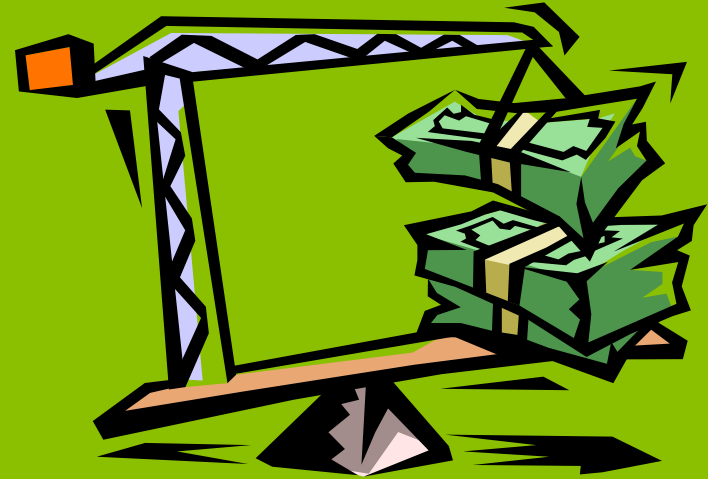


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Asumisen rahoitus-
ja kehittämiskeskus



ARA subsidizes Housing for Elderly in Finland

Russian Senior Housing and Care Conference, St.Petersburg 31.3.2016

Director Jarmo Lindén

Housing Finance and Development Centre of Finland (ARA)

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Over one million homes built with government loans and grants



- **1949 Housing Production Committee**
 - Government housing loan programme started 1.4.1949 ”to abolish temporary housing shortage in cities”
 - Production loan system was named **ARAVA**
- **1966 National Housing Board (NHB)**
 - NHB was transferred under new Ministry of Environment 1983
 - NHB was closed down in 1993, it had around 180 employees
- **1993 Housing Fund of Finland (ARA)**
 - ARA concentrated on social housing loans
 - Agency had 70 employees at its best
- **2008 Housing Finance and Development Centre of Finland (New ARA)**
 - 55 employees – regionalised to Lahti (100 km North)



Main tasks of ARA

1. *Implement government housing policy (supply side)*
 - Interest subsidy loans
 - Different kinds of grants
 - Guarantees
 - Focus in social rental housing = **8 600 new ARA-homes in 2015**

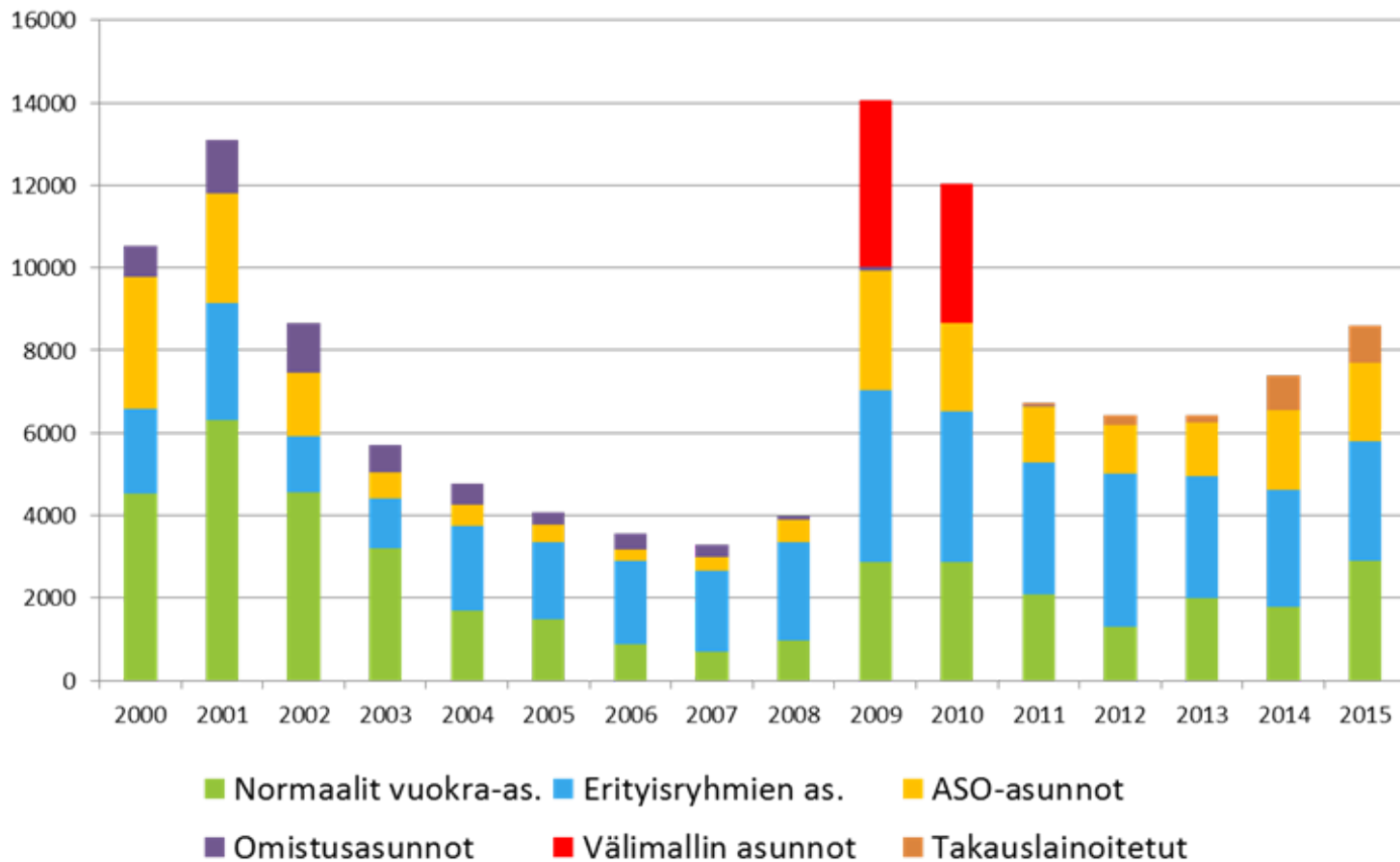
2. *Tasks concerning state subsidised housing stock = 18% of all dwellings*
 - Guiding and monitoring use of housing stock
 - Taking care of risks concerning loans in co-operation with state-treasury
 - Control of rents

