

HOUSING FINANCE INTERNATIONAL

The Quarterly Journal of the International Union for Housing Finance



- ➔ **Scottish housing – a work in progress?**
- ➔ **Housing and housing finance in Russia at a time of crisis**
- ➔ **Pro-poor housing and energy poverty**
- ➔ **Key findings of the national report on Austria for Habitat III**
- ➔ **Tracking changes in European housing finance**
- ➔ **Book Review: The housing challenge in emerging Asia: options and solutions**

International Union for Housing Finance

Housing Finance International

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Key findings of the national report on Austria for Habitat III

↪ By Sandra Juraszovich and Wolfgang Amann

1. Habitat III

The authors were responsible for the preparation of the Austrian national report for the third United Nations Conference on Housing and Sustainable Urban Development (Habitat III). This paper is based on this national report and presents the main findings with a focus on housing affordability and the system of social housing in Austria.

The United Nations Human Settlements Programme, UN-HABITAT, is mandated to promote socially and environmentally sustainable towns and cities with the goal of providing adequate shelter for all. In a bi-decennial cycle, the UN organizes global conferences on housing and sustainable urban development: Habitat I in Vancouver/Canada 1976, Habitat II in Istanbul/Turkey 1996, Habitat III in Quito/Ecuador 2016. Prior to the conference, countries were called upon to prepare national reports that consider the implementation of the Habitat II agenda as well as new challenges and emerging trends for sustainable urban development. With over 40,000 participants, Habitat III was the largest conference on cities in the history of the United Nations. At the conclusion of the Habitat III summit, 170 U.N. member states signed the New Urban Agenda – an agreement that serves as guideline for sustainable urban development. A critical review on this New Urban Agenda can be found in the following article.

2. Austria – an introduction

Population growth, an aging population and continuing growth of population with migration in the background: These headlines reflect some of the main issues relating to demographic development in Austria. In 2015, Austria had a population of 8.6 million inhabitants. According to the main scenario of the population projection by Statistics Austria, the total population will increase to 9.3 million people (+8%) by 2030. The population growth can be attributed first and foremost to positive net migration (balance of immigration and emigration). In contrast, the natural increase (balance of births and deaths)

makes only a comparatively small contribution to population growth. The latest immigration wave set in with the end of transition regulations for the new EU member states and was reinforced by the increasing inflow of refugees in 2014 and 2015 as a result of the humanitarian crisis in the Middle East. In 2015, Austria saw a strong 56%-year-on-year increase in its net immigration rate as net immigration reached a high of 113,000 persons, which is equivalent to 1.3% of the resident population.

In general, Austria is characterized by a low pace of urbanization. According to the World Bank, the percentage of the total population living in urban areas changed only marginally from 65% in 1980 to 66% currently. The capital city Vienna stands out as the only metropolis, with currently 1.8 million inhabitants, while the second largest city Graz only has 280,000 inhabitants. However, the latest demographic developments indicate that the rate of urbanization will be faster in the future. The strongest population growth is expected to be in Vienna and its surrounding area as well as in and around the major provincial capitals, whereas peripheral and structurally weak rural areas will continue to face population decline. The dynamic demographic development of urban regions poses new challenges for planners and policymakers regarding technical as well as social infrastructure.

For decades, Austria's regional pattern has been characterized by a distinct west-east divide in economic dynamics that had its origins in the geopolitical position of the country along the Iron Curtain. Since the opening of the borders and the enlargement of the EU towards Central Eastern Europe, a remarkable catching-up process of the Eastern regions has been apparent, contributing to the decline in regional disparities. According to the OECD, in 2013, Austria had the second lowest regional disparities in GDP per capita in OECD countries. Economic and social strength of the rural areas is one main reason for the overall quite competitive economic performance of Austria.

Austria is a Federal State; consequently, it assigns major responsibilities to the nine provinces (Länder) as well as to municipalities. The federal level holds important competencies in sectorial planning fields, such as national transport and energy infrastructure or monument protection. Legislation and implementation of spatial planning, however, belong to the autonomous responsibilities of the provinces. The Länder enact their own spatial planning laws and they are responsible for planning at the provincial and regional levels. As a result, there are nine spatial planning laws and building codes in Austria, one for each province. On one hand, this situation reflects the regional differences and variety in Austria; on the other hand it creates unnecessary redundancies and/or unreasonable differentiation. In the context of housing, the federal state holds legislative competence regarding Rent Law, Condo-minium Law and Limited-Profit-Housing Law, whereas the Länder have legislative competence over the housing subsidy schemes, supervision of the limited-profit housing associations and social welfare. For this division of competences, housing policy differs to some extent between the Austrian provinces. Tax collection is basically in the hand of the Federal State, disbursement to federal provinces and municipalities is ruled by a financial equalization act. This system is of particular importance for local authorities because it accounts for a significant share of their total revenues. A significant aspect of negotiations is funding of the housing subsidy scheme of the provinces. Until the late 2000s, a substantial part of those tax earnings dedicated to the Länder were earmarked for housing with some supervisory functions exercised by the Federal State. Since then, funding of the housing subsidy schemes is fully under the responsibility of the Länder.

