



Affordable rental housing and reducing homelessness in Finland

8.2.2018 Expert seminar -Implementing Housing First

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Housing Finance and Development Centre of Finland (ARA)

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ARA = Government Housing Agency:

Since 1949 over 1 million affordable homes built with government loans and interest subsidy loans



1949 Housing Production Committee

- Government housing loan programme started 1.4.1949 "to abolish temporary housing shortage in cities"
- Production loan system was named **ARAVA**

1966 National Housing Board (NHB)

- NHB was transferred under new Ministry of Environment 1983
- NHB was closed down in 1993, it had around 180 employees

- **1993 Housing Fund of Finland (ARA)**

- ARA concentrated on social housing loans
- Agency had 70 employees at its best

- **2008 Housing Finance and Development Centre of Finland (New ARA)**

- 58 employees – regionalised to Lahti (100 km North)



Housing Finance and Development Centre of Finland (ARA)

- Current Government housing agency since 2008
- Operating under the Ministry of the Environment
 - Ministry sets objectives and guidelines
- Implement government housing policy
 - In addition with statutory tasks ARA have responsibilities of different government housing programs: program for reducing long term homelessness, program for improve elderly housing etc
- 58 employees
 - Engineers, architects, lawyers, economists, social scientists



Main tasks of ARA

1. *Implement government housing policy (supply side)*
 - Interest subsidy loans for rental housing production and renovation
 - Different kinds of grants
 - Guarantees
 - Focus in **social rental housing = 8 600 new ARA-home starts in 2017**

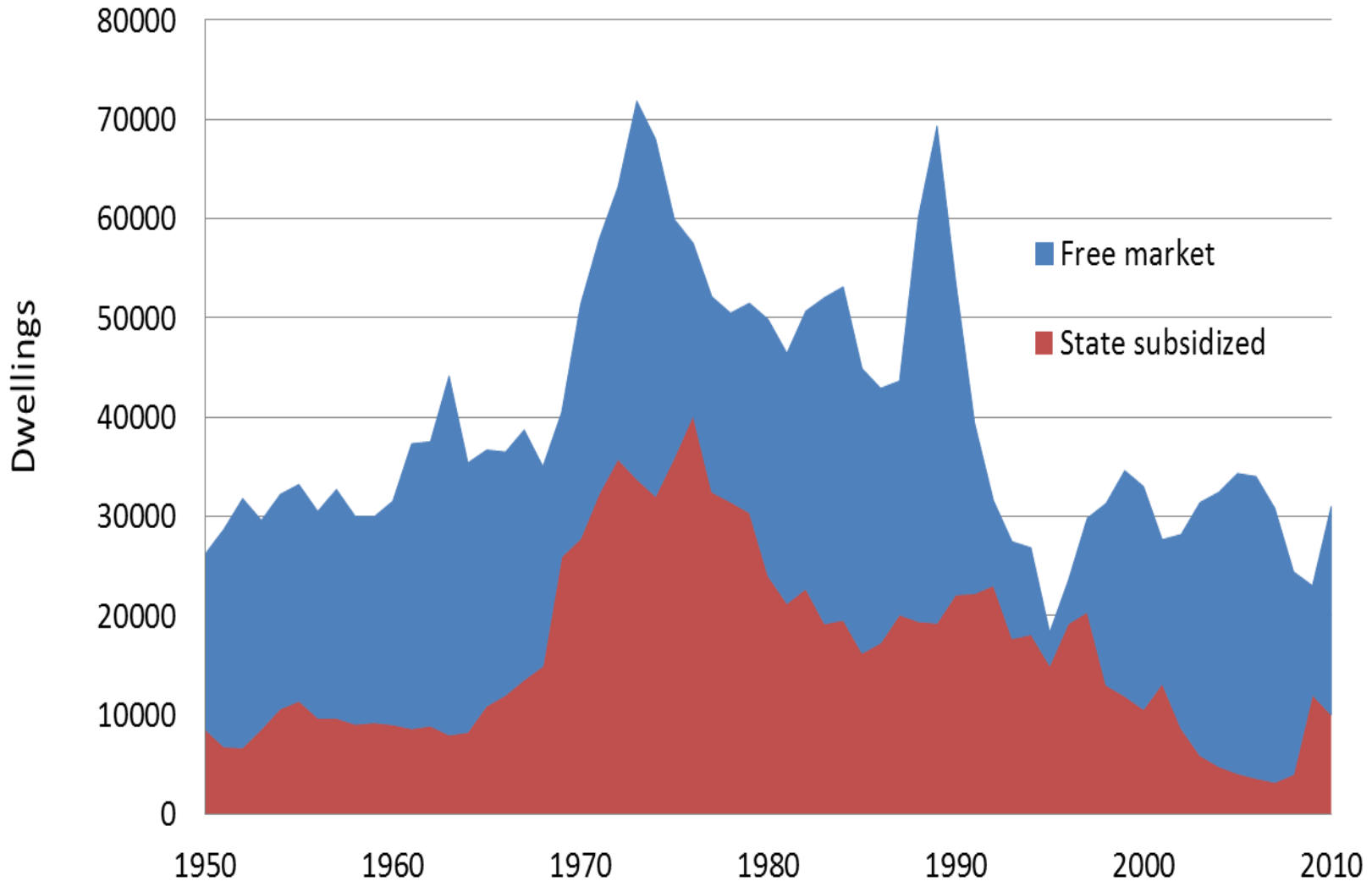
2. *Tasks concerning state subsidised housing stock = 15 % of all dwellings*
 - Guiding and monitoring use of housing stock
 - Taking care of risks concerning loans in co-operation with **State Treasury**
 - Control of rents and guidance of tenants co-decision

3. *Providing housing market information*
 - Housing market survey, gathering statistics of homeless, statistics about construction cost

4. *To promote developing activities in state subsidised housing stock (to improve maintenance, long-term planning etc)*

