

AFFORDABLE HOUSING FOR ALL

FEDERAL CHAMBER OF ARCHITECTS: POSITION PAPER

Dated 11 Feb 2016

Affordable housing is a particular concern of German architects, interior designers, landscape architects and town planners. For many years now, especially in the conurbations, the demand for housing at affordable rents has exceeded supply. This asymmetry has been additionally exacerbated by international migration to Germany.

With the following statements, the Federal Chamber of Architects provides information on standards for affordable housing and on the role of housing subsidies. They are based on not only current but also the new demands being made of residential construction.

BACKGROUND

Since 2009, approximately 770,000 too few dwellings have been built in Germany. A study from the Pestel Institute states that, up to the year 2021, at least 400,000 new dwellings per year must be built. Affordable residential accommodation in particular is not only in short supply in the metropolitan areas. People who have already fled to Germany, along with those currently fleeing to the country, migrants from other EU states, the preexisting influx of people to cities and previous failures to meet housing needs all require large-scale, joint efforts on behalf of all involved in order to ensure that current building completions can be supplemented by the approximately 140,000 residential units per year that are additionally required. This can only be achieved with state subsidies and large-scale joint effort from all concerned.

As a result of the number of refugees arriving in the country, which has jumped rapidly in recent months, many local authorities have felt forced to accommodate refugees in temporary modular constructions, existing housing stock, sports halls and other temporary accommodation until their asylum applications can be processed. With the Asylum Procedure Acceleration Act and the Ordinance on the Asylum Procedure Acceleration Act, the federal government has created regulations covering temporary reception centres and shared accommodation facilities. For a limited time, the provisions of the Federal Building Code (BauGB), the Renewable Energy Heating Act (EEWärmeG) and the Energy Saving Ordinance (EnEV) have been relaxed. The Conference of Construction Ministers requested that suggestions for a redesign of EnEV and the EEWärmeG be submitted by mid-2016.

The necessity of providing accommodation for refugees leads directly to a discussion on cost-effective, socially integrated residential construction. Many of today's refugees, and the family members who will join them, are the future inhabitants of our country. In the short term, they require affordable housing – as do the countless citizens who are on the waiting lists for social housing provided by local authorities and housing associations. The current tight financial resources and planning capacities must therefore be primarily deployed for the construction of housing. They must only be diverted to temporary accommodation for housing refugees to the extent that is absolutely essential.

When the following text uses the term 'architects', this should be understood to include all the relevant specialist disciplines, ie architects, interior architects, landscape architects and town planners.

STANDARDS, BUILDING AND PLANNING REGULATIONS, APPROVAL PROCEDURES

1.1 Regional planning

Strengthen regional planning!

Regional planning is the instrument that, even under current demographic and social conditions, lays the foundations for land use designations and repurposing. Regional planning must create incentives for local authorities' urban development. Germany's heterogeneous settlement structure and equal development of living space must therefore be taken into consideration.

Inner development before outer development!

BAK upholds the principle of 'inner development before outer development'. The development of urban areas must continue to take precedence over the development of greenfield sites in suburban/rural areas. Residential development must be concentrated in those districts where private and public services are already present. Local authorities must therefore be supported in identifying and mobilising existing land suitable for development and to reuse brownfield sites. However, the organised development of residential areas cannot totally avoid the development of greenfield sites.

More cooperation between local authorities!

When establishing commercial and industrial use, the policy of cooperation between local authorities has proven itself. But on the other hand, when it comes to establishing areas for residential development, this instrument has not yet been put to the test. In the counterflow principle of regional planning, local authorities must avoid competition between themselves and should coordinate their predicted living space needs and envisaged living space available and balance these out among themselves.

Create housing where there are employment opportunities!

In some regions of Germany, the amount of dwellings remaining empty is increasing, especially due to younger people moving away. Careful consideration must be given to whether such unoccupied dwellings could be suitable for use by refugees. But it is not just having somewhere to live that leads to social integration; this also requires good infrastructure and above all suitable employment opportunities. The provision of additional housing stock must therefore be focused on the conurbations, but also in those more rural areas characterised by the trades and medium-sized industry, but which are affected by younger people migrating to the cities.

