

A comparison between housing policies in Greece and in Germany

A work of the FIG Task Force on Property & Housing

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1. Introduction

This study compares two papers on affordable housing prepared for the purposes of the FIG Task Force on Property and Housing. Taking into consideration that housing real estate is part of the property market and works according to the rules of the market economy, it is obvious that housing prices are determined by supply and demand. High and complex zoning and building restrictions create a limited supply; uncertain construction timeframes and high property taxation represent significant barriers to "affordable" housing. There is a growing number of low-income workers who constitute a "demand" for low-cost housing but those who control the market see no profit in housing them. Therefore, in countries within a free market economy that provision of social housing is eliminated and there is a growing housing affordability problem.

However, the right to affordable housing is a main social responsibility (Article 11 of the International Covenant of Economic, Social & Cultural Rights –CESCR: the right for adequate standard of living at a reasonable cost). The objectives of the FIG Task Force on Property and Housing are to investigate: what the role of the state might be in the free market economies. Are there examples of good practice in terms of modern housing policies, legislation, financial mechanisms, etc? What may the role of stakeholders (public/private) be?

"A Research on Greek Social Housing Policies," (Philippakopoulou et al, 2013) by members of the School of Rural & Surveying Engineering of the National Technical University of Athens, presents their first findings of research on Greek social housing policies of the Greek government from 1920 to 2013. This research investigates the various housing policies, the various Greek national organizations involved with social housing for the more vulnerable members of society and the projects they have implemented, in an effort to evaluate their efficiency. The paper was published in South-Eastern Journal of Earth Observations and Geomatics Volume 2, Number 25, in 2013.

"Promoting Affordable Housing within Market Economy" (Voss, 2012) is a study of affordable housing in Germany as a social responsibility, the market forces effect on housing, the country's social policy and strategies, land management attitudes of stakeholders and authorities and the financial support provided. This paper was presented at the 2012 FIG Working Week, Rome, 6-10 May, 2012.

2. Definition of affordability and current statistics

The Voss paper cites Article 11(1) of the International Covenant of Economic, Social and Cultural Rights (CESCR) (www.unhchr.ch) of affordability in housing as follows: "Personal or household financial costs associated with housing should be at such a level that the attainment and satisfaction of other basic needs are not threatened or compromised. Steps should be taken by States parties to ensure that the percentage of housing related costs is, in general, commensurate with income levels." In short, those basic needs associated with shelter should not be limited by the high cost of housing, and housing cost should be within the means of all citizens.

The Philippakopoulou paper offers the Revised European Social Charter, Article 31 statement: "With a view to ensuring the effective exercise of the right to housing, the Parties undertake to take measures designed to promote access to housing of an adequate standard; to prevent and reduce

homelessness with a view to its gradual elimination; to make the price of housing accessible to those without adequate resources” (Council of Europe, 2002). This statement concentrates on the issue of homelessness while providing housing of adequate standards at such a cost as to be affordable by all as a basic right. The common thread in both statements is the need to provide housing at costs within the means of all citizens. The result would be, presumably, an elimination of homelessness and an ability of residents to attain to all the other necessities of shelter.

In the German system the housing market is recognized as a local or regional market; the municipalities and counties are the administrative structure that must govern affordable housing in each single case, while the framework of affordable housing is the responsibility of the federal states. The state’s obligation to provide for social housing in Greece is guaranteed by the Greek Constitution: “(T)he acquisition of a home by the homeless or inadequately housed is an object of special state care.”

Figure 1 shows the tenure split as % of the total dwellings stock in EU. In Greece housing is mostly owner occupied about (75%) and private rent about (20%), while Germany is the only country in the European Union where the private rental sector (53%) is larger than the owner occupied one (42%). In Germany tools are necessary operating with landlords as well as owner occupiers while in countries with high home ownership rates, like Greece, one strategy was considered adequate.

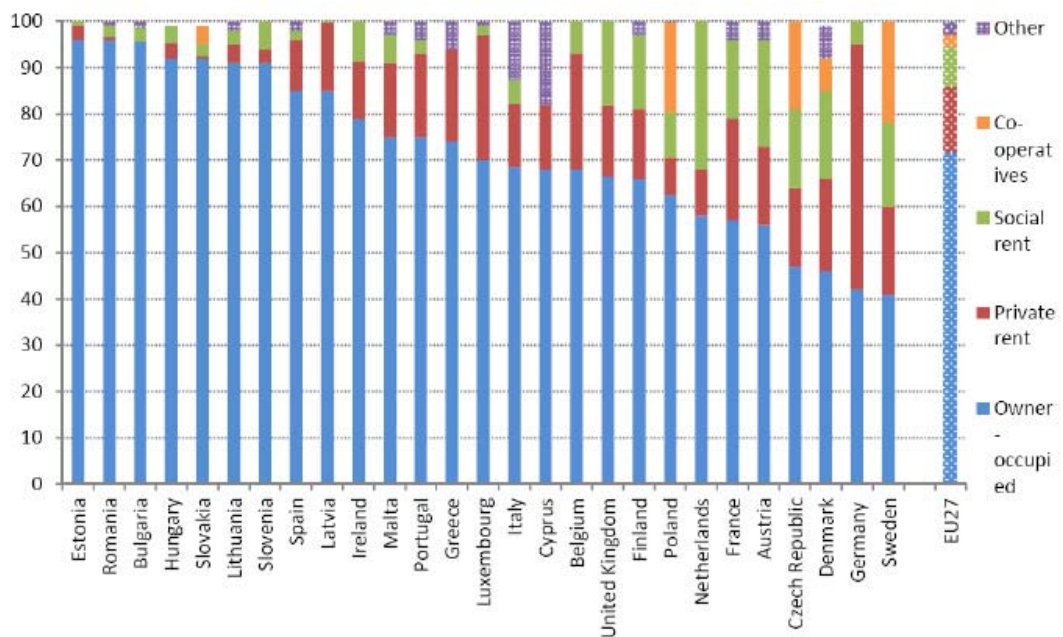


Figure 1. Tenure split as % of the total dwellings stock in EU 27 (2010). (Source: Voss, 2012).