3. *Providing housing market information*
 - Housing market survey, gathering statistics of homeless, statistics about construction cost

4. *To promote developing activities in state subsidised housing stock (to improve maintenance, long-term planning etc)*

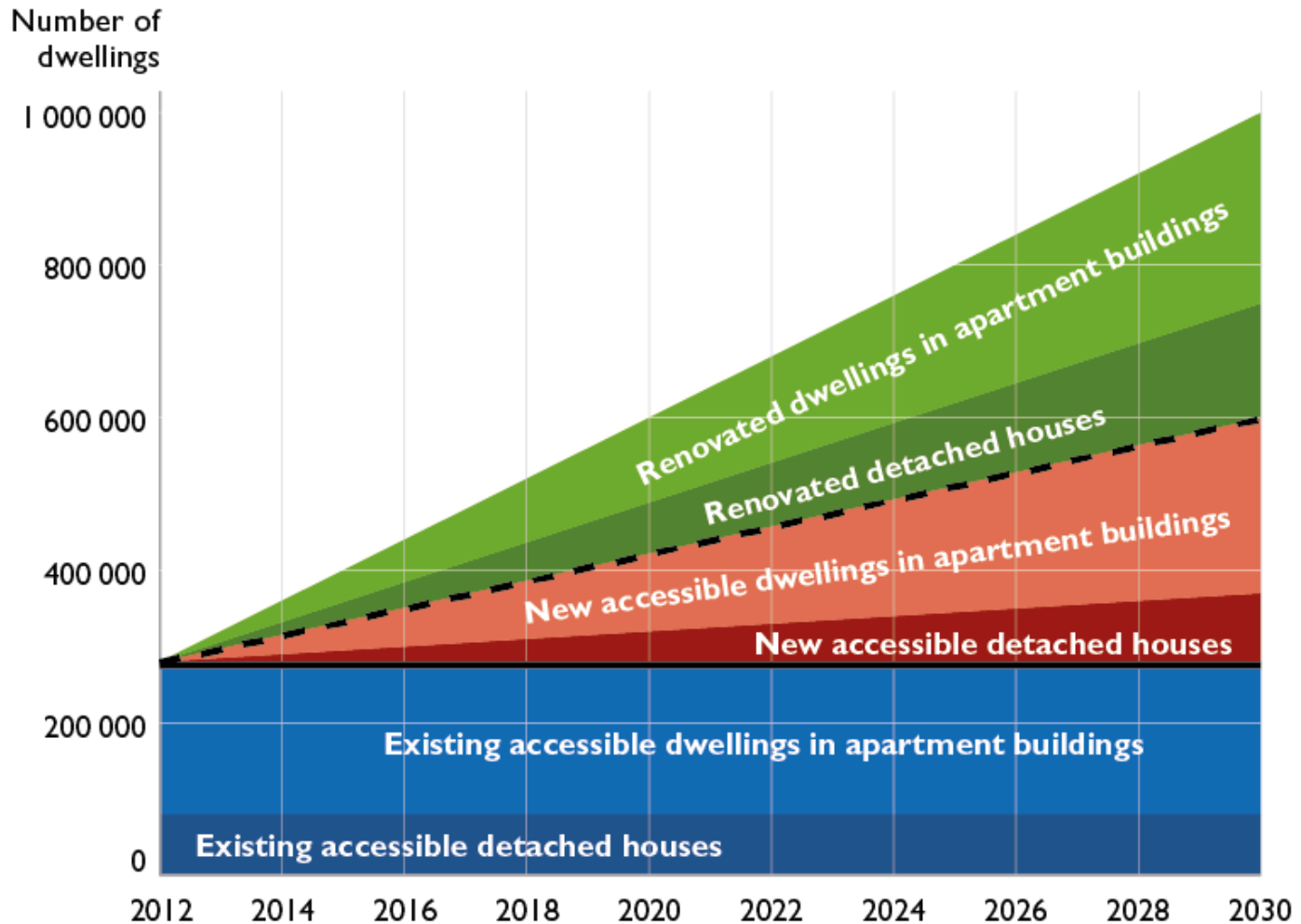


Government subsidized housing production 2000-2015 : - Since Financial Crisis (2009-2015) = over 60 000 new homes



