

# **LOCAL ACTION PLAN SOCIAL AND AFFORDABLE HOUSING**



**IASI, 2011**

# Local Action Plan

## Why a local action plan?

Social Housing is a basic and fundamental issue affecting individuals and communities and an important determinant of health and well-being. It is also the largest asset for most families and a key element of both the wealth and health of individuals and the overall economy. Housing affects the national economy and a range of stakeholders including consumers, builders, developers, realtors, landlords and mortgage lenders.

Iasi Municipality needs a long-term and sustaining funding framework for housing that provides sufficient and predictable funding to enable implementation of solutions locally.

The aggregate statistics conceal the daily challenges faced by low income individuals and families that struggle every month to pay the rent and feed themselves and their children.

High housing expenses are a critical barrier to getting ahead, often contributing to and exacerbating poverty problems.

In calling for a long-term sustaining approach, LAP is guided by the following principles:

- Build on our affordable/social housing legacies as a city that cares.
- A housed population is a productive and secure population.
- Housing is an essential component in the creation of well-functioning neighbourhoods/communities.
- Housing requires the ongoing participation of all orders of government, together with the **private** and community sectors.
- Actions and funding must be both long term and predictable and sustained.

## **Local Context**

Iași is an important economic center in Romania. It has developed commercial activities within metals, antibiotics, textiles, wines and meat, but it is also an important banking center. This city has become a representative IT center, submitting many software companies, and it is recognized as being a cultural center, with two prestigious high class universities. Instead of all this, Iasi area is well known as having a poor wage rate/ incomes and a reduced level of employed working force.

## **Problem Analysis / Diagnosis**

**Social housing policies try to address the housing problem but have often been implemented in such ways that the people in real need are not reached and/or the social housing projects do not improve the overall living conditions of people or lack a contribution to sustainable urban development of their problems. Developing and therefore allowing for better implementation of social housing contributes directly to the living conditions and to the growth of cities in the developing world.**

Social dwellings are living places, access restricted by norms, meant to support families with financial problems in buying a house.

These dwellings are structured upon a standard and are meant to be rented (or joint property) for a price below market price.

The target population applying for this kind of living places should meet the following conditions:

- should not have a dwelling;

- family's monthly net medium income (family applying for such a dwelling) or the income of the person requiring the dwelling, within last 12 months, should be 20 % lower than net medium wage established by law ;
- persons that have never received state support

Within social dwellings, we also include another category of dwellings- *convenient dwellings*. These are the private property of Iasi Municipality, and are designated for persons or families that do not own and never owned a dwelling as their property, that have never been supported by state within loans or construction works for building a dwelling and/or are not involved as owners in renting contracts for a dwelling awarded according Law 114/1996.

### ***Legal frame / planned initiatives /implemented initiatives***

On national level, the aim of social dwelling construction program – dwellings of subsidized rent, for persons with problems, categories established by law, whose living level does not allow them to own or rent a house, within market conditions.

The established objective is to ensure decent living conditions for social disadvantaged categories of people. Promotion of social dwelling investments is the responsibility of local public authorities.

**The financing sources** of this program are: local budgets and state budget.

Investment's development for social dwelling construction is the responsibility of administrative local public authorities, financed by their own budgets.

The state financially supports the construction of these dwellings, by allotting funds from the state budget to complete the local budget funds, through the budget of *Ministry of Regional Development and Housing*, on local council request as sustained basis.

The financing program for social dwelling construction is a multi-annual program, that that is implemented since 1997.

Every year, the state budget funds allotted to this purpose are approved through the annual state budget law.

Dwellings' distribution is made by local councils, according the proposals of social committees that analyze the dwellings' requests on local level.

For social dwellings, can apply families or persons of monthly medium net income, within the last 12 months, under monthly medium net wage established by the *National Statistics Institute*, within last statistic report, a month previous to request's analysis, and also a month previous to dwelling distribution.

Nominal rent is subsidized by local budget funds, the maximum level for social dwelling rent being of 10% of the monthly net family income. Social dwellings belong to administrative-territorial units' public domain and these are not for sale. Social dwellings can be organized by new constructions or by rehabilitation of already existing buildings.

These actions are performed according the investment programs sustained on local level, the city halls being beneficiaries.

This program is directed to city halls. The authorities involved within its implementation are: *Ministry of Regional Development and Tourism*, together with local councils.

***Social Dwelling Construction Program*** for renters evacuated from houses as given back to their owners is meant to create social dwellings for renters evacuated from retroceded houses within those administrative-territorial units where more than 10 requests were registered by legally authorized persons.

The social dwelling fund is established by local councils within those administrative-territorial units where more than 10 requests were registered by legally authorized persons.

Legally authorized persons are those individual that meet all the conditions provided by art.1, line (3) of G.E.O no.74/2007. Priority access to these dwellings is permitted to legally authorized persons that meet, at least, one of the following conditions:

- have a monthly net medium income, within the last 12 months, of at least 20 % lower than the monthly net medium income, annually established by Governmental Decision, according the provisions of art.8, line 2 of Housing Law no.114/1996, republished, amended and supplemented.
- are persons suffering from disabilities, infirm persons and/or pensioners; social dwellings belong to administrative-territorial units' public domain and these are not for sale; social dwellings can be organized by new constructions or by rehabilitation of already existing buildings.

