



Social Rented Housing in France



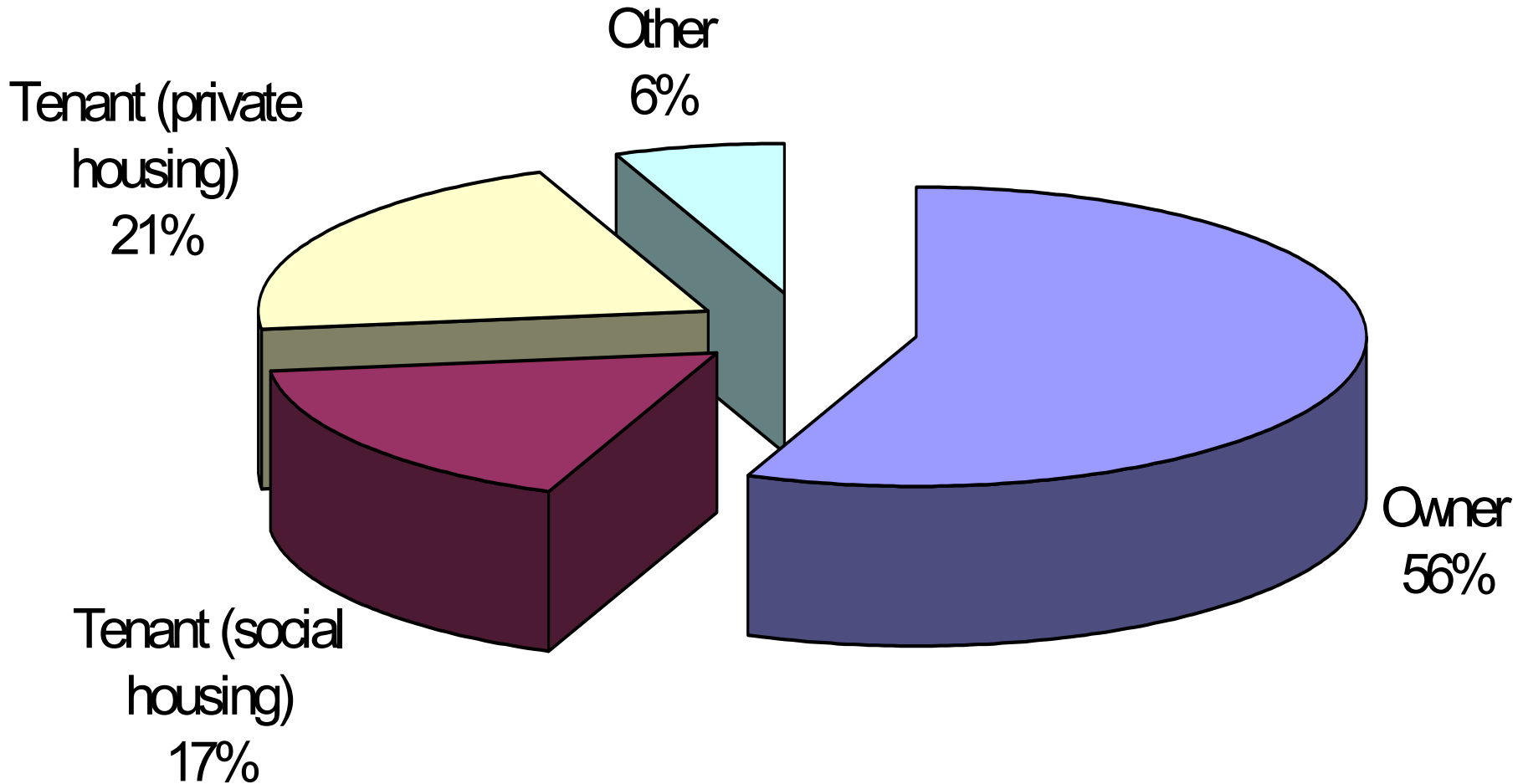
Housing stock in 2005

(Overseas not included)

- 60,7 million inhabitants.
- 30,6 million dwellings, among which:
 - 25,6 million main résidence;
 - 3 million second homes;
 - 2 million vacant units.
- 2,30 persons per household.
- Houses: 56 %, apartments: 44 %.
- Average size: 90 m².



