

Rebuilding a Place to Call Home – the Role of Land Policy in (post)war Ukraine
International symposium. 11 November 2023, Lviv, Ukraine



Access to adequate housing in Ukraine – a needs-based assessment input for RDNA 3 and Ukraine Facility

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New Housing Policy (Ukraine)



Purpose and structure

This presentation explores the implications of unmet housing need, for housing recovery, reform and investment based on the report.

It builds on the RDNA2, Ukraine plan draft and IOM survey data.

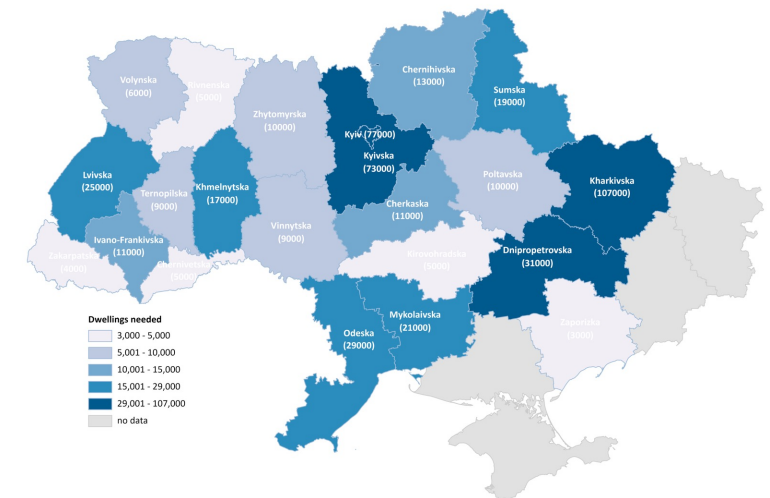
It outlines a **Needs Based Capital Investment approach** for discussion as Ukraine further develops its Plan for the EU Facility:

1. Assessing the need (slides 3-6)
2. Understanding financing pathways (slides 7-12)
3. Investment approach – fit for purpose (slides 13-17)
4. Model for implementation (slides 18-21)

Ukraine's housing recovery: Need based capital investment

Lawson, J. van der Nouwelant, R. and Troy, L.
in collaboration New Housing Policy, Ukraine.

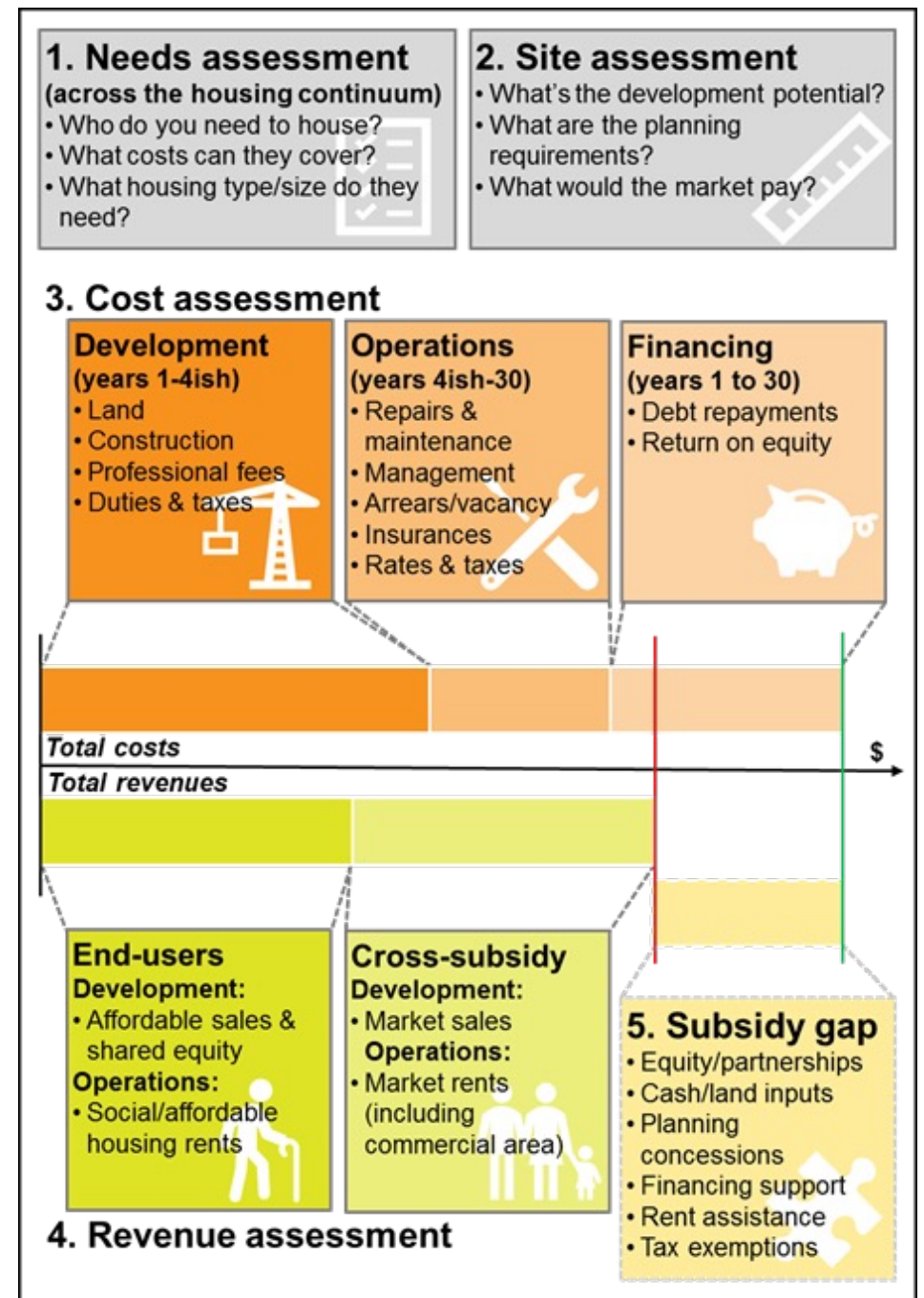
Work in progress November 2023



1. Assessing the need

Applied analysis using Affordable Housing Assessment Tool (AHAT)

- A needs driven approach
- Development cost assessment
- Modelled over time (20-30 years)
- Output allows testing of different policy levers
- Allows testing impacts of policy levers on feasibility and costings



What is needed most? What is needed first?