1.2 Urban development standards

Create integrated housing supply as a key to integration!

Stable residential areas and well-functioning neighbourhoods are the requirements for social peace. Local authorities must be put in a position to be able to distribute refugees among existing housing stock and newbuilds so that there are not concentrations of refugees in either individual buildings or in particular districts. The proven aim of ensuring a social mix must be adhered to. As well as local authorities' immediate allocation rights, the instrument of municipal residential concepts and agreements with the housing industry must also be used.

Create a new usage category: 'Experimental mixed use zones'

The Federal Land Utilisation Ordinance (BauNVO) no longer adequately reflects the changed living and working relationships in our society. In order to mobilise additional land for building, especially in inner-city areas, a usage category for residential use in the vicinity of businesses that cause disturbance is required. This type of area could fill the gap between residential use in mixed areas (MI – where residential use and businesses that do not cause disturbance are both permitted and have equal weighting) and commercial

areas (GE – residential use only permitted in exceptional cases, and if it is associated with, but subordinate to, the commercial use).

The Conference of Construction Ministers' suggestion of creating a new type of construction area: 'Mixed use area for inner-city development' ('Urban quarter') is a reaction to changing urban development requirements, and we therefore support it.

Increase the density of developments!

Especially in overstretched housing markets, as a rule there isn't enough building land for the new housing developments that are required at the current time. In order to protect more greenfield areas, our towns and cities must become denser and more compact. To achieve this, local authorities must use their sovereignty when it comes to planning matters. In certain cases, if quality of living requirements, along with urban planning and built environment conditions permit, the upper limit for the extent of building utilisation must be exceeded on urban development grounds (Section 17, clause 2 of the BauNVO). Existing areas must be examined to see what opportunities the settlement structures present for being made more dense. It should however be emphasised that, after the urban planning advantages and disadvantages have been weighed up, there are limits to the extent that existing settlements can be made more dense. The Federal Ministry of Construction's suggestion of creating a new 'Urban district' type of construction area is a reaction to changing requirements in urban development structures, and we therefore support it.

Learn from the mistakes of the past!

The past has shown that, in the multistorey blocks in large developments, especially as a result of allocation policies, there is the danger that social problems can manifest themselves. This mistake must not be repeated – not even on supposed cost-saving grounds. It should be emphasised that, after the urban planning advantages and disadvantages have been weighed up, there are limits to the extent that existing settlements can be made more dense.

Cherish and protect public space as being the space of civil society!

As the public space in a liberal democracy is a place of meeting, interaction and free expression, it represents a special protected resource, and indeed characterises our fundamental understanding of the European city. As architects, landscape architects and urban planners, our aim is to design it so that every single citizen feels safe and well there. Free civil society needs this public space in order to be able to constitute itself and identify with its particular town or city.

In conjunction with the challenge of integrating refugees, but also other groups, into the resident population, there are increasing calls for the deployment of surveillance cameras. But we must be clear that there is no such thing as 100% security, and that a free society is based on trust and the general public. Even with blanket CCTV coverage, there can be no guarantees of security. At best, surveillance measures can only be used to assist with solving offences. Blanket coverage, and especially monitoring without specific reason to do so, undermines civil liberties, and by its example ultimately leads to gated communities, and, in the last resort, has the effect of splitting society.

The best solution for preventing losses of security is urban planning and design based around the high potential for identification. Safeguarding the public space by active design and participation must be the concern of society as a whole, and is the special responsibility of decision makers.

The foundations for open, tolerant interaction among the populace are:

- Varied mixed uses encompassing living, working, provision, leisure, public and private use, which can be maintained and developed further,
- A variety of types of housing and ownership structures, which will achieve mixed habitation,
- The requirements for ensuring that journeys can be made on foot, by bike or using public transport, so that as many people as possible are present in the public space, ensuring that streets and squares are bustling,

- Public spaces that have a high quality of stay, and which can be used in multifunctional fashion by people of different generations and with different needs.

