

Interpreting the term ‘affordable housing’ in the Housing Partnership¹

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Goals and objectives

Most people know what they mean when they say ‘affordable housing’. However, housing systems in Europe are rich and diverse. Consequently, the term ‘affordable housing’ has been interpreted in various ways. All these interpretations are valid in their own right, but the way in which they are used can be either contradictory or aligned. The term ‘affordable housing’ is central to the work of the EU Urban Agenda Partnership for Housing. Given this particular focus, different interpretations of the term may lead to proposing a rich variety of affordable housing solutions but may also lead to different expectations.

This paper examines the ways in which Partners of the EU Urban Agenda Partnership on Housing interpret the term ‘affordable housing’. It should be noted that the aim of this paper is not to provide an in-depth national or international policy analysis on the matter (if these are of interest to the reader please see the References section). This paper does not attempt to propose a definition or give preference to a single interpretation. Its aim is strictly limited to an examination of Partners’ views and interpretations of the term ‘affordable housing’ (presented in Annex 2).

While limited to Partners’ individual views, this examination is of vital importance. Partners advance and define concrete actions for the Housing Partnership (HP) action plan with ‘affordable housing’ as a central concept (see Box 2). The rich variety of interpretations as well as approaches to delivering affordable housing gives the Partnership an opportunity to take its own position on the matter of ‘affordable housing’ interpretation, and to define the way it is used in its work. Therefore, the goal of this paper is to provide Partners with a platform to learn about each other’s views on the matter and facilitate a discussion.

¹ **Disclaimer :** This draft paper has been prepared for the EU UA Housing Partnership meeting held in March 2017. The paper was completed in a relatively short turnaround time (including the distribution and re-distribution of questionnaires, collection of answers, analysis of previous communications and analysis of responses). The views expressed in the document are purely those of the Housing Partnership and the author and may not in any circumstances be regarded as stating an official position of the European Commission.

² Preferred quotation: Rosenfeld, O. (2017) ‘Analysis of interpretations of the term affordable housing in the EU Urban Agenda Partnership for Housing’, a briefing note prepared for DG REGIO and the EU Urban Agenda Partnership for Housing, European Commission, DG REGIO, Brussels

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Executive Summary

The importance of access to ‘affordable housing’ has gained much international attention recently (see OECD, 2017; United Nations, 2016; UNECE, 2015). The concept of ‘affordable housing’ is central to the work of the EU Urban Agenda Partnership on Housing, as noted in the Pact of Amsterdam (see **Box 1**) and draft action plan (see **Box 2**). However, national housing systems are culturally specific, context-dependent and take different forms across Europe. Consequently, the term ‘affordable housing’ is interpreted in different ways.

Box. 1. Pact of Amsterdam

Housing: the objectives are to have affordable housing of good quality. The focus will be on public affordable housing, state aid rules and general housing policy.

Source: Urban Agenda for the EU: Pact of Amsterdam, 30 May 2016.

Box. 2. Draft v.1.0 Action Plan

The draft action plan of the Housing Partnership notes:

A primary objective the EU Urban Agenda Partnership on Housing is to “ensuring a adequate supply of good quality affordable housing across European Member States”. The Focus of the Partnership is on the suply of affodable housing (p.4).

Source: Coordinator, The Government of the Slovak Republic (SR)

This paper examines the ways term ‘affordable housing’ is interpreted by the members of the EU Urban Agenda Partnership on Housing. This examination is of vital importance. The large majority of partners in the EU Urban Agenda Partnership on Housing note an absence of ‘official’, ‘policy’ and/or ‘legal’ definitions of the term ‘affordable housing’ in their constituency.³ Generally, Partners have developed local interpretations and policy options to deliver housing that costs less than that provided by the market.

The preliminary analysis of Partners’ interpretations of the term ‘affordable housing’ submitted between November 2016 and January 2017 (for original answers, see Annex 2) suggests that these could be loosely associated with several common categories. The summary of the preliminary analysis is provided below.

I. Ratio Measures

- 1. Price/income ratio measurements:** a large number of Partners refer to price-to-income ratio as a measure of affordability. In general terms, Partners refer to an internationally accepted benchmark that states that housing is affordable if no more than 30% of a household’s income is dedicated to housing costs. These Partners are: **the Netherlands, Lisbon (Portugal), Riga (Latvia), Slovakia, AEDES, and the European Commission**. Three Partners point out that the 30% ratio is used by the banks to approve mortgages. It is important to note that two Partners, Slovakia and AEDES, also note shortcomings of this definition, while **IUT** provides an alternative definition that does not relate to a specific benchmark, but states that housing is affordable if it leaves minimum income (according to the national definition) for other expenses (such as food, health and education).

II. Tenrure-related interpretations

³ Partners who explicitly wrote that they do not have an official definition in their constituency are: Slovenia, Slovakia, Lisbon (Portugal), Riga (Latvia), Poznan (Poland), the Netherlands, AEDES, Housing Europe, URBACT and Luxembourg.

2. **Social Housing:**⁴ More than 50% of the Partners use the term 'affordable housing' as a synonym for the term 'social housing' in their submissions and/or list 'social housing' as one of the affordable housing options available in their constituency. These partners are: **Slovenia, Slovakia, the Netherlands, Lisbon (Portugal), Riga (Latvia), Poznan (Poland), Vienna (Austria), Eurocities and Scottish Cities Alliance**. It should be noted that in addition to this category selected partners also refer to other housing tenure types as shown below. EIB note that they do not interpret the term 'affordable housing' as a synonym for the term 'social housing'. The submissions (Annex 2) of the social housing providers (Housing Europe and AEDES) seems to suggest that these actors do not use the term 'affordable housing' as a synonym for 'social housing'.
3. **Affordable rent: Scottish Cities Alliance and EIB**, who have the term 'affordable housing' operationalized either in their policy advice (Scotland) or in their day-to-day operations (EIB), use the term to describe housing available for rent at prices that are lower than those in the private market, but higher than those in the social housing sector within a specific local housing market. It is important to note that this tenure is reserved for population groups that have higher incomes than those eligible for social housing in their local context. It should be also noted that for the Scottish Cities Alliance and in the context of Scotland more generally, 'affordable rent' presents only one of several affordable housing options that may include: social housing, affordable rent, and affordable home ownership,⁵ whereas in the case of EIB this relates only to 'affordable rent'.
4. **Affordable home ownership:** two of our Partners note affordable home ownership as an affordable housing option available in their constituency in line with their national and local policies. These are **Scottish Cities Alliance** and **City of Vienna**. In the case of SCA, 'shared ownership' is noted as one of the affordable housing options. In their entry, City of Vienna notes schemes for homes available for purchase at lower prices for population groups on lower incomes. It should be noted that **URBACT** suggests examining innovative affordable housing options, such as self-built, co-housing or Community Land Trusts.

III. Housing affordability as an integrative concept

5. **Achieving affordability depends on a complex interplay of factors/components/policy options:** Three Partners, **AEDES, Housing Europe and URBACT**, do not provide a specific interpretation of the term 'affordable housing', but note that 'affordable housing' is a complex category and its delivery and/or availability is a result of the interplay between a variety of factors (see Annex 2).

IV. Other emerging themes

6. An examination of the Partners' answers regarding the interpretation of the term 'affordable housing' identifies three associated themes. These relate to **population groups** associated with the interpretation of the term 'affordable housing', perceived access to **funding for affordable housing** and **cost of supply**. These are further examined in the section on analysis.

⁴ It is understood that the term 'social housing' has a number of interpretations (for extended discussion, see UNECE, 2015:6). In this case, the term 'social housing' refers to social housing for rent, where premises are owned by municipalities and/or specialized social housing providers.

⁵ Government of Scotland. 2010. Planning Advice Note 2/2010: Affordable Housing and Housing Land Audits, Available at: <http://www.gov.scot/Publications/2010/08/31111624/4>

To summarize, the EU Urban Agenda Partnership on Housing members interpret the term ‘affordable housing’ in different ways and present different housing options in that context. They also associate the term with different population groups and supply methods. The lack of funding for a category of ‘affordable housing’ is noted at national and EU levels. In the following section, the Partners’ submissions are examined in more depth. Each subsection starts with the analysis of Member States’ submissions; this is followed by an analysis of the cities’ responses, housing providers and tenants, and finally EU and EU-affiliated programmes and institutions. The analysis should be read in conjunction with Annex 1 and Annex 2, which explain the methodology of the analysis and contain original answers from the Partners.

Analysis of the Partners' answers

This section presents an analysis of the Partners' responses to four questions related to the interpretation of the term 'affordable housing'. The original responses are available in Annex 2. The findings presented here are a result of qualitative analysis, more specifically open coding⁶ (see Annex 1). This means that no predefined categories were used at the outset. Rather, **the starting point was to find common themes in the Partners' submissions and identify common denominators.**

'Affordable housing': absence of official definitions

The analysis of the Partners' answers suggests that the large majority have no official, legal or statutory definition for the term 'affordable housing' in their constituency (for complete original responses, see Annex 2).

