

## 2009 SESSION REPORT

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### The role of foundations in innovating social housing policies

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*Speakers:* Roger Harding, Joseph Rowntree Foundation; Danny Vengedasamy, The Social Housing Foundation; Odette Crofton, The Social Housing Foundation; Antonella Ricci, Compagnia di San Paolo; Sergio Urbani, Fondazione Housing Sociale

*Session proposed by:* Fondazione Cariplo

Housing has been at the very forefront of recent world events. The crucial role played by American sub-prime loans in starting the 2008 economic downturn has revealed not only a malfunctioning financial sector, but also the large numbers of people who, because of their income, cannot really afford to own a house. At the same time, budget constraints in the public housing sector as well as high rents in the private sector are leaving many people on low incomes in precarious housing situations. Foundations, therefore, have the responsibility and opportunity to show new ways to address housing problems for the less well-off.

Some foundations have already found innovative approaches to this issue. **Roger Harding, Joseph Rowntree Housing Trust (JRHT)**, gave an overview of how his organisation is addressing the housing supply in England. Regulated and funded by central government agencies, social housing represents about 18% of all housing stock in England (In other words some 4 million properties out of a total of 23 million). Around 50% of the social housing is run by local government and 50% by housing associations. It is estimated that 1.8m households are on waiting lists.

Established by the Joseph Rowntree Foundation (JRF), the JRHT aims to add to the housing supply through shared ownership and renting schemes for people on lower incomes. It also provides a range of housing services to the elderly and people with disabilities. The Trust's work has been supported by the foundation through the extensive research the latter has funded on social housing and poverty in the UK.

As an endowed foundation, the JRF has the financial freedom to take risks and to innovate, to fund projects that government won't fund because of political pressures, and to support projects that charities relying on public donations couldn't fund because of the risks involved, explained Mr Harding. Because of the foundation's financial independence, politicians and policy-makers know that JRF research comes without bias which Mr Harding felt gives the foundation added influence. The model of combining academic research and case work also ensures added policy influence, particularly when the theory is successfully put into practice.

However, this approach also brings a lot challenges, noted Mr Harding. As a housing association, the JRHT has to deliver a regular and quality service for tenants. It can therefore prove challenging to introduce new innovative solutions, since tenants should not be treated as guinea pigs. Similarly, the Trust is wary of over-surveying its residents and is careful not to use up too much of staff time on testing out new projects. Another

key challenge is developing social housing solutions that are can be replicated and mainstreamed, and pulling in others' practice work. According to Mr Harding, the less social housing there is – through sales and lower supply- the more poor tenants there will be, since there is a link between access to housing and poverty. Developing a community with mixture of income, with access to education, transport services, and employment opportunities are also important contributing factors.

Approximately 18% of all housing in South Africa is rented dwellings, many of which are no more than shacks located around the large metropolitan areas of the country. Over half of those that rent are earning a monthly salary of less than R3,500 (Approximately 300 euros). Because of limited access to credit, low salaries (particularly among young people) and high rents, the demand for social housing is also growing in South Africa (at a rate of 7% per annum). It is estimated that the country will need about 400,000 houses for rental by 2011, which is why there is such a great need for social housing explained **Danny Vengedasamy** and **Odette Crofton**, **The Social Housing Foundation (SHF)**.

Although other forms of housing are important, social housing gives access to those that struggle and that have limited rental opportunities. In apartheid South Africa, a lot poor people, particularly non-white, were pushed into suburbs and townships, so they were living very far from their places of work and amenities such as hospitals, schools, crèches, etc, noted Mr Vengedasamy. The provision of social housing by the foundation is seen as way of contributing to the national priority of restructuring South African society in order to address structural, economic, social and spatial dysfunctions, explained Ms Crofteon, thus serving a very strategic purpose. It's not just providing mass rental accommodation, it's about changing the way cities work and function; it is helping mix the various income, social and race groups; it is locating housing closer to economic opportunities and it is spatially changing cities, she added.

As 'custodians of social housing', SHF has been mandated by the government to develop a sustainable social housing sector through the creation of accredited social housing institutions (SHIs), raising awareness about the issue and building housing capacity. The foundation has developed a programme for social housing that aims to keep a balance of a community with both lower-income and middle-income groups. By design, the programme is a mixture of government grants and private sector funding and equity, and involves both non-profit and for-profit organisations. Including the for-profit private sector in the programme was a debating point among the foundation's international partners who saw social housing as a primarily non-profit domain. The involvement of a strong for-profit sector is important, said Ms Crofteon, who argued that this would help scale up activities and result in better delivery.

To fund and make social housing accessible to lower income groups, the foundation programmes maximum cross-subsidisation from higher income groups to support the lower income groups. Because the foundation's social housing is expensive, the decision was taken to target and focus on metropolitan areas across South Africa where re-structuring is necessary, rather than providing a mass delivery programme. Starting in 1994, three policy instruments were put in place to advance the social housing agenda: a Social Housing Act to regulate the sector (with the establishment of a new regulatory agency) and to better define roles between national, provincial and local authorities to avoid overlapping; a new capacity-building methodology to increase the capacity of all players in the sector; and financial instruments such as capital grants, tax incentives, risk mitigation measures.

