



The Role of ARA in subsidizing Social and Affordable Housing in Finland

14.6.2022 International Social Housing Festival

Director Jarmo Lindén
Housing Finance and Development Centre of Finland

RECEIVED AT AH MEETING ON 11/17/2022

AH-4(1)



Baby Boomers were born after the WW II: 1945-1949 annually was born over 100 000 children

- ARAVA was helping to solve housing problems of families
- Great move to the cities started in Finland in the sixties
- Last year only 45 000 children were born...





In Finland Social / Affordable Housing is achieved with combination of:

ARA interest subsidy loans (1950 Million Euros 2022 = 10 000 new dwellings)

Affordable rent in ARA Housing = cost recovery principle.

* Owners of social rental housing= municipalities and non-profit private actors

Co-operation between Government and Municipalities is necessary - Agreements on Land Use, Housing and Traffic - targets for social housing production. (cities support housing projects through cheaper land).

Rent Assistance / Housing Benefits: Lower-Income residents are provided rent assistance

Subsidies are need for both construction of housing AND for rent assistance to achieve affordable housing for all



Interest subsidy loan with investment grants for special groups (2022: 90 M€)

- Special groups: *Homeless*, people with mental problems, disabled, elderly with dementia, students and youth
- **Grant Categories:**
 - I **Grant category maximum 15%** (e.g. students and youth housing)
 - II **Grant category 20 - 25%** (supported housing e.g. for people with mental problems)
 - III **Grant category 35 - 40%** (service housing for elderly 24/7)
 - IV **Grant category 50%** (*long-term homelessness*, disabled people)



Agreements on Land use, Transport and Housing 2020-2023/2031(MAL) – between Government and Municipalities

- Agreements between Government and **cities**.
-
- Based on joint responsibility to develop urban regions in sustainable way
-
- Government target: Finland should be carbon neutral year 2035
-
- The goal of eradicating homelessness was integrated into the new MAL agreements
-

*Agreements
since year
2000*

ara Tenant Selection Criterias in Social Rental Apartments

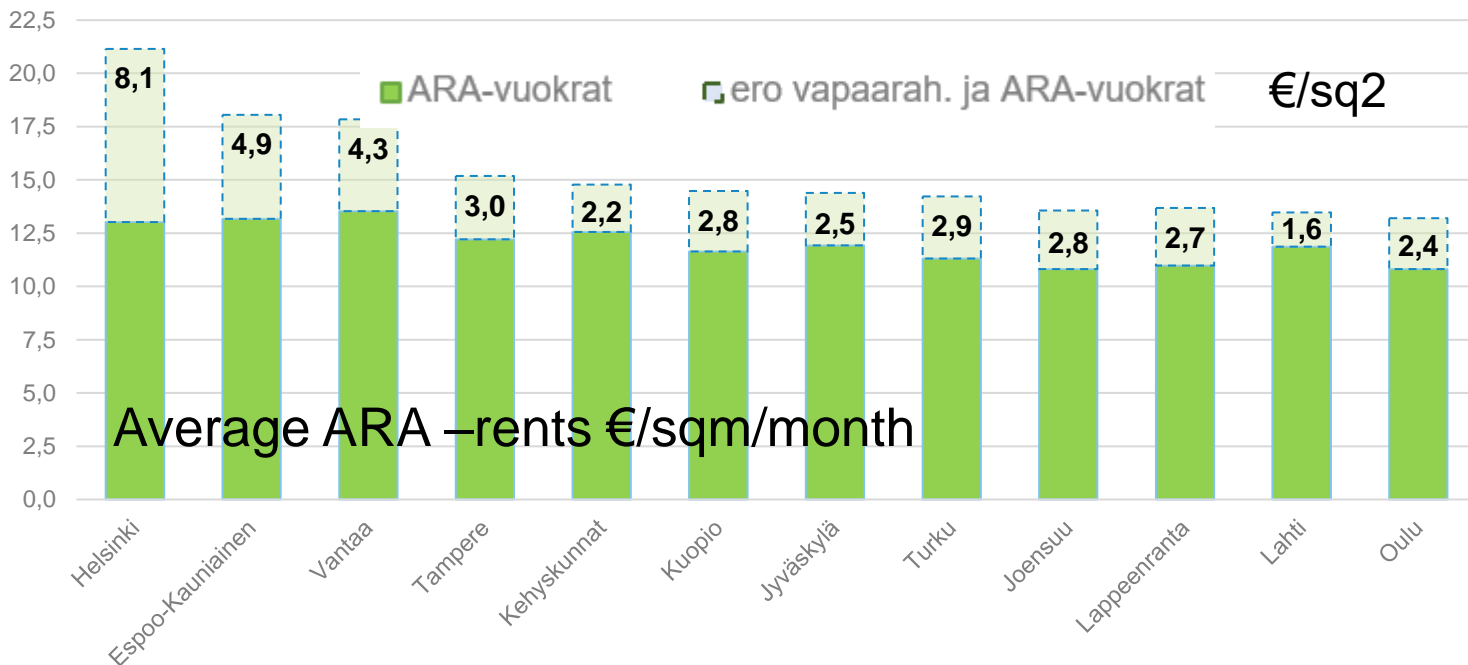
- Tenants are selected based on their need for housing, ***not a waitlist system***
- Priority is given by ***need for housing, wealth and income***
- ***Priority is given to the homeless and other applicants of limited means and low income who have the most urgent situation.***
- If more than one applicant is in equally urgent need for housing, the applicants' income and assets are compared. Priority will be given to the lowest income
- When selecting tenants, attention is also paid to ***maintaining mixed income in a building and a neighborhood.***
- Selection and prioritization is done by landlord and monitored by the municipality
- ARA steers and guides the process in general