Representatives of Member States in the Housing Partnership report as follows. *'We don't currently have any precise definition of 'affordable housing' (Luxembourg).* The representative of the Slovak Republic underlines a *'lack of legal definition'* of the term *'affordable housing'*. Similarly, the representative of the Government of Slovenia states *'we do not have a definition of affordable housing'*. The Government of the Netherlands does not have an official definition of the term, but possesses several policy options to deliver affordable housing. The representative stated that 'affordable housing' refers to a section of social housing with defined rents and incomes.

Representatives of cities answered the question in the following way: the City of Lisbon notes that *'there is no national definition on 'affordable housing''* in Portugal. However, the city of Lisbon uses the operational definition provided by the OECD, which relates to the ratio between monthly household income and rent (30%).

The representatives of the City of Riga point out that *'it is hard to find the term 'affordable housing' in Latvian policy'*. Similarly, the City of Poznan highlights *'we don't have an official definition of affordable housing, although the above concept is often used in different studies, reports and publications'*.

The Scottish City Alliance notes that Scotland *'has no formal or statutory definition of affordable housing'*. However, it should be noted that the Government of Scotland provides planning advice, in which it lists various affordable housing options that are also noted in the SCA submission.⁷ Eurocities does not provide an explicit definition of the term 'affordable housing'. However, they analyse general aspects of the *'affordable or publicly owned rental market'*, including financing, standards and regulations (see Annex 2). The City of Vienna does not provide a definition, but refers to different options for achieving a supply of affordable housing within the context of Austrian policy.

The social housing providers presented in the Partnership, notably Housing Europe and AEDES, addressed the question in the following ways.: Housing Europe stresses that *'affordable housing is a complex term'* that the organization uses in their publications *'as a shorthand in discussions but only to signpost its*

⁶ **Open coding** is the identification of key themes from respondents' submissions. It not based on existing theory – just on the meaning that emerges from the data (text in this case).

⁷ Government of Scotland. 2010. Planning Advice Note 2/2010: Affordable Housing and Housing Land Audits, Available at: <http://www.gov.scot/Publications/2010/08/31111624/4>

multiple interpretations across the borders and various other contexts [...] rather than to stress that there is or there is supposed to be one way of defining 'affordable housing'; AEDES operates under the national rules of the Kingdom of the Netherlands and underlines that *'there is not one official definition in Dutch national policy'*, but that *'there are different options to deliver affordable housing'*. IUT provides a conceptual definition related to price-income ratio, but without any specific benchmarks. URBACT underlines that the organization *'did not adapt a very specific definition of affordability'*.

While neither the European Commission nor EIB possess 'official definitions' of the term 'affordable housing', they have developed working and operational definitions that have been designed with specific goals in mind. EIB formulated an operational definition in order to be able to provide finance for rental housing that is at a higher price than social housing, but lower than local private rental housing.⁸ The European Commission does not have an official definition on social or affordable housing. It provides an explanation as to what housing options are considered as an economic activity under competition law, where procurement and state aid rules may apply.⁹ Eurostat employs a ratio measure in order to provide measurements of housing affordability on a macro scale.

In conclusion, the majority of the Partners note explicitly or implicitly that there is no official, legal or statutory definition of the term 'affordable housing' in their constituency.

Analysis of interpretations of the term 'affordable housing'

The previous section showed that the majority of Partners have no official, legal, policy or statutory definition of the term 'affordable housing' in their constituency. Therefore, it is crucial to examine how the term 'affordable housing' is interpreted or used by Partners in their everyday operations.

In the process of qualitative analysis, several themes emerged that seem to be common denominators or common lines of association of the term 'affordable housing'. This said, the goal is not to judge the quantitative significance of answers, or the lack thereof.

Considering the type of submissions, a low number of associations with a certain theme may not be relevant in quantitative terms, but may be significant in qualitative terms. In other words, some Partners might suggest an examination of innovative approaches, others may refer to their local policies that may be unique or simply newer in comparison with other submissions. For this reason, it is essential that all are equally considered at this stage.

The methodology of inquiry should be taken into consideration too. As requested, the Partners provided their answers to open-ended questions (see Annex 1). Considering the type of the questionnaire, it is expected that the Partners provided their primary 'associations'¹⁰ of the term 'affordable housing', not

⁸ EIB uses a working definition that it defined for its own purposes as the 'gap' between social housing (regulated sector, for low income persons, typically eligible for housing allowances) and market rate housing (see Annex 1)

⁹ European Commission. 2013. COMMISSION STAFF WORKING DOCUMENT Guide to the application of the European Union rules on state aid, public procurement and the internal market to services of general economic interest, and in particular to social services of general interest, European Commission, Brussels.

¹⁰ This also includes the ways the Partners use or refer to the term on an everyday basis.

necessarily a comprehensive analysis of their policy (see Annex 2). Nonetheless, the examination of interpretations and primary associations is of critical importance for the work of the Partnership. Different interpretations and associations may lead to different expectations in terms of key outputs of the work of the Partnership.

For example, several partners use the term ‘affordable housing’ as a synonym for ‘social housing’, while others argue that the term ‘affordable housing’ should not be related tenure at all or should not be used as a synonym for social housing. These positions are clearly contradictory and may lead to different expectations. These differences are vital to acknowledge, considering that ‘affordable housing’ is a leading term in the Partnership work (see Box. 2, Draft v1.0 Action Plan).

At this stage, it is important to acknowledge the wide variety of ways in which the Partners interpret the term ‘affordable housing’ and identify the common denominators to inform future work by the Partnership.

Next steps: The partners are invited discuss the categorization by the themes identified to be common denominators, discuss different interpretations of the term ‘affordable housing’ and decide upon the next steps. Equally, the partners are invited to comment and to suggest changes to the way in which their answers have been categorized, should they feel that their contributions have been misinterpreted.

1. Ratio measures

Ratio measures address the question of whether households are spending an unacceptably large proportion of their income on housing costs. A ratio approach usually uses a benchmark average or percentile levels of incomes and housing costs to provide a general assessment of affordability.

Seven Partners refer to ratio measures in their interpretation of the term ‘affordable housing’.¹¹ While the majority of Partners (who mentioned this category) simply state that ratio measure is used to assess what falls under ‘affordable housing’, a few also highlight technical and/or conceptual problems associated with this approach. According to the representative of the Government of the Netherlands, housing is affordable when a household spends no more than 30% of their income on rent, after taxes and including subsidies. The entry from the Government of Luxembourg indirectly relates to ratio measure. The entry received from the representatives of the Republic of Slovenia does not mention ratio measures in defining housing affordability. The representative of the Republic of Slovakia highlights that *‘conceptually affordable housing (as perceived by the State) [is] perceived as housing for which the total expense does not exceed approximately 30 % of household’s net disposable income’*. This respondent also points to the shortcomings of this measure: *‘this may be perceived as too rigid for various reasons, we are of the opinion that for the needs of legal certainty and clarity precise limits have to be set’* (see Annex 2).

Among the city representatives in the Housing Partnership, the representatives of the City of Riga and City of Lisbon refer to ratio measures when discussing the interpretation of the term ‘affordable housing’. The City of Lisbon states that it uses the OECD definition of the affordable housing that relates to *‘a proper*

¹¹ Note that the question referring to the interpretation of the term ‘affordable housing’ is an open question, therefore it is accepted that the Partners provide answers based on their use of the term in everyday operations. Further detailed analysis is needed to verify the way in which the ratio measurements are used in national policies.

housing unit with an appropriate size and number of bedrooms for a specific family, with a rent not higher than 30% of that family income.¹²

The City of Riga, stresses that in the absence of a national definition, the term 'affordable housing' may be interpreted *'as housing which is available for a reasonable price in relation to the household's budget'*. The city representatives notes that the ratio of 30% (or 'index') is used by the local banks to 'estimate households' access to a mortgage, where monthly mortgage repayments should not exceed 30% of the borrower's monthly income'.

The Scottish Cities Alliance and cities of Poznan and Vienna did not mention the ratio approach when discussing housing affordability in their submitted answers. Eurocities refers to ratio measures indirectly, stating that *'housing expenditure is the biggest component of consumer spending'*.

Among the housing providers, Housing Europe does not refer to ratio measures in their submitted answer, but discusses a housing cost overburden of 40% in their publications to describe general trends in Europe. AEDES notes that ratio measures are used in the Netherlands (where the organization operates) as a basis for mortgage and consumer credit. The organization refers to a more comprehensive ratio measure developed by NIBUD (National Institute for Family Finance Information) that *'places affordable housing against the ability of households to still be able to pay for other essential costs'* (for more details, see Annex 2). IUT provides a definition that emphasizes the local character of ratio measures: *'after having paid all housing-related costs (rent, mortgage, energy, taxes, charge fees etc.) a person should have at their disposal at least the minimum income standard according to the national minimum income standard definition'*.

The European Commission has a working definition on housing affordability similar to other international institutions such as the OECD. It refers to the ratio between household income and housing costs (i.e. mortgage or rent). Here, spending no more than 30% of equivalent disposable income on housing is an indicator that 'housing is affordable'; spending over 40% of equivalent disposable income on housing is an indicator of housing cost overburden.