Tenure (2002)






Housing Starts (1997 – 2006)

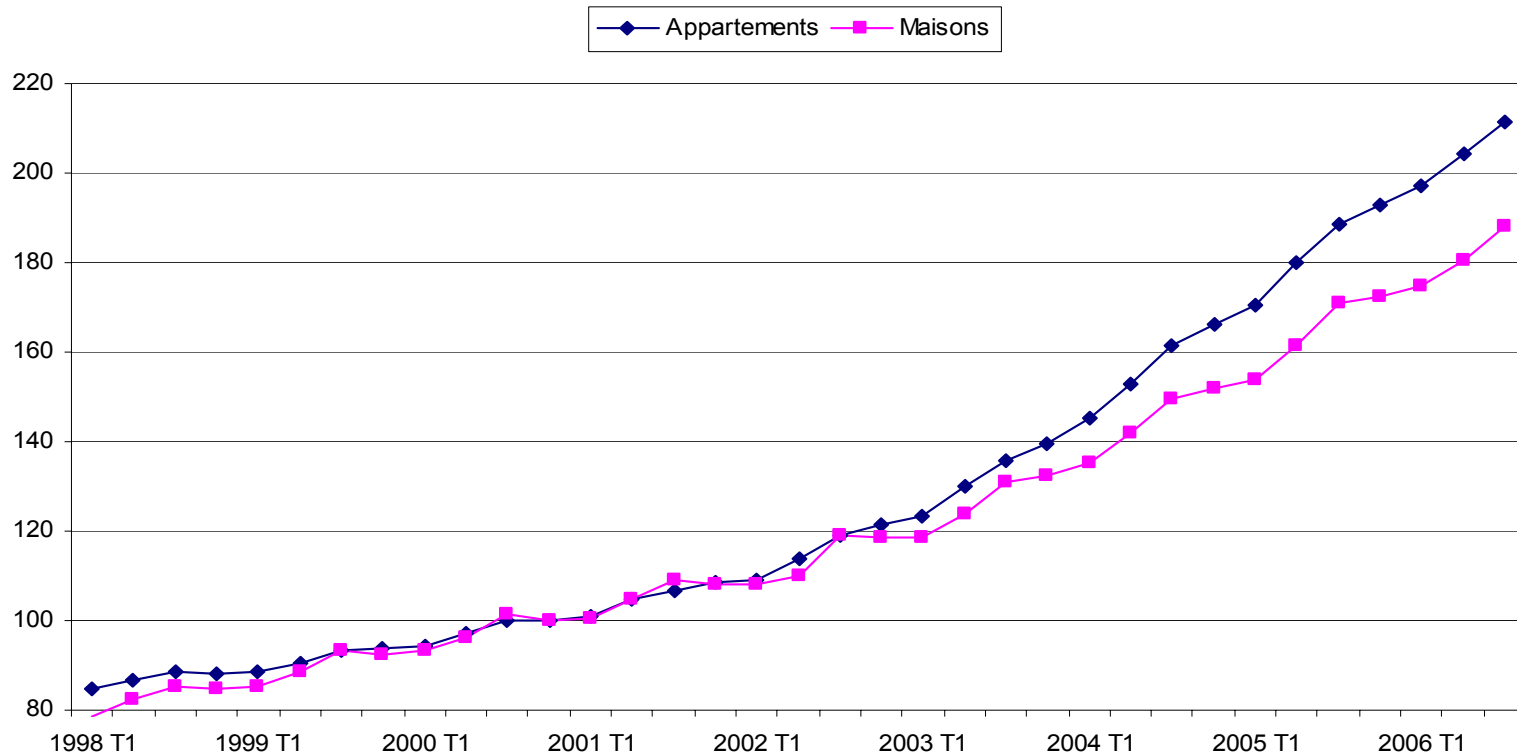
■ Individuel ■ Collectif ■ Résidence





Change in (second-hand) Housing Prices (Paris region not included)

Evolution du prix des logements anciens en province
(base 100 au 4ème trimestre 2000)





Housing Policy in France: Outlines

- Partially decentralised:
 - increasing role of European Union and Local Authorities (départements & intercommunalités);
 - State still plays an important role as a regulator (urban planning, construction, co-ownership, tenant-landlord relationship, ...) and a financier;
- Subsidies are given to the three tenures (home-owners, private rental, social rental) and concern both new investment and renovation.



