineers and economists, our risk specialists and loan officers. We're sure they'll inspire you too.



OUR AIMS

- Help European cities tackle the severe housing crisis many are facing because of long waiting lists and residents paying excessive portions of their income to cover housing costs.
- Enhance the energy efficiency of social and affordable housing to address climate change.
- Lend to a wide range of social and affordable housing clients, from cities and government agencies to housing companies in the public and private sectors. We lend to smaller projects through intermediaries such as specialised housing agencies, national promotional banks or funds.
- Offer flexible financing, including debt and equity, corporate and project finance, and public/private/PPP financing structures. Under the Investment Plan for Europe, the European Investment Bank can take higher levels of risk, lending to lower-rated social and affordable housing companies.
- Support “better funding” approaches under the Urban Agenda for the EU Housing Partnership, working with our partners to foster new social housing approaches in transition countries where social housing is limited and regulatory frameworks are evolving.
- Provide advice on social and affordable housing topics linked to investment in the sector, in particular through our URBIS (Urban Investment Support) instrument developed with the European Commission.

OUR APPROACH

- Invest in local and national contexts where there is a clear policy and regulatory framework for housing.
- Focus on social and affordable rental housing. Market-rate housing is excluded except in cases of strong energy performance.
- Support projects aimed at improving social cohesion and the quality of life of vulnerable groups whose housing needs are not met by the market.
- Finance projects that combat urban sprawl, create vibrant neighbourhoods integrated with neighbouring districts and enable sustainable transport solutions.
- Work with financial intermediaries where housing associations are often too small to access European Investment Bank financing.



LOCAL AND REGIONAL AUTHORITIES NEED TO PROMOTE THE PROVISION OF AFFORDABLE HOUSING

Affordable housing is a prerequisite for social cohesion and a diverse and inclusive society, helping to build communities that are resistant to social, economic and geographic segregation. A significant portion of EU citizens can no longer afford decent housing within a reasonable commuting distance to their work without devoting an excessive share of their disposable income. This shows that the market failure in housing extends well beyond what have traditionally been called marginalised or disadvantaged citizens.

Affordable housing is key to delivering the UN's 2030 Agenda and to achieving the Sustainable Development Goals related to energy efficiency, poverty, sustainable cities and health quality. In this sense, achieving the Paris climate agreement targets represents a particular challenge for the housing sector – but also offers huge potential for energy savings, because the residential sector is behind 40% of greenhouse gas emissions. 75% of European residential buildings are still energy inefficient and less than 1.2% of building stock is renovated each year. The need for long-term housing investment is gradually being recognised in European policies and the EU has made significant progress in improving the energy efficiency of the building sector. Nonetheless, we still need to make progress on energy efficiency and tackling energy poverty.

Affordable housing is key to delivering the UN's 2030 Agenda and to achieving the Sustainable Development Goals related to energy efficiency, poverty, sustainable cities and health quality.



Energy efficient housing programmes must reach society's most vulnerable people. It is particularly important to ensure that social housing meets the necessary energy standards in compliance with criteria on energy efficiency, energy savings, low CO₂ emissions and investment in clean and renewable energy. In social housing, the European Investment Bank is helping to bridge the market gap.

By ensuring appropriate access to housing, local and regional authorities will also benefit from a multiplier effect on local employment.



The European Committee of the Regions has called for the implementation of a European Agenda for Housing that could:

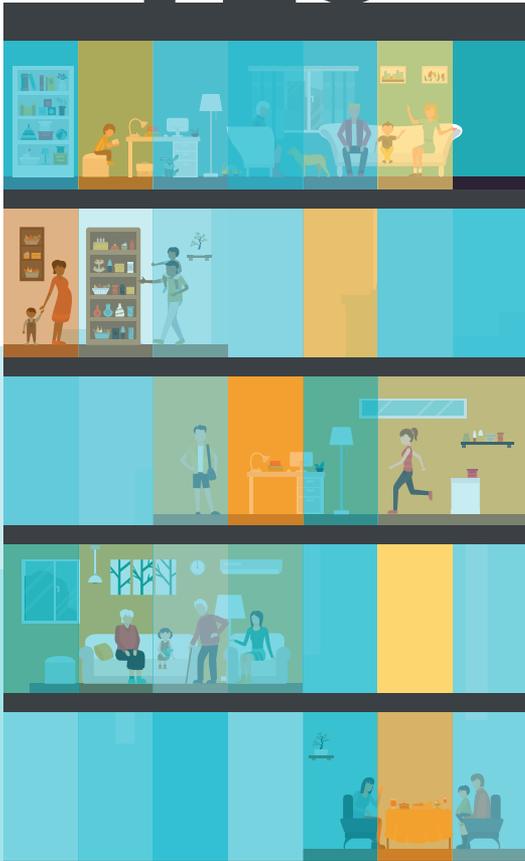
- ensure better coordination between EU policies and the policies of the Member States, their regions and local authorities;
- achieve better coordination of EU policies and intervention mechanisms to support these housing policies; and
- compare how European cities provide affordable housing.

For the Committee of the Regions, it is of paramount importance to realise the potential of involving all levels of government:

- to better tailor urban solutions for EU citizens;
- to achieve EU and global climate and sustainability goals; and
- to foster social and territorial cohesion.

WHICH PROJECTS ARE ELIGIBLE FOR EU BANK FINANCING?

YES



SOCIAL AND AFFORDABLE RENTAL HOUSING

REFUGEE ACCOMMODATION/ RECEPTION CENTRES, ASSOCIATED INFRASTRUCTURE AND START-UP COSTS
(TYPICALLY PROVIDED DURING THE ASYLUM PROCESS)

STUDENT ACCOMMODATION/ ACCOMMODATION FOR APPRENTICES

CARE HOMES, ASSISTED LIVING

SOCIAL AND AFFORDABLE RENTAL HOUSING INVOLVING EQUITY SHARING, RENT-TO-BUY; PARTIAL OWNERSHIP APPROACHES (WHERE JUSTIFIED BY CLEAR MARKET FAILURES AND PUBLIC POLICY)

Housing eligible for EIB financing includes all non-market or regulated accommodation and housing. That includes:

- social housing;
- affordable housing;
- student accommodation;
- care homes and assisted living.

NO



PURELY MARKET-BASED HOUSING THAT DOES NOT ADDRESS SPECIFIC PUBLIC POLICY GOALS OR A MARKET GAP

UNPLANNED HOUSING DEVELOPMENT

MORTGAGE FINANCING

SPECULATIVE HOUSING DEVELOPMENT

OUR POLICY RATIONALE

The public policy rationale for social housing is twofold.

1. **There is a market failure in the provision of decent, safe, energy efficient housing for lower income and marginalised populations.**

This can have significant negative effects. Among these are:

- public health problems;
- poor public safety;
- shortages of key workers in central locations and generally inefficient labour markets;
- poor use of energy and low energy efficiency.

2. **Providing all citizens with decent housing is good for social equity. It strengthens the EU's economic, social and territorial cohesion.**

It also reduces:

- inequality in society;
- the potential for social tension or even radicalisation, which may be associated with geographically polarised concentrations of different population groups and poor social mix.



THE NEED

The annual investment gap in social and affordable housing in the EU has been estimated at €6 billion.

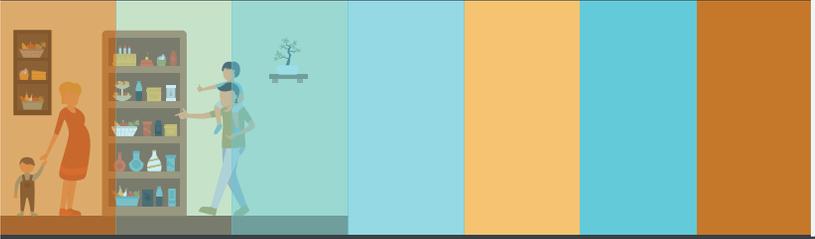
Investment has dropped since 2009, so the affordable and social housing sector faces two main problems:

- the ageing affordable social housing stock is decreasing and its quality is deteriorating;
- the need for affordable social housing is increasing as a result, for example, of migration.