Conclusion: Ratio measurements

The ratio approach is the most commonly used measure of housing affordability internationally (see Eurostat, 2017; UNECE, 2015; OECD, 2017). 'The simple 'housing-cost-to-income' ratio entails calculating a ratio between median house prices and median household incomes at different points of time, and then comparing them to determine whether affordability is improving or worsening' (AHURI, 2005: 22). The analysis of the Partners' responses suggest that the ratio measures referred to can be further grouped into three sub-category types:

2. Simple 'housing-cost-to-income' ratio
3. Fixed ratio with a benchmark (e.g. 30%)
4. Refined ratio measures (e.g. NIBUD noted by AEDES, IUT)

This discussion illustrates that the ratio approach is variably employed. In addition, it highlights the differences in understanding and use of the ratio measurement approach in determining housing affordability. It should be pointed out that while the ratio measure is often used, it has also attracted

¹² Note that this housing is owned by the municipality or by profit or non-profit organizations. Therefore, it may refer to the tenure that in other EU countries is referred to as 'social housing'.

significant criticism, much of which relates to concerns about how affordability benchmarks are set.¹³ Within the Housing Partnership, these relate to a failure to acknowledge housing-related expenses such as utility bills (e.g. electricity, heating, water) in the housing costs. These expenses are especially critical in the new Member States that have gone through tariff changes, and where utility bills present a significant housing expense (see UNECE, 2015).

This said, it should be stressed that Partners seldom use the ratio measurement as the only way to discuss housing affordability. To the contrary, this indicator seems to be employed to illustrate general trends and benchmarks along other policy and housing options. These are discussed below.

5. Tenure-related interpretations

Affordable housing as a ‘social housing’ synonym

Seven Partners use the term ‘affordable housing’ as a synonym for a form of the term ‘social housing’ in their submissions (see Annex 2), or include social housing tenure as one of the affordable housing options.

Three Member States represented in the Partnership use the term ‘affordable housing’ as a synonym for ‘social housing’ (as a sole interpretation or one of the affordable housing options). The representative of the Government of the Netherlands provides three rent brackets used in the Dutch social housing sector: ‘expensive’, ‘affordable’ and ‘cheap’ (see Annex 2 for details). The representative of the Slovak Republic, includes ‘social housing’ as one interpretation of the term ‘affordable housing’, noting the national definition of the term “*social housing pursuant to article 21 para 1 Act No. 443/2010 Col. This refers to housing acquired using public funds and aimed at individuals who cannot procure housing on their own and are eligible for this tenure under conditions stipulated by this act*’. The representative of the Republic of Slovenia notes that the ‘*affordability of housing is ensured by ‘public non-profit rental housing’ (dwellings with administrative rents) and housing subsidies (given to socially deprived tenants)*’. While the representative of the Government of Luxembourg does not refer to tenure of ‘affordable’ housing, but its provision through the planning system, a preliminary analysis seems to suggest that the housing units provided in this way are available for rent through social housing providers or for affordable housing ownership (sale).¹⁴

All city representatives refer to ‘social housing’ either as a synonym for ‘affordable housing’ or as one of the affordable housing options. Eurocities, in their examination of the term ‘affordable housing’, provided an examination of institutional settings, rules and standards for social and affordable housing in the cities of Barcelona, Gent, Vienna, Ljubljana, Leipzig and Brno.

¹³ It should be noted that while the fixed ratio approach (eg. 30%) is the most commonly used ratio measure in international and national housing policy, it also attracts the most criticism. The common points of criticism relate to: concerns about how affordability benchmarks are set; applying a single measure across all tenures, locations and household types; failing to account for issues of housing quality and overcrowding; methods for accessing housing costs (what is considered a housing cost); and income (i.e. gross household income vs disposable income).

¹⁴ <http://www.luxembourg.public.lu/en/vivre/logement/beneficier-dun-logement-social/index.html>

The City of Riga (Latvia) mentions two categories that may be classified as social housing. The first is *“social apartments’ with fixed rent for people in need, which are provided by municipalities’*. The second category relates to *‘local government-owned or leased residential spaces for low income people’*.¹⁵

The City of Poznan lists three categories that are habitually translated from Polish to English as ‘social housing’, two of which seem to belong to conventional understanding of the term social housing:

- a) *“Lokale socjalne”* social housing in very narrow sense dedicated to the lowest-income people.
- b) *“Lokale komunalne”* (municipal housing) – dedicated to low-income people who do not have the right to another residential property.

The Scottish Cities Alliance notes ‘social housing for rent’ as one of several affordable housing categories. In SCA, this tenure is provided by municipal authorities or housing associations and is intended for people on low or below average incomes.

The City of Lisbon does not use the term ‘social housing’, but refers to housing *‘owned by the municipality, or by profit or non-profit organizations with public support or initiatives when applicable’* (this tenure can be defined as social housing or affordable rental sector, subject to the Partner’s approval).

Social housing providers and tenants represented in the Partnership, notably Housing Europe and AEDES, do not refer to social housing as ‘affordable housing’. EIB also differentiates between social and affordable rented housing for operational reasons. Eurostat refers to rent with reduced price or fees and does not provide more detail on tenures.

Affordable housing for rent

The representatives of the Member States within the Partnership do not refer to the term ‘affordable housing rent’ as a specific affordable housing option.

The Scottish Cities Alliance notes the availability of *“affordable housing’ in the private rented sector where a subsidy can be paid for new supply where a need is evidenced below market prices’*. The category proposed by the City of Poznan, referring to *“Lokale społeczne”*, shortly *“TBS”* (social housing in broad sense) – dedicated to middle-income people, may be categorized as ‘affordable housing for rent’ in the broader sense because of the income category at which it is aimed. In their examination of affordable housing categories, Eurocities examine different aspects of affordable rental housing available in cities¹⁶.

Social housing providers Housing Europe and AEDES do not clarify their position on this point. AEDES notes the need for seeing ‘social housing’ and ‘affordable housing for rent’ as somewhat different categories.

EIB clearly differentiates between social housing and affordable housing for rent for operational reasons. It provides an internal working definition as *‘the ‘gap’ between social housing (regulated sector, for low income persons, typically eligible for housing allowances) and market rate housing’*. This gap is identified through comprehensive local housing market analysis in case of EIB.

¹⁵ This category is not termed ‘social’ specifically; further clarification is needed to understand whether the Partner wishes to keep it classified as ‘social housing’.

¹⁶ While not referring to ‘affordable housing for rent’ specifically, the City of Vienna argues that the social housing should be accessible to population groups on different incomes rather than only lowest incomes as defined in SGEI rules for ‘social housing’.

In their guide to the application of the EU rules on State Aid,¹⁷ the European Commission refers to 'housing at lower rents', '*affordable housing schemes intended to provide low-cost housing, rental subsidy schemes and grant schemes for elderly and disabled persons, as well as socially disadvantaged households*'.¹⁸

Eurostat differentiates between the following key tenures: tenants paying reduced prices or fees, tenant paying market prices, owner occupiers with mortgages or loans, and owner occupiers with no outstanding mortgages or loans¹⁹. This suggests that the category 'tenants paying reduced price or fee' may theoretically cover different types of social and/or affordable housing as long it meets the criteria of reduced price or fee in comparison to the local market. But it also suggests the information on different housing options noted by the partner may be limited at this stage.

In conclusion, referring to 'affordable housing for rent' seems to suggest a supply of rented housing with rent that is higher than that of the social housing and lower than the local private market rent. It also seems to suggest that the category covers population groups on incomes that are not among the lowest, such as those discussed in relation to 'social housing'.

The conceptual challenge is that 'affordable housing for rent' as a category is not clearly defined. However, the deliberation of selected Partners seems to suggest that it is precisely this section of the rental sector that is missing in their constituencies. In other words, there is a need for affordable housing not only for population groups on lowest incomes but also those that are on medium and middle incomes, depending on the operation of local housing markets.

Affordable housing for home ownership

The lack of 'affordable housing' to purchase has been noted as a challenge on several occasions in the work of the Housing Partnership (as noted in summaries of preceding meetings).

Traditionally, the affordability of home ownership has been achieved through interest rate subsidies as well as preferable VAT rates for home owners with mortgages or loans.

In this section, we do not refer to this method of making home ownership affordable, but to emerging housing options that have been developed in response to emerging housing needs. By extension, this section does not refer to the mortgage eligibility criteria of 30% (price/income ratio).

Among Member States represented in the Housing Partnerships, the representative of the government of Luxemburg refers to affordable housing provided through the planning system (see Annex 1) that may be available for purchase, depending on the eligibility criteria.

The Scottish Cities Alliance, also lists 'affordable home ownership' as a category. This refers to shared ownership and shared equity schemes. Shared ownership offers the option to buy a share (or part of the equity) of a home (typically between 25% and 75% of the home's value) and pay rent on the remaining

¹⁷ European Commission.2013. COMMISSION STAFF WORKING DOCUMENT Guide to the application of the European Union rules on state aid, public procurement and the internal market to services of general economic interest, and in particular to social services of general interest, European Commission, Brussels.