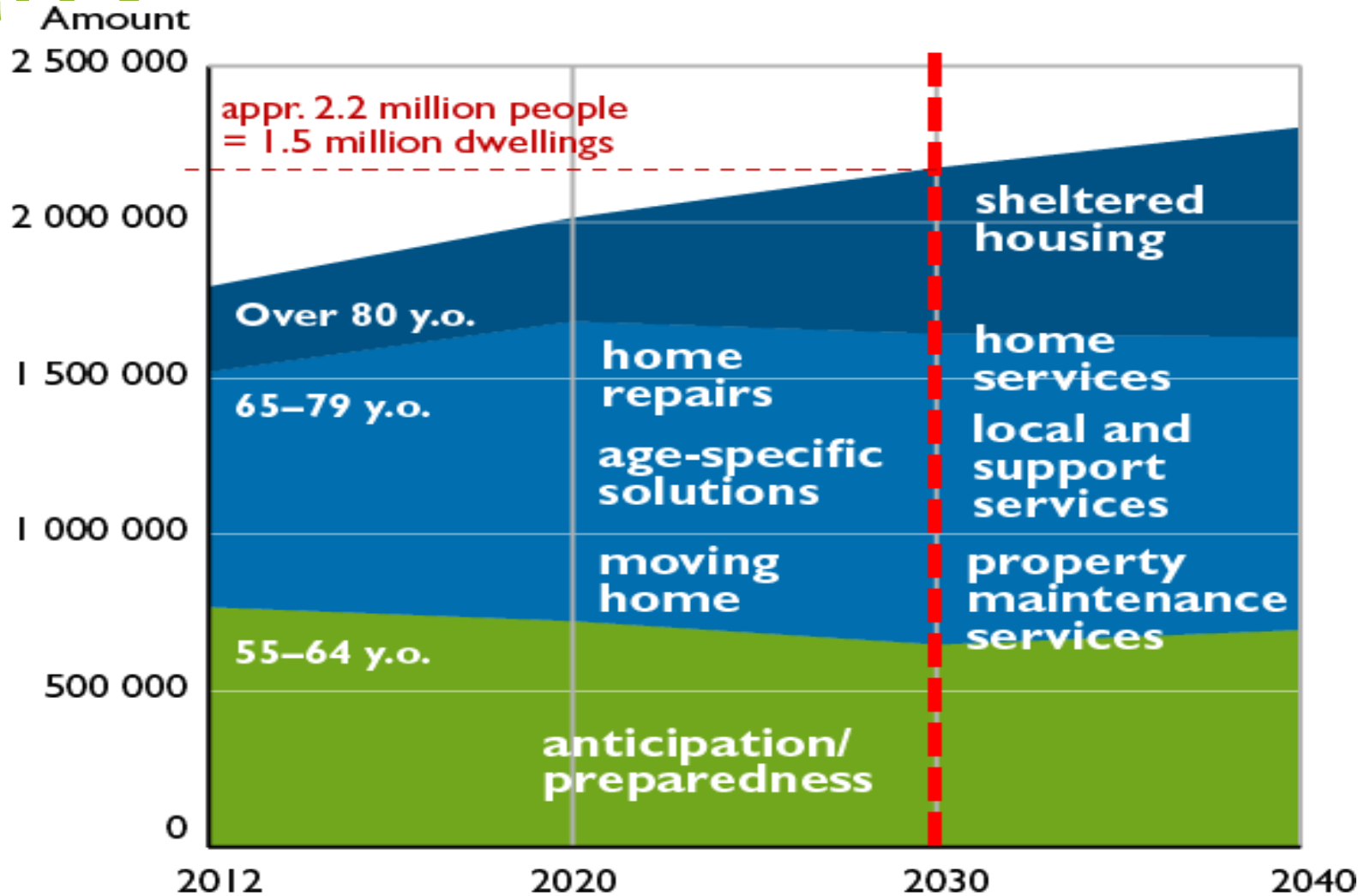


Government's Development Programme for Housing for Elderly in Finland 2013-2017: One Million Accessible Dwellings 2030



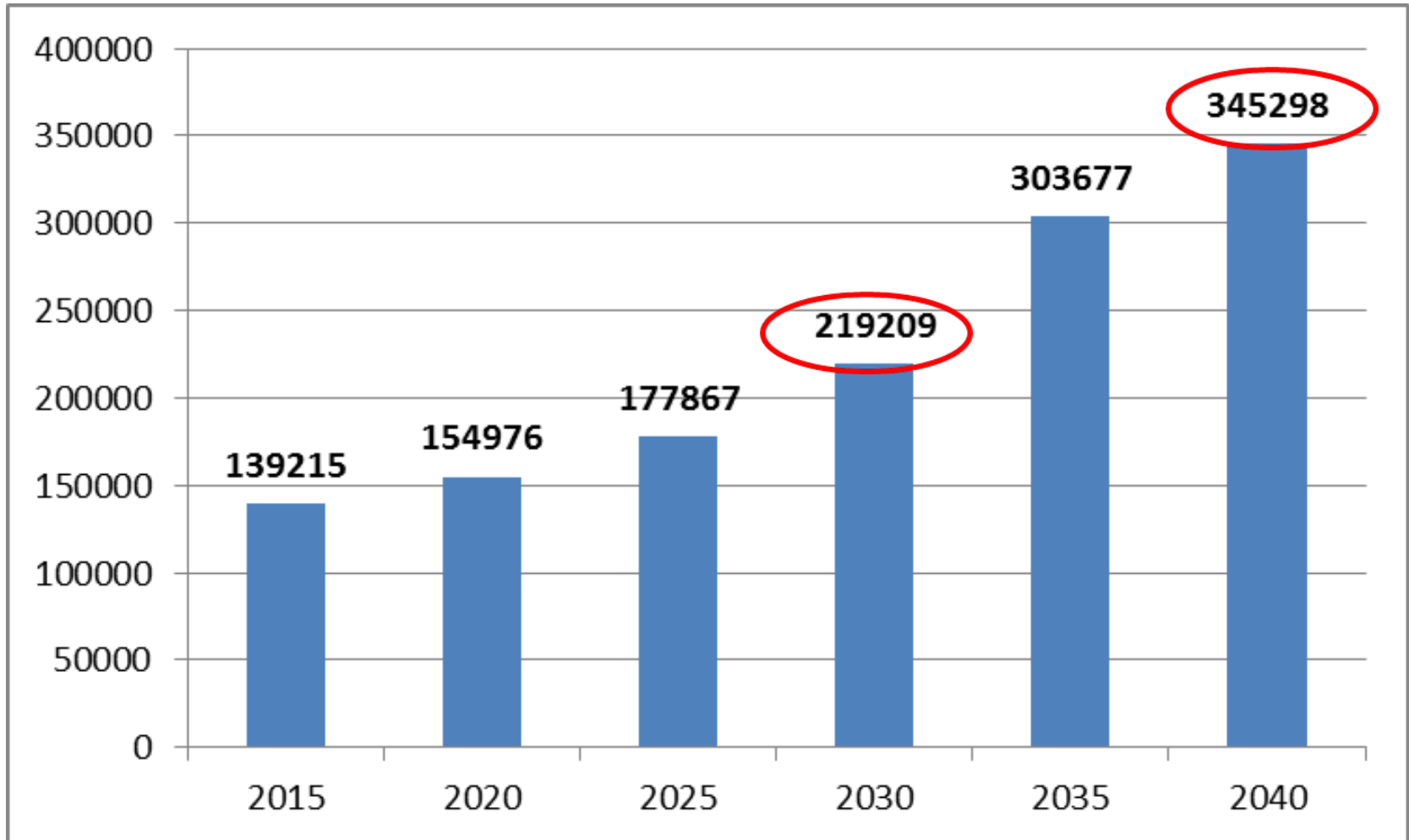


Housing solutions and the supporting services for older people





Number of very old people (= over 85 years) will increase +150% in 25 years: in Finland 6% of population in 2040 is +85 years