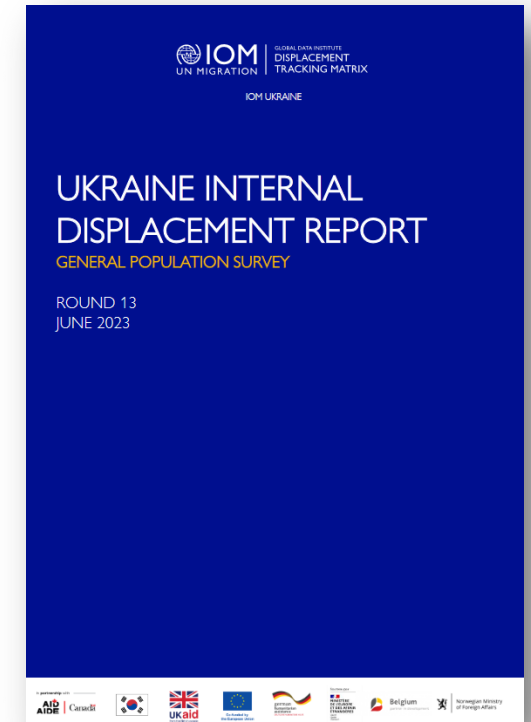
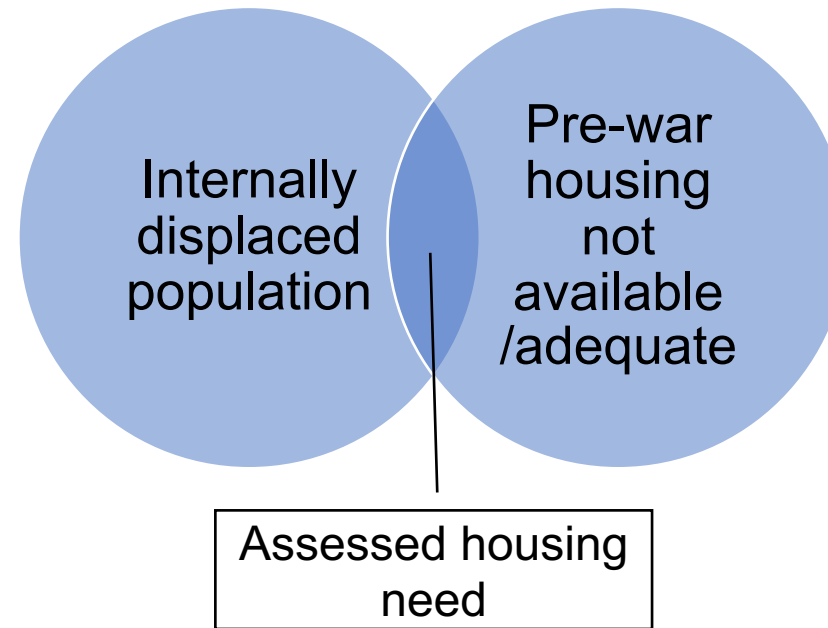
Internally displaced population (IDP) as proxy for those needing housing support.

Potentially excludes:

- Pre-war need for housing support
- Returning international refugee need
- Other need arising from war (e.g. those with lost earning potential)

Data from IOM general population survey (round 13)

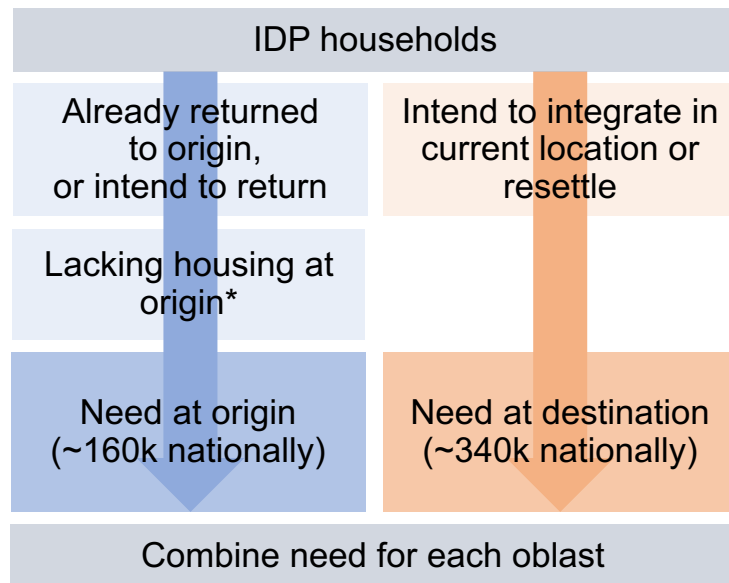
- Data not comprehensive (Donetska, Zaporizka, Luhanska and Khersonska Oblasts limited)
- Situation constantly changing
- But robust, updated and widely used data source



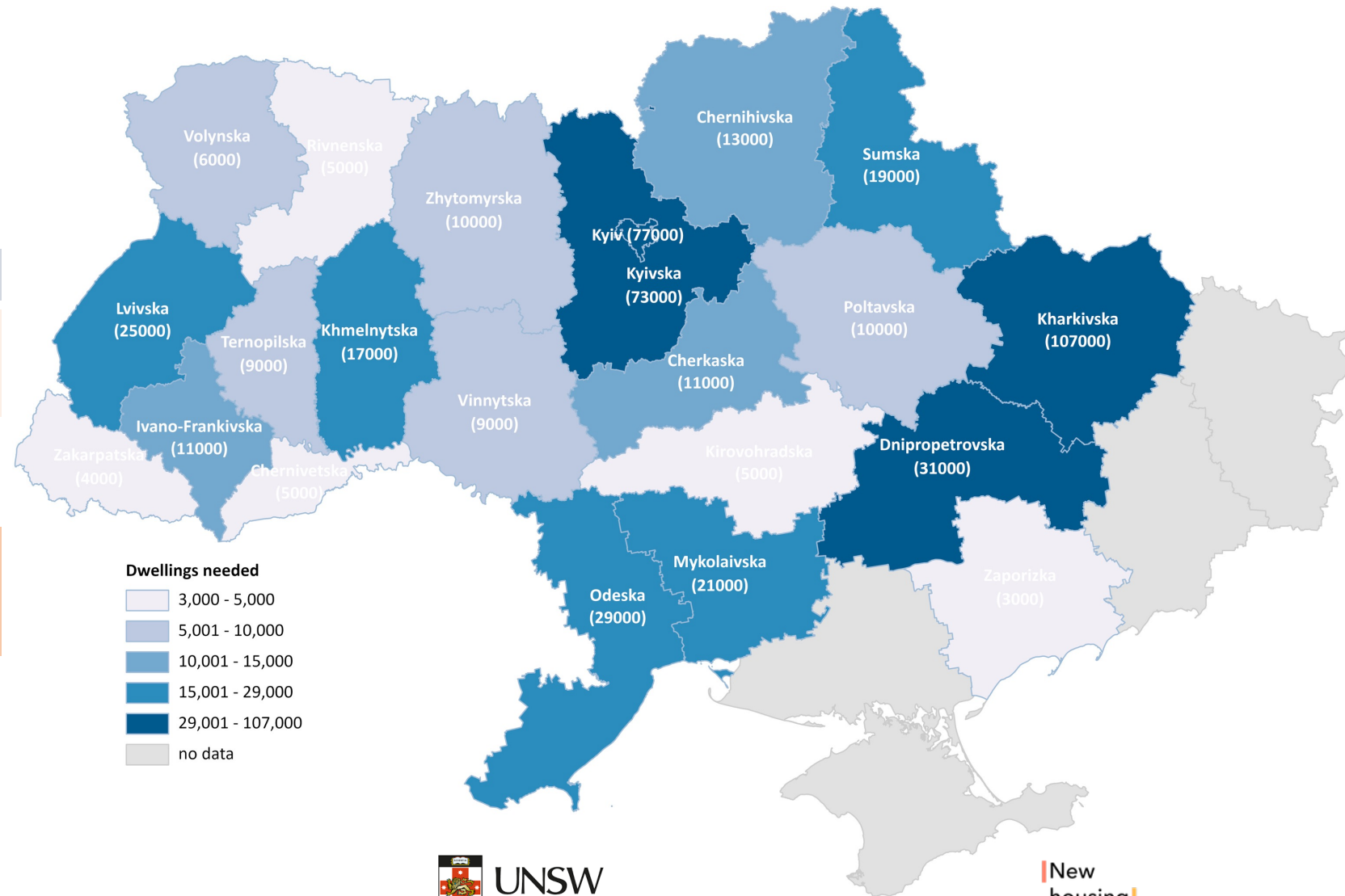
How is this need determined? Where is the most need found?