The program is implemented following the investments programs sustained o local level, city halls being beneficiaries.

The development of social dwellings investment process is the responsibility of local public administration authorities, financed by their own budgets. State budget funds approved through this program are allotted by transfers, as completion of local budget funds. To ensure the necessary funds for social dwelling construction designed for evacuated persons from their houses as consequence of retrocession to their owners, local councils, annual local budget support for projects, will mention the exact amount for each construction, on financing sources, including the necessary sums as completion from the state budget.

National Housing Agency (ANL) has developed a program to build dwellings of 1, 2 or 3 rooms, in order to be rented, at a low price, by young families (aged less than 35 years) and after a certain period of time they being able to buy these dwellings.

The above mentioned program designed for young people who can not afford to buy a dwelling or to rent one on the open market. Young people can receive dwellings within 12 months from the age of 35. The dwellings are built on land made available to the National Housing Agency by local councils, as required by law and in compliance with the planned legal documents approved.

Through an agreement signed with the National Housing Agency (ANL), local authorities are required to ensure site preparation and utility facilities whose costs are incurred by local budgets. Investments on construction of rental dwellings are financed by state and / or local budgets and by internal / external credits and other legally constituted sources. Local

authorities allocate dwellings built by ANL on the basis of applications filed by families who meet the criteria established by law.



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Within this program, for construction of rental dwellings, it runs a social nature sub-program. This sub-program deals with the construction of rental dwellings for eligible resident doctors and other young professionals. The program helps the resident doctors and specialists whose incomes do not allow them to own a dwelling or to rent one on market conditions. Those interested may submit a request to the City Hall / local authority in charge of the hospital where they work. In 2010, the city has a total of 165 such dwellings.

**Thermal Rehabilitation National Program** refer to owners' associations that want to increase the energy performance of residential buildings, as built according the project developed during 1950-1990, regardless of their heating system.

Thermal Rehabilitation includes: - thermal insulation of external walls of the building- replacement of existing windows and exterior doors throughout the entire building with some of higher quality, which would seal better each room- thermo- waterproofing of roofs or terrace / floor thermal insulation over the top level, in case of the existing framework - thermal insulation of the floor above the basement, where the block design implies the existing of the ground floor apartments- dismantling of facilities and equipments located on the building facades and terrace and their reassembly after the thermal rehabilitation works have been performed- rehabilitation works of building coverage finishing

Depending on the results of technical expertise and energy audit performed on the block, the following works can be added:

- repairs to building elements that pose a potential danger of detachment and / or affect the functionality of the dwelling block
- intervention on the water distribution system that heats dwelling block's communal spaces.

The main objectives of the Program are:

- the improvement of thermal comfort
- reducing heat loss and energy consumption
- reduce maintenance costs for heating and hot water
- reduction of pollutant emissions generated by the energy production, transport and consumption.

The tenants' association pays 20% of the total cost of rehabilitation works. The remaining 80% is provided from state and local budget.

The 20% of all rehabilitation work is divided among all owners, each being awarded to a share depending on what is undivided share of each owner.

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If the association, one or more owners are unable to pay their share, the local municipality may take over a part or all of the costs and decide how they will recoup the money later.

The 80% of the thermal rehabilitation cost is provided as follows: 50% from the state budget through the Ministry of Regional Development and Housing, within the annual limit approved funds for the rehabilitation program, and 30% of local budget funds within the approved Annual Program of thermal rehabilitation.

Locally, a set of programs are currently under implementation. It has been developed a program through which young persons or families are provided with an area of 500 m<sup>2</sup> land, at zero cost, and they will self-financing the construct of their dwelling. Regarding the affordable dwellings, it has been developed a program for buying existing buildings at affordable prices and reinstatement the dwellings for various social needs.

In terms of environmental and quality standards, these are set by national regulations. Currently, in Iasi, there isn't a pilot project for implementing high quality standards.

### ***Problems related to social / affordable dwellings***

Social dwelling sector is characterized by a general failure, but the most affected groups are young families, families evacuated from their homes, families of low incomes and whose members have no job, and those living in old buildings, whose technical parameters are extremely low. Many citizens are not able to satisfy their housing need without additional financial aid. Some of that aid should come from better targeting of subsidies.

The social dwelling sector has been neglected with large scale privatization. But, given the low incomes of a large proportion of the population and the growing number of evictions, it takes a significant number of these dwellings to be temporary offered to people that can't afford to own a dwelling.

In this regard, a major problem is the demand pressure, in terms of failure for the construction of such dwellings. This sector is facing also, with the need to rehabilitate a large number of dwellings.

In terms of dwelling market price levels, these have registered an upward trend until the end of 2008 (in 2007, the increase was 20-30%), the explanation being found in the increasing gap between the low bid and the rising level of demand. Later however, dwelling price levels dropped a lot, with the emergence of economic and financial crisis. The rental prices had the same development path.