ara

Cost recovery principle in practice: Difference of ARA-average rent and PRS rents in biggest cities 2020

PRS rent higher than ARA rent:

Helsinki	+62%
Espoo	+39%
Vantaa	+32%
Turku	+26%
Tampere	+24%



The average rent of the Helsinki City Housing Company (Heka) will be only 0.8% higher in 2022 than 2021. The average rent in Heka housing units in 2022 is EUR 12.10 per square metre per month. Heka is the largest landlord in Finland. More than 92,000 residents of Helsinki live in our **approximately 50,000 social rental apartments**.

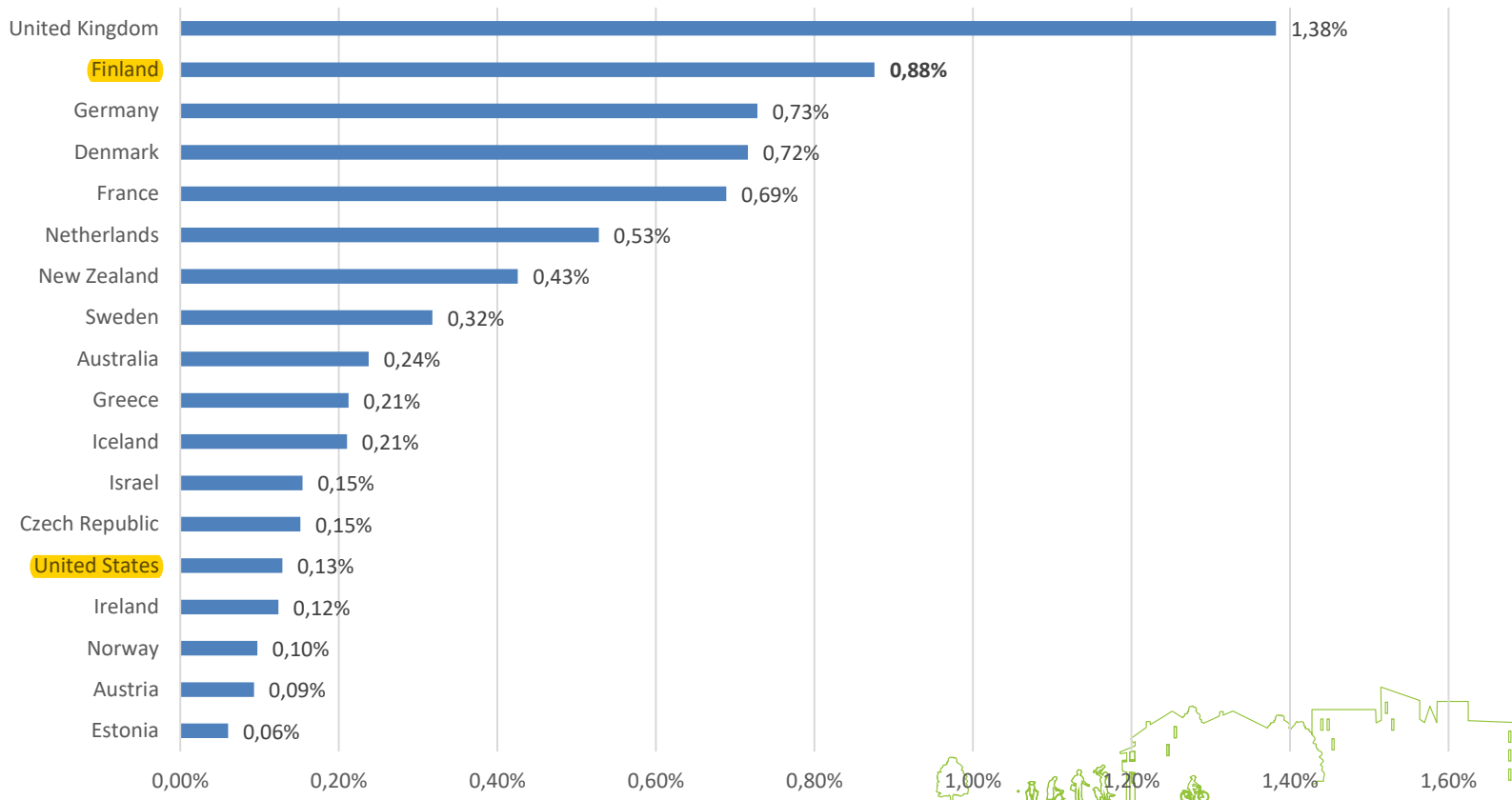


Cost control and steering of plans

- Building projects are influenced by cost and quality monitored by ARA
- Aims to build high-quality dwellings at reasonable costs
- Rents are based on these costs accepted by ARA = Cost recovery principle