Figure 1 also shows information about the social rental sector in EU countries (green column). Within the rental sector the relative importance of private versus social rental sector varies substantially.

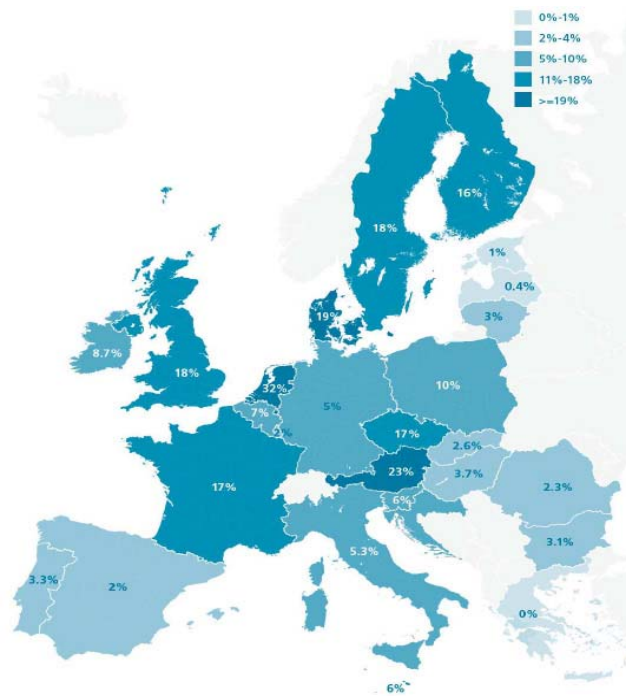


Figure 2. Social rental housing as % of total housing stock. (Source: CECODHAS, 2011)

Figure 2 shows that in Germany the building stock under social housing represents about 5% of the national housing stock only (about 2M houses, plus the “quasi-social housing” municipal privatized housing stock managed by cooperatives, which no longer are legally social housing), while in Greece there is no such tool available.

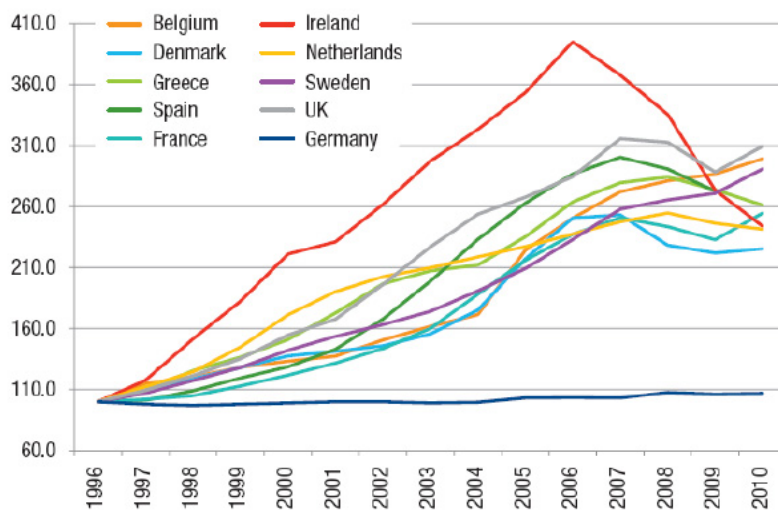


Figure 3. Market prices for housing properties development (1996-2010)

Figure 3 shows the strong rise of market prices for housing during the period 1996-2010 in most European countries while in most German cities a more comfortable situation was detected.

3. The Greek experience

Prior to 1950 the Hellenic state had no housing policy other than for the establishment of refugee settlements financed by the state, built by contractors on state-owned land, and finally ceded to the new residents. Housing in Greece during the earliest years of the new Hellenic State (1832-1920) was provided, not by the state but by private initiative, through informal construction. The 1920-1930 Greek Housing Policy included two types of housing: (a) State produced Nuclei (of 30 m²), in rows of 1 or 2 storey houses (for 6 or 12 families per floor), or residential complexes of about 4-storey buildings with no elevator, financed by the state and build on state land by private constructors, delivered to beneficiaries by a deed as a 20-year loan, always creating home ownership, and (b) Self-built housing system, by provision of state land parcels and basic infrastructure (plots arrangement, roads, utilities, key public buildings) to the beneficiaries. Those were self-made constructions built with or without government financial subsidy, always creating land and home ownership. In parallel to that social housing policy informal development was always tolerated by the state as an alternative to affordable housing. This has created the so-called “first generation of informal settlements” in the periphery of the Greek cities. For the next 50-years (1950-2000) urban regeneration projects have been compiled in such areas in order to recover the impacts of informal development.