Municipal planning that is conscious of the potential problems can make a contribution to preventing damage, reducing conflict in the public space and reducing maintenance and repair costs.

Create quality open spaces!

At the same time, the maintenance and creation of open spaces in the inner cities, to the extent required and considered desirable from an urban planning point of view, must not be neglected. This is because the importance of semi-public and public spaces as areas for trade and service provision, leisure and recreation for new sections of the population is expected to increase.

Only use greenfield sites if required to do so by urban development constraints!

The Asylum Procedure Acceleration Act provides for time-limited relaxation for accommodation for refugees, which also applies to suburban/rural areas (Section 246, clause 13 BauGB). Because such use for building purposes can lead to the rigidification of suburban/rural areas, any changes to the specified use should only be made with an urban development justification that explains why it is not possible to develop inner-city brownfield areas. Fundamentally, the primacy of inner-city development over suburban/rural development applies, as especially for socially deprived groups, it is essential that sites be integrated into the respective locality and have good infrastructure.

1.3 Social standards

Do not apply different standards!

The current housing shortage results from the considerable increase in immigration. As a result, the construction of new housing has become even more pressing. However, this must not result in different or reduced standards, including out of the danger that certain districts become ghettoised or stigmatised. Quality, affordable housing construction must not be permitted to circumvent applicable standards.

Plan residential properties so that they are futureproof!

Residential properties are long-term economic assets, and have a lifetime of 80 years or more. If dwellings can no longer be rented and remain unoccupied because they were not planned to be futureproof, the losses would not only be on the individual investment, but also be devastating to the national economy.

Minimise competition in affordable housing!

Especially in overstretched housing markets, such as in Germany's large conurbations and university cities, the additional demand for accommodation for refugees can lead to competition with citizens on low incomes for affordable housing. Especially in these regions, affordable housing for all must be created quickly. 'For all' means that, for especially needy income groups, 'construction of basic properties' remains taboo.

Initiate help to self-help!

Refugees housed in temporary accommodation experience boredom and unstructured daily routines. Social tension is the result. It is suggested that architects, together with the housing sector, establish opportunities for self-help and to achieve qualifications. Furthermore, this could lead to an identification with their new homeland, and in certain cases lead to costs being minimised. What's more, self-help is a way to strengthen local economies and trigger effects that stimulate the economy.

Start qualification offensives!

The integration and qualification of refugees is as important for the integration of those who remain as it is for those who return to their countries of origin. Every piece of training or education must be orientated towards the standards that apply in Germany. 'Narrow gauge' training is not a productive exercise. The construction companies carrying out the work can make use of the established training and qualification structure. Via their advanced training and further education offerings, the chambers and associations of the planning disciplines can offer opportunities for architects and town planners who have fled their countries of origin to

obtain the necessary qualifications. This should also include the provision of language courses.

1.4 Planning standards

Reliable data is an essential foundation for reliable planning!

At the moment, the forecasts of how many refugees will come to Germany and stay change weekly. However, planners and investors require reliable information for new residential construction. The construction industry must also be able to adjust its capacities to meet expected need.

Consider new accommodation layouts!

Previous demographic developments in Germany led to a concentration of offerings for small families, singles and older people. But new arrivals are bringing different traditions and family structures to our land. A short-term research project must be set up to find out what changed demands our new citizens make of the housing market.

Harness the sharing model!

The amount of living space required per person in Germany is continually increasing, and currently lies at about 45m². The growth is a result of smaller households, ageing occupants and increases in people's living space expectations. As a result of high rents and shortage of space, it is now time to consider alternative usage concepts in the cities. For a long time now, social housing construction has made use of communal areas. But sharing models are also possible by communal use of access areas, outdoor facilities, hobby rooms and studies/workrooms.

Involve tenants in planning!

Newbuilds and conversions, demolition and reconstruction, increased densities and influxes of new neighbours change tenants' familiar environment. Getting residents involved in the planning process increases acceptance of the measures, identification with the changed conditions and tenant satisfaction.

Plan economically and efficiently!

