



TEN/707

**Universal access to housing that is decent, sustainable
and affordable over the long term**

OPINION

European Economic and Social Committee

Universal access to housing that is decent, sustainable and affordable over the long term
(own-initiative opinion)

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1. **Conclusions and recommendations**

- 1.1 The health, economic and social crisis of COVID-19 has intensified the severity of the affordable housing crisis that Member States have been facing for years¹, particularly for homeless people, overcrowded households, residents of working class neighbourhoods and seasonal workers and immigrants – victims of housing conditions that have directly affected the infection rate in society. Although housing policy remains the competence of the Member States, the shortage of decent and affordable housing in the European Union (EU) requires a European action plan on housing that includes a comprehensive set of measures, which are easy for people to understand, to help Member States, regions and cities in Europe to sustainably boost the supply of social and affordable housing and effectively combat homelessness.
- 1.2 The EU must, first of all, ensure that a real universal right to housing is enshrined, particularly acting by means of a sector-specific regulation under the ordinary legislative procedure, to establish the principles and set the conditions for providing, commissioning and funding affordable and decent housing, in accordance with Article 14 TFEU.
- 1.3 In this regard, the European Economic and Social Committee (EESC) welcomes the Commission's initiative to establish a link between the European Pillar of Social Rights and the European Semester, which, in the area of housing policy, should lead to better monitoring of social housing reform, of the accessibility and affordability of housing and of the effectiveness of housing benefits. It insists that the representatives of organised civil society should be consulted before country-specific recommendations on housing policy under the European Semester are adopted. The EESC calls for greater leeway in long-term investment in social infrastructure and for it to be excluded from public administration accounting when calculating the public deficit.
- 1.4 The creation of a "European fund for investment in affordable, decent and suitable housing", aimed at creating and maintaining low-cost housing, would enable the EU to make its actions and policies clearer and more consistent for Europeans, particularly in the context of the buildings plan to be rolled out under the Green Deal, and the future European Pillar of Social Rights action plan.
- 1.5 On the basis of the report that Member States will have to submit to the European Systemic Risk Board (ESRB) in 2020 concerning the indicators of potential overvaluation of house prices and measures taken following the ESRB's recommendations, or their explanations for failure to act, it is essential to detect vulnerabilities that may lead to financial, economic and social crises early on and react accordingly.
- 1.6 The European Commission will have to carry out a review of the Decision on Services of General Economic Interest (SGEI) regarding the target group for social housing as soon as possible, and specify that housing policy must not be restricted to assisting people at risk of poverty, but must ensure decent housing that is accessible and affordable over the long term for

¹ See the Housing Europe report *State of Housing in the EU 2019*.

everyone, especially the homeless, young couples, single-parent or large families, workers and the middle classes more broadly, who are affected by the European housing crisis. In this context, the Commission should propose a common definition of excessive housing costs, a harmonised method for assessing those costs, a statutory regulation against speculative hoarding of empty dwellings and residential land and a framework for the practice of converting affordable housing into short-term tourist accommodation.

- 1.7 Finally, the EESC calls on the Commission to organise an annual EU summit on affordable housing bringing together all those involved in implementing and monitoring this European action plan on affordable housing, based on an annual report on the state of housing in the EU.

2. **General comments**

- 2.1 Although access to housing assistance is enshrined in the EU Charter of Fundamental Rights and access to social housing or housing assistance of good quality features in the European Pillar of Social Rights, the EU's texts have still not given full recognition to the "right to decent housing" insofar as it does not have real effect in practice. This is illustrated by the sharp increase in the number of homeless people and people living in poor accommodation or households faced with excessive housing costs. In practice, European citizens do not enjoy a real right to decent and affordable housing, but rather are limited to housing assistance, social housing or temporary emergency accommodation when they are deemed to be in need, in accordance with the legislation and practices of the Member States and on the condition that appropriate housing is available.
- 2.2 Market forces in residential housing are not able to meet the full spectrum of needs. The continued rise in the cost of residential property has led to rising inequality across Europe. This means that more and more households are allocating more than 40% of their budget to housing, which constitutes excessive housing costs; 11% of European citizens are in a situation where more than 40% of their disposable income (net of housing benefit) is spent on housing, while one in twenty people lives in an overcrowded dwelling that lacks basic necessities².
- 2.3 The economic and demographic structures and the price levels vary widely from one Member State to another. There is also a significant price gap between capital cities, secondary towns and everywhere else.
- 2.4 The housing markets of a large number of major European cities and peri-urban areas in the EU are marked by strong growth in demand as people move in search of work, combined with a supply of housing that is constrained by land scarcity, increasing construction and densification costs, and speculative investor practices. Land is a scarce resource, the use of which is associated with increasing competition between various uses: housing, public infrastructure, agriculture, forestry, commercial or industrial use, transport, biodiversity, irrigation land, leisure, etc., to the extent that the price of land is often the most unaffordable aspect of housing. Rising housing costs in metropolitan and peri-urban areas have led to a rise in housing

² Eurostat (*housing cost*, March 2017).

exclusion, homelessness, and poor-quality housing that is now affecting young people, single-parent and large families, workers and the middle classes more broadly, who are being driven out of major European cities by excessive housing costs and forced to relocate to rural areas.

