

# Housing for the Common Good: Sustainable Governance from European Best Practice for Recovery in Ukraine

Austrian contribution to the “New European Bauhaus” Rebuild Ukraine Initiative

W. Amann, O. Anisimov,  
J. Lawson, A. Mundt,  
I. Tyshchenko

Reports from energy and environmental research

**12/2024**

## **Imprint**

Media owner, publisher and editor:

Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology  
Radetzkystraße 2, 1030 Vienna

Responsibility and coordination:

Department III/3 - Energy and Environmental Technologies

Head: DI (FH) Volker Schaffler, MA

Contact for the "Climate Neutral City" mission: DI<sup>in</sup> (FH) Katrin Bolovich

Contact for "Technologies and innovations for the climate-neutral city": DI<sup>in</sup> (FH) Isabella Warisch

Authors:

Wolfgang Amann, Oleksandr Anisimov, Julie Lawson, Alexis Mundt, Igor Tyshchenko

Vienna, 2024.

# Housing for the Common Good: Sustainable Governance from European Best Practice for Recovery in Ukraine

Austrian contribution to the “New European Bauhaus” Rebuild Ukraine Initiative

Dr. Wolfgang Amann, Dr.MMag. Alexis Mundt  
IIBW – Institut für Immobilien, Bauen und Wohnen GmbH, Wien

Oleksandr Anisimov, PhD, Igor Tyshchenko, PhD  
NHP – New Housing Policy, Kyiv

Adj.Prof.Dr. Julie Lawson  
RMIT – Royal Melbourne Institute of Technology, Melbourne/Warsaw

Vienna, April 2024

A project report as part of



Technologien und Innovationen für die  
**Klimaneutrale Stadt**

of the Federal Ministry for Climate Action, Environment, Energy,  
Mobility, Innovation and Technology (BMK)

## **Preface**

This report documents the results of a project from the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK) RTI programme "Climate-neutral city". Research, development and demonstration of technologies and innovations are funded as part of this priority with the aim of making an essential contribution to achieving climate neutrality in buildings, neighbourhoods and cities. At the same time, it contributes to increasing the quality of life as well as the economic attractiveness of Austria as a location. To this end, the research projects are required to pursue a holistic approach and address applied and demand-oriented issues in the sense of integrated planning – as well as taking into account all relevant areas such as energy generation, storage and distribution, consideration of built infrastructure, mobility and digitalisation.

The availability and dissemination of project results is an elementary component in increasing the impact of the RTI focus area "Climate-neutral city". Accompanying measures for the projects – such as communication and stakeholder management – enable project results to be scaled, multiplied and accompanied "from research to implementation". For this reason, all projects are published barrier-free in the BMK publication series in accordance with the open access principle and made freely accessible electronically via the platform [nachhaltigwirtschaften.at](https://www.nachhaltigwirtschaften.at). With this in mind, we wish all interested parties and users an interesting read.

Department III/3 – Energy and Environmental Technologies  
Federal Ministry for Climate Action, Environment, Energy,  
Mobility, Innovation and Technology (BMK)

## Contents

<b>Main results .....</b>	<b>7</b>
<b>Introduction .....</b>	<b>11</b>
<b>1 Key characteristics of the housing stock in Ukraine .....</b>	<b>13</b>
1.1 Conditions of the housing stock before 2022 Russian invasion.....	13
1.2 Persistent challenges of Ukrainian housing system.....	14
1.3 Housing stock management challenges.....	17
1.4 Housing damage and recovery needs assessment after 2022.....	19
1.5 Multi-faceted approach for addressing the challenges .....	20
<b>2 The Austrian model of Limited-Profit Housing.....</b>	<b>21</b>
2.1 Historic background .....	21
2.2 Main characteristics of the business case.....	21
2.3 Institutional setting.....	24
2.4 Performance indicators – economic sustainability.....	25
2.5 Performance indicators – social sustainability.....	28
2.6 Performance indicators – environmental sustainability.....	29
2.7 Key players .....	30
2.8 LPHAs in international cooperation.....	31
2.9 Enduring basic principles – frequent adjustment of implementation rules .....	32
<b>3 Structural aspects of the housing subsidy system .....</b>	<b>33</b>
3.1 Responsibilities in housing.....	33
3.2 Origins .....	34
3.3 Financial performance .....	34
3.4 Output.....	37
3.5 Procurement implications.....	38
3.6 Effectiveness of the Austrian housing subsidy scheme .....	39
<b>4 Common Good Housing Law (general master).....</b>	<b>41</b>
Explanatory Statement.....	41
Chapter 1: General Provisions.....	41
Chapter 2: Conditions for approval.....	42
Chapter 3: Procedure .....	45
Chapter 4: Auditing and supervision .....	46
Chapter 5: Housing subsidies .....	48
Chapter 6: Transitional provision.....	48
<b>5 Assessment for implementation of a Common Good Housing sector in Ukraine .....</b>	<b>49</b>
5.1 Legal context.....	49
5.2 Audit and financial control.....	58
5.3 Institutional context.....	59
5.4 Financial context and regulation of the sector .....	62

<b>6 Prospects and recommendations .....</b>	<b>67</b>
<b>7 Appendix.....</b>	
7.1 Abbreviations .....	69
7.2 List of figures .....	69
7.3 Sources .....	69
7.4 Interviews and expert commentaries .....	72
7.5 Urban Lunch Debate at Vienna House Brussels, 24 Oct 2023 .....	72
7.6 Lviv international symposium, 11 Nov 2023 .....	74
7.7 Vienna Workshop, 23-26 Jan 2024 .....	74

# Main results

## Flourishing cities needed

Europe will stagnate demographically in the coming decades. There will be competition for young people in particular. Many countries are already in demographic decline. Ukraine is facing a similar threat. To rebuild successfully, it will need to be attractive to its own people. Emergency housing is not enough. The city of Vienna can serve as a model. The city's strong growth is partly due to attractive and affordable housing. This is therefore an issue for the New European Bauhaus Initiative.

## European best practices in affordable housing

Many European countries have effective housing policy models. One of the most effective is the Limited-Profit Housing Associations (LPHA) in Austria. The Ministry of Climate Action commissioned the IIBW to develop the LPHA business case as Austria's contribution to the New European Bauhaus Rebuild Ukraine Initiative. Both the draft Law on Common Good Housing and this report are available in English and Ukrainian.

## Long-standing deficits and current housing destruction in Ukraine

Notwithstanding the enormous damage caused by Russia's war of aggression against Ukraine, it should be noted that there were significant deficits even before that. Most of the housing stock is old. Housing maintenance is inadequate and poorly regulated. The thermal condition of the housing stock is poor. The housing stock is characterised by give-away privatisation in the 1990s. The resulting very large stock of owner-occupied flats (>90% before the war) is poorly regulated. Owners' associations are still not widespread. As a result, major renovations are rare. Since the 1990s, state housing policy has focused on home ownership. Private rental is hardly regulated. Tenant protection is underdeveloped. Housing regulations are complex and often contradictory. Inadequate regulation has resulted in little social housing being built in recent decades. The damage caused by the ongoing war is enormous. 1.4 million housing units have been destroyed or damaged, particularly in the Donetsk, Kharkiv, Luhansk, Kyiv and Mykolaiv oblasts. There are 5.1 million internally displaced persons (IDPs), some 60% of whom live in rented accommodation. Their main problem is the unaffordability of housing.

## The Austrian housing policy model as inspiration

The Austrian model is convincing in terms of quantity, quality, financing and sustainability. Over the past couple of decades, LPHAs have realised around 1 million housing units, representing 25% of the total housing stock in Austria. The volume of new construction is stable at 15,000 to 20,000 units per year. LPHAs are active in all regions and also in places where there is no market housing

supply. Austria has a generalist approach to affordable housing, as the majority of the population qualifies for access to LPHA housing. This is possible because subsidies to individual projects are moderate, amounting to only about 20% of total costs in cash value (the government earns a similar amount from VAT alone). Despite the large number of subsidised dwellings, the cost to the government of housing subsidies is below the EU average at around 0.5% of GDP. LPHA housing is characterised by very good value for money, effective rehabilitation, and social and environmental sustainability. Many LPHAs are well capitalised. Commercial banks are queuing up to finance LPHAs because of their low risk and excellent credit history. LPHAs are at the forefront of green and energy-efficient construction and renovation, as well as technological and social innovation.

## No copy-paste, but re-invention

Previous experience of trying to 'export' the LPHA business case to other countries has shown that 'copy-paste' does not work. The legal and institutional complexity is too great. Therefore, a legalistic approach was chosen. The voluminous Austrian LPH Act was condensed to just 18 paragraphs on a few pages. Thus, it might be possible to reinvent such legislation in another country, if it is appreciated by the decision-makers and stakeholders. A model law approach is common in the EU.

## Main pillars of a future Common Good Housing sector in Ukraine

A Common Good Housing (CGH) sector is envisaged for Ukraine, based on the Austrian model of limited-profit housing. Similarly, private-law entities are to fulfil public service obligations. The main features should be cost rent, surpluses to be revolved, tied assets, limited business activities, obligation to build and strict audit and supervision. For compliance reasons, it is recommended that such a new sector be limited to municipalities as shareholders.

## A model law on Common Good Housing

The legal functional of this new CGH sector is explained in 6 chapters with 18 articles on 6 pages! A short explanatory statement makes it clear that this CGH is to be understood as a service of general economic interest (SGEI) and is therefore exempt from the EU ban on state aid. Art. 1 describes some general aspects of Common Good Housing. Art. 2-9 deal with the conditions for approval as a CGHE, including legal form and minimum capital, composition and functioning of a supervisory board, incompatibilities, independence and allocation of dwellings. Restrictions on business activities include the construction and management of standard housing, related legal transactions, strict economy in construction costs, operating and maintenance costs, housing management and construction management. Other activities are allowed only with special permission from the competent authority under certain conditions. It also stipulates that rents may not exceed or fall below own costs (cost rent principle) and limits on rent and price increases. The chapter ends with provisions on a limited return on equity for the owners of the CGHE, limited revenues in the event of



liquidation or sale of shares. Art. 10 defines the competent authority, rules on withdrawal, information to the public and fines. A particular focus is on auditing and supervision (Art. 11-15), including provisions on the auditing association (to be licensed by the Minister of Finance), its legal status and by-laws, and details on periodic and extraordinary audits of CGH entities. Without a positive audit, the annual accounts cannot be approved. Art. 16-17 concern tax benefits and privileged access to housing subsidies for new construction and renovation, followed by transitional provisions (Art. 18). The Ukrainian version also includes a chapter on definitions.

## What complies with existing legislation in Ukraine?

Ukrainian company law provides for the usual legal forms for housing companies: limited liability company, foundation, cooperative, etc. Ukrainian law also provides for various corporate control mechanisms common in the EU: annual audit, supervisory board. The 1993 Law "On the Basic Principles of State Financial Control in Ukraine" provides for audits of private entities receiving funds from public budgets at any level or using state or municipal property. Accounting regulations are in place. There do not appear to be any obstacles to financing mechanisms, except for a general lack of appropriate financing instruments. Technical regulations are not affected by the proposed new approach to affordable housing.

## Areas of law where new ground is being broken?

The 2006 Social Housing Act does not provide for a cost rent system. Under the current law, only utilities are paid for social housing. Social housing is also only accessible to the most vulnerable households. The new Law on Social Housing, which is about to be adopted, does not offer any options in this respect either. The current legislation only provides for "non-profit" or "for-profit" economic activities. "Limited profit" is not provided for in company law. This also applies to many other provisions of company law: incompatibilities, limited business activities, tying up of assets, limited distribution of profits, restrictions on the transfer of shares, rules for the dissolution of CGH entities, etc. The same applies to the proposed regulations on the procedure for approval, refusal or withdrawal of the legal status of CGH entities. The proposed regulations on the auditing and supervision of CGH entities go far beyond any existing legal provisions. The proposed tax benefits and privileged access to housing subsidies for CGH entities are crucial. This includes privileged access to public land without auction. The rent regulations proposed in the CGH Act are not covered by current legislation, in particular the cost rent, the permissible limitation of beneficiaries and the regulation on tenant protection.

## Opportunities for implementation

It seems sensible to enshrine all the clearly defined rules for the business case of Common Good Housing Entities in a separate law, as is the case in Austria. A separate law would facilitate implementation and coordination with the many other laws involved. Of course, fine-tuning such a law

and harmonising it with existing legislation will require an extensive legislative process. The establishment of a state infrastructure for auditing and supervision could benefit not only the new CGH sector. Experience in Austria shows that it is also used by health services, for example. An international workshop organised by the EIB and the IOM with the support of the IIBW in Vienna in January 2024 showed the interest of Ukrainian cities and oblasts in such a new approach and its feasibility in principle. It was proposed to use the so-called "GESIBA model". GESIBA is a large LPHA owned 100% by the City of Vienna. Such private-law entities have clear advantages compared to municipal housing within the public administration. Preliminary calculations show that, under the given conditions, net rents of less than € 3/m<sup>2</sup> are feasible. Including operating and maintenance costs and a reduced VAT rate, this works out at around €240 per month for a 60m<sup>2</sup> apartment. The European Union adopted the Ukraine Facility in January 2024. It provides large volumes of grants and loans for the reconstruction of Ukraine. Support in the form of low-interest loans is ideal for the construction of affordable housing on a cost-rent basis.

# Introduction

The Austrian model of Limited Profit Housing Associations (LPHAs) combined with a comprehensive system of housing subsidies at the sub-national level is widely recognized internationally. It has impressive performance indicators in terms of economic, social and environmental sustainability. It is much more than just affordable housing. LPHAs are pursuing an impressive business case that allows them to produce market-compliant, climate-fit and architecturally demanding buildings for low and middle income households.

This study discusses the conditions under which this model can be transferred to other countries, particularly those in the process of recovery, such as Ukraine. We hope to inspire policy makers in such countries. If so, this paper provides a functional description of legal regulations for such a sector to be introduced in a legal environment different from that of Austria.

The initiative for this study came from the IIBW – Institute for Real Estate, Building and Housing Ltd. We are delighted that the Austrian Ministry for Climate Action, which is responsible for the EU "New European Bauhaus" initiative, immediately took up the proposal and agreed to position the business case of the Austrian Limited Profit Housing Associations (LPHA) as Austria's contribution to the NEB Rebuild Ukraine initiative. The New European Bauhaus is a creative and interdisciplinary initiative that connects the European Green Deal to our living spaces and experiences. Following the historical example of the Bauhaus in interwar Germany, this programme focuses on sustainability, aesthetics and inclusion. These three focal points are also pursued in this project. European good practice examples of affordable housing are predominantly characterised by social, economic and ecological sustainability. It is precisely in affordable housing that inclusion is lived practice. The goal of realising flourishing cities in Ukraine is also and especially about beauty. This is more than just a concept, but an attitude that should permeate all decisions.

The IIBW is a leading research and consulting institution in Austria that has carried out a wide range of projects on social housing, housing finance, housing law and the decarbonisation of the housing stock since the year 2000. Since then, the IIBW has endeavoured to "export" the LPHA business case, which has been so successful in Austria, to other countries, including projects for Romania, Albania, Bulgaria, Montenegro and Kosovo.

In view of Russia's war of aggression against Ukraine, as Managing Director of IIBW I decided to try a new approach. I was inspired by Julie Lawson (RMIT, Melbourne/Warsaw), a long-time campaigner for affordable housing around the world. Without her preparatory work for *Rebuilding a Place to Call Home*, this report would not have been possible. Julie tirelessly brings people together, produces content and communicates it in an unrivalled way. She guided this project from inception to completion and was instrumental in producing usable results.

In contrast to previous attempts, the IIBW team decided to take a legalistic approach. If it had already proved impossible to transfer the Austrian system to other countries by copy-paste, it might still

work to prepare the legal framework of this successful model in such a way that it could be implanted in the legal biotope of any other country. Copy-paste does not work due to the complexity of the legal-institutional framework. On the other hand, reinventing an affordable housing sector based on the inspiration of the law that has made this possible in Austria for almost 80 years could work.

I would like to thank a number of friends for the original task of condensing the very complex Austrian LPH Act from several hundred pages to six pages with only 18 paragraphs (see chapter 4). Special thanks are due to the late director of the LPHA Federation Theodor Österreich, his counterpart on the regulatory side Andreas Sommer and the representative of housing policy Walter Tancsits. All three helped to develop a streamlined LPH Law for Romania almost 15 years ago. The "Common Good Housing Act" presented in this study was developed on the basis of this draft. Endless thanks are due to Christian Zenz and Alexander Kollmann from the Ministry for Economy, which is responsible for the LPH Law in Austria. They were instrumental in bringing the legal text up to date.

Julie Lawson is also to thank for the cooperation with the incredibly committed team at the Ukrainian NGO New Housing Policy. In the search for a local partner in Ukraine, it only took a few meetings with Oleksandr Anisimov, Vita Snaider and Igor Tyshchenko to realize that they were precisely the partners who would be crucial to the success of this project.

Gerlinde Gutheil-Knopp-Kirchwald (Austrian Federation of Limited-Profit Housing Associations) provided valuable input for the presentation of the Austrian LPH sector and subsidy scheme (chapter 2 and 3). I am extremely grateful to Anna Seleznova (IOM Ukraine - International Organisation for Migration) and Gennadiy Shemshuchenko (Raiffeisen Ukraine) for their contributions to the challenge of translating the innovative legal text into Ukrainian legal language. We had the opportunity to present a first draft of the Common Good Housing Law at Vienna House in Brussels on 24 October 2023. Its director, Michaela Kauer, went above and beyond to encourage us to keep our eyes on our goal. This was followed by another event in Lviv, organized by our partner New Housing Policy, and the groundbreaking Workshop on "Affordable Rental Housing System for Ukraine", organised by EIB and IOM, in January 2024 in Vienna (see chapter 7.7). All my thanks to the great organizing team of the International Organisation for Migration under the lead of Olena Lukaniuk and the EIB team of Grzegorz Gajda.

There is a chance that the proposed approach will succeed. Not only do models such as Austria's and similar approaches in Ireland, Finland and other EU countries demonstrate their usefulness. The events in Brussels, Lviv and Vienna have also shown that there is great interest from the Ukrainian side, especially from the cities and regions, in following the path outlined.

Vienna, April 2024



Dr. Wolfgang Amann

IIBW – Institute for Real Estate, Construction and Housing Ltd., Vienna/Austria

# 1 Key characteristics of the housing stock in Ukraine

## 1.1 Conditions of the housing stock before 2022 Russian invasion

### 1.1.1 Ownership and tenure structure

According to the UNECE report (2013) and Cedos study (Fedoriv and Lomonosova, 2019) Ukraine's housing stock is almost 94% owner-occupied, which is mainly a result of the mass privatization in the 1990s, while official estimate is that around 5% of households lived in private-rental housing in 2021 (SSSU, 2022). Throughout the 1990s and 2000s these numbers were slowly changing towards a growing rental market in large cities. The UNECE report indicates that unofficially approx. 13% of the total residential stock was private rental as of 2013. The precise figures are hard to assess due to the unregulated and unsecured nature of the private rental sector, where most operations are conducted outside the national taxation system (see Fedoriv and Lomonosova, 2019; Nekrasova, 2022). Data on the ownership structure of the stock itself is neither collected nor possible to deduct from other sources. Currently, a full audit of the stock was planned, but not implemented due to the war.

Overall, the housing sector in Ukraine, prior to the 2022 Russian invasion, consisted of around 18 million residential units, including those in multifamily apartment buildings, with over 80% of them built before 1991, single-family houses, and dormitories, with significant variations between urbanized and rural areas (RDNA 2). According to the RDNA 2 of World Bank (February 2023), IFC study of 2020 and Cedos research of the state housing policy (Fedoriv and Lomonosova, 2019; IFC 2020) main housing characteristics were the following.

