Social Housing in Italy –
The experience of Fondazione Housing Sociale

Milan, 28th January 2014
Fondazione Cariplo first addressed the issue of disadvantaged conditions in housing of 2000, contributing to the realization of housing projects dedicated to the weakest segments of the population.

Aware of the limited amount of resources available in the form of grants, the Foundation began experimenting in 2004 with an innovative model based on sustainability and ethical investment, to expand the range of planning instruments and seek to involve in its initiatives other public and private institutions interested in supporting the Lombardy region.

The initiative thus took concrete form in the “Social Housing Programme” and the Fondazione Housing Sociale (or “FHS”), instituted to implement the Programme itself.

The work of FHS developed along these main axes:

- The promotion of ethical financing initiatives, and in particular, real estate funds dedicated to social housing
- The testing of innovative, no-profit management models
- The development of project design instruments to be shared among all sector operators
- A public-private partnership to develop the initiatives in coordination with and supplemental to existing public housing policies.
Fondazione Housing Sociale was born to answer to a need

- Fondazione Housing Sociale was created in **2004** to develop the Social Housing Programme, conceived by **Fondazione Cariplo** to carry out real estate projects of a social nature
- Among the founders were also **Regione Lombardia** and **ANCI Lombardia**, underlying the public - private partnership that characterizes the project. In **2008**, in response to the positive feedback of the first initiatives, the operation of FHS has been extended to the **national territory**
- Its mission is to **experiment innovative solutions** for structuring, financing, construction and management of social housing initiatives **economically sustainable**, not based on the logic of free grants
- FHS is now a **reference point** for the **promotion of the sector**, the **facilitation of projects** and the **monitoring of their quality**. FHS has acquired diversified skill sets, enabling an **integrated approach** to the development of private social housing initiatives
- FHS is a **private, non profit entity, and works for the purposes of public and social interest**
- As part of the Integrated System of Funds, FHS currently assists 16 funds (more than **150 operations**)

Social housing is defined as the set of dwellings and services, actions and instruments addressed to those who are unable to meet their housing and related primary needs on the open market for economic reasons or due to a lack of appropriate supply options

<table>
<thead>
<tr>
<th>Annual gross income</th>
<th>Percentage of population 2011</th>
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<tbody>
<tr>
<td>&gt; €50,000</td>
<td>5%</td>
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<tr>
<td>&lt; €50,000</td>
<td>56%</td>
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<tr>
<td>&gt; €12,000</td>
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<tr>
<td>&lt; €12,000</td>
<td>39%</td>
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Fonte: Ministero dell’Economia e delle Finanze
The experiment became reality

Social housing began as an experiment ...

... but today, it is extremely relevant and significant

It has attracted political attention

In the next 15 years it will witness a strong growth

The resources currently available are mainly those of the FIA

- Social housing, which began as an experiment born of the sensitivity of Fondazione Cariplo, has proven to be a very topical issue, mainly due to the evolution of some factors that have extended its relevance:
  - loss of households purchasing power
  - the credit and real estate industry crisis
  - weakening of the welfare state (burdened by the weight of public debt)

- From an initial situation where it was not on the agenda of politicians, social housing today enjoys great attention and visibility with consequences on the evolution of regulation, provided that this does not entail new public spending

- These dynamics are generating a lot of opportunities to build social housing initiatives that are able to meet housing and social needs

- It is expected that over the next 15 years, the social housing sector will therefore become one of the most relevant fields of the residential construction sector, as happened in the UK, France, Holland and Germany

- Currently, the development of the sector is largely driven by the activities of the Fondo Investimenti per l’Abitare (“FIA”), whose mission is to increase the supply of social housing, and its resources, amounting to about 2 billion Euro
From the real estate project to a sustainable community

**Housing culture**
- The economic crisis is leading people to find new ways to improve their condition, seeking collaborative and sustainable solutions that can guarantee a satisfactory quality of life: a new “culture of living” both private and public spaces is emerging.

**Community Participation**
- Offering a house today means producing efficient buildings but also making platforms available that allow you to activate the resources needed to build a neighborhood and a community. Throughout Europe there is a shift from the supply of houses to the supply of housing services.

**Integrated design**
- To achieve this goal, the first step is the design of initiatives on different levels, in order to provide concrete and comprehensive answers in terms of urban and residential space, new housing models, new technologies, integration and participation.
- Social housing projects include, therefore, the design and management of all the initiatives aimed at ensuring access to essential services, pursuing the improvement of quality of life and the cohabitation of all members of the community.

**Welfare housing**
- The design and implementation of effective welfare housing projects are crucial to the success and long-term sustainability of social housing initiatives.
An integrated approach since the beginning is essential

- To face all the relevant dimensions of social housing, the design has to be performed **at the same time on different levels** (urban, social and financial).
- The effectiveness of the design can be achieved by activating a close relationship among the various dimensions of the project through the **involvement of local stakeholders**.

**From users to members of a community**

1. **Urban project**
   - Redefinition of public spaces, traffic issues, functional mix of new dwellings

2. **Social project**
   - Services to be provided:
     - Commercial (with community impact)
     - High social impact services
     - Special residential services (e.g. sheltered housing, student halls etc.)