In the 1930s responsibility for urban social housing was transferred to the Ministry of Social Welfare with the main objective being resettlement of those living in informal settlements. According to the Code of 1928: *“every refugee family was entitled to acquire a residence (apartment) in the new urban settlements that were built by the Ministry of Welfare unless they already owned a home somewhere else or had taken ownership of a rural plot”*. The new apartment was offered at 70% of its cost (including land and construction) and was expected to be paid off in 15 years (through interest-free installments). Temporary ownership rights were transferred to the beneficiaries once 10% of the price was paid. Free hold ownership rights were transferred once the total price was paid. For the first 7 years of the concession, rent, transfer of ownership and registration of a new mortgage were not permitted. The *“self-built” housing system* was again applied (1949-1953); each family was granted: *building materials of their choice, a sum of money and technical assistance*. Adding their own available resources, the owners managed to build bigger and better residences than in the previous “erecting nuclei” policy. This system was developed on a large scale on a national basis. Materials and money were administered in installments so as to ensure their application to housing and not for other purposes. Technical assistance was provided by a regional agency composed of engineers and architects. In parallel, rural rehabilitation in 1930 was taken over by the Ministry of Agriculture who funded 14,000 rural homes while providing financial support for another 64,000 units of housing. Following World War I and up to 1949 the country experienced an increase in immigration of displaced Greeks from Asia Minor, a loss of housing through earthquakes, and the destruction of World War II and the subsequent civil war. The resulting shortage of housing created a need for a national housing policy in Greece.

The main social housing bodies in Greece included the Refugee Care Fund 1922-1925, the Refugee Rehabilitation Committee 1924-1930, the People's Housing Service of the Ministry of Welfare 1930 - 2012, the Officers' Independent Building Organisation 1950- , the Social Housing Organisation (OEK) 1954-2012, the Housing Service of the Ministry of Public Works, the Real Estate - Construction company «EKTENEPOL » S.A. a subsidiary of the Mortgage Bank 1973-, the Urban Planning and Housing Public Sector company DEPOS 1976-2010, the Service for the Rehabilitation of Earthquake Victims (SREV) of the Ministry of Transport and Communications, and the Center for Planning and Economic Research of the Ministry of Coordination. The participating financial institutions include The

National Mortgage Bank (the main financier of private sector loans that handled public sector program loans that were provided for self-help housing); the Trust and Loan Fund and the Postal Savings Bank (which provided housing loans to permanent public servants who had no home ownership); and the Agricultural Bank, (responsible for the implementation of loan schemes for farmers towards the purchase or construction of a new home or extension, and the improvement or repair of an old one).

During the decade of the 1960s a number of changes in housing policy were adopted including a new method for administration of loans through increased rates of grants and promotion of loans for housing. Over the years ten different ministries of the Greek government have been involved in providing housing. The major part of the state's participation in housing construction were the People and Refugees housing programs of the Ministry of Welfare in cooperation with the Housing Service of the Ministry of Public Works, and the Social Housing Organization (OEK). From 1960 through 1972 the Ministry of Welfare produced 71,386 units of housing, at a cost of about 4.986.867.000 drachmas.

Figure 4 shows the progress achieved by the Ministry of Social Welfare in providing housing.

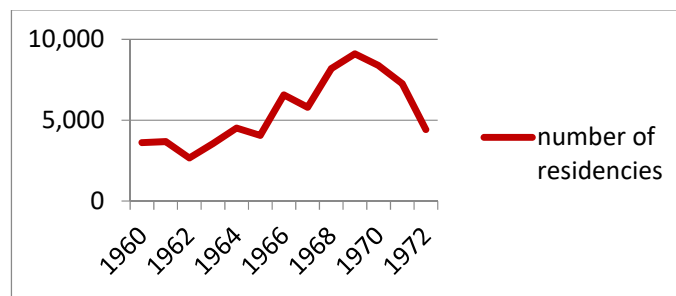


Figure 4. Progress of the Housing Programs of the Ministry of Social Welfare (1960 to 1972)

The remaining housing needs in the '70s were estimated to be as follows: 12.000 households still living in irregular dwellings; 42.000 informal homes were built, 25.000 of which were classified as unsuitable; 63.000 families, victims of earthquakes and landslides, were waiting for aid; 286.000 families (11,3% of the total) lived in a high density situation (> 2 persons per room). The majority of these were in the urban areas.

3.1.OEK

OEK was established by government Decree 2963/54 in 1954 as a public entity under the control of the Ministry of Labor and Social Services and became the main body implementing social housing policy with the purpose of providing housing to workers and employees of the public or private sector in need of housing. This program was funded by workers, employees and their employers. Beneficiaries of OEK projects were the following: All workers or employees associated by contractual relationship with their employer; employees of legal entities of public entities and the wider public sector bodies; and retirees of the above categories. The criteria to be entitled to housing assistance were not to own a house or other assets capable of covering housing needs; and to have completed a set number of work days, depending on family situation. OEK obtained the land for the projects by the following methods: self-funded acquisition; land concession by a public body (i.e. municipalities); forced expropriation; and project-based contract with other organizations.

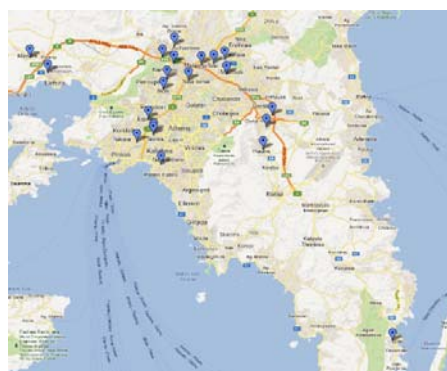


Figure 5. 102 OEK Projects in Attica

OEK programs (Fig 5) to support housing included: *loans with subsidized interest* that were proportional in amount to family income and carried interest rates according to marital status; *loans for completion of existing housing* were interest-free loans payable within 25 years with loan amounts determined by family size; *loans to repair existing housing* where building permits had been issued at least 15 years earlier; *for large families or with disabled members* included grants for residences to be built by OEK as well as grants for existing residences located by the grantees, and interest-free housing loans in which the loan amounts were determined by family size; *for beneficiaries with severe social needs and for single mothers*, involving beneficiaries with a reduced number of wages (in a typical case a beneficiary with 3 children and an income not more than 18,000 euros received a monthly subsidy of 215 euros) from 1989 through 2009, a total of 893,379 rental subsidies were granted under this program; *program for annual rent subsidies*; and *housing provided through the Building Construction Program of OEK*. Figure 6 shows the number of homes delivered from 2003 through 2011.