Objectives of the Governments development programme

- **Improve the housing conditions of the elderly**, with a view to promote achievement of the national objective regarding living at home
- Support the elderly in their own preparations regarding housing and the related services
- Strengthen the focus on housing for elderly people in the planning of municipal finances and measures
- Direct the activities of the housing and construction sector to better meet the housing needs of the elderly





Activities of the Programme 1/2

- **A. Forecasting and preparation**
 - **Forethought** with respect to housing for the older will be increased.
 - Improvement of housing for the elderly people will be taken into account in **the implementation of state housing policy in 2013–2030.**
 - The position of housing for the elderly, and the related living environments and services, will be strengthened as a well-functioning entity in **municipal strategies**

- **B. Improving the accessibility and renovation of apartments**
 - Installation of **elevators** in the existing housing stock will be promoted (ARA)
 - The availability of ARAs **repair grants** for housing for older and disabled people



Activities of the Programme 2/2

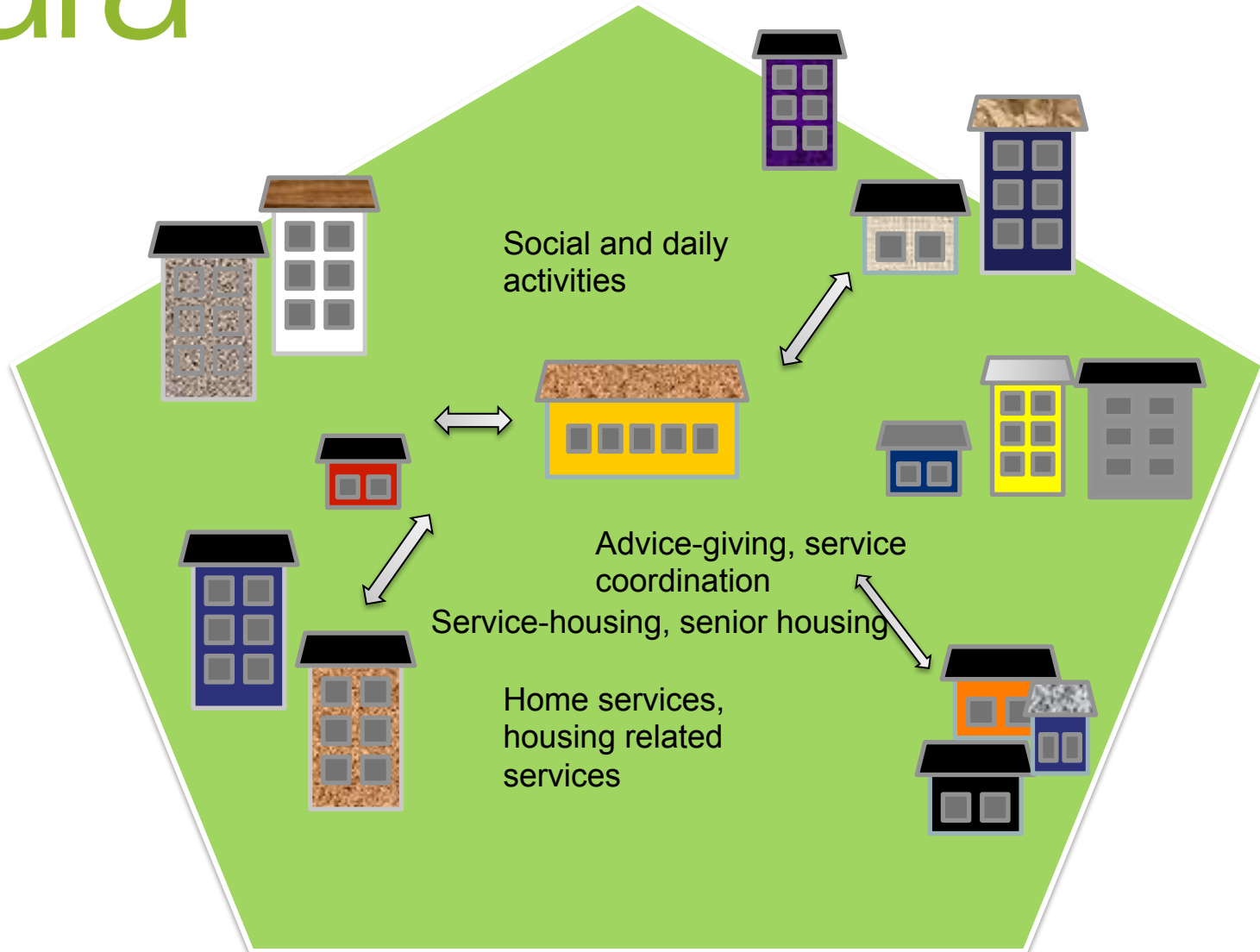
- **C. Quality of dwellings and diversity of housing solutions**
- The sense of community in residential areas will be supported.
- Physical solutions for sheltered (service) housing will be improved