Internally displaced population (IDP) as proxy for those needing housing support.

'Return', 'integrate' or 'resettle' intentions reveal geography of need.



~7% of returnees identified as 'high' on lack of accommodation access nationally, but rate varies by oblast. Rate of returnees lacking housing applied to those intending to return.



What size of households? What incomes do they have?

Internally displaced population (IDP) as proxy for those needing housing support.

‘Return’, ‘integrate’ or ‘resettle’ intentions reveal geography of need.

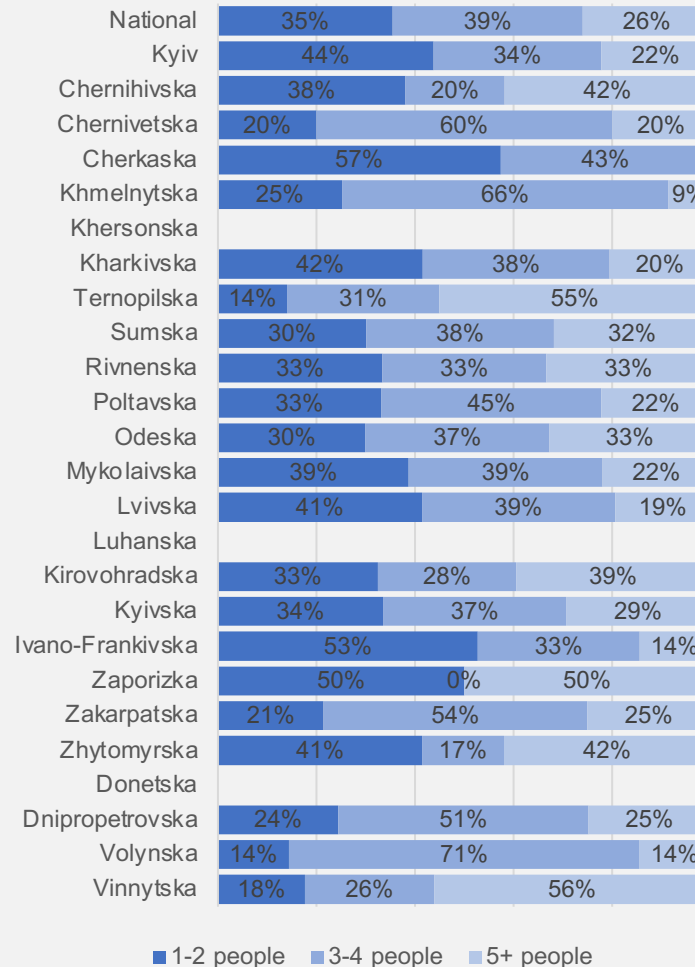
Demographics establish dwelling mix/size requirements.

- Households larger than national averages

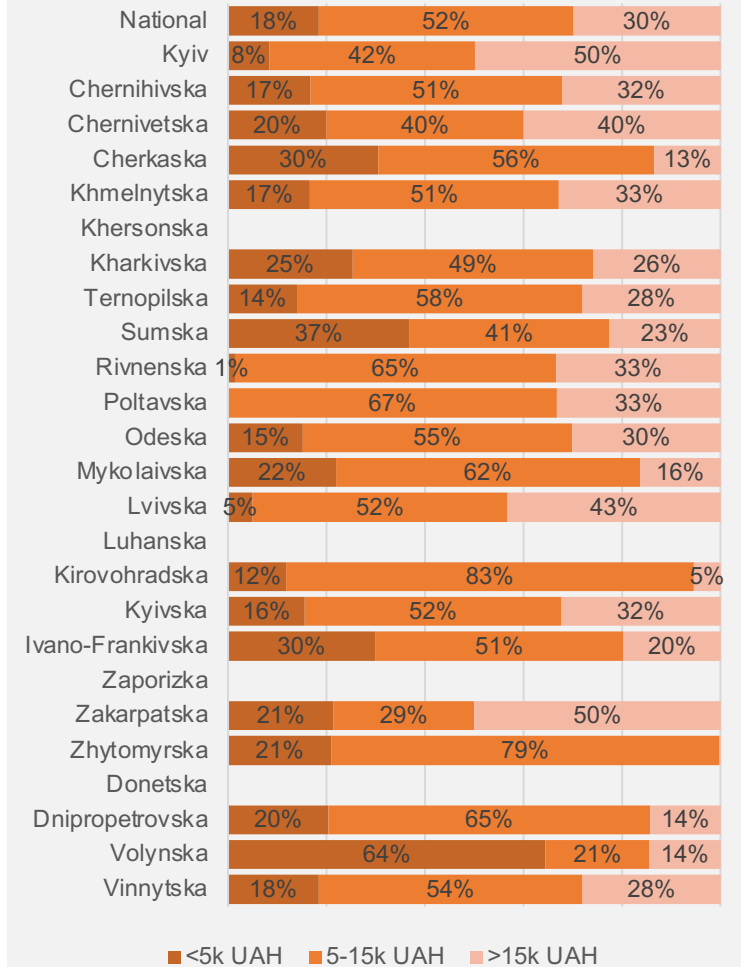
Incomes establish capacity to pay rent (and reduce subsidy needed).