German architects' expertise includes planning floorplans so they save space, without a reduction in quality. So with subsidised housing, it is often possible to fall below the upper floorspace limit, therefore reducing investment costs and rent burdens. In light of the new requirements, floorplans must therefore be designed to be more variable, including without room hierarchies, or provided with connectible areas.

Be open to all technologies when planning!

At the present time, modular construction does not have any economical or environmental advantages when compared to conventional construction. One-sided statements on certain planning solutions must be avoided. The method of construction must be solely determined on the basis of the individual framework conditions of the particular planning project.

Optimise planning solutions via competitions!

Architectural competitions are an outstanding instrument for generating innovative ideas and high-quality construction. If well prepared, they can lead to cost savings and quickly implementable concepts with innovative solutions. BAK suggests that planning competitions be held for forthcoming residential construction projects. Architectural associations in the federal states offer their expertise on staging competitions free of charge.

Put an end to the increase in special planning services!

In recent years, lots of new advice and planning services have made building ancillary costs more expensive. In particular, these include services for fire prevention, construction site safety, providing advice

on the reconstruction loan corporation (KfW)'s funding programmes and sustainability certifications. Architectural associations in the federal states demand that all related legal and eligibility conditions are subjected to a comprehensive revision, with the aim of simplifying them.

Develop digital technology for the planning and operation of residential buildings, and start pilot projects!

The use of computer-aided planning methods, such as Building Information Modelling (BIM), can contribute to increases in quality when it comes to planning and implementation. And for residential buildings, it represents an important work tool in relation to operation and use.

Up until now, there have not yet been any far-reaching experiences relating to the use of BIM in residential construction. But it is to be expected that through the use of BIM, construction time will be shortened, as well as there being particular advantages when it comes to the operation of the building. However, there is still a great need for research. The efficacy of BIM could be tested by using model projects. Architects should involve themselves in the related development processes and posing of questions.

Serial and modular residential construction is an opportunity, provided that architectural values are adhered to!

Serial construction of residential buildings is nothing new: there have always been architects who, against the background of acute housing shortages, have made innovative contributions. Lots of built examples demonstrate that serial residential construction can be realised using high-quality architecture. However, the premise must be to learn from the experiences of the past, and translate demands into solutions fit for the future.

Residential newbuilds today must be able to integrate individually into the existing fabric of the developments and be connected to existing infrastructure. Serial construction finds acceptance when it succeeds in establishing a connection to its location, both in terms of urban development but also from a design point of view. Due to the optimised planning and prefabrication process, construction time is shortened, and so is therefore the inconvenience (noise, restrictions etc) for the existing neighbourhood.

A prerequisite is that the urban development, architectural, functional and ecological formation of goals are already set out in the requirement planning (Service phase 0). If the decision is made to use prefabricated components, the planning must be consistently geared to this decision, in order to harness possible rationalisation effects. Planning competitions and homebuilders setting out the integral planning of architects and specialist engineers in the contract at an early stage improve the acceptance of serial constructions and offer savings potential.

Furthermore, building with modules, serial components and semi-finished products can especially save costs when there are economies of scale due to repeatedly building the same building designs. The efficacy of these savings effects is however extremely variable. Therefore, urgent research into the field of 'serial residential construction' should continue: as part of this, fields of experimentation and model projects in the area of serial residential construction must be opened up. The planning competition is the instrument of choice. But at the same time, scholarship and research in universities' architectural faculties must also be promoted.

1.5 Affordable standards in new building construction

Restructure the Energy Saving Ordinance!

Since 2000, the Energy Saving Ordinance (EnEV) has been amended four times, each amendment bringing with it ever-more demanding requirements. This alone has resulted in costs increasing by 6.5%. The forthcoming increase in energetic requirements for buildings constructed from 2016 onwards will increase building costs by a further 7.3% (approx). Already, for the EnEV energetic standard from 2016, profitability

(amortisation period < 20 years) cannot generally be proven. But the threshold of economic viability, especially for the construction of multistorey blocks of flats, is reached with EnEV 2014.