Housing Policy in France: present issues

- New law on enforceable right to housing (March 2007) ;
- “Item 55” of “SRU” law (20% social housing in every commune of large cities) : should it include low-income home buyers?
- Selling 1% of the social housing stock per year (right to buy ?)
- Promoting private investment in social housing.
- Increasing the proportion of home-owner (re-introduction of MIR, public guarantees , ...)
- New “social utility contract” between the State and Hlm



Financial intervention

- Public subsidies to the housing sector (2005):
26.1 Bn € = 1.6% GDP.
- Share of:
 - Housing allowance = 57%;
 - Bricks & Mortar = 19%;
 - Tax subsidies = 24%.
- 53% from the State budget; other contributors are:
Social Security (36%), Employers (9%) and Local Authorities.



Housing allowance

- First introduced in 1948,
- Opened to any low-income households in 1993,
- Includes home-buyers and students,
- Paid to 21% households & 46% tenants,
- Total cost (2004): 14.2 Bn €,
- Same scale in public & private rental:

Allowance = Rent + Expenses – Participation.



Home-ownership

- Subsidised loan:
 - 0% interest,
 - Delayed amortization (100%, 75% or 50% of the amount, up to 18 years),
 - Maximum income (high), maximum amount,
 - for First-time buyers only,
 - Second-hand purchases since 2005.
- Secured loan:
 - Access to a guarantee fund,
 - Maximum income (lower than 0% loan).
- Housing saving plans for all investors.
- Low-rate « 1% Levy » loans for salaried workers.



“One per cent” levy (1)

- Revolving Fund fed by:
 - a tax now amounting to 0.45 per cent of salaries in the private sector (for companies employing \geq 20 persons),
 - returns from previous loans.
- Provides additional long-term low-interest loans either for employees buying their home or for social housing programmes; in return, a number of dwellings are reserved for the contributors' employees.



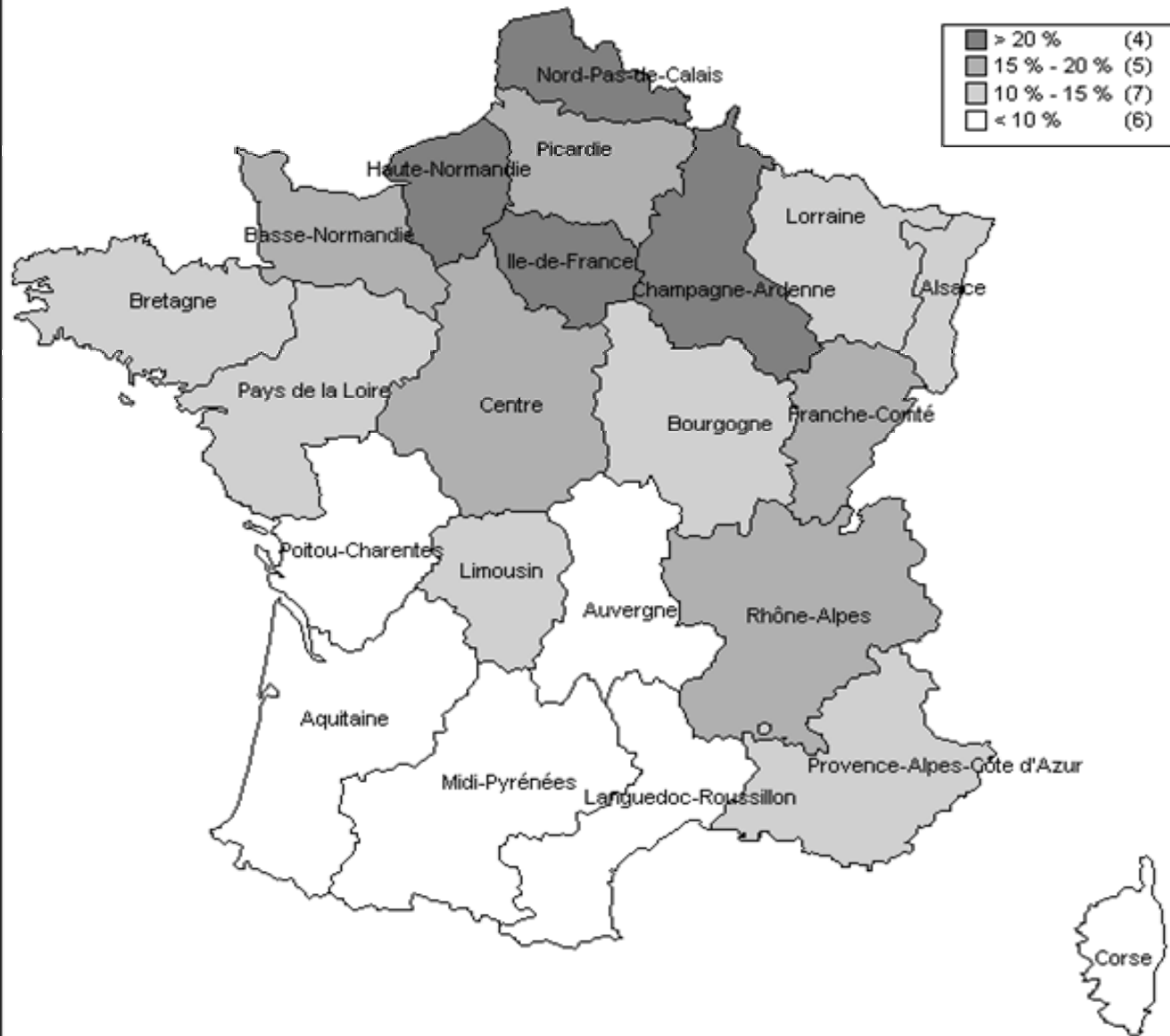
“One per cent” levy (2)