- Capacity to pay low, due to war disruptions (current incomes)
- Pre-war incomes also lower than national averages
- Need for housing support not likely ‘temporary’

Household size for identified households

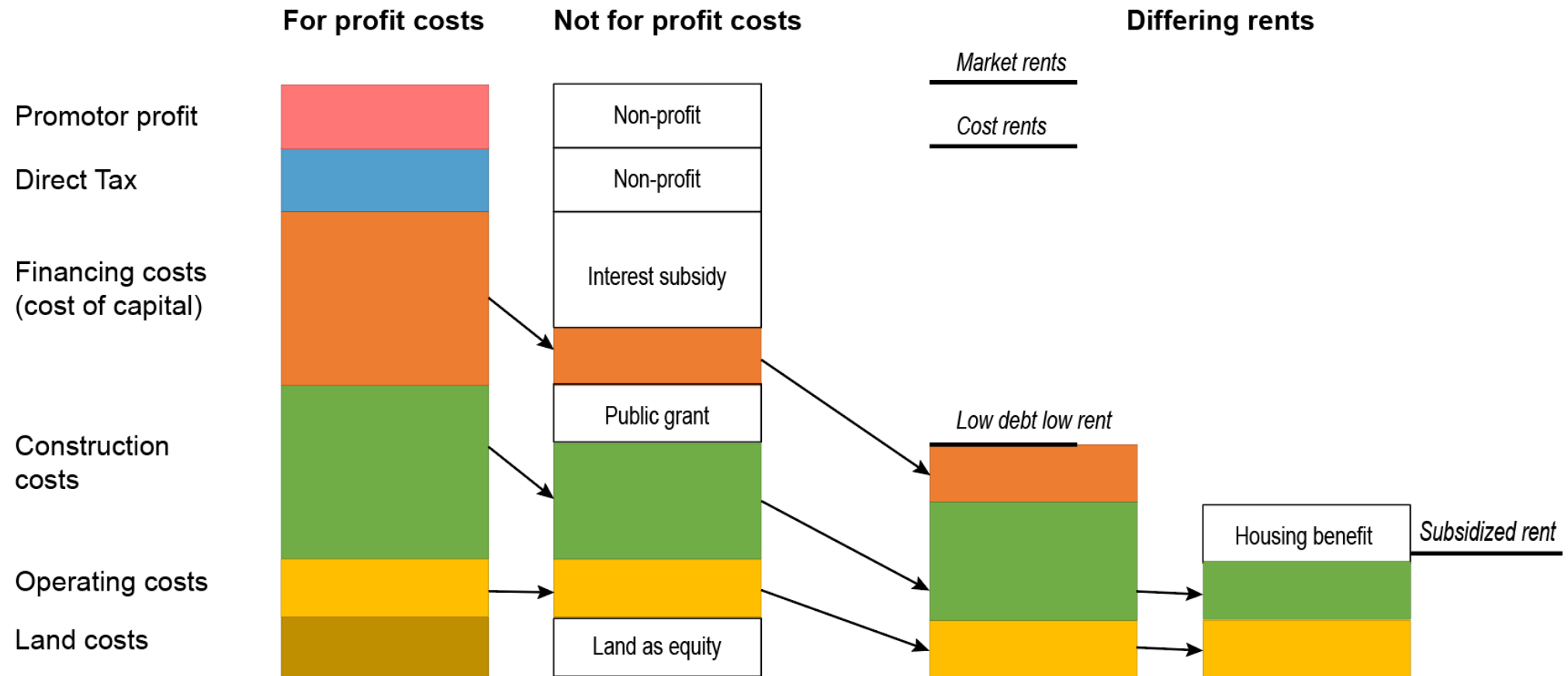


Current income for identified households



2. Understanding investment pathways

Housing costs and rents components



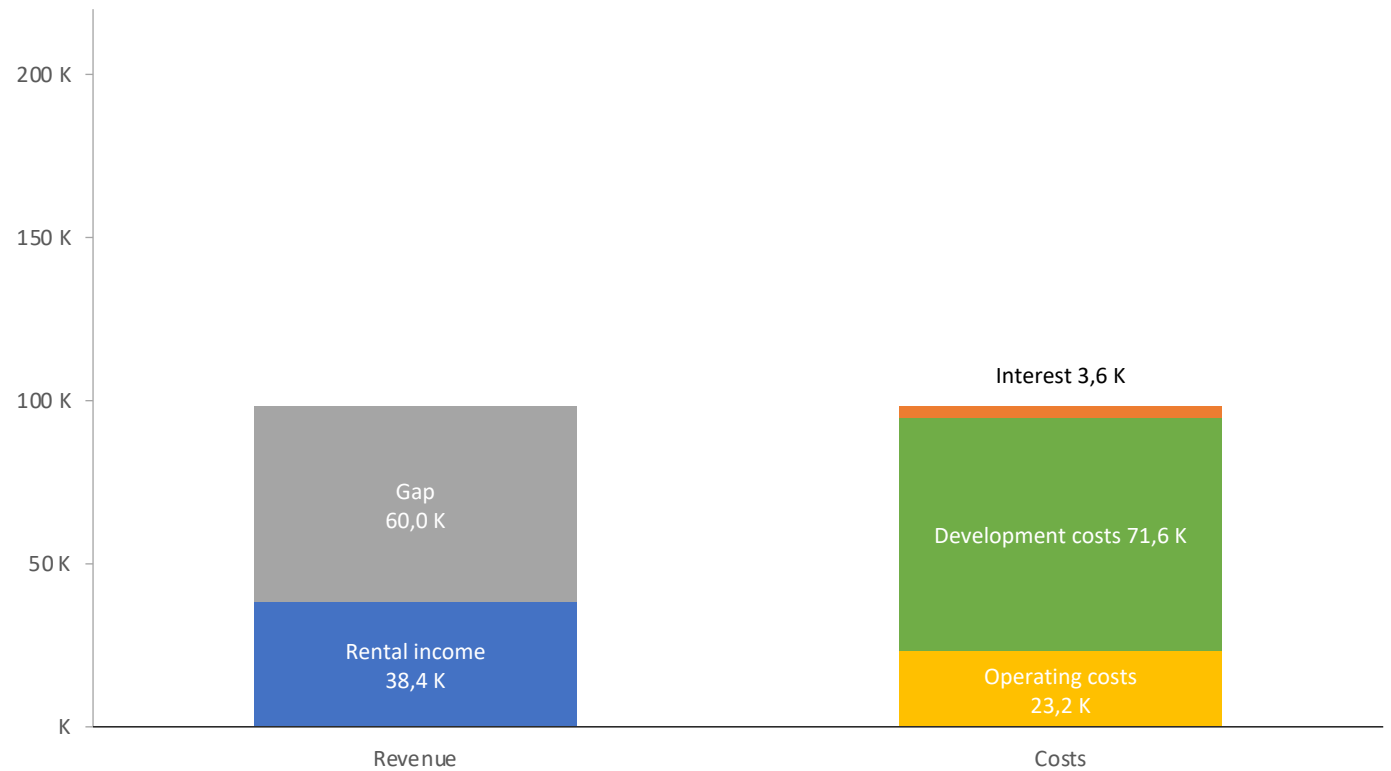
Adapted and changed based on Costs, subsidies and profit in social housing (Donner, 2000:50) and Housing 2030 (UNECE, 2021)

Model 1: Capital Investment

Upfront capital funding provided to cover development costs.

Discounted finance is also incorporated only to the extent that tenant incomes can sustainably cover repayments, after accounting for operating costs.