- In ARA-construction as a 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

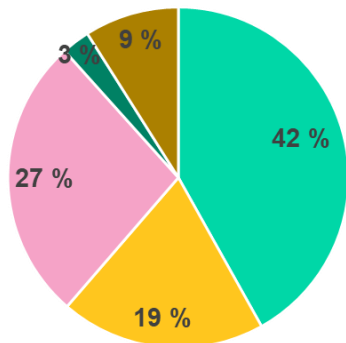
Government Spending on Housing Allowances in OECD as % of GDP (2020 or last year available)

<https://www.oecd.org/housing/data/affordable-housing-database/housing-policies.htm>



Helsinki: SOCIAL MIX Housing Policy Objectives

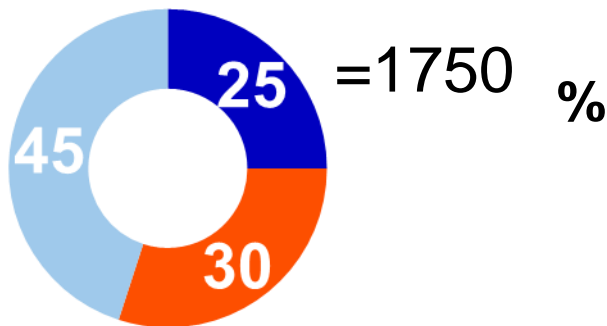
Existing housing stock
= 22% ARA homes



- Owner-occupied housing units
- Government subsidised rental housing units
- Non-subsidised rental housing units
- Right-of-occupancy housing units
- Other/unknown

Helsinki

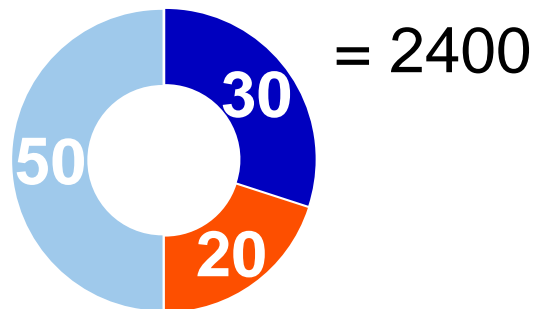
Objectives for forms of
tenures in annual housing
production:



- ARA rental housing (including student and youth housing) 25 %
- Intermediate housing (e.g. Hitas and right-of-occupancy housing) 30 %
- Non-regulated owner occupied and rental housing 45 %