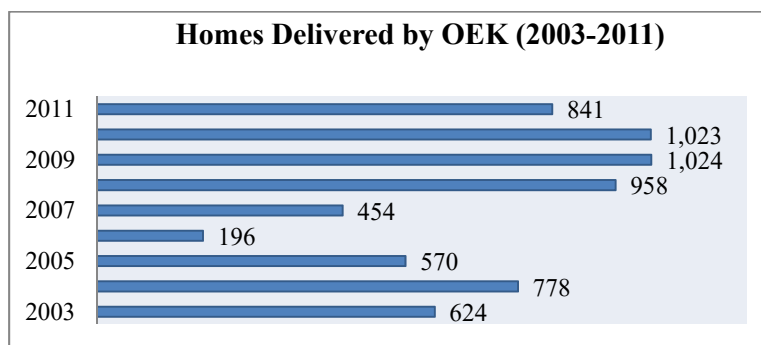


Figure 6. Homes delivered by OEK during 2003-2011 period

The distribution of homes under this program was based on a lottery system with final ownership of residences transferred to the beneficiaries. Interest-free payments were made by the beneficiaries toward the final price of the residences. Subsequent transfer of properties by the beneficiaries could be made only after 15 years assuming full payment. Under this program OEK constructed a total of 574 housing projects totaling 50,004 residences.

The OEK was abolished as a public entity by legislation of 2012. Although the organization had always had a constant inflow of income, which continues, OEK's borrowers often neglected their contractual obligations. Non-performing loans in the OEK portfolio amounted to 26% of the total outstanding debt with total arrears amounting to 150 million euros of which 25 million euros are arrears in interest, as of 2013. As of 2013 there was no official body implementing social housing policies in Greece.

4. The German experience

In Germany, following World War II, the main task in social housing policy was for the production of dwellings to satisfy the demand of a growing population, with an increasing standard of living. In the 1960s and 1970s there was an object-based social housing –involving direct investment of public money– constructed by non-profit companies (return on investment limited to 4% per year) owned by the municipalities, churches, unions, cooperatives, etc, build for specific target groups. The suppliers of social housing dwellings were required to accept tenants under income limits, with limitations on size of flats and number of rooms.

In the 1980s financial aid was directed more toward would-be tenants (subject-based aid) and away from owners and suppliers of housing (object-based aid). In 1989 the non-profit status of this housing was cancelled and the status of the social housing regime is allowed to come to an end after a fixed term from about 40 years for projects of the 1970s and 80s to 12 to 20 years for projects developed in more recent decades.

As a result dwelling units are free to be rented or sold at market rates and the number of social dwelling units is declining. Providers are considered as market actors: municipal housing companies and cooperatives (non-profit sector), private landlords, commercial developers, investors with shareholders. Soon in main German cities hundreds of apartments will no longer be subject to social rent control; even some of the non-profit housing associations are now building mainly in the more up market segment. However, as of 2009 there were at least 5 million households (12.5% of all households) still registered under the social housing regime.

The change in policy during the 1980s to direct financial aid away from increasing the number of dwellings (object-based aid) and toward tenants (subject-based aid) was the result of high housing standards that made state involvement more nearly obsolete. Now the rules were directed to the quality of the building stock and toward the needs of special groups (subject-based aid).

4.1. The modern Law on Social Housing Provision WoFG

The modern Law on Social Housing Provision (WoFG) was adopted in 2001. Target groups are defined by the legislation as households who cannot secure for themselves adequate accommodation, and require support. Municipalities are the main stakeholders for the implementation of affordable housing policy, while the federal states provide and distribute public money for the promotion of affordable housing.

The forms of tenure according to the law include rental dwellings, cooperatives with shared ownership/equity and owner-occupied buildings.

Different provisions in the law support affordable housing through construction and purchase of dwellings; purchase of existing dwellings; modernization of dwellings; and arrangements whereby owners of dwellings may accept tenants selected by the municipality.

The law provides for a variety of granting subsidies including subsidies as loans; subsidies as grants; securities provided by public institutions, e.g., loan guarantees, letters of indemnities; and the provision of land for housing from public stock at affordable prices.

The law assigns responsibilities to the municipalities:

- Municipalities must see that land parcels dedicated to public housing are not speculatively acquired but will be utilized for the intended purpose.

- The municipality must see that appropriate dwellings are modernized according to existing housing stock.
- Municipalities must work with the potential builders of social housing in consultation and support.
- Land-saving and cost-reduction construction methods are to be applied.

Subsidies provided under the law are controlled by income ceilings of the recipients and thresholds according to the size of the dwellings. Different rules apply in the different federal states. For instance, for a two-person household the allowable disposal income may be 18,000 euros per year with an additional 500 euros per additional child, while the appropriate size of a rental dwelling may be 75 square meters for a 3-person household.

4.2. Rent law

The rental housing market in Germany is controlled by a strong rent law for the protection of tenants by setting restrictions on landlords. The most important aspects of rent law in respect to affordable housing are protection against eviction; for levels of rent controlled against the local comparative market rents; a limitation on the increase in rental payments to 20% over three years; and a limitation on increase in annual rent due to modernization of dwellings to 11% of modernization cost.

There is no institution in control of the rental market in Germany. Tenant complaints must be dealt with through litigation.