Model 1 Capital funding, discounted finance (4%) in Euro: Per Dwelling Subsidy Gap

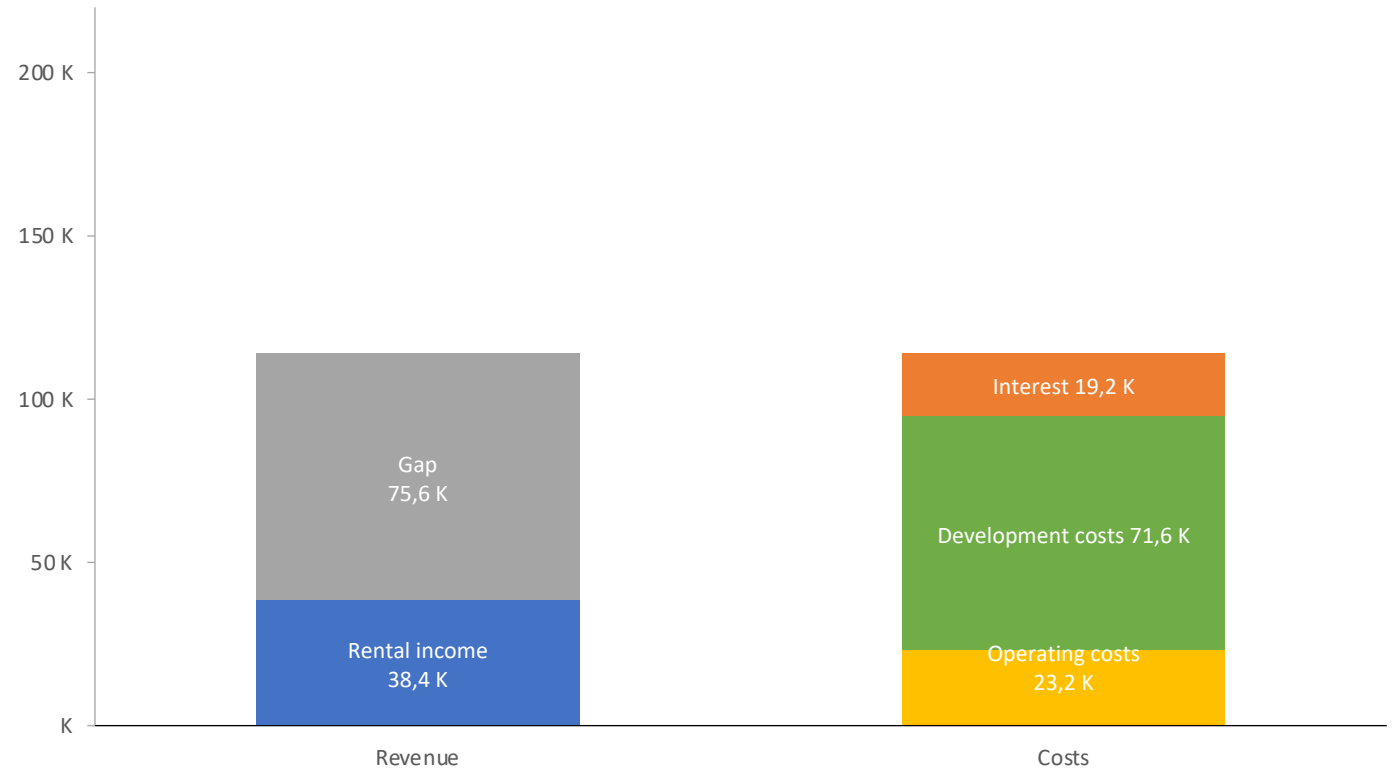


Model 2: Discounted Finance

With development costs funded by discounted loans.

Funding would need to be provided to fill the gap between surplus rental revenue (after operating costs) and repayment requirements on loaned money (on a 25year loan term).

Model 2 Discounted finance (4%) loan term 25 years Euro: Per Dwelling Subsidy Gap



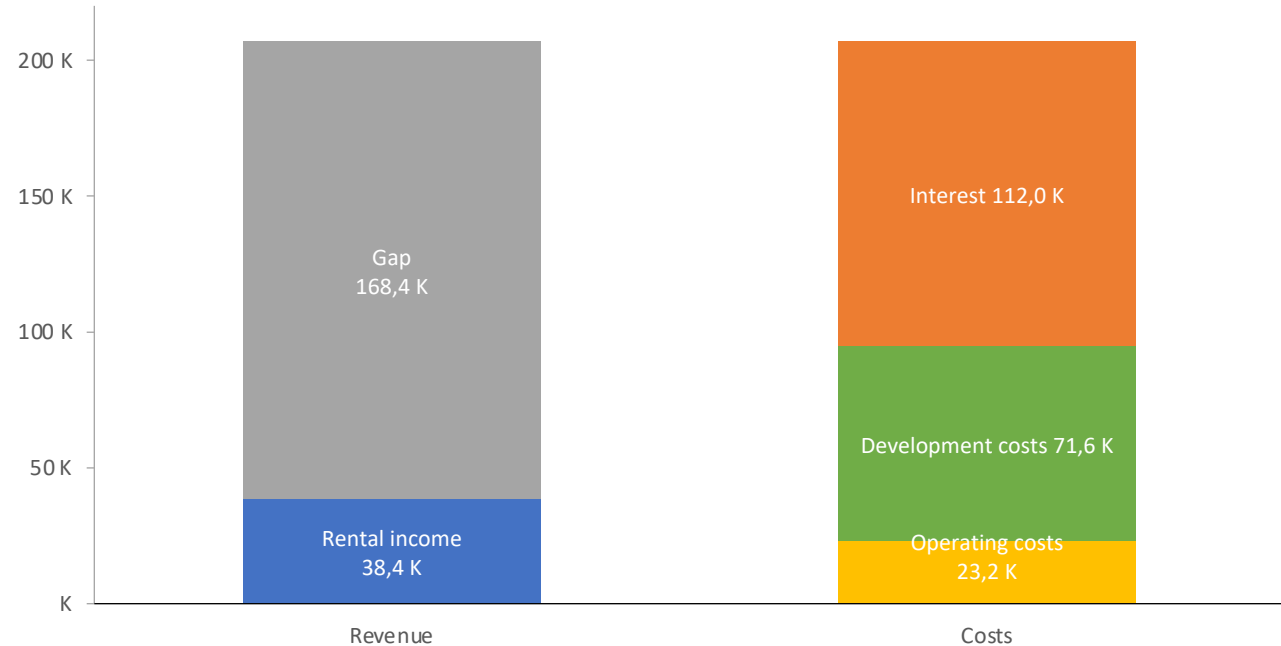
Model 3: Private Finance

Same as model 2, BUT finance is sourced through commercial lenders at commercial rates.

Funding requirements are based on the gap between surplus rental revenue (after operating costs) and repayment requirements on loaned money (on a 25 year loan term).

