



Irish Council  
for Social Housing

# Finance for Development & Delivery

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# LEARNINGS FROM NEW FINANCIAL MODELS



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# Opportunities and threats in Flemish social housing



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# Who we are - VVH

## VVH – federation social housing companies

About 90 members (99,9% of the social housing stock)

- Staff of 8 people (Antwerp based)
- Mainly rental stock > combined with social loans/for sale stock
- Recent evolution > mergers (1,000 rental stock minimum)
- Private companies (autonomous) with social aim
- Member movement > defending interests of sector > communication / social dialogue with unions



# Flemish social housing sector

## Social housing companies

155,000 rental stock

- Very divers > some couple off hundred, biggest 18,000
- Production about 2,500 newly build rental stock a year
- Production about 5,000 renovated a year
- Production about 1,000 newly build stock for sale a year
- Total investment about 1 billion euro's a year



# Flemish social housing sector

## Other players

Mainly social housing companies (for the last 100 years)

- Some social rental stock managed by municipalities (couple hundreds)
- One Flemish 'private' organization with about 1,000 rental stock
- Social rental agencies (about 10,000 rental stock)
- About 10,000 people receive rental subsidies
- About 10,000 rental vouchers (linked to waiting list social housing)



# Flemish social housing sector

## Social housing need

Very long waiting list with very long waiting period

- Stock of 155,000 > waiting list of 125,000
- Theoretic/academic waiting list about 280,000 > half of the private rental market
- This is without house owners (about 125,000 defined as 'emergency buyers')
- The need is increasing due to smaller families, growing poverty, immigration,... > at this moment 1 out of 2 on welfare...



# Flemish social housing sector

## Key figures

Big investments, low rent

- Average rent = 300 euro's a month (market price = 600 euro's)
- Only subsidy > subsidized loans at -1% (33 years)
- Production level as shown very high
- Historical buffer (payed off stock) doesn't cover payments of the loans any more > a slippery slope
- High demand for renovation heightens that problem





# Consolidation of VMSW > wake up call

## Financing system

Government financing (investing) is limited

- Government intermediary structure is on state debt since 4 years
- This added one day to another over 10 billion euro's to Flemish debt > Flanders had not debt before this
- Increasing with 1,5 billion euro each year (1 billion social housing investment > not subsidy!, 0,5 billion social loans
- Because it's financed by loans, actual cost is low > big risk when rates of loans will increase



# Subsidizing ownership > financing sector

## Financing system

Government financing is limited

- Direct on balance cost of mortgage deduction for home owners (flat rate) > 1,8 billion a year directly on balance, no debt increase
- Because social housing financing is increasing state debt (even if it will be paid back!) this is politically very difficult (even if it's actual cost is very limited at the moment

>>> So we went to search alternatives



# Consolidation issues

## Social housing companies and public sphere

Social housing companies are not consolidated in Flanders

- Key elements: private companies (not e.g. not for profit) and still exercising an economic activity (rental income can cover debt)
- One of the members (now dismantled) actually was consolidated, mainly due to a non-economic activity (low rental income and very high annual payments for loans)

>>> The fact that we are not consolidated strengthened the search for alternatives



# ELENA > ASTER

## Alternatives in financing housing for a social purpose

ELENA proposal ASTER recently got approved by the EIB (European Commission)

- Access to Sustainability for Tenants through Energy efficient Retrofit
- Hooked up on a recent change of legislation (we asked as VVH) that makes split-incentive models possible for renewable energy - PV) > we will invest at least 42 million euro's through Aster in PV

>>> We actually found our alternative!



# ELENA > ASTER

## So what is it?

Grant of about 1 million euro

- Technical assistance to set up a structure to access financing possibilities next to the government > so not on debt
- First step > pv (as in the approved ASTER proposal) > next step other renewable energy possibilities, affordable housing,...
- Main idea to find investing possibilities next to our main financing models by the state, outside the state (debt) and as an addition to the main social housing goals from the state



# ELENA > ASTER

## So what is it?

Couple of possible opportunities

- PV > split incentive model with market rate loan and split incentive (tenant will pay investment with part of his saving)
- Similar opportunities in renewable energy (in addition to general renovation)
- Affordable housing (legal framework exists) > still a ‘social housing task’ but for a higher income group (still with allocation rules, income limits,...)  
> with market rate loans at max 90% of market rate rent



# ELENA > ASTER

## How will we do it?

Three years time

- Most important is to set up a (new) intermediary structure outside the government (so outside state debt > also of course without state guaranty) > starting spring 2019 > VMSW (state financing intermediary) will be on board (proposed) with a symbolic share > No state guarantee!
- This will actually handle the investments
- And explore off balance and off state debt financing models > EIB, CEB, banking sector, pension funds,...

>>> Translate existing ideas in business models so we can provide the alternative we need (when state funding stocks)



# Thank you!



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