### 1.1.2 Residential units distribution

Multifamily apartment buildings (MABs) are prevalent in urban areas and accommodate approximately 67% of the urban population. In larger cities, this percentage increases to 79% (RDNA 2). According to the State Statistics Service of Ukraine, the total volume of the housing stock of Ukraine was almost 1,1 billion m<sup>2</sup>, of them over 700 million m<sup>2</sup> in cities in 2013 (Fedoriv and Lomonosova, 2019, p.48). 2013 was the last year the State Statistics Service of Ukraine (SSSU) collected housing data from the whole country including Crimea and parts of the Luhansk and Donetsk oblasts, occupied in 2014. The total amount of housing units (apartments) was 19,3 million in 2013 (Fedoriv and Lomonosova, 2019, p. 48). According to the IFC report on housing management based on the data from SSSU, the total amount of stock in cities is 605 million m<sup>2</sup> (IFC 2020, p. 19); this figure does not include the amount of stock in occupied parts of Ukraine.

According to the IFC study based on the figures of the State Statistics Service, there were around 180 thousands of multi-apartment buildings (MABs) in Ukraine overall in 2019, with approximately 80% (or 500 million m<sup>2</sup>) of the whole urban housing stock consisting of MABs. Almost half of the stock is concentrated in the city of Kyiv and the three most urbanized regions (Dnipropetrovsk, Kharkiv, Donetsk) (IFC 2020). Single-family houses, consisting of individual homes, dachas or the so-called “garden houses” (in gardening cooperatives), and country houses, are primarily situated in rural regions or small cities. In urban settings, single-family housing is restricted to specific zones outlined for individual and blocked houses in land use documentation and, though present in all large urban centers, are most typical for cities of less than 100.000 inhabitants.

### 1.1.3 Building age, insufficient energy efficiency

Over 85% of housing stock in Ukraine was constructed prior to 1990, with over 80% of the MABs built during the Soviet time and are significantly aged (Ukrainian Office IFC 2020). Ageing building stock contributes to high energy consumption, as the Soviet-era buildings lack thermal modernization and fail to meet energy-efficient standards. In 2016 the average energy consumption in multi-apartment residential buildings was 264 kWh/m<sup>2</sup>, while in EC27 the corresponding indicator on average did not exceed 90 kWh/m<sup>2</sup> (KMU, 2016). Another study claims that twice as much energy is consumed per unit of living space in Ukraine than in the countries of the European Union with similar climatic conditions (IFC 2020).

The low energy prices pre-2014, together with the poor initial quality of construction of most MABs built of prefabricated panels, and the dilapidated condition of the housing stock itself after decades of disrepair contribute to the housing consuming a significant share of the energy used for heat production and gas (35% and 43%, respectively) (UNECE 2013). It is stated in the OECD report (2019) that housing is responsible for 33% of all energy consumption.

To mitigate the challenges, in 2016 GoU with the EU and IFC launched a State Energy-Efficiency Fund, mainly for housing renovation. However, such a fund works with established home owners associations (HOAs), which is a problem. In 2019 a Law on Energy Audit was passed to establish life-cycle costing and certification of renovated buildings. In practice, energy audit and certification of buildings has only just begun in Ukraine. As of February 2021, around 6,000 buildings were certified in Ukraine, of which less than 3,000 were residential buildings. Audit results are publicly available (VoxUkraine, 2022).

## 1.2 Persistent challenges of Ukrainian housing system

### 1.2.1 Public spending and financing challenges

According to the PBL Report “Rebuilding the place to call home” (Anisimov et al., 2023), the housing system in Ukraine has undergone significant changes since the 1990s due to substantial privatization of housing and state support for such a status quo, resulting in a dominance of owner-occu-

pation and private homeownership as an existing condition, the main public representation and a desirable result of the housing provision policies.

Mass privatization, reductions in public spending on social housing (such as dormitories) and disadvantages for those who had nothing to privatize after 1991 (especially those living in state enterprise-owned dormitories, communal apartments and dilapidated housing designated for demolition, see Fedoriv and Lomonosova, 2019) have pushed private housing financing to grow. Real estate developers, due to the absence of a transparent and regulated land market, often acquired municipal or state land for rent without proper building permits and faced difficulties using these plots as collateral. This situation led to extensive reliance on the personal funds of aspiring homeowners and, at one point, popularity in foreign currency mortgages until the 2008 financial crisis (Fedoriv and Lomonosova, 2019).

### 1.2.2 Government assistance for private homeownership

From 1991 onwards the state policies and support overall favoured private homeownership through low property taxes, state subsidies for utility payments, and demand-side subsidies, along with a number of government housing financing programmes. The latter were funded through the State specialized financial institution "State Fund for promotion of youth housing construction" (Derzhmolod'zhytlo) established back in 1992. During the lengthy period of its activity in 1990-2010s, the Fund implemented or financed numerous programmes targeting various population groups such as young families or veterans (after 2014). These efforts in 25 years provided approx. 40,000 households with private flats through various subsidies, loans, and grants, but overall have been insufficient, reaching only a fraction of the population in need. The quality of the built environment is usually poor, with little investment in public space and facilities (Fedoriv and Lomonosova, 2019, pp.64-68).

Moreover, focused on the middle class, economic and social effectiveness and fairness is questionable as it was the only significant state spending on housing, not catering for homeless, evicted people or vulnerable groups (Fedoriv and Lomonosova, 2019, p.64-68).

### 1.2.3 Paradox of joint collective ownership and the ensuing problem of access to land

Joint collective ownership is the main form of ownership in multi-apartment buildings. The following features are characteristic of joint collective ownership of common property in an apartment building: the owners of apartments (or non-residential premises) in the building do not have a specifically defined share in the right of ownership of the common property. Thus this is a form of ownership which is neither a condominium nor a cooperative in the usual sense. Moreover, the legislation does not provide for the registration of ownership of the entire apartment building as a separate object of ownership, creating uncertainty for the legal persons.

HOAs only manage the building without owning anything and cannot be held responsible for the private owner's mistakes and mismanagement. This is a problem with arrears on utilities payments as well, as HOAs can only sue a specific owner but has no other influence.

Land under MABs is regulated mostly within the 'joint collective ownership' model and permanent use lease. The Land Code (art. 42) states that:

*2. Land plots on which multi-apartment buildings are located, as well as the buildings, structures and adjacent territory belonging to them, which are jointly owned by the owners of apartments and non-residential premises in the building, are transferred free of charge to the ownership or permanent use of the co-owners of the multi-apartment building according to a procedure, established by the Cabinet of Ministers of Ukraine.*

The specific procedure for transferring municipal land under buildings into ownership or permanent use is, however, currently nonexistent. The proportion of HOAs with their own land plots is minimal, and for buildings without HOAs, this number is negligible.

#### 1.2.4 Cooperative ownership

Cooperative ownership faces legal inconsistencies and conflicts. The clash between housing codes and newer laws has created a complex regulatory landscape. On one hand, the state's housing queue system stemming from the old Housing Code clashes with the Law on Cooperation which promoting cooperative freedom. The management of housing applications, partly overseen by the city administration, adds to the uncertainty. Regulatory inconsistencies persist with various articles and statutes. Article 134 of the Law on Cooperation outlines the normative application process, but issues arise when Article 137 mandates cooperatives to be part of a larger organization, raising questions about autonomy. Purchasing a flat is complicated by the absence of the cooperative or city's right of first refusal, as governed by the Civil Code.

Even though cooperatives can claim to get land for free (into ownership or lease from a local municipality) this is rarely done. Municipalities do not own much free buildable land and are concerned about the non-profit nature of these entities as a significant challenge lies in the lack of clarity surrounding the dissolution of cooperatives and the differentiation between ownership and use within them. The absence of collective ownership definitions in housing management laws, similar to the OSBB(HOAs) system, adds to the confusion. The ambiguity surrounding collective ownership in the Land Code and Economic Code adds another layer of uncertainty.

Furthermore, there is a lack of clear definitions for housing cooperatives across legal codices, including the Civil Code, Housing Code, Tax Code, and Economic Code. This inconsistency contributes to confusion about the rights and responsibilities of housing cooperatives. The requirement for full taxation until a house is built presents a potential fiscal risk factor, further complicating the legal



framework for housing. Resolving these regulatory conflicts is crucial for clarity and efficiency in housing management and ownership.

### 1.2.5 Unregulated rental sector

The private rental sector in Ukraine lacks regulation and security with both landlords and tenants being unaware of their rights and responsibilities. This, although, has different implications for owners and renters as the former treat their ownership of flats and homes as absolute, and the former ones struggle to attain a secure feeling and defend their rights, or to make landlords sign valid paper contracts. Another problem is a growing unaffordability of the rental sector, especially in Kyiv and other large cities. Almost half of the respondents of the Cedos research of the rental housing market (2019, n=2.500) spent a third to a half of the total monthly household income on rent and 10% spent more than half (Fedoriv and Lomonosova, 2019, pp. 92-94). Unlawful evictions and discrimination are common issues (Nekrasova, 2022). The rental market share, estimated as 8-13% of the housing stock before 2022, has particularly increased in larger cities since full-scale invasion and mass displacement, though it still lacks accompanying regulations to safeguard both landlords and tenants and provide decent shelter and financial security for the latter. The draft of the Law on Rental Housing, developed in 2017-2018, was never adopted by the Parliament.

### 1.2.6 Lack of social housing and related state programmes

Social housing in Ukraine is regulated by the Law "On the housing stock of social purpose" adopted in 2006. Housing researchers relate its adoption to the negative consequences of the mass free-of-charge privatization of the housing stock: "it was supposed to absorb the negative consequences of the emergence of the housing market and guarantee the realization of the right to housing for vulnerable population groups" (Bobrova et al., 2023, p.8). The system envisaged by this law was intended to provide housing for those in need in a decentralized way and by various means, including acquisition of apartments on private market and public housing construction. Unfortunately the absence of a nationwide state program and funding for social housing, along with reluctance and disinterest of the large share of local governments to invest into local social housing programmes, lack of local planning capacities and funds led to the absence "of a sustainable and functional system for providing housing to socially vulnerable population groups" (Bobrova et al., 2023, p 13). In fact, merely 1,100 social housing units in the whole country existed before the full-scale invasion in 2022 (Ibid.).

## 1.3 Housing stock management challenges

### 1.3.1 Privatization and the challenge of ownership for all

A unique aspect of Ukraine's housing sphere transition after the fall of socialism was the free-of-charge privatization of single apartments rather than whole MABs. This lack of clarity regarding future ownership on the MABs common property and management of these apartments set le-

gally ambiguous, grey zone relations between owners, tenants and managing companies. Privatization also resulted in an unsustainable rate of homeownership and high expectations for future homeownership from all involved actors including the state. Until 2001, there was no adequate housing governance legislative framework – it was shaped predominantly between 2001-2018 by introducing the laws and regulations related to the management of common property in MABs and housing stock overall.

Emerging legislation prioritized homeowners associations (HOAs, the Ukrainian term is OSBB) as a self-governance form for MABs, although the tempo of their registration is slow and covers only 21% of the housing stock as of today (SSSU, 2021). Today it has basically stalled, as on January 1, 2023, it reached 38,606, having increased compared to January 1, 2022 by 911 associations (SSSU, 2023). There are plenty reasons why people do not ‘take responsibility’ of common ownership in this form – from fear of the rising utility costs due to backlog, especially in historic buildings, to lack of local leadership suitable to the HOA and even to internal quarrels of the owners.

### 1.3.2 Backlog in utility payments and housing maintenance

With the growth of the utility services tariffs between 2015-2018, almost half of the households in Ukraine received utility costs subsidies from the state (and the costs do not even include the repairs), which indicates the poorness of the owners (NGO Metalab, forthcoming).

Since 1996, no contributions for the capital maintenance (refurbishments) of the MABs have been collected. Lack of the renovation funds is enormous as these were not accumulated over time in relevant authorities/banks. As a result most of the homeowners, including those who established HOAs, cannot finance the necessary repair and energy efficiency measures.

A significant portion of Ukrainian households lives in poorly maintained, energy-inefficient homes, with over 41% residing in houses that have never undergone repairs or refurbishments since their construction due to the absence of funding and inability of private owners to raise sufficient funds. (SSSU, 2022). The capital repairs of the 1990s and 2000s largely lacked proper energy-efficiency measures, and the buildings need additional financing and refurbishment. A large part of the housing stock in big cities was built during the 1930s and especially during 1960-80s in the first and second waves of soviet urbanization and mass housing construction and is now in a dilapidated state. Efforts to address this issue, such as the Law № 2849-IX “On the complex reconstruction of blocks (microdistricts) of the dilapidated housing stock” (2007) were made, to allow the private investment influx and public-private partnerships for the renovation of housing stock en masse. Still, they have faced challenges due to the lack of a transparent financing mechanism for renovation and repair, lack of consensus in local administrations and problematic and unsustainable spatial planning policies, arousing fears of additional revenues for private developers at the expense of cities. The new version of law is under review.

Authors of the UNDP housing report conclude that although the legislation for housing management and maintenance significantly improved first in 2001, then between 2015-2018, it is not yet holistic and fully coordinated, and the milieu of private and communal management companies is new, at the early stage of its development. It will take a long time to solve the accommodated problems of the housing stock even provided full adoption of new governance and management forms. Nevertheless, the new legislative framework made the co-owners accountable for their private property and aware of their responsibilities. (NGO Metalab, 2024).

## 1.4 Housing damage and recovery needs assessment after 2022

The housing sector is among the worst impacted by the ongoing Russian war against Ukraine. The RDNA 2 (February 2023) assesses the losses and needs in the housing sector as follows:

### 1.4.1 Damage assessment

- Over 1.4 million residential units have been reported damaged, including MABs (the largest share), single-family houses, and dormitories.
- The most affected regions include Donetska, Kharkivska, Luhanska, Kyivska, and Mykolaiivska oblasts.
- Around one-third of the damaged units are completely destroyed, while the remaining two-thirds are partially damaged.

### 1.4.2 Losses and costs

- The estimated losses in the housing sector amount to over € 16 billion, covering demolition, debris removal, temporary rental, mortgage, and property tax losses.
- Net rental losses are approximately € 10.6 billion, with property tax losses at € 634 million and bank losses related to mortgages at € 1.0 billion.
- The total estimated cost for the housing sector's reconstruction needs is approximately € 63 billion, with € 29.2 billion needed for immediate and short-term requirements and € 34.4 billion for medium to long-term needs.

### 1.4.3 Mass displacement

- As of June 2023, there are 5.1 million internally displaced persons (IDPs) in Ukraine. According to the International Organization for Migration, at the beginning of 2023, more than half of all IDPs (60%) rented housing in the commercial sector, and another 21% lived with friends or relatives (Ukrainian Office of IOM 2023).
- About 3% of all IDPs lived in "collective accommodation centers", - temporary dormitories provided by the local welcoming communities (Ukrainian Office of IOM 2023).
- The lack of affordable housing is one of the main challenges. At the beginning of 2023, 38% of IDPs reported that they did not have enough funds to rent housing. According to IOM, in June 2023, 24% of displaced persons needed assistance with housing, which is the highest figure compared to previous rounds of IOM research (Ukrainian Office of IOM 2023).

## 1.5 Multi-faceted approach for addressing the challenges

- Shifting government subsidies towards publicly-owned assets like social housing and non-profit (low-profit) housing companies.
- Balancing tenure structures to ensure rental sector stability and security.
- Finding comprehensive solutions for renovating the deteriorating housing stock.

Overall, to achieve sustainable housing policies, Ukraine needs to focus on not just promoting homeownership but also on creating a balanced housing system that addresses the needs of all segments of the population, including vulnerable groups and renters. LPHA is one of the possible components of an emerging system.

# 2 The Austrian model of Limited-Profit Housing

## 2.1 Historic background

Limited-Profit Housing Associations (LPHAs) in Austria date back to the late 19th century and have their origins in the cooperative movement. They have steadily grown in importance since the 1950s. The main idea today is to build up a long-term social housing stock at below-market cost-rents for large sections of the population. In particular, social housing in Austria is rooted in an ideological background that stems from both the socialist idea of solidarity and the Catholic social doctrine. For a long time, the LPH sector was mainly driven by the two dominant parties of the time, the People's Party and the Social Democratic Party. Today, it is supported by all parties represented in parliament.

## 2.2 Main characteristics of the business case

The LPHA business case is defined in detail in the Limited-Profit Housing Act (*WGG, Wohnungsgemeinnützigkeitsgesetz*, BGBl. Nr. 139/1979), which is a federal state responsibility, and a number of directives, issued by the Ministry of Economy as the line ministry for the sector.

### a) Legal definition

The LPH Act describes LPHAs 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 can be regularly reviewed and monitored. However, regardless of this orientation towards the common good, limited-profit housing associations are nevertheless private and independent entities. As such, they represent the Third Sector in the field of housing.

Cooperatives and companies are allowed to act as such if they are recognized as LPHA and become subject to this law. Rescission of this status is hence the most serious sanction for misconduct, including serious economic consequences. The LPH Act defines a number of principles for the business case, with the most important of which are as follows:

### b) Limited business activities

LPHAs must primarily engage in business activities that fall within their primary legal scope: housing construction (including student housing and housing for the elderly), maintenance and renovation, in their own name or on behalf of another LPHA. Other activities are possible, but to a lesser extent (e.g. construction of garages, offices) or require the explicit approval of the governments of the provinces (*Länder*) as a supervisory body. Such "other activities" concern, for example, social infrastructure for municipalities (UNECE, 2021).

### c) Cost coverage principle

The system is based on the principle of cost coverage, both for rental and for owner-occupied housing. This applies even to LPHA activities without subsidies. Cost coverage is calculated on estate-level, and there is no rent-pooling at the LPHA level.

One might suggest that a cost coverage principle leads to higher production costs. In fact, the contrary is true, as described below (chap. 2.4.3).

Rents and purchase prices may not exceed the LPHA's own costs, but may not be less than these costs, i.e. it is legally prohibited to base calculations on social rents that do not cover costs. Allowable costs are defined by law and include a few components on which the LPHA may make a profit (e.g., a construction supervision fee, lump sum fees for planning services or for the management of the housing). For investing its own equity in a housing project, the LPHA can charge up to 3.5% interest (in practice often less). The most important income comes from amortized dwellings, for which an exemption from the cost coverage principle is provided (for details see chapter 2.4.2.). Revenue-generating components are part of cost-covering prices. In the case of LPHA, however, these are clearly defined by legislation and supplementary regulations, which set upper limits.

The revenue components are designed as incentives for economically rational behavior. To this end, they have been adjusted in an iterative process with each reform of the LPH law. The principle is also linked to a special surcharge for periodic renovation and maintenance work (*Erhaltungs- und Verbesserungsbeitrag*, see chap. 2.6.2).

### d) Limitation of profit – obligation to reinvest in housing

The legally defined revenues of LPHAs are intended to strengthen their equity base, to support their financial maturity and their market power vis-à-vis the construction and finance industries (see chap. 2.4.2). For this reason, profits must be reinvested in housing-related assets, such as construction financing, early repayment of (subsidized) loans, refurbishment, and land acquisition. As a result, many LPHAs have been able to build up substantial land reserves. As major players in the land market, they are able to purchase large tracts of land at discounted prices. Groups of LPHAs and commercial developers often work together on large deals.

A strictly limited portion of the profits may be distributed to owners or shareholders. It is set at 3.5% of the original capital invested. Since this is a historical value that is not adjusted over time, in many cases only a negligible amount goes to LPHA shareholders. However, private investment in LPHAs is attractive, as described in 2.3.5.

### e) Obligation to build

The obligation to build is a driving force to keep the sector busy, because for an LPHA with a sufficient number of amortized dwellings, it may be easier to stop building and only manage the stock.

With a recent reform (2019), deep renovation has been defined as equivalent to new construction. This is intended to ease the situation of small LPHAs with regard to the obligation to build.

#### f) Tie-up of assets

The LPH Act stipulates that in the case of mergers and acquisitions of LPHAs, the seller will receive no more than the original capital invested (with interest usually paid out on an annual basis by way of limited profit distribution). Thus, any possibility of cashing out the dormant assets of an LPHA is prevented. This is a critical rule of the LPH scheme, as the real value often exceeds the nominal value of an LPHA's assets by a factor of 20 or more. Stricter protection of LPHAs from liquidation was one of the main issues of the recent reforms of the LPH Act.