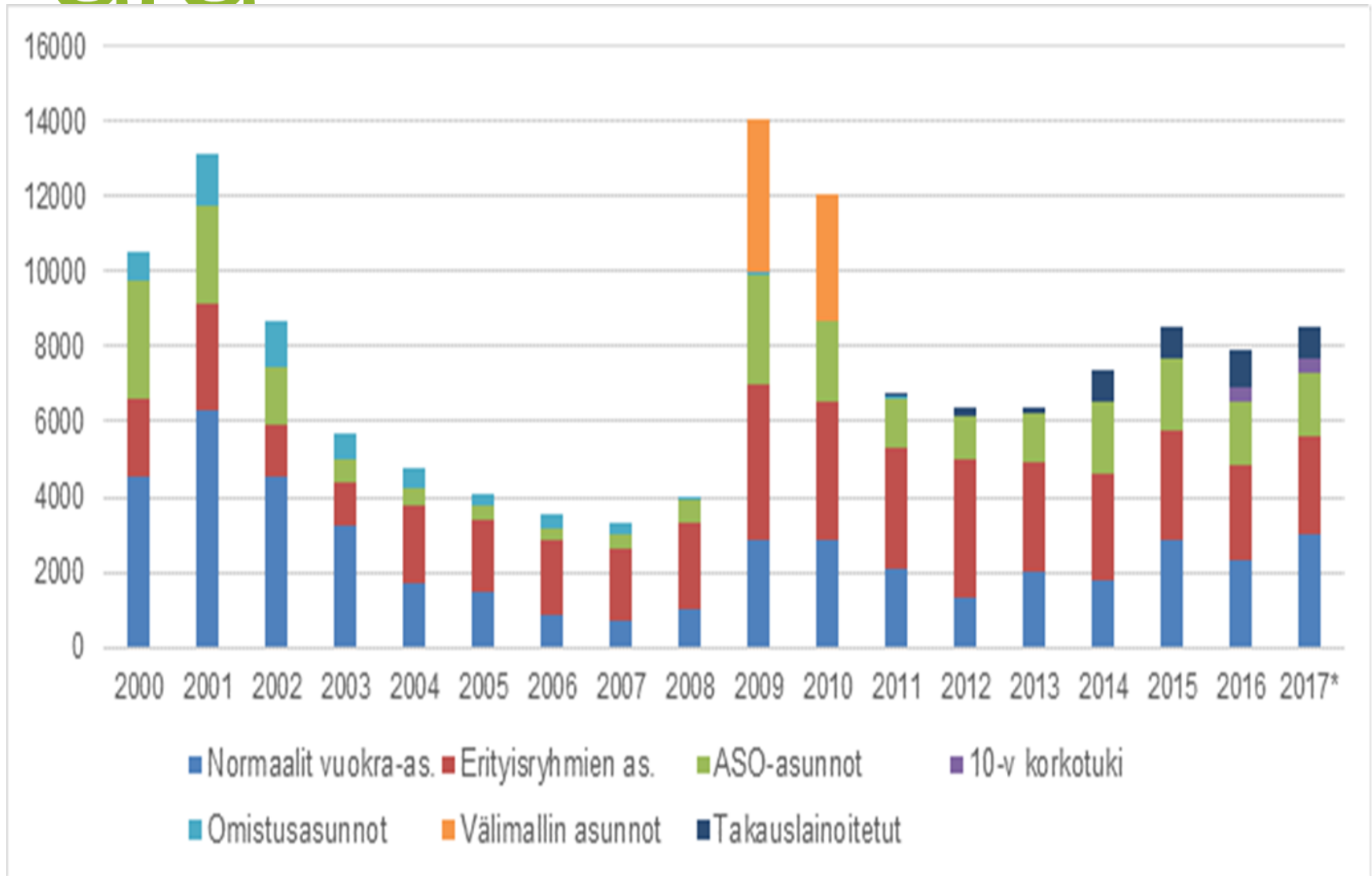


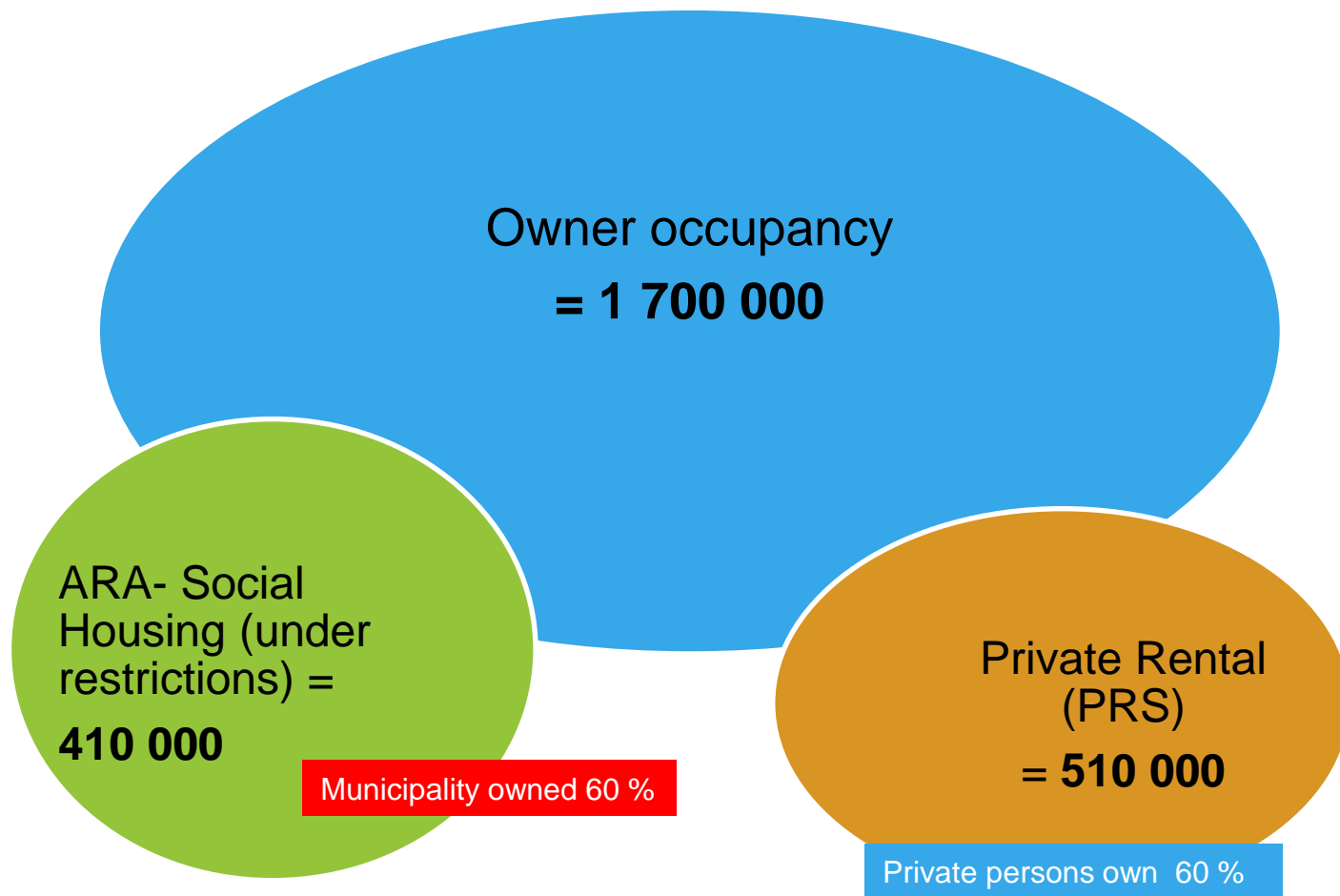
ARA Subsidized Housing Production 1950–2010 – over 1 million dwellings