Helsinki

New targets 2023:
8000 new homes/year



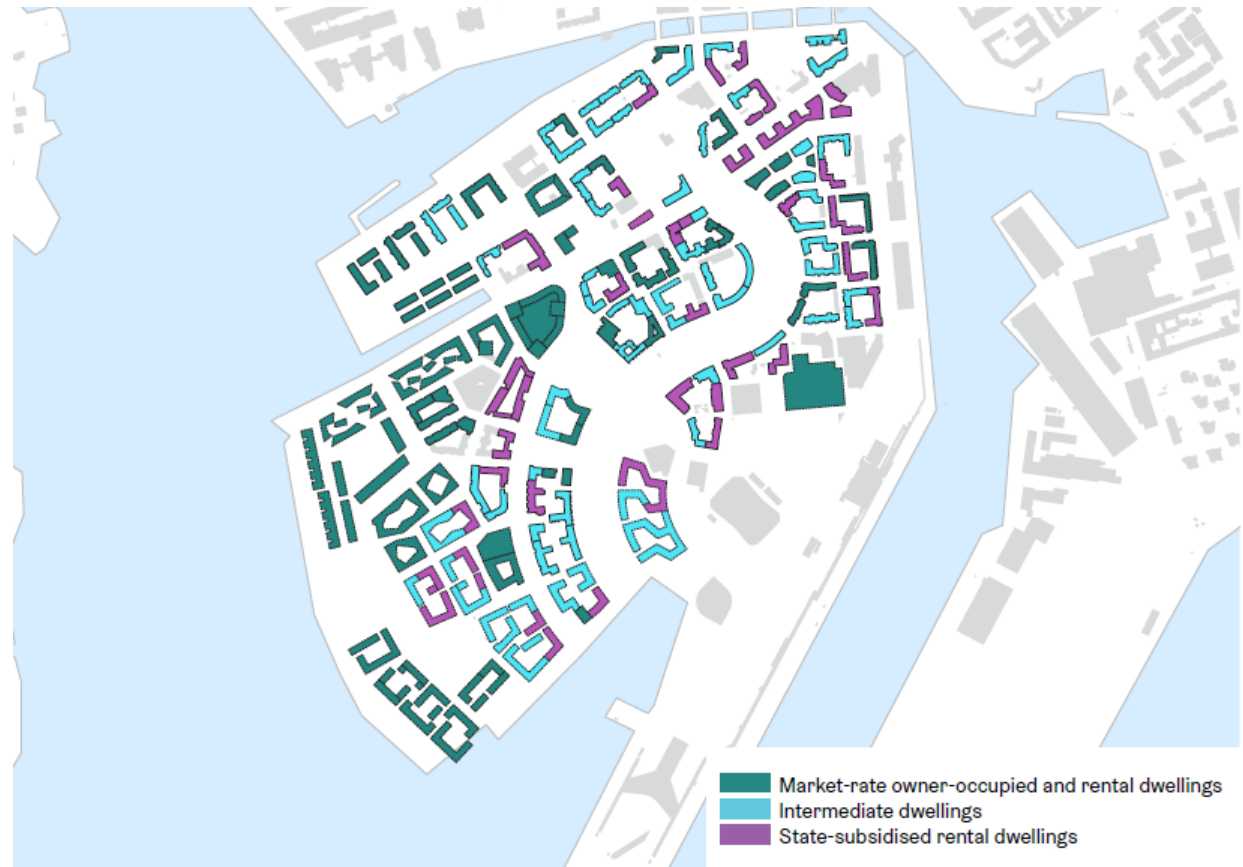
Occupancy types of existing and planned residential buildings in the Jätkäsaari waterfront housing area (City of Helsinki, HSY)

Social Mix in practice

The City of Helsinki owns 70 % of its land area

The City's housing assets consist of 63 000 housing units, of which 50 000 are ARA-subsidised rented housing units and 5 000 ARA Right-of-occupancy housing.

The City also has its own housing developer



ara

*Housing is based on long-term
commitment for affordability and
high quality*

Thank you!

Jarmo.linden@ara.fi

2003



2021



AH Committee

From: Kenna StormoGipson <kenna@hibudget.org>
Sent: Thursday, November 17, 2022 2:13 PM
To: AH Committee
Subject: Updated Slides for Jarmo Presentation
Attachments: The Role of ARA in Affordable Housing_Very Short Version.pdf

I'm sending a shorter version. Previous one is too long!

Apologies- thanks for understanding.
-kenna

--

Kenna StormoGipson (she/hers)
Director of Housing Policy
Hawai'i Budget and Policy Center
office: (808)369-2506 cell: (808) 892-5998
733 Bishop Street, Ste. 1180
Honolulu, Hawaii 96813
www.hibudget.org