

CORPORATE SOCIAL HOUSING FINANCE INSTITUTIONS

MODELS AND CASE STUDIES



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AGENDA

1. Corporate Social Housing Institutions, Equity Models
2. Corporate Social Housing Institutions, Bankability
3. Case Studies
4. Considerations for Lithuania

CORPORATE SOCIAL HOUSING INSTITUTIONS

EQUITY MODELS OVERVIEW

➤ Private Equity

- Private charities/employer housing: oldest form, Fuggerei 1516,
- Co-operatives: 19th century Prussia,
- Municipal housing: post WW I due to shortages caused by war rent controls.

Common characteristics today: non- or limited profit monoline, usually regulated with subsidy and tax privileges.

- Private for-profit: 19th century, revival since 1980 (requires low long-term interest rates)

Corporate Institutions in Social Housing

	Private	Public
Debt	Government Agency / IFI Special conduits	Corp bonds Bank bonds
Equity	Municipal Employers Tenants (Coop) Other non-profit	REITs JSCs

➤ Public Equity

- Public joint stock companies: since 1980
- REITS: since 1990s.

CORPORATE SOCIAL HOUSING INSTITUTIONS

EQUITY MODELS

Wide menu of social housing landlords in many European countries.

Dominant and relevant (new construction) are today:

- Municipal housing, with focus on core social housing groups, in most countries today incorporated.
- Private non-profits, which can be owned and sponsored by government, with focus on both social and affordable housing groups.

Case studies to be reviewed later:

- France: HLM, SEM
- Poland: TBS system
- UK: Housing Associations
- Austria: Limited Profit Housing Companies
- Co-operatives remain strong in Central Europe

COUNTRY	TYPE OF PROVIDER(S)					
	CENTRAL GOVERNMENT	LOCAL AUTHORITY	INDEPENDENT PUBLIC BODY/ PUBLICLY OWNED COMPANY	CO-OPERATIVE	OTHER PRIVATE NON-PROFIT	PRIVATE FOR-PROFIT
Austria		X	X	X	X	X
Belgium		X	X		X	
Bulgaria		X				
Cyprus	X					
Czech Republic		X		X*	X*	X*
Denmark		X		X	X	
Estonia		X				
Finland			X		X	
France			X	X	X	
Germany						X**
Greece			X			
Hungary		X				
Ireland		X		X	X	
Italy		X	X	X	X	X
Malta	X				X	
Lithuania		X				
Latvia		X				
Luxemburg		X	X			
Netherlands					X	
Poland		X		X***	X	
Portugal		X	X	X	X	
Romania		X				
Slovenia		X			X	
Slovakia		X				
Spain		X	X	X		X
Sweden****						
United Kingdom		X	X	X	X	X*

* - can apply for funding to provide social housing within certain funding schemes
 ** - they also include municipal companies, which are considered as part of the private sector
 *** - depending on the definition used
 **** - there is officially no 'social housing' in Sweden, despite the existence of a municipal publicly owned sector, cooperative housing in the form of tenant ownership, and a system of negotiated rent setting for the whole rental sector

BANKABILITY OF CORPORATE SOCIAL HOUSING INSTITUTIONS

LEGISLATION AND SUPERVISION

Legislation, 3 layers

- Base charter: charity, trust, corporation, co-operative, provident societies, etc.
- Specific charter: defining a private law non-profit entity (e.g. UK 'Registered Social Landlord'), or a public law entity.
- Policy law: defining target groups and subsidy channels for social housing. In many countries, the policy law is open to different specific or base charters ('Social Housing Law'), in others policies are tied to specific charters.

Public or private supervision

- Controls accounting, financial and administrative aspects of the specific charter,
- Germany: auditing through centralized private association of housing corporations (coops and public housing companies),
- United Kingdom: centralized public regulator for housing associations,
- France: ad-hoc entity that also controls technical and social aspects. Publicly owned institutions are also controlled by Courts of Audit.

BANKABILITY OF CORPORATE SOCIAL HOUSING INSTITUTIONS

CREDIT ASSESSMENT: ASSETS AND INVESTMENT

Items:

Target groups,
ability & willingness
to pay

Rent level
determination /
adjustment, rent
subsidies

Right to buy /
leasing

Investment activity,
esp new construction

Credit assessment:

Market position, vacancy risk (location)

Quality of rent collection and enforcement (2-4% def rate)

Risk is moderate: many units, low rents, often partly paid by State (housing allowance paid to the manager)

Cost rent principle: $\text{rent} = \text{cost} + X$ (reasonable margin), avoid rigid rent ceilings

Rent adjustment ex contracts with cost developments, permission to rent free units to free or affordable housing market?

Right to buy mandated or voluntary? At market rates with discounts or amortized costs? Preconditions (e.g. participation)?

Investment management capacity (size?), overreach/out of area investments, construction quality and marketability of units.

BANKABILITY OF CORPORATE SOCIAL HOUSING INSTITUTIONS

CREDIT ASSESSMENT: SURETIES, CAPITAL

Guarantees:

- Guarantees by local government or mutual guarantee funds of (social housing institutions or local governments),
- Backup guarantees by central governments.

Note: in incorporated municipal housing there is usually no maintenance guarantee, so insolvency is an option, with guarantees kicking in during execution.

- Co-operative member capital shortfall guarantees. Potentially risky for consumers.

Collateral:

- Property to the extent not occupied by (social housing) tenants,
- Debt equity swap possible (Germany: privatizations of municipal companies with sitting tenants).

Capital levels:

High capital levels in setup phase due to legacy issues (Lithuania municipal stock: 100%),

Older corporate social housing institutions have large hidden reserves due to price appreciation,

On the other hand, social housing institutions often require high-LTV loans.