When the foundation started out, it focused on building the capacities of a whole range of social housing institutions (SHIs) and raising awareness, assuming that this would result in better delivery. A total of 83 SHIs were set up, but many were without housing stock and were operationally unsustainable. The foundation went on to revise its methodology to focus on having a viable project, linking it to a smaller number of established SHIs and making sure that these organisations have capacity-building that relates to the delivery of the project, rather than sustaining the institution. This was one of the key lessons learnt by the foundation.

The foundation has a target of providing 100,000 rental units in the next five years around which it is building up, mobilising and coordinating the sector. The foundation is also developing a number of demonstration projects in order to show policy-makers and others interested in social housing how it looks in practice. To take the sector forward, the foundation has realised it cannot only look at social housing but needs to take a holistic approach to the housing sector.

Social housing represents only 5% of all available housing in Italy, explained **Antonella Ricci, Compagnia di San Paolo**. This is low compared to other European countries such as France (19%), UK (21%), and the Netherlands (35%). Although culturally Italians like to own their homes, because of high prices some 22% of the population cannot access the property ladder and are therefore in need of alternative affordable rental and purchasing solutions. Another characteristic of the Italian market is the relatively high number of empty properties (24%), which includes not only secondary or holiday homes but properties, which landlords are reluctant to rent out because of feelings of mistrust towards tenants, explained Ms Ricci.

So there is an evident mismatch between the low supply and high demand for housing in general. Up until now, public authorities have been the primary player in providing social housing, which consists mainly of high-rise flats built during the 1960s and 1970s on the outskirts of big cities. Because of the high demand, only those in the upper part of the waiting lists can be accommodated for in these buildings, while limited funds mean that the buildings are not being adequately maintained.

It is within this context that foundations can play a role by providing affordable housing to the growing number of people whose income is too high to be on the top of the waiting list but too low to access the rental market, argued Ms Ricci. This is why in 2006, Compagnia di San Paolo launched a three-year programme to offer affordable housing opportunities to low income families and to experiment innovative forms of social housing. As newcomers to social housing, in order to implement the programme, Compagnia brought together a multidisciplinary team involving social scientists, architects and experts in urban development as well as financial experts.

To meet the programme's objectives, the foundation has developed two funding tracks: The first is an investment fund - jointly funded by Compagnia (through its endowment), other foundations in the regions and public authorities - which will be used to provide affordable housing. The second track consists of a 16.5 million euro scheme to support experimental projects, including projects operated by the foundation itself, partnership projects and an open call for proposals from public and non-profit organisations. The aim is that the second track will provide the foundation with the practical know-how needed in order to implement the first track.

Regarding its own projects, the foundation is converting two buildings in Turin into affordable flats for temporary housing. In addition to the housing benefits, the projects are bringing added value to the foundation's work on the urban regeneration of these neighbourhoods. On the partnership projects, the foundation is providing incentives and guarantee to landlords to rent empty properties to schemes such as flat sharing for

young people and solidarity co-housing for elderly people and single mothers. The foundation also provides the associations running the schemes with grant support and technical assistance. The open call for proposals offers up to 150,000 euros for innovative housing projects targeting low-income groups, such as single mothers, former prisoners/young offenders, Roma families, etc.

The programme is very challenging for Compagnia for several reasons, explained Ms Ricci. As social housing is a completely new field for foundations in Italy, the other traditional players, namely the public authorities, are sometimes reluctant to accept foundations and their new role as a critical partner and not just a source of financial support. Equally within foundations, work is needed in order to change the mindset of trustees and management about entering into a field. Another challenge is ensuring that an integrated and multi-disciplinary approach is taken at all levels and involving all the players, urban developers, architects, social scientists, social workers, public authorities, housing associations, end-users, etc). It is hoped the Compagnia's programme will help bring about such a cultural change in the way social housing is approached.

**Sergio Urbani**, Fondazione Housing Sociale (FHS), presented the work of his organisation. FHS was established in 2004 by the Cariplo foundation together with the Region of Lombardy and the association of local city councils with the mission of developing Cariplo's Social Housing Project. The foundation saw a need to look for an alternative to its traditional grantmaking approach, which was found to be unsuitable to social housing for two reasons. The first is that housing projects are typically complex and long-term and are difficult to handle through call for proposal rounds. These projects can prove very costly and use up a huge part of the grantmaking budget.

The Foundation therefore decided to test out models of direct intervention and projects co-design, seeking financial resources from third parties to complement its own funds. FHS is a part of this new model of support. FHS uses an array of actions, initiatives and tools – either on its own or through third parties –to promote the construction of new houses on land acquired at advantageous conditions and managed by nonprofits. The dwellings are let at an equitable rent to newly-formed or single-income families, students, elderly people, immigrants and other individuals at risk of social exclusion.

An important milestone in FHS recent history is the establishment of a real estate fund “Abitare Sociale 1”. As a public-private partnership involving Cariplo Foundation and regional authorities, the fund enables the Cariplo to bring added-value to its mission of social innovation while also complementing with public policies, objectives and practices in this area. With equity of 85 million euros for over 20 years, the fund is targeting students, older people, single-income families, immigrants and other vulnerable or economically and/or socially disadvantaged households. The fund is ethical because the return offered to investors is below market level (with a cap at 4% plus inflation). The Fund Manager (Polaris) grants 22% of its management fees to the FHS in order to promote its institutional activity. Other milestones include acting as an advisory to Milan and Venice city councils on a number of social housing initiatives such as the design of a student hall project in Milan.