4.3. Planning law and affordable housing

Few legal rules relevant to affordable housing are provided in the German Federal Building Code (BauBG). Municipalities may designate areas for residential buildings which may include a social housing provision (arrangements next to the planning permissions) but large coherent social housing districts have been found to be the source of social problems and are avoided. However, general planning aspects of BauBG requests that the composition of inhabitants in one area should be maintained in a socially balanced manner, with an avoidance of unilateral population structures, a restriction applying as well to “gated” communities.

A policy setting minimum percentage of social housing in residential developments is in widespread practice as provided in a section of the BauBG. Such practices are set as agreements between municipalities and housing developers.

4.4. Financial tools to promote affordable housing

As well as direct subsidies including object-based and subject-based grants, certain indirect subsidies may be applied in the promotion and support of affordable housing. These include Tax incentives for rental and owner-occupied dwellings and a framework for the social housing market. A rent price comparison system and rent increase ceilings are included in the rental market framework, while a land market policy includes adequate land sale prices for sale of public land stock.

General public housing policy includes tools and subsidies available in the affordable housing sector, as well. These include energy-saving techniques in housing; dwellings for handicapped people and tax reductions for monuments and modernization of buildings within urban renewal areas.

Subsidies to provide adequate housing with adequate conditions are available as part of the social security system; as part of the housing allowance paid by the federal state; and as part of the social housing provision law (WoFG).

5. Observations

A need for housing assistance occurred under different circumstances in Greece and Germany due to historical differences in the two countries. Greece has been burdened by refugee immigration from nearby areas as a result of wars and natural disasters from the earliest days of its national existence. Germany's greatest need for social housing arose following World War II with the return of military personnel and reconstruction of the housing stock. Both Greece and Germany recognized the needs and responded at the highest state levels of government and both countries experimented with a search for best policies to meet the goal of housing for its neediest citizens. The Greek Social Housing Organization, OEK, and the German Law on Social Housing Provision, WoFG, became the basis for the major efforts and greatest success in the two countries in the provision of affordable housing, both for ownership housing and rental housing.

According to the Umbrella Organization for affordable housing GdW (Federal Union of German Housing and Real Estate Association) in Germany today there are 1,897 housing cooperatives; 739 municipal and public housing associations; 138 real estate associations in the private sector; 53 church housing associations; and 49 other institutions. There are also 6 million rental social dwellings, which represent about 30% of all rental flats in Germany. The total social housing stock is 1,2 M dwellings and 2,2 M flats managed by housing cooperatives.

In 2009 there were about 5 million supported households (about 12,5% of all households); and another 20% or 1 million households benefit from housing allowance.

The survey *Bedarf an Sozialwohnungen in Deutschland* ("Demand for social housing in Germany") commissioned 2012 by the German Tenants' Association has ascertained that there are only 1.66 million state-supported flats available to satisfy the present demand, which has been calculated at around 5.6 million housing units. It was found that over the past ten years on average 100,000 council flats had vanished every year from the housing market in Germany. In spring, 2012 the majority of Germans were convinced that social housing would be needed in the future, as well. About 98% of the people asked were in favor of state-supported housing. According to the survey the main reason for the decrease of council flats is that more and more flats are no longer subject to rent control. At the same time only a small number of new, rent-controlled flats are being put on the market. Every year sees only about 30,000 new council flats as a rule, 10,000 of them being new construction. However, if they were merely to satisfy the existing demand, the number of state-supported flats available every year would have to be around 130,000.

Social housing in Greece has always encouraged home ownership. In Greece the OEK was successful in providing loans and grants to thousands of its citizens for rental assistance, property ownership and the improvement of properties. However, an accumulation of arrears in the repayment of loans and an unacceptable level of non-performing loans suggests poor program management by OEK. Research also identified inefficiency in the management of the organization in the selection of the beneficiaries, the non-compliance to economic terms, the significant delays in the administration of justice from the Judicial system in case of disagreements and in that there are still vacant, unallocated residential units despite the increased housing need due to the severe economic crisis.

OEK was abolished by Law 4046/12 due to the high level of non-performing loans and arrearages. (Provisions of Chapter E' "Structural Reforms", paragraph 29 of the Memorandum of Economic and Financial Policies and of Chapter 4 "Structural Reforms for Development Strengthening" paragraph 4.1 "Assurance of the rapid adjustment of the labor market and strengthening of the statutes of the labor market" of the Memorandum of Understanding on the Specific Preconditions of Financial Policy.) However, the research has also identified that the proceeds from OEK programs is still collected by the government; it is unclear where this income is directed. There is (as of the date of this paper) no official body for the implementation of social housing policies in Greece. It is obvious that there is an urgent need for providing tools (a) for affordable rental housing and (b) for a new policy planning for social housing in Greece. There is also a need for a greater role for the private sector in providing affordable housing in Greece.

The policies of both the Greek and German programs distinguished between object-based and subject-based aid in their social housing assistance. Object-based aid was assistance to the providers of housing in a response to a shortage of housing stock. Subject-based aid was assistance to individuals in need of affordable housing in response to a large group of needy citizens. The change in German policy during the 1980s to direct financial aid away from increasing the number of dwellings (object-based aid) and toward tenants (subject-based aid) was the result of high housing standards that made state involvement more nearly obsolete. Now the rules were directed to the quality of the building stock and toward the needs of special groups (subject-based aid).