- **D. Housing, services and the residential environment as a functional entity**
- Various **service area models** and **residential environments** will be created to help sustain the ability of the older to function.
 - Support for development services areas for ordinary residential areas
 - Support for development of age-friendly residential areas
- → benefitting of ageing-in-place approach and WHO Age-friendly-city approach (outdoor spaces and buildings, transportation, housing, social participation and inclusion, community support services)



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Service area model in housing and services for older people



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Large scale housing solutions and...



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arkkitehdit

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... small scale solutions



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ARA is highlighting **ACCESSIBILITY**





ARA's Interest subsidy loans

- Loans are intended to encourage to build or renovate rental and right of occupancy dwellings
 - Granted by bank or other financial institution
 - ARA approves loans and interest subsidy is paid for 23 years
 - Subsidy is only paid when interest rate is **over 3,4%**
 - ARA checks suitable interest rates and margins
 - Includes **state guarantee**
- To the biggest growth centres where is the biggest needs for affordable rental dwellings - 50 % of loans to Helsinki regions
-
- **Municipality Finance** is "the lender of last resort" for social housing projects since 2008



Main phases and roles in interest subsidy loan process

State budget defines maximum limits of loans for the year
=> 2016: **1170 M€** (= 8000 new dwellings + renovation)

Use of plan and guidelines from Government in January

Application to municipality

- Approval of Municipality is necessary

ARAs role:

- Market and need analysis (population, rents, prices etc)
- Risk analysis of borrowers (annual statements, co-operation with state state treasury)
- Cost control and quality steering
- Accept conditions of finance
- Subsidy descions



ARAs cost control and steering of plans

- Building projects are influenced by cost and quality monitoring by ARA
- Aims to produce high-quality dwellings at reasonable costs
- In construction basic rule is competition in tendering. Information on construction cost is gathered by ARA and it makes possible to ensure that building projects are based on reasonable construction costs and support is not channelled into input prices
- Steering of planning
 - Accessibility, energy-efficiency
 - Costs can be higher if for example energy-efficiency improvements are included

