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Beyond renovation: Addressing Europe's long housing crisis in the wake of the COVID-19 pandemic

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Abstract

This commentary reflects on the potential of European Union institutions to address the continent's crisis of housing affordability, which was well underway before the COVID-19 pandemic and has been exacerbated in its wake. Despite having no direct competencies in housing policy, European Union norms and policies shape housing conditions in significant ways. The greater level of public spending on housing renovation enabled by the 2021–2027 multiannual financial framework and NextGeneration European Union funding signals a welcome shift away from austerity. However, investment alone is not enough to advance the right to housing and may even reinforce existing inequalities. Plans like the Renovation Wave and the Affordable Housing Initiative must strive not only for climate neutrality but also for housing cost and tenure neutrality. Beyond pandemic recovery plans, this commentary argues that a more thorough departure from the market-based approach underlying the European Union's institutionality is needed to tackle the roots of the current housing problematic.

Keywords

Austerity, commodification, coronavirus recovery, European Union, housing policy

Introduction

Prior to the COVID-19 pandemic, Europe was experiencing a crisis of housing affordability largely stemming from the build up to and fallout from the global financial crisis of 2008. Its harshest consequences have manifested themselves variably between the mortgage market and the private rental sector, with housing cost burdens and homelessness rates rising overall (Housing Europe, 2021). In the midst of this prolonged housing problematic, the pandemic has further exposed the urgent need to defend and reinforce the right to decent housing. Lockdowns and confinement measures have made housing far too palpable a need and its consequences for public health too tangible to ignore. The economic impact of these measures also threatens to produce a sharp increase in evictions and housing cost burdens if emergency acts put in place by national governments, such as eviction moratoria and mortgage forbearances, are phased out. In this commentary, we address the role played by the continent's most important shared institutional

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framework, the European Union (EU), in shaping current housing problems and prospects. We draw mainly from a document analysis of key EU strategies, policies and civil society initiatives, as well as from two international seminars bringing together European policy makers, practitioners and scholars to discuss this topic (Delclós, 2021; Vidal, 2019b). After outlining the ways in which EU norms affect housing systems, we argue that the EU's recovery plans to mobilize funds for building renovation can have counterproductive effects on housing rights, if the market-based approach continues to be dominant in its key policy circles and frameworks.

The EU's market-based approach

The EU is often neglected in analyses of housing issues in Europe, not least because it has no direct competency in housing policy. It does have competencies, however, in areas that directly and indirectly shape housing conditions, such as state aid, fiscal rules, consumer protection and competition law. It further mobilizes 'soft law' measures such as recommendations, guidelines and communications that, while not strictly legally binding, have an impact on housing policy and outcomes. In this sense, Doling (2006) identified a 'stealth housing policy' emerging at the EU level in the early 2000s, which drew inspiration from housing systems with large private market sectors, incorporating mostly homeownership but also rental housing, and small social and/or public housing sectors.

More recent developments have reinforced this thesis. For instance, competition norms linked to the status of 'services of general economic interest' (SGEI) and the application of state aid rules challenged the institutional trajectory of affordable housing sectors that cater to a broad population, such as municipal housing in Sweden and housing associations in the Netherlands. In both countries, government financial support for these sectors was deemed to create unfair competition towards commercial landlords (Elsinga and Lind, 2013). Meanwhile, EU-enforced fiscal austerity measures underpinned shrinking public investment in social and affordable housing across the continent (Pittini et al., 2017). The country-specific recommendations of the European Semester procedure put in place to monitor and address the macroeconomic imbalances of Member States after the 2008 crisis is another case in point. The recommendations have engaged housing issues through this narrow economic lens, largely side-lining its social dimensions. As a result, countries like Sweden have been recommended to revise their regulations in the rental housing sector to allow for more market-oriented rents. On the contrary, initiatives such as the Capital Markets Union seek to promote a European market for securitization. This is likely to lead to further housing-centred financialization and mortgage indebtedness, particularly in those countries that have not yet become fully entrenched in the financialized homeownership model, such as Germany, France, Italy and Austria (Fernandez and Aalbers, 2017).

Such a development is unsurprising given the trend towards greater commodification of housing since the 1970s and the financialization that took off in the 1990s, which was profoundly intertwined with the deregulation that took place during the implementation of the Single Market Programme. The EU has been a key scale of government and governance in this process, courting the expansion of the private and for-profit spheres in housing to the detriment of its social function and public welfare components. These processes of commodification and financialization of housing are at the root of the current affordability crisis and its enmeshment with the speculative cycles of finance (Aalbers, 2016; Marcuse and Madden, 2016; Rolnik, 2019), and they have accelerated due to technological changes such as digitalization and platformization (Delclós, 2020).

First signs of a change in direction?

Mounting social pressure against the cumulative effects of this market-based approach has driven institutional moves for a change in direction at the EU level. In 2017, the European Pillar of Social Rights included protection against forced eviction and the provision of adequate shelter among its key principles. The following year, the Action Plan of the EU Urban Agenda Housing Partnership called for a modification in the regulation of SGEI to allow for universalist housing policies, an increase in the supply of affordable housing with EU funding and an adaptation of the European Semester procedure to the particularities and social character of housing. An alliance of European cities also formed to demand more powers to control short-term rental platforms and protect their long-term residential stocks, institutionally reflecting their position at the EU level through the Committee of Regions in 2019 (Vidal, 2019a). That same year, an own-initiative procedure in the European Parliament was initiated to call on the European Commission to push for measures to eradicate homelessness and recognize access to decent and affordable housing as an enforceable human right (European Parliament, 2021). The final text was approved in January 2021 and incorporated the demands of the aforementioned initiatives, among others, (partially) challenging the EU's 'stealth housing policy' and the trajectories of housing commodification and financialization that underpin it.