ARA subsidized housing production 2000-2017 (new dwellings)





ara Essential in social housing policy

- Housing is a core element in ensuring welfare - markets do not provide reasonable priced housing for all
- Constitution of Finland: “***The public authorities shall promote the right of everyone to housing and the opportunity to arrange their own***”
- Focus is in the housing needs of low income households and in shortage of rental housing in growth centres
 - High housing costs especially in Helsinki region
 - Housing markets are more balanced outside Helsinki metropolitan area
- Needs to promote housing for special groups
 - Ageing population, sheltered homes
 - Housing of the disabled persons, aim to abandon institutions
 - Housing for homeless persons
- Integrated residential areas (social stability, no slums, no segregation)
 - Social and other housing situated side by side = Social Mix principle
 - Tenant selection criterias in social housing but also aim to avoid segregation in house level



Housing support system

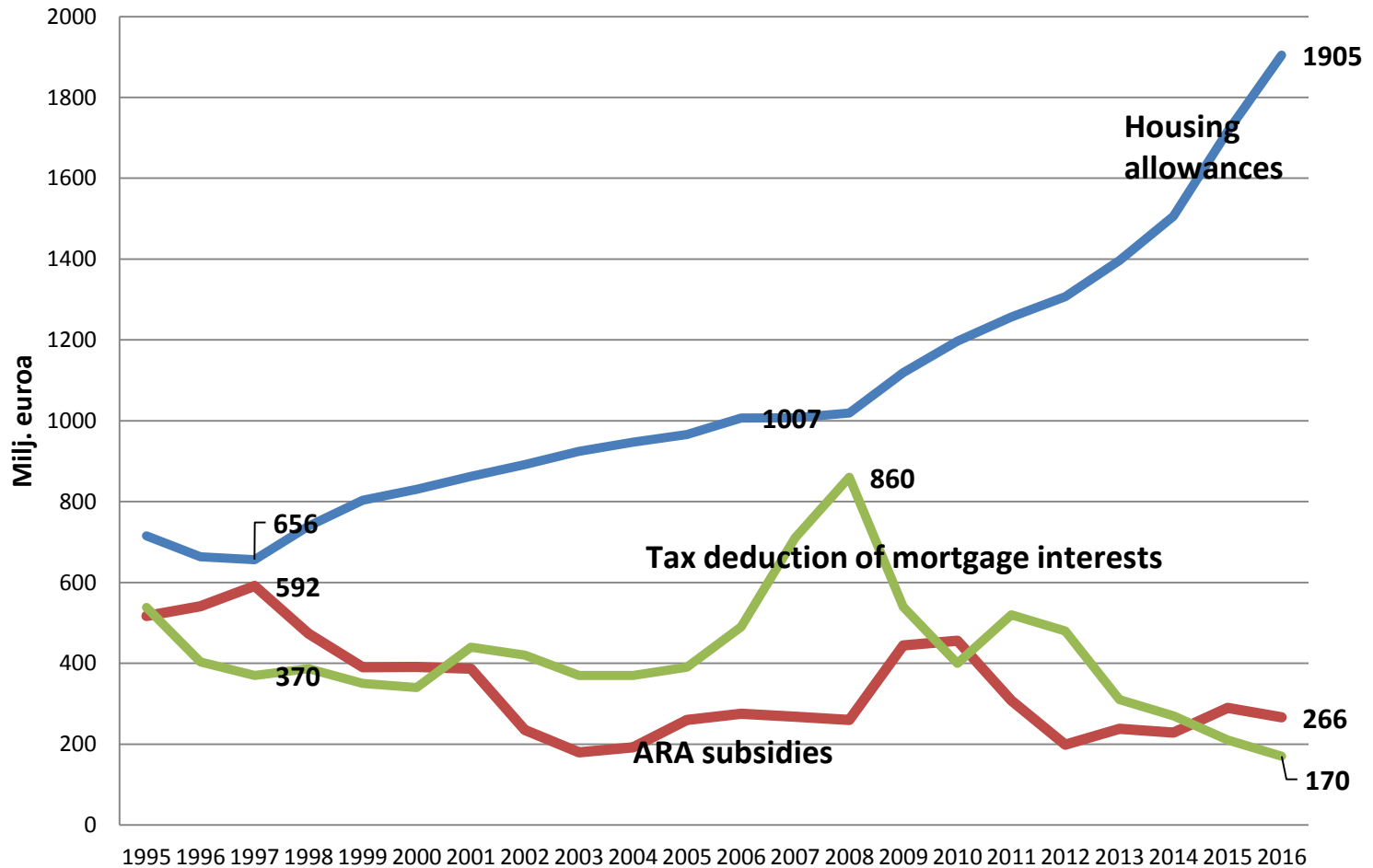
Combination of different subsidies, focus is in demand subsidies