3. Challenges and lessons learnt in the context of urban development in Austria

The following sections give an overview of some of the most pressing issues and trends regarding urban development in Austria.

3.1 Urban land management and governance

In Austria, no general planning law exists at the federal level. Despite major differences in the existing spatial planning acts and building codes of the federal provinces, common trends on the local and regional level are becoming discernible. Recent revisions to building codes and planning laws have focused on regulations regarding energy legislation, accessibility and sprawl. Nevertheless, integration of legal planning-related competencies between the local, regional and federal level remains a challenge for coordination. In Austria, this process in the field of spatial planning and development is tackled by a joint permanent conference between the different administrative levels (Österreichische Raumordnungskonferenz – ÖROK), which is hosted by the Federal Chancellery as co-leaders with the Länder and the associations of cities and municipalities.

The main planning instruments at the local levels are the local development plan (Örtliches Entwicklungskonzept), the land-use plan (Flächenwidmungsplan) and the building regulation plan (Bebauungsplan). In recent years, contract based spatial planning (Vertragsraumordnung) is seen as a suitable means for contributing to sustainable development. In consultation with private landowners and developers, such contracts govern burden-sharing between municipalities and the private beneficiaries of legally binding land-use plans, usually in return for increases in land values caused by zoning. Hence, change of zoning from e.g. agricultural use to building land results not only in windfall gains to the land owner, but also benefits to the public, as some of the land may be dedicated to social housing at a discounted land price or social or technical infrastructure may be financed by the land owner. However in 1999, the ruling of the Constitutional Court on Salzburg's Contract-based Spatial Planning created uncertainty regarding the use of contracts in relation to amendments of land use plans. The reason for the repeal of the contract-based spatial planning at the time was the defined compulsory linking between private law agreements and mandatory regulations. Today, all provinces have regulations in place to provide for contract-based spatial planning, but final legal certainty on this issue is missing and would require confirmation in the Constitutional Law (ÖROK, 2014).

As another important aspect of governance, urban-regional partnerships aiming at a sustainable development of agglomerations can be identified. The Austrian Spatial Development Concept 2011 (ÖREK 2011) states as one aim to involve cities and regions in new forms of

collaboration to achieve sustainable economic growth, and social and ecological development. Examples like Urban-Rural Management of Vienna and Lower Austria, Urban Region Graz, Intercommunal Development Central Region Linz-South-West and Rhine Valley in Vorarlberg show that Austria's urban regions already use a series of platforms. However, considering the widely divergent situations within a region it has become clear that there are limits to voluntary collaboration and that binding instruments are necessary. The Austrian Conference on Spatial Planning produced recommendations encouraging cooperation platforms among urban regions in Austria. Key points among others are the definition of urban regions as areas of planning and as a spatial reference for revenue sharing and the establishment of regional advisory boards for design and planning. Urban regions, including semi-urban areas around the cities, have to become established in the mindsets and actions of the actors involved in spatial development (see ÖROK, 2016).

3.2 Environment and urbanisation

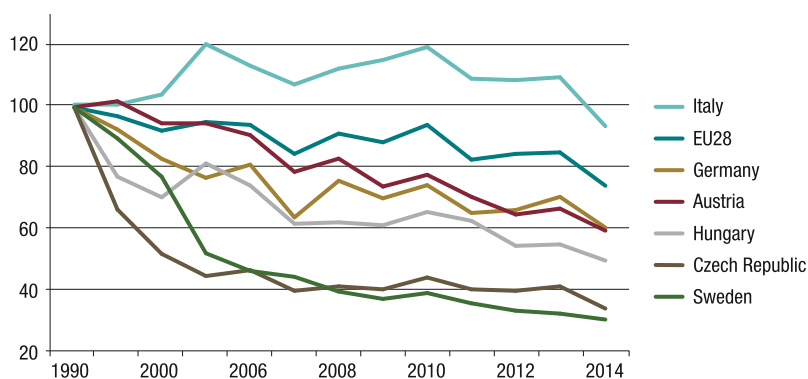
Austria is hit hard by climate change: In the period after 1980 global temperatures rose by approximately 0.5°C, compared to an increase of approximately 1°C in Austria. A further temperature increase in Austria is expected and will influence the weather-dependent sectors such as agriculture and forestry, tourism, hydrology, energy, health and transport and the sectors that are linked to those (APCC, 2014). As one of the first EU member states, Austria formally started the ratification process of the Paris Agreement on reducing global warming (2015) in July 2016. Austria is currently developing an integrated