Annual investment in social and affordable housing should increase from the current €23 billion to €29 billion, a rise of 25%.

This excludes energy efficiency investment for current housing stock, which is significantly higher.





OUR FINANCIAL PRODUCTS

INVESTMENT LOAN

- Housing associations
 - Cities and municipal companies
 - Approved/regulated social and affordable housing providers
 - Direct loan for a specific investment project or programme
 - All investment components identified/appraised up-front
-

DIRECT FRAMEWORK LOAN

- Housing associations
 - Cities and municipal companies
 - Approved/regulated social and affordable housing providers
 - Finances a three to five-year slice of an investment programme
 - Multi-scheme investment that meets defined criteria, including those not completely prepared at time of signing
-

FRAMEWORK LOAN VIA AN INTERMEDIARY

- National and local promotional banks
 - Dedicated financial organisations backed by governments
 - Commercial banks
 - Facility for financing housing associations
 - Relies on a good intermediary that applies financing criteria agreed with the EIB
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INVESTMENT PLATFORMS

- National and local promotional banks
 - Dedicated financial organisations backed by governments
 - An umbrella framework under which different financing products can be used within the platform, tailored to different sizes or types of housing project
 - Different sources of co-financing can be combined, including national or EU grant funding
 - A national promotional bank can apply thematic focus to windows under the platform: e.g. focusing on energy efficient housing or housing prioritised according to specific urban or social criteria
-

ADVISORY

- Any client
 - URBIS is already used in Ireland and Poland, and is under discussion in Malta. It helps countries to pilot social housing programmes or design innovative financing approaches to social housing
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“This home has brought back the feeling that life is worth living.” Johnny Lyster, social housing tenant, Dublin

“LIKE A BEAUTIFUL HOTEL”

In Ireland, European Investment Bank-backed social housing transforms the lives of people priced out of the rental market

For 31 years, Johnny and Ann Lyster lived in tiny, overpriced and scandalously dilapidated bedsit apartments. Johnny's earnings – first as a bus driver and then on disability – were too low to rent a better apartment in Dublin's overheated property market. The Lysters were one of 72 000 households waiting to be allocated social housing. In one rotten apartment, Johnny cleaned the damp off the walls, only for mould to enter his lungs, causing asthma attacks that made him black out.

Then relief came. In October 2017, the couple moved into social housing built by Clúid Housing in Cabra West, a working-class Dublin neighbourhood. Out on his balcony where he grows potatoes and strawberries, Johnny feels “like I'm on a summer holiday in Lanzarote. It's like living in a beautiful hotel. We're able to enjoy our lives now. This home has brought back the feeling that life is worth living.”

“VERY SIGNIFICANT”

The European Investment Bank works on Irish social housing with the **Housing Finance Agency (HFA)**, a company backed by the **Ministry for Housing, Planning and Local Government**. The EU bank lends to the agency, which in turn finances “approved housing bodies” such as Clúid. The Bank’s loans to the agency amount to €350 million since 2014 and it is currently reviewing another €200 million financing request. So far it has built 1 512 units. “The need for social housing is very significant,” says Seán Cremen, head of treasury at the Housing Finance Agency. “The EIB has been one of the main drivers of accelerated building.”

Traditionally, local municipal governments handled social housing in Ireland. But the financial crisis a decade ago hit their budgets hard. Meanwhile, the approved housing bodies found it difficult to borrow long-term and couldn’t meet the need. (Cremen says that **47 000 new units will be needed by 2021 to cover demand.**) The European Investment Bank financing enabled the agency to bridge that gap and finance bodies like Clúid long-term.