- **Demand linked subsidies**
 - promoting housing consumption
 - housing allowances
 - tax-relief for interest on housing loans
 - Tax relief in selling
 - First time buyer interest subsidy (ASP –scheme)
 - 90 % of all subsidies
- **Production linked subsidies (ARA)**
 - encouraging housing production and renovation
 - interest-subsidy loans
 - investment grants
 - Renovation and other targetted grants
 - 10 % of subsidies

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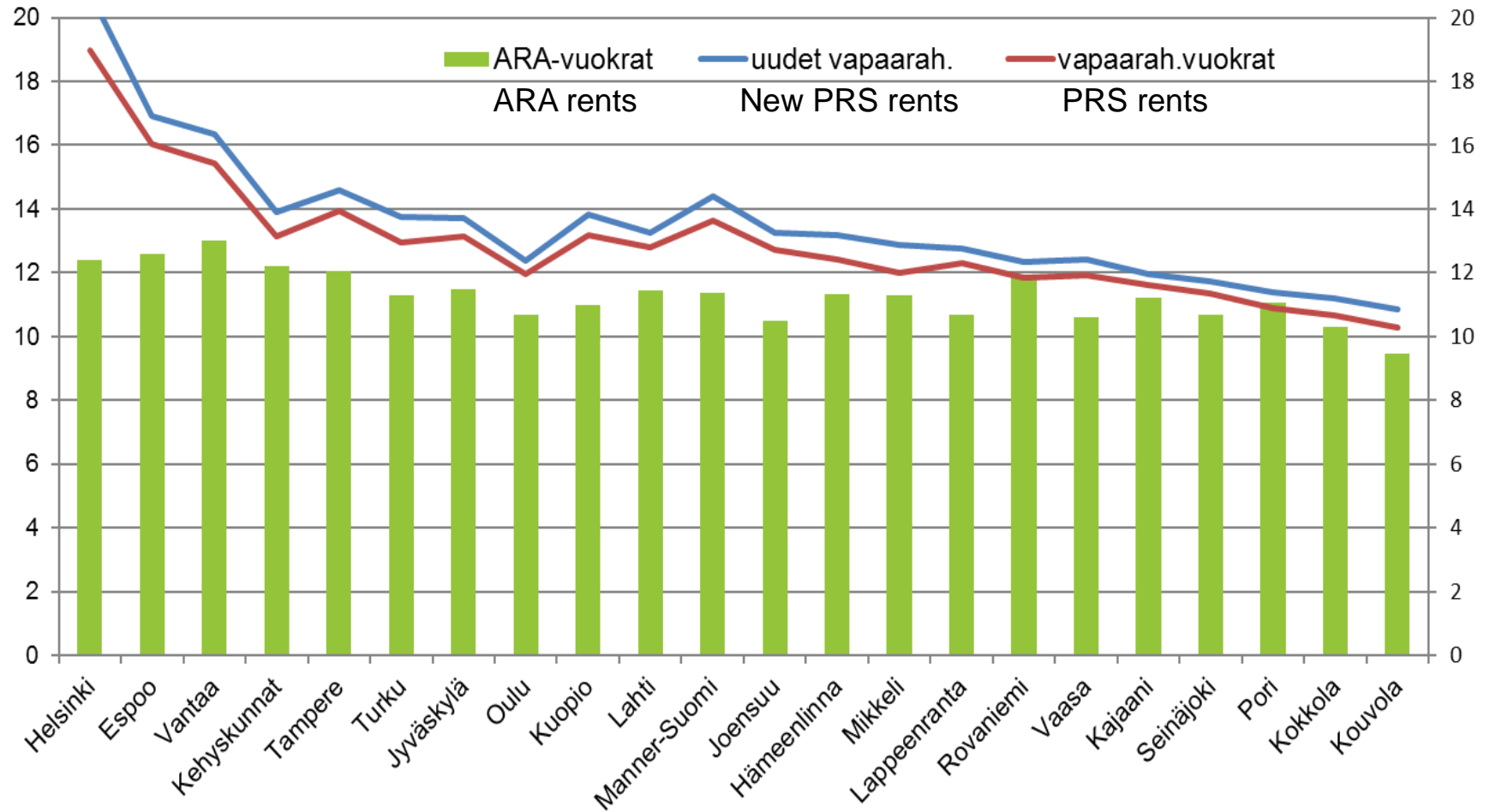
1995-2016 Development (M€) of:

Housing allowances, Production subsidies (ARA) and
Tax deduction of interest of housing loans



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ARA rents are based on cost recovery principle – in Helsinki ARA rent level is over 50% under market rent level (PRS)





Agreements on land use, transport and housing 2016-2019 (MAL) – between Government and municipalities

- Agreements between Government and municipalities in the Helsinki metropolitan area and Tampere, Turku and Oulu regions
- Aims to promote of an adequate amount of dwellings and plots for the dwellings
- Includes ARA subsidies for housing production
 - Infrastructure grants
 - Start-up grants in Helsinki region (10 000 euros/dwelling in social rental production)
 - Municipalities commit to take care of plot supply also to social housing (20-30 % of housing)
- Government investments in transport system (for example region fast circle tramline in Helsinki and new tramline in Tampere government takes part of 150 M€)
- Housing production target in Helsinki region: 60 000 new dwellings in 2016-2019, of which 16 600 ARA affordable homes
- Based on joint responsibility to develop urban regions



Government Budget 2018: ARA has mandate to accept new housing loans up to 1,8 billion Euros

• Interest subsidy (social housing)	1410 M€	} 1,8 Billion €
• Guarantee loans for rental housing	285 M€	
• Gurantees for renovation of owner occupancy	100 M€	
• This is enough for:		
– New social housing dwellings	9 000	} 23 500 dwellings
– New guaranted rental dwellings	2 000	
– Social renovation	4 500	
– Owner occupancy renovation	8 000	




Government Budget 2018: ARAs grants for housing 2016-2018 (Million Euros)

	»	2016	2017	2018
• Investment grants for special groups		110	119	105,0 M€
• Start-up grants (Helsinki region MAL)		20	20	20,0 M€
• Infrastructure grants for municipalities (MAL)		15	15	15,0 M€
• Repair grants		35	46	36,5 M€
• Demolition grants		2	2	2,0 M€
• Housing advice grants		0,9	0,9	0,9 M€
• Research and development		0,7	0,7	0,7 M€
• New grants for 2018:				
– Infrastructure for charging of electric cars grants				1,5 M€
– Prevention of economic difficulties in housing				1,0 M€
Together		183,6	203,6	182,6 M€