energy and climate strategy which will need to be consistent with the Paris agreement.

During the period of the Kyoto Treaty (1990-2012), but particularly since 2005, greenhouse gas emissions in buildings have been substantially reduced due to ambitious energy standards of new buildings, continuing efforts regarding refurbishments and conversion of heating systems (see Figure 1).

The high energy standards in the construction of new buildings are linked to the Austrian system of housing subsidies as the schemes have been continuously extended towards including energy efficiency criteria and renewable energy systems. Good energy performance in new construction is guaranteed by the maximum permissible thermal heat demand and energy efficiency indicator in the building codes of the regions, and by the stipulations on energy performance within the regional housing subsidy laws. The minimum standards for new construction have been tightening severely since the early 2000s and converged at the limit of 25 kWh/m²/year heating demand in 2012, which is close to a zero energy standard. Since a large part of new constructions makes use of these regional subsidies, the limits regarding thermal standards function as a strong incentive. The EU Energy Performance of Building Directive (EPBD 2010 "recast", 2010/31/EU) is implemented in the building codes of all Austrian federal provinces and regulates gradually increasing thermal standards of all new construction (not only subsidized housing) to a nearly zero-energy standard until 2021. In the face of increasing standards in the building codes it is decided to fade-out minimum thermal standards in the housing subsidy schemes of the Länder by

Figure 1 Development greenhouse gas emissions in buildings in Austria and selected countries, 1990 = 100



Re.: „buildings“ = Sector CRF 1.A.4
Source: Eurostat, IIBW

2017. This measure -aims to simplify permission procedures in housing construction and to re-establish attractiveness of the subsidy schemes.

In addition to the measures taken in the field of new construction, the refurbishment rate is bound to increase in order to reach the 2020 goal of reduction of final energy consumption in the building sector. In spite of strong incentives for ambitious thermal refurbishments in the subsidy schemes of all provinces and a federal building refurbishment programme (Sanierungsscheck) that aims at the thermal refurbishment of residential and commercial buildings, the thermal refurbishment quota is lagging behind.

3.3 Social inclusion and equality

Austria only ranks 36th (out of 142 countries) in the Global Gender Gap Index 2014. Weaknesses

are particularly inequality of wages and low participation in highly-paid and influential jobs (WEF, 2014). Nevertheless, Austria is committed politically and legally to implement gender mainstreaming at national level, whereby the implementation is based on the European embodiment of equality and equal opportunities for women and men in all activities and areas of life. In this context, gender-responsive budget management became enshrined in the Austrian Federal Constitution making Austria to a frontrunner in Europe. Gender budgeting can be described as the application of gender mainstreaming in the budgetary process with the aim to analyse the federal, state and municipality budgets with regard to their impact on the lives of women and men, and to adapt them according to gender equality objectives (IMAG GMB, 2014). The implementation of gender budgeting, however, is difficult and critical voices have been raised regarding the inadequate way in which the policy is carried out (WIDE, 2010).

As in other European countries, immigrants in Austria tend to settle in cities and urban areas. In Vienna, the share of people with foreign backgrounds (UNECE definition: a person whose parents were born abroad) was with 42% twice as high as the Austrian average (21.4%) in 2015. The integration of the arriving migrants in the education system and labour market is a big and increasing challenge. Integration processes always have a spatial dimension as they happen locally and are significantly influenced by communal and regional policy measures. The Austrian Conference on Spatial Planning calls for an active integration policy in order to prevent potential conflicts, on the one hand, and also to

take advantage of the potential of in-migration, on the other.