3. **Financial project**
   - Financial planning and project management

**Valuation**

**Implementation**

- Closing of the agreement
- Tender for final building design and development
- Property allocation
- Property and community management

Property and Community Management
Sustainability, social housing and community services

Sustainable community

**Social housing**
- **Urban project**
  Features of the settlement, guidelines construction of buildings, etc.
- **Social project**
  Services to be set up: commercial, social, special initiatives (i.e. safe housing, community facilities)
- **Financial project**
  Financial analysis of the investment and preparation of relevant documentation

**Community services**
- **Community management**
- **Community services**
  - health
  - elderly
  - childhood
  - young
  - disabled
  - cohesion
  - education
  - sport and culture
  - leisure
- «Incubation» of new activities

**Diffusion of “prototype” projects**

Economic and financial sustainability in the long term
The instrument identified to support social housing is the Real Estate Ethical Fund. Real estate ethical funds dedicated to social housing have been designed to support the lease to rent at discounted prices through the use of a financial vehicle, the fund, distinguished from the assets of the traditional operators, and the use of capital with a limited target return and a medium/long term investment horizon.

The “Piano Nazionale di Edilizia Abitativa” mentioned in the DPCM 16/07/2009, art. 1 paragraph a) also establishes the activation of an Integrated System of national and local real estate funds in order to:

- “Acquire and construct buildings in the housing sector or promote innovative financial instruments, with the participation of public and/or private entities, to enhance and increase the supply of houses available for rent”

The strong commitment of FHS has contributed to the birth of the first ethical real estate fund “Fondo Federale Immobiliare di Lombardia” (“FIL”, former “Fondo Abitare Sociale 1”), which became a reference standard for the sector.

The experimental “practice” developed by the FIL was based on Fondazione Housing Sociale idea to draw up a protocol of agreement setting up a working party together with the municipal authority and the other sponsors of the initiative, assigning to this combined working party the role of developer of the social housing project.

The strategy of FIL is to manage social housing initiative from its conception to its divestment.
The successful experience of FIL was used as a basis to set up the Integrated Funds System ("SIF") introduced recently by the National Housing Plan that formally started private social housing: an innovative way of developing projects and programs aimed at expanding the supply of social housing units using resources and means of implementation proper to the private real estate market.

The Integrated Funds System currently consists of a national fund of funds, the Fondo Investimenti per l'Abitare ("FIA"), managed by CDP Investimenti Sgr and with an AUM of €2 billion, which invests in local real estate funds to build social housing units at affordable prices, intended for families unable to meet their housing needs on the marketplace, but with incomes higher than those which would entitle them to public housing.

Goal
- Increase in the supply of social housing

Framework
- AUM: €2 billion
- Duration: 30 years
- Typical investment: real estate funds or local investment vehicles up to 60% of total equity

Investment location
- The whole Italian territory, on initiatives promote locally

Target return
- 3% + inflation
The structure of the Integrated System of Funds is complex but effective.

**Critical factors**
- Raising of local equity
- Return on investments
- Authorisation process
The full coverage of Italy is completing

Final approvals up to 2013:
- Committed FIA amount: €690mln
- 21 Local Funds
- 11 SGR
- 113 social housing initiatives:
  - 8,487 apartments
  - 3,614 accommodations in temporary residences
  - services
- 31 construction sites for a total value of approximately € 450mln

Number of dwellings
- 1.001 - 2.000
- 501 - 1.000
- 201 - 500
- 101 - 200
- 51 - 100
- 1 - 50

Approved Investments

End of 2013
Renting high quality dwellings at discounted prices is the priority

(*): "temporary housing" includes student residences, RSA, case/albergo

Initiatives Mix

- Services 2%
- Commercial 4%
- Houses for sale on the open market 4%
- Temporary Housing* 11%

Social Housing Mix

- Rent 57%
- Lease to Own 20%
- "Vendita convenzionata" 23%
Selected projects
123 dwellings
850 mq commercial
250 mq housing services
1,800 mq local services
Status: completed

Building the community:
- Sustainability and responsibility
- Sociality and participation
- Sharing and organization

Tenants:
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<th>families’ net income</th>
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<tbody>
<tr>
<td>&lt; 20.000</td>
<td>37%</td>
</tr>
<tr>
<td>20.000 &lt; x &lt; 30.000</td>
<td>42%</td>
</tr>
<tr>
<td>30.000 &lt; x &lt; 40.000</td>
<td>16%</td>
</tr>
<tr>
<td>&gt; 40.000</td>
<td>5%</td>
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<td></td>
<td>100%</td>
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Xlam energy class A
Status: more than 50 dwellings already delivered

- Target: 1,000 dwellings for young people in Milan

First group of 210 dwellings

- "click-day"
  - 541 candidates
  - 200 subscriptions in the first 2 minutes from the opening
Abit@giovani: project areas

Abit@giovani network

Neighborhood projects
323 dwellings
255 mq housing services
2,650 mq di local services
1,325 mq commercial
Status: under construction, expected delivery in November 2014