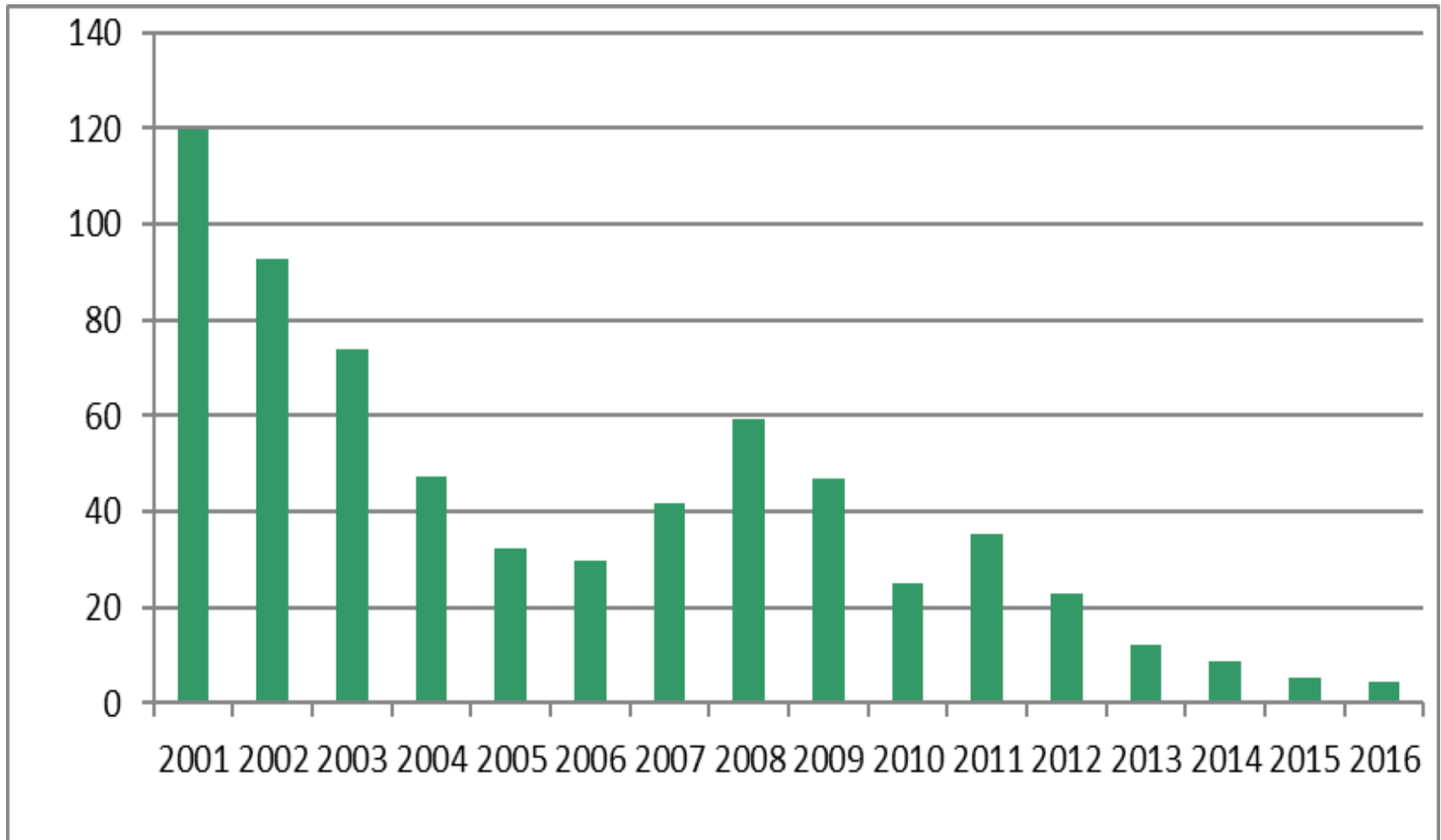
ARA's Interest subsidy loans with Government guarantee

- Loans are intended to encourage to build or renovate rental and right of occupancy dwellings
 - Granted by bank or other financial institution
 - ARA approves loans and interest subsidy is paid for 23 years
 - Subsidy is only paid when interest rate is **over 1,7%** (3,5%)
 - ARA checks suitable interest rates and margins
 - Includes **state guarantee**
- **Direct Government loans were abolished in 2007**
- **Since then the Municipality Finance** has been "the lender of last resort" for social housing projects (Financial crisis) 
- Production subsidies are paid from off-budget Housing Fund of Finland (operated by ARA)
- Interest subsidy will be soon renovated to meet conditions of very low interest level





Due to very low interest level of Social Housing loans – the paid interest subsidies where only 4,4 M€ in 2016





Main phases and roles in interest subsidy loan process

Government budget defines maximum limits of loans for the year

=> 2017: 1410 M€ (= 9000 new dwellings + renovation)

Use of plan and guidelines given by Government in January

Application to municipality

- Approval of Municipality is needed

ARAs role:

- Market and need analysis (population, rents, prices etc)
- Risk analysis of borrowers (annual statements, co-operation with state treasury)
- Cost control and quality steering
- Accept conditions of finance
- Subsidy descions



Borrowers of Social Housing

- Social housing is carried out by municipality-owned companies or designated non-profit organisation
- Finnish municipalities
 - Directly
 - Municipality -owned housing companies
- Designated borrowers
 - Designated by ARA, borrowers have to commit rules and legal framework of owning social rental dwellings
 - Non-profit organisations like **Y Foundation**
 - Special purpose associations
 - E.g student and old-age organisations



Also specific regulations for designated owners

- Primary function of organisations is to build rental and right of occupancy dwellings
- The organisations are permitted to pay out only moderate dividend (4% maximum)
- Risk taking is limited
- Company's shares can not be traded publicly



Restrictions in ARA subsidised rental dwellings

- Ensuring that subsidies are channelled to residents and dwellings maintain in intended use
- **Rental use** obligation of dwellings for **40 years**, ARA can liberate if there are no need in rental dwellings in region
- **Cost recovery principle in rent setting** => under market rents
- Regulations concerning selling of dwellings
- If investment grant included => special use obligation 20 years
- **Tenant selection principles**
- **Tenant democracy** (co-decision law)