As well as the work place and school, housing can be seen as central issue of integration. On the one hand, housing conditions and spatial distribution patterns of migrants in a city can be considered important indicators of the status quo of integration; on the other hand, housing policies are an important part of overall social policy at the local level. When comparing the housing of migrants and nationals some disparities become apparent. The average floor space per person rose between 1971 and 2014 from 22.9 m² to 44.7 m². However, the average floor space for persons with a migrant background was 31 m²; about one third lower. Migrants from the former Yugoslavia and from Turkey were most likely to live with 26 and 22 m² average floor space per person respectively, i.e. in more confined housing conditions than the population without a migration background (48 m²) (Statistics Austria, 2015, p. 77). The right to adequate housing for all persons according to the Habitat Agenda seems widely fulfilled. Nevertheless, additional efforts are needed to meet the needs of the most vulnerable people. A big challenge is to accommodate the large number of migrants with legal asylum status. Some of the federal provinces have introduced new housing subsidy programs which are in particular directed towards low-income households, including migrants with legal asylum status.

4. Housing affordability and social housing

The provision of adequate shelter has been the main objective of Austrian housing policy for many decades with an impressive degree

of continuity. Within the framework of housing subsidy schemes, the nine Länder were able to set up a large and internationally acknowledged social rental housing sector. The following overview of the framework within which the social housing sector operates in Austria, tries to contribute to the ongoing discussion about housing affordability, an issue that has re-emerged as a priority topic on the political agenda.

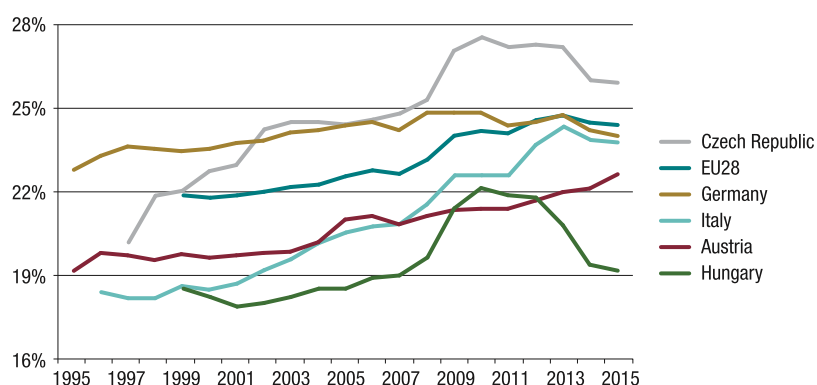
4.1 Performance indicators

The number of dwellings (main residences) across Austria is, according to micro census data, 3.8 million (2015). Out of these some 38% are owner-occupied single-family houses, the rest are dwellings in apartment buildings (approximately 11% are owner-occupied dwellings, approximately 42% are rented dwellings, and the remaining 9% consist of other forms of tenure). Thus, the total home ownership rate reaches some 49% and with 42% of rented dwellings the rental market segment is one of the largest in Europe.

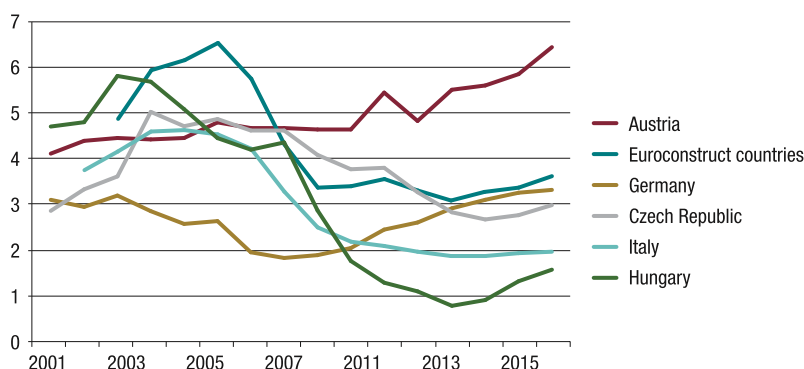
The following analysis illustrates that Austria has relatively low public expenditures on housing, but performs well in terms of quality and quantity, when compared to the housing outcomes of other European countries, particularly in terms of housing costs and stability of housing production.

The general housing cost level is significantly below the EU average; in 2015, private consumption on housing (National Accounts) was 22.7%, compared to the EU average of 24.4% (see Figure 2). The performance looks even better when analysing EU-SILC data, where Austria, with a stable housing cost ratio of

Figure 2 Development of housing cost ratio (national accounts) in Austria and selected neighbouring countries



Re.: 2016 is forecast
Source: Eurostat, IIBW

Figure 3 Housing permits per 1,000 inhabitants

Source: Euroconstruct, IIBW

18.4%, ranks far below EU average of 22.5%. Consequently, there is a relatively low proportion of households that see their housing costs as a heavy burden (15.6% as opposed to the EU28- average of 36.9% in 2012).