Architectural associations in the federal states explicitly support the decision of the Conference of Construction Ministers of 29–30 Oct 2015, which states that a structural redesign of EnEV and EEWärmeG is required in 2016. This optimisation must unite high levels of climate protection with low building and management costs. This must also include a critical evaluation of the EnEV, which examines whether the theoretical savings effects are actually effectual in practice, and whether they take into consideration the whole lifecycle.

Combine the EnEV and EEWärmeG!

In contrast to EnEV, the EEWärmeG is not based on the Energy Saving Directive, with its requirement for economic viability. Rather, the purpose of the EEWärmeG, which has been formulated to be open to all technologies, is to use renewable energy to avoid the use of fossil fuels and to reduce the emission of harmful greenhouse gases. Architectural associations in the federal states demand that the EnEV and EEWärmeG are combined, so that the requirements for the use of regenerative energies are subject to the principle of economic viability.

Agree a moratorium on noise insulation!

The stipulated noise insulation must not be above the level set out in supplementary sheet 2 of DIN 4109: 1989-11. The costs resulting from the current revision of DIN 4109, which are the result of complex calculation procedures relating to how dependent components are on the space they are included in, as well as additional expenses relating to construction, must be established before they are introduced by the building inspectorates. According to civil law, DIN 4109 is only sufficient if the contractually agreed noise insulation standard has actually been recorded on the basis of the norm. If the contractual specifications are unclear, there is the danger that the requirements for structural noise insulation must be based not on DIN 4109, but instead on special technical regulations, eg the VDI guideline, which is bound up with considerable additional expense, both in constructional and financial terms.

Buildings equipped for the disabled, with minimal barriers, should be constructed in line with the market!

Buildings equipped for the disabled, and standards relating to wheelchair access, can make construction considerably more expensive. The architectural profession observes that demand for buildings equipped for use by the disabled, or with wheelchair access, is not at the same level in all districts. For affordable dwellings, it is sufficient to ensure that standards only specify that barriers are kept to a minimum, so that dwellings offer older people as well as young families sufficient comfort. So when preparing for the construction of dwellings, basic minimum requirements could at first be implemented, which, if required at a later date, could be retrofitted at minimal expense. Architectural associations in the federal states should focus on advisory services offered by architects and on needs-orientated solutions by homebuilders.

Restrict additional demands posed by private law!

Public standards of building law are, in construction practice, regularly exceeded by demands from ancillary building law or the high demands of the private law of obligations, for example in the area of noise insulation, which results in excessive costs. The judiciary plays an important role in this development by its interpretation of the undefined legal terms in relation to respective states of technology. Lawmakers must therefore regulate the specification of standards much more strictly if the cost-increasing dynamic of the judiciary is to be controlled. Lawmakers could then protect homebuilders and planners from demands of private law that go far beyond the level of protection provided by public law, and which are the real drivers of costs in residential construction. To do so, they must restrict the validity of such expectations, which are currently based on a certain postulated customariness.

Use basic materials and methods of construction!

In many of the functional trades, more basic materials (floor coverings, wall tiles, doors, electrical and sanitary installations) could be used without functional disadvantage. In the event of changed requirements,

these could be replaced in the course of the building's lifecycle without any problems, and if required, could also be replaced by higher quality materials.

Plan retrofitting of cost-intensive components!

Cost-intensive components of buildings and outside facilities, such as lifts, do not have to be fitted immediately. The space required for such items can be taken into consideration at the planning stage, so that additional comfort offerings can be implemented at a later point in time.

Enable personal contributions!

Standard final completion (eg carpets, floor coverings) does not necessarily have to be undertaken by the landlord. It can instead be left to tenants, so that it meets their own particular requirements. On the one hand, this leads to a reduction in costs, and on the other, tenants identify more strongly with their own four walls, as was the case with displaced persons in post-war Germany. This rendering of personal contributions strengthens local economies and is an opportunity that should be seized.

Parking space requirements only according to need!