BANKABILITY OF CORPORATE SOCIAL HOUSING INSTITUTIONS

INTEREST RATE AND LIQUIDITY RISK ASSESSMENT

Liquidity risk

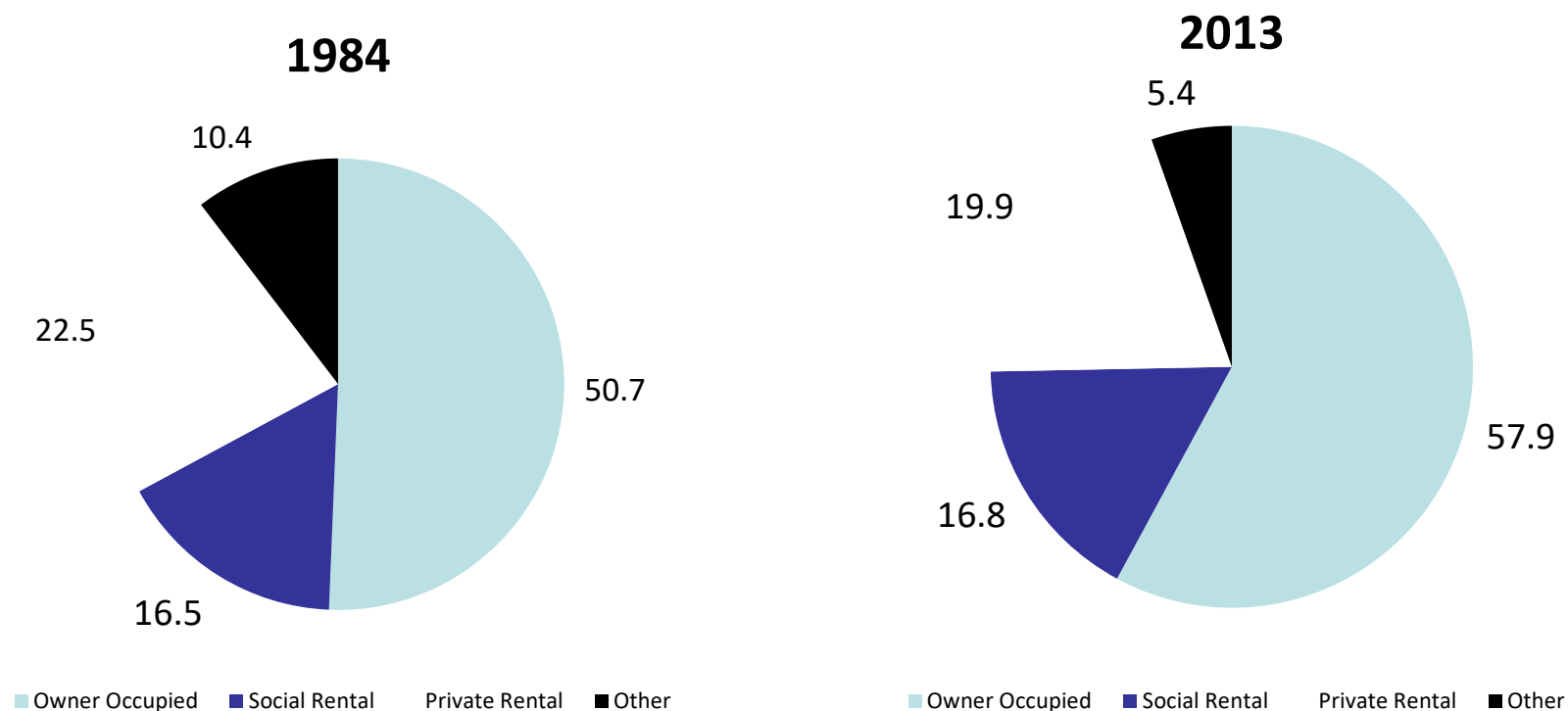
- need very long term loans, which made their provision by market finance historically difficult due to high inflation,
- need either a highly competitive market (Germany, UK) or very stable funding structures (France) to ensure roll-overs:
 - Europe has many legacy specialized funding mechanisms through housing banks / agencies or co-operative funding / issuance vehicles,
 - Germany: broker system which permits social housing corporations large choice, at the same time brokers offer specialized financial consultancy services.

Interest rate risk

- Ideally fixed rate to match the de-facto fixed character of rents. Relevant e.g. for cost-rent calculation,
- Prepayment option in order to optimally manage debt, e.g. cancel high interest rate debt or use proceeds from housing sales.

FRANCE MULTI-WINDOW NON-PROFIT RENTAL HOUSING MARKET SHARE

The proportion of SRH is more or less stable at 1/6 main residences.



Source: INSEE

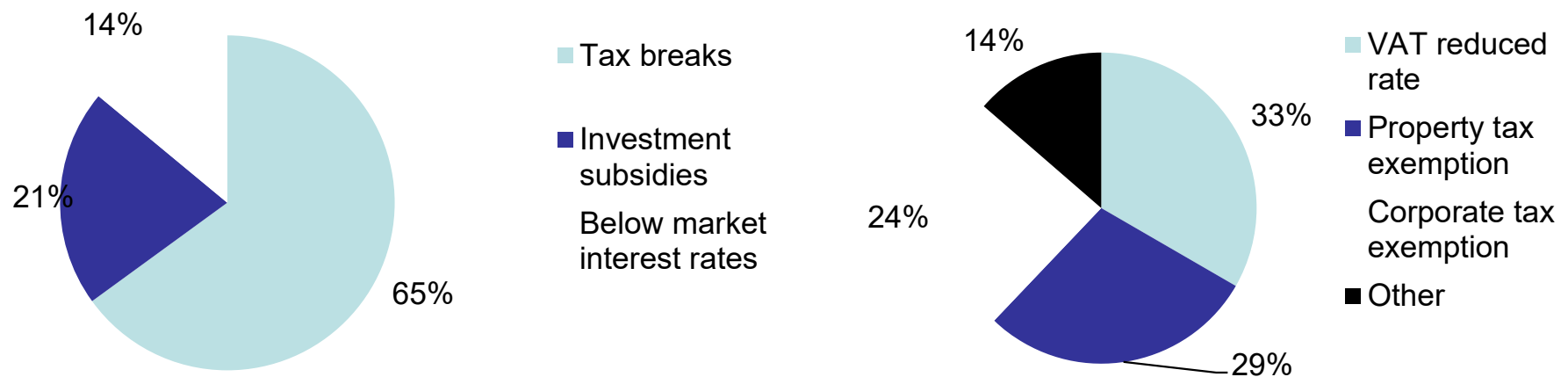
FRANCE MULTI-WINDOW NON-PROFIT RENTAL HOUSING SUBSIDIES

Housing subsidies by type of subsidy and beneficiary

In Billion €

	SRH	PRH	Owners	Other	All sectors
Demand side	8.0	8.4	1.6	4.3	22.3
Supply side	6.9	4.2	5.9	0.3	17.3
All subsidies	14.9	12.6	7.5	4.6	39.6

Breakdown of supply-side subsidies to SRH

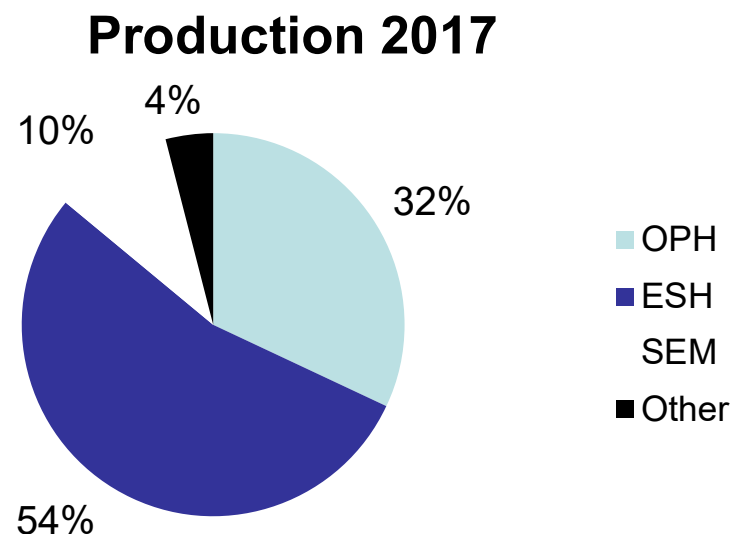
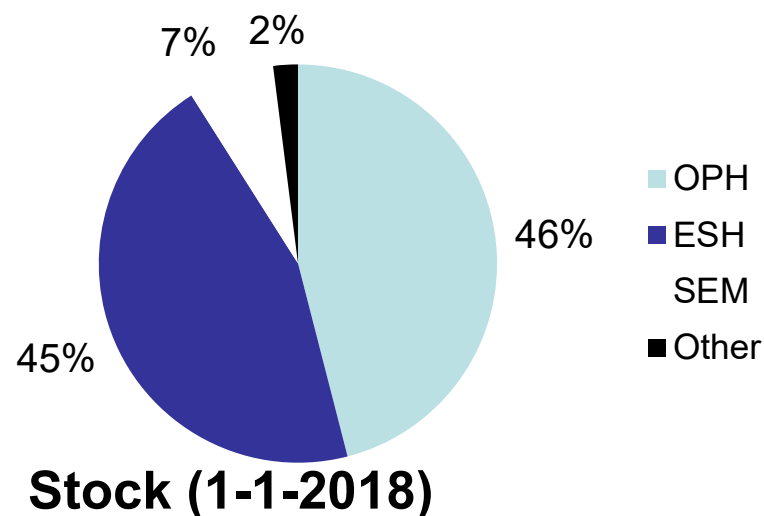


Source: Housing Account 2018

FRANCE MULTI-WINDOW NON-PROFIT RENTAL HOUSING

SRH STOCK AND FLOW BY TYPE OF LANDLORD

Stock = 5,003,500; growth 90,000; sold: 10,000; deleted: 10,000
600,000 private units have below market rates (1948 Law, tax incentives, etc.)