This principle can be described as revolving funds (UNECE, 2021). Equity capital is permanently tied up for limited-profit purposes and surpluses are continuously reinvested. This is ensured by limiting the distribution of profits among the owners and by the obligation to reinvest surpluses in housing on a regular basis. In addition, shares in a limited-profit housing association may not be sold for more than the nominal value of the initial investment.

#### g) Rent-to-buy

Since 1994, the LPH Act contains a right-to-buy for tenants who contribute a certain amount of their own funds to co-finance the costs of land and/or construction when they move in (currently around 85 €/m<sup>2</sup> upfront payment). After a period of 5 years, tenants of these newly built apartments have a right-to-buy. This form of tenure was introduced as a compromise between lobbies in favor of a growing share of owner-occupied housing and those supporting the social rental sector. However, although this form of tenure accounts for a large proportion of new LPH construction (see Figure 1), only a minority choose to buy only the minority decide to buy. The proportion is higher for row houses, dwellings attics and in favorable urban areas, but lower for all others.

The main reasons why tenants choose to rent rather than buy are as follows: Rental tenure in Austria is very secure and in the LPH sector usually offers unlimited-term contracts. Adult children and spouses have a right to step into the contract. LPHA rents are moderate. According to the cost rent scheme, rents will even decrease after the refinancing period. Finally, LPHA have proved to act highly professional in housing management. This contributes to a slightly growing rental share in Austria as opposed to owner-occupation.

#### h) Personnel restrictions

LPHA must be independent from the construction industry to prevent tie-in deals to the detriment of tenants. This applies particularly to the functionaries of LPHAs. The salaries of functionaries may also not exceed statutory limits (UNECE, 2021).

## 2.3 Institutional setting

### 2.3.1 Ownership structure

Today, 182 LPHAs operate in Austria, about half of them as co-operatives, the others as limited-liability companies or stock corporations, but under a common legal regime and supervisory structure. Cooperatives are owned jointly by their members while capital companies are owned by local or regional public authorities, charities, political parties, trade unions, companies, the financial industry, foundations or private individuals.

### 2.3.2 Market failures addressed

The main advantages of the LPHA system unfold in comparison with housing policy systems in other countries around the world. At the lower end of the income scale, municipal, public, or social housing serves the needs of vulnerable households. For better-off households, markets seem to provide sufficient and appropriate supply. But around the world, market prices have risen faster than incomes in recent years. There is a growing gap for middle-income households that do not qualify for social housing but cannot afford market housing. The Austrian LPH model appears to be an appropriate response to this market failure. LPHAs provide affordable housing in market segments and regions where commercial housing providers would not be active. In this respect, the LPH sector relieves pressure on the commercial sector. This may explain why the commercial real estate sector in Austria is hardly opposed to the LPH system.

### 2.3.3 Audit and supervision

LPHAs must be registered and are closely monitored. There is a very strict system of auditing and supervision of LPHA activities and expenditures by independent auditors. The audit monitors compliance with the law, including efficient use of resources and capital, and sound management of the organization (see chap. 2.4.7).

LPHAs are both self-auditing and publicly regulated. The regional governments are auditing authorities for the LPHA active in their territory, but the LPH sector itself carries out the auditing procedures.

All LPHAs have to join the common Audit Association (*Revisionsverband*), which is organized together with the lobbying organization of the Sector (*Verband der gemeinnützigen Bauvereinigungen, GBV*). The LPHA audit goes much deeper than the usual year-end audit of capital companies. It also includes a detailed assessment of compliance with all legal requirements, including the purchase of land, the setting of rents, the tying up of property and the remuneration of management.

The LPHA supervision system has its origins in the cooperative sector. However, recent reforms have brought it closer to banking supervision, particularly with regard to fit & proper-regulations. The LPHA audit also functions as a form of economic supervision and is used to provide qualified information and assistance to member enterprises to improve productivity and competitiveness.



If deviations are detected, the regional government has a series of measures at its disposal to enforce correction, starting with a notice to correct, then the threat of exclusion from new subsidies for a certain period, and finally the threat of revocation of the LPHA status. In the latter case, the LPHA shareholders would be compensated only with the capital originally invested and all dormant assets would be transferred to another non-profit organization.

This arrangement has proven to be an effective tool in preventing misconduct. The tight operating framework provided by the LPH Act, the supervision by the regional authorities and the fact that many housing associations are owned by semi-public bodies have resulted in housing associations being seen as the "lengthened arm of housing policy".

### 2.3.4 Representation of interest

The Austrian Federation of Limited-Profit Housing Associations (GBV) is responsible for representing the interests of all LPHAs. It is not only successful in positioning of the sector in public opinion, but is also well equipped with legal experts, who, together with responsible officials in the Ministry of Economy, influence reforms of the LPH Act.

### 2.3.5 Shareholder's interests – trading of LPHA shares

A frequently asked question concerns the interest of private investors in investing in the LPH sector. As a matter of fact, the demand for private investment in the sector is lively, although the sector is extremely illiquid. The trade of LPHA shares is restricted not only by price regulations (nominal value only), but also because it would trigger the real estate transfer tax on the entire housing stock of a company.

LPHA shareholders benefit from their engagement for several reasons: they can offer affordable housing to their clients (e.g. trade unions), there is little downside risk, there are several opportunities for side businesses (e.g. for the finance industry). In any case, most LPHAs are solid businesses with significant economic and social impact. They have everything that makes an investment valuable except fungibility. It is not possible to cash out the dormant assets of an LPHA.

## 2.4 Performance indicators – economic sustainability

### 2.4.1 Volume of the LPH sector

The managed housing stock of 660,000 rental dwellings, 300,000 owner-occupied apartments and 40,000 units managed for municipalities, together 1 million units (2022, GBV data) represents 24% of the total housing stock in Austria and almost 40% of all multi-apartment dwellings (primary residences).

The sector employs more than 9,000 people. The 97 cooperatives have around 550,000 members. The total assets of all LPHAs according to the balance sheets amount to approx. 60 bn. EUR (Amann & Struber, 2023). However, the real value of the assets is two to three times higher (IIBW estimate).

## 2.4.2 Economic maturity

Despite the cost rent principle, the LPH Act defines a number of activities that allow LPHA to make profits. These include fees for organizing construction or refurbishment projects, flat-rate fees for housing management, interest on invested equity, or rents from fully amortized buildings. These components provide stable and predictable income. However, equity ratios vary widely across the sector. A number of LPHAs with older and therefore amortized rental housing stock are now economically quite mature, with equity ratios in some cases exceeding 50%. On the other hand, there are younger LPHAs with a focus on owner-occupied housing or more rural markets that show a much worse performance (Amann & Wieser, 2015). Nevertheless, LPHAs have very rarely gone bankrupt, and for decades not a single buyer or tenant has lost money as a result.

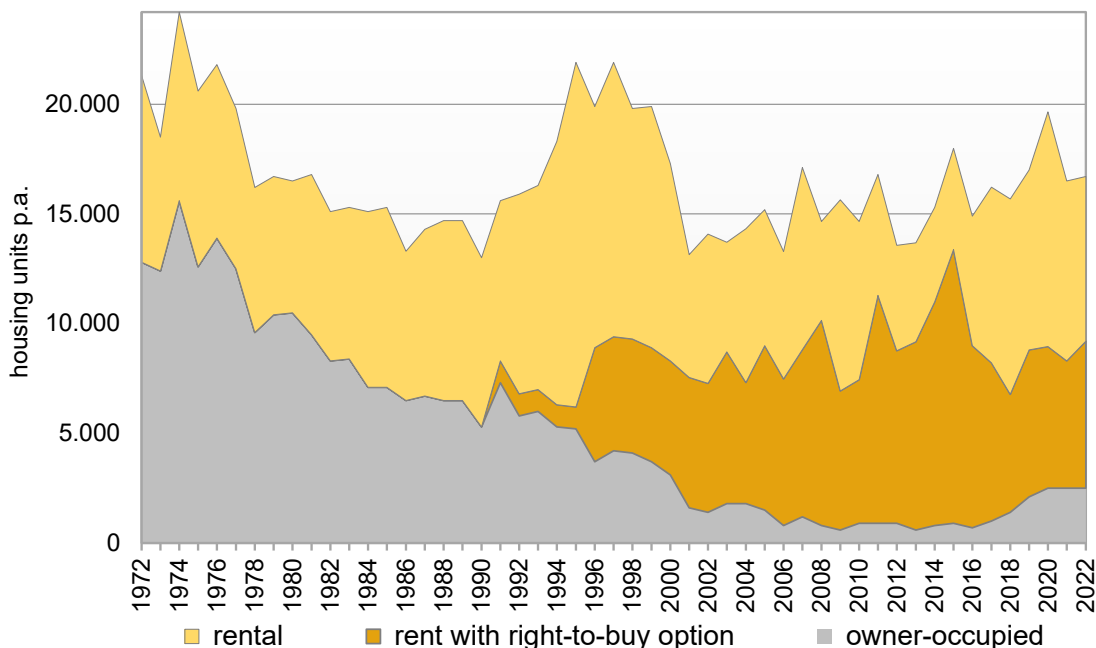
## 2.4.3 Economy of costs

Due to a number of measures on the part of the LPH Act and the subsidy systems, the overall costs are significantly lower than in the commercial sector. Some of those measures are described in chap. 3.5. Another important aspect is the system of audit and supervision (see chap. 2.3.3), which assesses all levels of business conduct in terms of appropriateness and economic efficiency using a set of performance indicators. Finally, LPHAs enjoy extremely good financing conditions, as a result of a default rate close to zero.

## 2.4.4 New construction with subsidies

Over the past century, the LPHA sector has delivered a total of more than 1 million housing units. The output is around 17,000 dwellings per year (5-year average 2018-2022, see Figure 1) at a rather

Figure 1: Completed apartments by LPHAs



Source: Amann & Struber, 2023; GBV data.

stable level. This represents 28% of total new construction (completed housing units), i.e. 42% of multi-apartment units. The LPHA share in total new construction was even much higher during the construction slump in the 2000s.

LPHAs now build mainly rental units, about half of which are right-to-buy. Affordable owner-occupied housing was a predominant product of the sector until the early 1990s. But with the introduction of the rent-to-buy scheme, this product lost its importance. LPHAs have understood that in the long term, rental housing generates much higher returns than owner-occupied or right-to-buy housing. For this reason, many of them have taken advantage of the good capital market situation to restructure their financing schemes in such a way as to avoid the right-to-buy, i.e. they reduce the tenants' contributions below the limit of 85 €/m<sup>2</sup> in order to avoid the obligatory right-to-buy.

#### 2.4.5 New construction without subsidies

In urban areas, particularly in Vienna, some LPHAs are now building without subsidies but with market financing. If these activities are carried out by the LPHA itself, the cost-rent principle still applies. In some cases, LPHAs have established commercial subsidiaries that can operate outside the cost-rent regime (Pech, 2014).

#### 2.4.6 Special development services

There are a few LPHAs specialized in student housing. Many LPHAs realize elderly housing and assisted living (*Betreutes Wohnen*). Increasingly important are services for municipalities related to social and municipal infrastructure, but these activities will always remain subordinate due to legal restrictions on business activities (see above).

#### 2.4.7 Performance as housing managers

All LPHAs manage their stock individually or collectively. Many municipalities have contracted with LPHAs to manage their public housing stock. As a result, some have grown into very large housing management enterprises. Some of the larger ones have become highly professional service providers based on advanced IT tools. AI tools are also being developed.

The LPH Audit Association assesses the efficiency and adequacy of housing management and provides feedback based on sector benchmarks. The legal requirement for LPHAs to manage their own housing developments is a strong incentive for high quality construction and social balance in their buildings.

#### 2.4.8 Procurement approach

LPHA are considered to be private sector companies, even if they are owned by public authorities. The main reason for this view is their full economic independence and the takeover of all business and construction risks. For the procurement implications of subsidies, including cost and quality incentives, see chap. 3.5. Conflicts of interest are avoided because the construction industry is not allowed to have a controlling stake in an LPHA and therefore cannot exert a dominant influence.

Conflicts of interest are also avoided by strict auditing and monitoring of all LPHAs. There are no limitations regarding stakes held by the financing industry.

### 2.4.9 Service provision to cities and municipalities

There is a strong link between local authorities and LPHAs active in the region (see chapter 3.1). LPHAs can only become active if there is a proven need for housing. This evidence is provided by the municipalities. In some cases, municipalities support the construction of affordable housing by providing building land at a reduced cost or as a land lease. In most Austrian provinces (*Länder*), zoning regulations allow for a category of "subsidized housing" aimed at LPHA multi-apartment housing. There are also many cases of institutional linkage, as municipalities are stakeholders in LPHAs or are represented on LPHA boards.

Municipalities face major challenges in decarbonizing their building stock, both residential and non-residential. LPHAs would be very well suited as service providers. But currently they can only do so with special permission from the supervising authority.

### 2.4.10 LPHA as economic "shock absorber"

The LPH sector, in interaction with housing subsidy schemes, has a strong impact on stabilizing housing and construction markets (Klien & Streicher, 2021). This was particularly evident in times of crisis, such as the global financial crisis of 2008. While housing and construction markets collapsed all over Europe, the shock in Austria lasted only a few weeks. It quickly became clear that building and financing are still possible and necessary. It is expected that the housing model will also help to overcome the current economic crisis.

## 2.5 Performance indicators – social sustainability

### 2.5.1 Affordability

Due to the cost-rent principle, the affordability of newly built LPHA housing is highly dependent on the subsidy schemes of the *Länder*. For the stock as a whole, LPHA rents are about 25% below market rents. The gap can be wider for new tenancies in urban areas, while it can be narrower in rural areas.

In most provinces, LPHA supply covers housing needs from very low income to around the 8th income decile (see chapter 3.4.4). In Vienna, the supply for the lowest income groups is mainly covered by municipal housing. Therefore, LPHAs in Vienna tend to focus on middle income groups.

The general strategy can be described as providing housing for low and middle income groups through the LPH sector and housing subsidies. Low and very low income households have additional access to income-based, means-tested housing benefits. Because of the relatively low cash value of the object-side subsidy (usually such low-interest provincial loans cover less than 20% of the total production cost) and the large volume of new LPHA construction, it seems appropriate to

also serve those households that could, in principle, be housed without public support. This "mis-allocation" is therefore considered acceptable, and necessary to achieve social inclusion.

## 2.5.2 Housing allocation

Income limits for the allocation of LPHA dwellings are mainly derived from subsidy regulations (see chap. 3.4.4) and vary from province to province. In addition, they have to consider the urgency of housing need and household composition. They have to prioritize victims of violence and prefer Austrian and EU citizens (and equal status) over migrants from third countries. The sector has also adopted a Corporate Governance Code, which includes a commitment to take income into account when allocating housing, including for non-subsidized housing and for amortized housing after the financing period.

Net rents in amortized LPHA dwellings fall to a level of below 2.- €/m<sup>2</sup> (*WGG Grundmiete*). For a part of this stock of amortized dwellings, a special regulation allows the *Länder* to define criteria for re-allocation. A new regulation is under discussion on how these very affordable dwellings can be allocated in a more socially targeted way.

LPHA rental contracts are usually of unlimited duration. Overall, tenants in Austria have extensive rights regarding security of tenure, prevention of eviction and succession of the rental contract to spouses and children.

## 2.6 Performance indicators – environmental sustainability

### 2.6.1 Energy performance, decarbonization of the housing stock

The improvement of the energy efficiency of LPH buildings is mainly driven by the housing subsidy systems of the *Länder*, both for new construction and for renovation (see chap. 3.6.2). Nevertheless, the LPH sector has long been at the forefront of low-energy and passive house standards (Amann et al., 2012). The majority of new buildings have a much better performance than required by building codes. The average heating demand is 29 kWh/m<sup>2</sup>.a in new buildings and 44 kWh/m<sup>2</sup>.a after deep renovation (2021; BMK, 2022).

Since the early 2010s fossil fuel heating systems in new construction have played only a minor role and are being phased out. Notwithstanding, decarbonization of older buildings is a major challenge, as 35% of the stock is heated with oil or gas (GBV, 2023). In order to achieve the government's target of complete decarbonization by 2040, additional legislation is considered essential.

### 2.6.2 Housing maintenance schemes

While in many European countries the social housing stock suffers from a considerable refurbishment backlog, the Austrian social housing stock is often of better construction quality and better maintained than the commercial rental housing stock or the owner-occupied housing stock.

The entire sector has a refurbishment volume of well over 1 bn. EUR per year (GBV data; Amann & Struber 2023). This includes the deep renovation of up to 10,000 housing units per year, as well as many smaller maintenance activities. Although the LPHA housing stock is younger than all other housing sectors, the refurbishment rate is above average.

The cornerstone of the successful maintenance regime in the LPH sector is a special mark-up on net rents for periodic renovation and maintenance (*Erhaltungs- und Verbesserungsbeitrag, EVB*). It is mandatory and increases with the age of the building from 0.56 to 2.22 €/m<sup>2</sup> per month. Neither in the private rental stock nor in owner-occupied housing, there is a mandatory reserve fund of this volume. However, in a recent amendment to the Condominium Act introduced a mandatory minimum reserve fund (90 cent/m<sup>2</sup> per month) with reference to the provisions of the LPH Act.

The LPH Act is more advanced than the legislations of other housing sectors not only in terms of mandatory maintenance fees. Unlike other sectors, the LPH Act also provides regulations on how to use reduced heating costs for financing deep renovations. It provides incentives to LPHAs to invest own equity for this purpose, and it classifies certain decarbonization measures as maintenance rather than improvement measures which simplifies certain procedures.

Some large LPHAs have created specialized daughter companies for building maintenance and facility management.

### 2.6.3 Regional/urban development and architecture

LPHAs are key players in urban development projects in small and large cities. Municipalities often rely on them because their performance can be influenced beyond zoning and building permits. In particular, LPHAs are used to integrate affordable housing into new neighborhoods. However, affordable housing is often built on greenfield sites due to low land costs. This can affect the spatial development of neighborhoods. Despite the high cost pressure, the LPHA sector is known for its high architectural quality. An outstanding example is "Seestadt Aspern" in Vienna. Architectural competitions are the norm.

## 2.7 Key players

LPH legislation is in the responsibility of the Ministry of Economy ([www.bmaw.gv.at](http://www.bmaw.gv.at)). The frequent reforms are always conducted in close cooperation with the LPH representation of interest (*GBV Verband*). Both bodies are characterized by a remarkable continuity of personnel. Most LPHAs operate in only one province. But several key players have established daughter LPHAs in other *Länder* to extend market coverage. Below, the most important LPHAs in the provinces are listed:

Vienna:

- Sozialbau AG ([www.sozialbau.at](http://www.sozialbau.at)): Group of cooperatives and companies; the biggest LPHA with a stock of approx. 60,000 units; under control of VIG – Vienna Insurance Group.

- Österreichisches Siedlungswerk ([www.oesw.at](http://www.oesw.at)): Group of companies, privately owned.
- Gesiba ([www.gesiba.at](http://www.gesiba.at)): Owned by the City of Vienna; also has founded a joint venture with *Wiener Wohnen* to revive municipal housing.
- Wien Süd ([www.wiensiued.at](http://www.wiensiued.at)): Cooperative, group of companies in several other *Länder*.

Burgenland:

- OSG – Oberwarther Siedlungsgenossenschaft ([www.osg.at](http://www.osg.at)).

Lower Austria:

- WET Gruppe (<https://www.wet.at>): group of cooperatives and companies.
- Alpenland ([www.alpenland.ag](http://www.alpenland.ag)): Cooperative.

Upper Austria:

- LAWOG - Gemeinnützige Landeswohnungsgenossenschaft für Oberösterreich ([www.lawog.at](http://www.lawog.at)).
- OÖ Wohnbau GmbH: Group of companies (also commercial) under control of Raiffeisen Oberösterreich (<http://ooewohnbau.at>).

Salzburg:

- GSWB - Gemeinnützige Salzburger Wohnbaug.m.b.H. ([www.gswb.at](http://www.gswb.at)).
- Salzburg Wohnbau GmbH ([www.salzburg-wohnbau.at](http://www.salzburg-wohnbau.at)): group of cooperatives and capital companies.