This in turn is leading to an increase, to varying degrees, in the cost of housing in rural areas, with consequences such as social segregation, the emergence of exclusively residential areas (dormitory towns), increased mobility, changes in the landscape, land take, and an increase in infrastructure and costs for the community.

- 2.5 Member States enjoy broad discretion to define, organise and finance their social services of general interest, including housing. However, this competence does not exempt them from complying with the EU's values (human dignity, equality, non-discrimination, human rights, etc.) and with the EU rules on housing, notably Protocol No 26 on services of general interest, appended to the TFEU, which calls on the Member States to ensure "a high level of quality, safety and affordability, equal treatment and the promotion of universal access and of user rights." The Commission, as guardian of the Treaties, thus has an important role to play here and is required to intervene when Member States do not meet their obligations.

However, under the rules on state aid, the Commission has drastically reduced the powers of Member States by deciding that social housing must be exclusively reserved for the poorest households, when the housing crisis is affecting a much wider section of the population. Similarly, residential land sold by a public authority under a programme for creating affordable housing may only be sold at market price and only after this price has been established through a comprehensive procedure.

- 2.6 Moreover, the sharp contraction in public investment in social and affordable housing by the Member States – following the withdrawal of commercial banks from the financing of these investments, and subsequent to the economic and fiscal crisis and the Stability and Growth Pact – has prevented the growing demand from being met by a supply of housing additional to that of the market, especially as the privatisation of the existing social housing stock is becoming more widespread in some Member States.
- 2.7 Internet platforms have fed into these stressed conditions on local housing markets through a concentration of demand linked to international migration and the growth of global tourist accommodation platforms, which in the most attractive cities has led to the removal of affordable housing from the market as housing is converted into short-term accommodation. Then there are also strategies by international companies (pension funds, insurance companies, private equity funds, etc.) which, given the very low level of financial returns (interest rates, dividends, etc.), are investing heavily in real estate, which is further increasing prices.
- 2.8 In its recommendations of 31 October 2016³, the European Systemic Risk Board (ESRB) states that past financial crises have shown that unsustainable developments in property markets can have severe repercussions on the stability of the financial system and of the economy as a

³ (ESRB/2016/14).

whole. In 2019, the ERSB issued warnings to nine Member States on medium-term residential real estate sector vulnerabilities.

- 2.9 The COVID-19 pandemic has paralysed the property market. There is a risk of serious consequences in the residential housing sector in the wake of the health crisis. On the supply side, support for households and investment in social housing by public authorities and bodies may be subject to substantial reductions as a result of economic and social costs involved in fighting the consequences of the pandemic, which will have a significant impact on future public budgets. On the demand side, the number of households that will no longer have the income needed to obtain housing on the property market will increase in proportion to the increase in unemployment and precarious employment.
- 2.10 The Green Deal's buildings plan and the European Pillar of Social Rights should be used as an opportunity, with due regard for the policies and practices of the Member States to give concrete and clear form to the EU's housing policies, notably by inviting all its financial institutions (ECB, EIB, EIF) and the InvestEU scheme to revitalise long-term public investment and substantially increase favourable long-term loans and guarantees for investors and for the buildings sector for the benefit of end consumers.

3. **Excessive housing costs**

- 3.1 It is undeniable that many households are faced with excessive housing costs, with housing being their main item of consumption expenditure and an excessive burden, to the detriment of other basic needs. This is putting many European citizens at a high risk of over-indebtedness, a loss of social status or social exclusion⁴.
- 3.2 There is no unanimity at EU level on the definition of excessive housing costs and elements thereof. Eurostat considers that expenditure on housing that constitutes more than 40% of disposable income is excessive, whereas in various Commission documents this rate is set at one third of disposable income. Furthermore, the health crisis is forcing households with modest resources to dig into their savings when paying their rent, thus putting them at greater risk of over-indebtedness.
- 3.3 Moreover, within the EU itself, the definition of excessive housing costs is regularly discussed with regard to methodology; not all national statistical institutes use the same assessment methods. It is essential to take socio-economic realities into account when developing common guidelines.
- 3.4 Excessive housing costs are no longer affecting only the most disadvantaged members of society, hovering around the poverty line, but also people whose income is too high to qualify for social housing but too low to be able to afford accommodation under private market conditions. Decent housing in or around a town or city close to their place of work has often become unaffordable for them. These people are being relegated to areas located some distance

⁴ Eurostat (housing cost, March 2017).

from their place of work and thus, though they may benefit from lower housing costs outside large urban centres, face additional costs, mobility problems, environmental requirements and other additional constraints. The middle classes being pushed out of city centres leads to functional imbalances which increase demand for housing, cause rents to become more expensive and lead to additional pollution caused by commuting between home and the workplace.