- Other uses recently created:
 - since 1998, financial support to help access to housing for young workers or looking for a first job, to mobility and renovation works in housing;
 - since 2001, an important contribution to urban renewal policy through additional subsidies and an ad hoc housing investment company.



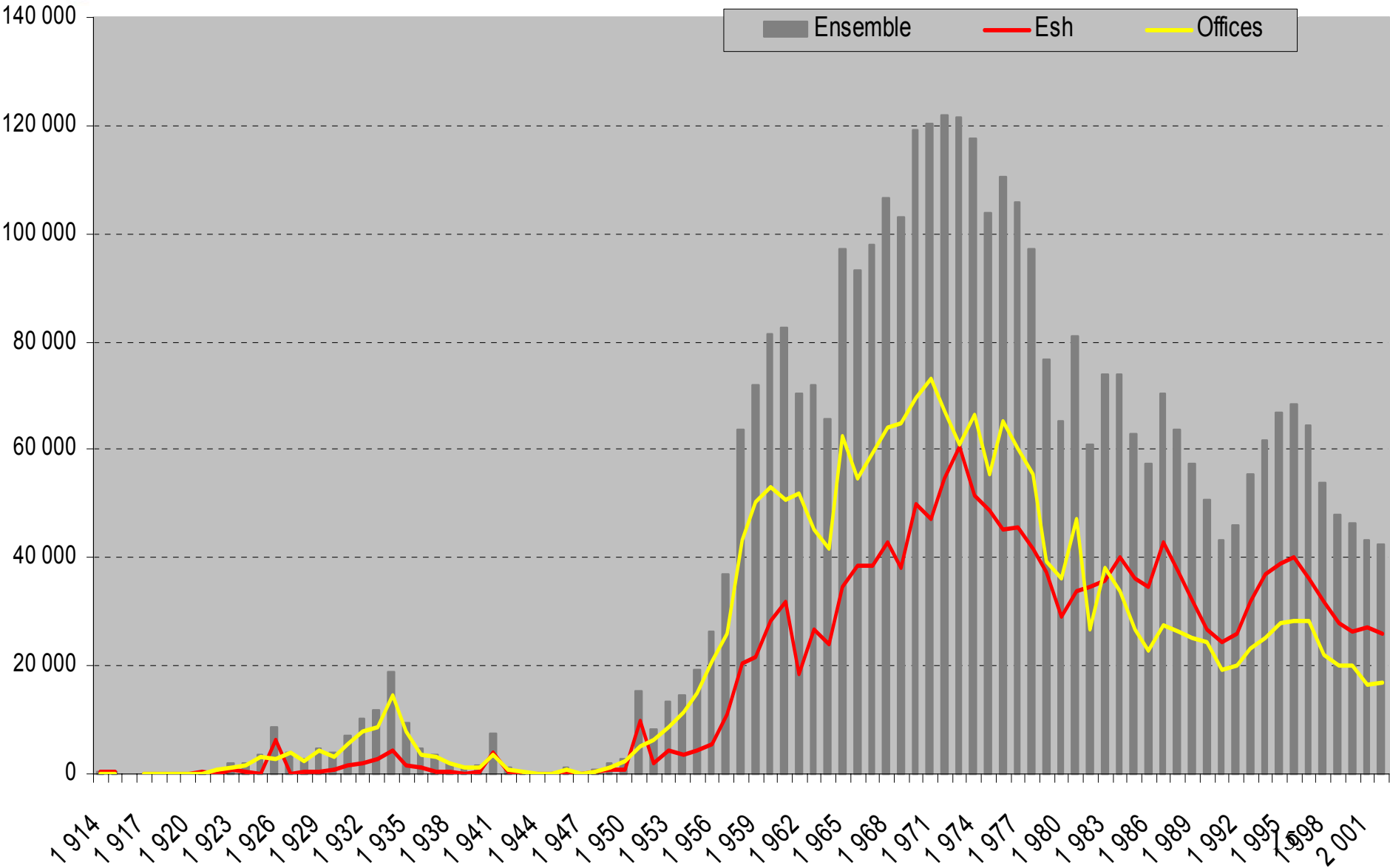
HLM: the Organisations

- Mainly Hlm (Low-rent organisations) and Sem (semi-public companies).
- Hlm are either « Offices publics », linked to Local Authorities, or « Entreprises sociales pour l'habitat », private non-profit limited companies:
 - 292 SA & Fondations d'Hlm ; stock = 1,8 M
 - 287 OPHlm & OPAC; stock = 2,1 M
 - 294 SEM immobilières; stock = 0,5 M
- Stock concentrated in the North-East half (Ile de France & Nord-Pas de Calais).





HLM Housing stock





Tenants & Rents

- Maximum rent & maximum income for an unlimited period (\neq private social housing).
- Eligibility (in theory): 71% of the population (income) 30% (income + Owners).
- In practice: tenants are poorer & poorer; only 7% are above income ceilings (additional rent if income $>$ 1.2 maximum income).
- Maximum rent: between 1 (rural areas) & 4 times the private sector rent.

