National italian Housing plan
network of National and Local Funds

Brussels, 10 September 2009 – Cecodhas
Financing Social Housing
After the Crisis

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National Housing Plan

Law 6 August 2008, n. 133

Six guide lines of interventions for different targets

Among the main aspects that characterize the plan there are:

- the assumption of Social Housing as an opportunity to overcome traditional forms of public housing after many years of disattention by the State

- the definition of social housing and urban regeneration as strategic for the country (according to services directive)

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

There are 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 (in particular Cariplo Foundation) public institutions and housing co-operatives
What is the *network of real estate funds system* in the National Housing Plan?

The real estate investment funds should be dedicated to the development of a network of Funds or of other financial instruments that help to increase the supply of Social Housing *(Decree of the Minister of Infrastructure on 22 April 2008, published in the Official Journal of 24 June 2008, n. 146)*

**Features of the Fund of funds:**

- **a)** a minimum amount of 1 billion euros tending to 3 billion euros
- **b)** at least 25 years lasting
- **c)** earning objectives in line with comparable market financial instruments
- **d)** adequate territorial diversification of investments
- **e)** to ensure adequate representation to investors by the composition of the Fund organs
- **f)** criteria for participation in local investment, acquiring minority shares up to max 40% by the Cash Deposit and Loans (Cassa Depositi e Prestiti, the Italian public bank based on the management of the postal savings)
The network of real estate funds system

Objectives - Targets

Increasing the rental stock managed by the funds at an average price of 50% approximately of the market rental price.

Increasing the supply of ownership (also deferred to 4-8 years) at low price.

We talk about people or families:

Not having the requirements to obtain a public house

Not able to face the market price.

Network of real estate funds system

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

Subscriptoin of shares

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 Society of management of savings / Tech Advisors / Housing Agencies
- SGR X
- SGR Y

Min 60% of the equity of local initiatives

SGR X
SGR Y

Management

SGR X
SGR Y

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

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Initiatives under way/1

Abitare Sociale 1
Promoted by Cariplo foundation before the Housing Plan. Cariplo Foundation, City of Milan, Cash Deposits and Loans, Generali Insurance, Intesa Bank, Popular Bank of Milan, Cash Geometri, R.E. Pirelli, Telecom
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 million (50 million goal)

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 million contribution to gross value (GAV)
Network of real estate funds system
Initiatives under way/2: the ethical housing fund by Cooperhousing Foundation

**Florence**
Promoted by inhabitants co-operatives, private company, Consortium Etruria. S.G.R. (Society of management of savings): Polaris Italy Funding

**Parma**
Promoted by inhabitants co-operatives, private company, working co-ops.

**Milan**
Promoted by inhabitants co-operatives, private company, working co-ops.

**Pesaro**
Promoted by inhabitants co-operatives, private company, working co-ops.

**Torino**
Promoted by inhabitants co-operatives, lands underway of evaluation.
The Legacoop approach
Cooperhousing Foundation (involving different sectors)
(defined 13-2-2008 before the National Plan)

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:

Ownership
Rent
Deferred sale
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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 compensations: how to get the objective 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
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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
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Success factors of Local Funds

Expected profitability

- Limited, but reliable, revaluation of real estate over time
- Certainty of collection of fees and realization of the scheduled plans for sale

Central management

- To promote a culture of participative and responsible neighbourhood (community building)
- To ensure the durability and efficiency of rented property

Recover the management tradition of housing undivided co-operatives

- Default tending toward zero
- Dwellings maintained in good quality and efficiency over time
- A sense of belonging of the members-tenants
Network of real estate funds system

Why the housing co-ops for the Fund System?

In a changing context, optimization of the production and extent of investments, in order to take advantage of the opportunity of the National Housing Plan

 Basel 2 (credit crunch)

 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

Scheme of the Fund: the steps of the model

Promotion and development (local authorities and operators)

Location
  Project
  Building

Identification and agreements with the “society of management of saving” (SGR) and other potential shareholders

Fund Regulations

Business plan

Authorization (Bank of Italy)

Evaluation of assets by independent experts
Network of real estate funds system

Scheme of the Fund: the steps of the model

Agreement with the National Fund

Validation of the project
Agreement on timing and way of participation

Fund creation: subscription of shares

Supply of housing (operators of Social Housing)

Payments (Institutional investors: National Fund, Local authorities, Regions, Pension Funds, Foundations, co-ops ...)

Management (Facility, Property, Community building)

By co-ops on behalf of the “Society of management of savings” (SGR)
Duration and liquidation of the Fund

The maximum duration of the fund is **25 years**

The liquidation of the Fund can be made by assignment of dwellings to tenants or to undivided property housing co-ops.
Potential production of Social Housing (our goal)

General Objective: 100,000 dwellings

Sustainable production of **10,000 dwellings** per year of social housing:
- medium and long term lease (15-20 years)
- fixed-term lease (8-10 years)
- supply of housing of low-price ownership

Today, it is possible to begin projects with high feasibility, on which Local Authorities and Regions have already expressed their evaluation.

**Legacoop goal: 3,000 dwellings per year**
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