The housing cost ratio in Figure 2 includes a number of components, particularly rents, maintenance costs and household energy. Internationally, costs for household energy decreased significantly after 2013. Representing a much higher share of total housing costs in CEE countries, this led to strongly decreasing total housing costs in the Czech Republic and Hungary, but had minor effects in Western European countries. In Austria, revived dynamics on the housing market had stronger effects on total housing costs. Whereas in the 1990s and early 2000s, market rents increased below the inflation rate and at much lower pace compared to the Euro zone (ECB, 2009), this has changed thereafter. Particularly in urban areas market rents increased strongly in the late 2000s and early 2010s, e.g. in Vienna by around 5% on the average from 2009 to 2012. In recent years, rental market dynamics have flattened again. Strong institutional interrelations and the large social rental housing sector have contributed to comparatively smooth market rent increases throughout most of the last decades.

As an indicator of stability in housing construction the development of housing permits is analysed (Figure 3). New construction is on a stable and relatively high level of 4.4 to 5.8 permits per 1,000 inhabitants for the past decade (2005–2015), compared with a much higher volatility or a much lower level in most other European countries. While the Global Financial Crisis has hit the construction industry in several Western countries hard, with decreases of up

to 90% in Ireland and Spain, social housing construction in Austria clearly functioned as a shock absorber and stabilizer against rapidly dropping private and commercial housing construction. Housing completions are developing at a similarly stable rate with 5.1 units per 1,000 inhabitants in 2015; in comparison, the average of the Euroconstruct countries was at 3.1 units per 1,000 inhabitants.

Despite of a strong focus on supply-side subsidies and a high share of subsidized housing within total housing construction, Austria spent only approximately 0.9% of GDP on housing subsidies in 2011, where 0.6% was spent on supply-side subsidies, and 0.2% on housing benefits comprising tax advantages and concessions. This is below the average of Western Europe and suggests an efficient system for tax payers. Noteworthy, too, is the great stability of the investment in housing for many decades, also in the years of the Global Financial Crisis 2007/08. In comparison, in 2011 the Netherlands spent 3.2% of its GDP on housing, France 2.2%, UK 2.0% and Spain 1.1% (Wieser, Mundt & Amann, 2013). The impacts of the Global Financial Crisis have shown that the housing subsidy scheme is – despite limited budget resources – a successful instrument of social, employment and labour market policies.

4.2 The system of social housing

In the analysis of welfare regimes, Austria is seen as a typical example of the conservative-

Corporatist welfare regime: “displaying all the attributes of such an ideal type: strong regulation of the labour market, welfare provision based on fragmented systems of social insurance, a strong role for the family vis-à-vis

market and state, and kinship, corporatism and etatism as the dominant mode of solidarity.” (Matznetter, 2002, p. 267)

There is no official definition of social or affordable housing but there are different forms of housing provision other than the private market. The different forms of social housing include rental housing provided by municipalities and housing by limited-profit housing associations [LPHAs] which have access to public subsidies and have become a dominant force in the housing market. 16% of all dwellings in Austria (600,000) are owned by LPHAs. Additionally, LPHAs have constructed a large number of subsidized owner-occupied apartments, which may also be attributed as social, and usually remain in the management responsibility of the LPHA. They add up to another 7% of the total housing stock (300,000). In total, LPHAs manage around 900,000 housing units (2015, Amann/Lugger, 2016). Another 8% of the Austrian housing stock is owned by municipalities. Together, both groups of social rental housing make up 24% of the total housing stock in Austria which is approximately 10 percentage points above the EU-15 average. Moreover, social housing is primarily situated in multi-story buildings and consequently in urban areas. Social rental housing comprises 42% of all housing units in multi-story buildings (Reinprecht, 2014). The municipal housing stock in Austria mainly belongs to the City of Vienna, where the municipal housing makes up 23% of the total housing stock (approximately 220,000 housing units).

4.3 limited-profit housing associations

The above figures reflect the important role of limited-profit housing associations in the Austrian

rental housing sector. Limited-profit housing associations in Austria date back to the early 20th century and have continuously gained importance since the 1950s. The foundation of the first housing associations is closely linked both to the housing question and the social question of poverty and inequalities against the background of the industrialisation. Today, the main idea is setting up a long-term social housing stock at below-market cost-rents directed at large parts of the population mainly with the help of regional supply-side subsidies (Mundt & Amann, 2010).