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International Federation of Surveyors
Fédération Internationale des Géomètres
International Vereinigung der Vermessungsingenieure



National Technical University of Athens

A comparison between housing policies in Greece & in Germany

A work of the FIG Task Force on Property & Housing

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Content

- **Housing-FIG TF on Property & Housing**
- **Housing Policies in Germany (contribution of Prof W. Voss)**
- **The Social Housing in Greece**
- **The findings of the research**

FIG Task Force: Promoting Affordable Housing within the market economy

- Housing is a part of the economy & works according to the rules of market economy; determined by **supply & demand**-House market is a **local & regional market**.
- The right to affordable housing is a main social responsibility (Article 11 of the International Covenant of Economic, Social & Cultural Rights –CESCR: the right for **adequate** standard of living at a **reasonable** cost)

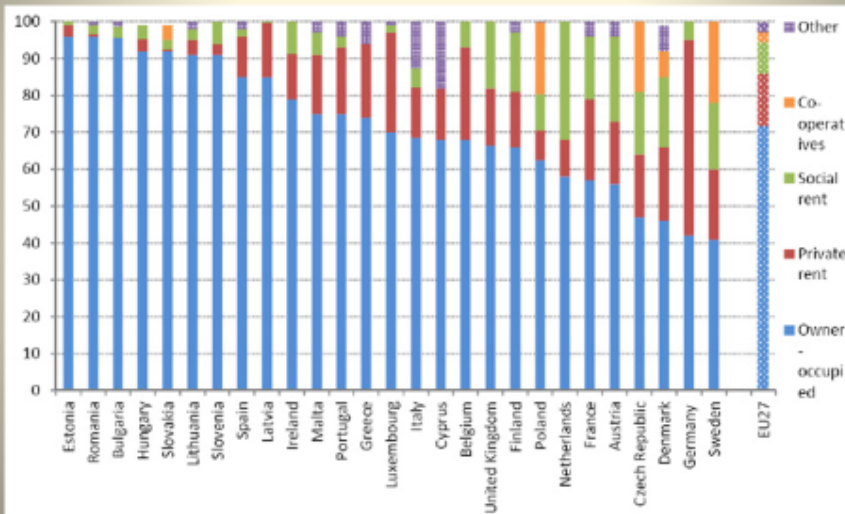


The **role of the state**? Legal framework (law/rules); ensure financial mechanisms; stakeholders (public/private).

Tools:

- Object grant/Subject grant** (grants, loans with low interest);direct/indirect tools
- Special arrangements**: Offering land to investors in reduced prices with an obligation to provide (~20-40%) of the construction for reduced rents to a target group households ; cooperation between planning authorities and private sector
- Important: Capacity of the construction industry & the financing system

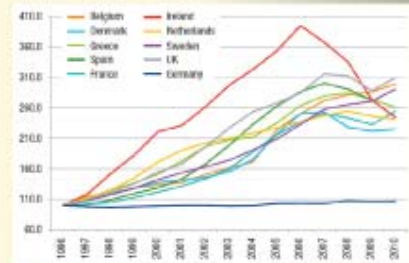
Tenure split as % of the total dwellings stock in EU 27 (2010) Greek social housing always established home ownership



Social rental housing as % of total housing stock (2011)



Market prices for housing properties development (1996-2010)



Germany: 5% social housing rental dwellings (~2M) plus the "quasi-social housing" municipal privatized housing stock managed by cooperatives—no longer legally social housing.

Housing Policies in Germany

After the WWII: construction of new dwellings to satisfy the growing population & increased living standards

1960-1970: object-based social housing—direct investment of public money—constructed by non-profit companies (4% profit) owned by the municipalities, churches, unions, cooperatives, etc; for specific target groups; ~40 years social housing regime

1980s: subject-based support; non-profit status was cancelled.

Later:

Providers are considered as market actors: municipal housing companies & cooperatives (non-profit sector); private landlords; commercial developers; investors with shareholders; 12-20 years social housing regime; **soon in main cities hundreds of apartments will no longer be subject to social rent control;** even some of the non-profit housing associations are now building mainly in the more up market segment.



Move from socio-spatial policy to individual care

Umbrella Organization for affordable housing GdW (Federal Union of German Housing & Real Estate Association):

1,897 housing cooperatives; 739 municipal & public housing associations; 138 real estate associations in the private sector; 53 church housing associations; 49 other institutions.

6 M rental dwellings, ~30% of all rental flats in Germany

Housing stock: 1,2 M social housing dwellings & 2,2 M flats managed by housing cooperatives

2009: 5M supported households (12,5% of all households); 20% or 1M households benefit from housing allowance

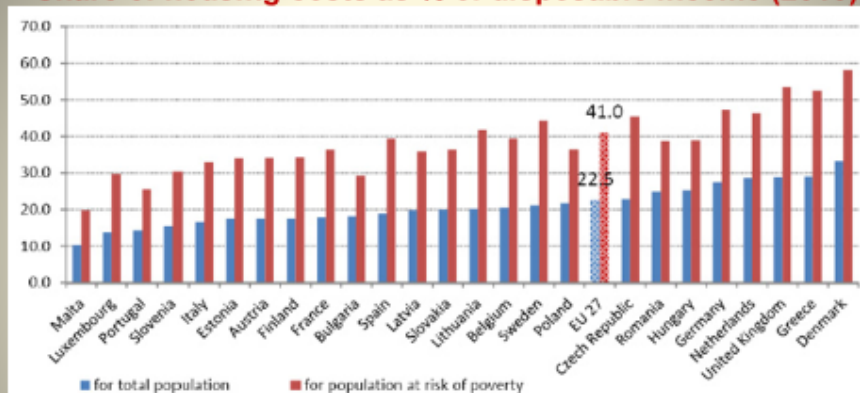
Current demand estimated by the German Tenants' Association: ~5,6 M units

Research institute GfK: (2012 pole) 98% of the people asked were in favor of state-supported housing!!!



How to define affordability? <30%?, <40%?