Styria:

- ÖWG/ÖWGES - Österreichische Wohnbaugenossenschaft / Wohnbaugesellschaft ([www.oewg.at](http://www.oewg.at)).
- Wohnbaugruppe Ennstal ([www.wohnbaugruppe.at](http://www.wohnbaugruppe.at))

Tyrol:

- Neue Heimat Tirol GmbH ([www.neueheimat.at](http://www.neueheimat.at)): Joint venture of the province of Tyrol and the regional capital Innsbruck.

Vorarlberg:

- Vogewosi GmbH ([www.vogewosi.at](http://www.vogewosi.at)): owned by the province of Vorarlberg.

## 2.8 LPHAs in international cooperation

LPHAs are allowed to operate internationally through their own commercial subsidiaries. In the early 2000s, a handfull of them were active in neighboring countries (Czech Republic, Slovakia, Hungary) and the Balkans (Bulgaria, Bosnia-Herzegovina). However, due to the lack of success, the willingness to engage internationally is low today.

## 2.9 Enduring basic principles – frequent adjustment of implementation rules

In the past, the LPH Act has been reformed much more dynamically than other housing legislation. For this reason, the legal framework of the LPH sector is much more “modern” and effective than that of other housing sectors.

The stable basic principles of the LPH Act, as described in this chapter, combined with the frequent adoption of implementation rules create sustainable legal standards and bring credibility to this institution.



# 3 Structural aspects of the housing subsidy system

Building on an intricate framework of housing subsidy schemes, the nine Austrian *Länder* have been able to establish a large and internationally acknowledged social rental housing sector (see e.g. Lawson et al., 2010; Marquardt & Glaser, 2020; OECD, 2020, 2021, 2022, 2023; UNECE, 2021; Anisimov et al., 2023).

The efficiency of the housing subsidy system is enhanced by its close interaction with the LPH system and additional capital market financing instruments. Access to social housing follows a generalist eligibility approach with high income limits. Thus, Austrian housing policy promotes integrated rental markets.

## 3.1 Responsibilities in housing

Due to the federal structure of the Austrian state, the competencies are divided between the federal state, and the nine federal provinces (*Länder*), and only to a small extent to the municipalities.

The main responsibilities of the federal state in the context of housing are:

- Legislation, particularly civil law, i.e. rental law, condominium law, LPH law, but also banking regulations, consumer protection regulations, tax law etc.
- The collection of taxes is basically in the hands of the federal government, the distribution to the provinces and municipalities is determined by a financial equalization agreement, which is usually renegotiated for a period of 6 years. It is a decisive and unifying factor of the housing subsidy schemes of the *Länder*.
- The federal state runs subsidy programmes in addition to the subsidy schemes of the *Länder* for renovation and housing decarbonization.

The main responsibilities of the *Länder* in respect to housing are:

- Housing subsidy schemes and supervision of LPHAs.
- Social welfare.
- Regional planning.
- Building regulations.

Municipalities have minor responsibilities in housing, the main area being land zoning. In some *Länder* they are responsible for allocation of subsidized housing. In some cases, municipalities provide building land at favorable terms (below market price, land lease) for social/subsidized housing. A special case is Vienna with its huge municipal housing stock of about 210,000 units.

## 3.2 Origins

The modern housing subsidy system was established by a law in 1954. It is worth noting that initially, economic interests took precedence over social interests.

At that time, the housing subsidy system was under the authority of the federal government, but since then it has gradually been transferred to the *Länder*. Initially, the subsidy schemes were mainly aimed at new construction. In the 1960s, they were supplemented by regulations on subsidies for renovation and income-dependent housing benefits. Since the 1990s, the focus has been on ecological aspects. In the early years, subsidies consisted only of very long-term low-interest loans (up to 100 years); later, grants, interest and annuity subsidies, and guarantees were added. Until the 1990s, subsidies went equally to rental and owner-occupied housing in multi-apartment buildings and to single-family homes. In the 1990s, a right-to-buy scheme was introduced in parts of the subsidized multi-family rental stock built since then. This scheme, where tenants have a right-to-buy after some years, has gradually replaced subsidized apartments for direct ownership (see Figure 1, p. 26). For a long time, rental housing subsidies were targeted at municipal construction and LPHA. Later, most *Länder* began to include commercial developers.

Apart from the *Länder* housing subsidy schemes, there are only rudimentary other subsidies for housing: In the early 2010s, a general social assistance scheme for the lowest income households was introduced, including benefits to cover housing expenditure. Fiscal incentives are of minor importance (tax deductibility of few housing-related expenses, exemption of LPHA from corporate income tax). Rents are taxed with a reduced VAT of 10%. The purchase of used apartments is exempt from VAT. There are low state contributions to a contract saving scheme in place.

## 3.3 Financial performance

### 3.3.1 Financing tools

The predominant instruments are object-related subsidies to producers of housing (“bricks and mortar” subsidies) with subsidiary subject-related subsidies (housing benefits). This housing strategy contrasts with the drift towards more demand-side strategies to achieve housing goals in other European countries.

The *Länder* apply different financing tools:

- Soft loans: mostly with 0.5-1.0% interest rate, in some *Länder* with gradually increasing interest rates of up to 3%; different maturities of often >35 years; annuities mostly follow a fixed plan with gradually increasing monthly payments; few *Länder* apply schemes with annuities growing in line with the CPI (e.g. Vienna).
- Annuity grants, interest grants: repayable and non-repayable; sometimes variable in time or according to different performance indicators; mostly for shorter periods compared to loans.
- Grants: Sometimes used as an alternative to annuity grants with a lower cash value.
- Guarantees.

Several studies (e.g. IIBW, 2002; IIBW, 2007) have shown that, taking into account all the different effects, none of the instruments is clearly more efficient than others. However, efficiency depends on the individual design of the subsidy schemes and the objectives achieved. Loans were recommended as an efficient instrument for several reasons, such as the fact that they are not classified as government expenditure according to the EU Maastricht Criteria and that they contribute to sustainable budgets in the sense of revolving funds.

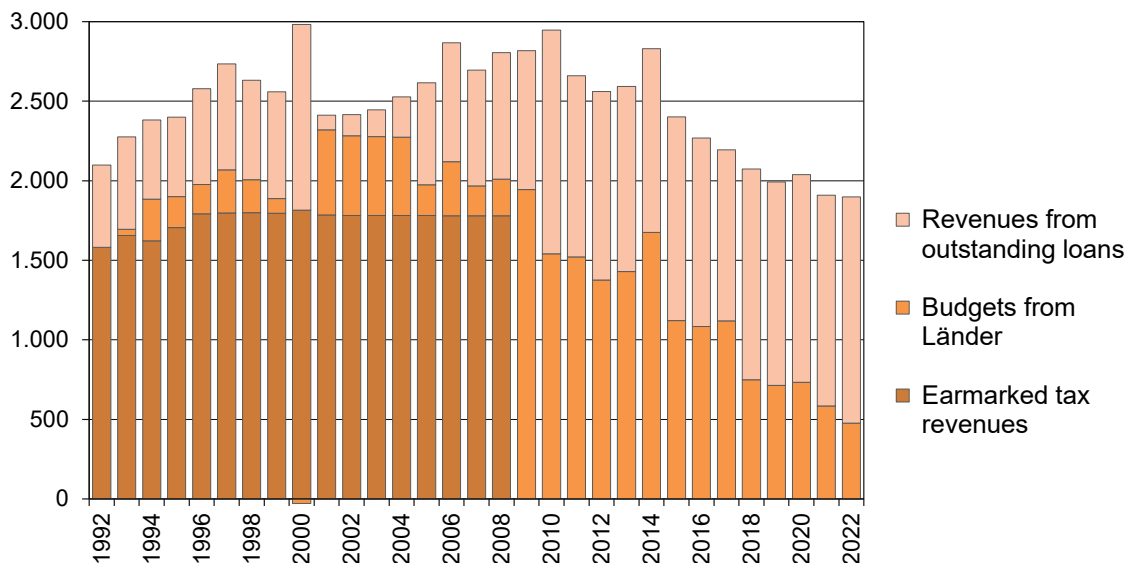
### 3.3.2 Funding

Figure 2 shows the different sources of financing of the housing subsidy systems of the *Länder* and their development over the last three decades:

- a) Until the late 2000s, earmarked tax revenues played an important role in the financing of housing subsidies, including some supervision by the federal state. With the Financial Equalization Act of 2007, the earmarking of these tax revenues was abolished, and they became unconditional transfers from the federal government. Thus, this funding component became a normal contribution from the *Länder* budgets. Since then, the financing of the housing subsidy schemes has been the full responsibility of the *Länder*.
- b) Contributions from the *Länder* budgets have declined sharply since the beginning of the 2000s.
- c) In contrast, revenues from outstanding loans are gaining importance. A growing number of *Länder* are now able to cover the cost of new subsidies from this source alone.

The total budget of the housing subsidy schemes of the *Länder* remained remarkably stable (in nominal terms) between the mid-1990s and the early 2010s with a volume of 2.5 to 3.0 bn. EUR per year. Since then, budgets (expenditures) have been declining.

Figure 2: Sources of housing subsidies of *Länder* (mill. EUR)



Source: Statistik Austria, IIBW.

### 3.3.3 Subsidy expenditures

In total, the nine Austrian provinces spent 1.9 bn. EUR on their housing subsidy schemes in 2022, supplemented by an additional 460 mill. EUR subsidies of the federal state for renovation and decarbonization (Figure 3). Well above 50% of *Länder*-subsidies are directed to new multi-apartment construction, below 10% to subsidies of single-family houses, some 15% are demand-side subsidies mostly in the form of housing benefits and almost 30% are refurbishment subsidies.

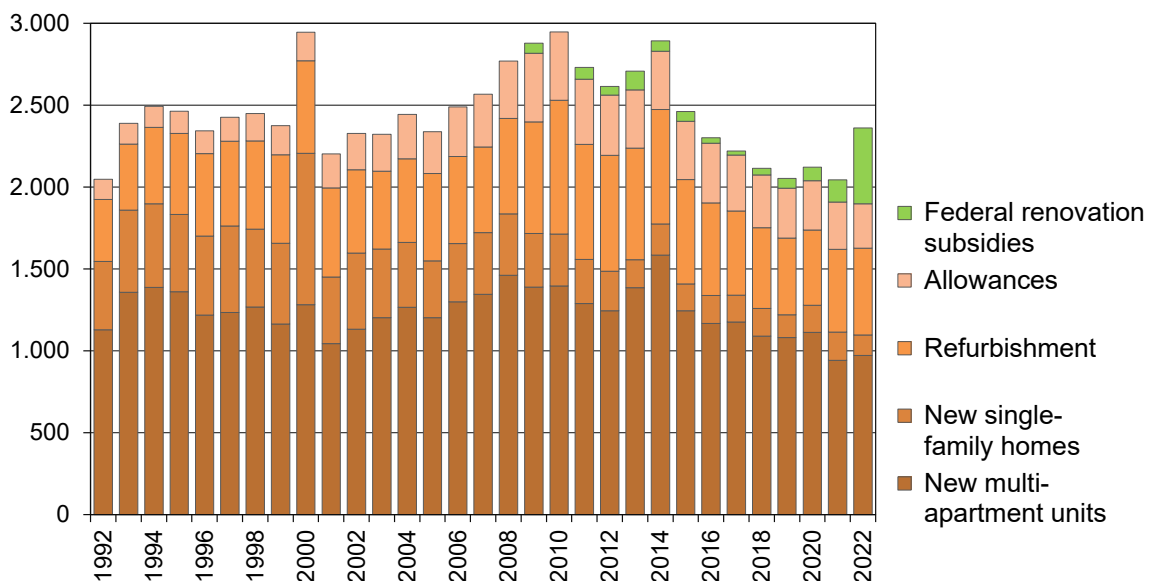
These figures show that it is the construction ("bricks and mortar"), rather than the individuals, that are predominantly subsidized. The idea behind this is that building subsidies produce affordable housing for a large part of the population for the entire life of the building. A high supply of low-cost rental housing also puts pressure on prices in the private rental market (Klien & Streicher, 2021). These "bricks-and-mortar" subsidies are allocated to all tenures, but LPHAs predominate as recipients in multifamily housing.

Despite the large share of subsidized housing in total housing construction, Austria has spent only about 0.5% of its GDP on housing subsidies in recent years. This is in the lowest third of all EU countries and suggests an efficient system for taxpayers. The high stability of housing investment over many decades is also noteworthy.

### 3.3.4 Regulations on complementary capital market financing

Subsidy schemes of all *Länder* also include capital market financing components. In some *Länder*, conditions on capital market financing (duration, maximum interest rates) are directly regulated. In others, only the maximum subsidy and the maximum net rent level are fixed. This is an effective economic incentive for the landlord to achieve the lowest possible construction and financing costs.

Figure 3: Expenditures of housing subsidies (mill. EUR)



Source: Statistik Austria, IIBW.

### 3.3.5 Compatibility with EU state aid rules

Housing policy is the responsibility of EU Member States. However, there is a clear tendency for EU legislation to have a more general impact on housing issues. In particular, this means that housing policy measures must be in line with EU state aid and competition legislation, as laid down in the Treaty, in subsequent Commission decisions and in rulings by the European Court of Justice. The EU's influence is seen as critical towards unitary rental markets, as seen so far in the Commission's investigations into Swedish and Dutch housing policy.

Nevertheless, there are certain mechanisms that protect Austria from criticism of possible violations of EU state aid and competition law: Income limits controlling access to social housing, although generous (see chapter 3.4.4), guarantee a selection of households that corresponds to a definition of public services, especially as the policy objective of social mix and prevention of residentialization comes into play. Supply-side subsidies do not distort the market because they do not subsidize companies but must be fully passed on to consumers through cost-rents and cost recovery. The scope of LPHA's activities is clearly defined and strictly controlled. There is a clear separation of commercial and limited-profit activities and accounts. The activities of the LPHA are clearly defined as services of general economic interest (SGEI, Art. 16 and 86 (2) of the EU Treaty and other regulations). Subsidies are therefore exempt from the EU ban on state aid.

## 3.4 Output

### 3.4.1 New construction

In the five-year average from 2018 to 2022, all *Länder* together spent 1.31 bn EUR on subsidies for new construction. In the same period, 16,600 dwellings were subsidized, compared to a total of 41,100 building permits in multi-family houses. Including single-family homes and new apartments in existing buildings, the ratio is 22,800 subsidized units to 76,000 total housing permits. This equates to 2.6 subsidized dwellings per 1,000 inhabitants on a five-year average, an astonishingly high figure compared to any other EU country. The number of subsidized dwellings was fairly stable until the end of 2010, but has declined in recent years.

### 3.4.2 Housing renovation

The federal government aims to decarbonize the building stock by 2040. Subsidies for housing renovation are key to achieving this goal. In the five-year average from 2018 to 2022, all *Länder* together have spent around 500m EUR on subsidies for housing refurbishment, supplemented by strongly increasing subsidies from the federal government (additional 460m EUR in 2022).

An early peak was reached in the early 2010s. Since then, the number of renovated dwellings has declined and remained at a low level until recently. From 2021 onwards, the number of subsidized renovations increased again, especially with regard to the climate-friendly replacement of heating systems (mainly heat pumps and district heating). Austria had a renovation rate of about 1.5% in

2022 (share of deep renovations in the total housing stock). More than half of this was subsidized. To reach the climate goals, the rate must increase to 3%. This requires better and more subsidies, but also better legislation, institutional and technological progress.

### 3.4.3 Housing Benefits

Demand-side, income-dependent housing benefits complement supply-side subsidies described above. In the five-year-average from 2018 to 2022, all *Länder* together have spent approx. 300m EUR on housing benefits (IIBW, 2023). In the past, housing subsidies were targeted at dwellings built with supply-side subsidies. Since the early 2000s, most *Länder* have also introduced housing benefit schemes for the commercial rental housing sector. In addition to housing benefit schemes, there are minimum income social assistance programmes, some of which also cover housing-related expenses for the lowest income groups (Mundt & Amann 2015).

### 3.4.4 Income limits

As housing policy in Austria is based on a unitary approach, the majority of the population is targeted by housing policy measures. The generalist model of social housing aims at a diverse composition of residents, thus avoiding residualization and stigmatization of the social housing segment.

For this reason, the Austrian *Länder* have set high income limits for both municipal and subsidized housing. A 3-person household may have an annual net income of up to 80,000 EUR to be eligible for subsidized or social housing (in detail: IIBW, 2023). What is included in the calculation of household income varies from province to province. Some provinces require a minimum income for access to subsidized housing (to ensure long-term affordability of cost-rents). Income is only assessed at the time of signing the rental contract for subsidized housing. Increases in household income do not affect rents or the tenant's right to occupy the dwelling.

## 3.5 Procurement implications

### 3.5.1 Cost incentives

The provision of subsidies does not imply the application of public procurement rules for construction contracts. Pressure on construction costs is exerted by various subsidy models. Often, both the resulting net rents, the volume of subsidies and other aspects (duration of financing, tenants' own contributions, etc.) are fixed. These output indicators can only be achieved with comparatively low construction and financing costs. As a result, subsidized housing tends to have lower construction costs than commercial housing.

Some developers award general contracts to construction companies, while others have their own technical departments and procure each construction service individually.

### 3.5.2 Quality incentives

In new construction, the competitive bidding process associated with construction and the social aspects of housing ensure that the quality of new construction is high. An internationally known example of this is the housing development competitions in Vienna (Förster & Menking, 2016).

The housing subsidy schemes of the Austrian provinces have developed over time into a quality assurance system with regard to thermal and ecological standards, planning quality, and social integration. For this reason, we are faced with the peculiar situation that subsidized housing has, on average, higher quality standards than most private market products.

## 3.6 Effectiveness of the Austrian housing subsidy scheme

### 3.6.1 Social effectiveness

- The housing subsidy schemes of the *Länder* are an integral part of the social system in Austria.
- Much of Austria's housing stock has been subsidized. This has contributed to the fact that housing costs for Austrian households are well below the EU average.
- Austrian cities as a whole are characterized by inclusive settlement structures. Subsidized housing has played a key role in this.
- The system benefits above all middle-income groups. But also for low-income groups the housing supply reaches EU average indicators.
- The high income limits allow for a necessary degree of social mix and include households that would not need subsidies.
- Social housing is an important pillar in the fight against homelessness.
- The LPH sector is an important pillar for the social sustainability of the system.

### 3.6.2 Effectiveness in energy transition and environmental aspects

- The housing subsidy schemes of the *Länder* have been decisive for the rapid strong improvement in the energy performance of residential construction. Subsidized housing performs better than comparable commercial housing.
- The subsidy schemes are also a strong driver for other ecological and environmental aspects, such as healthy construction products and indoor air quality, renewable energy and renewable building products.
- Housing subsidies ensure high quality housing renovations.

### 3.6.3 Effectiveness in regional and urban development

- Subsidized housing is an important part of the toolbox of public authorities in urban development. It provides affordable housing integrated into new neighborhoods.
- The housing subsidy system was key to high quality housing provision in rural areas. This has contributed to economic strength of rural areas throughout Austria.

- In contrast, subsidies for single family homes have encouraged urban sprawl in many regions.
- There is space for improvement through better integration of subsidy schemes with regional planning instruments and building codes.

### 3.6.4 Effectiveness in market intervention and stabilization

- The housing subsidy schemes of the *Länder* have been very effective in stabilizing construction output and costs and improving quality standards.
- The housing subsidy systems improve competition between housing developers (for profit and LPHAs) and contributes to lower and stable housing costs also in the commercial sector.
- In the current crisis, the system is struggling to maintain this economically beneficial effect.

### 3.6.5 Economic sustainability

- Housing subsidies have been declining as a share of GDP over the long term. In the 1990s they amounted to around 1.3% of GDP, but today they are down to 0.5%.
- For a long time, the checks and balances between the federal and *Länder* governments contributed to stable and secure budgets for housing subsidies. This has deteriorated.
- With soaring construction costs, rising interest rates, and the challenge of decarbonizing the building stock, budgets for housing subsidies should increase and be secured over the long term.



# 4 Common Good Housing Law (general master)

## Explanatory Statement

The CGH Law applies to companies organised under private law whose owners (public authorities or private owners) have an interest in a functioning and prosperous housing market.