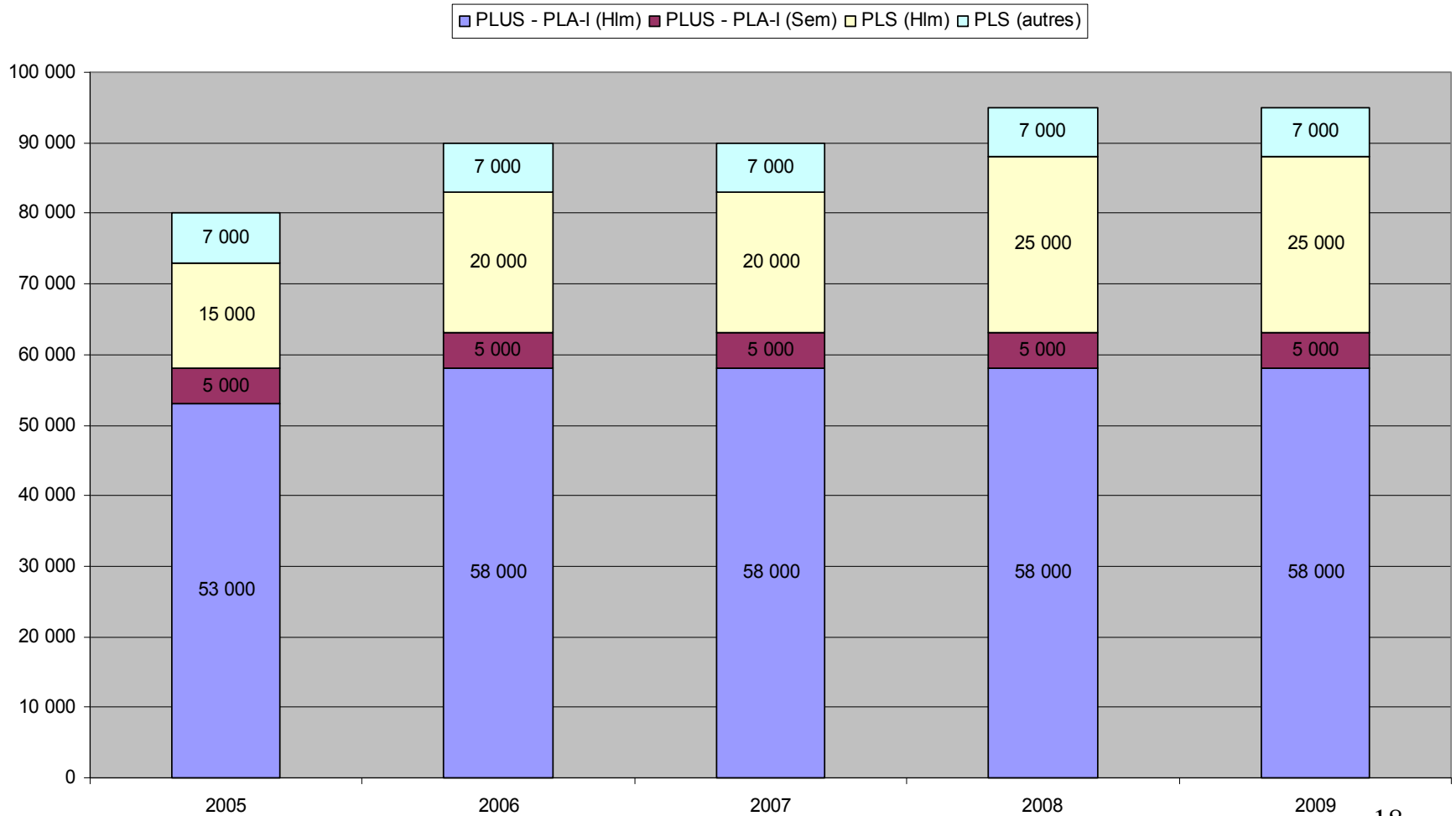


New construction & Renewal of social rented housing

- Two pluri-annual « programming » laws:
- “Plan de Cohésion Sociale” (2005 – 2009):
 - Initial planning = 500 000 units in 5 years;
 - Now 591 000 (142 000 in 2008 & 2009).
- “National Urban Renovation Programme” (2004 – 2013):
 - Under the responsibility of a new ad-hoc State agency: “Agence Nationale pour le Renouvellement Urbain”;
 - Planned Investment: 30 Bn €, subsidies 10 Bn €: State (5 Bn €), UESL (5 Bn €), + CGLLS & CDC.
- Demolition - Reconstruction : 250 000 in 10 years.
- Renovation & « Residentialisation » : 400 000 in 10 years.