This is **184%** more expensive than up front capital investment model

Model 3 Private finance commercial loan 25 years (16%) Euro: Per Dwelling Subsidy Gap



*Model outputs can also use 'need' data to develop **scale of program**, by oblast, and **phasing of program** (including future sales to tenants). Comparison of program costs is provided on a regional basis in the following table, which illustrates the varying subsidy needed (spatially aggregated), per dwelling by oblast, to maintain feasibility of 'for-purpose' housing construction program.*

HOUSING NEED (M EUROS)

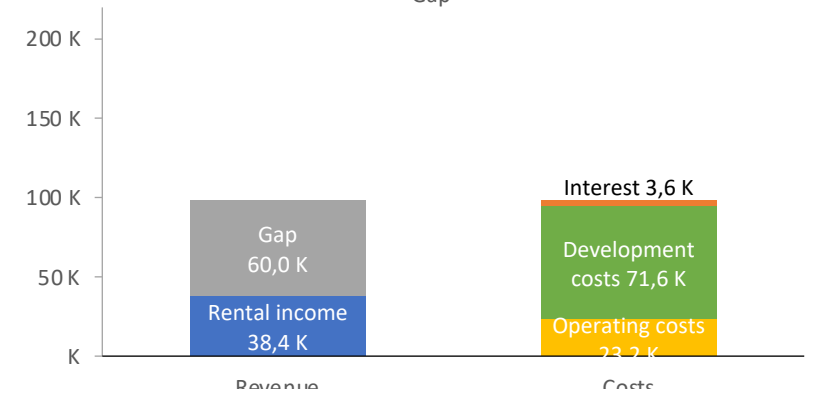
| Oblast | Dwellings | 1. Capital Investment Model | 2. Discounted finance model | 3. Private finance model |
|-----------------------|------------------|------------------------------------|------------------------------------|---------------------------------|
| UA05 Vinnytska | 9,000 | 552 | 696 | 1,529 |
| UA07 Volynska | 6,000 | 407 | 513 | 1,063 |
| UA12 Dnipropetrovska | 31,000 | 2,055 | 2,588 | 5,436 |
| UA14 Donetska | | | | |
| UA18 Zhytomyrska | 10,000 | 707 | 891 | 1,803 |
| UA21 Zakarpatska | 4,000 | 219 | 276 | 651 |
| UA23 Zaporizka | 3,000 | 199 | 250 | 526 |
| UA26 Ivano-Frankivska | 11,000 | 742 | 935 | 1,943 |
| UA32 Kyivska | 73,000 | 4,274 | 5,383 | 12,177 |
| UA35 Kirovohradska | 5,000 | 327 | 412 | 872 |
| UA44 Luhanska | | | | |
| UA46 Lvivska | 25,000 | 1,358 | 1,711 | 4,054 |
| UA48 Mykolaivska | 21,000 | 1,372 | 1,729 | 3,661 |
| UA51 Odeska | 29,000 | 1,718 | 2,164 | 4,860 |
| UA53 Poltavska | 10,000 | 557 | 702 | 1,637 |
| UA56 Rivnenska | 5,000 | 278 | 350 | 817 |
| UA59 Sumska | 19,000 | 1,281 | 1,615 | 3,356 |
| UA61 Ternopilska | 9,000 | 582 | 733 | 1,562 |
| UA63 Kharkivska | 107,000 | 6,666 | 8,397 | 18,292 |
| UA65 Khersonska | | | | |
| UA68 Khmelnytska | 17,000 | 1,003 | 1,264 | 2,844 |
| UA71 Cherkaska | 11,000 | 739 | 931 | 1,940 |
| UA73 Chernivetska | 5,000 | 273 | 344 | 812 |
| UA74 Chernihivska | 13,000 | 764 | 963 | 2,172 |
| UA80 Kyiv | 77,000 | 3,931 | 4,950 | 12,206 |
| TOTAL | 503,000 | 30,006 M EUR | 37,796 M EUR | 84,212 M EUR |

Key Finding: Cost of capital critical to size of 'gap'

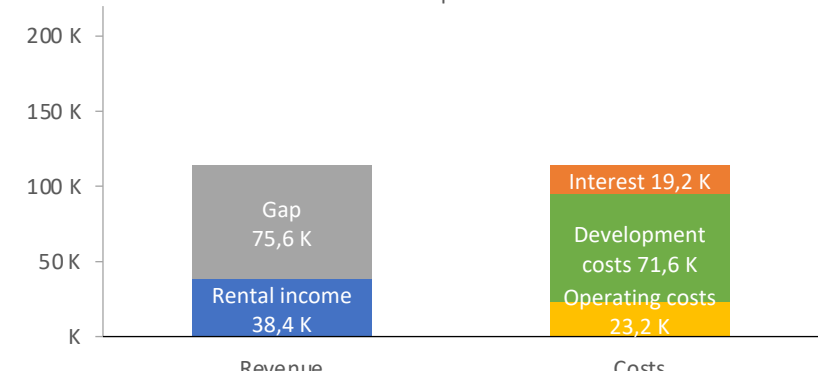
Housing subsidy cannot be avoided, but

1. Upfront capital investment substantially reduces long term recurrent subsidy
2. Commercial finance increases need for public subsidy

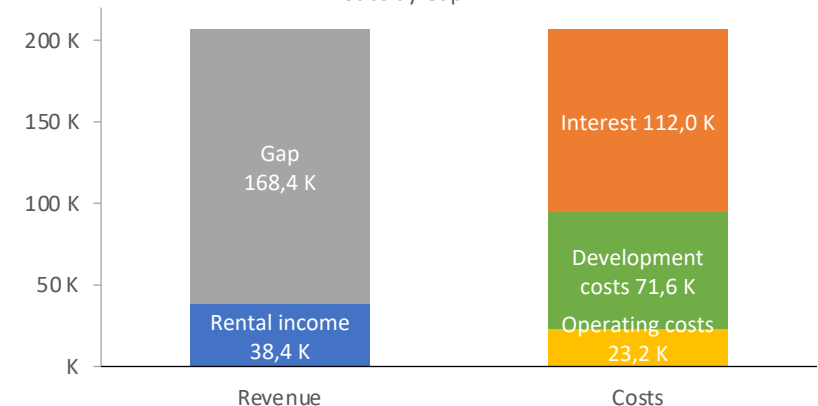
Model 1 Capital funding, discounted finance (4%) in Euro: Per Dwelling Subsidy Gap



Model 2 Discounted finance (4%) loan term 25 years Euro: Per Dwelling Subsidy Gap



Model 3 Private finance commercial loan 25 years (16%) Euro: Per Dwelling Subsidy Gap

