



# SOLUTIONS TO HOMELESSNESS AND HOUSING EXCLUSION

THE CASE  
FOR  
EUROPEAN  
INVESTMENT

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### INTRODUCTION

FEANTSA aims to promote investment in housing solutions for people affected by homelessness or housing exclusion in Europe. We have identified this as a consistent investment gap across the EU. This gap could be addressed by the current Investment Plan and the future InvestEU programme, generating wide-ranging benefits. This paper sets out the challenge of homelessness and housing exclusion, the opportunities for investment and examples of the types of projects that are possible.

### THE CHALLENGE

Europe faces an unprecedented homelessness and housing crisis. People with low incomes and vulnerable groups are increasingly struggling to get decent housing and keep it. **Homelessness** is increasing in all EU Member States except Finland (see Fig 1). Too many people live in **inadequate** or **insecure conditions**, and/or spend an untenable proportion of their income on housing. In 2017 18% of poor households were living in fuel poverty. 25% were living in overcrowded housing. 38% of poor households faced “housing cost **overburden**” (spending more than 40% of their disposable income on housing).

It is well established that homelessness and housing exclusion have significant human, societal and economic **costs**. The OECD, the World Bank, Eurofound and others have recently expressed concern about the costs of the housing crisis. Tackling homelessness and housing exclusion is a good investment for the future. However, there is currently a shortfall in investment in decent housing that is accessible and affordable for those who need it most. Too frequently, resources are poured into short-termist measures to manage homelessness and housing exclusion, rather than to solve it. There is an urgent need for new investment into sustainable housing solutions for those affected by homelessness and housing exclusion. This would turn the tide of rising

homelessness and housing exclusion, delivering wide-ranging social and economic benefits.

Fig 1 Recent Trends in Homelessness in Europe 2018



Source: FEANTSA & Fondation Abbé Pierre 2018

### THE OPPORTUNITIES FOR EUROPEAN INVESTMENT

The EU currently funds projects to tackle homelessness and housing exclusion through cohesion policy and other grant-based instruments. The **European Social Fund** and the **European Fund for Aid to the Most Deprived** are used to support homeless people. The **European Regional Development Fund** is used for the construction and renovation of affordable housing. The volume of funds used in this way is currently small and there is much scope for smarter investment choices. Fortunately, it looks like the 2021-2027 MFF will offer a favourable framework for enhanced use of these instruments to fund solutions to homelessness and housing exclusion. There are already examples of excellent practice, and huge potential to go further.

#### CASE-STUDY: HOUSING FIRST FOR FAMILIES IN BRNO

This ESF-funded project provides a municipal flat and intensive Housing First case management for 50 families who were previously living in private hostels, shelters or other forms of homelessness. The impact of the project is measured by a Randomized Control Trial, comparing a treatment and control group. The first families moved in in September 2016 and by May 2017 all 50 families were housed. After one year, 96% were still stably housed. The success of this project means that the Czech government has decided to scale up Housing First in cities across the country [Read more](#)

The EU launched the **European Fund for Strategic Investments** (EFSI) in 2015, to be succeeded by the **InvestEU** programme 2021 - 2027. The EU budget is used to leverage investment and access to finance for the real economy. InvestEU will offer a €38 billion guarantee to support strategically important projects across the EU. The aim is to crowd in private and public investments to trigger more than €650 billion in additional investment over the 7-year period.

InvestEU has a stronger focus on social investment than the EFSI, earmarking €4 billion for a dedicated **Social Investment and Skills Window**. The draft Regulation and investment guidelines highlight social housing as vital social infrastructure, and homelessness as an investment priority. Policymakers, project promoters, financial partners and investors should seize this opportunity to invest in housing solutions for those who need them most.

The InvestEU Fund aims to target economically viable projects in areas where there are market failures or investment gaps. It also aims to support higher risk projects in the social field. Targeting unmet housing need is in line with this approach and would help to ensure a genuine EU added value, aligned with the European Pillar of Social Rights.

The High-Level Task Force (HLTF) on Investing in Social Infrastructure has made a clear case for boosting social infrastructure and social services, including in housing, to support growth, well-being and upward convergence. In this context, projects offering solutions to homelessness and housing exclusion offer an attractive asset class with long term, steady returns and high social impact.

#### THE WAY FORWARD

Addressing Europe's homelessness and housing exclusion problem requires significant investment in housing solutions for the poorest and most vulnerable in our societies. European investment can play a critical role. InvestEU has upped the social ambition of the European Union's investment policy. EFSI & investEU should, inter alia, leverage investment into projects that address homelessness and housing exclusion. This will help ensure maximum European added value and address clear market failure in the

housing field. This is a specific priority within the broader field of social and affordable housing.