In accordance with building law, the construction of residential properties always triggers the obligation to provide parking spaces. The proportion of building costs that relate to parking spaces, which, in inner-city projects usually have to be provided in underground car parks, represents about 10% of total building costs. Also changes in use of existing building stock also triggers the obligation to demonstrate that there are sufficient parking spaces. Redemption payments often result in unprofitability for founders of new businesses in the retail and service sectors. Architectural associations in the federal states therefore request that local authorities only require that the number of parking spaces reflects actual demand, and are not calculated on the basis of flat-rate schemes. In the meantime, public transport services, the expansion of cycling and car sharing have all become alternatives to motorised private transport.

1.6 Affordable standards in existing housing stock

Create move management opportunities!

In many areas, as a result of demographic change and the opportunity to be able to live independent lives at home, older people often have very large homes, whereas young families and newly arrived refugees can often only be offered smaller homes. An intelligent move management system offered by local authorities could provide some relief, and enable intelligent home exchanges between young and old in their home districts.

Retain existing stock and use it cost-effectively!

Much of the existing pre-war and post-war housing stock is situated in integrated inner-city districts. However, it is often regarded as being too small for the current housing market, with impractical room layouts or providing insufficient living comfort. For these reasons, in previous years many of these buildings have undergone extensive conversions, or have been demolished and replaced by newbuilds. But we can assume that, at least in the medium term, newly arriving citizens do not have the same floorspace demands per person, or living comfort expectations, as previous homeseekers. There should therefore be careful consideration as to what extent flats in existing buildings that are not considered marketable could be used as economical living space for refugees, at least for a transitional period.

1.7 Construction planning law

Exploit the opportunities provided by development plans!

Up until now, too few local authorities connect the sale of land or creation of building rights with the conditions for the construction of social housing. Section 9, clause 1, no 8 of the BauGB enables land upon which only residential buildings may be constructed to be allocated to groups of people with particular

housing needs. Architectural associations in the federal states urge local authorities to regularly make use of this option, and to provide quotas for the construction of social housing in development plans.

Examine the BauNVO!

If required, and after appropriate consideration, it should be possible for local authorities to deviate from the district-based provisions of the BauNVO and to establish residential use. See section 1.2 (Urban zone) for suitable suggestions.

Use the land register!

Pockets of land in urban areas that become available or lie fallow must be consistently developed and used. Gaps between buildings can be closed up, generously proportioned developments can be made denser, and above all, conversion areas can be exploited. Many towns and cities can look back on a successful programme of advice on infill development. At least 50% of existing gaps could be closed up. For successful management of these plots of land, they must be mapped, along with the possible potential, and recorded in land registers. Furthermore, it would make sense for local authorities' GIS systems to be opened up to architects and town planners.

1.8 Federal State Building Order and implementation

Acceleration through concentration effect!

In various states, building permission does not have a concentration effect with other areas of law. It should be uniformly applied that building inspectorates enlist the other relevant officials in a 'star procedure' or in agency conferences, so that when building approval is granted, any other permissions needed are also considered granted. With the final point model, the inspection load resulting from parallel approval procedures is placed in the hands of officials, which is in the interest of citizens.

Time-limited building permission!

The Asylum Procedure Acceleration Act provides for, among other things, time-limited relaxations of construction planning law in relation to the provision of temporary accommodation for refugees. In order to take advantage of these regulations in accordance with the building code, the states should only grant building permission on a time-limited basis, and subject to revocation.

Comprehensive protection of existing buildings only in moderation!

When a building's use is changed, its protection often also expires, as when permission was granted for building, its intended use was also approved at the same time. The change in use triggers a new examination of the demands of construction law, such as for example clearances, disability access, fire prevention, noise and heat insulation or parking space requirements. The individual states should introduce a comprehensive building protection regulation that takes effect when, in principle, the change in use does not significantly differ from the previous use.

Accelerate approvals

Municipal building inspectorates are often understaffed. Staffing levels in the building inspectorates must be increased, so that the building approval procedure can once again be sped up. Administrative action requires specialist expertise: architects and engineers are able to provide this.

Invest in qualified administration staff!