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Social dwelling vacancy rate is the proportion of social dwellings which are available but not occupied, and is one of the key indicators used to measure social dwelling needs in a certain territory. In Iasi, the small number of new social dwellings causes pressure on the existing park, and translates into lower rates of vacancy.

### **Objective pursued**

**The objective of the action plan** is to secure new long term government investment to harness and maximize the impact of existing assets and new investment. Over a sustained period this will reduce homelessness, improve housing affordability and restore a well functioning housing system with healthy dynamic neighbourhoods

The objective of this Local Action Plan is the proposal of measures / activities to address problems facing the social / affordable dwellings in Iasi. Strengthening solidarity and ensuring social and territorial balance of city residents' living standards is the main priority of the objective.

Social dwelling policy is at the crossroads of a variety of needs that must be met, which involves the definition of intervention priorities to the whole urban community and a very active partnership approach. The economic development support of all urban agglomeration sectors represent the objective that must be considered, although in practice this objective is difficult to be achieve in the short term.

### **Activities / Strategic measures**

*Iasi Municipality is proposing a comprehensive strategy over the next years to meet the following targets. The priorities are: (1) to preserve and*

*enhance existing assets; (2) to reduce homelessness and the number of people needing social housing; and (3) to expand the supply of affordable housing necessary to meet existing and future need.*

### ***1. Reduce homelessness in next years***

Create new transitional supportive and permanent affordable housing opportunities and appropriate support to stabilize underlying issues that contribute to chronic homelessness (e.g., mental health and addiction).

### ***2. Expand the stock of affordable, social housing***

A growing population creates new households. This goal aims to create enough new permanent affordable housing to stabilize housing need. This housing can include new construction and acquisition/preservation of existing market units.

### ***3. Reduce the backlog in core housing need in the next years***

This will use a variety of approaches, including rental assistance and assisted home ownership, as well as new construction or acquisition/preservation, to expand the number of affordable housing units.

This document first sets the context for a more comprehensive approach: why housing matters and where the housing system is currently failing. Then it identifies a range of approaches and priorities that together can respond to these problems and improve outcomes in an inclusive and comprehensive way.

**All these three strategies are divided  
in the follow activities and measures  
that Iasi Municipality has to take into account**

In order to reach this purpose, the specific activities / measures we propose are the following:

- reviving the production / construction of social dwellings, acting on blocking factors such as insufficient land, available for such dwelling construction.
- regarding the affordable dwellings, offer's development involve the activities as: incitement of promoters and investors within this field, maintaining the dwelling renting price within the lower limits, encouraging the introduction of affordable collective dwellings in the circuit. However, the difficulties of implementing these measures, related to the lack of a public-private partnership (current and on short term) to secure conditions favorable to investment in this sector, and the major difficulties of Romany ethnicity social integration should be taken into account.
- the response to local demand for social dwellings requires a collective effort that faces an extremely restrictive national and local context, characterized by the lack of funds necessary for implementation of construction works. In this context, ensuring conditions for increasing volume of EU funds used to finance the construction of social dwellings becomes a major component.
- ensuring continued funding of essential programs within a term planning based on needs / demand.
- promoting ecological dwellings construction, energy efficient.



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- investment for ensuring the quality of social / affordable dwelling stock.
- location of social / affordable dwellings near public transport axes and centers of economic activity, to ensure a high level of accessibility. It should be noted however that this requires the development of urban transport infrastructure and an urban development structured policy, and difficult tasks to be performed in the current context, on the short term.
- spotting and exploiting the land opportunities in urban areas. For now, on a first assessment, we find insufficient land that can be used to build social dwellings.
- anticipating the future needs of dwellings in order to create land reserves on medium and long term.

- ensuring the diversification of dwellings occupation, coupled with measures to meet the dwelling needs of young people and ethnic integration.
- increase / maintain the social dwellings share of low-class at a highest level.



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### *Financial sources*

Financial sources that can be mobilized to finance the construction of social dwellings include the following major components:

**1. Local budget** - setting an annual budget of investment in social dwellings in

the urban community. In Romania's current economic conditions, local budget funds for this purpose are, and probably will remain at a low level, insufficient compared with what would be necessary.

**2. Attracted funds** - looking for opportunities to allocate loans to finance the construction of social and affordable dwellings. Unfavorable economic and financial context makes it difficult to attract, in favorable terms, such funds.

**3. European funds** - ensuring the conditions to increase the volume of EU funds used to finance the construction of social dwellings.

### **PROPOSED PROJECT**

The place where 500 ANL dwellings for militaries and 500 ANL dwellings for civilians must be built has already been established.

The transference contract meant to transfer a land of three hectares area located in Copou, near Iasi penitentiary belonging to the Ministry of National Defense (MapN), to Iasi City Hall was signed, so as to build 1000 ANL apartments.

Iasi Municipality should prepare the planned documentation, and also the general construction works necessary for those 1000 apartments.

The land is located in Copou, near the military units. The construction works will start in spring 2011 and will be finalized in autumn 2012. Within the same period, the above mentioned apartments will be handed over to future renters or owners. Currently, the price per square meter of ANL built dwelling is 374 euros. The next year forecast price for one square meter will be significantly much lower.