Share of housing costs as % of disposable income (2010)



Germany: Since 2005 provision of "affordable housing" is in the responsibility of the Federal States; some detailed rules may be fixed at local level.

Legislation

1950: II Wohnungsbaugesetz (WoBauG) [direct/indirect subsidies to builders]

2001: Wohnraumförderungsgesetz (WoFG); 6 States have passed new Law

WoFG:

- various forms of tenure (Rental dwellings; cooperatives with shared ownership/equity; owner-occupied)
- various possibilities (construction; purchase; modernization; purchase of the right to occupy)
- Various granting subsidies (to landlord/to target household: loans with favorite conditions; grants; loan guarantee; offering land for housing?not so popular today) [income ceilings/restrictions of living space]
- Tasks for the municipalities
- Various tasks to the public sector

Since 1980: **open to individual and institutional private investors**

Rent Law in Germany:

- protection against evictions [?? Market economy??]
- "Control" of rent by civil law –not obligatory –up to the tenant to care and apply to court in case of misuse
- Limited increase in rent in case of modernization (11%)

BauGB:

Urban Development Contracts: [arrangements next to the planning permissions] In regions with high demand for affordable housing: new developments set a minimum % of social housing

The 1920-1930 Greek Housing Policy:

- | | |
|---|---|
| • State produced Nuclei (30 m ²) | • Self-built system |
| Rows of 1 or 2 storey houses (for 6 or 12 families per floor) | Provision of state land parcels & infrastructure (plots, roads, utilities, key public buildings) to the beneficiaries |
| Residential complexes ~ 4-storey, no elevator | |
| Financed by the state, | <u>Creating land ownership</u> |
| Build on state land, by private constructors, | with or without government financial subsidy |
| Delivered to beneficiaries by a deed as a 20-year loan, | |
| <u>Creating home ownership.</u> | Self-made construction -nuclei |

Informal Development : first generation of informal settlements in the periphery of the cities. 50-years urban regeneration projects (1950-2000)

Housing Agency & Policy 1930-

Responsibility to : **Ministry of Social Welfare** (1930-1980) for Urban Areas

Code of 1928: *every refugee family was entitled to acquire a residence (apartment) in the new urban settlements that were built by the Ministry of Welfare unless they already owned a home somewhere else or had taken ownership of a rural plot.*

price of the new apartment = 70% of the cost (land and construction) to be paid off in 15 years (interest-free installments).

Temporary ownership rights were transferred to the beneficiaries once 10% of the price was paid.

Free hold ownership rights were transferred once the total price was paid.

For the first 7 years of the concession, rent, transfer of ownership and registration of a new mortgage were not permitted.

- **"self-built" system** was applied (1949-1953); each family was granted:
building materials of their choice,
a sum of money and
technical assistance.

Adding their own available resources, the owners managed to build bigger and better residences than in the previous "erecting nuclei" policy. This system was developed on a large scale on a national basis.

Materials and money were administered in installments so as to ensure their application to housing and not for other purposes.

Technical assistance was provided by a regional agency composed of a large number of engineers and architects.

- Rural rehabilitation in 1930 was taken over by the **Ministry of Agriculture** who funded 14,000 rural homes while providing financial support for another 64,000 units of housing.

Social-housing bodies in Greece

Bodies

- Refugee Care Fund 1922-1925
- Refugee Rehabilitation Committee 1924-1930
- **People's Housing Service of the Ministry of Welfare 1930-2012**
- Officers' Independent Building Organisation 1950-
- **Social Housing Organisation (OEK) 1954-2012**
- Housing Service of the Ministry of Public Works
- Real Estate - Construction company «EKTENEPOL » S.A. a subsidiary of the Mortgage Bank 1973-
- Urban Planning and Housing Public Sector company DEPOS 1976-2010
- Service for the Rehabilitation of Earthquake Victims (SREV) of the Ministry of Transport and Communications
- Center for Planning and Economic Research of the Ministry of Coordination

Financial Institutions

- The **National Mortgage Bank**, the main financier of private sector loans that handled public sector program loans that were provided for self-help housing.
- The **Trust and Loan Fund** and the **Postal Savings Bank** which provided housing loans to permanent public servants who had no home ownership
- The **Agricultural Bank**, which was responsible for the implementation of loan schemes for farmers towards the purchase or construction of a new home or extension, improvement or repair of an old one

Progress of the Housing Programs of the Ministry of Social Services (Welfare) from 1960 to 1972



- **71.386** residencies
- **4.986.867.000** drachmas

The 1970's

Needs:

- 12.000 households still living in irregular dwellings.
- 42.000 informal homes were built, 25.000 of which were classified as unsuitable.
- 63.000 families, victims of earthquakes and landslides, were waiting for aid.
- 286.000 families (11,3% of the total) lived in a high density situation (> 2 persons per room). The majority of these were in the urban areas.

O.E.K.'s Jurisdiction

Established in 1954 by the Decree 2963/54

Beneficiaries of the Organization

- All workers or employees associated with private law relationship with their employer
- Employees of legal entities of public law bodies and the wider public sector bodies
- Retirees of the above categories

Criteria to be entitled to housing assistance

- Not to own a house or other assets capable of covering housing needs
- To have completed a set number of work days, depending on family situation.

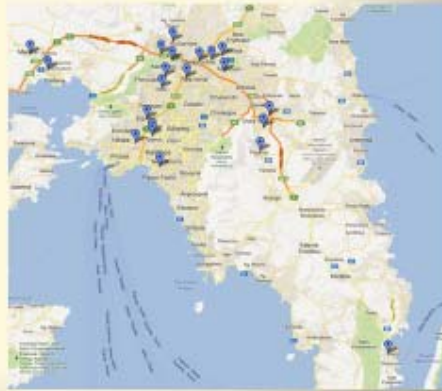
The funds came from contributions from workers, employees and their employers

Housing through the Building Construction Program of O.E.K.