¹⁸ This statement should be studied vis à vis a definition of social housing as SGEI.

¹⁹ [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Distribution_of_population_by_tenure_status,_2014_\(%25_of_population\)_YB16.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Distribution_of_population_by_tenure_status,_2014_(%25_of_population)_YB16.png)

share. The shares can be bought up to 75%. The shares can be inherited and sold, but a part of the equity remains in ownership of the housing provider.

In their entry, the City of Vienna explains the housing options available at a reduced price, including the *'subsidized owner-occupied and single-family housing sector'* that has been built within the subsidized housing programme. They emphasize that *'these owner-occupied apartments are therefore also subject to certain limitations concerning the income per household and the later sale of the apartments'*.

While the partners do not refer to the affordable home ownership schemes beyond the noted ones, it is worth mentioning that URBACT suggests examining the emerging innovative, home ownership options such as: self built,²⁰ co-housing, Community Land Trusts and others. It should be also noted that in previous communications (see summary of meetings), a number of partners emphasize the challenge of accessing home ownership in relation to land prices, among other issues.

Conclusions: Tenure-related interpretations

The majority of the Partners refer to one or more tenure options when discussing the interpretation of the term 'affordable housing'. However, the criticism of linking 'housing affordability' with tenure has to be addressed as well. According to some commentators, housing affordability does not say anything about tenure, but refers to the effect of housing policies on housing costs (regardless of tenure). Indeed, examples where refurbished social housing is no longer affordable to their tenants regardless of the fact that it remains 'social' are well known, as well as easy access to home ownership in areas of low housing demand. However, in the context of the Pact of Amsterdam that suggests proposing ways to better EU regulation, funding and knowledge, it should be taken into account that national legislation (including funding and finance) is often closely linked with tenure. In other words, specific (nationally defined) housing options may be eligible or excluded from specific support (e.g. funding, finance, grants, guarantees, tax breaks, etc.) on the basis of tenure to which they belong. Therefore, a discussion of tenure in the context of the interpretation of 'affordable housing' seems to be an important issue to address.

6. Housing affordability as an integrative concept

The discussion on housing affordability takes place in a complex national policy arena. Indeed, a number of Partners, rather than associating affordable housing with tenure or defining it by population group or price income ratio, highlight complexity around 'affordable housing' debates.

Housing Europe stresses that *'affordable housing is a complex term'*, and that the organization uses it *'shorthand in a discussion but only to signpost its multiple interpretations across the borders and in various other contexts [...] rather than stress that there is supposed to be one way of defining 'affordable housing'*. However, it also emphasizes that as representatives of social, public and cooperative housing providers,

²⁰ For instance, self-building, where culturally acceptable, can guarantee provision of housing at lower prices than that provided by the private sector (private developers), as the profit taken by the developer is not spent. Depending on the country, the savings can be up to 50%.

organizations tend to be more focused on *'practical (not only policy) challenges in delivering affordable housing with regard to construction price, the price of land, interest rates'*, all of which impact strongly on delivery costs. The organization tracks various national housing policies and other kinds of policies that impact on the affordability of housing, such as social, economic, environmental and spatial.

AEDES stresses that the affordability, accessibility and quality of housing are strongly interrelated. It notes *'the challenge to combine affordability (price vs income) with other key aspects such as accessibility (in terms of sufficient quantity) and quality (m2, maintenance, safety, health/care facilities, location etc.)'*. In their opinion, a focus on affordability alone may risk losing sight of the other two crucial elements.

Eurocities stresses the challenges that are evidently the result of a lack of affordable housing in Europe and emphasizes the need to *'integrate sustainability in housing'*, and to use that as a guiding principle for urban development and integrated territorial investments under European Cohesion Policy. It emphasizes that the current approach of the Cohesion Policy is broken down into a) energy efficiency, b) marginalized groups and c) refurbishment. In order to tackle the affordability crisis, Eurocities calls for an integration of the three pillars of sustainability in the field of housing: 1) environmentally sound, 2) economically viable and 3) socially inclusive.

URBACT also stresses the complexity of the term as well as the debate surrounding it. This organization notes the importance of looking at housing associated costs such as utility bills, as well as the indebtedness of households as the result of housing and housing-associated costs. It also refers to the importance of looking at innovative housing provision (including innovative forms of home ownership), tenure, eviction rules and taxation systems, among other important issues.

Next steps: housing affordability is a complex term, and the ways to housing affordability are multifaceted and ever-changing. This said, the key question for the Housing Partnership is which aspects of housing affordability the partnership wishes to address within the timeframe assigned to it and what are the reasons for such a choice, with respect to the Partnership's overall goal (see Box 2)? How does this relate to Partners' interpretations of the term 'affordable housing', Partners' expectations and expertise available within the Partnership?

7. Other emerging themes

In the process of examination of the Partners' answers (Annex 2), three themes have arisen that seem to be especially relevant to the current work of the Partnership in relation to State Aid and EU funding. These relate to the population groups associated with the interpretation of the term 'affordable housing', perceived access to funding for affordable housing, and cost of supply. These are briefly examined here.

Population groups: Partners refer to different population groups when discussing 'affordable housing' in their submissions. Clearly, these are also linked to the ways in which the term 'affordable housing' is interpreted. In cases where the term 'affordable housing' is used as a synonym for the term 'social housing', the population groups noted are: vulnerable groups (Slovakia) including socially deprived tenants (Slovenia); lowest income people (Poznan, Poland), and needy persons (Riga, Latvia); low income people (Riga, Latvia). Where the term is used to refer to affordable housing options other than 'social housing', the Scottish Cities Alliance refers to population groups on below average incomes, while the City of Poznan (Poland) notes middle income people. The City of Vienna, as the largest social housing provider, secures housing for different income groups. Luxembourg and the Netherlands note the provision of affordable housing (following the national definition) based on eligibility criteria. EIB refers to the local definition in line with national and EU law.

Funding: while funding was not a subject of inquiry (Annex 1), a number of partners underlined lack of national and/or EU funding for 'affordable housing' as a category. These are the City of Lisbon, City of Riga. Housing Europe notes a general decrease in public spending for housing.

Innovative supply methods and cost of construction have not been at the centre of submissions provided by partners. However, it is important to acknowledge the ways in which housing delivery can be made cheaper for the housing provider and therefore potentially more affordable for the end user. Housing Europe notes an interest in particular challenges in delivering affordable housing with regarding to construction prices, the price of land, interest rates and other issues affecting delivery costs. URBACT recommends an examination of innovative construction methods for delivering affordable housing.

Concluding remarks

This draft paper examined how the Partners of the EU Urban Agenda Partnership for Housing interpret the term 'affordable housing' based on the submissions received between November 2016 and January 2017. Loosely associated to commonly-used housing categories, interpretations relate to ratio measures, more specifically: (a) a simple 'housing-cost-to-income' ratio, (b) a fixed ratio with a benchmark (e.g. 30%), (c) refined ratio measures: tenure associated interpretations, specifically: (i) social housing, (ii) affordable housing for rent and (iii) affordable home ownership. The analysis of the Partners' submissions also suggests that number of Partners see achieving housing affordability as a complex matter that depends on the interplay of various factors. The analysis has also shown that Partners note the broad spectrum of population groups (including income) when discussing target groups for 'affordable housing', along with other important themes.

The complexity surrounding affordability means that there is no one measure for assessing the nature and degree of housing affordability problems.

Indeed, practical definitions of what constitutes 'affordable housing' are usually specific to the policy and programme context in which they are used (AHURI, 2005). The challenge therefore is to identify the needs around the issues deemed important by the Partners, and to devise measures relevant to the requirements of identifying the scale and form of the problem, evaluating housing market trends, informing regulation or funding strategies, or providing guidelines in line with the Pact of Amsterdam.

The absence of an official definition of the term 'affordable housing', along with the rich variety of interpretations and approaches to delivering 'affordable housing' (based on the local interpretation), gives the Partnership an opportunity to take its own stance on the matter of interpretation the term.

The recommended next steps are as follows:

- 1) Make the analysis available to the EU Urban Agenda Partnership on Housing in order to provide an opportunity for each Partner to be acquainted with the way other Partners interpret the term 'affordable housing', avoid potential misunderstandings and address Partners' expectations related to the conceptualization of the term.
- 2) Invite the Partners to provide comments and corrections (including an opportunity to edit the responses sent between November 2016 and January 2017 (see Annex 2)). Revise the present draft based on feedback received.
- 3) In case the provision of affordable housing is kept as a key goal of the Partnership (see Draft v.1.0. Action Plan), discuss the possibility of the partnership stating its own position on the interpretation of the term 'affordable housing'.

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Annex 1

Methodology

The examination of the way the partners interpret the term 'affordable housing' consisted of posing four open ended questions. The goal was to enable the partners to freely express the way the given term is used in their constituency. The answers were submitted between November 2016 and of January 2017. The original answers are available in Annex 2 of this paper. The answers were analysed using qualitative methodology, notably axial coding that enabled identification of the common (not pre-defined) denominators.