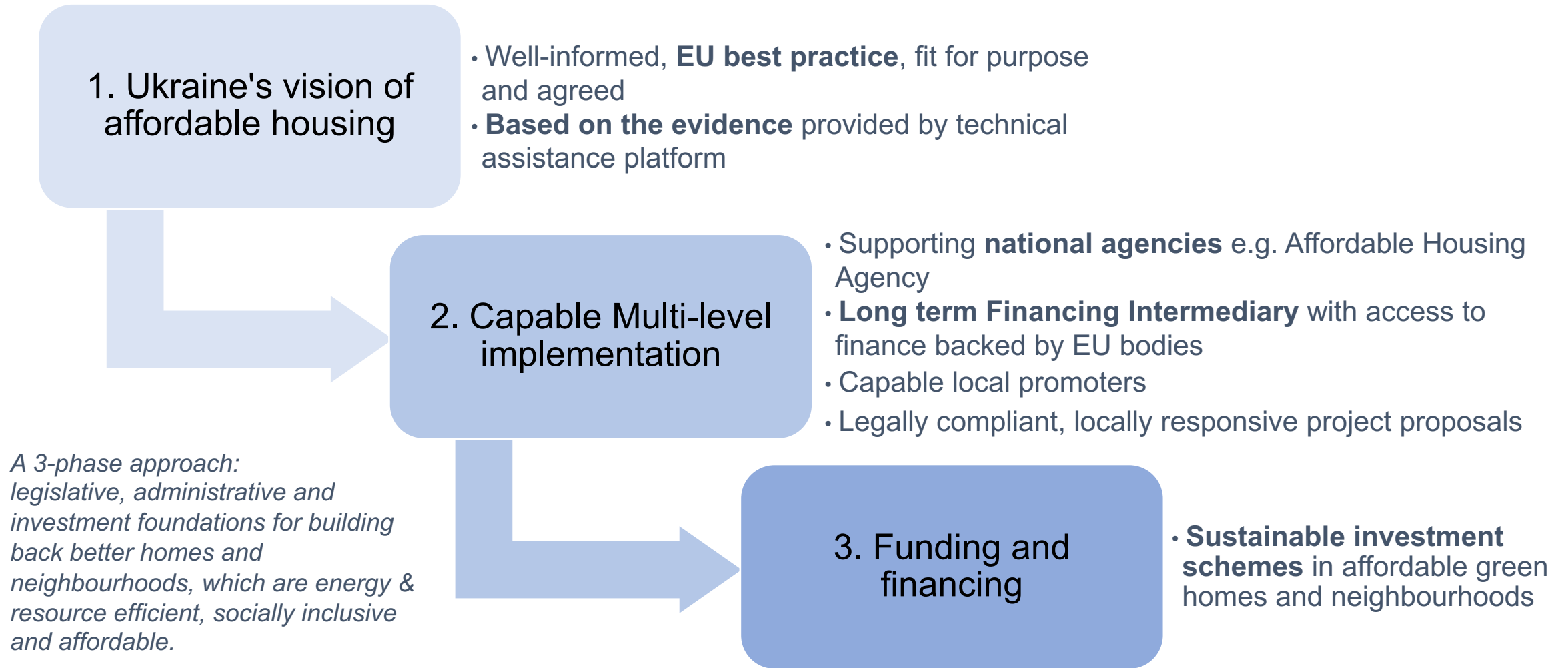


3. Investment approach – fit for purpose

Evaluation of a social housing investment pathway

| Criteria | Components |
|-----------------------------|--------------------------------------------------------------------------------------------------------------|
| Cost effectiveness | Maximum delivery of social housing, at benchmark standard and cost. |
| Cost reducing | Minimal financing costs for social housing delivered at benchmark standard and cost |
| Rent reducing | Financing model places minimal pressure on tenants' rents |
| Equitable | Optimise allocation of available subsidies to benefit lowest income households and those with complex needs. |
| Appropriate risk allocation | Appropriate and fair allocation of risk across key players: government, providers, investors and tenants. |
| Impact on public finances | Allocation from government budget is predictable, stable and affordable for government over time |
| Robustness | Mechanism maximises economic and financial stability and moderates volatility. |
| Feasibility | Mechanism attracts long term political and stakeholder support. |
| Effective delivery | Optimised application of professional and industry standards in delivery. |
| Enhances capacity | Maximum professional standards of delivery of social housing under given finance arrangements |

Feasible investment with a purpose



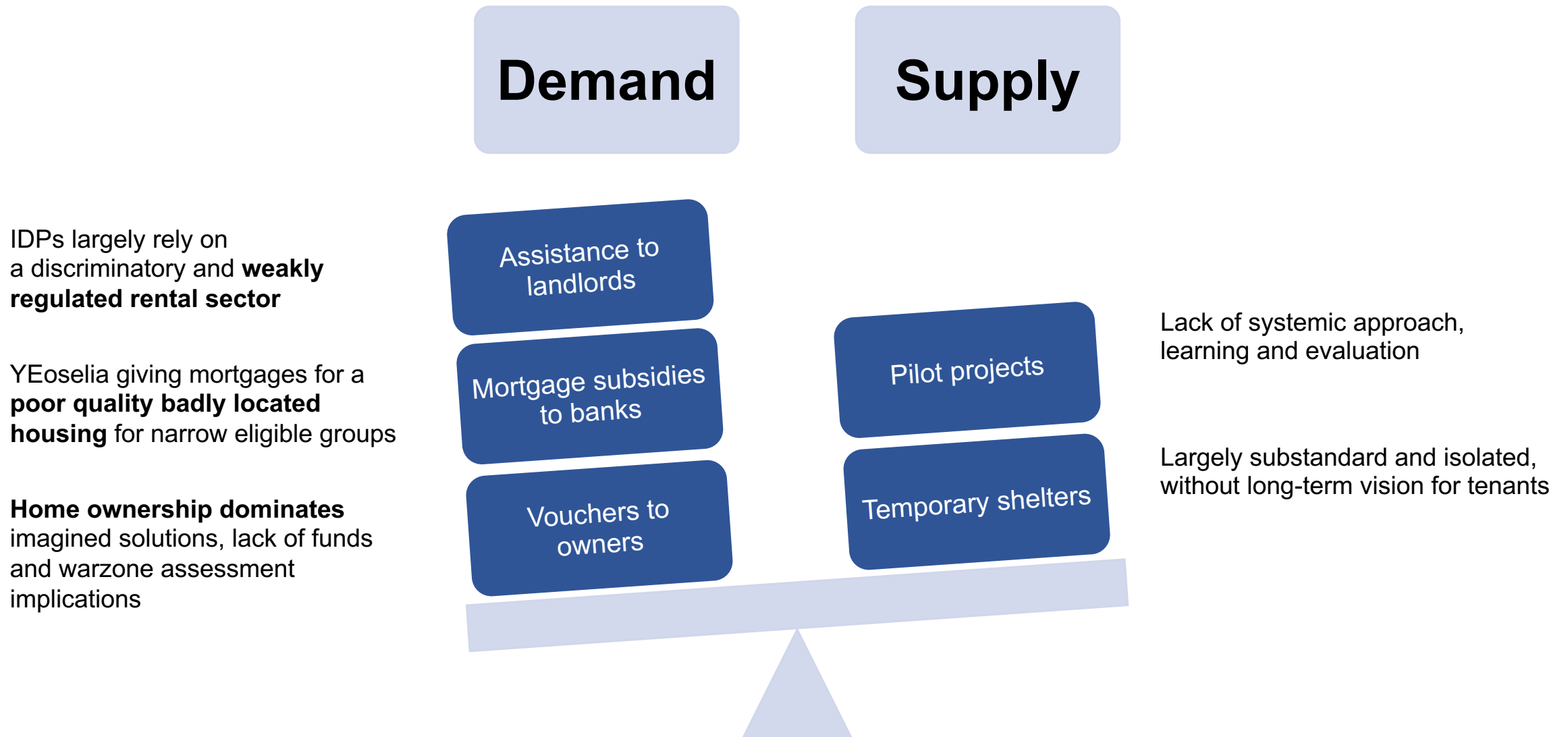
A 3-phase approach: legislative, administrative and investment foundations for building back better homes and neighbourhoods, which are energy & resource efficient, socially inclusive and affordable.