Investors are either “Hlm” (OPH: public entities linked to Local Authorities & ESH: non-profit private companies) or “Sem” (“mix economy”: limited company with a public entity as majority shareholder – 85% max).

FRANCE MULTI-WINDOW NON-PROFIT RENTAL HOUSING

RENT SETTING IN SOCIAL RENTED HOUSING

- Cost rent (with some leveling off);
- Maximum rent level is fixed by regulation and indexed on « rent reference index » (same as in private sector);
- Rent increases are (in theory) free under maximum rent; in practice, subject to approval by State local representative;
- Can be 3-4 times lower than free market rent (Paris)

⇒ high demand and long waiting lists.

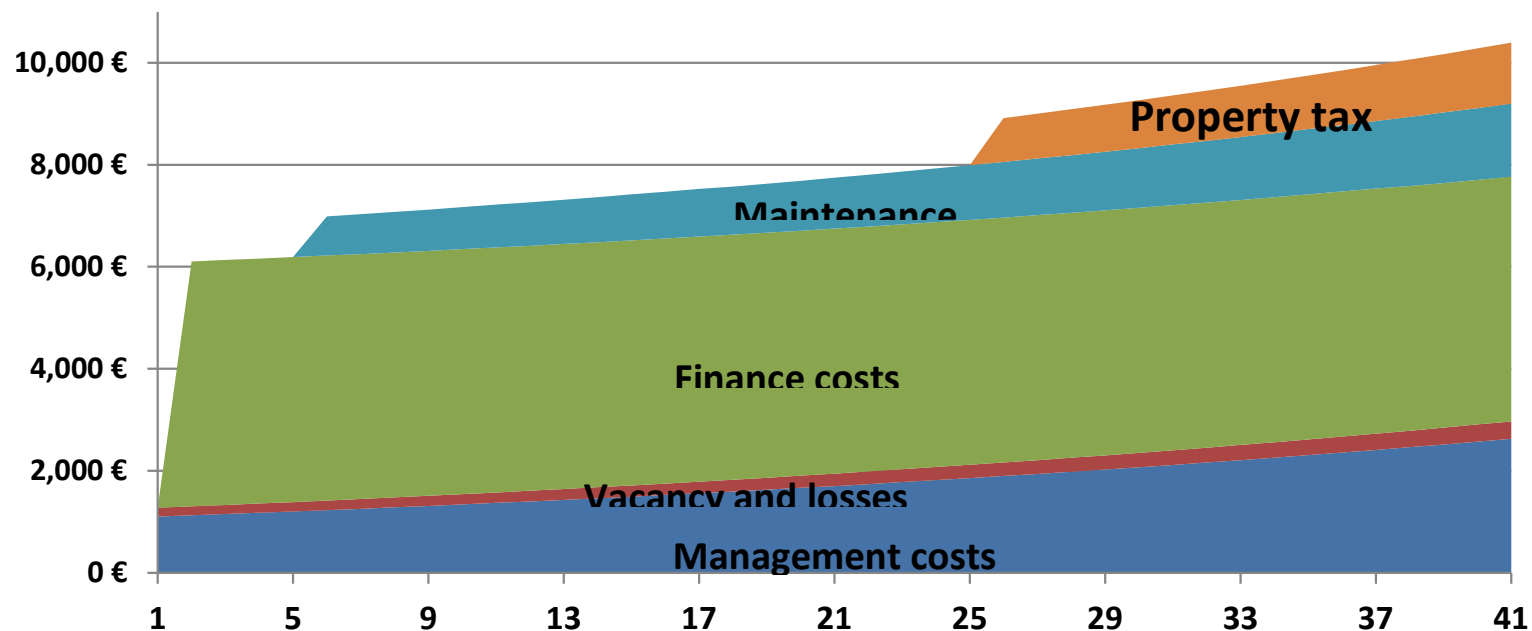
	Max income (1)	Loan rate	Max State subsidy	Max rent (E /sqm/month)
PLAI	55%	LA - 0.2	20%	5.2
PLUS	100%	LA + 0.6	5%	5.6
PLS	130%	LA + 1.1	0%	8.5 to 8.9

(1) % of PLUS maximum income : 27,500 E (Paris Region) – 35,500 E (Other) per year for a couple without children.

FRANCE MULTI-WINDOW NON-PROFIT RENTAL HOUSING

HLM: OPERATING EXPENSES

- 40 year CDC loan (no rate change anticipated) = 4,800 E / year
- Maintenance and repairs: 0.6% of construction cost from year 6 = 700 E, growth rate 1.8%
- Management costs: 1,100 E / year, growth rate 2.2%
- Property tax: from year 26, today = 500 E, growth rate 2.2%
- Losses (vacancy and unpaid rents and utilities): 3% of annual rents due



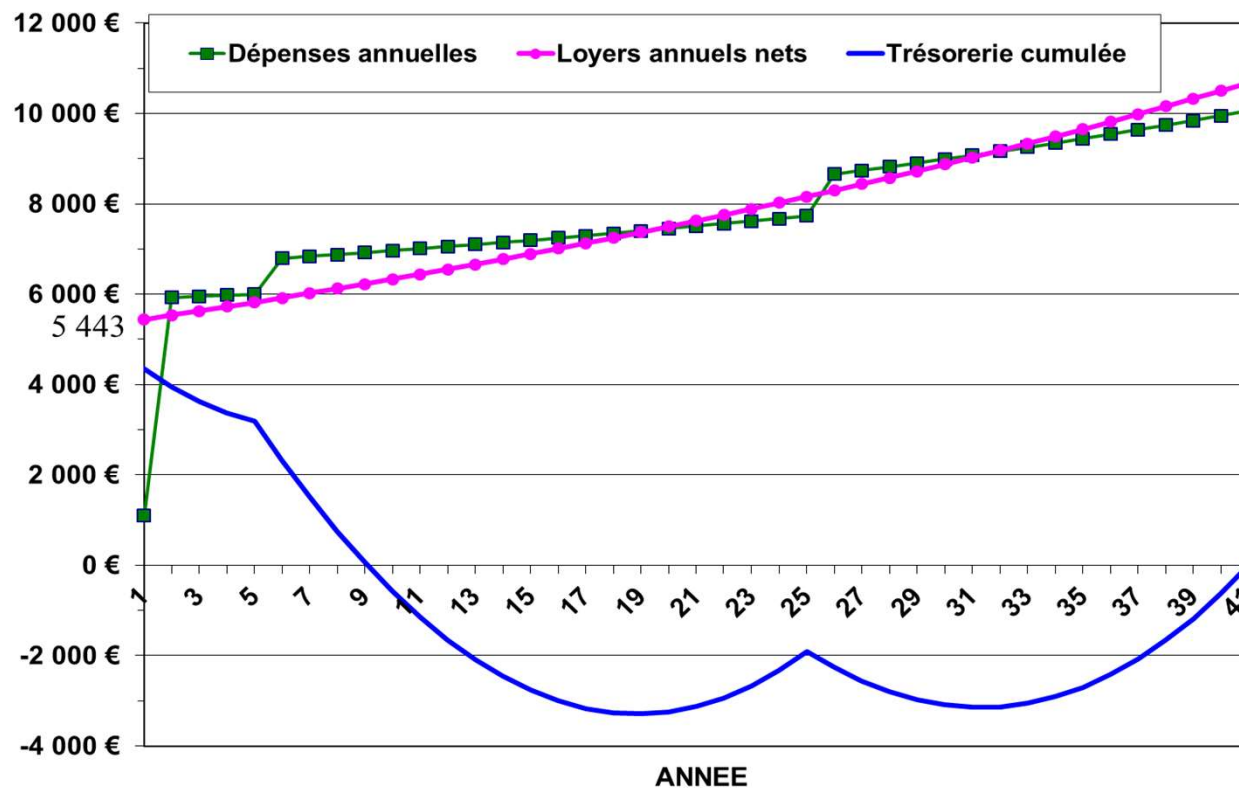
Source: USH

FRANCE MULTI-WINDOW NON-PROFIT RENTAL HOUSING

CASH FLOW OF THE PROGRAM, EQUILIBRIUM RENT

Equilibrium rent

- is the rent to be applied so that the cumulative cash balance is zero at the end of the repayment of the main loan in the 41st year.
- This rent is such that the NPV of the project (expenditure flows and rents) established over the entire period is zero.