“This is really a sector where we have made a difference since 2014,” says Katalin Deppner-Quittner, the European Investment Bank loan officer on the Ireland social housing deals. “We provided financing at a significantly lower price when access to the capital markets was not so straightforward. But we also helped transform the business model of the approved housing bodies, the entities primarily responsible for developing and managing the social housing stock in Ireland.”

HITTING THE NUMBERS

Before the European Investment Bank stepped in, approved housing bodies like Clúid relied exclusively on government grants. Now they are responsible for managing their business to be able to repay their debt.

A measure of the EU bank’s impact on the rate of construction of social housing is Clúid. Two years ago, less than 6% of its work was in new constructions. By 2020, that will be up to 55%. In the next three years, Clúid expects to build 1 700 housing units.

“We wouldn’t have been able to do these numbers without the financing from the EIB and HFA,” says Cathal Callan, Clúid’s director of finance.

“The EIB has been one of the main drivers of accelerated building activity.”
Seán Cremen, head of treasury, Housing Finance Agency

SZYMON'S ROOM

In Poznan, an established local company joins forces with the EU bank to create affordable housing – and little Szymon gets a room of his own.

Karolina and Sebastian shared a flat with their parents until their son Szymon was born. They needed more space, but they couldn't afford high city rents. After a one-year wait, they were overjoyed to move into a two-bedroom flat in a new affordable housing neighbourhood called Strzeszyn, north-west of Poznan.

Sudden sunshine breaks through the clouds as Karolina and Sebastian join 71 other households to receive their keys from Poznanskie Towarzystwo Budownictwa Społecznego, the local affordable housing company. **"We are over the moon," says Karolina, as she enters the new flat. She shows the keys to Szymon, who will have his own room in the new flat, and cheers: "Now we are here."**

This is just the beginning for Strzeszyn. In a few years, the housing estate will feature 1 100 apartments in similar four-storey blocks – a major addition to the affordable housing company's current portfolio of over 3 000 flats.

Affordable housing is aimed at people whose income is too high for them to be entitled to social housing, but too low for them to buy an apartment on the free market. Because it addresses social imbalances and fills a market gap, the European Investment Bank is financing **Poznanskie Towarzystwo Budownictwa Społecznego** with a loan of PLN 147 million (€34 million).

The long-term, low-rate loan is backed by the **European Fund for Strategic Investments**, which the **European Investment Bank** operates as part of the EU's Investment Plan for Europe. It's the first time the EU bank has directly financed a social or affordable housing company in Poland.

"So far, we had been supporting similar projects in Western Europe, less so in Central and Eastern Europe, but thanks to a better regulatory environment we can now offer our help in this region too," says Vasco Amaral Cunha, a loan officer at the European Investment Bank.

The new flats include a crèche, a kindergarten, a playground for kids and parking spaces for the disabled. The EIB financing filled a real gap. "When the national housing fund stopped financing," says Andrzej Konieczny, chairman of the affordable housing company, "we looked for alternative funding sources and became aware of the European Investment Bank."





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Andrzej Konieczny, chairman, Poznanskie Towarzystwo Budownictwa Społecznego

AFFORDABLE IN FRANCE

The European Investment Bank works with CDC Habitat to provide affordable housing. In 2017, we granted a €500 million loan backed by the Investment Plan for Europe to support the construction of 13 000 affordable housing units.

Conceived as a sustainable solution for the middle classes, which find it difficult to access housing on the free market, this accommodation redefines the notion of affordable housing with rents 10-15% below market rates, thus enabling each tenant to make average annual savings in the order of €1 400.

CDC Habitat is the general-interest real estate subsidiary of Caisse des Dépôts and France's foremost leasing organisation with 495 000 housing units hosting almost 1 million people across the country and in the French overseas territories.



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