The ethical housing fund established by Cooperhousing Foundation

London Symposium, 7 October 2010 - International Co-operative Alliance

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1 The National Housing Plan NHP

2 The network of real estate funds system in the NHP

3 Initiatives under way in Italy

4 Why the housing co-ops for the Fund System?
The National Housing Plan
Law 6 August 2008, n. 133

The NHP has six guide lines of interventions for different targets

This presentation is related to the first of the six objectives:

The network of national and local funds with the goals of increasing the social housing stock

Many points of contact between the integrated system of funds and the increasing number of experiences and social housing projects started by foundations of banking origin, public institutions and housing co-operative
The network of real estate funds system in the NHP

The National Fund

At the moment **€ 2,6 billion** divided in:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Deposit and Loans (CDP)</td>
<td>€ 1 billion</td>
</tr>
<tr>
<td>Intesa SP, Unicredit, Generali</td>
<td>€ 1 billion</td>
</tr>
<tr>
<td>Social security institutions, Pension funds, others</td>
<td>€ 0,6 billion</td>
</tr>
<tr>
<td>Total</td>
<td><strong>€ 2,6 billion</strong></td>
</tr>
</tbody>
</table>

Potentially promoting **€ 13 billion** of investments as:

<table>
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<tr>
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<tbody>
<tr>
<td>National Fund</td>
<td>€ 2,6 billion</td>
</tr>
<tr>
<td>Institutional investments</td>
<td>€ 2,6 billion</td>
</tr>
<tr>
<td>Private investments</td>
<td>€ 1,3 billion</td>
</tr>
<tr>
<td>Financial leverage (max 50% GAV)</td>
<td>€ 6,5 billion</td>
</tr>
<tr>
<td>Total</td>
<td><strong>€ 13 billion</strong></td>
</tr>
</tbody>
</table>
The network of real estate funds system in the NHP

Other features of the National Fund:

✓ At least 25 years lasting
✓ Earning objectives in line with comparable market financial instruments
✓ Adequate territorial diversification of investments
✓ To ensure representation to investors by the composition of the Fund organs
✓ Criteria for participation in local investment, acquiring minority shares up to max 40% by the Cash Deposit and Loans

Objectives

Increasing:
✓ the rental stock managed by the funds at an average price of 50% of the market rental price
✓ the supply of ownership (also deferred to 4/8 years) at low price

Targets

People or families not having the requirements to obtain a public house and not able to face the market price
The network of real estate funds system in the NHP
How the System Works

Investors of the fund

- CDP - Cash deposit and loans
- Public Investors
- Private Investors

Sustainable Housing Fund
Initial Commitment € 1.0 mld

90% of resources of the Fund devoted to subscription of shares

Funds/Local Initiatives

- Local Fund RL #1
- Real Estate Society
- Local Fund #n

Max 40% of the equity of local initiatives

Real Estate Projects

- Intervention 1
- Intervention 2
- Intervention n

Min 60% of the equity of local initiatives

Subscription of shares

Management

Shareholders - SGR
Society of management of savings

- Cash Deposit and Loans 70%
- Ass of Italian Banks 15%

Association of Foundations of Banking origin 15%

SGR X  
SGR Y

SGR Society of management of savings / Technical Advisors / Housing Agencies

Investors of Local Funds

- Foundations of Bank Origin
- Local Authorities
- Housing agencies
- Private operators/Co-operatives

The network of real estate funds system in the NHP
How the System Works
Some information from Italy (Istat survey)

The economical (and social) crisis

- Recession between 2008 and 2009: GDP -6%
- Recovery of economic activity is weak
- Slow employment growth/September unemployment rate: 8.5%
- Households in economic difficulties

Youth unemployment (25-34 years) rate

2nd quarter 2010: 27.9%, record number from 1999

Unemployed young people between second quarter 2010 / second quarter 2009:

+ 195,000

Nowadays in Italy

2,136,000 people are looking for a job, the highest degree from 2001
Some information from Italy  (Istat source)

The peak is in the Southern Italy:  40%.  Women, in most cases

Basically:

9 italians out of 100 don’t work

30 young italians out of 100 are jobless

Other figures

2009:  300,000 young employed less than the year before

A dramatic data:

Increases the number of young people not occupied neither in a job nor in an academic path of studies:

142,000 people in 2009
Some information from Italy

Housing crisis

- The ageing of population
- Dramatic sales drop of primary house
- Increasing of housing demand for a lot social classes

Housing demand

- 2009 buying and selling: between - 11,3% and - 14,9% (different surveys)
- 2009 prices: between - 7/9 % and - 9,8 % (different surveys)
- From 2006 to 2009 the italian housing market has dropped of 35%

Immigration

- Household boom from immigrants
- Italian household and families are smaller than in the past
- The population growth rely on foreigners
## Housing co-ops industry

<table>
<thead>
<tr>
<th>Legacoop Inhabitants</th>
<th>12/31/2007 amount</th>
<th>12/31/2008 amount</th>
<th>12/31/2009 amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Co-ops members recorded at the National Register</strong></td>
<td><strong>Members</strong></td>
<td><strong>Dwellings built by co-ops</strong></td>
<td><strong>Dwellings under way</strong></td>
</tr>
<tr>
<td>867</td>
<td>418,050</td>
<td>303,732</td>
<td>17,842</td>
</tr>
<tr>
<td>880</td>
<td>419,600</td>
<td>308,000</td>
<td>19,400</td>
</tr>
<tr>
<td>875</td>
<td>418,800</td>
<td>314,000</td>
<td>18,600</td>
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</table>
The Network of real estate funds system

Initiatives in the works in Italy
The network of real estate funds system in the NHP
Initiatives under way before the National Housing Plan (NHP)

Co-operative Housing Fund Rome
Promoted by Cariplo foundation before the Housing Plan. **Seven** Legacoop co-operatives in Rome. S.G.R. (Society of Management of savings): Polaris Italy. Contribution to the fund: 71 ml contribution to gross value (GAV)

Business ventures without co-ops:

**Abitare Sociale 1**
Promoted by Cariplo foundation before the Housing Plan. S.G.R. (Society of management of savings): Polaris Italy
Funding: 85 million

**Fund Veneto House**
Veneto Region, CARIPARO Foundation.
S.G.R. (Society of Management of savings): Beni Stabili. Funding: about 14 ml (50 ml goal)
The network of real estate funds system in the NHP Initiatives under way/2: the ethical housing fund by Cooperhousing Foundation. Promoters:

**Florence**
Inhabitants co-ops, private companies and Consortium Etruria, a working co-operative.
S.G.R.: Polaris Italy Funding

**Parma**
Inhabitants co-ops, private companies, working co-ops. Public lands assigned to promoters.

**Milan**
Inhabitants co-operatives, private companies, working co-ops.

**Pesaro**
Inhabitants co-operatives, private companies, working co-ops.

**Torino**
Inhabitants co-operatives, lands underway of evaluation.

**Matera** in the works on private areas
<table>
<thead>
<tr>
<th>Name Fund</th>
<th>Fixed rent</th>
<th>Agreed Sale</th>
<th>Market prices</th>
<th>Average rent €/mq/month</th>
<th>Total dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toscana Housing Fund (Firenze - Prato)</td>
<td>690</td>
<td>200</td>
<td>10</td>
<td>6</td>
<td>900</td>
</tr>
<tr>
<td>Merlata Housing Fund (Milano)</td>
<td>345</td>
<td>405</td>
<td>6</td>
<td>750</td>
<td></td>
</tr>
<tr>
<td>Parma Social House Fund (Parma)</td>
<td>447</td>
<td>405</td>
<td>5</td>
<td>852</td>
<td></td>
</tr>
<tr>
<td>Housing Coop. Roma Fund (Roma)</td>
<td>477</td>
<td></td>
<td>5</td>
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**FINANCE**

<table>
<thead>
<tr>
<th>Name Fund</th>
<th>GAV (Gross Asset Value)</th>
<th>Share A Market and promoters</th>
<th>Share B SIF (Integrated System Funds)</th>
<th>Share B Other Institutions</th>
<th>Share C Public institutions and promoters</th>
<th>Debt</th>
</tr>
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<tbody>
<tr>
<td>Toscana Housing Fund (Firenze - Prato)</td>
<td>113,50</td>
<td>20,00</td>
<td>22,00</td>
<td>12,00</td>
<td>2,75</td>
<td>56,75</td>
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<td></td>
<td></td>
<td></td>
<td>35,00</td>
<td>36,00</td>
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**Internal Rate of Return expected**