OEK obtained the land for the projects by the following methods:

- Self-funded acquisition
- Land concession by a public body (i.e. municipalities)
- Forced expropriation
- Project-based contract with other organizations

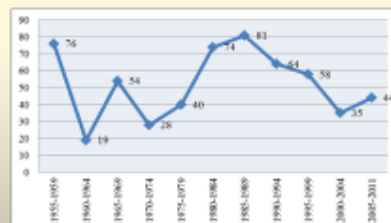
102 Projects in Attica



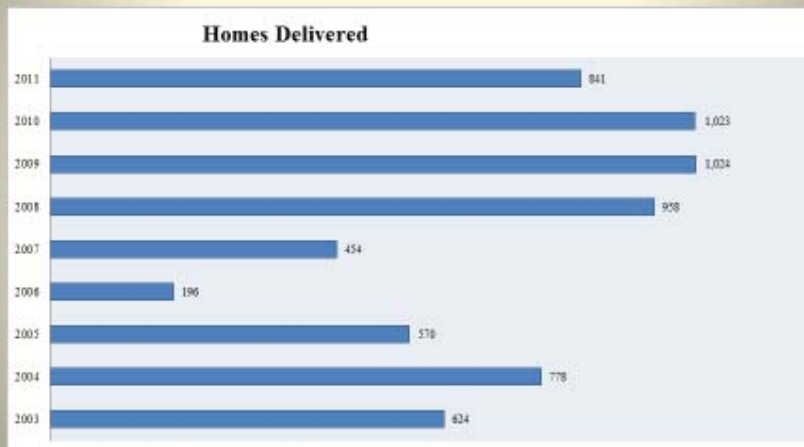
Various Types of Housing programs provided by OEK

- Loans with subsidized interest
- Loans for completion of existing housing
- Loans to repair existing housing
- For large families or with disabled members
- For beneficiaries with severe social needs and for single mothers, involving beneficiaries with a reduced number of wages
- Program for annual rent subsidies
- Housing provided through the Building Construction Program of OEK

OEK 5 year plan Project Tendering



Homes delivered 2003-2011



Findings: O.E.K. Mortgage Arrears

Data 1997-today

| Years Delayed | Number of Loans |
|---------------|-----------------|
| 0 | 34,647 |
| 1 | 4,679 |
| 2 | 1920 |
| 3 | 1192 |
| 4 | 620 |
| 5 | 414 |
| 6 | 400 |
| 7 | 425 |
| 8 | 410 |
| 9 | 443 |
| 10 | 327 |
| 11 | 433 |
| 12 | 407 |
| 13 | 318 |
| 14 | 218 |
| TOTAL | 46.853 |

- **12.206 N.P.L.s**
- **26 % of the total**
- **150 M Euros**

It was common practice OEK's borrowers to neglect their contractual obligations hoping that they will not be asked to repay the loan either in its totality or in part.

Total arrears: € 150.000.000,
of which €25.000.000 are unpaid arrear interests

Non-Performing Loans (delay > 3 months) amount to 33 % of the total, while the banking sector considers 10% N.P.L.s to be a problem

Case study area: "Tavros I" social housing block of apartments



Parcel size: 0.5 ha
Construction Size: 5 six-storey blocks; in total 78 apart (of 69 m² - 119.5 m²) plus parking spaces & storage rooms



Past: refugee settlements

Time of construction 2001-2005: Mixed industrial use & housing, low-income households

special value defined by OEK: 495,5 € / m²; repayment: 100 Euros/month

Target group: 78 families with >4 kids

Delivery procedure: priority list/ lottery (3 are still vacant)

Current status of property rights and loans



>Repayment???

- 64% paid off
- ~half of the beneficiaries have paid off >70% of their "loan"

- Land & apartments' owner: OEK
- Tenants: temporary right to use (no right to transfer, rent or mortgage)

Estimate of the total investment made by OEK: 6.671.755 €.

a reasonable market value for an "easily tradable" parcel in 2001, in Tavros neighborhood was 270 € / m²; a 20% reduction due to its large size = 215 € / m². Total parcel value= **1.114.775 €**; total construction costs = **5.556.980 €**

Estimate of the current (2013) market value: 8.580.810 €

Asking prices fluctuate from 1.600 € / m² to 1.840 € / m². The comparables refer to 3rd and 4th floor apartments (age depreciation factor=3%; asking prices deduction=20%; proximity to metro station increase=5%; floor factor= 4%). Estimated current value for 3rd & 4th floor= 1.160 € / m²

Expected total pay back= 3.854.134 €; loss~ 2.817.620 €

Findings

- Social housing in Greece always established home ownership
- There is a lack of Information and monitoring in Greece.
- Need for change the Planning & Land management attitude & the role of private sector
- Inefficiency: in the selection of the beneficiaries; non-compliance to the economic terms; significant delays in the administration of justice from the Judicial system in case of disagreements. Vacant – **Unallocated Residences**
- Although OEK had always a **constant flow of income**, **OEK was abolished** by Law 4046/12, pursuant to the provisions of Chapter E' "Structural Reforms", paragraph 29 of the Memorandum of Economic and Financial Policies and of Chapter 4 "Structural Reforms for Development Strengthening" paragraph 4.1 "Assurance of the rapid adjustment of the labor market and strengthening of the statutes of the labor market" of the Memorandum of Understanding on the Specific Preconditions of Financial Policy. However, the research has identified that **the income of OEK is still collected by the government but is unclear where this income is directed to.**