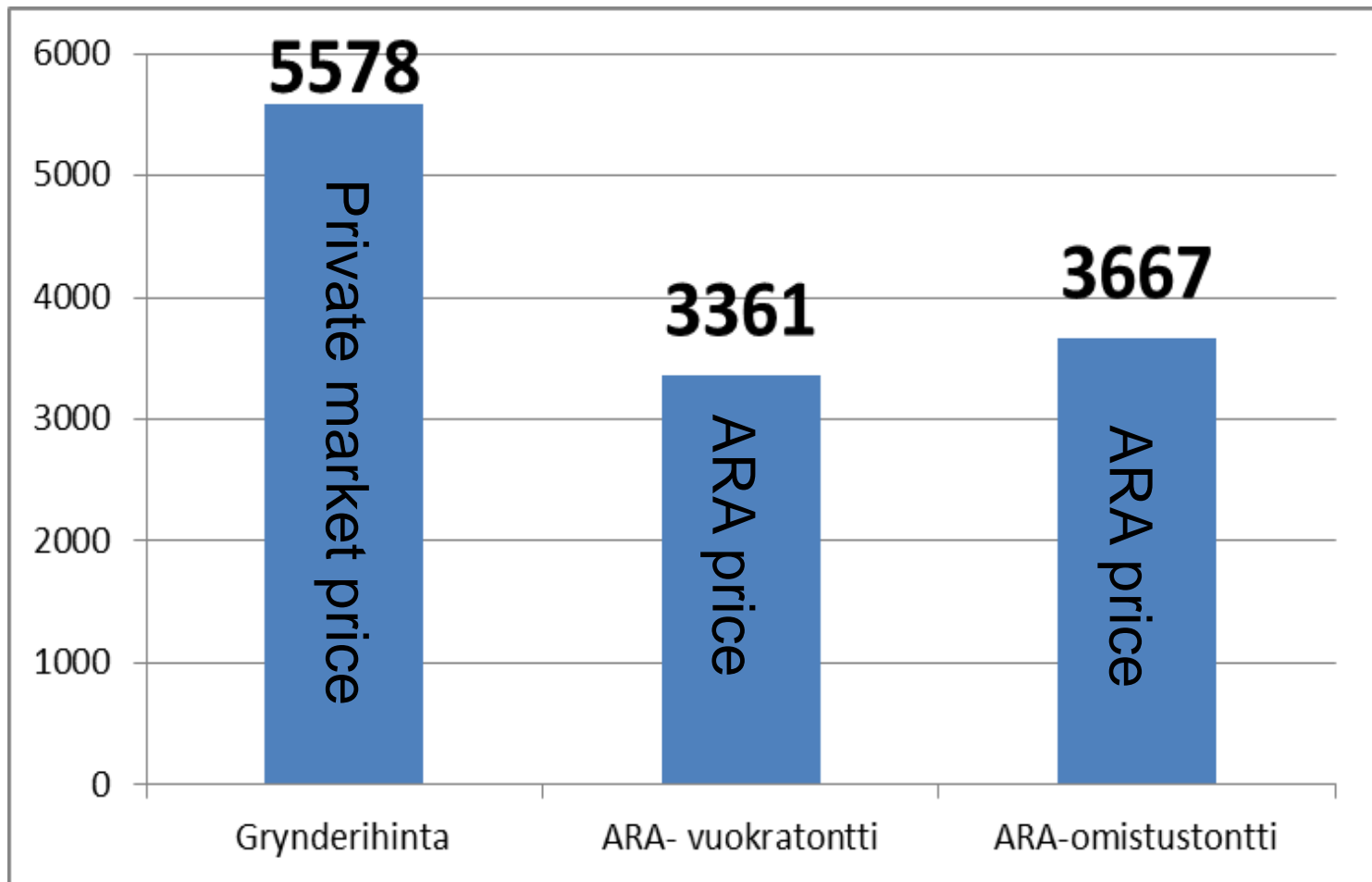


Cost control and steering of plans

- Building projects are influenced by cost and quality monitoring by ARA
- Aims to produce high-quality dwellings at reasonable costs
- In construction basic rule is competition in tendering. Information on construction cost is gathered by ARA and it makes possible to ensure that building projects are based on reasonable construction costs and support is not channelled into input prices.
- Steering of planning
 - Accessibility, energy-efficiency
 - Costs can be higher if there for example energy-efficiency improvements are included

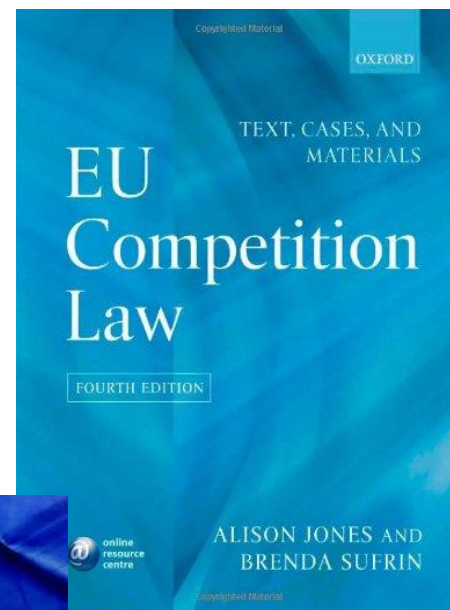
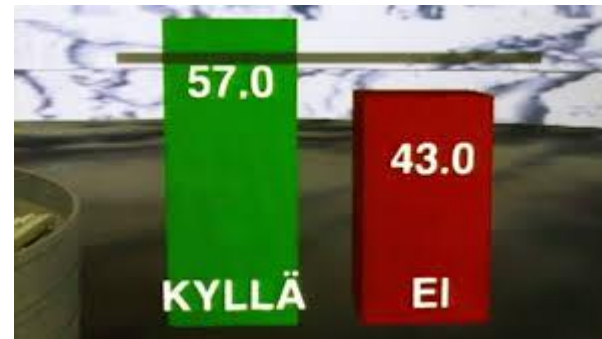