Fosters EU integration and responds directly to Ukraine's needs and preferences for urban recovery

Demand side, Supply side or Both?

| Assessment | Supply side | Demand side | Combining approaches |
|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Advantages | Direct, rapid impact Procurement policy steers quality Builds assets. | Targeted to certain households. | Complementary impact ensuring needed supply is accessible to households in need. Can sustain a growing and resilient sector of purposeful housing with broader market outcomes |
| Disadvantages | More complex policies required. Requires commitment to a long term vision. Requires good governance and regulation of supported providers | Administrative cost A constant government expense that does not build up asset base or reduce costs. Does not influence quality or quantity of housing provided. Can have an inflationary impact in a scarce inelastic rental market. | Requires more sophisticated policy development, implementation and adaptation over time. |
| Situation useful | When improvements in quality and quantity are unlikely without conditional co-investment. To ensure cost effective and sustained outcomes, supports mission focussed nonprofit providers. | When there are no market failures inhibiting quality improvements and quantity of supply, but incomes are insufficient to afford decent housing. To ensure cost effective targets households and sometimes caps support. | When both improvements to supply and improvements to household capacity are required. Supply, quality, access also improved by mission focused housing providers. |

Ukraine needs to rebalance its approach to housing assistance



Social housing is infrastructure

Foundational role of housing – in health, security, stability, educational attainment, community inclusion

Social equity – fairer assistance allocation builds individual capacity and social cohesion

Shaping better markets – driving innovation to maximise social, economic and environmental outcomes for all

Avoiding costs – inadequate, insecure and unaffordable housing costs households and governments dearly



FINAL INQUIRY REPORT

Social housing as infrastructure: rationale, prioritisation and investment pathway

FOR THE
Australian Housing and Urban Research Institute

PUBLICATION DATE
June 2019

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AUTHORED BY

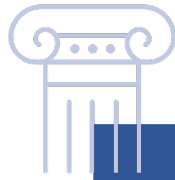
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4. Model for implementation with EU Facility



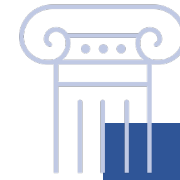
Pillar 1

- Grants
- Loans
- To fulfil Ukraine's Recovery Plan and EU conditionalities



Pillar 2

- Ukraine investment framework
- Complementary measures to attract public and private investment
- e.g. Guarantees



Pillar 3

- Technical assistance
- Bilateral support
- Pre-accession measures
- Interest rates subsidies under pillar one.

Model for implementation with EU Facility – actions



Pillar 1

- National housing fund providing conditional grants for affordable and efficient housing, capitalised by revolving loans
- National housing agency as a key managing body
- Ensure that funding is channelled through regulated, purpose focused and accountable legal entities
- Ensure that housing fulfils UN SDGs and EU NEB goals and quality standards



Pillar 2

- Complementary measures to attract most cost efficient long term financing
- Capacity building effort in affordable housing business operations, including legal guidance for compliance, project management and regulatory framework
- Specialist auditing and reporting to funders and regulators



Pillar 3

- Establish national direction on adequate and affordable housing confirming adoption of European best practices
- Technical assistance to support reform of current social and affordable housing
- Bilateral support provided by countries with strong cost recovery: AU, DK and FI
- Proper data collection capacity in SSSU to inform needs based allocation
- Capacity building for municipalities to establish responsible mission-focused entities

| A potential program for systemic transformation of the housing sector | 2024 | 2024 | 2025 | 2025 | 2026 | 2026 | 2027 | 2027 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|------|------|------|------|------|------|------|
| Tasks over four-year period at 6 monthly intervals | Q1-2 | Q3-4 | Q1-2 | Q3-4 | Q1-2 | Q3-4 | Q1-2 | Q3-4 |
| Joint UA-EU Task Force including UA Ministry of Reconstruction/Territories/Economy/Social Policy/Finance, co-ordination Council for Reforms, including NGOs, EIB and IOM. Involvement of European peers (Austrian IIBW, Irish HFA, Finnish ARA, French CDC, Housing Europe) | | | | | | | | |
| MoR Rapid evaluation of current pilot projects (IOM, IFC, EU funded EE dormitory conversions, NEFCO projects, EIB-EU contracted TA) | | | | | | | | |
| MoR Learning from audits of municipal capacity and potential for fulfilling their role in housing (CEDOS report and NHP NEB outcomes, EIB-EU contracted TA) | | | | | | | | |
| MoR and EU to confirm commissioning principles – integrated into communities, quality energy efficient standards, affordable inclusive rent policy, needs based allocation of grants and loans, allocation policy responsive to local needs, rent policy covers finance and operating cost, builds up equity. | | | | | | | | |
| Progress needs based investment in housing projects top 10 cities in need, create collaborative project learning platform with these participants to share and accumulate implementation capacity. | | | | | | | | |
| Ukraine Housing Agency established to work with municipalities to implement policy (policy design, research, implementation monitoring, audit and regulation) (e.g., building from Finland’s ARA and MAL approach) | | | | | | | | |
| Ukraine Housing Fund (financing institution) established with investment mandate, supervision established (drawing on similar intermediaries and European peers IHFA, CDC, Munifin) | | | | | | | | |
| Support architecture of consumer advocacy (tenant organisations, peer assistance Dutch WOONBond and German TU and building on Cedos work on this) | | | | | | | | |
| Consolidation of best practice Municipal Housing Entities (Housing Agency co-ordinate peer input from Austrian Common Good law, Polish Steszyn, Dutch VNG and AEDES, and Finnish and German municipal Housing Companies, also with a focus on well governed Responsible Entities and integrated planning. | | | | | | | | |
| Obligations of municipalities clearly established, urban planning, construction and management innovations promoted, peer review progresses reforms. Necessary legal reforms in place and commissioning processes. | | | | | | | | |
| Standard procedures for promoting and funding housing projects institutionalised and good practices and learning shared as the norm by Housing Agency. | | | | | | | | |
| Expand program to cover all regions and cities, as a permanent role of UA and municipal governments. | | | | | | | | |
| Continual evaluation, improvement and consumer input accountability of Housing Agency and Financial Intermediary | | | | | | | | |

Indicative implementation schedule reflecting the Ukraine Plan and accelerated by Ukrainian policy holders, NGOs, EU peers and the EU Facility

What could this look like?

- Inclusive urbanism, socially integrated and well connected
- Energy efficient and decarbonised homes and neighbourhoods
- Healthy places to grow, create, work, learn, and age well
- Build Back Better outcomes unlikely without supply side reforms
- Requires purposeful investment
- Informed by Ukraine's needs and also aspirations

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