FEANTSA and our partners are working to exploit the potential for European investment by developing a **pipeline of investable projects**. We will work with project promoters (local, regional, national authorities, NGOs, the social housing sector and others), the European Commission, the EIB, the CEB, the ERDB, national promotional banks, private banks, for-profit and non-profit investors, to help channel investment into innovative housing solutions to put an end to homelessness and housing exclusion in Europe. FEANTSA strongly supports the establishment of **Investment Platforms** to bundle projects and boost investment to address homelessness and housing exclusion. We are ready to work with the Commission, the Advisory Hub and other partners on this.

We encourage the Commission and the implementation partners to work with stakeholders to develop strategies to operationalise the social window, notably in relation to housing. Relying on a purely demand-led approach to projects in this underdeveloped market is unlikely to deliver. There is a need for technical assistance and structural engagement with stakeholders to support the development of project pipelines.

## PROJECT EXAMPLES

The following is a non-exhaustive and illustrative list of investable housing solutions projects that address homelessness and housing exclusion in Europe. The projects aim to provide inspiration; they concern a range of locations, scales and are at different phases: planned, in-development, ongoing and completed.

### 1. HOUSING FIRST

Housing First is a proven innovative model to address homelessness. It centres on the provision of rapid access to permanent housing to homeless people, accompanied with support. Currently, the main response to homelessness in Europe is temporary accommodation. The shift towards Housing First in Europe generates a range of investment opportunities – both in “hard infrastructure” i.e. affordable rental housing and “soft infrastructure” i.e. support services. Housing First has been consistently demonstrated as being more effective and more cost efficient than “treatment as usual” of homelessness. Read more at the [Housing First Europe Hub](#).

#### Lyon

The Metropole of Lyon requires an investment of approximately €35 million per year to implement Housing First in its territory over 5 years. This encompasses several investment strands: acquisition & transformation of private rental stock

for social purposes (€20 to 25 million); alternative & shared forms of housing (€1 million); temporary and infill housing (€2 million); Community Land Trusts (€5 million). The feasibility of a public-public social impact bond which would mobilize cashable savings in the health sector to finance Housing First is currently being explored. There is scope for comparable projects in other French cities in the context of a national programme to scale up Housing First. [Read more](#)

### Finland

In the context of the Finnish Housing First programme to end chronic homelessness (2008 – 2015), 67.6million Euros was invested in Housing First, including the creation of 1724 housing units specifically for homeless people. One innovative element of the programme was converting homeless shelters into supported housing units, offering permanent tenancies. The ARA (the Housing Finance and Development Centre of Finland) financed construction and refurbishment costs, and this was blended with grants from RAY (Finland's Slot Machine Association) and other funding for support services. [Read more](#)

### Czechia

Further to a successful Randomised Control Trial funded by the ESF in Brno (see above), Housing First will be scaled up in cities across the country, with support from the ESF. Social housing is also a priority in the programming of the ERDF. There is considerable scope for blending of EU funds with investment to scale up Housing First, particularly in the form of bridging loans.

### United Kingdom

Scaling up Housing First in the UK requires investment in housing supply, using both new and existing stock. Scoping work has been carried out for England, Scotland and Wales by Crisis & Homeless Link. [Read more](#). One example of an innovative instrument is Big Society Capital's Housing First Transition Fund in Glasgow. This fund will provide short term secured loans to homeless charities and housing associations to replace hostels with independent housing. It is a rolling fund and repaid loans will be reinvested to support other charities and housing associations in the transition process. The Fund is in a very early stage of development. More broadly, Scotland has an ambitious plan of social housing production, lifting a cap on local authority borrowing and providing grant funding. One of the goals is to speed up re-housing of homeless households.

### Austria

In Vienna, Erste Bank is developing a Housing First program, to support the roll out of the model, in partnership with Neunerhaus and Caritas. The bank will provide interest-free loans to households endangered by homelessness to purchase the share in the social housing cooperative which is the entry ticket for accessing low rent social cooperative housing. In the first wave around 200 families will benefit from the program worth 4 million EUR.

### Slovakia

Housing First concept implementation using innovative financial instruments is in the last stage of development in Slovakia where local Erste Group subsidiary, Slovenska Sporitelna, and public Slovak Investment Holding join forces with NGO supporting homeless people. An impact fund equipped with capital from its founders, later open for collecting investments from purpose-driven investors, will purchase scattered low-cost apartments in larger cities that will be via partnering NGOs rented to homeless households for a social rent. The pilot foresees acquisition of 60-80 apartments in the later phase to be scaled to hundreds

## 2. SOCIAL & AFFORDABLE HOUSING THAT IS ACCESSIBLE TO THE MOST VULNERABLE

In addition to scaling up Housing First, there is a general need for affordable rental housing, which is accessible and affordable to those who need it most. This type of housing is often considered as “high risk” but in fact public sector support for revenue streams (rent) is often high, making it an investible prospect.