LPHAs are regulated by the Limited-Profit Housing Act of 1979 (Wohnungsgemeinnützigkeitsgesetz) which is a federal state responsibility. The legal definition of the Limited-Profit Housing Act describes LPH associations as enterprises whose activities are directly geared towards the

fulfilment of the common good in the field of housing and residential matters, whose assets are dedicated to the fulfilment of such tasks and whose business operations are regularly reviewed and monitored. However, regardless of this orientation towards the common good, limited-profit housing associations are nevertheless part of the private sector. In short, the system of LPHA created by the Limited-Profit Housing Act can be characterized as follows:

Cost coverage principle: Rents are determined by costs; remaining below the level of costs is not allowed. The definition of costs includes repayment and interest for (mortgage) loans as well as interest for own funds. A special mark-up for periodic renovation and maintenance works is considered. Cost rents are calculated at the estate level, there is no rent pooling at the LPHA level.

Limitation of profit: Housing associations ought to make profits. But these profits have to be reinvested in the purchase of land, refurbishment or new construction. A tightly limited part of the profit may be divided to the owners or shareholders.

Tie-up of assets principle: There is no way for owners of LPHAs to cash out dormant assets represented in the quickly growing number of rental apartments. In the case of merger and acquisition of LPHAs the seller will get no more than the originally invested capital (appropriate interest is usually disbursed on a yearly basis by way of limited profit division).

Limited field of action: The housing associations have to focus on housing construction, refurbishment and housing management. In fact, it is a strong incentive for high construction quality and social balance if housing associations function as long-term managers.

Obligation to build: Any interruption in building activity requires the express permission of the respective regional government.

Today, 187 LPHAs are active in Austria, differing in their legal status and owner composition. Cooperatives are owned jointly by their members while the for-profit companies (limited-liability companies, joint stock companies) are owned by local or regional public authorities, charity organisations, parties, unions, companies, the financing industry or private persons. This multifaceted picture of housing providers reflects the fact that housing associations are intertwined with the Austrian political landscape. A driving force behind political support for LPHAs was given by both the parties that in Austria

formed a hegemonic coalition for the main part of the post-war period. While subsidized owner-occupied apartments were the favourite product of the Conservatives' housing policy, subsidized rental housing was on the Social Democrats' housing agenda (Matznetter, 2002, p. 273).

Since 1994, the Limited-Profit Housing Act contains the right to buy for tenants who contribute a certain amount of their own funds to co-finance the costs of land or/and construction. After a period of 10 years (until recently 20 years), tenants of these new-build apartments have a 5-year time-frame to exercise their right-to-buy. This new form of tenure was introduced as a trade-off between lobbies in favour of a growing share of owner-occupation and those supporting the social rental sector. However, even though the majority of LPHA new construction can be attributed to this form of tenure, only a relatively small proportion of tenants decide to buy. For the future, Mundt et al. (2009) have estimated that only about 20% of the affected rental stock will be sold.

4.4 Audit and control

There is a very tight system of control over LPHA activities and expenses: LPHA are both self-

auditing and publicly regulated. A supervisory board is mandatory for every LPHA and all LPHAs have to join the umbrella organization (GBV). Its function is twofold: On the one hand it acts as a lobbying organization in the interest of its members and represents them in negotiations with the government; On the other hand it incorporates the Audit Association (Revisionsverband) which is responsible for the annual auditing. In addition to the general auditing procedures, the Audit Association examines whether the provisions of the Limited-Profit Housing Act are observed, in particular, the calculation of rents and the acquisition of property. The audit is also understood as a form of economic supervision and is used to offer limited-profit housing associations with qualified information and assistance to improve the productivity and competitiveness of the member enterprises. The auditor's report has to be made public (short version) and must be presented to the regional governments which act as a supervisory authority and have a number of possible sanctions, such as the withdrawal of public subsidies or the rescinding of the LPHA status.

This arrangement has proved to be an effective tool to avoid misconduct. The tight operational framework given by the Limited-Profit Housing Act, the supervision through the regional authorities and the fact that many housing associations

are owned by semi-public bodies have produced the result that housing associations are regarded as the "lengthened arm of housing policy".