Box 3. Questions: Affordable Housing
1) What is 'affordable housing' according to you? (What housing tenure/option you mean when you say 'affordable housing'?)
2) How (and if) is the term 'affordable housing' defined in your national policy?
3) How (and if) is the term 'affordable housing' defined in your city/organisation?
4) What is missing, what should be the definition of the affordable housing in your context according to you?

It is important to acknowledge limitations of the present analysis. First, the analysis provided here examines answers that were provided by representatives of 16 partners. considering the nature of questioning it is expected that the answers relate to their first association to the term 'affordable housing' rather than comprehensive policy and funding analysis.

In general there are three types of answers (see Annex 2). 1) respondents personal opinion; 2) institutional interpretation of the term; 3) national law and/or definition (including non-statutory) including the interpretation of the term in a specific policy context.

Notwithstanding diversity in manner of addressing the questions, the analysis was deemed important to carry out. The submitted answers reaffirmed the preliminary analysis of the communication (verbal and written) that suggested that the Partners refer to disparate housing tenure options, different measures and instruments when using the term 'affordable housing'. Since the goal of the partnership is intimately related to this term it was important to understand what Partners mean when say 'affordable housing'. While it seems less important to come to a common definition it seems vital that all the partners are aware of the given diversity, its nature and specific manner in which each partner 'understands' the term.

Annex 2

Original answers from the Partners

The answers are grouped by the member states, cities (and organisations representing them), social housing providers (and organisations representing them), EU Commission and EU related programmes and institutions. All categories are sorted alphabetically. The answers have been added in their original format as received without editing²¹.

There are three types of answers. 1) relates to the personal opinion of the respondent; 2) institutional interpretation of the term; 3) national law and/or definition (including non-statutory)

²¹ Accompanying message to the author responsible for collecting the answers from the partners have not been included.

Member States

Luxembourg

We don't currently have any precise definition of "affordable housing" ("*logement à coût modéré*") in Luxembourg.

Affordable housing is however indirectly defined in 1-2 cases as housing destined to households which fulfil the conditions to get state housing grants/subsidies (which you can only get if you respect conditions e.g. on income and on household size). This is to be understood that if a house is too expensive, the category of the people getting a state housing grant cannot afford it, so it's not "affordable housing".

So, in the law on communal land use planning of 2004 (« *loi modifiée du 19 juillet 2004 concernant l'aménagement communal et le développement urbain* »), it is foreseen that: « Art. 29 (5) *Pour chaque plan d'aménagement particulier dont la superficie du terrain à bâtir brut est supérieure ou égale à un hectare, il sera réservé une partie de 10% de la surface du terrain à bâtir net ou 10% des logements y construits à la réalisation de **logements à coût modéré**, destinés à des personnes répondant aux conditions d'octroi des primes de construction ou d'acquisition prévues par la loi modifiée du 25 février 1979 concernant l'aide au logement, dont les conditions et les prix de vente, respectivement de location sont arrêtés dans la convention prévue à l'article 36 de la présente loi.* »

It should further be noted that my Minister wants also to find an appropriate definition of "social housing" when the law on housing aids/subsidies will be soon reviewed.

the Netherlands

1. According to me (*a personal opinion*) affordable housing is when you have a rent of no more than 30% of your income after taxes and including subsidies.
2. Affordable housing in our policy is a rent of max € 711 a month for incomes up to € 39.874
or a rent of € 629 a month for 3+ households with incomes up to € 30.500 a month and € 567 for one person households with incomes up to € 22.100 (It's more complicated than this but this is the broad perspective).
3. –
4. –

My definition of affordable housing concentrates on the rent you have to pay in relation to your income (30%). Instead of rent it could also be your mortgage payment, but I guess that will be more difficult to realize. Whether this is rent for a social sector house or a private sector house is a matter of organization of subsidies. Both is possible with the condition that the rent is 30% of the income. In dwellings assigned for affordable housing I would not use a maximum income; all incomes pay 30% rent, whether you earn 10.000 or 100.000 euro a year. That stimulates that higher incomes move out in due time.

Slovakia

Introduction

This document represents short resume on the perception of the term “affordable housing” in the Slovak Republic by Ministry of Transport and Construction of the Slovak Republic as authority responsible for housing policy for the purposes of analysis and interpretation within Housing Partnership as one of the four pilot Urban Agenda for the EU partnerships. This statement shall not be interpreted as political declaration or manifesto and shall serve only for the purposes of Housing Partnership.

Social Housing

Pursuant to article 21 para 1 Act No. 443/2010 Col. on subsidies for housing development and on the Social Housing as amended legal definition of social housing is as follows:

“Social housing is housing acquired using public funds intended for the appropriate and humanly decent housing of individuals who cannot procure housing on their own and are eligible under conditions stipulated in this Act. Housing or accommodation funded using public funds and the care provided according to other Acts is considered social housing.”

Affordable Housing

In the present no legal definition of affordable housing is provided for in any Act or sub-statutory regulation in the Slovak Republic, though State Housing Policy Concept to 2020²² operates with this term on multiple occasions.

Conceptually affordable housing (as perceived by State) shall be perceived as housing for which the total expense does not exceed approximately 30 % of household’s net disposable income. Notwithstanding this may be perceived as too rigid for various reasons, we are of the opinion that for the needs of legal certainty and clarity precise limits have to be set.

Apart from the above mentioned lack of legal definition, affordable housing in the Slovak Republic is considered broader term than social housing and is perceived as a housing that shall be made available (with the support of State) to the wider range of citizens, not only social or vulnerable groups.

Furthermore, direct and indirect tools to support and promote housing and make it more affordable and accessible are implemented and well-established.

²² Available online

http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/KSBP_en_final_version.pdf

Slovenia

We don't have a definition of affordable housing in Slovenia however, we do have an article in our Constitution about proper housing (besides a core article about Slovenia being a welfare state). It says the state shall create opportunities for citizens to obtain proper housing. Housing policy is somehow divided between Ministry for social affairs and Ministry for spatial planning. Affordability of housing in it's broader terms is mainly ensured with public non-profit rental housing (dwellings with administrative rents are given with public tenders) and housing subsidies which are given to socially deprived tenants in such dwellings.

We are currently starting the process of reforming the housing legislation which will set new standards (and definitions) for public housing and housing allowance. So we will be able to incorporate new definitions in our housing law regarding affordability and also shape other measures that will ensure greater affordability of housing. Draft legislation will presumably be prepared in the end of 2017.

Cities

Eurocities

Euro cities provided their official statement on affordable housing as well as the method of the analysis. The table used to explore housing affordability in cities is presented below.

GENERAL ASPECTS	
% OF RENTAL HOUSING UNITS	
% OF AFFORDABLE OR PUBLICLY OWNED RENTAL MARKET	
RENT - AVERAGE MARKET	
RENT- AVERAGE AFFORDABLE (if several levels, please indicate)	
Is the rent in affordable/non for profit housing regulated or fixed through public or administrative measures?	
Is the rent in affordable/non for profit housing differentiated according to the location?	
ACCESS – income limits or other preconditions to enter the affordable / non profit housing sector	
RENT SUBSIDIES (% of the rent, preconditions for it and who pays it)	
FINANCING	
LOCAL TAX SOURCES FOR HOUSING (YES/NO + %)	
STATE TAX SOURCES FOR HOUSING (YES/NO + %)	
LOCAL BUDGET COFINANCING %	
STANDARDS & REGULATIONS in affordable / non for profit housing	
Mobility (e.g. (Basement) Garages, e-mobility offers, Bicycle storage rooms, car- & bike-sharing schemes)	
Parking lot requirements (state if not regulated, regulated per m2, regulated per apartment)	
Accessibility (e.g. elevators, size of toilets and bathrooms, size doors and corridors, wheel chair accessibility)	
Energy & Environment (e.g. insulation measures, low/zero energy housing, usage of sustainable materials, windows)	
Architecture (e.g. Developers competitions or other architectural competitions, invitation of architects)	
Balconies, Terraces, Gardens	
Social amenities offered (e.g. common rooms, laundry, sport facilities, indoor children's playground)	
Open Spaces (e.g. quality & standards, equipment)	

Lisbon (Portugal)

1) What is 'affordable housing' according to you? (What housing tenure/option you mean when you say 'affordable housing'?)

We present city policy considers, under the Portuguese constitutional and legal framework, 3 distinct definitions:

- PT definition of "Social Housing", meant to insure proper housing to anyone who can not afford it by his own resources (24000 house units / approx.. 20% of Lisbon population), it is owned and managed by the Lisbon municipality, applicants are selected by an established system of classification of need, a social rent is periodically calculated according to the family available income (average "social rent" under 70€/month), the municipality insures with his budget all the building, operation and maintenance costs (average real cost per house unit of aprox. 350€/month);
- Lisbon definition of "Affordable Housing" (for rental), following OECD recommendations, is a proper house unit with an appropriate size and number of bedrooms for a specific family with a rent not higher than 30% of that family income, it can be owned by the municipality or by profit or non-profit organizations with public support or incentives when applicable;
- PT present definition of "free market housing", doesn't define any limit to sale or rental prices and index rent updating to national inflation.