Result of ARA cost control 2016: Average market price of new owner-occupancy dwellings was 5578 €/m² in Helsinki region - and ARA production price was 3361-3667 €/m²



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EU, Social Housing and SGEI





EU state aid regulations and housing support policy (SGEI)

- Housing policy does not fall within competence of EU, **but...**
- **EU competition policy** has to be taken account when subsidising housing production
- Finnish social housing model is compatible with EU state aid regulations,
 - Meet state aid criterias of **Services of general economic interests (SGEI)**
 - Subsidies are channelled to residents
 - Profits are limited etc...
- Borrowers: Social housing is carried out by municipality-owned companies or non-profit operators designated by ARA



Interest subsidy loan with investment grants for special groups (2018: 105 M€)

- **Special groups: Homeless, students, people with mental problems, disabled, elderly with dementia, youth**

- **Categories:**

I Grant category maximum 10% (e.g. students and youth housing)

II Grant category 20 - 25% (supported housing e.g for people with mental problems)

III Grant category 35 - 40% (service housing for elderly 24/7)

IV Grant category 50% (long-term homelessness, disabled people)



ARA has subsidised 2200 dwellings for Homeless 2005-2017 with 84 Million Euros grants + over 100 Million Euros interest subsidy loans

Special Group	Dwellings		Grants		Grant per dwelling (€)
	Number	Share	Million €	Share	
Elderly people	19 137	43 %	663,9	54 %	34 691
Students	14 725	33 %	94,0	8 %	6 385
People with disabilities	4 518	10 %	254,6	21 %	56 356
Homeless persons	2 193	5 %	83,8	7 %	38 206
Persons with mental problems	1 371	3 %	41,7	3 %	30 404
Other special groups	2 994	7 %	89,6	7 %	29 939
2005 - 2017	44 938	100 %	1 227,6	100 %	27 318



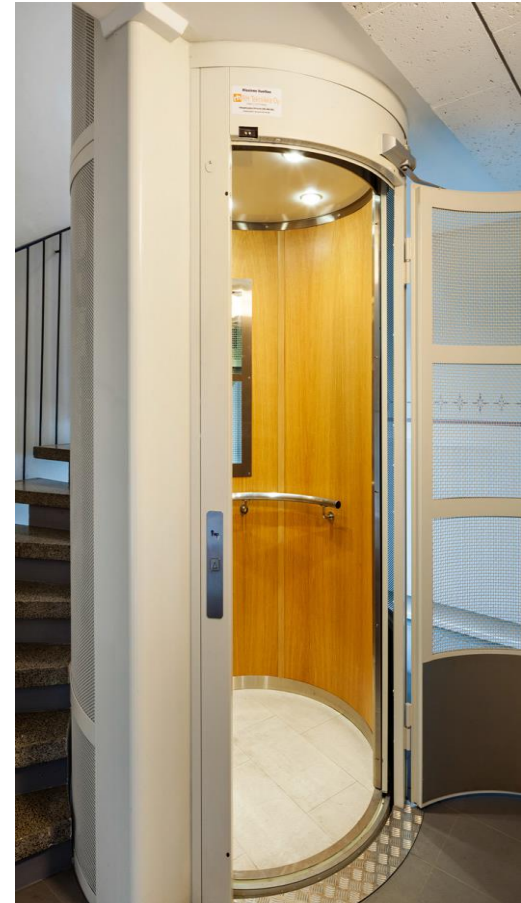
Development programme for housing for elderly 2013–2017

- **The measures in this programme include**
 - repairing the existing building stock (grants by ARA)
 - developing a new kind of housing solutions and sheltered housing
 - developing housing environments from the perspective of the older people and matters related to services that support housing.
- **Objective is also**
 - to influence municipalities so that they can take the issues concerning the older people's housing into account when planning their operations and finances
 - to steer the operations of the housing and construction sector to better take into account the housing needs of the older people



Renovation subsidies (36,5 M€)

- **Lift grant**
 - subsidies are granted for installing new lifts in old blocks of flats whose stairwells lack them
 - maximum grant 45 % of costs
 - About 300 lifts in recent years
- **Subsidies for the renovation of homes for elderly or disabled people (max 70 % of costs)**
 - to improve accessibility or safety and make possible to live in own home longer
 - for the renovation of homes which are in permanent residential use and at least one of the residents is over 65 years old or disabled, income and wealth limits
- **Accessibility grant**
 - making residential buildings accessible to people with impaired mobility. For example construction of ramps, widening of front doors and construction of railings. The goal is unimpeded accessibility to the building and its flats and common areas from outside.