The individual states do not currently offer opportunities to become qualified in the administrative tasks to the extent required. Architectural associations in the federal states demand an offensive for trainees in both structural engineering and urban planning, so that management functions in the civil service are not only held by administrative lawyers, but also by qualified architects and engineers.

1.9 Standards

For a long time now, standards have gone beyond their original purpose, which was to rationalise the manufacture of products by means of standardisation. Due to the continuous development of technology and the high degree of specialisation, the significant sets of rules are becoming more complex and more tailored to specialist knowledge. Technical building regulations, standards and quality standards are driving building costs ever upwards. The Eurocodes were introduced throughout Europe as standardised technical calculation rules in the construction industry, to serve as the basis for calculating the statics of buildings. But when it comes to residential construction, the rules are excessive in comparison to the previous legal situation. The thickness of reinforced concrete floors in accordance with Eurocode 2 is up to 20% thicker than set out in the original DIN 1045, even though this manner of construction that was previously usual did not demonstrate stability or deformation problems. Architectural associations in the federal states demand that the participation procedures are adapted so as to include the respective user of the standards. Existing standards must be inspected for their cost effects. Each new standard must be accompanied by a statement on the follow-up costs.

1.10 Protection of historic buildings

According to the states' laws governing the protection of historic buildings, these should be protected, used in manners which are appropriate and be subject to scientific research. The housing of refugees in protected buildings that are empty and suitable for the purpose must be fundamentally possible. The position of the architectural associations in the federal states is that, in this emergency situation, appropriate use of such protected buildings should take precedence over other interests.

2. HOUSING SUBSIDIES

2.1 Financial resources are available, but they must be used!

In 2006, in the course of the Reform of Federalism I, the federal government decided to withdraw from the construction of social housing. After amendment of article 74, clause 1, no 18 of the GG (Basic Law), the individual states are now completely responsible for the promotion of social housing.

With the transfer of the promotion of social housing to the federal states, the respective financial help from the federal government also disappeared. To balance this, since 2007, and initially limited to the end of 2013, the states received €518.2m per year from the federal government to serve as compensation. This is distributed to states so that joint tasks and financial help can be unbundled, in accordance with section 4, clause 4 of the Unbundling Law (EntflechtG). The federal states are bound to deploy this aid for the intensive purpose of funding residential accommodation.

In June 2013, it was decided that payments of this unbundling aid would continue at the previous level from 2014 to the end of 2019. So according to the federal government, the states continue to have €518.2m available for funding social housing.¹

For topical reasons, this unbundling aid will be supplemented by an initiative of the federal government, in which states will receive a total of an additional €2bn (€500m annually) for a further four years. They are also obligated to use this funding for the promotion of social housing. The allocation formula is also as set out in section 4, clause 4 of the Unbundling Law.

2.2 Reactivate the construction of social housing!

The instrument of social housing funding has proven itself in Germany over the course of decades, and due to current and long-term challenges in the German housing market, must undergo a new start. Architectural associations in the federal states therefore commit themselves to a reentry into cost-effective, socially integrated housing construction.

In the view of the architectural associations in the federal states, for subsidised homebuilding to undergo a renaissance, regulations on the subsidisation of housing (housing subsidy laws) must be established nationally so that they apply to the individual states. As a consequence thereof, they must also cover the (re)building of housing construction funds. Thanks to the classic instrument of promoting loans, return flows could be generated, which would then usually be made available to the individual states for funding social housing.

Supplement the promotion of loans with subsidies!

On account of the low level of interest rates on the financial markets, it would make sense to promote loans by granting direct and indirect subsidies ('repayment rebates'). This direct funding could of course be linked to certain conditions.

Activate land and building land for residential construction!

One of the central problems for the subsidised construction of new residential buildings is the lack of suitable and reasonably priced building land. This is especially the case in Germany's city states and the more densely populated regions. A rethink is required here on the part of the federal government (Institute for Federal Real Estate), the states and local authorities. At all levels, plots of land are regularly exclusively allocated on the principle of the highest bidder.