Source: USH

FRANCE MULTI-WINDOW NON-PROFIT RENTAL HOUSING CLOSED CIRCUIT FUNDING, OFF-MARKET

Loans to finance social rented housing are:

- very long term (construction/land : up to 40/50 years),
- funded by (short term) deposits on “A” saving booklets,
- distributed only by a State subsidiary multifunctional financial institution “Caisse des dépôts et consignations”,
- at a rate of 1.35% that only depends on the interest paid to “A” booklets owners ($= 0.75\% + 0.6\%$ margin).

90% of French people own a “A” booklet. Deposits on “A” booklets (Max. amount 23,000 E, total 300 Bn E) are tax free and guaranteed by the State.

Rate was equal to the higher of $(\text{Euribor} + \text{Eonia})/4 + \text{Inflation}/2$, and $\text{Inflation} + 0.25\%$. Frozen at 0.75% since 2015.

A new formula will be put in place in February 2020 (probably down to 0.50%).

FRANCE MULTI-WINDOW NON-PROFIT RENTAL HOUSING GUARANTEE AND SUPERVISION

Double Guarantee System

- Only HLM and SEM can benefit from special CDC loans.
- These loans are guaranteed by local authorities (95%) ; when this free guarantee is not available (5%), they are guaranteed by a mutual fund (CGLLS – board includes equally State and HLM-SEM representatives) for a 2% fee.
- In practice, none of these guarantees is ever called on an individual (program) basis. CGLLS and all local authorities involved may be called on a general basis to rescue a landlord in financial distress.

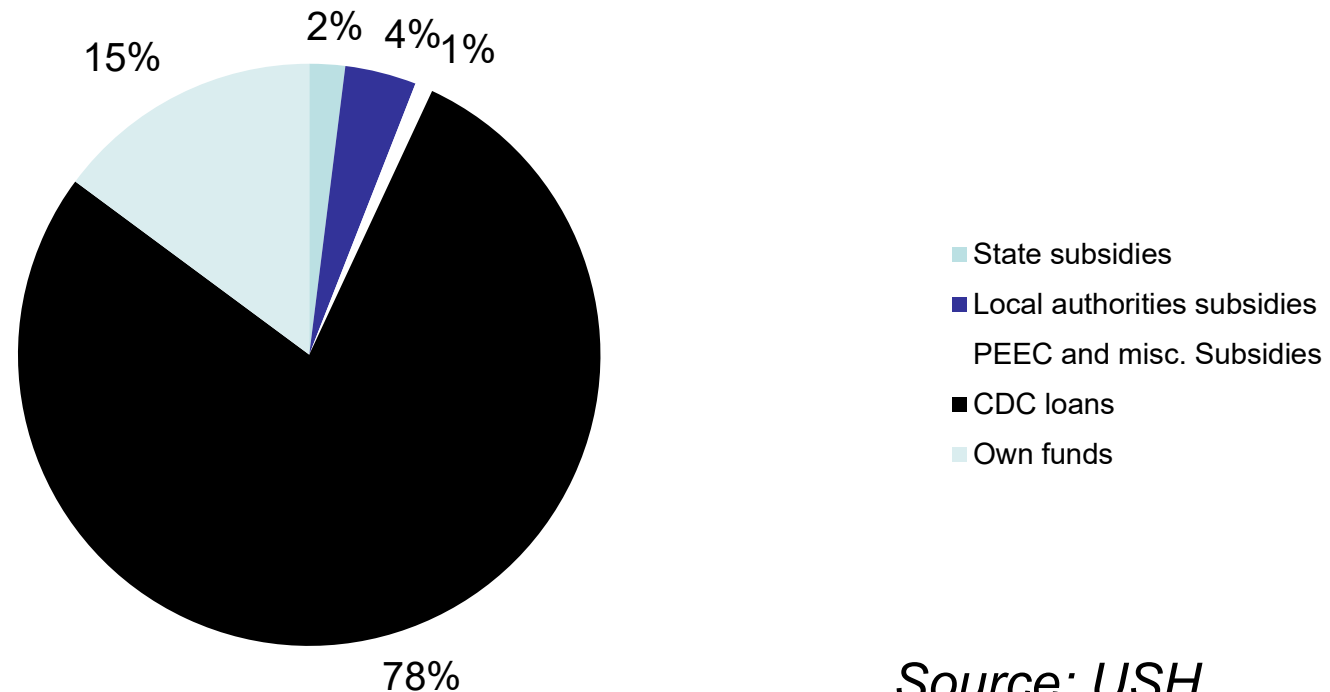
Multiple Supervision Layers

- An ad-hoc entity (ANCOLS, under the joint authority of the ministers of Housing and Finance) ensures conformity of use of subsidies with their stated purpose and the abidance of the legal provisions regulating their activity.
- Controls cover the accounting, financial, administrative, technical and social aspects.
- Public entities (OPH) also under scrutiny by Courts of Audit.

FRANCE MULTI-WINDOW NON-PROFIT RENTAL HOUSING SUBSIDIES TO SRH (STANDARD PGM NEW CONSTRUCTION)

- In addition to the below-market rate loan by CDC, any SRH program benefits from:
 - reduced VAT rate on land purchase and construction works (10% or 5.5% instead of 20%),
 - a small upfront grant from State budget (3% of the cost, up to 15% for programs targeted to very low income households),
 - 25-year property tax exemption (private housing is only 2-year exempt),
- SRH programs often benefit from:
 - State and local land subsidies,
 - Subsidies or cheap loans from the “1% levy” (private employers’ Fund financed by a 0.45% tax on salaries).

FRANCE MULTI-WINDOW NON-PROFIT RENTAL HOUSING STANDARD HLM PROGRAM FINANCE (IN 2018 - NEW CONSTRUCTION)

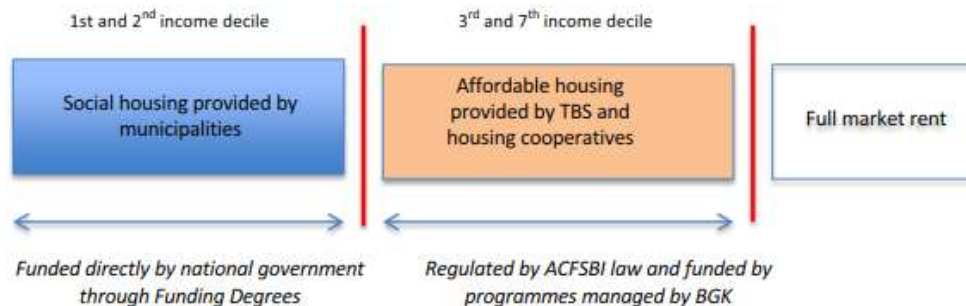


Source: USH

Average cost increased from 76,800 E in 2000 to 143,300 E in 2018.
Share of own funds increased from 5% in 2000 to 15% in 2018.

