The Austrian Model of Limited Profit Housing Associations

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Structure

- A brief history
- Governance and regulation
- The housing association business and financing model
- Attitudes to housing associations
- Public value of social housing
The Austrian system of social housing

- Public/municipal housing and housing associations
- The two sectors provide housing for almost 1 in 4 households (24%): 7% in public and 17% in housing association homes
- 2nd highest proportion of social housing in EU (1st Netherlands)
- In Vienna 43% of all households live in social housing, of which around 20% in housing association homes
The origins of housing associations

Context:
• Industrialisation - severe housing shortage in late 19th/early 20th century

Three roots:
• co-operative movement (mainly self-help groups)
• Staff housing
• Outsourced public housing

Growth since 1945:
• 1945: 45,000 homes
• 2017: 920,000 homes
Housing Associations today

- 185 HA: 98 co-ops and 77 limited companies
- Represented by Austrian Federation of Housing Associations
- Total housing stock: 923,000
- Manage on average 5,000 properties (ranging from 8 to 40,000)
- New construction: approx. 12,000 – 15,000 dwellings per year = 25 - 30 % of total housing construction
- Tenure of choice for low and middle income households
- Social mix and high quality of homes
- Technological and social innovation driven by HA sector
How are HA regulated and governed?

- Housing Associations are private entities
- Limited Profit Housing Act: the “Wohnungsgemeinnützigkeitsgesetz” (WGG) provides regulatory and legal framework for HA (dates back to 1912)
- Law de-commodifies housing
- Provision for the common good instead of private interest
- HA “have to use their equity in the interest of generational fairness and sustainable/long-term housing supply”
- Social housing in perpetuity
- restricted shareholder position and tie-up of assets (profits are re-invested and not paid out)
The WGG: Limited Profit Housing Act

- Exemption from corporation tax
- Rents are regulated: cost rent – HA cannot charge more *but* also not less than it costs to build and maintain homes
- Obligation to build
- Restricted business activities (housing related only)
- New housing associations need approval
- Special auditing rules: normal audit + compliance with WGG
The Housing Association business model

- HA are independent businesses (decisions, risks, etc.)
- Operating within the framework of the WGG
- Reinvest surpluses in new building or renovation
- Build social and “market” housing for rent and sale (cost coverage principle applies in any case)
- However, mostly provide below-market rented homes
- Average rent of Housing Association home is 6.8 Euros/sqm (23% below market rent)
The financing model

- Emphasis on bricks-and-mortar subsidies (object subsidies) over housing allowances (90% vs. 10% of total housing spend)

- Mainly long-term loans from the regional governments (not the federal state) at reduced interest rate (e.g. 1%) and bank mortgages – repayable

- 9 regions -> 9 subsidy systems

- Subsidisation sets eligibility criteria (e.g. income limits)

- Subsidy system is open to HA and commercial providers

- Also annuity and construction grants (repayable or non-repayable)

- HA and tenant equity
Basic model of project financing (average)

Total costs 2,200 €/m² (300 land price + 1,900 construction costs)

- Bank mortgage loan; 1.5%; 25 yrs; 850
- Public loan (0.5%-1.5%; 35 years); 800
- Additional Public grants (e.g. for alternative energy systems); non reimbursable; 100
- Tenant’s contribution (quasi-loan 100 yrs); 150
- Equity of provider (housing association); 300

at present interest rates down to 0.7 (for 10 yrs)
at present: reduction (or conversion into public liability for bank loans)
Public expenditure on housing in international comparison

- Across EU: decreasing capital funding, increasing housing allowances
- Austria as exception
- Most housing expenditure in Austria is not classed as public debt according to Maastricht rules as it is loans (that are repayable)

Public expenditure on housing in % of GDP
Source: Eurostat 2018

- **AT**: 0.1, Housing development: 0.2, Housing allowances: 0.1
- **EU**: 0.5, Housing development: 0.2, Housing allowances: 0.3
- **FR**: 1.0, Housing development: 0.3, Housing allowances: 0.7
- **NL**: 0.5, Housing development: 0.1, Housing allowances: 0.4
- **UK**: 1.1, Housing development: 0.2, Housing allowances: 0.9
Attitudes to housing associations

- High acceptance in Austrian population
- 92% think HA are important
- 70% think importance of HA will increase in the future
Economic, ecological and social impact of housing association activity

- The public value of housing associations
- Stabilising effect on housing and job market: Counter-cyclical effect: HA are building during economic downturns (falling house prices)
- Continuous provision of affordable housing
- Social integration and social mix (HA provide more than bricks and mortar)
- Integration with planning goals (e.g. densification)
- High energy efficiency
- Innovative approaches
Current challenges

- Affordable housing supply does not meet demand, esp in urban areas
- Cost of land
- Construction costs: private construction boom has inflated costs
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