2) How (and if) is the term 'affordable housing' defined in your national policy?

There is no national definition on "affordable housing".

3) How (and if) is the term 'affordable housing' defined in your city/organisation?

As stated above (see Q1).

4) What is missing, what should be the definition of the affordable housing in your context according to you?

There is a strong impact of the growing short-term rental on the available long-term rental stock and high price inflation that urgently needs to be addressed.

There is no National or European funding available to support new affordable housing.

Poznan (Poland)

We don't have official definition of affordable housing, although the above concept is often used in different studies, reports or other publications. Depending on the context of expression - the term is used in a wide or narrow sense.

In Poland there are 3 main official categories of apartments, which (may) fall within the concept of affordable housing:

a) "Lokale socjalne" (social housing in very narrow sense) – dedicated to the lowest-income people. Prior tenancy is granted to persons who received such a law as a result of a court order. Detailed conditions for the grant of social premises to other people are set by the municipalities. Legal basis: Law of 21 June 2001. on the protection of the rights of tenants, housing resources of municipalities and amending the Civil Code

b) "Lokale komunalne" (municipal housing) – dedicated to low-income people who do not have the rights to another residential property. Detailed conditions for the grant of municipal premises are set by the municipalities.

Legal basis: also Law of 21 June 2001. on the protection of the rights of tenants, housing resources of municipalities and amending the Civil Code

c) "Lokale społeczne", shortly "TBS" (social housing in broad sense) – dedicated to middle-income people. Rules lease and qualifications are regulated by the so called Social Housing Act (Law of 26 October 1995. on certain forms of support for housing construction).

Please note that the two different categories of apartments have identical English translation – „lokale socjalne” and „lokale społeczne” (each translated as “social housing”).

Of course – the preferred option is the “affordable housing” in widest possible sense.

Riga (Latvia)

1) What is 'affordable housing' according to you? (What housing tenure/option you mean when you say 'affordable housing'?)

It is hard to find term "affordable housing" in Latvian policy documents. However, if one understands affordable housing as housing which is available for the reasonable price in relation to the household's budget, it is possible to trace its mentions in the public discourse to map the current implicit use of the term.

There is system in the Latvia with the aim to provide access to housing for special categories:

- Local government - owned or leased residential spaces for the low-income person - (income and material conditions do not exceed the level specified by the relevant local government council, but which may not be lower than 128,06 euro)
- Social apartments for the needy persons (if its average monthly income during the last three months does not exceed 128,06 euro)

Above mentioned housing policy is provided by the municipalities. The rent is fixed in such housing. Such housing is owned by the municipalities. Vast majority of social apartments are concentrated in housing which was built purposefully for social rent. Small portion of such housing is mixed with other tenure types in mixed properties.

Term "housing affordability" is mentioned much more often. Housing affordability is understood as an index, which is used by banks and real estate companies to estimate the relationship between income, housing price, interest rates for mortgages and inflation rates.

Together with housing affordability indexes, mortgage affordability is also mentioned. Banks estimate household's or individual's access to a mortgage, if monthly payment does not exceed thirty percent of household's or individual's monthly income.

In order to obtain a mortgage for the dwelling, first payment must be collected which currently estimate twenty percent of the dwelling's price. Time necessary for the household or individual to collect money for the first payment is regularly estimated.

Taking all this into the account, it is appropriate to conclude, that affordable housing is defined to the large extent 1–by the level of income of the households and 2–by the current supply of housing.

2) How (and if) is the term 'affordable housing' defined in your national policy?

As mentioned above, there is no explicit term like "affordable housing" in the National policy, however, there are few support instruments in Latvia devoted to the housing sector. Among those instruments:

- 1) We have regulation that foresee the state support for development of housing stock. Unfortunately due to the budget restrictions, the state support has been stopped in 2008. However the Ministry of Economics is looking for the opportunities to renew and continue the previous support.
- 2) Then we have residents household guarantee programme. The purpose of this programme is to provide housing guarantees to families with children and with insufficient means. As a result approximately 2 thousand and 7 hundred families with children were supported, allocating housing guarantees with total amount of 17 million EUR. Recently the national government approved extra funding for the programme – 4 million EUR. It is planned that additional 2 thousand and 4 hundred families will be supported this year.
- 3) Finally, we have measures to improve energy efficiency in multi-apartment residential buildings supported by the EU funds. The available funding is about 166 million EUR. Beneficiaries are apartment owners in multi-apartment buildings, who can use the available support for construction works in buildings; reconstruction or provision of engineering systems in buildings and other activities

3) How (and if) is the term 'affordable housing' defined in your city/organisation?

'Affordable housing' is defined both in the Riga Sustainable Development Strategy and in ongoing Housing Thematic Plan which will be part of the main City's spatial planning policy. Again, there's no explicit

definition of 'affordable housing' but there are statements related to housing affordability. Land tax is mentioned in the strategy, as a tool to make housing more accessible for specific groups—e.g. for those seeking land for development of detached housing.

Vienna (Austria)

1. How does social housing works in Vienna?

Decentralized Housing Policies

Within the federal constitution of Austria the nine Bundesländer (Provinces) enjoy a certain freedom in formulating their housing policies. Vienna, which is also a province, differs considerably from the rest of the country being Austria's only metropolitan area. This is due to its historic and political development described in the first chapters of this book. In 1988, most of the respective legal instruments were completely decentralized to the Bundesländer, leaving only a few regulations at national level – most importantly, the Tenancy Act, the Home Ownership Act, and the Non-Profit Housing Act.

Secure Financing

The financing of social housing, both in the rental sector and in the subsidized owner-occupied and single-family housing sector, is based on a fixed, earmarked part of the income tax, the corporate tax, and the housing contributions, the latter of which is paid directly by all employed persons. These national tax revenues are distributed to the nine provinces according to a complex financial agreement, Vienna receiving approximately 450 million euro each year, which is earmarked for housing purposes. Despite several cuts in recent years this way of financing still provides a secure base for the planning of social housing programmes on a large scale, which would not be possible under strictly market-oriented housing policies. The city itself, however, had to contribute further means from its own budgets in recent years due to an increased housing demand. Although this subsidization of housing from earmarked tax-income is to some extent dependent on the overall economic development, subsidies such as these directly influence the production of new housing – contrary to tax-deduction models used in many countries that primarily benefit better-off households.

Non-profit Housing

As Austria's biggest landlord, the city of Vienna owns about 220,000 rental apartments. Still, in recent years, the major part of new social housing has been carried out by non-profit housing associations under varying legal conditions. These associations are subject to the national Non-Profit Housing Act and to a second control by their own corporation and by the respective provincial government. At present, about 200 non-profit housing associations are active in Austria, managing some 650,000 apartments and building another 15,000 each year. In Vienna, they own and manage about 200,000 apartments, in addition to the city's own 220,000, and even the major part of the owner-occupied apartments has been built within the subsidized housing programme. These owner-occupied apartments are therefore also subject to certain limitations concerning the income per household and the later sale of the apartments. Non-profit housing associations enjoy tax-reliefs and have to re-invest profits back into housing. Rents are strictly regulated, the cost-rent covering financing, the running costs and the 10 % value-added tax (consumer tax). The net-rent for municipal housing subsidized apartment in Vienna is currently 4,75 € / m² or 6-7€ in total.

Low-income households are entitled to individual subsidies ensuring that they do not lose their apartments in case of a sudden illness or unemployment.

To reduce financing costs most developers ask a down-payment, which in rental housing may not exceed 12,5 % of the total construction costs, as well as a share in land costs. These contributions by the tenants are refunded with interest when the tenants move out. Low-income households are entitled to low-interest public loans or even to apartments without a down-payment. All subsidized apartments are subject to certain income-limits at the time of completion, high-income households are mostly excluded from such housing, for example. On the other hand, a later increase of income does not lead to a loss of the apartment.

Direct and Individual Subsidies

The federal constitution allows Vienna to set its own criteria for housing subsidies more or less autonomously; object-subsidies are given to the developers in order for them to reduce the financing costs and rents. Typically, the amount of non-repayable subsidies is around 30% of the total construction costs.

Meanwhile – with regard to EU regulations – such grants have been replaced by public 1 % interest loans of up to 35 years. Contrary to individual grants these subsidies give politicians the possibility to directly influence housing production.

Income thresholds 2016:

- for one person 44.410 Euro
- for two persons 66.180 Euro
- for three persons 74.900 Euro
- for four persons 83.610 Euro
- and for further persons 4.870 Euro

1) What is 'affordable housing' according to you? (What housing tenure/option you mean when you say 'affordable housing'?)

Guaranteeing affordable housing is one of the basic requirements for the development of opportunities and talent. It is the task and responsibility of social policies in municipalities, regions, and member states to guarantee high-quality, affordable housing for all. Affordable housing should be reasonably and adequate in standard and location for lower or middle income households and does not cost so much that a household is unlikely to be able to meet other basic needs on a sustainable basis.

2) How (and if) is the term 'affordable housing' defined in your national policy?