TBS SYSTEM POLAND NON-PROFIT HOUSING INSTITUTIONS TARGETING AFFORDABLE HOUSING SEGMENT

Housing Market Segments and Government Intervention in Poland



Source: Czischke & van Bortel, 2017.

- >200 non-profit rental housing institutions. Enabling law 1995. TBS enjoy tax and subsidy preferences.
- Diverse ownership structure: Majority local government owned (46%), minority local government owned (13%), co-operatives (21%), privately owned (21%)
- Targets lower middle income sector ('affordable housing'), despite income ceiling, to enable new construction. Municipalities support TBS to enable moving chains and free social housing stock.
- Cost rent principle: rent ceiling 4% of reconstruction costs. Rent levels ca 50% of market rent and 2-3 times social housing rents (2008).
- Construction standards: modern apartment buildings, modest size of flats, e.g. 52 sqm for family of 4 (13sqm pp)

TBS SYSTEM POLAND DEMAND PROFILE

Main motive for joining TBS	TOTAL	Ownership structure			
		Private TBS	Housing cooperative	TBS with municipal majority	TBS with municipal minority
		143	141	321	88
Investment	43.6	49.7	40.3	42.0	33.0
first own dwelling	35.5	41.3	32.6	33.3	22.7
improved financial standing	3.4	2.8	3.5	4.0	8.0
lacks access to mortgage financing	2.7	4.2	2.8	1.6	2.3
dwelling through gift / inheritance	2.0	1.4	1.4	3.1	0.0
Quantity or price of housing	37.5	34.3	34.8	40.2	52.2
larger dwelling	16.7	9.1	8.5	20.9	31.8
family increase	7.6	7.7	12.8	7.5	4.5
necessity to vacate dwelling	7.4	11.2	8.5	5.9	5.7
cheaper dwelling	5.5	6.3	5.0	5.6	9.1
deteriorated financial standing	0.3	0.0	0.0	0.3	1.1
Quality of housing	27.1	26.6	27.0	29.6	35.2
higher dwelling standard	19.2	18.9	14.9	23.7	26.1
marriage / cohabitation	7.9	7.7	12.1	5.9	9.1
Labor market	11.9	23.1	12.0	8.4	11.4
new job	5.7	8.4	5.7	4.7	5.7
easier commute to work	4.3	8.4	3.5	3.7	5.7
studying	1.9	6.3	2.8	0.0	0.0
Living situation	10.4	12.6	14.2	9.0	6.8
divorce	5.2	4.2	7.8	5.0	4.5
change of living environment	5.2	8.4	6.4	4.0	2.3

Targeting

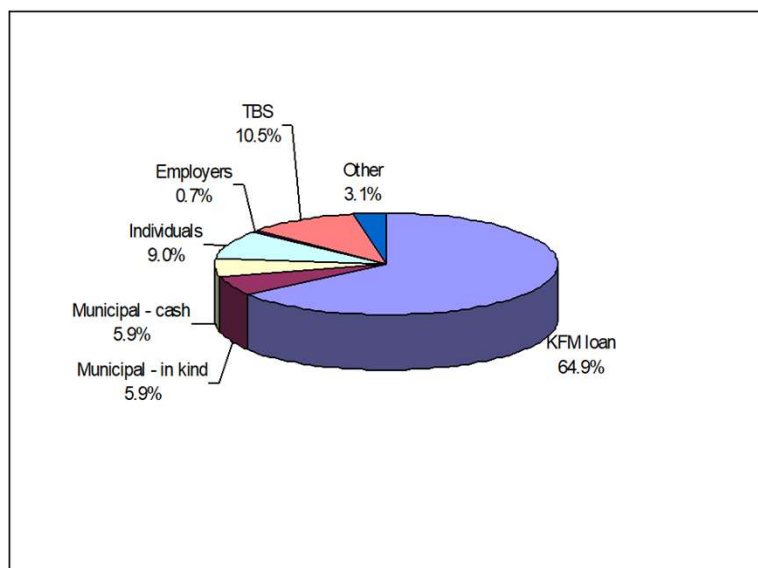
- Mixed targeting, 7% eligible for housing allowances (3.5% in co-ops), 20% with some form of municipal support.
- Variable employment structure: mostly employees (private, coop) vs. government workers, self-employed (municipal)

Motives for tenants

- Priority investment and change of living conditions (private, coop) vs. priority quantity and quality of housing (municipal)
- Private TBS targeted to migrants. 18% of tenants are domestic migrants.
- 51% before lived in shared housing units (cohabitation), many young households.

TBS SYSTEM POLAND ACCESS TO FINANCE

Overall Program Funding Structure



Funding of Tenant Participations

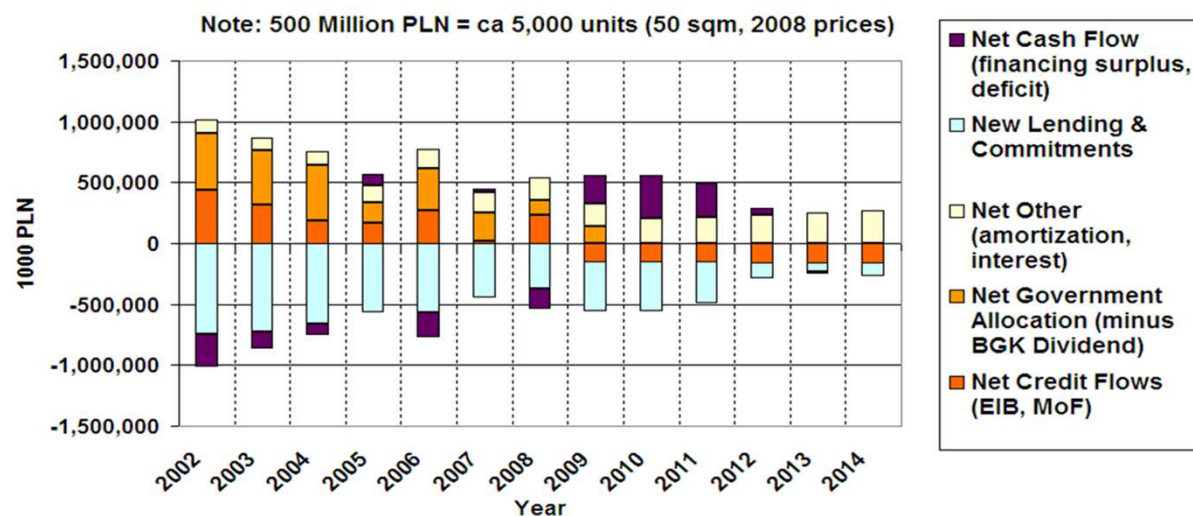
Participations paid by	TOTAL	Ownership structure			
		Private TBS	Housing cooperative	TBS with municipal majority	TBS with municipal minority
		143	141	321	88
Tenant alone	62.6	76.3	74.4	55.7	51.1
Third party or employer	11.6	15.4	1.4	9.3	15.9
Mix tenant/third party & municipality	7.4	0	4.3	13.7	15.9
Municipality ..	11.4	3.5	8.4	17.7	13.7
.. to tenant vacating social housing	5.1	0.7	2.1	10.3	2.3
.. to tenant removed from waiting list	2.5	0.7	0.7	4	2.3
.. remains owner of the flat	3.8	2.1	5.6	3.4	9.1

Source: Tenant Survey 2008.

- Debt
 - 2/3 loans from central government agency BGK funded by budget ($\leq 70\%$ of construction costs).
 - EIB to upscale 2018-2021 with EUR 500 mln.
- Equity
 - Local government provides serviced land.
 - TBS investors supply cash, in addition:
- Tenant participations
 - Typically 3-5%
 - $\frac{3}{4}$ by tenant alone (private, coop) vs. 30% by municipality (municipal)
 - Employers pay participation against receiving right to house employees.
 - Municipalities pay participations for tenants vacating social housing and to reduce the waiting list.
- Right to buy (RtB)
 - Payment of a participation does not provide an RtB, only buys down rent.