Subsidies come directly or indirectly from the public purse. There is not a single economy in the world that does not rely on subsidies and still aspires to certain standards in social welfare and ecology.

It is up to the national government to ensure that subsidies are effective for the benefit of those who are supposed to benefit, i.e. the inhabitants of the dwellings (whether tenants or owners) and the citizens seeking accommodation.

The state must ensure that these rules are respected. The limited-profit housing system is seen as a means of controlling not only the achievement of individual objectives pursued by a subsidy, but also an entire sector of the economy, which is under a legal obligation to re-invest on an ongoing basis.

Common Good Housing Entities (CGHE) fulfil public service obligations of general economic interest and guarantee a generational equalisation to secure a sustainable housing supply for existing and prospective users.

Housing associations that are not authorised as CGHEs may also build individual projects under the terms of this Law.

## Chapter 1: General Provisions

### Art. 1

#### General aspects of Common Good Housing

- (1) This Law regulates the organisation and operation of approved Common Good Housing Entities (CGHE) and assigned projects (para. 4 of this article).
- (2) Housing entities shall be deemed to be CGHEs only if they are approved in accordance with the provisions of this Law.
- (3) Housing entities licensed as CGHEs under the terms of this Law must be directly engaged in tasks in the field of housing and settlement that serve the interests of the general public and guarantee a generational equalisation to secure a sustainable housing supply for existing and prospective users. Furthermore, they must use their capital for the aforementioned purposes and they must have their business activities monitored and audited at regular intervals.

- (4) This Law also applies to housing entities that are not licensed as CGHEs and that build individual housing projects under the terms of this Law (assigned projects).

## Chapter 2: Conditions for approval

### Art. 2

#### Legal form and minimum capital

- (1) The housing entity must be a legal entity organised as a public limited company or a private limited company; Its registered office must be in [country].
- (2) The responsible authority (Art. 10) may also grant approval to cooperatives, foundations, funds, non-profit organizations, limited liability companies, communal enterprises, state enterprises and joint stock companies with the majority of communal or state ownership and associations (societies), which are then treated in the same way as an association under para. 1 of this article (assigned projects). In such a case, the competent authority shall impose certain conditions.
- (3) The economic capacity of an CGHE must be sufficient to enable it to carry out its tasks in accordance with the law and its articles of association or statutes.

### Art.3

#### Supervisory Board

The CGHE must have a supervisory board or other body with rights and duties substantially similar to those of a board of directors (internal supervisory body).

### Art. 4

#### Incompatibilities

- (1) The CGHE shall in no way be controlled, directly or indirectly, by a political party or any of its affiliated organisations, or by persons or legal entities actively engaged in or associated with the production of or trade in building materials, or by persons or legal entities otherwise engaged in business related to housing.
- (2) The statutes or articles of association of the CGHE shall ensure that
- (a) there is no preponderance of persons or companies engaged in the building trade among the owners or members of the CGHE,
  - (b) persons or companies engaged in the building trade are not able to exercise a decisive influence on the management of the CGHE.
- (3) This article does not apply to assigned projects (article 1, para. 4).

## **Art. 5**

### **Admissible restriction of beneficiaries**

- (1) As a general rule, the dwellings allocated must not be restricted, in particular by sale or lease, to particular persons, groups of persons or a particular number of persons.
- (2) In allocating dwellings, the CGHE must be guided by considerations of objectivity, in particular the need for accommodation, the size and the income of the beneficiary household.

## **Art. 6**

### **Limited business activities**

- (1) The CGHE must, according to its statutes or articles of association and in fact, be engaged in the construction and management of dwellings with a floor area not exceeding 150 square metres and with standard fittings, and in all legal transactions connected therewith. The construction of such dwellings shall be carried out in accordance with the principle of strict economy with regard to construction costs and with due regard to operating and maintenance costs; the result achieved shall, however, be in accordance with the state of the art and generally recognised quality standards.
- (2) The management shall include the financing and maintenance procedures and may at the same time manage the process of construction of such buildings (para. 1 of this article). In addition to the flats it has built in its own name, the housing company may also manage flats it has acquired by other means.
- (3) With special permission granted by the competent authority under certain conditions, a housing company may carry out activities other than those referred to in para. 1 and 2 of this article.

## **Art. 7**

### **Selling prices and rents**

- (1) Having regard to the principles of economy and efficiency, the CGHE shall be guided by the objective of providing affordable housing in the drafting of leases and in the sale and management of apartments. The Statutes must provide adequate safeguards for the interests of tenants, purchasers and freeholders.
- (2) The CGHE may only transfer apartments at an adequate price. The price is in any case considered to be adequate if
  - a) in the case of a lease, it is lower than the comparable rent pursuant to articles # ff. of the Rent Act,
  - b) in the case of the sale of an apartment forming part of a condominium, it does not exceed the costs of the CGHE including reserves.

- (3) The rent for a dwelling may not be set below an amount which, according to the principles of a prudent businessman, is sufficient to cover the running costs of a proper housing administration, including a reasonable return on equity and borrowed capital, depreciation according to generally accepted accounting principles and the formation of reserves.
- (4) When residential buildings are resold, an entry in the land register shall ensure that, for a period of at least ten years, no increase in the price which is not justified by the expenses incurred by the last owner on the site shall be permitted in the event of resale by the first or any subsequent purchaser. Such an entry in the Land Register is also required where the CGHE sells an undeveloped site on which social housing is built in the CGHE's own name and at the purchaser's expense.

## **Art. 8**

### **Transfer of shares**

- (1) According to the CGHE's Articles of Association, but also in practice, the rights of the owners and the members must be limited as follows:
  - a) As a share of the profits, they may not receive more than a percentage per annum that does not exceed a reasonable return on equity or another percentage per annum of their capital contribution, as determined by the Minister of Finance; they may not receive any other pecuniary or equivalent benefit, except reasonable compensation for special contributions or services of pecuniary value.
  - b) If the CGHE is liquidated or if the owners or cooperate members cease to be owners or members, they shall receive nothing except their share, to the extent that has actually been paid.
- (2) Entitlement to a share of the profits shall be deemed to be a capital contribution.
- (3) In the event of liquidation of an CGHE, its assets, to the extent that they are not required to be returned to its owners or members, shall be used for housing purposes under the public welfare regime. The competent authority shall issue regulations to this effect. At the request of the competent authority, the assets shall be transferred to the latter together with a statement enumerating all the assets. There must be no reason to believe that business activities are not being or will not be conducted in accordance with the purpose laid down in the Statutes and in accordance with business ethics.
- (4) Only persons whose integrity as businessmen is beyond doubt may be members of either the Board of Directors (Executive Committee) or the Supervisory Board or officers of the CGHE.

## **Art. 9**

### **Economic efficiency of the business and reliability of the housing management**

- (1) The costs of management and administration must not exceed a reasonable amount according to the statutes and in fact. In particular, the CGHE may not grant its agents or third parties benefits or remuneration which are disproportionately high in relation to the CGHE's economic capacity.
- (2) There must be no reason to believe that business activities are not being or will not be conducted in accordance with the purpose laid down in the Statutes and in accordance with business ethics.
- (3) Only persons whose integrity as businessmen is beyond doubt may be members of either the Board of Directors (Executive Committee) or the Supervisory Board or officers of the CGHE.

## **Chapter 3: Procedure**

### **Art. 10**

#### **Competent authority**

- (1) Approval, refusal or withdrawal of approval is decided by the financial authority (competent authority). The jurisdiction of the local financial authority depends on the location of the CGHE's head office. Approval by the competent authority is valid throughout the country.
- (2) An application for approval must be submitted to the competent authority through the Auditing Association (Art. 11).
- (3) Except for the reasons set out below, approval may only be revoked by a court order. A revocation by the CGHE is not permitted.
- (4) Approval shall be withdrawn
  - a) if the organisation or the statutes (articles of association) of the CGHE no longer comply with the law, in particular with articles 2-9 of this Act,
  - b) if the business activities of the CGHE are contrary to the law, in particular articles 2-9 of this Act,
  - c) if the CGHE evades current supervision.
- (5) The competent authority shall inform the public of the withdrawal of the licence at the expense of the CGHE.
- (6) If an approval has been legally revoked, the competent authority may, in agreement with the Auditing Association, impose fines on the CGHE as compensation for the advantages acquired through the approval. The fines shall be paid by the CGHE to a recipient to be determined by the competent authority. Payment of the fines may be enforced by law.

## Chapter 4: Auditing and supervision

### Art. 11

#### Auditing Association

- (1) The Auditing Associations to which the CGHE is affiliated pursuant to this Article shall be licensed by the Minister of Finance.
- (2) If a licensed Auditing Association is liquidated, the disposition of its assets must be made public, in compliance with Art. 12 letter d) of this Act.

### Art. 12

#### Auditing association by-laws

The articles of association of an approved Auditing Association must guarantee the following points:

- a) The scope of the Auditing Association's activities may be limited in terms of subject matter or geographical area only on condition that only CGHEs whose activities are similarly limited are accepted as members.
- b) The CGHE affiliated to the Auditing Association may not at the same time be a member of another Auditing Association licensed under this Act.

The articles of association must also guarantee:

- c) the fulfilment of the obligations of the Auditing Association in accordance with the law and the statutes, in particular the proper conduct of audits;
- d) the transfer of the members of the Auditing Association (affiliated companies) to another authorised Auditing Association as a prerequisite for the possible liquidation of the Auditing Association.

### Art. 13

#### Legal status of an Auditing Association

- (1) An approved Auditing Association may belong to an umbrella organisation approved by the Minister of Finance, the activities of which may include the promotion of the interests of the CGH sector in general.
- (2) Such an umbrella organisation may issue guidelines for the audits to be carried out by the Auditing Associations and for the accounting of the CGHE. These guidelines shall be binding on the Auditing Associations and the CGHEs affiliated to them. The umbrella organisation may require the Auditing Associations to submit audit reports.

## **Art. 14**

### **Audit and supervision**

- (1) Every CGHE shall submit to periodic audits by the Auditing Association. The Auditing Association may, with the consent or at the request of the competent authority, carry out extraordinary audits at the expense of the CGHE.
- (2) The audits must also cover compliance with the provisions of articles 2-9.
- (3) An audit must be carried out each year before the annual accounts are approved. Instead of the general audit certificate, a note of confirmation must be issued. If no audit has taken place, the annual accounts may not be approved. If they are approved without an audit, they are null and void.
- (4) The CGHE must submit all audit reports to the competent authority within three months of completion of the audit, if the competent authority so requires.
- (5) The competent authority shall have the right at any time to obtain all documents and information it deems necessary and to inspect all business transactions and the conduct of business. If necessary, it shall have the right, on its own initiative and at the expense of the CGHE, to have an extraordinary audit carried out by a body of its choice.
- (6) The competent authority must be notified immediately of any amendment to the articles of association.

## **Art. 15**

### **Accounting**

- (1) The CGHE shall comply with the regulations laid down in the guidelines issued by the umbrella organisation of Auditing Associations with the approval of the Minister of Finance.
- (2) The CGHE shall be audited by the Auditing Association to which it is affiliated.
- (3) The CGHE must take appropriate measures to comply with any objections raised by the Auditing Association. If this does not happen within a reasonable period of time, the Auditing Association may require the CGHE to comply with these objections within a specified period of time. If the CGHE has not complied with the objections by the end of the time limit, the Auditing Association shall notify the competent authority.

## Chapter 5: Housing subsidies

### **Art. 16**

#### **Tax benefits**

CGHEs are in their main business according to Art. 6 exempt from corporate income tax.

### **Art. 17**

#### **Privileged access to housing subsidies for new construction and renovation**

CGHEs have privileged access to housing subsidies, especially for the construction and renovation of affordable rental housing. This privileged access is seen as compensation for their public service obligations.

## Chapter 6: Transitional provision

### **Art. 18**

#### **Transitional provision**

- (1) The requirement of article 11 (membership of an Auditing Association) may be waived until an adequate Auditing Association has been established in accordance with articles 11 et seq.
- (2) In such a case, the competent authority shall ensure that an audit is carried out in accordance with the principles of article 14 of this Act.



# 5 Assessment for implementation of a Common Good Housing sector in Ukraine

## 5.1 Legal context

In this section, we provide an overview of Ukrainian legislation in the context of the possible creation and functioning of Common Good Housing in Ukraine.

### 5.1.1 Social housing

The main law that regulates the sphere of social housing is the Law of Ukraine No. 3334-IV "On the housing stock of social purpose" of 2006, according to which social housing is housing of all forms of ownership (except social dormitories) from the social purpose housing fund provided to citizens of Ukraine, who need social protection, on the basis of a rent contract for a certain period (Article 20, Clause 2.). The social housing stock is created and managed by the local self-governing bodies (local governments) (Article 5). In accordance with Part 3 of Article 20, social housing for rent is provided exclusively by local governments or entities authorized by them. Researchers point out that the legislation on social housing in Ukraine was introduced rather as a reaction to the effect of mass privatization of apartments in the early 1990s and the inability of the state to provide affordable housing to a number of social groups that fell out of this process, in the absence of municipal rental housing funds (Shnaider 2023, p. 30).

Law No. 3334-IV regulates the provision of social housing for rent to those who need social protection (they have the appropriate status and are in the register). According to Article 28, a rent fee of up to 20% of the income of a social housing tenant can be set, this fee includes communal services, and the "rent" itself, which depends on the household's income, the location of the house, the area of the residence, and the number of people living there. This article also provides for a certain element of "revolving of the funds", that is, the reinvestment of funds in the development of new housing: "the fee for renting social housing is used by local self-government bodies exclusively for the formation and maintenance of a housing stock of social purpose."

However, researchers note that the Ukrainian legislation on the social housing stock since its creation in 2006 interpreted social housing as a means of solving the politically marginal problem of providing housing to low-income citizens who did not have the opportunity to become homeowners and could not afford private rent. The implementation of the legislation on social housing did not change the general focus of housing policy on the support of ownership, and the existing numerous restrictions on access to social housing for broad groups of the population and the confusion of various "apartment queues" actually turned it into an isolated and marginal type of state social services (Shnaider 2023, p. 33).

### 5.1.2 Private enterprises

There is no specific legislation in Ukraine that provides the possibility of creating and functioning of such organizational and legal form of companies as stipulated with Common Good Housing Entities (CGHEs) or the Austrian LPHAs. There is neither a separate law nor a set of regulatory acts that would allow the actual creation of such companies. There is a clear distinction between the "for-profit" and "nonprofit" sectors of economy in Ukrainian legislation. All enterprises of all forms of ownership (except public institutions) belong to the two "categories": those that have a profit and pay tax on it, and those listed in the category of "non-profit organizations".

Ukrainian legal experts point out that Ukrainian companies under public and private law can engage in business, partially similar to the activity of Austrian LPHAs (housing development, lease, and reinvestment of profits in the construction and maintenance of new housing). However, they can do this only on a general basis, that is, according to the same rules that are established for commercial housing developers (without separate legal status, tax benefits or other advantages). Regarding the rent (in particular, the so-called "social rent"), theoretically the housing operator has the right to independently determine the amount of the rent, including the ability to provide part of the apartments at a reduced rate to certain social categories.

The most simple, universal, legally regulated organizational and legal form of doing business in Ukraine are limited liability companies (TzOV / LLC), the creation and operation of which are regulated by the Law of Ukraine № 2275-VIII "On Limited and Additional Liability Companies" (2018).

In the context of attracting foreign investments, loans or grants from international financial institutions, it is important to understand that the founder of an LLC registered in Ukraine can also be a foreign legal entity. This form of business organization also allows funds to be relatively easily transferred from the account of a foreign legal entity (the Founder) to the account of the LLC created by it, through a contribution to the equity.

### 5.1.3 Non-Profit, Public And Charitable Organizations

A Ukrainian enterprise in the field of housing construction or maintenance can create non-profits or charity foundations or other legal entities that could rent out housing and maintain it, including on preferential terms. Legal entities (including developers or owners of housing, including rental housing) can create both NGOs (Article 7 of the Law of Ukraine № 4572-VI "On Non-Governmental Associations") and charities (Article 12 of the Law of Ukraine № 5073-VI "On charitable activities and charitable organizations"). At the same time, it is necessary to pay attention to the fact that according to the prescriptions of the above-mentioned laws:

- public association is a voluntary association of individuals and/or legal entities under private law for the exercise and protection of rights and freedoms, satisfaction of public, in particular economic, social, cultural, environmental and other interests;
- charitable organization – a legal entity under private law, the Statute of which points out charitable activities in one or more areas defined by this Law as the main purpose of its activity.

That is, despite the fact that NGOs and charities are allowed to engage in economic activities (including renting out real estate), the implementation of such activities is still atypical for them. The main limitation here will be taxation on added value. According to the tax legislation of Ukraine, if the income from the provision of services exceeds one million hryvnias (~ € 24,400) per year, then a legal entity or an individual must register as a VAT payer (clause 181.1 of the Tax Code of Ukraine (TCU)), which actually cancels any advantages to its non-profit status. On the other hand, in clause 197.1.14 of TCU, "the first supply of the affordable housing and housing constructed with public funds are exempt from taxation". Housing therefore must be defined as "affordable" to avoid taxation.

"Affordable housing" according to the Law of Ukraine No. 800-VI "On preventing the impact of the global financial crisis on the development of the construction industry and housing construction" (2009) and Resolution of the Cabinet of Ministers No. 140 of February 11, 2009 in Ukraine means private housing, which the state helps certain categories of the population to purchase, compensating 30 or 50 percent of the cost of construction or providing a preferential mortgage loan for 30 years at 7% per annum, in connection with the State Targeted Socio-Economic Program for the Construction (Purchase) of Affordable Housing for 2010-2017 years (Resolution of the Cabinet of Ministers No. 1249 of November 11, 2009). The resolution expired in 2018, but at the official level in Ukraine, the concept of "affordable housing" is still used only in relation to state support for home ownership.

Additionally, in accordance with subsection 2 of part 2 of article 21 of the Law of Ukraine № 4572-VI "On Non-Governmental Associations", a non-governmental association with the status of a legal entity has the right to carry out entrepreneurial activity directly, if this is provided for by its charter, or through other legal entities (associations, enterprises) established according to the law, if such activity corresponds to the purpose (goals) of the public association and contributes to its achievement (see below). That is, if the founder of the LLC, which will provide housing for rent, would be a NGO, which will immediately publicly position the social orientation of the activity of such an LLC, this will correspond to the declared goals of a potential CGHE.

At the same time, however, it is important that non-profit (non-commercial) economic activity in Ukraine is regulated by Articles 52, 53, 53 of the Economic Code of Ukraine. According to Article 52, "non-commercial business activity is an independent systematic economic activity carried out by business entities, aimed at achieving economic, social and other results without the goal of making a profit." Non-commercial activities can be carried out both by public or communal entities, and by private companies or NGOs. Non-profit organizations are, for example, housing cooperatives or homeowner associations (HOAs). Ukrainian legislation does not have the status of "limited profitability" due to reinvestment of profits. Legal experts point out that it will be very problematic for organizations of any form of ownership to obtain and not lose the non-profit status while engaged in the development of housing, even if it is "affordable" in legal terms as described above.

#### 5.1.4 Protection of tenants' rights, rent regulation

There is no specific legislation in Ukraine regulating the private rental sector. The main legal provisions governing private rental housing (the most common type of rental in Ukraine) – Chapter 58 of the Civil Code (CC) of Ukraine "Rent (lease)" and Chapter 59 of the Civil Code of Ukraine "Renting (leasing) of housing" – do not oblige landlords to set minimum durations, maximum rates and other lease restrictions that would protect the rights of tenants (additionally, see the clarification of the Ministry of Justice regarding the rent contract; regarding violations of the rights of tenants, see also Cedos 2019, 2022a). The actual practice of concluding contracts in accordance with the principle of freedom of contract often differs from the basic provisions of the CC to the worse for the tenant, limiting his rights to use the premises.

The current Housing Code of Ukraine (published in 1983 with numerous amendments) also does not provide for the functioning of the institution of paid rent of communal housing or of the public rental sector in general, except for the rental of social housing according to Law of Ukraine No. 3334-IV "On the housing stock of social purpose" (2006), which certain categories of citizens have the right to rent (5.1).