4.5 Economic maturity

Despite the cost rent principle, the Limited Profit Housing Act defines a number of activities which

are allowed to generate profits for the LPHA. These are e.g. fees for project development in new construction and refurbishment, lump sum fees for housing management, interest on invested own equity or rents of fully amortized buildings. This provides for stable and predictable incomes. Nevertheless the equity ratio differs substantially over the sector. A number of LPHAs with older and hence amortized rental housing stocks are today economically quite mature with equity ratios of up to 50%. On the other hand there are younger housing associations with a focus on owner-occupied housing or more rural markets, which have a much poorer performance (Amann & Wieser, 2015). But very rarely did LPHAs go bankrupt; and for decades no single buyer or tenant lost money for this reason.

4.6 Quality and state of preservation of the housing stock

The housing subsidy schemes of the Austrian provinces have developed over time to a quality

assurance standard in terms thermal and ecological standards, quality of planning and social integration. For this reason we face a peculiar situation that LPHA housing has on average a higher quality standard than most private market products. Additionally, legal regulations on the LPHA sector allow for higher maintenance fees and endowments to refurbishment funds than the private market or owner-occupied housing. This is why this sector has a significantly higher refurbishment rate than all other housing sectors.

4.7 Social housing finance: public support and market funding

The housing subsidy scheme is under the authority of the Länder. Formerly earmarked transfers

from the federal state are, since 2009, unconditional. Nevertheless, all of the nine Länder spend a large part of their funds on housing policy measures and, with a strong focus on supply-side subsidies to new construction in the form of soft loans or annuity grants. This housing strategy contrasts with the drift towards more

demand-side strategies to achieve housing goals in most European countries (see Wieser, Mundt & Amann, 2013; Mundt & Wieser, 2014).

Altogether, the nine Austrian provinces spent € 2.5 billion on their housing subsidy schemes in 2015. 50 to 60% of these expenses are directed to new multi-apartment construction, well below 10% to subsidies of single-family houses, only 10 to 15% are demand-side subsidies in the form of housing benefits and 20 to 25% are direct refurbishment subsidies. These figures show that the construction (“bricks and mortar”) and not the individuals are predominantly subsidized. The idea behind this is that supply-side subsidies produce affordable dwellings for a large part of the population for the entire life-span of the buildings. Fiscal incentives to boost homeownership such as reduced VAT rate, deduction of housing investments or non-taxation of the sale of one's own property are of minor importance for housing policy in Austria compared to the volume of direct supply-side subsidies. Recently, indirect subsidies were cut due to the elimination of tax deductibility of housing bond purchases and a reduction of the state premium for contract saving. The trend towards reducing indirect tax subsidies started back in the early 1990s.

In addition to the public subsidy schemes of the Länder, there are three types of special purpose banks entrusted with the task of raising money for affordable housing construction: the Mortgage Banks that issue covered mortgage bonds (Pfandbriefe), the Contract Savings Banks (Bausparkassen) and the Housing Construction Banks (Wohnbaubanken). Their main aim is to manage special purpose, closed circuits of finance for housing construction or housing purchases. Such closed financing circuits in addition to global financing market integration proved efficient as a shock absorber during the Global Financial Crisis of 2007/08, when international capital markets almost came to a halt.

Currently a federal housing construction investment bank (Wohnbauinvestitionsbank, WBIB) is established to channel € 700 million of low interest loans provided by the European Investment Bank and partly guaranteed by the Federal State into affordable housing throughout Austria. The WBIB is expected to act as a lever for the housing construction initiative of the federal government in addition to the subsidy schemes of the Länder.

4.8 The social mandate

The question ‘cui bono’ has always accompanied debates about social housing. A distinct benefit of the Austrian social housing model

is that it does not restrict policy measures to low-income households. Quite the contrary, the diversity of its occupants is seen as an important aspect of the model and as part of the social contract in Austria. Similar to most Scandinavian countries and the Netherlands, Austria follows a universalistic understanding of social housing, this means that the majority of the population is targeted by the housing policy measures. There are fairly generous income limits for access to social housing. Only the top income deciles are excluded from this scheme of transfer and subsequent salary increases are not taken into account (Reinprecht, 2014, p. 69). Taking the total LPHA housing stock, middle income households are over-represented and lower-income households are under-represented (Kunnert & Baumgartner, 2012). This has caused some discussion about the proper allocation of social housing and efficiency of social targeting of public subsidies. The issues are not only the quality of supply and the high-income limits of beneficiaries, but also the low mobility of households. Newly allocated LPHA dwellings, both new construction and from the stock, mainly target young households with usually under-average incomes. But over time their financial situation improves. Because of concerns about social integration and administrative difficulties, no later income examination is carried out.