- 3.5 Member States' housing policies must not therefore be restricted to helping vulnerable people "put a roof over their heads", but must ensure that housing is appropriate for a family's situation, and promote good-quality living environments, mainly through improving existing housing, i.e. ensure decent and affordable housing for everyone, in the places where the need is, in terms of both quantity and quality.

4. **Social housing**

- 4.1 Given the diversity of approaches and concepts adopted by Member States, there is no European model of social housing. Nevertheless, common trends can be seen in most Member States: decentralisation to regional and local authorities, a focus on the most vulnerable groups, reduced public investment in the supply of social housing and upgrading of the existing housing stock through the sale of social rental housing, sometimes because the social landlords could no longer ensure they were in line with standards or carry out renovations.
- 4.2 In the EU, social or low-cost housing is about making the right to housing a reality, and thus ensuring that everyone in need has access to decent housing at an affordable rent/price, while also fulfilling the obligations of the Member States and the EU arising from a multitude of conventions, declarations, charters and treaties signed at both European and international levels.
- 4.3 In its understanding of social housing, the European Commission, acting as the European competition authority, is very restrictive⁵. It has decided that social housing benefiting from the exemption from notifying state aid should be reserved exclusively for "disadvantaged citizens or socially less advantaged groups, who due to solvency constraints are unable to obtain housing at market conditions". This restrictive definition of social housing no longer corresponds to the scale of the European housing crisis or the public service obligations imposed on social landlords by Member States, ranging from "housing first" for homeless people to affordable or mid-range housing for the middle class in European cities.
- 4.4 In a 2006 Communication⁶, the Commission classified social housing as one of the social services of general interest to which the principle of subsidiarity applies and which (in principle) allow the Member States wide discretion to define, organise and finance them.

⁵ [Commission Decision of 20 December 2011](#) on the application of Article 106(2) TFEU to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest.

⁶ COM(2006) 177 final – Implementing the Lisbon Community Programme for Growth and Jobs – Social services of general interest in the European Union.

- 4.5 However, in exercising this freedom, Member States must take into account the case law of the Court of Justice of the EU, according to which almost all services provided in the social field (with the exception of solidarity-based social security schemes) can be considered economic activities.
- 4.6 Consequently, in the absence of a specific legal framework for social housing, the EU provisions dealing with services of general economic interest, in particular Article 14 TFEU and Protocol No 26 appended to the Treaty of Lisbon, apply to social housing.
- 4.7 Thus, the EU and the Member States, each within their respective powers and within the scope of application of the Treaties, have to ensure that the provision of social housing operates on the basis of principles and conditions, particularly economic and financial conditions, which enable them to fulfil their duties.
- 4.8 Substantial European funding to co-finance the construction or energy-efficiency renovation of social housing and housing adapted for marginalised communities is accessible to social housing providers, notably through EU funds⁷, the EIB, the Council of Europe Development Bank, the Juncker Plan II for strategic investments, the investment fund to be set up under the European Green Deal and the Next Generation EU recovery plan, particularly the Just Transition Fund, REACT-EU and InvestEU.

Thus, the European Investment Bank (EIB) and the European Investment Fund (EIF) grant long-term loans aimed at supporting social housing providers, public-private partnerships (PPPs), aggregation structures, intermediary banks and special purpose vehicles. In some cases, the higher level of risk involved requires support from the European Fund for Strategic Investments (EFSI). These long-term investments in social infrastructure should be made clear for everyone.

- 4.9 The Green Deal's draft buildings plan and its aim of sparking a "renovation wave" to enhance the energy-efficiency of buildings, and in particular of social and private housing, will also require a specific investment fund, as well as support for the structuring of local energy-efficiency renovation sectors that can create local jobs and economies of scale, following the example of the EnergieSprong project co-financed by the EU.
- 4.10 The Member States have put in place a whole range of measures to promote a sustainable living environment, including by constructing low-cost housing and by introducing individual assistance schemes that help people build up the deposit needed for a mortgage loan, aim to reduce monthly mortgage repayments, help the most disadvantaged households rent suitable housing, and promote the energy refurbishment of residential buildings and the use of renewable energy. However, at the Member State level, incentive or tax policies are not coordinated and do not always promote the social mix in the living environment. Additionally, each Member State should provide an independent service providing as much information and advice as possible on

⁷ (ERDF, ESF, Interreg).

all types of questions regarding housing support for individuals and State aid for public and private developers in connection with constructing subsidised housing.