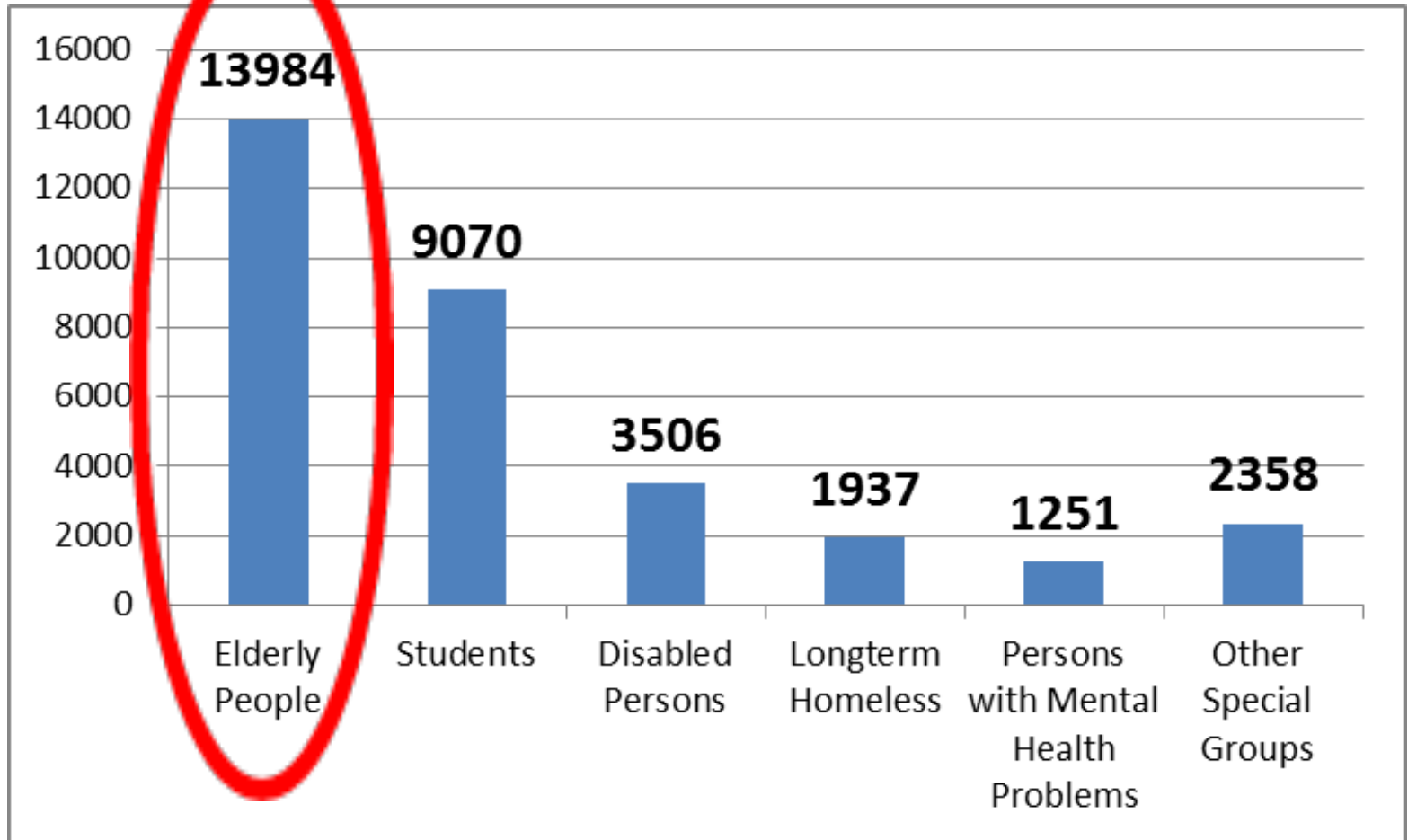


Interest subsidy loan + investment grants for special groups (2016: 120 M€)

- **Special groups: Homeless, students, people with mental problems, disabled, elderly, youth**
- **Grant Categories:**
 - I) maximum 10% (e.g. students and youth housing)
 - II) maximum 25% (**supported housing** e.g for people with mental problems)
 - III) maximum **40%** (service housing for elderly 24/7 service)
 - IV) Maximum 50% (long-term homelessness, disabled people)