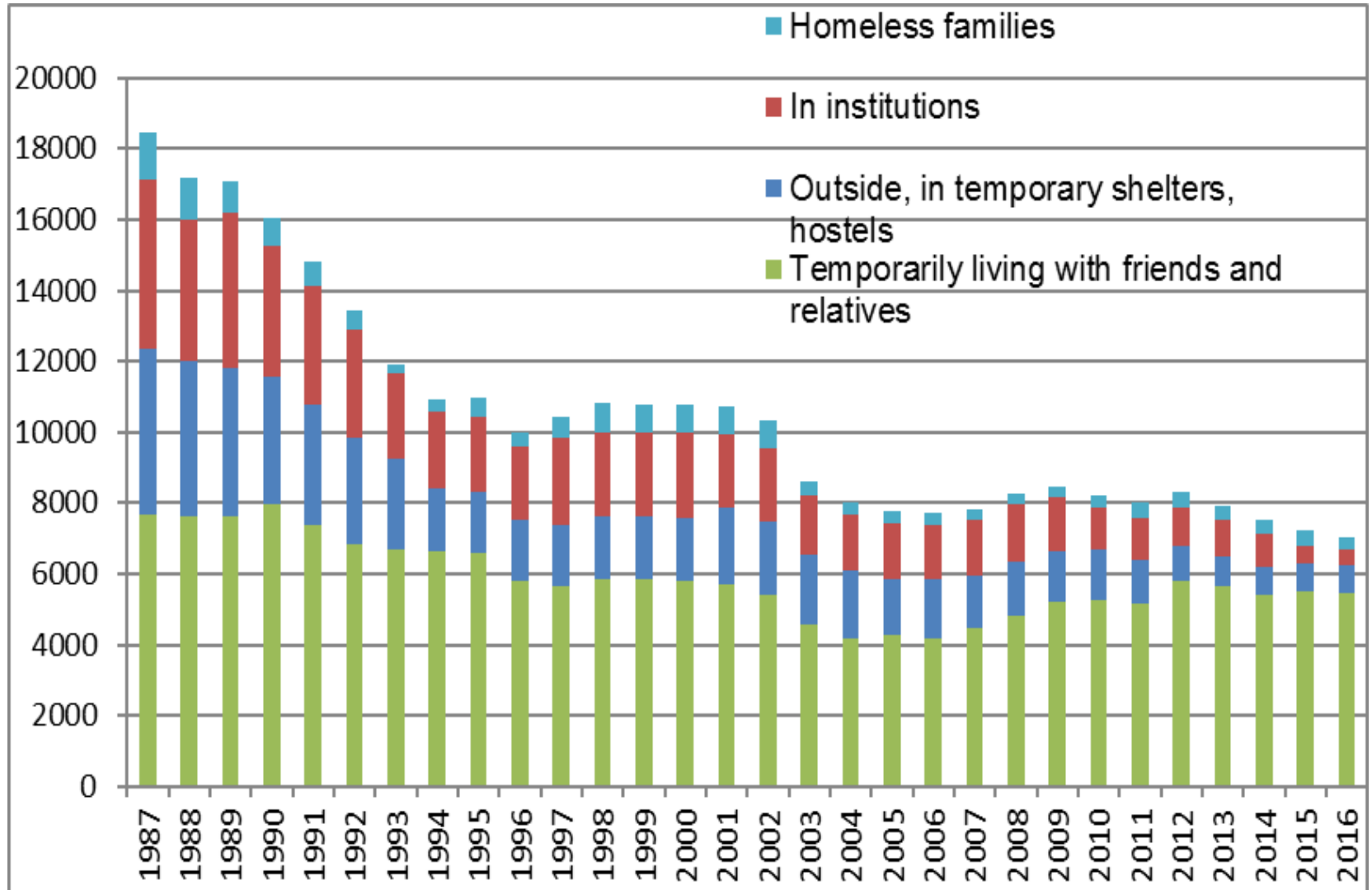


Action Plan for Preventing Homelessness in Finland 2016–2019

- **During the former programme to reduce long-term homelessness (2008–2015), the *Housing First principle* has been implemented**
 - homelessness and shelters have been replaced by housing units based on supported rental housing.
 - long-term homelessness decreased by 1,345 persons (35%). In 2015, homelessness decreased for the first time to fewer than 7,000 people.
 - Finland is the only EU country in which homelessness continues to decrease despite the economic recession and social pressures.
- **The goal of the new action plan is to link the work on homelessness more extensively to the whole of the work on preventing social exclusion based on the Housing First principle. Measures of the action plan:**
 - A. Preventing homelessness, B. Preventing the recurrence of homelessness, C. Agreements, and D. Coordination and joint development.



ARA Homelessness Reports has been published since 1987 – 31th Edition will be released soon



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Homelessness is rising in Europe ...

except in Finland

Feantsa: "Finland is the only exception, showing the effectiveness of implementing a long-term homelessness strategy"
(The Second Overview of Housing Exclusion in Europe 2017)

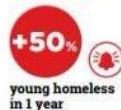
HOMELESSNESS IN EUROPE: AN ALARMING PICTURE

LOCATION - NON-COMPARABLE -
NON-EXHAUSTIVE OF ALARMING TRENDS
IN HOMELESSNESS IN EUROPE

GREAT-BRITAIN 
LONDON



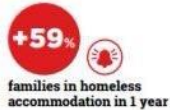
THE NETHERLANDS 



LUXEMBOURG 



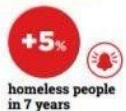
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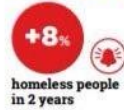
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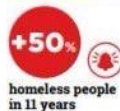
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SPAIN 
BARCELONA



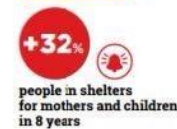
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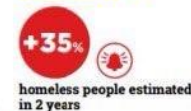
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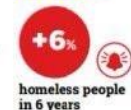
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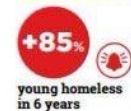
GERMANY 



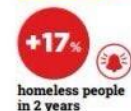
ITALY 



DENMARK 



POLAND 



AUSTRIA 



GREECE 
ATHENS





ARA subsidizes high quality housing with affordable rents

- ARAs best Housing Project of year 2017 is Espoo Municipality Housing Company's Magneettikatu 14



Perceived quality of social housing

(preliminary results European Quality of Life Survey 2016)

- People who live in social housing give social housing on average a score of 6.2, well above the score of 5.6 for the EU as a whole.* This concurs with an earlier finding that users of services tend to give higher quality ratings than non-users.**
- Among Member States with at least 5% living in social housing, quality ratings among people who live in social housing*:
 - Top 3: Finland (7.4), Denmark (7.3), Austria (7.3)
 - Bottom 3: Italy (4.7), Ireland (5.1), Poland (5.1)
- Part of the differences can be explained by some countries social housing focuses more on lower income groups than in other countries.
- Rent arrears are more common in social (13%) than in privately (9%) rented housing, but if you only look at the bottom income quartile group this is not the case (15 and 16% respectively)*



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The Housing Finance and Development Centre of Finland

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INTRODUCING ARA

ARA implements Finland's housing policy

The Housing Finance and Development Centre of Finland (ARA) is a governmental agency of the Republic of Finland operating under the supervision of the Ministry of the Environment. ARA is an agency to implement social housing policy. ARA is an expert partner, developer and moderniser of housing and promotes ecologically sustainable, high-quality and reasonably priced housing. [Read more](#)

[ARA develops housing](#)

PROGRAMMES AND PROJECTS

DEVELOPMENT PROGRAMME
FOR RESIDENTIAL AREAS
2013-2015

PUBLICATIONS

ARAmag

ARA CHALLENGED HOW TO LIVE IN THE 21ST CENTURY
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Read about ARA's development projects and housing design competition ARA-home 2049 from ARAmag special issue

Finland's first zero energy blocks