4.11 However, all of these initiatives and forms of support still do not solve the shortage of affordable and decent housing. This is why the EESC believes that the Commission should put forward an EU action plan on decent and affordable housing as part of its efforts to implement Principle No 19 of the European Pillar of Social Rights and the future buildings plan under the Green Deal.

5. **A European action plan on decent and affordable housing: a long-term investment in a Europe that is closer to its citizens and regions**

5.1 While housing policy remains within the remit of the Member States, the shortage of appropriate housing that the EU is currently facing requires a European action plan for decent and affordable housing, including a consistent and clear set of measures to help the Member States and the EU's regions and cities to sustainably boost the supply of social and affordable housing in the local housing markets concerned, while stepping up their energy performance.

5.2 At European level, there is no universal definition of "a real right to housing" insofar as any person or family experiencing particular difficulties is entitled only to social assistance in order to gain or retain access to decent housing. Additionally, in the absence of a sufficient supply of housing, a right to housing, even if enforceable, remains theoretical. The EESC therefore calls for a real right to housing to be enshrined in EU law.

5.3 The Commission must ensure that such a right is accompanied by a proactive policy to support the long-term investment needed to deliver a public programme aimed at increasing the supply of social and affordable housing with a social mix and minimum quality standards as a rule. The EESC calls on the European Parliament and the Council of the European Union, acting by means of a sector-specific regulation under the ordinary legislative procedure, to establish the principles and set the conditions for providing, commissioning and funding affordable housing, in accordance with Article 14 TFEU.

5.4 The European Commission will have to carry out a review of the Decision on Services of General Economic Interest regarding the target group (beneficiaries) of a right to social housing, and specify that housing policy must not be restricted to assisting people at risk of poverty, but must ensure decent housing that is accessible and affordable over the long term for everyone, including the homeless and people affected by Europe's shortage of appropriate housing. Furthermore, provisions should be introduced to regulate speculative hoarding of empty dwellings and land as well as a framework for holiday rental practices, by separating ownership of housing from its use, which is a matter of the common good, the public interest, and must come under a specific framework in order to make it accessible.

5.5 Similarly, the Commission should propose a common definition of affordable housing and excessive housing costs and a harmonised method for assessing those costs.

- 5.6 On the basis of the report that Member States will have to submit to the European Systemic Risk Board in 2020 concerning the indicators of potential overvaluation of house prices and measures taken following the ESRB's recommendations, or their explanations for failure to act, it is essential to detect at a very early stage vulnerabilities that may lead to financial crises. The EESC foresees that this report will have to be amended in 2021 through another supplementary report that will demonstrate the possible consequences of the COVID-19 crisis.
- 5.7 In this regard, the EESC welcomes the Commission's initiative to establish a link between the European Pillar of Social Rights and the European semester, which, in the area of housing policy, should lead to better monitoring of social housing reform, of the accessibility and affordability of housing and of the effectiveness of housing benefits. However, it insists that the representatives of organised civil society should be consulted before country-specific recommendations on housing policy under the European Semester are adopted.
- 5.8 The proposal for a revised EU cohesion policy for the period 2021-2027, currently under discussion in the Council of the European Union and the European Parliament, aims to increase the budget for social housing from EUR 2.2 billion to EUR 4 billion. The EESC calls for greater leeway in long-term investment in social infrastructure and for it to be excluded from public administration accounting when calculating the public deficit. The EU cannot encourage Member States to ensure the required level of reinvestment in social infrastructure while imposing a cap on these investments under the Stability and Growth Pact.
- 5.9 The creation of a "European fund for investment in affordable housing", aimed at creating and maintaining housing, would enable the EU to make its actions and policies clearer and more consistent for Europeans, particularly in the context of the buildings plan to be rolled out under the Green Deal, and the future European Pillar of Social Rights action plan.
- 5.10 The EESC calls on the Commission to organise an annual EU summit on affordable housing bringing together all those involved in implementing and monitoring this European action plan on affordable housing, based on an annual report on the state of housing in the EU.
- 5.11 Finally, the EESC considers that "social housing" is often susceptible to prejudice if it does not go hand in hand with a general-interest objective of ensuring a social mix, diversity and social inclusion. It is worth remembering the contribution investing in social housing brings to employment and ecological transition.

Brussels, 16 September 2020

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The president of the European Economic and Social Committee