TBS SYSTEM POLAND FINANCIAL MANAGEMENT

National Housing Fund Cash Flow



Revolving National Housing Fund

- Low amortization due to no uniform rent pricing
- Central government stifles debt issuance despite reasonable financials of $\frac{3}{4}$ of the TBS.
- Fiscal side choked system, until EIB arrived.

- Role of BGK agency
 - Mandate supervision
 - Credit assessment of TBS
 - Financing
 - Financial monitoring

Source: Brzeski, Duebel, Taffin (2008)

Financial Analysis of 236 TBS

		TBS		
		Quartile of variable values		
		25%	50%	75%
Balance sheet structure	Equity/Total Assets	25.8%	33.0%	42.4%
	(Long-term Liabilities + Equity)/Fixed Assets	86.3%	95.2%	102.4%
KFM debt, access to credit	KFM/Total Assets	33.7%	45.4%	51.8%
	KFM/Fixed Assets	41.7%	50.3%	56.2%
	KFM/Tangible Fixed (Housing) Assets	42.0%	51.3%	57.8%
	Non-KFM credit/Total Assets	5.7%	9.4%	14.5%
Profitability	Earnings before Taxes/Equity	0.11%	1.04%	3.45%
	Earnings before Taxes/Total Assets	0.04%	0.32%	0.98%
Debt service capacity	Earnings before Interest and Taxes/Total Assets	1.16%	1.84%	2.57%
	Earnings before Interest and Taxes/Total Credit	2.25%	3.40%	4.83%
	Interest expenses/Earnings before Interest and Taxes	93.2%	72.5%	40.6%
	Interest expenses/Total Credit	3.26%	2.76%	1.77%
Sample size		236		

UNITED KINGDOM THFC MUTUAL FUNDING FOR THE NON-PROFIT HOUSING ASSOCIATION SYSTEM

Housing Market Segments and Government Intervention in England

Housing associations (HA)

- special oversight and regulation
- special government subsidy and financing schemes.
- any surplus must be invested in maintenance or new construction of housing.

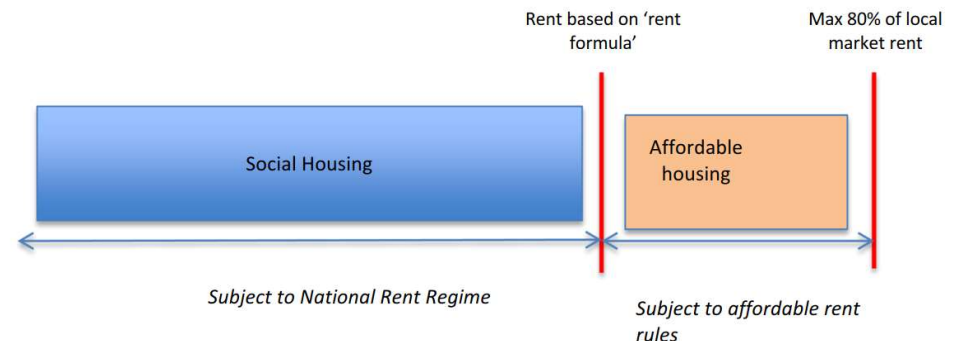
Market segments

- mostly in affordable rental, where the ceiling is 80% of market rent (ca 60% above social rents).
- also shared ownership schemes, leasing, starting from 25% down-payment.
- Larger HA with market rent / for-sale activities.

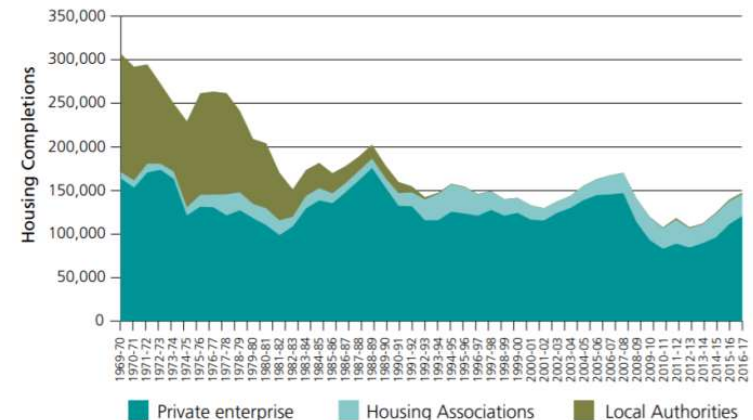
HA for housing funded by government must offer right to buy to tenants at government-determined discounts.

- There is claw-back if the former tenant sells at a capital gain.

Current production ca 30K units p.a.



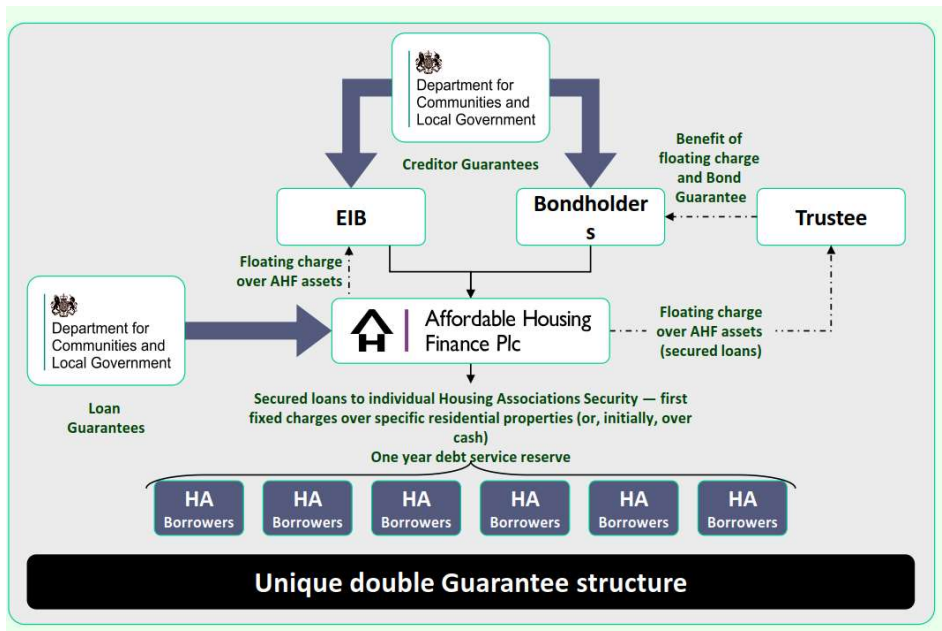
Source: Czischke & van Bortel, 2017.



Sources: Altair, THFC.

UNITED KINGDOM THFC FUNDING AGGREGATOR AND AHF GUARANTOR FUNCTIONS

Affordable Housing Guarantee Scheme (Loan and Bond)



Guarantor subsidiary (rated AA)

- EUR 3.5 bln notional Affordable Housing Guarantee Scheme, of which 1.5 bln EIB,
- Rated AA, S&P, with UK gov guarantee on both loans and bonds (comparable to U.S. FHA/Ginnie Mae)

The Housing Finance Corporation (*1987)

- mutually owned by the HA.
- The HA can also directly access banks or the capital market.

THFC functions:

- mobilizes collateral (property) from HAs,
- conducts HA credit assessment,
- issues or creates issuance vehicles for public secured bonds,
- places debt privately and raises bank loans,
- guarantees debt via a subsidiary, with UK government support.

Aggregator (rated A+, S&P)

- EUR 8.6 bln portfolio (Oct 19) to around 166 housing associations (32K homes),
- Issues both corporate bonds and through SPVs. AHC Plc subsidiary of THFC.