We are aware of the importance of socially-oriented urban development. We must be able to guarantee a certain variety in the area of social, cooperative and public housing that often goes far beyond the mere provision of housing but, instead, provides important social infrastructure. In Austria, rather than subsidising the demand side of the housing market, main emphasis is being placed on promoting a high level of new construction. The idea is, that object-side subsidies produce affordable dwellings for a large part of the population. A high supply of cost rent dwellings put pressure to the price level of the private rental market.

4) How (and if) is the term 'affordable housing' defined in your city/organisation?

Subsidised housing must be accessible for broad levels of the population today and also in the future. We disapprove of the approach to concentrate exclusively on low-income groups, as this would lead to social segregation. We are also aware of the importance of the housing industry, in particular of social housing policies, for the real economy as it can be a strong engine for economic growth. Vienna's housing subsidy scheme will continue to play an essential role in ensuring an adequate supply of affordable housing in the future, just as it has done to date. Because unlike the majority of major European cities, who only provide direct personal subsidies to tenants, the City of Vienna maintains a mixed system of demand-side and supply-side subsidy. People on low incomes in Vienna receive direct assistance, just as they do elsewhere. In addition, however, Vienna also invests in new housing and the refurbishment of existing older stock, so Viennese citizens benefit from the advantages of both systems. Leading by example, Vienna is the clear international number one in social housing, with some 7,000 dwelling units per annum built with public funding.

4) What is missing, what should be the definition of the affordable housing in your context according to you?

The European Union and all its players should respect the responsibilities of the aforementioned political levels because it is indispensable for EU member states and their regional and local authorities to independently determine the criteria for social housing in line with the principle of subsidiarity. This is the only way to react to local requirements and needs in a flexible manner. The development in some European cities has shown that a strict regulation of access criteria to social housing jeopardises the housing supply for certain population groups.

Scottish Cities Alliance

In Scotland we have no formal or statutory definition of affordable housing. In relation to publicly subsidised housing we have housing for social rent provided by municipal authorities or housing associations which is intended for people on low or below average incomes. Rents for new homes are kept affordable by significant capital grant subsidy from Government. This results in average monthly rents for good quality housing being around 320 euros per month for municipal housing and perhaps 360 euros or so for housing associations (which in Scotland tend to be controlled by local communities). Both municipalities and housing associations must demonstrate to the Scottish Housing Regulator that their rents remain affordable to those on low incomes.

There is also a classification of "affordable housing" in the owner occupied and private rented sector where subsidy can be paid for new supply where a need is evidenced at below market prices to make homes affordable for those whose income levels mean they are unable to purchase or rent homes at prevailing market rates. Shared equity and shared ownership would be examples of this kind of model.

For the duration of this Parliament (2016-2021) Scotland's subsidised new build housing programme is programmed to run at about 650 million euros per year. About 60% of the programme output is social housing (6000 units per annum anticipated over the next five years) and 40% to "affordable housing" as per the definitions above. The Scottish Government has committed to building 30000 new social rented homes and 20000 "affordable" homes over the five year term of the Parliament.

We have no category of affordable housing for unregulated/ unsubsidised private sector housing in either the owned or rented sectors, where it is assumed that the market interaction of price and incomes determines affordability.

Social housing providers

AEDES

First a preliminary consideration: affordable housing is just one component. E.g. the Geneva charter points out the challenge is to *ensure access to decent, adequate, affordable and healthy housing for all, with due attention to reducing the impact of the housing sector on the environment.*

The challenge is to combine affordability (price vs income), with other key aspects such as accessibility (in terms of sufficient quantity) and quality (m², maintenance, safety, health/care facilities, location, etc, etc). If we focus only on affordability we risk losing sight of the two other crucial elements. In our experience affordability, accessibility and quality are strongly inter-related.

1) What is 'affordable housing' according to you? (What housing tenure/option you mean when you say 'affordable housing'?)

(a personal opinion) Affordable housing on itself does not say anything about tenure in my opinion. It says something about the effect of housing policies on housing costs (incl or not services, energy, etc) in relation to the capacity of persons to pay those costs based on their financial situation. It is generally accepted that when (net) housing / income ratios exceed 30-35% affordability comes under pressure. But this is a very rough estimate and depends on income level, household type and other circumstances.

2) How (and if) is the term 'affordable housing' defined in your national policy?

There is not one official definition in Dutch national policy. There are different policy options to deliver affordable housing: provide sufficient dwellings adapted to the income possibilities of certain households, provide personal housing allowances, regulate rents, regulate land prices, introduce specific zoning requirements for affordable or social housing, etc.

This involves a combination of factors. Just like with social housing this depends if one looks at the user, the provider or the dwelling in question.

Dwellings

In Dutch rent regulation social dwellings are divided between different categories depending on their rent level. These levels influence the amount of housing allowances a household can receive (among other criteria). The middle bracket of these social rent dwellings are called 'affordable' (between 576,87 euro and 618,24 euro for one and two persons households, 2015) and is the maximum allowed rent to receive personal housing allowances. Under this level they are called 'cheap'. The level above is called 'expensive' but still falls within the regulated rent (social) segment. Every rent dwelling above 710,68 euro is called a 'liberalized' dwelling and is not protected by rent regulation and are not part of the core activities of social housing corporations.

However the term affordable housing is also used in other contexts and can bare different meanings.

Persons

In a recent report from a governmental agency on affordable housing (PBL, Betaalbaarheid van het wonen in de huursector, January 2016) the term was used in connection with the risk of non-payment of rents. This was defined as 'the risk that a household has difficulties to pay the monthly housing cost. This risk arises if the household income is insufficient to cover for the monthly housing costs and the most basic expenditures for living expenses such as food, electricity, water and insurance. This follows the definition of the NIBUD institute which is often used to assess affordability. The NIBUD (National Institute for Family Finance Information) is a very well-known and respected independent foundation in the Netherlands that gives information and advice on financial matters of private households. Nibud's reference budgets play an important role in Dutch society. It is the basis of poverty measurement. The way how this is done, can be read in this report: 'The minimum agreed upon'. They place affordable housing against the ability for households to still be able to pay for other essential costs (taking minimum amounts or average amounts). Such reference budgets are also the basis for norms on mortgage and consumer credit in the Netherlands.

In the Netherlands affordable housing is one element of general housing policies. Taking into account income levels and households persons can access affordable housing in the social rent sector where they are entitled to access social dwellings and can benefit from rent regulation and housing allowances. The government also supports affordable housing policies by helping home-owners to access mortgages and keep housing costs low by making mortgage interests (fully) deductible, irrespective of income levels. The only segment which lacks any active policy to safeguard affordability is the rent segment above the 'liberalization' level. That explains why there is not much supply of rent dwellings between 700 and 1.000 euro for middle incomes.

Providers

Social housing providers are responsible to provide affordable housing. They do this by trying to find a match between the income level of new tenants and social dwellings with a certain rent level. Nowadays social housing providers are required by law to offer cheap social housing to 95% of new tenants that are eligible for housing allowances. This improves affordability by matching persons with dwellings. However there is an increasing shortage of cheaper social rent dwellings. At the same time income levels of tenants have dropped in recent years. The members of Aedes have agreed (in 2014) that it is their primary responsibility to provide sufficient cheap and affordable social dwellings to the target group of households that can receive housing allowances. It is a shared responsibility with other stakeholders like the government who should help with housing allowances.

3) How (and if) is the term 'affordable housing' defined in your city/organisation?

There is not one definition and we commonly use the concepts mentioned above.

4) What is missing, what should be the definition of the affordable housing in your context according to you?

(a personal opinion) The instruments and definitions mentioned above are useful in our context. However, I notice a recent tendency to use the term affordable housing as an alternative or complement to social housing. This would suggest they mean somewhat different things. I believe active housing policies from governments (regulation and support) and housing providers (social / cooperative / public / not-for-profit / private / responsible) have a role in providing sufficient affordable, decent and adequate dwellings for different target groups and income groups.

Housing Europe

1) What is 'affordable housing' according to you? (What housing tenure/option you mean when you say 'affordable housing'?)

'Affordable housing is a complex term. We indeed use it in our publication and it shorthand in a discussion but only to signpost its multiple interpretations across the borders and in various other contexts; in policy and in practice; rather than to stress that there is or there supposed to be one way of defining 'affordable housing'. We also acknowledge that the term 'affordable housing' can be approached from different (end user) perspectives: citizen/tenant; housing provider; city/municipality; and a state. That being said, due to our positioning – the fact that we are a network representing social, public and cooperative housing providers – their perspective is of particular interest to us, which brings about also a particular focus, namely on practical (not only policy) challenges in delivering affordable housing with regard to construction price, the price of land, interest rates all impact strongly on delivery costs'.

2) How (and if) is the term 'affordable housing' defined in your national policy?