However, most policy makers agree on keeping up the universalistic approach towards social housing as a kind of public good in terms of social cohesion and thus avoiding socio-spatial segregation and social ghettos. Since the social housing sector is accessible to a very broad range of social groups, the limited-profit sector and the free market sector compete and households choose the better price-quality-bundle. If the limited-profit housing sector can provide high quality rental housing at a lower price, for-profit landlords will have to lower their rents in order to stay competitive. Thus, the limited-profit sector is also able to act as a damper on general rent levels and influences market prices of commercial projects. The enabling effects of housing subsidies contribute to a more egalitarian society.

4.9 International context and current challenges

Social housing in any country is embedded in a particular legal, political and economic framework,

which impedes both direct comparison and transfer of good practice. Nevertheless, the Austrian

social housing system, in some respects, can be compared with other European social housing sectors, where nonprofit or limited-profit housing associations play a major role in affordable housing provision. Examples are the Dutch Woningcorporaties; the French Housing at Moderated Rents [HLM] and the Danish nonprofit housing associations [almene boliger].

Social housing sectors across countries face similar challenges against the backdrop of fiscal austerity and increasing demand for affordable housing due to unstable labour conditions and rising rents (Scanlon & Whitehead, 2014, p. 435). The availability and price level of social housing will remain a prior challenge anywhere. Firstly, most of the bigger cities face increasing land restrictions and scarcity of building land for affordable housing. New methods for mobilizing building land will have to be explored (Jurasszovich, 2015). Secondly, cost-rents, one of the main principles of limited-profit housing, are growing less affordable, as certain cost components are increasing faster than the incomes of the target groups (Vestergaard & Scanlon, 2014, pp. 85-86; Levy-Vroelant, Schaefer & Tutin, 2014, p. 140; Kadi, 2015, p. 254). As a result, what is meant as affordable may increasingly come out of reach for low income households. Furthermore, affordable housing is more and more pushed to the outskirts of cities. Growing competition in land acquisition will be the major future challenge regarding the spatial structure and location choice of social housing schemes.

Though housing models similar to the Austrian play an important role in many Western and Northern European countries, hardly any implementation in transition countries succeeded. There have been a few trials e.g. in Poland and some Western Balkan countries, but almost as many errors. It remains an open question, why such beneficial schemes hardly serve those countries, which turned to the market economy only in the late 20th century.

5. Conclusions

Following a global trend, current demographic developments indicate growing pressure on cities and sub-urban areas in Austria. To avoid an unsustainable transition and urban scattering, compact, mixed-used settlement structures with high urban quality have to be a central paradigm of planning, both in cities and semi-urban areas. However, previous experience exemplifies the limits of voluntary collaboration between cities and their hinterland. For the future, innovative and collaborative instruments

and rules are necessary in order to achieve sustainable growth.

Considering the importance of residential construction to society and urban development as well as the universal need for adequate and affordable accommodation, affordable housing should be more firmly established as a goal in urban planning regulations.

Austrian housing policy has transformed many features of the post-war housing policy scheme to meet present-day requirements, especially the large and growing importance of limited-profit housing associations, the focus on supply-side subsidies and a broad understanding of social housing. Austria performs well regarding housing policy outcomes, particularly in terms of affordability and stability of housing production and markets. The limited-profit housing sector has developed into a very efficient tool for the implementation of housing policy targets. Affordability is promoted by reducing the costs of housing through low interest public loans and grants and measures to level out land and construction costs. The containing influence of social housing on rents leads to a unitary rental market, where competition between the private and social segment fosters overall efficiency. The universalistic approach towards social housing avoids residualisation and stigmatization of social housing and its tenants.

To achieve large quantities of social housing, instruments which combine the strengths of the state with market instruments are needed. Beside state subsidies, capital market instruments have proven their effectiveness. This combined approach has enabled LPHAs to play a strategic role in the housing market. The sustainability of affordable rental housing is achieved with cost covering rents, legally defined fees for maintenance and repair and a solid equity base for the housing associations. Subsidies play a supporting role in producing below-market supply and in helping the poorest with additional benefits. Nevertheless, LPHAs are private sector enterprises. There are strong incentives to manage for economic efficiency. There is clear evidence that those LPHAs with the best economic performance are also the most innovative in terms of new building concepts or social innovation.

The Austrian model of housing finance is suitable for adaptation in countries seeking to reform, reinvigorate or establish new social housing systems. It is particularly relevant when combined with the business model of limited-profit, cost-capped housing and may well serve the urgent needs of many countries to provide

rental housing in substantial quantities, serving the needs of middle and lower income groups.

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