UNITED KINGDOM THFC RISK PROFILE AND PROFITABILITY

Statement of Comprehensive income

	Notes	2019 £000
Operating income		
On loans to housing associations		
Interest receivable	2	135,583
Discount amortised	11	1,724
Premium amortised	11	(3,994)
Premium receivable on prepayment		358
Other interest		257
Fees receivable and other income		3,471
Dividend from subsidiary undertaking		2,875
		140,274
Operating expenses		
On debenture stocks, bank loans and other loans		
Interest payable	6	135,568
Discount amortised	14	1,724
Premium amortised	14	(3,994)
Premium payable on prepayment		358
Administration expenses	3	3,213
		136,869
Surplus before taxation		3,405

Source: Standard & Poors, 2018.

THFC does not take liquidity or interest rate risk:

- Funds are onlent at identical maturity and repayment profile with zero spread,
- There is no funding guarantee for HAs.

THFC takes very limited credit risk:

- Consolidated guarantee operation with zero calls,
- Credit risk from lending is low as HA in difficulty are usually restructured and merged by the regulator.

Profit sources:

- Fees— paid by members for capital market access,
- Guarantor dividends,
- Low administration costs.

BWO SWITZERLAND FEDERAL MULTI-WINDOW HOUSING AGENCY WITH GUARANTOR FUNCTIONS

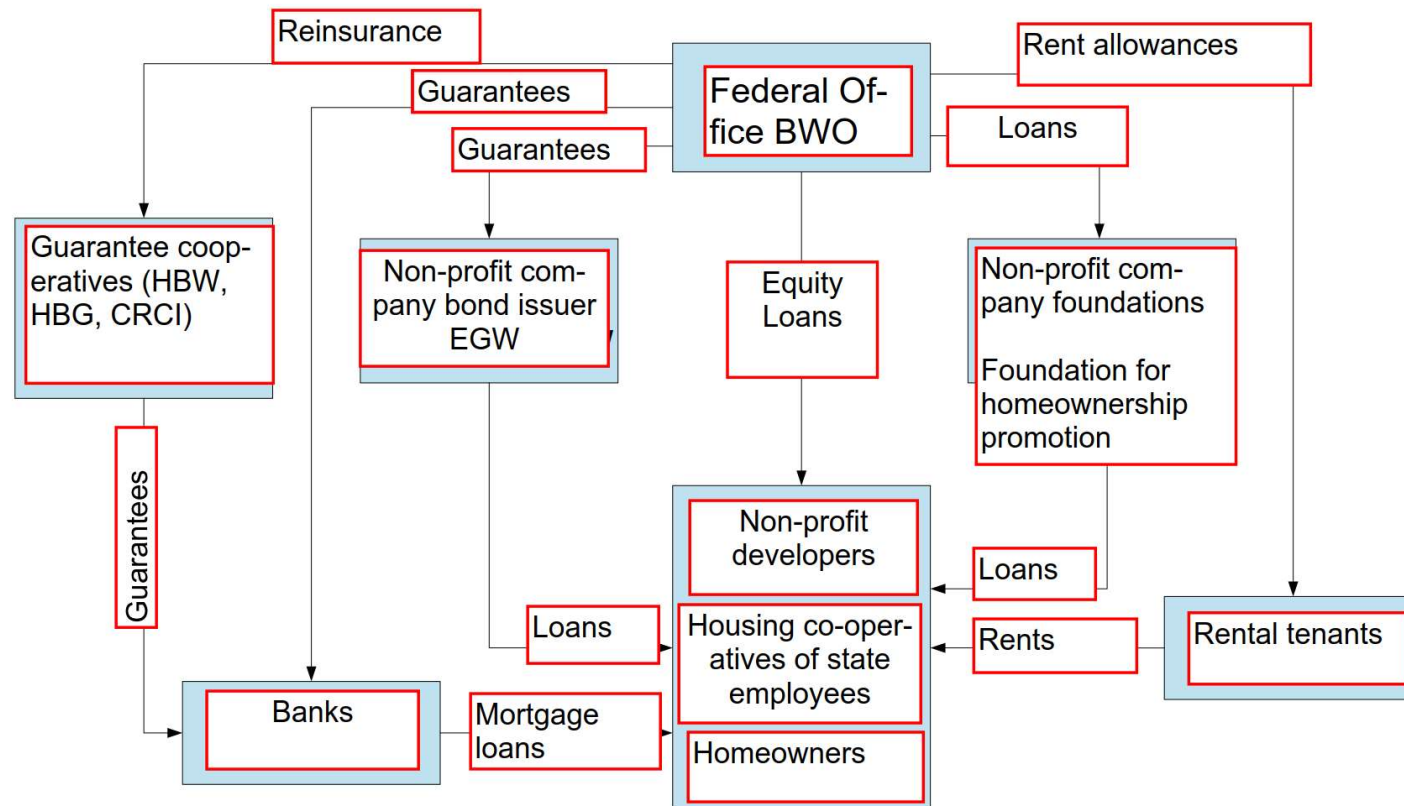
Bundesamt Wohnungswesen (Federal Housing Office) with the following functions:

- Housing market policy co-ordination, information and research
- Housing assistance, including departments for financial assistance and recovery/resolution
- Law, in particular rental law – e.g. determination and enforcement of control parameters, specialist advisory services to courts on rental housing matters – but also in all legal affairs regarding housing assistance
- Technical construction supervision of social housing and other projects proposed to benefit from housing assistance

BWO is operating a co-ordinator, financier and guarantor of a network of social housing institutions including non-profit housing companies, non-profit housing developers, lenders and guarantors

BWOs housing assistance includes subsidies (housing allowances), lending, guarantees and reinsurance of guarantee funds benefiting both rental tenants and homeowners

BWO SWITZERLAND HOUSING ASSISTANCE PROGRAMS AND NETWORK



Source: BWO.

Three main programs:

A: Loan guarantees and loans (up to 90% LTV) for low-income homeowners

B: Rent allowances for low-income rental tenants (non-profit rental)

C: Loan guarantees permitting indirect funding of non-profit rental housing associations and co-operatives, including an own refinancing company EGW

BWO SWITZERLAND BACKUP FOR THE MUTUAL BOND ISSUER OF SOCIAL HOUSING ORGANIZATIONS

EGW Bond Issuance Co-operative

- Social housing companies and co-operatives are members in the bond issuing co-operative EGW,
- The BWO provides backup guarantees.

Issuance process

- Funding requirements of several housing companies are pooled,
- EGW raises funds at favorable conditions by issuing state-guaranteed bonds through private or public placements.

Credit support through primary loan guarantees

- The BWO in addition provides loan guarantees of up to 70% of construction cost.