Filling of gaps between buildings, the activation of fallow areas and the demolition of building stock that is no longer usable, so that the land can be rebuilt on, can all increase the available plots in inner-city and urban areas.

Local authorities and states should make areas of land available for housebuilding on favourable terms. But local authorities must go further, and operate an active stockpiling policy for the promotion of social housebuilding. Once plots of land have been acquired and made suitable for building on, they should be sold to applicants at favourable prices, provided that social considerations are observed. Municipalities should also return to the role of homebuilders that they have held for decades ('Vienna model').

Furthermore, the nationwide introduction of 'empty site registers' would make sense, in order to activate gaps between buildings.

Different rates of property and land transfer tax to benefit the funding of social housing!

The transfer of the ability to raise the rate of property and land transfer tax to the states has, in the course of recent years, led to a significant increase in the property and land transfer tax. (At the time of writing, property and land transfer tax in North-Rhine Westphalia, Schleswig-Holstein and Saarland is 6.5%).

But for the publicly subsidised housing market, a high rate of property and land transfer tax clearly sends the wrong signal to potential investors. What would be more sensible would be the introduction of different rates of property and land transfer tax. A suitable amendment to federal rules could put an individual state in the position of being able to apply a reduced rate of property and land transfer tax, at least to sales of land to be used for publicly subsidised housing.

Shorten depreciation periods!

The option to depreciate residential construction over the course of 50 years no longer represents the actual decline in value. The high proportion of technical systems in the total investment that have lifespans notably shorter than 50 years requires a significantly shorter linear depreciation or a degressive system. In times of acute housing shortage, lawmakers have reacted by improving depreciation of buildings, therefore promoting the construction of new dwellings. Considering the current situation, an improvement in rates of depreciation is requested. A reduction of the depreciation period to 30, maximum 40, years is urgently required, taking into consideration the constraints. A generally improved depreciation option would significantly improve the housing stock, and therefore relieve the burdens on the housing market. As a result, rents would also tend to slacken off. Depreciation options designed in this way would permit lower basic rents (rent minus heating costs) and, thanks to the remaining investment in residential construction, increase tax income, social security contributions and payments to private insurance systems.

Reduce VAT!

Halving VAT for construction work on residential buildings, in accordance with section 12 of the Value Added Tax Act, would provide a considerable stimulus to investment. Due to the short-term improvement in the housing situation, a time-limited refund of part of the VAT would breathe considerable life into investment activity. Refunding half of the VAT could easily be justified, as stimulation would occur due to the additional need for living space. A reduction in VAT would result in a direct reduction in construction costs, and if it were offered for a limited period only, the results would possibly be noticed quickly.

Decide on land use according to the opportunity cost principle!

Densification and the filling of gaps offer lots of advantages for local authorities: The existing infrastructure continues to be used, individual districts receive revitalising impulses and the town or city remains attractive and a place worth living in. Also from an economic point of view, the use of inner-city fallow areas makes good sense: a sample comparative calculation on behalf of the AKNW (NRW Chamber of Architects) showed that €26,000 must be spent to construct a housing unit in a suburban/rural area. For a comparable development in an inner-city area, the cost was calculated at a little over €1,000 per housing unit. The money saved by dispensing with the redesignation of building land can be used by local authorities, in that existing stock can be subsidised by grants awarded from municipal finances, according to the opportunity cost principle.

Subsidies must be clear and reliable!

Subsidies are an incentive instrument to reach overarching goals of society, and are therefore an important control instrument for the development of space and particular sites, so that attractive conditions for all can be created in a social market economy. In order to be able to influence the behaviour of market participants in this manner, the funding instruments must be reliable. Funding conditions must be clear, and remain stable over a long period of time, so that the market can adjust to them.

Create funding guides!

Similarly, funding terms must be communicated in a transparent manner. Numerous funding programmes come into being, or existing programmes are adapted. A funding guide, in the form of a clear database, would help planners and investors find the right programme for them and take advantage of its terms.

Issued: 18 Nov 2015

Supplemented: 20 Nov 2015 / 3 Dec 2015 / 11 Feb 2016

Federal Chamber of Architects