The draft law "On rental housing" (2015) included, in particular, the introduction of the concept of "rental houses" and the possibility of creating such houses by both private companies and local governments with the free transfer of land plots and other preferential conditions, was not accepted. However, it also did not foresee the possibility of limiting the rent depending on the ownership (see. Lytvyn, 2017).

According to the all-Ukrainian study of housing conditions conducted by CEDOS in 2019 (n=2,500), the unregulated and shadow housing rental market in Ukraine creates unsatisfactory living conditions, particularly due to the high rents (more than a third of renters' incomes) and insecurity of lease for 44% of those who live in rental housing.

Experts of the Ukrainian Office of the International Organization for Migration (IOM) also note that currently the private rental market is not controlled by the relevant state bodies or territorial communities, which leads to the lack of affordable housing, violations of tenants' rights, including unreasonable rent increases, illegal evictions etc. Being a problem for the housing sector in general, the lack of rent regulation and protection in Ukraine has the most negative impact on IDPs. According to the latest IOM study, at the beginning of 2023, more than half of all IDPs (60% of more than 5.1 million as of May 2023, see chapter 1.4.3) rented housing in the commercial sector, and another 21% lived with friends or relatives; 38% of IDPs reported that they do not have enough funds to rent housing (IOM report, May-June 2023.). At the same time, rent levels in the private sector are disproportionately high compared to the amount of state aid for housing for IDPs in need.

Cost-rent rent setting instruments do not exist in Ukrainian legislation either.

### 5.1.5 Co-owners and Homeowner Associations

A crucial challenge in the sphere of housing management and maintenance in Ukraine was that in the process of housing reform and the initial mass privatization of apartments by their tenants in Ukraine after 1991, the issue of joint management and maintenance of multi-apartment buildings (MABs) and corresponding land plots as real estate objects was overlooked. According to the Law of Ukraine № 2482-XII "On the Privatization of the State Housing Stock" (1992), only individual apartments were privatized, while the houses themselves remained formally state or communal property, as did the land. Moreover, ownership rights to land plots were not formalized and entered into land cadastres. Adopted in 2001, the Law of Ukraine No. 2866-III "On Association Of Co-Owners Of Apartment Buildings" from November 29, 2001, introduced the principles of voluntary creation and functioning of associations of co-owners of residential and non-residential premises of buildings (homeownership associations, HOAs), but left without formalization the issue of ownership of the house and land together as real estate, as well as professional management of houses as valuable assets (see Nikolaiev, Vsevolod, and Shcherbyna, Andrii, 2024).

Only since 2015, with the beginning of the second stage of the housing reform, the Law of Ukraine No. 417-VIII "On the Peculiarities of the Exercise of Ownership Rights in an Apartment Building" establishes three comprehensive forms of management of a MAB (although it still does not define the issue of ownership of a property complex of a land plot and a house):

- a) INDEPENDENT MANAGEMENT - carried out with the help of decision-making by co-owners at meetings of co-owners; The key disadvantage is the need to hold meetings of co-owners to make any decisions.
- b) THROUGH A HOA - a legal entity created by the owners of apartments and/or non-residential premises of a MAB for the management and the maintenance of common property.
- c) THROUGH THE INVOLVEMENT OF A MANAGER (as an individual entrepreneur or legal entity, for example, a private management company) - is carried out by the decision of the meeting of co-owners based on a typical contract for the provision of services for the management of a MAB.

### 5.1.6 HOAs as (possible) operators of housing

In 2020, approximately 20% of all MABs in Ukraine had registered HOAs (out of ~180,000, see the IFC report on the management of MAB stock in Ukraine 2020, p. 21). Apartment owners, including those in newly built housing, must choose one of the three above-mentioned forms of management. According to Article 1 of Law No. 2866-III "On Association of Co-Owners of an Apartment Building", a HOA (OSBB in Ukrainian) is a legal entity created by the owners of apartments and/or non-residential premises of a MAB to facilitate the use of their own apartments and management, maintenance and use of common property of the house. Parts 1 and 2 of Article 4 of Law No. 2866-III provide that the HOA is created to ensure and protect the rights of co-owners and comply with their obligations, proper maintenance and use of common property, ensuring the timely receipt of utility payments and any other payments required by law and statutory documents. The HOA manages the MAB through its statutory bodies: the general assembly (representative body), the board (the body that implements the decisions of the general assembly regarding the maintenance of

the building) and the audit commission (financial and control body). According to the decision of the general meeting, the HOA may also transfer the house management functions to the so-called "HOA associations", a management company (municipal or private) or hire a private manager.

The HOA is created as a non-profit (non-commercial) entity to perform functions defined by law (functions related to realization of the right of co-owners to own and use common property, proper maintenance of MABs and adjacent territory, assistance to co-owners in obtaining communal and other services of appropriate quality, etc.). The procedure for receipt and use of HOA funds is determined by Law No. 2866-III and other laws of Ukraine. The specificity of the legal nature of the HOA as a legal entity is that it unites the owners of apartments in a MAB and is only created for the purpose of realizing the right of their common joint ownership of a MAB and management of such property and cannot perform any other functions.

According to Law No. 2866-III, the possibility of the HOA itself acquiring ownership of apartments in a MAB is not provided for. Moreover, the legal constructions of the Law "On the association of co-owners of an apartment building" and Law No. 417-VIII "On the peculiarities of the exercise of ownership in an apartment building" are prescribed in such a way that even non-residential common premises of the building, which the HOA must maintain, repair and can theoretically rent out (basements, attics and other technical premises), is not the property of the HOA, but the common joint property of all co-owners. In addition, the law does not provide for the rent of apartments for HOAs. This applies both to existing real estate (apartments whose owners are part of a HOA) and to any new real estate that can theoretically be obtained in the course of reconstruction of the building, as well as land plots under the building. Therefore, in the case of carrying out such activities, there is a risk of being subject to tax audits and losing the status of a non-profit organization.

All the property of the HOA, including the apartments transferred to it, will be considered the joint property of all co-owners of the MAB. Therefore, the question of the use of apartments (including their transfer to social rent) will belong to the competence of the HOA assembly (all co-owners). Therefore, the model of operation of the HOA as a housing company and a landlord is definitely not suitable for buildings with many individual co-owners.

In general, the legal paradox of the laws regulating the management of MABs in Ukraine is that the HOA is not an analog to a "condominium" in Western legal practice. In Ukrainian legislation, MAB is not an object of real estate, because such objects are individual apartments, and the MAB is considered only as "a set of premises that are individually owned by persons, and property jointly owned by the specified persons" (Nikolaiev, Vsevolod, and Shcherbyna, Andrii, *tbp* 2024. p. 22-24). The adjacent land plots in the vast majority (even in the already registered HOAs) are not properly registered and not transferred to the HOAs, and do not constitute one whole real estate object with the house accordingly. This, in turn, creates colossal problems both with the management of the building, its overhaul and maintenance, and with the proper registration of the HOA legal rights to land plots (which turn the MABS as a technical object into real estate of a different kind than individual apartments).

### 5.1.7 Housing Cooperatives

There is no other legal form (apart from the described above) of joint management of the MABs, and the paradox is that if the owner of all the apartments is one legal entity, it is actually forced to collect owners' meetings from itself and involve a manager or, again, itself as a manager, through "general meetings", which is manifested in the conflict of legislation regarding cooperatives. The authors of the IFC report on the HOAs in Ukraine note that although the current legislation does not provide for such a form of management of an apartment building as a housing and building cooperative (HBC), in practice they continue to exist and, despite the lack of proper legal grounds, carry out the actual management of buildings (IFC Ukrainian Office, 2020, p.21).

Housing cooperatives (Ukrainian legislation uses terms "housing construction" and "service" cooperatives) with certain limitations can be considered the closest formal and organizational-legal counterparts to Austrian LPHA, since a large part of the latter are also cooperatives.

In Soviet times, cooperatives played a significant role in providing citizens with housing. Currently, they function in Ukraine only as a residual form of housing management in approximately 3% of MABs (according to the IFC data for 2020) and occupy a rather marginalized position. One problem is that due to the fact that the legislation on cooperatives (particularly the Law No. 1087-IV "On cooperation" (2004), as well as certain provisions of the Land, Tax and other Codises) is outdated and at the same time insufficient. It still contains soviet definitions and requirements that for more than 30 years do not correspond to the housing reality in the country, but does not contain specifics regarding contemporary taxation issues, regulation of ownership for cooperative members, receiving state subsidies or subventions, procedures for obtaining land plots for construction etc. Another problem is that despite the actual existence of such a form of housing management, the current legislation on the management of MABs does not mention it at all. The state registrar registers no new cooperatives.

A cooperative is a legal entity formed by individuals and/or legal entities that have voluntarily united on the basis of membership to conduct joint economic and other activities in order to meet their economic, social and other needs on the basis of self-government. (Article 1 of the Law of Ukraine No. 1087-IV "On Cooperation", 2004). Types of cooperative according to the Law No. 1087-IV:

- A PRODUCTION COOPERATIVE is a cooperative that is created by uniting individuals for joint production or other economic activity on the basis of their mandatory participation with accrual of profit.
- A service cooperative is a cooperative that is created by uniting individuals and/or legal entities to provide services mainly to members of the cooperative, as well as to other persons. Service cooperatives provide services to other persons in volumes that do not exceed 20% of the total turnover of the cooperative.

The current Housing Code of Ukraine and the Standard Charter of Housing Construction Cooperatives (1985, amended in 1994) determine that "housing construction cooperatives" (HCCs) are created by individuals to cover their own housing needs, in particular by building apartment buildings. These persons must register as those wishing to join an HCC and simultaneously be on the housing

need list ("the apartment queue"). To ensure the statutory activities of the cooperative, the share, reserve, indivisible and special funds of the cooperative are created.

In accordance with Article 41 of the Land Code of Ukraine and Article 22 of the Law No. 1087-IV "On cooperation" by decision of executive authorities or local self-government bodies, land plots for residential construction are transferred to the ownership of HCC free of charge or leased long-term in accordance with the approved urban planning documentation. HCCs can also acquire land plots under civil law agreements. It is also worth remembering that, according to current regulations, Ukrainian HCCs are actually obliged to transfer the built apartments to their members (individuals) as owners.

### 5.1.8 Housing Cooperatives As (Possible) Operators Of Affordable Housing

The inconsistency of outdated norms with the legal realities of the housing sphere, and a number of legal conflicts regarding cooperatives between the Tax, Land and Housing Codices make the functioning and opportunities of housing cooperatives as non-profit or limited-profit housing operators in Ukraine practically impossible for now. The analytical report "Creation of housing construction cooperatives as a mechanism for solving the housing issue of internally displaced persons" (2022) summarizes the key legal problems that prevent the normal functioning of cooperatives as providers of affordable housing (p. 18-22):

1. **OUTDATED LEGISLATION AND GENERAL CONTRADICTION OF REGULATIONS.** The current legislative framework that regulates the functioning of the HCCs is partly based on Soviet norms, and partly on Ukrainian norms from the early 2000s. The main regulations regarding cooperatives are contained in the Civil Code of Ukraine, the current Housing Code of the Ukrainian SSR with amendments, in the Laws "On Cooperation", "On Consumer Cooperation", "On Agricultural Cooperation", Model Statute of a Housing and Construction Cooperative (1985), Maintenance Rules for residential buildings and adjacent territory (2005).
2. **THE PROBLEMATIC NON-PROFIT STATUS.** According to the Tax Code of Ukraine, HCCs are exempt from profit tax when they carry out the first construction and delivery of the housing. However, the Tax Code does not specify whether HCC maintains a non-profit status when building new houses. The same uncertainty exists regarding the VAT exemption: there is a risk of double taxation due to taxation of profits at the level of the cooperative (during the construction of housing) and at the level of its members (when receiving the completed housing/apartments).
3. **LEGAL TRANSFER OF LAND PLOTS IS DE FACTO IMPOSSIBLE.** The Land Code of Ukraine and the Law on Cooperation grant the HCCs the right to receive publicly-owned land plots without the land auctions. This norm, however, is tied to the prescription of the Housing Code of Ukraine (Chapter 5), which stipulates that citizens in need to improve their housing conditions (i.e., being in "queues") have the right to enter such HCCs according to the existing norms which is a problem when housing queues are either not relevant or absent altogether.

Also, the list of exceptional cases of transfer of land plots without land auctions in accordance with Part 2 of Article 134 of the Land Code does not provide for the transfer of land plots to HCCs. The



only two cases provided for by Article 134 for the allocation of a land plot without an auction, which can be utilized in the process of creating of non-profit housing, are the lease of the land plots for the reconstruction of the blocks of outdated housing stock (in accordance with the Law No. 525-V "On comprehensive reconstruction of the blocks (micro-districts) of outdated housing stock" from 2007), for the construction of social and "affordable housing" and lease for the construction of infrastructure carried out in full with public money.

Another legal problem is related to the intersection of the existing powers of cooperatives and HOAs. In accordance with Part 1 of Art. 384 of the Civil Code of Ukraine, all owners (co-owners) of apartments and non-residential premises in a building built or purchased by an HCC are co-owners by right of common co-ownership of the common property of such a building. In accordance with Part 3 of Art. 384 of the Civil Code, in case of apartment purchase, a member of an HCC becomes its owner. Thus, the HCC has a single and indivisible ownership right to an apartment building until one of its members buys an apartment in this building. After that, the HCC turns into a simple owner of the remaining apartments and even, as a legal entity, can be a member of a HOA.

The only type of cooperative that can receive profit, in particular to reinvest it and thus function in a resemblance to an CGHE are the production cooperatives (according to the Article 23 of the Law No. 1087-IV "On cooperation").

### 5.1.9 Conclusions and recommendations

The possible implementation of the model of CGHEs in Ukraine through the implementation of the Common Good Housing Law may face a number of legal challenges. First, it is the actual absence of such companies in the housing sector of Ukraine that would have similar rights and powers in accordance with current legislation. Second, the clear legal separation of profit and non-profit sectors of economy in Ukraine. Third, this is the absence of the public non-profit rental sector in general and the lack of legal rent regulation. Fourth, is the absence of organizational and legal forms with limited profitability in the private business. Fifth, the serious legal limitations and marginalization of the closest counterparts in the form of HCCs, and the actual inability of HOAs to be housing operators.

#### RECOMMENDATIONS

- To conduct additional legal consultations regarding the coordination of possible organizational and legal forms of CGHEs according to the CGH Law, with the existing forms in the current Ukrainian legislation. In particular, determine how the proposed format can function within the clear separation of profit and non-profit sectors in Ukraine.
- To find out how expedient from the point of view of taxation and organization can be the connection of LLC + Charity in Ukraine.
- To analyse the extent to which it is possible to create CGHEs as objects of non-profit housing.
- Analyse the possibility of legal reform (simplifying and unblocking, cancelling outdated requirements) the activities of housing cooperatives as possible CGHEs, in particular regarding the allocation of land plots, non-profit status, etc., based on the recommendations provided in the report on HCCs by NGO "Housing Ukraine" and NGO "Union of IDPs" "Common issue" (ГО "Housing Ukraine" 2022).

## 5.2 Audit and financial control

### 5.2.1 Specialized housing audit in Ukraine

An independent audit is an important component of the functioning of CGHEs and plays a key role in ensuring their limited-profit status and functioning for the common good, in particular with regard to the targeted reinvestment of profits, the prevention of financial abuse or unscrupulous activity, for example, criminal collusion of management with the construction business, etc. In Ukraine, on the contrary, there is no similar audit of enterprises or organizations related to the housing sector as a separate or specialized type of audit. A private business may be subject to inspections by the tax inspectorate or financial audits only on general grounds defined by the Tax Code or other laws, or by the relevant statutes of the organizations themselves. Norms that would specifically regulate the residential sphere, public or non-profit organizations are absent.

### 5.2.2 Audit of communal organizations

Communal or state institutions, including housing operators can be audited by the State Audit Service, but this is not a specific audit related to (social) housing, but a general one, according to the Law No. 2940-XII "On the basic principles of state financial control in Ukraine" from January 26, 1993. The main tasks of the State Audit Service are: "the implementation of state financial control over the use and preservation of state financial resources, non-current and other assets, the correctness of determining the need for budget funds and making commitments, the effective use of funds and property [...]" (Article 2).

### 5.2.3 Audit of recipients of state funding

In the context of the possible creation of CGHEs as communal companies or public-private partnerships, or private companies that will receive real estate, state financing, subventions, grants or other types of public support, the provisions of Article 2 of the Law No. 2940-XII are important. According to Article 2, the State Audit Service can conduct audits: "at enterprises, in institutions and organizations that receive funds from public budgets of all levels, state funds and mandatory state social insurance funds or use [...] state or communal property".

### 5.2.4 Conclusions and recommendations

Proposals for the creation of separate special independent audit associations in the field of housing provision, or the adoption of relevant norms for specialized audits of the processes of construction and rental of (affordable) housing in the context of the possible introduction of CGHEs in Ukraine may contradict the norms of the Economic Code and some laws. Possible additional legal consultations are necessary within the framework of the working group on the development of the draft law "On the principles of state housing policy" regarding the possible challenges of implementing such an audit.

## 5.3 Institutional context

### 5.3.1 Municipal rental housing stock

The development of affordable housing in Ukraine today faces a number of challenges. These are the lack of a legislative framework for rent regulation, relevant nationwide registers of affordable housing, insufficient public funding of housing programmes and insufficient state support for local communities to develop municipal housing stocks (see section 5.1). In this subsection, we plan to assess the institutional context of the possible creation of CGHEs in Ukraine, particularly in the context of municipal social housing development.

Experts of the Ukrainian IOM office note that, based on the impossibility of rent regulation in the private sector, the formation of a legislative and institutional basis for improving the rental of affordable communal housing can become a tool for tackling the housing need for vulnerable social groups, including IDPs (there were 5.1 million as of June 2023 in total, of which ~1.42 million in need of housing according to IOM estimates, or about 500,000 new apartments, see Lawson, J et. al. 2023), as the cost of rent in communal housing, unlike the private sector, can be regulated through the decision of local authorities (Expert interview with Olena Lukanyuk, 2023).

In the context of the CGH introduction in Ukraine, local communities can become real drivers of the formation of affordable/social housing stock of various ownership and simultaneously become social housing operators themselves.

### 5.3.2 Legal possibilities for the establishment of municipal (communal) non-profit or limited-profit housing stock in Ukraine

Local governments in Ukraine formally possess a wide range of powers in the field of housing provision, development and management of municipal housing, according to Article 5 of the Law No. 3334-IV "On the Housing Stock of Social Purpose". The law lists a number of ways to develop social housing, where in addition to the construction of new housing, there are also options for recomunalization and lease of private housing for social rent in agreement of owners and local governments (Article 28, part 7). The local governments must adopt an appropriate decision on the lease of such premises from private individuals.

The powers of local governments to fulfil the citizen right to housing are also defined in the Law "On Local Self-Government in Ukraine". These are, in particular: housing construction; providing assistance to citizens in need of housing in obtaining loans and subsidies for the construction or purchase of housing; providing assistance to owners of apartments (houses) in their maintenance and repair; promoting the creation of HOAs (Article 30). As we can see, most are focused on the support of homeownership.

The Housing Code of Ukraine (HCU) provides for the following powers of local authorities:

- exercising state control over the use and safety of the housing stock (part one of Article 30 of the HCU);
- management of the communal housing stock (part one of Article 18);
- registration of citizens in need of improvement of housing conditions (part one of Article 36);
- provision of apartments in the communal housing stock (Article 51);
- issuance of the rights for residential premises in public housing stock (part one of Article 58) and other issues.

### 5.3.3 Municipal companies as a possible basis for managing public housing

The authors assume that the above-mentioned legal possibilities of local communities form a sufficient basis for them to become municipal housing owners and operators. For the construction and management of housing, local communities can establish municipal (“communal” in Ukrainian legislation) enterprises (MEs). Local governments may also authorize MEs to sign social lease agreements in accordance with Article 20 of the Law No. 3334-IV “On Social Housing Stock”. However, in this case, the ME will act only as a housing operator. All fundamental decisions, including designating a housing stock as social housing, determining the categories of citizens who will be provided with such housing, and setting of rents, will be made by the local government (city or community council). This will require appropriate knowledge and additional capacities. There is also a challenge of securing sustainable funding sources by municipalities to establish such enterprises and acquire a sufficient amount of flats for their further self-sustaining existence.