- **A**: 6 ÷ 7%
- **B**: 3% + inflation
- **C**: 1 ÷ 2%
## Toscana Housing Fund (Florence - Prato)

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<th>Dwellings</th>
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### Financial Breakdown

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**Debt:** 56,75
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Of which

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Debt 46,00
Parma Social House Fund (Parma)

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Debt

| 70,00 |
### Housing Coop Roma Fund (Roma)

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Debt 36,00
Internal Rate of Return Expected

A
6 ÷ 7%

B
3% + inflation

C
1 ÷ 2%
An idea of “normalization of the market”, that means:

- A production of houses for different segments of the market and not only for high profit level.

- A mix of supply:
The Network of real estate funds system
Why the housing co-ops for the Fund System?

Optimization of the production

Extent of investments

Basel 2 (credit crunch)
Basel 3
New tools and methods of financial sustainability
Better fiscality the fund approach

Social transformations expected:
✓ new social mix
✓ new social contradictions
✓ new governance for social large base housing co-operatives
Network of real estate funds system

Ways of compensation: how to get the goal of an average rent correspondent to approximately 50% of the market rent

Urbanistic

Cost of the land, near zero, related to urbanistic legislation promoting a stock of lands in the availability of the councils, with possibility to assign them to co-ops or other providers

Volume premiums related to private urbanistic plan in the Private Public Partnership (PPP)

Discounts in urbanization costs

Financial

Equities with expectations of non-speculative (ethical) return (2-5 %)

Reduction in costs of debt and agreement with financial institutions
Network of real estate funds system

Ways of compensation: how to get the goal of an average rent correspondent to approximately 50% of the market rent

Fiscal

ICI (Local Property Tax)

Assimilate local Funds to undivided housing co-operatives and public housing that are free of cost

Public Contributions

Even as a subscription of shares

Bonus to people or families in order to reduce furtherly the rental price
Network of real estate funds system

Success factors of Local Funds

Local partnership in PPP

Capability in organizing

Social objectives, creation of the conditions for urban feasibility

Operators (co-operatives in particular)

Co-investors

To promote the Funds in agreement with local authorities and private foundations

To encourage agreement with the “society of management of savings” (SGR) in order to obtain the commitment for facility, property, community building
Network of real estate funds system

Success factors of Local Funds

Banking foundations

To participate in defining the effects on community

To subscribe the shares of the local fund

Ways of institutional partnership, Region and local authorities:

To indicate and share the objectives, state fees and sales prices

To develop synergies in order to ensure procedural simplifications for the feasibility of interventions

To identify compensatory measures and forms of security in order to increase the social efficiency of the Local Fund
## Network of real estate funds system

### Success factors of Local Funds

<table>
<thead>
<tr>
<th>Expected profitability</th>
</tr>
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<tbody>
<tr>
<td>Limited, but reliable, revaluation of real estate over time</td>
</tr>
<tr>
<td>Certainty of collection of fees and realization of the scheduled plans for sale</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Central management</th>
</tr>
</thead>
<tbody>
<tr>
<td>To promote a culture of participative and responsible neighbourhood (community building)</td>
</tr>
<tr>
<td>To ensure the durability and efficiency of rented property</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recover the management tradition of housing undivided co-ops</th>
</tr>
</thead>
<tbody>
<tr>
<td>Default tending toward zero</td>
</tr>
<tr>
<td>Dwellings maintained in good quality and efficiency over time</td>
</tr>
<tr>
<td>A sense of belonging of the members-tenants</td>
</tr>
</tbody>
</table>
Duration and liquidation of the fund

The maximum duration of the fund is:

25 years

Liquidation of the fund:

✓ by assignment of dwellings to tenants
✓ to undivided property housing co-ops
Potential production of Social Housing

General Objective

Medium and long term lease (15-20 years)

Fixed-term lease (8-10 years)

Supply of housing of low-price ownership

80/100,000 dwellings realistically in 10 years
Potential production of Social Housing

The Legacoop goal:

3,000 dwellings per year
The ethical housing fund established by Cooperhousing Foundation

Thank you for your attention!

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