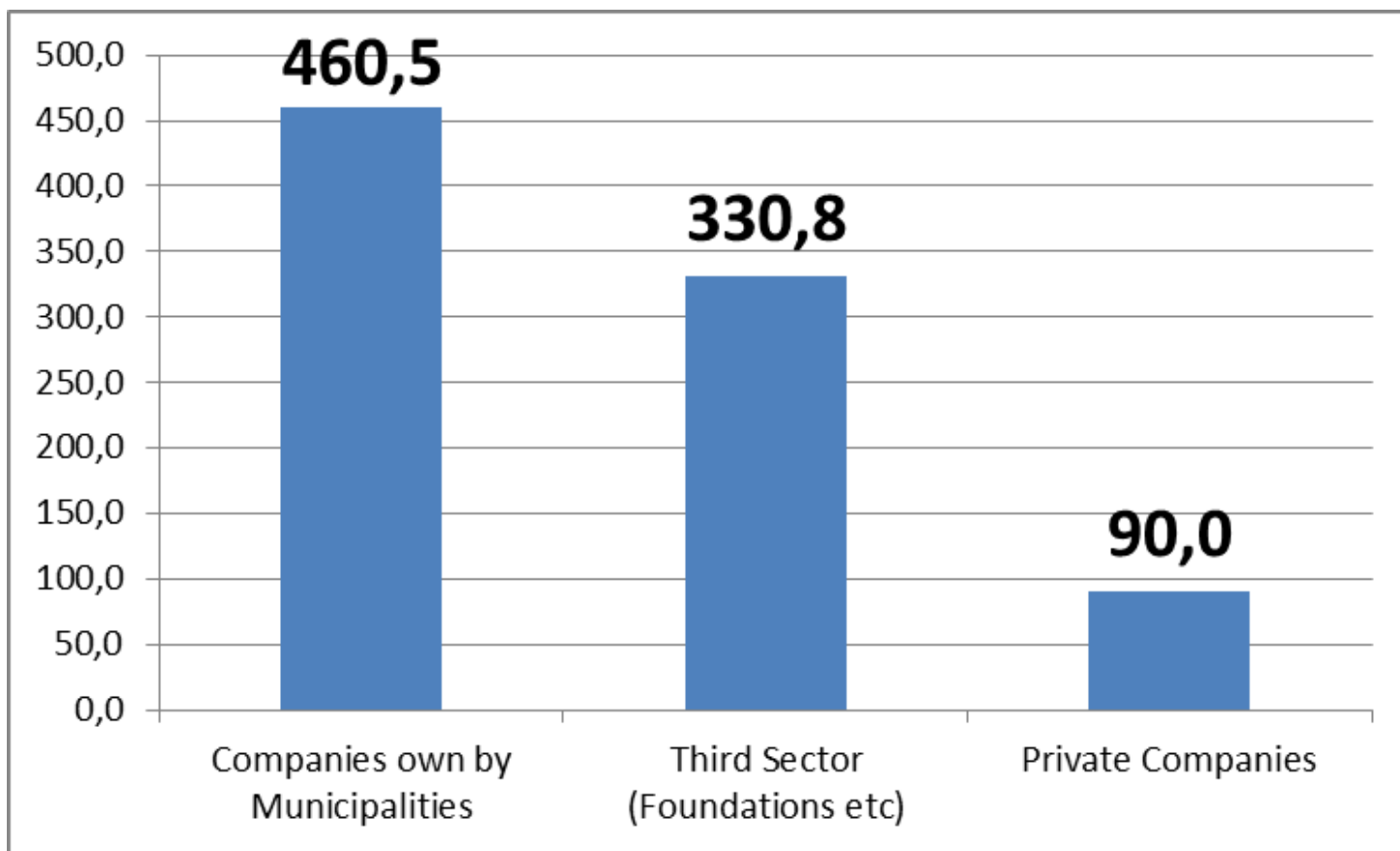
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In Ten Years 2005-2014 = 14 000 new or renovated service homes for Elderly





In Ten Years = 881 Million Euros of Subsidizes for 32 000 apartments





Borrowers

- Social housing is carried out by municipality-owned companies or designated non-profit organisation
- Finnish municipalities
 - Directly
 - Municipality -owned companies
- Designated borrowers
 - Designated by ARA, borrowers have to commit rules and legal framework of owning social rental dwellings
 - Non-profit organisations
 - Special purpose associations
 - eg student and old-age organisations



Restrictions in state subsidised rental dwellings

- Ensuring that subsidies are channelled to residents and dwellings maintain in intended use
- Rental use obligation of dwellings for 40 years, ARA can liberate if there are no need in rental dwellings in region
- Cost recovery principle in rent setting => under market rents
- Regulations concerning selling of dwellings
- If investment grant included => special use obligation 20 years
- Tenant selection principles
- Tenant democracy (co-decision law)

- **In service housing the economy of housing and the economy of the care services has to be clearly separated from each other**



EU state aid regulations and housing support policy (SGEI)

- Housing policy is does not fall within compence of European union
- But EU competition policy have to take account in subsidizing production and organisations that owns rental dwellings
- Finnish social housing model is compatible with EU state aid regulations,
 - Meet state aid criterias of Services of general economic interests (SGEI)
 - Subsidies are channelled to residents
 - Profits are limited etc...



CASE: 60 service care homes for elderly

- Building price + plot price around **3600 €/ m2 = 7,1 million €**
- Personal room around **25 m2** + around **15 m2** common space / person
- Rent around 16-17 €/m2 with interest subsidy loan
- Rent around **12 €/m2** with interest subsidy loan + **35% investment grant**
- Price per one unit around **120 000 €**
 - Investment grant per unit around 42 000 €
 - Interest subsidy loan per unit 78 000 €
 - => No need for own capital
- Total rent (40 m2/ person) around **480 €/month** (without grant around 640 €)
- **Housing costs are regulated - business is done with care services**



Some learnings from Finland

- Pre-emptive measures are highly recommended!
- Support elderly peoples ability to continue to live in their own homes
- Its always less expensive to put money on pre-emptive actions like
 - home repairs,
 - lift installations,
 - Improving accessibility
 - Services to homes
- Institutional care is very expensive and not very human way to handle the elderly in need
- Providing service care homes both government, municipality, third sector and private businesses are needed

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Thank You!
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Planting Oak in the field of a new Senior Care Housing Unit in Rusko municipality with President Tarja Halonen in 2003 and same Oak in 2015