The new scenario emerging in the wake of the pandemic has undoubtedly contributed to this political and discursive shift. However, the only real change to date has been a partial and temporary departure from austerity, specifically through the activation of the general escape clause of the Stability and Growth Pact and the deployment of a coronavirus recovery stimulus package worth over €2 trillion in grants and loans. Of particular interest to housing policy is the Recovery and Resilience Facility (RRF), a short-term instrument within the NextGenerationEU funds valued at €723.8 billion (€338 billion in grants and €385.8 billion in loans) to support reforms and investments in Cohesion Policy. These funds are to be distributed according to the national recovery and resilience plans prepared by each Member State, in cooperation with the European Commission. In addition to the RRF, Cohesion Policy spending also includes the European Regional Development Fund (€226.05 billion), the Cohesion Fund (€48.03 billion) and the REACT EU crisis response fund (€50.62 billion). With the RRF, the total allocation to Cohesion Policy for the period 2021–2027 amounts to €1.203 trillion, a 224 per cent increase with respect to the previous long-term budget.

The distribution of recovery funds is strongly conditioned by the targets of the European Green Deal. Citing the major contribution of buildings to Europe's energy consumption and greenhouse gas emissions (40% and 36%, respectively), the Green Deal makes renovation one of its seven flagships. Thus, the most direct implications of Cohesion Policy for housing hinge on the Renovation Wave Strategy (RWS), which promises to 'kick-start renovation for recovery, resilience and greater social inclusion' by doubling the annual energy renovation rate of residential and non-residential buildings, targeting 35 million renovated buildings by 2030. In addition to energy efficiency, decarbonization, respect for aesthetics, and high health and environmental standards, the RWS lists affordability among its key principles, aiming to tackle energy poverty and make energy-performing and sustainable buildings available to medium- and lower-income households, as well as vulnerable people and areas. Within the RWS, the Affordable Housing Initiative (AHI) will pilot 100 so-called 'lighthouse renovation districts' through partnerships with local actors, including those from the social economy. Adopting a district-level approach, the AHI promises to include vulnerable communities and areas with social problems in the renovation of social and private homes using eco-design principles and co-decision-making processes, and to ensure the affordability of rent, energy and other living costs through sustainable financing and improved regulation.

Limits and contradictions of current recovery plans

While the abovementioned goals are laudable and the volume of resources being deployed is considerable, some questions remain regarding the recovery plan's capacity to guarantee the right to decent housing in the EU. For instance, Housing Europe (2021) calculates that deep renovation to achieve Energy Performance Certificates (EPC) of A or B will require roughly €60,000 per unit. If the aim is to renovate 1000 units per district, the AHI will require around €6 billion. In the opinion of Housing Europe, this means that the funding streams suggested by the European Commission will not be enough to deliver the AHI, and a dedicated budget line will be necessary in order to implement it, steer it at the EU level, and ensure that the common principles and outcomes are followed and achieved. To this end, the federation calls on the EU to support 100 per cent of the Initiative's costs and on the European Investment Bank to cover 50 per cent with repayable loans.

More broadly, as it directly pertains to housing, the recovery plan is heavily centred on renovation. While this presumably aligns with the goal of climate neutrality, it poses several challenges for affordability and housing inclusion, as renovation can easily lead to rising housing prices. This is doubly true when we consider that other spending areas of the recovery plans, such as investments in green infrastructure, mobility and connectivity, are also likely to raise land and property values throughout the continent. How can we be sure that renovation will not simply gentrify districts or give way to a Renoviction Wave?

Adding to this challenge is the diversity of housing and welfare regimes in EU Member States. As Scheurer and Haase (2017) have noted in relation to European structural and investment funding, the heterogeneity manifest in urban contexts is insufficiently taken into account here as well. While the housing affordability problematic is felt across Europe, social and affordable housing stocks are orders of magnitude greater in some Member States than in others. The relatively large public and third sector housing stocks in many Nordic and Continental systems, for example, stand in stark contrast with those in the so-called 'familistic' welfare regimes of Southern Europe. Insofar as they differ in terms of the size of their available social and affordable housing stocks, as well as in terms of the institutional mechanisms at their disposal, Member States are likely to differ substantially in the degree to which investment and improvement in the existing social and affordable housing stock will be able to drive a tendency towards affordability throughout the housing market.

With these challenges in mind, the International Union of Tenants argues that the RWS and the AHI must achieve not only climate neutrality but also *housing cost neutrality*. However, investment alone is unlikely to yield this result and, in any case, housing costs are already too high for millions of households. Moreover, the property relationship between households and their dwellings also plays a major role in shaping housing inequities, raising the need for the *neutrality of housing tenure*.

Thus, the EU must take a more proactive stance in favour of citizens and their fundamental right to decent housing. This can be achieved while upholding the principle of subsidiarity, for instance, by setting minimum standards of access, affordability and quality at the EU level and granting autonomy to Member States to implement locally tailored housing strategies. The deployment of European recovery funds must be accompanied by changes in both EU 'hard' and 'soft' laws to enable the expansion of affordable non-profit housing and empower public authorities to regulate the private housing market. Such changes should also seek to empower tenant unions and right-to-housing organizations by recognizing them as key stakeholders in EU decision-making processes, offering direct and formal channels of participation, and legally protecting their right of collective bargaining and action, similarly to what is laid out in Article 28 of the EU Charter of Fundamental Rights. Unless there are changes in this direction, the new wave of public investment will likely engross private profit, undermining its social impact on the right to housing.

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