### 5.3.4 Implementation of other forms of housing construction and management

As noted in section 5.1, most legal entities of private law (LLCs, NGOs, cooperatives, etc.) can own housing and rent it out. Such potential CGHE may apply to acquire land plots or buildings for lease or ownership. In practice, however, this faces obstacles related to the legal or de facto inability of non-profit or social housing operators to obtain state or municipal real estate on preferential or priority terms. In the next subsection, we will look down at the possibilities of leasing or acquiring ownership of municipal or state property.

### 5.3.5 Lease of municipal property and land plots

The lease of public property in Ukraine is regulated by the Law of Ukraine No. 157-IX "On the Lease of State and Municipal Property" from October 03, 2019. Part 2 of Article 9 of this law expressly prohibits the transfer of public (state or municipal) property for use or loan free of charge; property may only be leased in an auction in the electronic trading system Prozorro.Sale. Therefore, any options under which public property is transferred to a private business entity for free are excluded.

According to Article 134(1) of the Land Code of Ukraine (LCU), state or municipally owned land plots are sold or leased in separate lots at land auctions. Article 134(2) provides for exceptions to the general rule allowing public land to be leased without a land auction. One of them is the lease of a land plot for the fully publicly funded construction and for the development of social housing.

Participation in a land auction on general terms is relatively inexpensive for a participant – only a registration fee of up to UAH 1,700 and a guarantee fee, which is calculated individually for each auction. On the other hand, competition at the auction may lead to a significant price increase. A lease agreement can be concluded for a long period of up to 50 years, with a minimum of 5 years. In order to rebuild or repurpose the object, it will be necessary to obtain the owners permission in accordance with the procedure established by the Decree of the State Property Fund No. 910 (18.08.2022). To obtain such a permit, it is necessary to prepare the design project and budget estimates, conduct their state examination, and make an independent assessment of the leased object, which is quite complicated and costly.

When obtaining public real estate for lease, it is possible to subsequently acquire a lease for a land plot without holding a land auction (Article 134(2) of LCU). Today, public real estate stock mainly includes industrial (offices, warehouses, industrial buildings, etc.) or social (kindergartens, cultural centers, schools, etc.) infrastructure, with the corresponding designated purpose of the land plots. Therefore, in order to build housing, it will be necessary to repurpose the land, which is often a complicated procedure in Ukraine. On the other hand, existing public buildings are usually well supplied with infrastructure, which can reduce the cost of construction.

It is important that the tenant does not become the owner of the facility after improvements are made. According to legal estimates, publicly owned dormitories, possibly large offices, are more suitable real estate for creating potential CGHEs. Another option would be the reconstruction of a small administrative building into dwellings, and the construction of a new residential building on the same land plot (if this is possible according to the Building Code). Such a new building will already be owned by the developer.

Additionally, if the leased object is improved in the amount of not less than 25 percent of its market value determined as of the date of the lease agreement, it can be privatized without a tender - by purchase (Article 18 of the Law of Ukraine № 2269-VIII "On Privatization of State and Communal Property). However, this model can be realistically implemented only if there is full support from the relevant state or local authorities (property owners).

### 5.3.6 Conclusions and recommendations

IOM Ukraine's experts are convinced that in case of successful adoption of the draft law "On the Principles of State Housing Policy", territorial communities will be able to transfer housing from the public stock to vulnerable social groups for social lease and a subsequent purchase (rent-to-buy), and the funds (rent payments) will be transferred to a special budget fund of the territorial community (revolving fund, see Section 5.4), and used for new housing construction (expert interview with Olena Lukaniuk, 2023).

However, the better option would be to establish CGH entities wholly owned by local authorities or oblasts and to build and let on a cost-rent basis without a right to buy.

According to Olena Lukaniuk from the Ukrainian office of IOM Ukraine, effective regulation of social lease and rent-to-purchase instruments also requires the development of relevant provisions in local development programmes (the so-called “Programmes of social-economic development”) and the establishment of a municipal housing management body as an autonomous enterprise (or unit) to select tenants, conclude contracts, management of revolving funds in accordance with the set goals (expert interview with Olena Lukaniuk, 2023).

To sum up, the following changes could have an important effect on the institutional setting for the development of affordable (municipal) rental housing:

- Amendments to the Laws of Ukraine No. 157-IX "On Lease of State and Communal Property" and No. 3334-IV "On housing stock of social purpose" to allow non-competitive or preferential lease of public property for development of affordable rental housing (including through construction, redevelopment, repurpose, etc.).
- Amendments to the Housing and Land Codes to allow long-term free of charge or preferential lease of publicly owned land plots for the construction of affordable rental housing of various forms of ownership.

## 5.4 Financial context and regulation of the sector

### 5.4.1 General prerequisites for the capacity to establish CGHEs in Ukraine

According to experts in housing policy and housing finance, important components of the creation of CGHEs in Ukraine should include:

- Creation of a financing mechanism for the non-profit and limited-profit housing development, including municipal rental housing, which would include both private investment and government subsidies.
- Introduction of a preferential tax regime for companies developing non-profit and limited-profit housing.
- Introduction of special procedures for land plot allocation for the construction of such housing.
- Easing of obtaining of construction permits and infrastructure development financing to simplify and reduce the cost of housing construction by CGHEs.

The conditions for the creation of such housing should include requirements to limit profits for social housing operators, to reinvest the revenues in the creation of new social housing through revolving funds and introduction of a cost rent setting (see also Anisimov et al. 2023).

The main challenge in terms of housing finance is that Ukraine lacks two key components of the housing finance system that ensure the sustainable establishment and operation of LPHAs in Austria: low-interest long-term government loans and equally long-term bank loans (Housing Europe, 2021, pp. 11-12). The following subsections will discuss specific shortcomings of the existing housing finance system in Ukraine and the procedure for compensation for destroyed housing that hinder the development of affordable and social housing.

## 5.4.2 Financing of social housing in Ukraine

Ukraine cannot provide social housing to all those in need, despite the provisions of the Law No. 3334-IV "On the Housing Stock of Social Purpose". Moreover, the government strategically refuses to implement a nationwide programme for the development of social housing, realizing that local authorities cannot raise funds on their own. Instead, local authorities are using funds allocated under other programmes to temporarily relocate certain vulnerable groups like IDPs. As of January 2021, 55 local programmes in 13 oblasts have been approved for a total amount of UAH 80 mill. (approx. € 2.0 mill.) allowing the acquisition of only 108 apartments (Shnaider 2023, p.34-35; Anastasiia Bobrova et al. 2023, p. 13).

Low amounts of public funding, limited output of local programmes, and the overall absence of social housing development programmes in half of the regions may indicate either limited institutional capacities or a general lack of interest of local authorities in the development of social housing. However, the key problem would be the lack of a unified state program and funding for social housing (Anastasiia Bobrova et al. 2023, p. 13). Olena Lukaniuk from IOM also notes that in order to introduce a mechanism for social housing finance, it is necessary to reform housing legislation to introduce the cost rent setting social and cost compensation from the local or state budgets (see also Cedos proposals in Verbytskyi et al., 2023, pp. 13-15).

## 5.4.3 The current system of housing finance in Ukraine

The specificity of the current housing finance system in Ukraine, in addition to being focused exclusively on supporting homeownership, is that it exists almost outside the national banking system (Expert interview with Sergiy Volkov, 27.11.2023). Government housing programmes are implemented through state-owned non-bank financial institutions: The State Mortgage Institution (SMI), the Ukrainian Financial Housing Company (Ukrfinzhytlo), and the State Fund for Youth Housing (DerzhMolodzhytlo). The main feature of Ukrainian public housing programmes, both regular and "crisis-related", is subsidization of part of the cost of housing purchase or part of the mortgage interest rate at the expense of the state and local budgets.

Funds from individuals are raised by the housing developers through the following means:

- Prepayment in cash;
- Deposit funding into special construction financing funds (CFFs) with trust management;
- Issuing of targeted bonds;
- The most common form is the sale of so-called "derivatives" by asset management companies (AMCs) of venture capital funds.

CFFs are formed by the contributions from private individuals (principals). These funds are managed by licensed managers through payments for construction works performed by developers. Connections between these managers and housing developers are typical for Ukrainian construction and makes trust management inefficient. A common feature of all the listed financing mechanisms is that private "investors" (individuals) actually lend funds to developers by making

prepayments for the apartments to be built, without having any control over the intended use of their funds and taking obvious financial risks (expert interview with Serhiy Volkov, 2023).

#### 5.4.4 Financing of "affordable" housing in Ukraine: "E-House" and the voucher scheme for compensation for destroyed housing

As mentioned above, the concept of "affordable housing" appeared in Ukrainian legislation in 2009 with the adoption of the Law No. 800-VI "On Prevention of the Impact of the Global Financial Crisis on the Development of the Construction Industry and Housing Construction". Here it does not refer to the usual meaning of the term (financially affordable housing), but to state support for homeownership or preferential mortgage lending. Analysing the Ukrainian state's response to the housing crises after 2008, 2014, and the current one that began in February 2022 with Russia's full-scale invasion, Vita Shnaider notes that the focus of state support has always been to maintain private homeownership and to guarantee the interests of the development and construction lobby by injecting public funding into the private housing market after foreign investors left Ukraine. Provision of social housing for IDPs after 2014 and now has been effectively redirected to the local level and limited to creating a crisis and temporary stock in the form of modular housing and temporary shelters as a short-term solution to the problem. An alternative is "preferential" inclusion of the IDPs in the "housing queue" or state support for homeownership for the few who can afford it (Shnaider 2023, pp. 35-38).

Two examples of current mechanisms of state support of "affordable housing" according to the Ukrainian legislation are illustrative in this regard: the voucher scheme for compensation for destroyed housing and the affordable mortgage "E-Oselya" ("E-House").

A compensation scheme for destroyed housing through the issuance of personal vouchers for the purchase of new housing was lobbied by the construction sector and then supported by the World Bank (Shnaider 2023, p. 37). According to the Law of Ukraine No. 7198 "On Compensation for Damage and Destruction of Certain Categories of Real Estate as a Result of Hostilities, Terrorist Acts, Sabotage Caused by the Military Aggression of the Russian Federation" of 24.03.2022, the sources of compensation are state and local budgets; funds from international financial organizations, creditors and investors; international technical assistance; reparations or other penalties from the Russian Federation. The law provides for the assignment of claims for destroyed and damaged housing in favour of the state but does not specify the procedure for such assignment. Owners of destroyed apartments who can prove the fact of ownership and the fact of destruction will receive a housing certificate, a document confirming the state's guarantee to pay for the purchase of a new apartment. According to the law, such payment will be made to developers who have exchanged apartments for certificates. Owners of apartments in destroyed MABs are not entitled to monetary compensation. The housing certificate must be used to purchase a home within 5 years of its issuance and cannot be alienated to third parties. Housing purchased with a housing certificate cannot be sold within 5 years.



The amount of compensation will be determined by special commissions, whose members will be appointed by local authorities. The recipient of compensation shall enter into an agreement on the assignment to the state of the right to claim compensation from the Russian Federation. The purchase of construction materials or payment for construction works to restore destroyed and damaged private houses may be made at the expense of funds credited to special accounts. However, the procedure for opening such accounts and the procedure for writing off funds is not defined (Expert interview with Serhiy Volkov, 2023).

Overall the "voucher" system of compensation for destroyed housing is not considered as an adequate mechanism for housing finance. It does not rely on real sources of funding (expectations of reparations certainly are not such a source). Furthermore, such a system restricts the rights of affected persons, who are forced to choose housing options only on the basis of a limited offer that will be valid for a limited period of time, and violates the rights of those who were not homeowners or could not legally confirm the loss of property in occupied or destroyed communities (Shnaider 2023, p. 37).

According to housing policy researcher Pavlo Fedoriv, this compensation system is an unfortunate mixing of two problems – compensation for destroyed housing is turning into a form of access to housing. This does not answer the question of where and how people will live, whether they will have a choice. Voucher compensation scheme violates the rights of citizens guaranteed by Ukrainian Constitution and laws, because the provision of housing is basically reduced to the purchase of housing. Also, people are given money for a limited supply of housing on the market, which causes inflation and a cost rise for low-quality commercial housing, which floods the market. In addition, vouchers are credited for the cost of old (lost) housing, which can be problematic in the case of a difference between the cost of old and new housing, as it is not clear how it will be calculated and compensated (expert interview with Pavlo Fedoriv, 10.24.2023). At best, the beneficiaries of this mechanism could be developers of low-quality commercial housing in large cities, who would hope to complete their own projects with funding from reparations or seized Russian assets.

Another mechanism of state support for homeownership after 2022 is the "affordable mortgage" (E-Oselya) for the servicemen, medical, and educational personnel (with a 3% interest rate) and for all others (with a 7% interest rate). The applicant should be able to pay 20% of the cost of the selected apartment upfront and repay the rest within 1-20 years. The state creates the Ukrainian Financial Housing Company (UkrFinZhytlo) to provide payments to banks plus 4%, with a return of 3% on mortgage payments. According to Vita Shnaider, apart from financing private homeownership and supporting private developers, the "affordability" of such an affordable program is highly questionable. For example, IDPs in Ukraine often live in families of 2-5 people and can barely afford the rent, even if one of the family members manages to find a job (Shnaider 2023, p. 38). Data from the 2023 study by Lawson and van den Nouwelant indicate that of the 500,000 IDP households in need of housing, their income varies on average from UAH 8,500 to UAH 14,500 and they do not meet the requirements of the E-Oselya program (Lawson, van den Nouwelant and Troy, 2023, pp. 15-19)

### 5.4.5 Conclusions and recommendations for implementation

According to experts, it is worth considering redirecting public funds, in particular those currently used to purchase private apartments through the state mortgage programmes of the UkrFinZhytlo like E-Oselya, to the development of affordable rental housing at the community level. This could help optimise the use of public resources to create more efficient and affordable housing options for vulnerable groups. However, this requires a comprehensive reassessment of priorities and policies in the housing sector (Pavlo Fedoriv, expert interview, 10.24.2023).

The recipients of such funding could be both municipal housing companies – operators of social rental housing – and non-profit housing associations or CGHEs of other forms of ownership, which could receive the housing stock partly from private owners (in particular, through the mechanisms of alienation or provision of empty private housing for IDPs under martial law), and through the transfer of existing social municipal housing stock.

The experts interviewed recommend, first of all, a review of existing housing policies and legislative changes to allocate funds for the development of affordable housing at the community level, not just to support individual homeownership through mortgages or voucher reimbursement schemes. Partnerships between government agencies, private investors, non-governmental organizations and international financing institutions should also be encouraged to pool resources and create sustainable community-based housing projects.

Overall, additional financial and planning instruments for the development of affordable housing may also be introduced (see also Cedos proposals in: Verbytskyi et al., 2023, pp. 13-15):

- creation of revolving funds (special revolving funds of local budgets), which will be filled with contributions from rental payments, which will come from affordable rent, and the funds from which will be directed to new cycles of construction of affordable housing and/or repair, reconstruction, development of infrastructure;
- state support in the form of loans or subsidies for housing and social housing for the creation of affordable housing;
- tax benefits or tax exemptions (in particular, exemptions from VAT, income tax) for OPZHA that build affordable rental housing;
- provision of land plots of state or communal property for the construction of residential housing (here, in particular, you can use the norms of the Law of Ukraine No. 525-V "On the comprehensive reconstruction of quarters (microdistricts) of the outdated housing stock" from 2007, which allows this kind of public-private investment projects).

## 6 Prospects and recommendations

Housing policy models for affordable housing – between market and social housing – are being sought worldwide. One major challenge is the complexity of existing best practices, which makes it impossible to copy and paste models from one country to another. This report therefore takes a different approach: The foundations of a Common Good Housing (CGH) sector are outlined in a very concise form as Model Law. On the basis of this nucleus, an affordable housing sector can be "reinvented" in a country like Ukraine by adapting the basic legal principles to the country's existing legal and institutional framework.

The analysis has shown that Ukraine's existing legal framework does not adequately cover the regulations required for a CGH sector.

It seems sensible to enshrine all the clearly defined rules for the business case of CGH Entities in a separate law, as is the case in Austria. A separate law would facilitate implementation and coordination with the many other laws involved. Of course, fine-tuning such a law and harmonising it with existing legislation will require an extensive legislative process.

The "Affordable Rental Housing System for Ukraine" workshop held in Vienna from 23-26 January 2024 by the EIB and IOM with the support of IIBW also showed that Ukrainian cities in particular are extremely interested in the proposed model.

It was proposed to use the so-called "GESIBA model". GESIBA is a large LPHA owned 100% by the City of Vienna. Such private-law entities have clear advantages compared to municipal housing within the public administration. Preliminary calculations show that, under the given conditions, net rents of less than € 3/m<sup>2</sup> seem feasible. Including operating and maintenance costs and a reduced VAT rate, this amounts to around €240 per month for a 60m<sup>2</sup> apartment.

The EU is strongly committed to supporting Ukraine's reconstruction. It adopted the Ukraine Facility in January 2024. One of its priorities is affordable housing. It provides large amounts of grants and loans for the reconstruction of Ukraine. Support in the form of low-interest loans is ideal for the construction of affordable housing on a cost-rent basis.

The next steps are easy to name: If political opinion-forming in Ukraine leads to the introduction of an affordable rental housing sector, a corresponding law should be developed and passed. At the same time, European institutions should create the framework conditions for organisational, legal and financial support. Ukrainian cities should be motivated to actively participate in pilot projects. A twinning programme should be set up for these pilot projects with the participation of successful European social housing entities. At the same time, the infrastructure for supervision and control of the CGH entities should be established. If possible, the first pilot projects should be under construction within two years. Soon afterwards, the new approaches should be evaluated and the

framework conditions improved. It seems conceivable that the programme could be scaled up after just five years.

The New European Bauhaus with its Rebuild Ukraine Initiative is an important layer of support for Ukraine. With the business case of Common Good Housing, based on European good practice, NEB will contribute significantly to "Rebuild Ukraine better".

# 7 Appendix

## 7.1 Abbreviations

AMC	Asset management company
CC	Civil Code
CFF	Construction Financing Fund
CGH	Common Good Housing
CGHE	Common Good Housing Entity
GDP	Gross domestic product
HCC	Housing construction cooperatives
HOAs	Home-Ownership Association
IDP	Internally displaced person
IFI	International financing institution
IOM	International Organisation for Migration
LCU	Land Code of Ukraine
LLC	Limited liability companies (TzOV)
LPH	Limited-Profit Housing
LPHA	Limited-Profit Housing Associations
MAB	Multi-apartment building
ME	Municipal enterprise
NGO	Non-governmental Organisation
RMIT	Royal Melbourne Institute of Technology
SGEI	Services of general economic interest
VAT	Value added tax

## 7.2 List of figures

Figure 1: Completed apartments by LPHAs .....	26
Figure 2: Sources of housing subsidies of <i>Länder</i> (mill. EUR).....	35
Figure 3: Expenditures of housing subsidies (mill. EUR) .....	36
Figure 3: Urban Lunch Debate at Vienna House Brussels .....	73
Figure 3: Vienna Workshop on “Affordable Rental Housing System for Ukraine” .....	76

## 7.3 Sources

### 7.3.1 Literature

Amann, W. & Struber, C. (2023) *Österreichisches Wohnhandbuch 2023* (Wien, Lindeverlag).

Amann, W.; Hüttler, W. & Mundt, A. (2012): Austria: Social housing providers at the forefront of energy efficiency. In: Nieboer, N., Gruis, V., Tsenkova, S. & van Hal, A. (eds.) (2012): *Energy Efficiency in Housing Management* (London & New York: Routledge).