'In Housing Europe we track various policy discourses around the issue of affordability. We are interested in national housing policies as well as other kinds of policies that impact on affordability of housing: social, economic, environmental and spatial. We recognise the impacts of the financial crisis on undersupply of affordable housing in the scale of the European Union, especially decrease of public spending on housing, and that already existing policy tools can have dual effects on the notion of 'affordability'. For instance, housing benefit one side allows a tenant to benefit from various kinds of housing offers, also in various locations, on the other side it does not help to increase supply of housing and creates a cost on the public budget. It is also important to note that we look at European policies and how they impact on broadly defined affordability issues. We follow EUROSTAT publications, DG EMPL, DG REGIO, DG ECFIN, DG FISMA and the releases of the European Commission. Of particular importance to us is the notion of 'housing overburden'. Currently over 81 million people spend more than 40 percent of their income on housing and related costs – these households are classified by EUROSTAT as being overburdened; http://ec.europa.eu/eurostat/statistics-explained/index.php/Housing_statistics. That being said, we acknowledge limits of already existing (European) policy discourses on housing affordability, and the ways they are embedded in for instance 'housing indicators', which in our view focus too much on housing as a 'market' variable, as opposed to 'social' variable'.

3) How (and if) is the term 'affordable housing' defined in your city/organisation?

'We do not have one way of approaching/defining 'affordable housing' in our organization. We work in the format of Working Groups with our members and each one of the Working Groups approaches the notion of 'affordable housing' from different perspective. Urban Committee focuses on exploring how affordability can be achieved in the scale of cities; Energy Committee that looks at the impact of environmental policy and legislation (standards) on the cost of delivery of affordable housing – new construction and renovation; Social Affairs Committee investigates the effects of housing policy and practice on social exclusion; Economic and Finance Committee addresses the matters of financial mechanisms that enable delivering affordable housing. There is also Housing Europe Observatory Committee where all these perspectives are acknowledged'.

4) What is missing, what should be the definition of the affordable housing in your context according to you?

'We do not aspire to create one, universal definition of affordable housing as examples from across the borders demonstrate that indeed various kinds of context drive definition of the notion of 'affordability' in a particular moment in space and time, in policy and practice. Essentially, we would like to also stress that when approached from the perspective of a citizen/tenant, housing becomes a problem of a 'middle class' that often cannot afford rental housing, which diverges from some (still) dominating policy perspectives: glorification of homeownership as a primary mode of provision of housing and/or social housing being a product designed for vulnerable people. It is also worthwhile noting and acknowledging that there is a need to improve investment in housing as across the borders in general, as the annual total cost to the

economies of the EU of leaving people living in inadequate housing is nearly €194 billion as estimated by European Foundation for Living and Working Conditions: <http://www.eurofound.europa.eu/publications/report/2016/quality-of-life-social-policies/inadequate-housing-in-europe-costs-and-consequences> . In this vein, investment in housing, especially via anti-cyclical mechanisms, is investment in people, not bricks’.

Tenants

International Tenants Union

A possibility to define affordable housing according to the IUT Secretariat:

“after having paid all housing related costs (rent, mortgage, energy, taxes, charge fees etc.) a person should have at their disposal at least the **minimum income standard** according to the national minimum income standard definition”.

European Commission and EU related programs and institutions

European Commission

As noted in 'Guide to the application of the European Union rules on state aid, public procurement and the internal market to services of general economic interest, and in particular to social services of general interest'

When does an activity qualify as 'economic' within the meaning of the competition rules? Examples of activities regarded as economic in previous Commission decisions and Court judgments: 'Housing at lower rents; see the decision practice on the provision of general mortgage funds, affordable housing schemes intended to provide low-cost housing, rental subsidy schemes and grant schemes for elderly and disabled persons, as well as socially disadvantaged household'²³

Eurostat

Housing affordability

In 2014, an 11.4 % share of the EU-28 population lived in households that spent 40 % or more of their equivalised disposable income on housing (see Table 1). The proportion of the population whose housing costs exceeded 40 % of their equivalised disposable income was highest for tenants with market price rents (27.1 %) and lowest for persons in owner-occupied dwellings without a loan or mortgage (6.8 %).

The EU-28 average masks significant differences between Member States: at one extreme there were a number of countries where a relatively small proportion of the population lived in households where housing costs exceeded 40 % of their disposable income, notably Malta (1.6 %), Cyprus (4.0 %), Ireland (4.9 %; 2013 data), Finland and France (both 5.1 %). At the other extreme, around just over two out of every five people (40.7 %) in Greece and just under one in six of the population in Germany (15.9 %), Denmark (15.6 %) and the Netherlands (15.4 %) spent more than 40 % of their equivalised disposable income on housing.

EU-SILC survey

Share of housing costs in disposable household income, by type of household and income group - EU-SILC survey²⁴.

- Share of rent related to occupied dwelling in disposable household income, by type of household and income group - EU-SILC survey (ilc_mdcd02)
- Total housing costs in pps - EU-SILC survey (ilc_mdcd03)
- Financial burden of the total housing cost - EU-SILC survey (ilc_mdcd04)

²³ European Commission (2013), COMMISSION STAFF WORKING DOCUMENT Guide to the application of the European Union rules on state aid, public procurement and the internal market to services of general economic interest, and in particular to social services of general interest, European Commission, Brussels.

²⁴ http://ec.europa.eu/eurostat/en/web/products-datasets/-/ILC_MDED01

- Financial burden of the repayment of debts from hire purchases or loans - EU-SILC survey (ilc_mdcd05)

Note: EU SILC HCO indicators for the low-income people and for the general population and demonstrate the important difference between figures (as affordability is rather a problem of the poorer segment of the population).

DG Employment

(a personal opinion) To me, affordability is a broader concept and it includes the possibility for everyone in need to access to adequate housing without spending an excessive share of their income on housing. So I would not exclude middle-income people and access to ownership and would bring in the adequacy and housing cost overburden aspect (not to spend a higher share of income than 40% on housing?). Affordability would not only relate to buying/renting but maintenance, utility, renovation costs as well so should apply over the life span of houses, including access to affordable land, plots, permissions.. rent controls, adequate housing benefits. Adequacy has been defined by the UN Committee on Economic, Social and Cultural Rights and it includes the security of tenure, affordability, habitability, accessibility, location and cultural adequacy.

The general goal of affordable housing provision should be to prevent and homelessness_ and provide a home as a precondition to everyone for a dignified, full life.

EC study on evictions for further context of affordability (available here:<http://ec.europa.eu/social/main.jsp?catId=738&langId=fr&pubId=7892&type=2&furtherPubs=yes>)

In the context of the EU Social Pillar/new Sustainable Development Goals, possibly the EU SILC housing cost overburden indicator will be used as a benchmark. So apart from a definition, it would be good to arrive to some quantitative indicator(s) of affordability. Perhaps a revised housing cost overburden indicator could be the way ahead? ESTAT could be involved in a common thinking.

Besides, housing prices are just one part of the story: in some MSs, the generous housing allowance makes housing affordable, even against high housing/rental prices. It could be listed what influences affordability, local taxes, high land planning, construction prices, benefits, as these are important to consider at a definition, too.

European Investment Bank (EIB)

As you know, social and affordable housing is extremely local, its definition has to be based on a clear and comprehensive assessment of the local residential market, with an identification of potential market failure and gaps. Social and affordable housing can be eligible for EIB financing provided the before mentioned, with a comprehensive legal and policy framework in place which is in line with European guidelines and decisions. The EIB assesses loan operations proposed for financing on a case by case basis, with an appraisal of the relevant topics for the possibility of financing. For our purposes we have broadly defined affordable housing as the 'gap' between social housing (regulated sector, for low income persons, typically eligible for housing allowances) and market rate housing. But as said, any definition of (social and) affordable housing by a Member State, a region, a city or a provider, always has to be based on comprehensive knowledge of the local market where it's applicable. There

are and can be local residential markets in Europe where there are no markets gaps and thus no social or affordable housing is needed.

URBACT

URBACT programme we did not adopt a very specific definition of affordability, neither we refer to specific national policies. We as programme we could ask URBACT cities to provide their input on this. At the moment, we have about 300 cities working with us (although not specifically on housing). In any case, if we want to involve URBACT cities, this should be done in a more structured way.

Some months ago after the kick off of the partnership I was asked to draft a short entry for the URBACT website, which briefly starts by critically looking at the definition of affordability” <http://urbact.eu/eu-urban-agenda-challenge-“affordable-housing”-europe>. As you know, the definition, is a matter of debate.

(a personal opinion) The last question about what is missing, for me does not exactly apply to the definition of affordability (having just said that it can be pulled in many directions) whenever not regulated as in some countries. For me what is missing or needing more attention in the partnership debate is:

- the housing costs not in terms of building, and paying “affordable” rent, but in the sense of expenses e.g. electricity, heating and so on and the relation to indebtedness for many poor family.
 - affordability as innovative process of construction, creation, provision of affordable dwelling_ this is more a matter of research on different typologies of self-built, co-housing, CLT and others
 - Affordability in relation to land tenures and taxation systems.
 - issues of eviction and lack of unified regulation in EU protecting the most vulnerable social groups; and homelessness, as the extreme consequences of the “not affordable”
 - affordability of housing and working spaces_ the relation between home- based, precarious working habits, growing in Europe
 - further clarification on the meaning of affordability for whom...
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