Funding Cost Advantages of Joint Bond Issuance vs. Bank Loans, Volumes

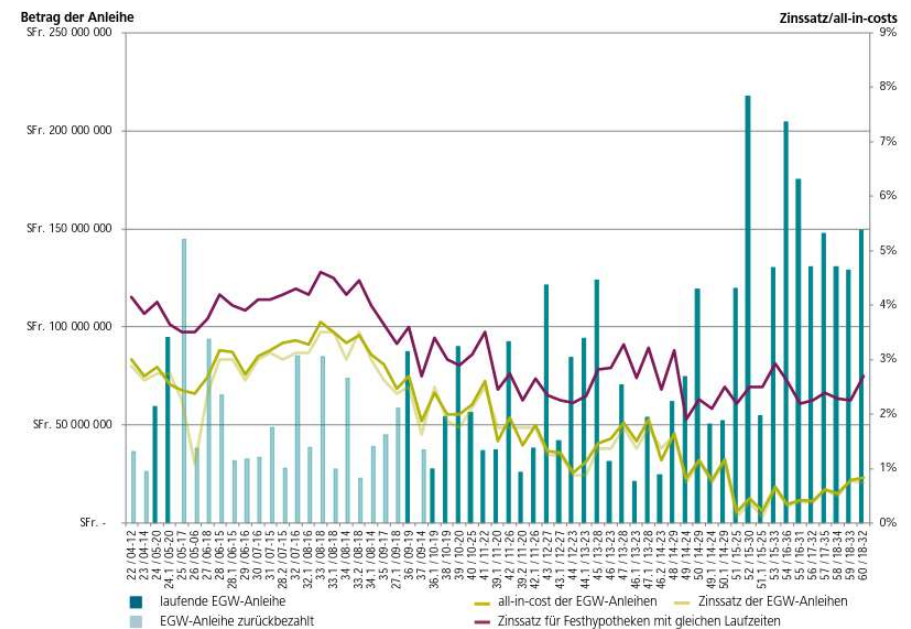
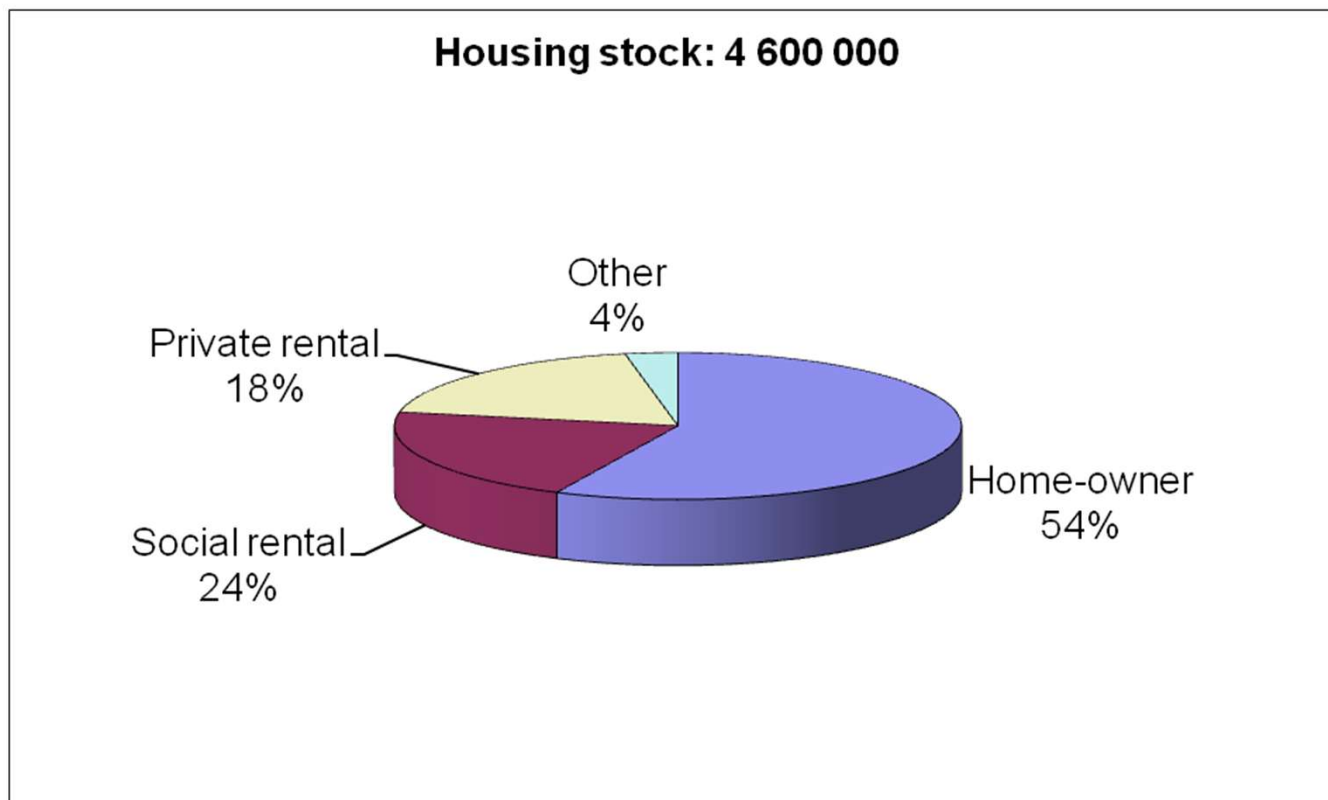


Abb. 8 EGW-Anleihen (WFG) per Ende 2018. (Quelle: EGW/BWO)

AUSTRIA LIMITED PROFIT HOUSING ASSOCIATIONS

SOCIAL HOUSING MARKET SHARE



AUSTRIA LIMITED PROFIT HOUSING ASSOCIATIONS

ROLE IN SOCIAL HOUSING

Limited-profit housing

- provided by non-profit providers (cooperatives and societies) working under the Limited-Profit-Housing Act.
- Have limited income, restricted business activities, have to reinvest their income in new housing/refurbishment and
- Apply specific rent regulation (cost rent with statutory rent limits).
- Manage 56% of social housing.

Public rental housing

- provided by public authorities, mainly municipalities.
- Municipalities manage 33% of social housing stock but have withdrawn from new construction.

For-profit providers

- Manage 11% of social housing.

AUSTRIA LIMITED PROFIT HOUSING ASSOCIATIONS

RENT SETTING, ALLOWANCES

Rent setting

- Generally have to apply cost rents, regardless whether the dwelling is subsidized or not,
- Individual Austrian run state promotion schemes that may demands additional hard rent limits for the subsidization period,
- After the maturity of loans (and the subsidization period) there is still a statutory rent limit, which is currently set at € 3.29/m² net throughout Austria (which implies for many dwellings that rents are lowered after maturity of loans).

Housing allowances

- As a result of rent controls, moderate level of public expenses for individual allowances. Less than 7% of households receive individual grants.

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FUNDING STRUCTURE OF NEW CONSTRUCTION

Developer / housing association equity

- Average: 35% of the total cost

Long-term public loans

- Regulated by States
- Average: 35% of the total cost
- Maturity 35 years
- Interest rate: between 0 and 2 %, increasing every 5 years.

Bank loans

- Average 43% of total cost
- Loans funded by Housing Construction Bonds (Wohnbaubonds), which are exempt from capital gains and income tax and issued by special banks.
Can be considered as 'pre-subsidised' loans, comparable to the French Livret A system. 50 base points lower than bank loan.
- Maturity 25 years, there are also models with an open maturity,
- Current interest rate is variable between 2 and 3%.
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AUSTRIA LIMITED PROFIT HOUSING ASSOCIATIONS

TENANT PARTICIPATION AND RIGHT TO BUY

Tenant participation

- Average 9% of the cost.
- Works as a quasi-loan to housing company given back indirectly via lowering the rent.
- If the tenant moves out, he/she gets back the initial sum depreciated by 1% per year.
- Households who cannot pay the tenant equity can get a public loan at 0% interest rate extended by the state.
- When the tenancy is terminated the remaining amount is paid back and the new tenant pays the total (unless the provider chooses another source of financing).
- If these contribution are higher than € 60/m², the tenant has the option to buy the dwelling after 10 years. Currently about 25-30% of tenants buy their dwelling in the end.

CONSIDERATIONS FOR LITHUANIA

DISCUSSION

Municipal rental housing

- Rent setting policy to ensure zero profit condition
- Incorporation to improve governance, management, transparency, create capital
- Aggregation of smaller municipalities

Non-profit rental housing

- Alternative or complement to municipal housing?
- Requires enabling law and subsidy design
- Requires options design: leasing, ownership, right to buy

Underwriting and funding

- Which credit is preferable: municipal/state, corporate with guarantees?
- Structure of the guarantee system?
- Public loans, bank loans or access to the market?