Anastasia Nekrasova (2022) *How to rent and rent housing*. Legal advisor. Kyiv, Cedoss 2022

- Anastasiia Bobrova, Valeriia Lazarenko, Yelyzaveta Khassai, Vita Shnaider (2023) Social, temporary and crisis housing: What Ukraine had when it faced the full-scale war. Kyiv, Cedos
- BMK (Hg.) (2021): Maßnahmen im Gebäudesektor 2009 bis 2020. Bericht des Bundes und der Länder nach Artikel 16 der Vereinbarung gemäß Artikel 15a B-VG über Maßnahmen im Gebäudesektor zum Zweck der Reduktion des Ausstoßes von Treibhausgasen (BGBl.II Nr. 213/2017). Erstellt vom Umweltbundesamt und BMK (Відень: BMK)..
- BMK (Hg.) (2022): Maßnahmen im Gebäudesektor 2009 bis 2021. Bericht des Bundes und der Länder nach Artikel 16 der Vereinbarung gemäß Artikel 15a B-VG über Maßnahmen im Gebäudesektor zum Zweck der Reduktion des Ausstoßes von Treibhausgasen (BGBl.II Nr. 213/2017). Erstellt vom Umweltbundesamt (Wien: Bundesministerium für Klimaschutz, Umwelt, Energie, Mobilität, Innovation und Technologie ).
- EU Urban Agenda Partnership for Housing (2018): The Housing Partnership Action Plan (Brüssel: EU Urban Agenda Partnership for Housing).
- Fedorova, L. (2023) Housing policy at the local level: current state, challenges and opportunities. Analytical note. Kyiv, Sedos.
- Galyna Sukhomud & Vita Shnaider (2023) Continuity and change: wartime housing politics in Ukraine, International Journal of Housing Policy, 23:3, 629-652, DOI: 10.1080/19491247.2022.2153983
- GBV (Ed.) (2019): Wohnungsgemeinnützigkeit in Recht – Wirtschaft – Gesellschaft. Festschrift für Karl Wurm (Wien: LexisNexis).
- GBV (Ed.) (2023): Verbandsstatistik 2023. Die gemeinnützige Wohnungswirtschaft in Zahlen, Stand 31.12.2022.
- Housing Europe (Ed.) (2021) Cost-Based Social Rental Housing In Europe. The cases of Austria, Denmark, and Finland (Brussels: Housing Europe).
- Housing Europe (Ed.) (2021): The state of Housing in the EU 2021. Next Generation neighbourhoods must factor in climate without pricing out people (Brussels: Housing Europe).
- IIBW (2010–2023): Berichtsstandard Wohnbauförderung, ongoing from 2010 to 2023. Commissioned by the Vienna Municipality. Vienna, IIBW.
- IIBW (2016): Third United Nations Conference on Housing and Sustainable Urban Development (HABITAT III) – National Report Austria and Case Study – The Austrian System of Social Housing (in cooperation with the Austrian Government and private sector institutions).
- International Finance Corporation (IFC) (2020) Current state of management of multi-apartment buildings in Ukraine. Analytical report. Washington, IFC, November 2020
- Klien, M. & Streicher, G. (2021): Ökonomische Wirkungen des gemeinnützigen Wohnbaus (Wien: WIFO).
- Lawson, J. van den Nouwelant, R. and Troy, L. in collaboration with New Housing Policy, Ukraine. (2023) Access to adequate housing in Ukraine: a needs-based assessment for investment. Draft
- Lawson, J.; Gilmour, T. & Milligan, V. (2010): International measures to channel investment towards affordable rental housing. AHURI Research Paper (Melbourne: AHURI).
- Lytvyn O.Yu. Draft Law of Ukraine "On Rental Housing": proposals and amendments. ECONOMY AND SOCIETY, Issue # 8, 2017
- Mariia Lukyanova and Vladlena Martsynkevych (2023) Ukrainian communities at the forefront of reconstruction efforts: Financial sources and their accessibility for municipalities. Kyiv, CEE Bankwatch Network, Ekodiya, November 2023 (ecoacton.com.ua)
- Marquardt, S. & Glaser, D. (2020). How much state and how much market? Comparing social housing in Berlin and Vienna. German Politics. Advance online publication. <https://doi.org/10.1080/09644008>.
- Mundt, A. (2017): Housing benefits and minimum income schemes in Austria – An application of the residual income approach to housing affordability of welfare recipients. In: International Journal of Housing Policy, Vol. 18 (3), 383-411.
- Mundt, A. (2018): Privileged but Challenged: 'The State of Social Housing in Austria in 2018. In: International Journal of Housing Policy, Vol. 5 (1), 12-25.

- NGO "Housing Ukraine", NGO "Union of displaced persons "Common cause" (2022) Analytical report "Creation of housing and construction cooperatives as a mechanism for solving the housing issue of internally displaced persons and persons who suffered as a result of armed aggression against Ukraine: practical experience and recommendations ". The Council of Europe project "Internal displacement in Ukraine: development of durable solutions. Phase - II", 2022.
- NGO METALAB (tbp 2024) Housing policy and stakeholder mapping Ukraine. Case study of Ivano-Frankivsk city. HFHI (tbp 2024)
- Nikolaiev, Vsevolod and Shcherbyna, Andrii. (tbp 2024) Housing Provision In Ukraine: Stumbling Upon Privatization
- OECD (2020): Social housing: A key part of past and future housing policy. Employment, Labour and Social Affairs Policy Briefs (Paris: OECD).
- OECD (2021): Building for a better tomorrow: Policies to make housing more affordable. Employment, Labour and Social Affairs Policy Briefs (Paris: OECD).
- OECD (2021): Brick by Brick: Building Better Housing Policies (Paris: OECD).
- OECD (2022): OECD Affordable Housing Database ([www.oecd.org/housing/data/affordable-housing-database/](http://www.oecd.org/housing/data/affordable-housing-database/)).
- OECD (2023): Brick by Brick (Volume 2). Better Housing Policies in the Post-Covid-19 Era (Paris: OECD).
- Fedoriv, P. (2020). A roof over your head: where can Ukrainians get money for capital repairs. Economic Truth, May 5, 2020 <https://www.epravda.com.ua/columns/2020/05/5/660146/>
- Fedoriv, P., Lomonosova, N. (2019) State housing policy in Ukraine: current state and prospects for reform. Kyiv, Sedos, 2019
- Anisimov, O.; Fedoriv, P.; Buitelaar, E., Tkachenko, O. and Lawson, J. (2023) Rebuilding a place to call home. Sharing knowledge for the recovery of Ukraine (The Hague: PBL Netherlands Environmental Assessment Agency).
- Shnaider, V. (2023) Challenges to the Structure and Functioning of Social Housing in Ukraine (prior to and during the Russian invasion of Ukraine in 2022). In: Working group Crises, Conflict and Recovery. Compilation of research papers from the European Network for Housing Research conference 27-30 June 2023, Lodz, Poland.
- The International Organization for Migration (IOM), Ukrainian Office. Report on the situation with internal displacement - General population survey. Round 13 (May 11 - June 14, 2023).
- The World Bank, the Government of Ukraine, the European Union, the United Nations (2023) Ukraine. Rapid Damage And Needs Assessment. February 2022 – February 2023.
- Umweltbundesamt (2009-2023): Klimaschutzberichte 2009-2023 (Wien, Umweltbundesamt).
- UNECE (2013) Country Profiles On Housing And Land Management. Ukraine. (Geneve: United Nations Economic Commission for Europe).
- UNECE (2021): #Housing2030. Effective policies for affordable housing in the UNECE region. Principal authors: Julie Lawson, Michelle Norris, Holger Wallbaum (Geneve: United Nations Economic Commission for Europe).
- Verbytskyi I., Fedorova L., and Bobrova, A. (2023) Basic principles of state housing policy: recommendations for the development of the law. Analytical note. Kyiv, Sedos
- World Bank (2013): Rental Housing. Lessons from International Experience and Policies for Emerging Markets. By Ira Gary Peppercorn and Claude Taffin (Washington: The World Bank).
- OECP (2021c): Brick by Brick: Building Better Housing Policies (Paris: OECD).

### 7.3.2 Legislation of Ukraine on the management of multi-apartment buildings

- Law of Ukraine №. 2482-XII "On Privatisation of the State Housing Stock" dated 06.19.1992
- Law of Ukraine №. 2866-III "On Co-Owners Of An Apartment Building" dated 29.11.2001
- Law of Ukraine № 417-VIII "On Peculiarities of Exercising the Right of Ownership in an Apartment Building" dated 14.05.2015

Law No. 2189-VIII "On Housing and Communal Services" dated 09.11.2017

Law of Ukraine №. 1087-IV "On Cooperation" dated 10.07.2003

Law of Ukraine №. 525-V "On Comprehensive Reconstruction Of Blocks (Microdistricts) Of Outdated Housing Stock" dated 22.12.2006

### 7.3.3 Legislation on affordable and social housing

Law of Ukraine №. 800-VI "On Preventing Of The Influence Of The Global Financial Crisis On The Development Of The Construction Industry And Housing Construction" dated 25.12.2008

Resolution of the Cabinet of Ministers of Ukraine dated 11.02.2009 No. 140 "On approval of the Procedure for providing citizens with affordable housing"

Law of Ukraine №. 3334-IV "On The Housing Stock Of Social Purpose" dated 2.01.2006

Housing Code of Ukraine (The Law of Ukrainian Soviet Socialist Republic № 5464-X dated 30.06.1983)

### 7.3.4 Legislation in the sphere of powers of local government

Law of Ukraine №. 157-IX "On Leasing of State and Communal Property" dated 03.10.2019

Law of Ukraine No. 2269-VIII "On Privatization of State and Communal Property" dated 18.01.2018

### 7.3.5 Legislation in the sphere of private business and NGOs

Law of Ukraine No. 2275-VIII "On Limited and Additional Liability Companies" dated 06.02.2018

Law of Ukraine No. 4572-VI "On Non-Governmental Associations" dated 22.03.2012

Law of Ukraine No. 5073-VI "On Charitable Activities and Charitable Organizations" dated 05.07.2012

## 7.4 Interviews and expert commentaries

Olena Lukanyuk, Ukrainian Office of IOM, written expert comment, November 30, 2023

Serhii Volkov, president of the Ukrainian National Mortgage Association, written expert comment, November 27, 2023

Anna Seleznova, Ukrainian Office of IOM, expert interview, February 8, 2023

Oleksiy Pylypets, Housing Finance Capacity Building Expert at IPC GmbH, expert interview, November 23, 2023

Olga Solovei, NGO "Housing for IDPs", Ukrainian Real Estate Club, expert interview, November 27, 2023

Pavlo Fedoriv, expert interview, October 24, 2023

## 7.5 Urban Lunch Debate at Vienna House Brussels, 24 Oct 2023

The Brussels Liaison Office of the City of Vienna hosted a workshop to present first outcomes of the project "Housing for the Common Good: Sustainable Governance from European best practice for recovery in Ukraine", with MEP Estrella Durá Ferrandis and MEP Lukas Mandl (prevented at short notice).

Agenda:

- Welcome words: Michaela Kauer, Vienna House in Brussels
- Keynote: Wolfgang Amann, IIBW: "Legal Act on Common Good Housing for Ukraine"



- Sounding board: Julie Lawson, RMIT, and Vita Shnaider, NHP: “Rationale of affordable housing systems in Ukraine”
- Grzegorz Gajda, EIB: “The role of Financing and Funding”
- Open discussion in an interactive coffee-house style
- Moderator: Anna Iafisco, Eurocities

Participants from the following institutions:

- European Parliament;
- European Commission;
- DG NEAR;
- Committee of the Regions;
- UN-Habitat;
- European Investment Bank;
- International Union of Tenants;
- Housing Europe;
- Eurocities; representatives of the cities of Amsterdam, Antwerpen, Berlin, the region Brussels;
- City of Vienne; representatives of Salzburg, Burgenland, Austrian Foreign Trade Office;
- CEE Bankwatch Network;
- Project team.

Figure 4: Urban Lunch Debate at Vienna House Brussels



From left: Michaela Kauer, Anna Iafisco, Vita Shnaider, Julie Lawson, Barbara Steenbergen, Estrella Durá Ferrandis, Grzegorz Gajda, Wolfgang Amann

Source: Vienna House Brussels.

## 7.6 Lviv international symposium, 11 Nov 2023

Following the conference of PBL, the Netherlands Environmental Assessment Agency “Rebuilding a Place to Call Home” on 15 February 2023, the project partners NHP – New Housing Policy (Kyiv) and RMIT (Melbourne/Warsaw) organized an international symposium on “the Role of Land Policy in (post)war Ukraine” on 11 November 2023 in Lviv.

Several topics on the agenda dealt with affordable housing solutions for Ukraine, amongst others the presentation of W. Amann on “Common good housing approach: delivering systemic change for sustainable public housing in municipalities in Ukraine”.

Agenda:

- Welcome address Vadym Boychenko (Mayor of Mariupol)
- Introduction: Oleksandr Anisimov, Pavlo Fedoriv (NHP)
- The challenge: Julie Lawson (RMIT University)
- Session 1. Possible solutions to housing needs: Vita Shnaider (NHP), Olena Lukaniuk (IOM), Wolfgang Amann (IIBW)
- Session 2. Do we have land for future housing development? How do we assess it? Anna Akermann, Maria Diachuk (Ecoaction), Olexiy Burkovskiy, Edwin Buitelaar (PBL, Utrecht University)
- Session 3. Land-use tools and policies for recovery: Oleksandr Anisimov (Aalto University, KhSA, NHP), Yehor Vlasenko (École polytechnique fédérale de Lausanne), Andriy Martyn (NUBiP)
- Vlad Mykhnenko (University of Oxford): How can the post-war reconstruction jumpstart Ukraine’s economy?
- Discussion: Serhiy Komnatnyi (UNECE), Paul Scott Prettitore (World Bank), Serhii Maruschenko (COE), Alina Moskalenko (NRC)

## 7.7 Vienna Workshop, 23-26 Jan 2024

Following previous achievements, the European Investment Bank in cooperation with the International Organization for Migration, with support from Julie Lawson and IIBW, decided to organize this high level workshop in Vienna on “Affordable Rental Housing System for Ukraine”.

Agenda 23 Jan 2024 – Welcome reception and common dinner

Agenda 24 Jan 2024 – A Field Trip of Housing Projects and the organisations that produce them:

- Neighbourhood “Nordbahnhof”, meetings with Elisabeth Steiner (LPHA ÖVW), Elke Stocker (Vienna Insurance Group);
- Neighbourhood “Seestadt Aspern”, guided by MD Gerhard Schuster (3420 Aspern Development AG);
- Meeting with representatives of the LPHA sector and the auditing association, which ensures compliance with the legal framework for their operations: Fin.Dir. Andrea Washietl (LPHA Sozialbau), Gerlinde Gutheil-Knopp-Kirchwald (Federation of LPHAs), Amila Širbegović (City of Vienna), Silvia Hofer (Wohnfonds Wien);

- Meeting with MD Klaus Baringer, MD of LPHA GESIBA, chairman of the Federation of LPHAs;
- Evening reception by invitation of the City of Vienna.

#### Agenda 25 Jan 2024 – Relevant approaches to affordable housing sectors in Europe:

- Welcome speeches: Manfred Profazi (IOM), Lionel Rapaille (EIB);
- Introductory speeches: Svyrydenko Yuliia (First Deputy Prime Minister of Ukraine), Lorenz Gessner (KfW), Anna Yurchenko (Deputy Minister of UA for European Integration), Theodor Zillner (Austrian Ministry for Climate Action, NEB National Contact Point);
- Legislation, institutional aspects, compliance: Julie Lawson (RMIT University), Raija Hynynen (Ministry of the Environment, Finland), Dara Turnbull (Housing Europe); Wolfgang Amann (IIBW), Christian Zenz (responsible for LPHA legislation in Austria);
- Implementation. Applying and adapting relevant approaches understanding the context and the need for affordable energy efficient rental housing: Konrad Clos (IOM); Grzegorz Gajda (EIB); Jarmo Linden (Housing Finance and Development Agency of Finland), Olena Lukaniuk (IOM);
- Financing public housing: Moderator: Grzegorz Gajda/Michelle Norris:
- Panel discussion IFIs/NDAs: Gerry Muscat (EIB), Karine Frouin (AFD, Agence Francaise de Developpement), Samir Kulenovic (CEB), Ellen Hamilton (World Bank);
- Michelle Norris (Professor and former chair Housing Finance Agency Ireland): The role of a national financial intermediaries - the Irish Housing Finance Agency;
- Dara Turnbull (Research Co-ordinator, Housing Europe): Financing circuits supporting affordable housing, asset management and reinvestment of surpluses with local government;
- Krzysztof Gierulski, Jan Ruuth (DG NEAR): The potential role of the Facility;
- Grzegorz Gajda (EIB): What can we learn?

#### Agenda 26 Jan 2024 – Building the best housing system with Ukraine:

- A Ukraine Plan for Housing: Olena Lukaniuk (IOM, moderator);
- Introductory statements: Nataliia Kozlovska (Deputy Minister for Communities, Territories and Infrastructure Development of Ukraine), Svitlana Startseva (Head of the Housing Policy and Improvement Department at the Ministry of Communities, Territories and Infrastructure Development of Ukraine);
- Municipal perspective: Oleksandr Striuk (Luhansk oblast), Vadym Tabakera (Lviv Oblast), Andrii Dranchuk (Khotyn city);
- Roundtables: Introduction by Olena Lukaniuk (IOM) and Grzegorz Gajda (EIB)
- Roundtable 1 – National policy setting and local implementation, governance and legal frameworks: Jarmo Linden (ARA Finland), Raija Hynynen (Ministry of the Environment, Finland), Michelle Norris (Land Development Agency, Ireland), Dara Turnbull (Housing Europe), EIB, IOM, EU, IFIs;
- Discussion facilitated by Oleksandr Anisimov (NHP), Julie Lawson (RMIT University) and Olena Lukaniuk (IOM);
- Roundtable 2 – Optimal financial infrastructure for public housing: national and municipal levels: Michelle Norris, Jarmo Linden, Julie Lawson, EBI, IOM, EU, IFIs;
- Roundtable 3 – Public demand for affordable rent in Ukraine. Experience of the State Agency for Housing and Urban Development in implementing housing programmes: Mykola Marchuk (Chairman State Fund for the Promotion of Youth Housing Construction), Christoph Isenmann (KfW);
- Applying operational lessons from an established financial intermediary and funding of municipal entities: Evgenyi Metzger (CEO UkrFinZhytlo), Michelle Norris, Julie Lawson;

- Construction, operation, and maintenance of public housing projects and Local housing policies development and implementation: Representatives from UA municipalities;
- Rounding up and moving forward: Konrad Clos (IOM), Grzegorz Gajda (EIB).

Approx. 80 participants from the following institutions:

- Government of Ukraine: First Deputy Prime Minister, Ministry of Restoration, Ministry of Economy, Verkhovna Rada
- Representatives of numerous cities and oblasts of Ukraine: Kyiv, Irpin, Khotyn, Zaporizhia, Laidyzhyn, Drohobych, Chernivtsi, Kamianka Buzka, Hostomel, Khmilnyk, Ahronomichne, Kolyomya, Severodonetsk (Luhansk oblast), Lviv, Stryi Sambir;
- Other Ukrainian stakeholder: DerzhMolodZhytlo, UkrFinZhytlo;
- European Commission DG NEAR;
- International Organizations: IOM – International Organization for Migration, UNECE;
- International Financing Institutions and Financing Agencies: European Investment Bank, Council of Europe Development Bank, World Bank, IFC, Agence Francaise de Developpement, KfW,
- International experts from Ireland, Finland;
- International representations of interest, academia: Housing Europe, IWO, GlobSec, One Ukraine;
- Austrian Ministry for Climate Action; Austrian Ministry for Economy and Labour;
- Austrian Limited Profit Housing Associations (executive level), Federation of LPHAs;
- City of Vienna, Wohnfonds Wien;
- Project team.

Figure 5: Vienna Workshop on “Affordable Rental Housing System for Ukraine”



Source: IOM.

**Bundesministerium für Klimaschutz, Umwelt, Energie, Mobilität, Innovation und Technologie**

Radetzkystraße 2, 1030 Wien

+43 800 21 53 59

[servicebuero@bmk.gv.at](mailto:servicebuero@bmk.gv.at)

[bmk.gv.at](http://bmk.gv.at)