Hlm objectives / state agreement 2004



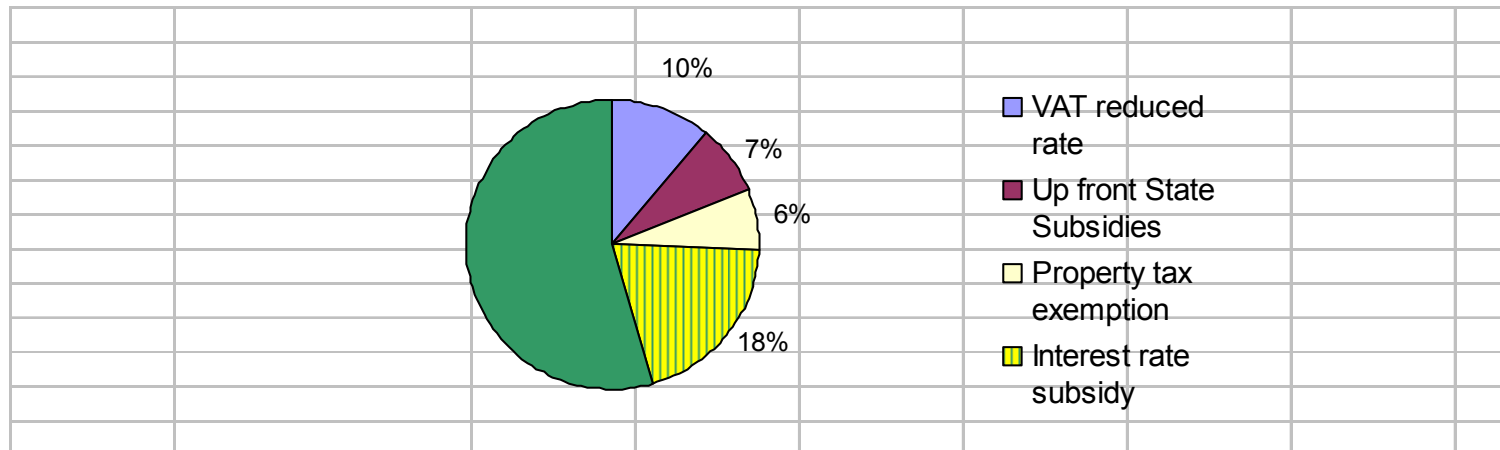


Bricks & mortar subsidies to SRH programmes (« PLUS » neuf)

- VAT reduced rate (5,5% instead of 19,6%) ;
- Direct State Subsidy (2,5 à 3%);
- Additional Subsidy for land cost (if expensive) by State + Local Authorities;
- Property tax exemption (25 years vs 2 years);
- Low rate & long-term CDC loan guaranteed by Local Authorities;
- + « 1 % Levy » & Local Authorities.



Social housing finance: subsidies



In addition to these subsidies, social rental housing program often benefit from :

- State and local land subsidies
- off-market loans from the employers' Fund (1% levy)



PLUS Financial plan

(100 000 € HT, 67 m²)

■ State subsidy :	7 500 €
■ Local Authorities subsidy :	2 200 €
■ 1 % subsidy :	3 800 €
■ Loans :	5 000 €
■ Own capital :	5 000 €
■ PLUS CDC:	82 000 €
■ Total (5,5% VAT) :	105 500 €



Loans to SRH: off-market funding

- Current loans (PLUS) that finance SRH are:
 - very long-term (construction/land : up to 40/50 years),
 - guaranteed by local authorities (most often),
 - distributed only by a State subsidiary multifunctional financial institution “Caisse des dépôts et consignations”,
 - funded by (short-term) deposits on “livret A” (saving booklet),
 - at a rate of 3.55% that only depends on the interest paid to “livret A” booklets owners (= 2.75% + margin).

75% of French people own a “livret A”. Deposits on “livret A” are tax free and guaranteed by the State.



Livret A

- Since July 1st 2004, the rate of “Livret A” is equal to the average between:
 - The monthly average of 3-month Euribor,
 - The 12 month increase of CPI,
 - + 0.25 pt,
 - Rounded at the closest $\frac{1}{4}$ pt.
- Revision every 6 month (February & August).
- PLUS loan rate = “Livret A rate” + margin.



Fonds d'épargne (Savings Fund)

- Deposits on Livret A (delivered by group Caisse d'épargne & La Banque Postale) are centralised in les “Fonds d'épargne” of “Caisse des Dépôts et Consignations”.
- Several French banks and ING filed a claim in Brussels and gained the right to distribute Livret A to their customers (last week!).
- They propose to take a smaller margin than the present distributors (0.8 vs 1.0 & 1.3).
- But we have no guarantee to have a stable funding in the future.



A double guarantee system

- Usually (95% cases), loans to SRH organisations are guaranteed (for free) by local authorities; in return a number of units are reserved for them.
- When this guarantee is refused or impossible (5% cases), an alternative guarantee is provided by a mutual fund (CGLLS); the price is 2% of the loan amount.
- In practice, these guarantees are never called on a programme basis. If an organisation meets financial difficulties, CGLLS & all Local Authorities concerned intervene together.