### France, PLAI

In France, a specific financing instrument has been developed to encourage the development of more housing for poor and socially excluded households. These loans, *Prêts Locatifs Aidés d'Intégration* are available to social housing companies and social services for “very social” housing. PLAIs thus finance the construction, acquisition and improvement of housing solutions for people with low resources and social difficulties.

### Belgium, Inclusio

Inclusio is an innovative social real estate investment scheme. It offers institutional and private investors the opportunity to invest in affordable housing. It aims to generate social impact by providing an additional response to unmet housing need, as well as a sustainable return on investment. Houses are bought on the private market and rented out at affordable rates for low income and vulnerable households. The scheme relies on cooperation with social service

providers and local authorities, namely for rental intermediation services. [Read more](#)

### 3. IMPROVING THE QUALITY OF HOUSING & ADDRESSING ENERGY POVERTY

#### Belgium (Flanders)

The ASTER project (Access to Sustainability for Tenants through Energy-effective Retrofit), funded under the ELENA programme, supports the development of an investment programme for the integration of Photo Voltaic into social housing in Flanders, with the aim of reducing energy costs for tenants. The programme aims to invest approximately EUR 42m over a period of three years. An estimated 12,000-15,000 properties will be targeted for PV installations. The programme addresses energy poverty and delivers the most savings to the most vulnerable households. [Read more.](#)

#### France

In France, a housing microcredit scheme has been developed by the Caisses d'Epargne and guaranteed by the Social Cohesion Fund (FCS, a public fund guaranteeing microcredit) and the Abbé Pierre Foundation. The programme supported owners in difficulty by financing renovation to reduce energy bills. The typical loan size is around € 7,500 with 5 years repayment, granted with the interest rate below 4% and no fees. The program supported around 300 clients yearly with very positive outcomes.

#### Slovakia

DOM.ov (home ) is a project of Erste Group's local subsidiary, working with 2 NGO partners. It is a housing microcredit scheme targeting the excluded Roma community in east Slovakia. The scheme combines educational elements (financial literacy, job finding and construction work assistance), social work and financial inclusion with the goal of providing simple self-built house. The target families live in slum conditions in informal settlements. After 12 months of regular savings and financial education, they are able to purchase a plot from the local municipality. The bank provides a housing microloan of 10-12.000 EUR for the reimbursement of the building / construction material cost of a simple house, built by the household with supervision from a trained NGO. In the first wave 100 families joined the project, 60 managed the regular savings and 25 are currently building their house. There is scope for scaling up this approach in Slovakia and the CEE region.



#### 4. HOUSING SOLUTIONS FOR VULNERABLE MIGRANTS

Homelessness and housing exclusion amongst vulnerable migrants is a growing challenge in many EU Member States currently. This concerns people with different administrative statuses, including asylum seekers, refugees and undocumented migrants.

##### Germany, Brandenburg Refugee Housing

The German Federal State of Brandenburg investment bank, Investitionsbank des Landes Brandenburg (ILB), received EUR 120 million loans from the EIB for the refurbishment and construction of refugee accommodation in different parts of the Federal State. The project provides community housing, composite housing, temporary and emergency accommodation.

##### UK, Commonwheel Housing & Praxis No Recourse to Public Funds project

The 'No Recourse to Public Funds' (NRPF) project provides safe homes for migrant families in London. These families are not entitled to claim financial support from the government due to insecure immigration status, and therefore are at risk of homelessness and exploitation. Commonwheel Housing secured social investment to buy 8 properties, which are leased to Praxis at below market rent as homes for NRPF families and single women. Investors receive an annual return of between 2.5 - 3.5 per cent (it varies from property to property) on the amount paid for the properties. This is paid by Praxis from the income generated from the Local Authorities for the part of the services which fall under their statutory responsibilities towards families with children.

#### 5. HOUSING SOLUTIONS FOR YOUNG HOMELESS PEOPLE

Young people are disproportionately affected by the housing crisis and are increasingly exposed to homelessness and housing exclusion.

##### Denmark, Home for All Alliance

This Alliance, funded by the Bikuben Foundation, brings together investors, municipalities and NGOs to create sustainable housing solutions projects for young people affected by homelessness. They have developed a number of pilot projects that have secured investment to provide affordable rental housing for this target group, as part of mixed communities with students.

## 6. HOUSING AS HEALTH INFRASTRUCTURE

Decent housing is a social determinant of health. Health authorities & agencies are increasingly interested in investing in supported housing projects to deliver health outcomes. This trend is quite advanced in the United States, where hospitals in Columbus, Atlanta, New York, Boston and other cities are investing, directly or indirectly, into community housing projects. It is less developed in Europe but there is great scope. By providing vulnerable households with access to safe, adequate housing, this investment engenders positive health outcomes. The investment can be recuperated through health savings, for example, by reducing the number of hospital admissions associated with homelessness and housing exclusion.